

PUBLIC HOLDINGS (AUSTRALIA) LIMITED [ACN 000 332 918]

NOTICE OF GENERAL MEETING

EXPLANATORY STATEMENT

PROXY FORM

TIME: 2pm (Melbourne, time)

DATE: Monday, 8 September 2014

PLACE: Presidents Room, 1st Floor, RACV City Club, 501 Bourke Street,
Melbourne, Victoria, 3000

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

Nexia Melbourne Pty Ltd [ABN 32 052 362 348] have prepared an Independent Expert's Report and has provided an opinion that it believes the advantages to non-associated shareholders of the Company of the placement of Atlas' existing shares as outlined in Resolution 1 of this Notice of Meeting outweigh the disadvantages. A copy of the Independent Expert's Report is contained as Annexure One of this Notice of General Meeting. It is recommended that all shareholders read the Independent Expert's Report in full.

Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Company on (+61 3) 9817 0700.

**NOTICE OF GENERAL MEETING
PUBLIC HOLDINGS (AUSTRALIA) LIMITED [ACN 000 332 918]**

Notice is given that a General Meeting (**Meeting**) of Public Holdings (Australia) Limited [ACN 000 332 918] (**Company** or **PHA**) will be held at Presidents Room, 1st Floor, RACV City Club, 501 Bourke Street, Melbourne, Victoria, 3000 on Monday, 8 September 2014 at 2pm (Melbourne, time).

Each of the resolutions proposed to be put to shareholders at the Meeting are set out in this Notice of General Meeting (**Notice**) and further details regarding those resolutions are set out in the Explanatory Memorandum accompanying this Notice. The details of the resolutions contained in the Explanatory Memorandum should be read together with, and form part of, this Notice.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered shareholders of the Company 48 hours before the Meeting.

BUSINESS

RESOLUTION 1 APPROVAL FOR PLACEMENT OF ATLAS' EXISTING PHA SHARES TO CLIENTS OF PEREGRINE CORPORATE LIMITED

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to Resolution 2 being passed, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth), and for all other purposes, shareholders approve:

- (a) **the placement of the existing 11,074,580 fully paid ordinary shares in the Company held by Atlas Securities Pty Ltd [ACN 001 147 593] to the clients of Peregrine Corporate Limited [AFSL 237858] who are professional and sophisticated investors in the proportions set out in the table below:**

Entity	Shares
Queensland MM Pty Ltd [ACN 010 552 066]	1,500,000
Actionette Pty Ltd [ACN 099 651 206]	1,400,000
Clayton Dodd atf Clayton Dodd Superannuation a/c	2,000,000
Penleigh Banner Pty Ltd [ACN 064 966 945]	800,000
Peter Frederick Chapman and Dianne Margaret Chapman atf William Noall Ltd Executive Super Fund	2,000,000
Chifley Portfolios Pty Ltd [ACN 001 303 939] atf the David Hannon Retirement Fund	1,500,000
Kastin Pty Ltd [ACN 105 820 997]	400,000
Mr Alexander Fleming Wylie	400,000
LSAF Holdings Pty Ltd [ACN 124 123 271]	400,000
Shared Office Services Pty Ltd [ACN 102 634 800]	400,000
Bridun Pty Ltd [ACN 005 916 610]	274,580

- (b) the acquisition by those Investors of a relevant interest in up to 73.93% of the Company's ordinary shares;

as described in the Explanatory Memorandum which accompanies and forms part of the Notice of General Meeting."

VOTING EXCLUSION STATEMENT RESOLUTION 1

No votes may be cast in favour of Resolution 1 by any of the investors named in the table above or Atlas Securities Pty Ltd or any of their respective associates. However, the Company will not disregard a vote on Resolution 1 if:

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

RESOLUTION 2: EQUAL CAPITAL RETURN TO SHAREHOLDERS

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of sections 256B and 256C of the Corporations Act and for all other purposes, the issued share capital of the Company be reduced by the return to ordinary shareholders of an amount equal to 85% of the Company's net assets on a pro-rata basis based on each ordinary shareholders' shareholding at the Record Date, as described in the Explanatory Memorandum which accompanies and forms part of this Notice of General Meeting."

RESOLUTION 3: ELECTION OF DIRECTOR – MR BRYAN FROST

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"THAT, subject to and with effect on and from completion of the placement contemplated in Resolution 1, Mr Bryan Frost, having consented to act and being eligible for election, be elected as a director of the Company."

RESOLUTION 4: ELECTION OF DIRECTOR – MR PETER CHAPMAN

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"THAT, subject to and with effect on and from completion of the placement contemplated in Resolution 1, Mr Peter Chapman, having consented to act and being eligible for election, be elected as a director of the Company."

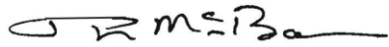
RESOLUTION 5: ELECTION OF DIRECTOR – MR CLAYTON DODD

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"THAT, subject to and with effect on and from completion of the placement contemplated in Resolution 1, Mr Clayton Dodd, having consented to act and being eligible for election, be elected as a director of the Company."

Dated: 25 July 2014

By the order of the Board

A handwritten signature in black ink, appearing to read 'D McBain', with a stylized flourish at the end.

David McBain
Company Secretary
Public Holdings (Australia) Limited

The accompanying Explanatory Memorandum and the Proxy and Voting Instructions form part of this Notice.

PROXY AND VOTING INSTRUCTIONS

PROXY INSTRUCTIONS

A member who is entitled to vote at a meeting may appoint:

- (a) one proxy if the member is only entitled to one vote; and
- (b) one or two proxies if the member is entitled to more than one vote.

Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be returned in accordance with the instructions set out on the form not less than 48 hours before the time for holding the Meeting, or adjourned Meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act 2001 (Cth). A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.

The proxy may, but need not, be a member of the Company.

If you sign the proxy form and do not appoint a proxy, you will have appointed the Chair of the Meeting (Chair) as your proxy.

A proxy form is attached to this Notice.

HOW THE CHAIRMAN WILL VOTE UNDIRECTED PROXIES

The Chair of the meeting will vote undirected proxies on, and in favour of, all of the proposed resolutions.

CORPORATE REPRESENTATIVES

Any corporation which is a member of the Company may appoint a proxy, as set out above, or authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the chairperson of the Meeting) a natural person to act as its representative at any general meeting.

Corporate representatives are requested to bring appropriate evidence of appointment as a representative in accordance with the constitution of the Company. Attorneys are requested to bring the original or a certified copy of the power of attorney pursuant to which they were appointed. Proof of identity will also be required for corporate representatives and attorneys.

VOTING ENTITLEMENT

For the purposes of the Corporations Act and Corporations Regulations shareholders entered on the Company's Register of Members 48 hours before the Meeting are entitled to attend and vote at the meeting.

On a poll, members have one vote for every fully paid ordinary share held. Holders of options are not entitled to vote.

PUBLIC HOLDINGS (AUSTRALIA) LIMITED [ACN 000 332 918]

**GENERAL MEETING
EXPLANATORY MEMORANDUM**

This Explanatory Memorandum (**Memorandum**) accompanies and forms part of the Company's Notice of General Meeting (**Notice**) to be held at Presidents Room, 1st Floor, RACV City Club, 501 Bourke Street, Melbourne, Victoria, 3000 on Monday, 8 September 2014 at 2pm (Melbourne, time). The Notice of General Meeting incorporates, and should be read together with, this Memorandum.

**RESOLUTION 1 APPROVAL FOR PLACEMENT OF ATLAS' EXISTING PHA SHARES TO
CLIENTS OF PEREGRINE CORPORATE LIMITED**

Pursuant to a mandate (**Mandate**) between Peregrine Corporate Limited [AFSL:237858] (**Peregrine**) and Atlas Securities Pty Ltd [ACN 001 147 593] (**Atlas**) dated 21 May 2014 and countersigned and accepted by Atlas on 22 May 2014, Peregrine has procured agreements to place all of Atlas' PHA shares with third party investors (**Investors**) at a price per share equal to the net asset backing of those shares immediately following completion of the capital return the subject of Resolution 2 (**Placement**).

The Placement under this Resolution 1 is conditional upon shareholders also approving the capital return to shareholders the subject of Resolution 2.

Atlas currently holds 11,074,580 fully paid ordinary shares representing approximately 73.93% of the issued share capital of the Company.

Resolution 1 seeks approval from the Company's shareholders for:

- the placement and transfer of Atlas' existing 11,074,580 fully paid ordinary PHA shares to the Investors; and
- the resultant acquisition of a relevant interest in the Company's ordinary shares by the Investors for the purposes of item 7 of section 611 of the Corporations Act.

The ordinary shares the subject of this Resolution 1 are to be placed with and transferred to the Investors in the proportions set out in Table 1 below:

Table 1 – Investors' proposed shareholdings

Entity	Shares Proposed to be Received	Increase in voting power
Queensland MM Pty Ltd [ACN 010 552 066]	1,500,000	From 0% to 10.01%
Actionette Pty Ltd [ACN 099 651 206]	1,400,000	From 0% to 9.35%
Clayton Dodd atf Clayton Dodd Superannuation a/c	2,000,000	From 0% to 13.35%
Penleigh Banner Pty Ltd [ACN 064 966 945]	800,000	From 0% to 5.35%
Peter Frederick Chapman and Dianne Margaret Chapman atf William Noall Ltd Executive Super Fund	2,000,000	From 0% to 13.35%
Chifley Portfolios Pty Ltd [ACN 001 303 939] atf the David Hannon Retirement Fund	1,500,000	From 0% to 10.01%

Kastin Pty Ltd [ACN 105 820 997]	400,000	From 0% to 2.67%
Mr Alexander Fleming Wylie	400,000	From 0% to 2.67%
LSAF Holdings Pty Ltd [ACN 124 123 271]	400,000	From 0% to 2.67%
Shared Office Services Pty Ltd [ACN 102 634 800]	400,000	From 0% to 2.67%
Bridun Pty Ltd [ACN 005 916 610]	274,580	From 0% to 1.83%
TOTAL	11,074,580	From 0% to 73.93%

As at the date of this Memorandum none of the Investors holds any shares in the Company or has a relevant interest in the Company's share capital.

Summary of Agreement for Sale and Purchase of Shares between Atlas, Peregrine and the Investors

Atlas, Peregrine and the Investors are party to an Agreement for the Sale and Purchase of Shares dated 22 July 2014 (**Sale Agreement**). The key terms of the Sale Agreement are as follows:

- **(Sale Shares)** Subject to the satisfaction of the conditions set out below, Atlas has agreed to sell and the Investors have agreed to purchase 11,074,580 shares of the Company.
- **(Purchase Price)** The purchase price for the Atlas' PHA shares is to be calculated as the net asset backing of those shares immediately following the completion of the capital return (the subject of Resolution 2). The purchase price is anticipated to approximate (in aggregate) \$130,000 (approximately \$0.0118 per share).
- **(Conditions)** The sale and purchase of the Atlas' PHA shares is subject to and conditional on satisfaction of the following conditions:
 - The Company obtaining all necessary shareholder and regulatory approvals for, and completing, the capital return.
 - The Company obtaining all necessary shareholder and regulatory approvals for the sale and purchase of Atlas' PHA shares, including the approval sought by this Resolution 1.
 - There being no adverse event, matter or circumstance (or any other thing in the control of the Company or Atlas) occurring between the date of the Mandate and the completion date of the Sale Agreement having, or likely to have, a materially adverse effect on the Company or the value of Atlas' PHA shares.
 - There being no breach of the warranties by Atlas.
- **(Completion)** Completion of the sale and purchase of Atlas' PHA shares will take place three business days after the satisfaction of the conditions described above.
- **(Warranties)** Atlas has provided Peregrine and the Investors with a number of standard warranties in respect of its right, title and interest in its PHA shares and its knowledge regarding the Company.
- **(Termination)** In the event that the conditions described above are not satisfied by 12 September 2014, any party to the Sale Agreement may terminate the Sale Agreement in writing subject to an obligation to extend this date to accommodate delays outside the control of the parties.

In the event that the Placement does not proceed (including, for example, where shareholders do not approve Resolution 1) Peregrine has agreed to pay the costs of the Company incurred in connection

with calling and holding the Meeting up to a maximum of \$50,000 plus GST. This indemnity will not apply if the transaction fails in circumstances where the Company fails to do all things reasonably necessary to call and hold the Meeting and implement the Placement.

If the Placement proceeds the indemnity will not apply and the Company will be liable for all of the costs incurred by it in connection with the calling and holding of the Meeting. These costs include:

- legal in connection with calling and holding the meeting;
- preparation of Independent Experts Report;
- printing, mailing and other share registry services;
- costs associated with booking the venue for the Meeting and arranging appropriate support and member services.

Corporations Act Requirements

Chapter 6 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of a certain public companies (including ASX listed companies) if, because of that acquisition, that person's (or someone else's) voting power (when aggregated with the voting power of their associates) increases:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

Section 611 of the Corporations Act provides various exceptions to the prohibition. Item 7 in the table of section 611 of the Corporations Act provides an exception to the prohibition set out above if a company obtains the approval of its shareholders for the acquisition at a general meeting of its shareholders.

The detail of what constitutes a "*relevant interest*" is extensively defined in the Corporations Act. It includes holding voting shares, being able to exercise control over voting shares and having power to dispose of, or control the disposal of, voting shares. It does not matter how remote the relevant interest is or how it arises. If two or more persons can jointly exercise one of these powers, each of them is taken to have that power.

The Company has been advised that Queensland MM Pty Ltd and Actionette Pty Ltd are each entities which are 'associates' of Mr Bryan Frost. Subject to this Resolution 1 and Resolution 3 being passed, Mr Frost will be appointed as a Director of the Company with effect from completion of the Placement and transfer of Atlas' PHA shares to the Investors. Accordingly, if Resolution 1 is approved and upon completion of the Placement Mr Frost will have a relevant interest in 19.36% of the Company's ordinary voting shares (being the shares held by Queensland MM Pty Ltd and Actionette Pty Ltd).

Other than the associations between Queensland MM Pty Ltd and Actionette Pty Ltd disclosed above, each Investor has advised the Company that:

- it does not consider any of the other Investors to be an 'associate' for the purposes of the Corporations Act; and;
- on this basis no Investor has a relevant interest in any of the shares held (or to be held) by any other Investor in the Company.

However, for the purposes of the approvals sought in connection with the Placement the subject of this Resolution 1, the Company acknowledges that the Investors may arguably be considered to be

acting in concert with each other and therefore deemed to be 'associated' for the purpose of the Corporations Act. Accordingly, while the Investors deny any such association (other than the association between Queensland MM Pty Ltd and Actionette Pty Ltd disclosed above), in the interests of full disclosure and to ensure that shareholders are provided with all information which may be relevant to their decision on whether to approve Resolution 1 the Company has elected to seek shareholder approval under section 611 of the Corporations Act on the basis that all of the Investors are 'associated' and therefore has instructed the Independent Expert to consider this Resolution 1 in the Independent Expert's Report.

Any association between the Investors that is deemed to exist as a result of the Investors being believed to be acting in concert with each other in connection with the Placement and the transfer of Atlas' exiting PHA shares pursuant to this Resolution 1 will cease upon the implementation of this Resolution 1. Accordingly, if this Resolution 1 is implemented no individual Investor (whether alone or in conjunction with its associates), will hold a relevant interest in more than 20% of the Company's issued share capital. The largest relevant interest held by any one Investor (or its associates) will be the interest held by Mr Bryan Frost of 19.36% (held through Queensland MM Pty Ltd and Actionette Pty Ltd).

If Resolution 1 is approved and upon completion of the Placement, the Investors will in aggregate hold a relevant interest in a total of 11,074,580 of the Company's ordinary fully paid shares (being all the ordinary PHA shares currently held by Atlas). No new shares will be issued pursuant to this Resolution 1.

If Resolution 1 is passed the maximum aggregated relevant interest in the voting power of the Company that will be obtained by the Investors immediately following transfer of the shares the subject of Resolution 1 is 73.93% (a maximum increase of 73.93% – from Nil to 73.93%).

If Resolution 1 is approved the incoming Directors (who will be appointed with effect from implementation of the Placement subject to Resolutions 3, 4 and 5 being passed) will have relevant interest in the Company's shares as set out in the table below:

Director	Relevant Interest (Shares)	Relevant Interest (%)
Mr Bryan Frost	2,900,000	19.36%
Mr Peter Chapman	2,000,000	13.35%
Mr Clayton Dodd	2,000,000	13.35%

Each of the Investors has, through Peregrine, advised the Company of their intentions (should they obtain a relevant interest in the Company through the Placement and transfer of shares as proposed in this Resolution 1) as follows:

- No Investor has any current commitment to inject further capital into the Company however the Investors recognise that following completion of the transfer and placement the Company will have limited assets and no substantive activities and will seek to pursue new business opportunities. It should be noted that it is the intention of the incoming directors of the Company to actively investigate opportunities for the acquisition of a new business or undertaking and any such proposal is likely to incorporate a capital raising to provide a quantity of working capital for the business or undertaking acquired.

Furthermore, following completion of the capital return (Resolution 2) the Company's available funds will be significantly reduced. The incoming directors of the Company intend to significantly reduce the Company's operating expenses (for example, it is intended that fees will not be paid the incoming Directors until such time as the acquisition of new

business or undertaking is identified which would justify such fees). Despite these savings the Company may in the future still need to raise further funds to provide additional working capital.

If further capital is required, the incoming directors of the Company will consider the funding alternatives available to the Company at the time to determine the most appropriate fundraising method. This would be likely to include an entitlement offer to existing shareholders and/or a share purchase plan to enable holders of small shareholding parcels to increase those holdings to a viable level.

- No Investor currently proposes to change the business activities of the Company. However, as noted above, following completion of the transfer and placement it is the intention of the incoming directors of the Company to investigate opportunities for the acquisition of a new business or undertaking. The acquisition or pursuit of any new business or undertaking by the Company would ordinarily require shareholder approval and details of the Company's progress towards identifying and assessing any such opportunity will be presented to all shareholders in accordance with the Company's continuous disclosure obligations under the ASX Listing Rules.
- The Company does not currently have any employees. In connection with the Placement proposal, the existing Directors of the Company have agreed that they will each resign upon completion of the Placement to make way for the appointment of Mr Bryan Frost (refer Resolution 3), Mr Peter Chapman (refer Resolution 4) and Mr Clayton Dodd (refer Resolution 5).
- No Investor has an intention to transfer any assets between it (or any of its associates) and the Company.
- There is no intention for any Investor to otherwise seek to redeploy the fixed assets of the Company following the Investor's acquisition of a relevant interest in the Company.
- No Investor has an intention to seek to significantly change the financial or dividend distribution policies of the Company.

The shares the subject of this Resolution are proposed to be transferred from Atlas to the Investors as soon as practical after the Meeting provided however that the transfer will not occur until such time as the capital return (Resolution 2) has been completed.

Consequences if this Resolution is not passed

If this Resolution 1 is not passed, the Placement will not occur. Also, as the passing of this Resolution 1 is conditional upon shareholders also passing Resolution 2 (authorising the Company to undertake the capital return). Accordingly, if shareholders do not pass Resolution 2 authorising the capital return the Placement contemplated by Resolution 1 will not occur.

If the share placement the subject of Resolution 1 is not implemented, the Directors of PHA have determined that the most likely course of action would be to liquidate the Company by way of a voluntary winding up. If the Company is liquidated, shareholders will receive a pro-rata distribution of the assets of the Company after all of the Company's creditors have been repaid and the expenses associated with the liquidation have been satisfied. Upon completion of the winding up, PHA shareholders will cease to hold shares in the Company and the Company will be deregistered.

Independent Expert's Report

The Company has obtained an Independent Expert's Report from Nexia Melbourne Pty Ltd [ABN 32 052 362 348] (**the Independent Expert**) in respect of the acquisition of a relevant interest in the Company's ordinary fully paid shares that will be obtained by the Investors if Resolution 1 is approved by non-associated shareholders.

The Independent Expert has determined that the advantages to non-associated shareholders of the proposed acquisition by the Investors that will occur on completion of the Placement if Resolution 1 is approved outweigh the disadvantages. The Independent Expert's Report should be read in full and is set out as Annexure One. Shareholders should refer to the Independent Expert's Report and the matters set out in this Memorandum when considering how to vote on Resolution 1. In reviewing Annexure One, shareholders should note that the Independent Expert's Report contains a summary table of the Independent Expert's opinion of the advantages and disadvantages of Resolution 1 (refer to paragraph 44 and 127 of the Independent Expert's Report).

Directors' Recommendations

Yuan-Yi Lao, Ying Fang Mei, Shu-Lin Xin and Wai-Kin Yeung, each of whom is a Director of PHA, are each also either directors and/or hold an indirect interest in the shares of Atlas and therefore make no recommendation regarding Resolution 1. The remaining Director recommends that non-associated shareholders vote in favour of Resolution 1.

A voting exclusion applies to Resolution 1 and is set out in the Notice.

RESOLUTION 2: CAPITAL RETURN TO SHAREHOLDERS

At the Meeting, shareholders will be asked to consider an ordinary resolution to approve the Company returning an amount of the capital of the Company to its ordinary shareholders on an equal basis.

The proposed capital return is considered by the PHA Board as an appropriate means of allowing shareholders to realise a significant percentage of the underlying value represented by their shareholding in the Company in circumstances where they may otherwise be unable to do so given the relative inactivity (and therefore lack of liquidity) of trading in the Company's ordinary shares.

As noted above, the incoming directors of the Company intend to explore opportunities for a new business activity or undertaking which might reinvigorate the Company. Prior to embarking upon such a new direction it is appropriate to return substantial value to the current shareholders to avoid any outcome wherein they were effectively compelled to invest in a new business activity or undertaking.

In order to implement the proposed capital return, the Company has applied to ASX for and obtained a waiver of ASX Listing Rule 7.25 which would otherwise prevent the Company from undertaking a proposal for an equal return of capital to its ordinary shareholders where that return would (or would be likely to) result in a decrease in the trading price of the Company's ordinary shares and see those shares trade at a price lower than \$0.20.

Entitlement to participate

Subject to shareholder approval being obtained for the capital return, all of the Company's shareholders who are registered on the Company's share register as at 5.00pm on 12 September 2014 (**Record Date**) will participate in the capital return (refer to indicative timetable below).

Amount of entitlement

The proposed capital return and reduction will be by way of a distribution of an amount of capital equal to 85% of the Company's net assets as at the date of the Notice but taking into account operating expenses and other costs incurred in connection with implementation and completion of the capital return. Based on the previously reported audited consolidated financial position of PHA as at 31 December 2013 (refer: ASX Announcement of 27 March 2014 titled "Full Year Statutory

Accounts”), the Company had reported net assets at 31 December 2013 of \$1.431 million. However, based on the Company’s unaudited management accounts of 30 April 2014, PHA’s recorded net assets at 30 April 2014 were \$1.337 million (refer unaudited balance sheet at paragraph 69 of the Independent Expert’s Report in Annexure One). Having regard for the Company’s forecast operating expenses and receipts and the estimated costs of the Meeting and the implementation of the capital return, it is anticipated that the Company’s capital will be reduced by approximately \$1.045 million - \$1.003 million, equating to a return to each shareholder of approximately \$0.0698 (6.98 cents) - \$0.0670 (6.70 cents) per ordinary share. However, the exact amount of capital returned to shareholders will be dependent on a number of factors including the price at which the Company’s existing financial assets are sold and the Company’s creditor position existing at the time the return is made.

Effect of the proposed return of capital on the Company

The capital return will be paid from the Company’s existing cash and the proceeds of sale of financial assets of the Company. The effect of the capital return is that the net assets of the Company will be reduced by approximately 85%, to between approximately \$177,000 and \$184,000. The capital return will have no effect on the total number of shares on issue. Following the capital return, the Company will have 14,979,000 shares on issue. The Company currently has no options on issue.

Indicative timetable

If Resolution 2 is passed, the capital return will take effect in accordance with the following timetable (which is indicative only and subject to change):

Event	Date
Meeting held and results announced to ASX	8 September 2014
Last date of trading on a pre-capital return basis	9 September 2014
Trading on an ‘ex-return of capital basis commences’	10 September 2014
Record Date	12 September 2014

If Resolution 2 is approved, the entitlement to the capital return is expected to be paid to shareholders as soon as practical and no later than two weeks after the Record Date.

Shareholder approval and regulatory requirements

The capital reduction is an ‘equal capital reduction’ in accordance with section 256B(2) of the Corporation Act as:

- it relates only to ordinary shares in the capital of the Company;
- it applies to each holder of ordinary shares in the same proportion to the number of ordinary shares they hold in the Company; and
- the terms of the reduction are the same for each holder of ordinary shares in the Company.

Pursuant to section 256C of the Corporations Act, the capital reduction must be approved by an ordinary resolution passed at a general meeting of the Company’s shareholders. An ordinary resolution requires a simple majority of votes cast by shareholders present (whether in person or by proxy or representative).

Directors’ Opinion

The directors are satisfied that the Company will remain solvent following the capital return and that the capital return will not materially prejudice the Company’s ability to pay its creditors. The amount of capital returned will be calculated by reference to the net asset position of the Company (i.e. the assets of the Company less any liabilities including liabilities to creditors), and as such the Company

will maintain sufficient cash reserves to pay its creditors.

Taxation implications for shareholders

The Company has obtained tax advice from Babbage & Co, accountants, regarding the taxation implications for shareholders of the proposed capital return. Babbage & Co advise that on the assumption that shareholders hold their shares on capital account, the return of capital should generally create no immediate tax liability for shareholders. A return of capital on shares acquired after 19 September 1985 will generally reduce the capital gains tax cost base of a shareholders' shares in PHA. This reduction in cost base may result in an increased capital gain, or reduced capital loss, upon the eventual disposal of a shareholders' shares in PHA. A return of capital will only create a capital gain at the time of the return if the return of capital is in excess of the cost base of the relevant share.

Given the anticipated return of between approximately \$0.0698 (6.98 cents) - \$0.0670 (6.70 cents) per ordinary share shareholders should review the cost base of their PHA shareholding in considering the potential taxation implications.

The taxation implications of the proposed capital return may vary depending on the particular circumstances applicable to each shareholder. Accordingly, shareholders are urged to seek their own advice based on their own particular circumstances as to the tax consequences of the return of capital.

Directors' Opinion

The Director's believe that:

- the capital return is fair and reasonable to the shareholders as a whole as the terms of the capital return are the same for each shareholder and the capital return is being made on a pro-rata basis;
- the capital return does not materially prejudice the Company's ability to pay its creditors as the Company will have sufficient cash reserves to pay its creditors after the capital return;
- the Company will remain solvent following the capital return.

The Directors have considered the advantages and disadvantages of the capital return as follows:

Advantages

The primary advantage in approving the capital return is that it will enable the Company to repatriate capital to its shareholders, which is in excess of its current capital requirements. Also, the approval by shareholders of the capital return is a condition precedent to the Placement described above, which if implemented will result in new management who will seek to identify opportunities to reinvigorate the Company which may include the acquisition of a new business or undertaking.

The Directors have in the past months assessed a number of alternative proposals for the future direction of the Company. Of the alternatives assessed, the Directors of PHA believe that the capital return and placement proposal described in Resolutions 1 and 2 represented the best potential for shareholders to realise and maximise the value of the PHA shareholding.

Disadvantages

A disadvantage of the proposed capital return is that following its implementation, the Company will have a reduced capital base from which to operate. However, the directors are of the opinion that the current capital base of the Company is in excess of the Company's current requirements. For further details regarding the intentions of the

incoming directors should further capital be required in the future please refer to pages 4 and 5 of this Memorandum.

Consequences if this Resolution is not passed

If this Resolution 2 is not passed, the Company will not undertake the capital return. As Resolution 1 (the Placement of Atlas' shares to Investors) is conditional upon the passing of this Resolution 2, the Placement will not occur.

If neither the capital return nor Placement occur the Directors will continue to look for alternative proposals for the reinvigoration of the Company and the realisation of value for PHA's shareholders. The identification and assessment of alternative proposals will take time and involve costs which will be in addition to the ongoing daily operating costs incurred by PHA. There can be no guarantee that a suitable alternative proposal would be identified and/or secured on any particular terms, or at all. Ultimately, if no alternative proposal could be identified, the Directors of PHA may elect to liquidate the Company in a voluntary winding up. If the Company is liquidated, shareholders will receive a pro-rata distribution of the assets of the Company after all of the Company's creditors have been repaid and the expenses associated with the liquidation have been satisfied. Upon completion of the winding up, the shareholders will cease to hold shares in the Company and the Company will be deregistered.

Directors' interests and recommendations

Other than Shu-Lin Xin, each of the Directors hold interests in shares, either directly or indirectly, in the Company and accordingly will be participating in the capital return. Details of the Directors direct and indirect holdings are set out in the table and notes below:

Director	Number of shares held (directly)
Yuan-Yi Lao	Nil
Shu-Lin Xin	Nil
Wai-Kin Yeung	248
Oreste Anthony Biziak	2000
Ying Fang Mei	440

Note to Table – Indirect Director Interests

In addition to the direct interest of the Directors in the Company disclosed above, Yuan-Yi Lao, Shu-Lin Xin and Wai-Kin Yeung hold interests in shares and/or options in First Shanghai Investments Limited (FSIL), a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange. FSIL owns indirectly all of the issued share capital of Atlas which owns approximately 73.93% of the issued capital of the Company. Atlas will receive a capital return on a pro-rata basis in accordance with this percentage holding if Resolution 2 is approved. FSIL has a total issued share capital of 1,398,913,012 shares, the Directors respective interests in FSIL are set out below:

- *Yuan- Yi Lao, 169,357,696 shares (12.11%) and 11,944,000 options;*
- *Wai-Kin Yeung 62,304 shares (0.004%) and 19,842,000 options; and*
- *Shu-Lin Xin 8,032,000 options.*

No director will receive any payment or benefit of any kind as a consequence of the capital return, other than as an ordinary shareholder.

In accordance with section 256C(5) of the Corporations Act, a copy of the Notice and Explanatory Statement has been lodged with ASIC. A copy of the Notice and Explanatory Memorandum has also been provided to ASX in accordance with ASX Listing Rule 3.17.

Neither ASIC nor ASX nor any of their respective officers takes any responsibility for the contents of the Notice and Explanatory Memorandum.

RESOLUTION 3: ELECTION OF DIRECTOR – MR BRYAN FROST

Subject to and with effect on and from the completion of the Placement the subject of Resolution 1, shareholder approval is sought for the appointment of Mr Bryan Frost to the board of the Company.

Mr Frost has had a long career spanning stockbroking, investment banking, venture capital, direct investment and company management. He was a partner of a Melbourne based stockbroking firm until 1973, where he specialised in advising international investors, banks and investment funds on Australian arbitrage and investments. Mr Frost has over 55 years' experience and he has been involved in a number of public companies as an executive director and major shareholder and possesses extensive experience in financial engineering and management. Mr Frost is a Director of Peregrine Corporate Limited.

The current directors unanimously support the election of Mr Frost.

RESOLUTION 4: ELECTION OF DIRECTOR – MR PETER CHAPMAN

Subject to and with effect on and from the completion of the Placement the subject of Resolution 1, shareholder approval is sought for the appointment of Mr Peter Chapman to the board of the Company.

Mr Chapman has a more than 40 years' experience in the finance, stockbroking and investment banking industries. During his career Mr Chapman has held numerous positions on the boards of merchant banks, stockbroking firms and ASX-listed companies including time as Managing Director of the merchant bank Grindlays Australia Limited, founder and senior partner of the stockbroking firm Saw Chapman & Co (acquired by Kleinwort Benson Australia Limited in 1987), director of The Melbourne Stock Exchange Limited and the Australian Stock Exchange (Melbourne) Limited and a director of the ASX-listed Noall Group Limited between 1999 and 2004. More recently, Mr Chapman has pursued business interests in resource sector in South Africa and oil and gas sector in the Middle East and his current directorships include a position as chairman of KIPC Middle East Limited.

The current directors unanimously support the election of Mr Chapman.

RESOLUTION 5: ELECTION OF DIRECTOR – MR CLAYTON DODD

Subject to and with effect on and from the completion of the Placement the subject of Resolution 1, shareholder approval is sought for the appointment of Mr Clayton Dodd to the board of the Company.

Mr Dodd qualified as a Chartered Accountant in 1980 and has more than 30 years' experience in finance and resources in Australia, Africa and South America covering a number of selected resources including diamonds, platinum, copper and nickel. Mr Dodd has held numerous executive director positions including Chairman and CEO of public companies listed on the AIM, ASX, and the TSX stock exchange, having been a founding shareholder and director of the majority of these companies. Over the last ten years Mr Dodd has held public company executive directorships in Striker Resources Limited, New Sage Resources Ltd, Brinkley Mining Limited and Braemore Resources Plc.

The current directors unanimously support the election of Mr Dodd.

ANNEXURE ONE

INDEPENDENT EXPERT'S REPORT



the next solution

PUBLIC HOLDINGS (AUSTRALIA) LIMITED

**Independent Expert's Report
pursuant to Section 611 of the Corporations Act
SALE OF SHARES BY ATLAS SECURITIES PTY LTD**

JULY 2014

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Abbreviated Term	Definition
Act	The Corporations Act 2001
AFSL	Australian Financial Services Licence
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
Atlas	Atlas Securities Pty Ltd [ACN 001 147 593], PHA's current majority shareholder with approximately 74% of PHA shares
Capital Return	The proposed equal reduction return of capital to all shareholders equal to 85% of the net assets of the Company, subject to Resolution 2 in the Notice of Meeting
Company	Public Holdings (Australia) Limited
Directors	Directors of the Company
EM	Explanatory Memorandum
Peregrine	Peregrine Corporate Limited [AFSL: 237858]
PHA	Public Holdings (Australia) Limited
Investors	Approximately 11 third party investors who are currently clients of Peregrine
NAV	Net Asset Value
Nexia	Nexia Melbourne Pty Ltd - AFSL Holder 247362
Proposal	The Capital Return and Share Placement
Proposal Shares	11,074,580 fully paid ordinary PHA shares currently owned by Atlas
QMV	Quoted Market Value
Report	This Independent Expert Report prepared by Nexia in relation to the Proposal
RG 111	ASIC Regulatory Guide 111 - Content of Experts Reports
RG 112	ASIC Regulatory Guide 112 - Independence of Experts
PHA Shareholders	Shareholders of PHA not associated with the Proposal
Share Placement	The placement of the Proposal Shares to the Investors by way of an off-market transfer

24 July 2014

The Directors
Public Holdings (Australia) Limited
Level 1
123 Whitehorse Road
BALWYN VIC 3103

Dear Sirs,

**INDEPENDENT EXPERT'S REPORT
SALE OF SHARES – ITEM 7 OF S611 OF THE CORPORATIONS ACT**

As Directors of Public Holdings (Australia) Limited ("**PHA**", or "**the Company**") you have requested Nexia Melbourne Pty Ltd ("**Nexia**") to prepare an Independent Expert's Report ("**the Report**") in relation to the proposed acquisition of existing PHA shares by clients of Peregrine Corporate Limited ("**Peregrine**").

The Proposal (as described in section 1.2 below) will be presented to PHA shareholders for approval at an Extraordinary General Meeting ("**EGM**") to be held on 8 September 2014.

You have requested Nexia to provide an opinion on whether the Proposal, the subject of Resolution 1 in the Notice of Meeting ("**NOM**"), provides sufficient advantages to the non-associated shareholders of the Company ("**PHA Shareholders**") that outweigh the disadvantages, and therefore should be approved by PHA Shareholders.

1. INTRODUCTION

1.1 BACKGROUND

1. PHA is a company listed on the Australian Stock Exchange ("**ASX**"). For the last several years its activities have been limited to the investment of funds in short-term money markets and listed securities.
2. The Company has been incurring losses for a number of years and as at 30 April 2014, has net assets of approximately \$1.34 million, consisting primarily of cash (\$0.56 million) and ASX-listed shares (\$0.83 million). There are no significant other assets or liabilities, and trading in PHA's shares has been thin during the last 12 months.
3. At the 2013 Annual General Meeting, minority shareholders voiced their concerns regarding the future of the Company and suggested that value should be realised including by way of liquidation.
4. On 22 May 2014, PHA announced that it would undertake a return of capital to PHA Shareholders and that its majority shareholder, Atlas Securities Pty Ltd ("**Atlas**"), had granted Peregrine a mandate for the placement of all of Atlas's PHA shares with third-party investors.

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5. Peregrine has subsequently notified Atlas and PHA the details of the proposed third party investors, who are clients of Peregrine, ("**Investors**").
6. Implementation of the Proposal will also mean that all of the current board of directors will resign. Messr Frost is a director of Peregrine and along with Chapman and Dodd, each of the proposed PHA directors will also (either directly or through associates) obtain a relevant interest in PHA shares if the Proposal is approved (details of those interests are set out in the NoM) and will control the board.
7. The Directors consider the Proposal and Capital Return is an appropriate means of allowing shareholders to realise a significant percentage of the value represented by their shareholding and provide future prospects to enhance any residual value in those shares.

1.2 TERMS OF THE PROPOSAL

8. The Proposal is the subject of Resolution 1 at the EGM.
9. The resolution proposes that shareholders approve the placement of the existing 11,074,580 ordinary shares in the Company held by Atlas Securities Pty Ltd ("Atlas") ("**Proposal Shares**") to clients of Peregrine, each of whom is a professional or sophisticated investor ("**the Investors**").
10. The Proposal Shares represent approximately 74% of PHA's issued capital.
11. Under the terms agreed by Atlas, the transfer of the Proposal Shares will only proceed if the proposed Capital Return, subject of resolution 2 of the EGM, is approved by PHA Shareholders.
12. Resolution 2 proposes that the issued share capital of the Company be reduced by the return to ordinary shareholders of an amount equal to 85% of the Company's net assets on a pro-rata basis based on shares on issue at the Record Date ("**the Capital Return**").
13. Whilst the transfer of the Proposal Shares is conditional on the Capital Return being approved, the Capital Return can still occur if Resolution 1 is not approved. Atlas is expected to still be a shareholder at the Record Date and accordingly will participate in the Capital Return if it is approved.
14. The price at which the Investors acquire the Proposal Shares from Atlas is, we are instructed, an amount equal to the net tangible assets per PHA share following completion of the Capital Return, including allowance for payment of all costs associated with the EGM.
15. We have been requested by the Directors to provide an opinion, for the benefit of non associated shareholders, only on the transfer of the Proposal Shares ("**Share Placement**"), which is for the purposes of this Report, the **Proposal**.
16. We have not been requested to provide an opinion on, or otherwise comment on the Capital Return.

2. PURPOSE AND SCOPE OF THIS REPORT

17. PHA is a public company listed on the ASX. The Proposal Shares, if acquired by the Investors, will be fully paid ordinary shares in the Company and are considered “voting shares” for the purposes of the Act. They are also considered equity securities for the purposes of the ASX Listing Rules.
18. Section 606(1) of the Act prohibits the acquisition of a relevant interest in voting shares if, because of the transaction, that person's or someone else's voting power in the company increases from 20% or below to more than 20%, or from a starting point that is above 20% or below 90%. Item 7 of Section 611 of the Act does however provide an exception to the prohibition if shareholder approval for the acquisition of the securities is given.
19. PHA currently has 14,979,000 fully paid ordinary shares on issue, with its majority shareholder, Atlas, currently holding 11,074,580 (approximately 74%) fully paid ordinary shares in the Company.
20. As set out above, under the terms of the Proposal, all of Atlas' current shareholding in PHA will be transferred to approximately 11 third-party professional and sophisticated investors (“**Investors**”) at a price per share equal to the net asset backing of PHA shares following the completion of the Capital Return.
21. We have been advised that whilst no individual Investor (or its associates) will hold a relevant interest of more than 20% in the Company post-Proposal, the Company acknowledges that the Investors may arguably be considered to be acting in concert with each other and therefore deemed to be “associated” for the purpose of the Corporations Act. Accordingly, in the interests of full disclosure and to ensure that PHA Shareholders are provided with all information which may be relevant to their decision on whether to approve the Proposal, the Company has elected to seek shareholder approval under section 611 of the Corporations Act on the basis that all of the Investors are “associated”.
22. Table 1 below shows the potential shareholdings assuming the Proposal is approved. As the Proposal is an exchange of existing issued PHA shares, there will be no dilutive impact to shareholders of PHA not associated with the Proposal (“**PHA Shareholders**”).

Table 1

Shareholder group	Pre-Proposal	Approx %	Post-Proposal	Approx %
Atlas Securities Pty Ltd	11,074,580	73.9%	-	0.0%
Other PHA shareholders	3,904,420	26.1%	3,904,420	26.1%
Investors	-	0.0%	11,074,580	73.9%
Total shareholding	14,979,000	100.0%	14,979,000	100.0%

23. So that shareholders may be fully informed, in accordance with the requirements of Item 7 of Section 611 and the provisions of ASIC Regulatory Guides, the Directors of PHA have engaged Nexia to prepare an Independent Expert's Report for PHA Shareholders in relation to the Proposal. The Report will accompany the NOM to be sent to shareholders. The scope of the Report is to consider if the advantages of the Proposal outweigh the disadvantages of the Proposal to PHA Shareholders.

24. We have also been advised that if the Proposal is approved (as well as the election of new directors under Resolutions 3 to 5 in the NOM), the new directors of the Company will have relevant interests in the Company's shares. Under Section 208(1) of the Corporations Act, a public company or an entity a public company controls must not give a financial benefit to a related party without shareholder approval. A director falls under the definition of a "related party" under Section 228 of the Act. However, shareholder approval is not required if the benefit falls under one of the exceptions in Section 210 of the Act, which includes the public company and the related party dealing at arm's length. Given that shares are being issued to the incoming directors at no less than net asset value and on the same terms as non-related party Investors, PHA believe the issue may satisfy the arm's length exception and therefore not require approval under Chapter 2E.
25. Whilst our Report has been commissioned for the purposes of PHA Shareholders considering and voting upon Resolution 1 as set out in the Notice of Meeting, we have considered the Proposal and Capital Return in conjunction. It is our view that the Proposal, as set out in Resolution 1 is dependent on the Capital Return under Resolution 2 being approved and accordingly consideration of the impact of the Capital Return is necessary in assessing the merits of and impact of the Proposal for PHA Shareholders.

3. EXECUTIVE SUMMARY OPINION

3.1 GENERAL

26. We have considered the terms of the Proposal as outlined in the Notice of Meeting and in this Report and as a result of our review and considering all the factors we are of the opinion that in relation the Proposal the **advantages outweigh the disadvantages** to PHA Shareholders.
27. In forming our view of the Proposal we have had regard to the financial impact and other qualitative aspects of the Proposal for PHA shareholders, excluding Atlas.
28. We consider the major advantage or disadvantage of the Proposal will be the financial impact on PHA Shareholders. We assess the value of PHA Shareholders interests as:

	Value (\$'000s)	Value (cents per share)
Pre-Proposal value of PHA Shareholders interests	300	7.67
Post-Proposal value of PHA Shareholders interests	307	7.87
Change	7	0.20

Approval of the Proposal is likely to give rise to a small increase in the assessed value of PHA Shareholders interests. We note that the assessed value is also significantly higher than the last traded market price of 4.5 cents per share (a 50% discount to net asset value). Given the positive financial impact of the Proposal on PHA Shareholders, we consider this to be an advantage of the Proposal.

3.2 FINANCIAL IMPACT OF THE PROPOSAL

29. ASIC Regulatory Guide 111 prescribes that the expert should provide an opinion on whether the advantages of the Proposal outweigh the disadvantages.
30. Whilst not necessarily specifying what needs to be assessed, we believe that the underlying advantage or disadvantage of the Proposal is the financial impact on PHA Shareholders.
31. In the context of the Proposal this position translates to circumstances of whether the assessed value PHA Shareholders' interests in the Company post-Proposal (and any additional consideration received as a result of the Proposal eg. cash) is greater than, equal to or less than the assessed value of the PHA Shareholder's interest in the Company pre-Proposal.
32. In this manner the dilutive or positive impact of the Proposal on the fair value of PHA Shareholders' interests is readily demonstrated. If there is a positive financial impact, it will be an advantage to PHA Shareholders; and likewise if there is a dilute impact, it will be a disadvantage to PHA Shareholders
33. In assessing the value of PHA we consider that the most appropriate methodology is based upon the adjusted Net Asset Value ("NAV") methodology. This methodology incorporates a base level assessment of the tangible and intangible assets of PHA, however in our assessment we have disregarded any potential intangible value of PHA as an ASX listed company, as such value, if any for PHA Shareholders is the same pre and post Proposal.
34. Implementation of the Proposal is dependent on the Capital Return being approved. However, the Capital Return may still occur if the Proposal is rejected. It is our understanding this is likely to be the case given Atlas' and other PHA Shareholders desire to realise the value of their shares..
35. We also understand that should the Proposal be rejected, due to the absence of other alternatives the Directors most likely course of action is to liquidate the Company following the Capital Return.
36. On this basis, our assessment of the pre-Proposal value of the Company takes into account transactions likely to occur should the Proposal not be approved, and has been derived based on the net asset of the Company at 30 April 2014, costs forecast by PHA directors to be incurred to the date the EGM (including the Capital Return), as well as an estimate for the additional costs through to a potential liquidation.
37. We have assessed the pre-Proposal value of PHA Shareholders interests (based on rejection of the Proposal) at \$300,000 or 7.67 cents per share
38. We have assessed the post-Proposal value (based on approval of the Proposal) of PHA Shareholders interests at \$307,000 or 7.87 cents per share.

39. The impact of the Proposal on PHA Shareholders is summarised in Table 2 below

Table 2

(\$'000s)	Total Company (100%)	PHA Shareholder interests (Approx 26.1%)
PROPOSAL IS NOT APPROVED		
Current net assets (table 5)	1,335	348
Add: revaluations and dividends receivable	25	7
Less: brokerage costs on sale of investments	(4)	(1)
Less: transaction costs - net of indemnity	(126)	(33)
Balance of net assets	1,229	320
Less: capital return	(1,045)	(272)
Net assets post-Capital Return	184	48
Less: liquidation costs	(80)	(21)
Net assets post-liquidation	104	27
Add back : Cash used in Capital Return	1,045	272
Total Value Shareholder interests	1,149	300
Shares on Issue	14,979	3,904
Value per Share (cents)	7.67	7.67
PROPOSAL IS APPROVED		
Current value of Company	1,335	348
Add: revaluations and dividends receivable	25	7
Less: brokerage costs on sale of investments	(4)	(1)
Less: transaction costs - net of indemnity	(176)	(46)
Balance of net assets	1,179	307
Less: capital return	(1,003)	(261)
Net assets post-Capital Return	177	46
Add back : Cash used in Capital Return	1,003	261
Total Value Shareholder interests	1,179	307
Shares on Issue ('000s)	14,979	3,904
Value per Share (cents)¹	7.87	7.87

Benefits accruing to PHA Non-Associated Shareholders - being increment (decrement) over pre-Proposal (gross \$)

Gross \$'000s	7
Per share (cents)	0.20

40. In light of the above, we believe that the Proposal is likely to have a positive financial impact on the value of PHA shareholders shares in PHA and accordingly the Proposal would be **advantageous to PHA Shareholders**.

¹ On a post capital return basis (assuming resolution 2 is approved) the value per share is 1.18 cents per PHA share

3.3 CONTROL PREMIUM

41. If the Proposal is approved, control of the Company will pass from Atlas to the Investors.
42. PHA Shareholders are presently minority shareholders of the Company, with control already resting with Atlas. The Proposal only involves the exchange of shares between Atlas and the Investors and is not dilutive to PHA Shareholders' interests in PHA.
43. As set out in the Notice of Meeting, pursuant to the Sale Agreement the price at which the Investors acquire the Proposal Shares from Atlas is an amount equal to the net asset backing per PHA share immediately following completion of the Capital Return, the subject of Resolution 2. Based on this understanding, we are of the opinion that there is no control premium received by the vendor and **PHA Shareholders are not disadvantaged**.

3.4 OTHER QUALITATIVE FACTORS OF THE PROPOSAL

44. In assessing if the advantages of the Proposal outweigh the disadvantages we have had regard to the following:

Advantages of the Proposal	<ul style="list-style-type: none"> ▪ There is a positive financial impact on PHA Shareholders ▪ There is no control premium received by the vendors ▪ Approval of the Proposal is likely to facilitate the election of new directors experienced in corporate restructures, who may be able to identify new projects for the Company ▪ The incoming directors have advised that they intend to significantly reduce the Company's operating expenses (as an example, they intend to not be paid directors fees until such time as the acquisition of new business or undertaking is identified that would justify such fees)
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Disadvantages of the Proposal	<ul style="list-style-type: none"> ▪ No Investor has committed to contributing further capital into the Company, despite the Investors recognising that post Proposal the available funds in the Company will be significantly reduced. ▪ If further projects are identified, further capital may be required and may incorporate a capital raising which is potentially dilutive to PHA Shareholder's interests in the Company. ▪ Whilst no individual Investor will obtain control, the Investors as a whole, if acting as associates, will hold approximately 74% of the Company post-Proposal and may control PHA.
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If the Proposal is NOT approved	<ul style="list-style-type: none"> ▪ The Capital Return may still, and is likely to, occur, and PHA Shareholders may still realise substantially all of the fair value in the Company. ▪ However, it is our understanding that should the Proposal not be approved, the Directors intend to liquidate the Company.
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45. On balance of all the matters considered we are of the view that **the advantages of the Proposal outweigh the disadvantages** to PHA Shareholders.

4. GENERAL DISCLOSURES AND LIMITATIONS

Changes in market conditions

46. Our analysis and conclusions are based on market conditions existing at the date of this Report. A limitation of our conclusion is that market conditions may change between the date of this Report and when the various aspects of the transaction are concluded.

Individual shareholder circumstances

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

Entirety of Report

48. This summary opinion should be read in conjunction with and not independent of the remainder of this Report
49. The Report should also be read in conjunction with the Notice of Meeting to which this Report is attached. Terms in this Report are, unless otherwise noted, consistent with terms and description referred in the Notice of Meeting.

Yours faithfully
Nexia Melbourne Pty Ltd
Holder of Australian Financial Services License No.247362



GARY GRACO
Authorised Representative

5. DISCLOSURES AND LIMITATIONS

50. This Report has been prepared at the request of the directors of PHA for the purposes of assisting shareholders in their evaluation of the Proposal.
51. The Report is not intended to serve any other purpose and should not be relied upon by any other person for any other purpose. In preparing this Report, Nexia has relied upon financial and other information provided by PHA. Furthermore, we have relied upon the representations and opinions of the management of PHA.
52. We believe that (unless stated otherwise) the information provided was reliable, complete and not misleading and there is no reason to believe that any material facts have been withheld. However, we have not conducted any separate due diligence or audit investigations to assess the correctness or completeness of this information. Information, judgements and representations have been evaluated through analysis, enquiry and review to the extent practicable. However, it must be appreciated that such information is not always capable of external verification or validation.
53. Acceptance or rejection of the Proposal is a matter for individual shareholders based upon their own views of value, risk, and liquidity preference and portfolio strategy. PHA shareholders who are in doubt as to the action that they should take in relation to the Proposal should consult their professional advisor.
54. The opinion of Nexia is based on economic market and other conditions prevailing on the date of this Report. Such conditions can change significantly over a relatively short period of time.

6. REGULATORY FRAMEWORK

6.1 CORPORATIONS ACT – TAKEOVER PROVISIONS

55. Section 606(1) of the Act prohibits the acquisition of a relevant interest in the voting shares of a company where a person's voting power increases from below 20% to more than 20%; or from a starting point above 20% and below 90%. The interest of "associates" is aggregated for these purposes. Acquisition can be by way of transfer from other shareholders (purchase) or by way of issue of new securities (subscription). Item 7 in the Exemptions Table of Section 611 of the Act provides an exemption to the Section 606 prohibition if the acquisition is approved by a majority of shareholders at general meeting and no votes are cast by the persons to whom shares are to be issued to or their associates.
56. PHA currently has 14,797,000 fully paid ordinary shares on issue, with 11,074,580 fully paid ordinary shares (approximately 74%) held by its majority shareholder, Atlas.
57. Under the terms of the Proposal, all of Atlas's current shareholding in PHA will be transferred to approximately 11 third-party professional and sophisticated Investors at a price per share equal to the net asset backing of those shares following the completion of the Capital Return. This constitutes a sale of securities under Item 7 of Section 611 of the Act.

58. The Company has advised that whilst no individual Investor (or its associates) will hold a relevant interest of more than 20% in the Company post-Proposal, the Company acknowledges that the Investors may arguably be considered to be acting in concert with each other and therefore deemed to be "associated" for the purpose of the Corporations Act. Accordingly, in the interests of full disclosure and to ensure that PHA Shareholders are provided with all information which may be relevant to their decision on whether to approve the Share Placement, the Company has elected to seek shareholder approval under section 611 of the Corporations Act on the basis that all of the Investors are "associated".
59. Table 3 below shows the potential shareholdings assuming the Proposal is approved. Ordinarily the acquisition of more than a 20% interest would require a takeover offer. However, PHA is seeking shareholder approval of the Proposal under item 7 of Section 611 of the Act. As can also be seen, there will be no dilutive impact to PHA Shareholders.

Table 3

Shareholder group	Pre-Proposal	Approx %	Post-Proposal	Approx %
Atlas Securities Pty Ltd	11,074,580	73.9%	-	0.0%
Other PHA Shareholders	3,904,420	26.1%	3,904,420	26.1%
Investors	-	0.0%	11,074,580	73.9%
Total shareholding	14,979,000	100.0%	14,979,000	100.0%

60. Section 611 of the Act requires the Company to disclose all material information on how to vote on the resolution. The Directors of PHA have determined that an Independent Expert's Report commenting on the placement of the Proposal Shares should be included with the Notice of Meeting in order for members to decide whether or not it is in the Company's interests to pass Resolution 1 as set out in the Notice of Meeting to give effect to the Proposal.
61. Whilst our Report has been commissioned for the purposes of PHA Shareholders considering and voting upon Resolution 1 as set out in the Notice of Meeting, we have considered the Proposal and Capital Return in conjunction. It is our view that the Proposal, as set out in Resolution 1 is dependent on the Capital Return under Resolution 2 being approved and accordingly consideration of the impact of the Capital Return is necessary in assessing the merits of and impact of the Proposal for PHA Shareholders.

6.2 GUIDELINES ISSUED BY ASIC ON SALE OF SECURITIES UNDER ITEM 7 OF S611

62. ASIC has issued Regulatory Guides 111 – *Content of Experts Reports* ("RG111") and Regulatory Guide 112 – *Independence of Experts* ("RG112"). We highlight the following from RG111 that are pertinent to this Report.

RG111.4 *In deciding on the appropriate form of analysis for a report, an expert should bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the proposed transaction.*

An expert should focus on the purpose and outcome of the transaction, that is, the substance of the transaction, rather than the legal mechanism used to effect the transaction.

63. RG111 sets out the following guidelines concerning a sale of securities under Item 7 of Section 611 of the Act.

RG111.41 *Approval for a sale of securities that would otherwise contravene s606 may be sought under item 7 of s611. Item 7 of s611 envisages that security holders not associated with such a transaction may approve it. In doing so, these security holders may be forgoing:*

- (a) the opportunity of receiving a takeover bid; and*
- (b) sharing in any premium for control.*

RG111.42 *The expert should identify the advantages and disadvantages of the proposal to security holders not associated with the transaction. In contrast with the analysis for an issue of shares approved under item 7 of s611, the expert should provide an opinion either:*

- (a) that the advantages of the proposal outweigh the disadvantages; or*
- (b) that the disadvantages of the proposal outweigh the advantages.*

RG111.43 *A specific issue the expert should determine is whether the vendor is to receive a premium for control.*

RG111.44 *The greater the control premium, the greater the advantages of the transaction to the non-associated holders would need to be to support a finding that the advantages of the proposal outweighed the disadvantages. These other advantages may come, for example, from a better long-term profit outlook as the incoming security holder offers superior management skills.*

RG111.45 *The expert should also inquire whether further transactions are planned between the entity, the vendor or any of their associates. If any are contemplated, the expert should determine whether those transactions would be on an arm's length basis. If not, an implication arises that they may compensate a vendor for a price that is too low.*

RG111.46 *An expert should also consider whether any proposed acquisition by way of sale, if approved, might deter the making of a takeover bid for the entity.*

7. PROFILE OF PHA

7.1 COMPANY OVERVIEW

64. PHA is a public company admitted to the official list of the Australian Securities Exchange (“ASX”), Its current activity is limited to the investment of funds in medium and short-term money markets and listed securities.
65. The Company has been incurring losses for a number of years due to both the volatility in equity markets as well as operational costs.

7.2 SHARE CAPITAL

66. PHA currently has 14,979,000 ordinary shares on issue. Table 4 below sets out the top 10 shareholders as at 30 April 2014:

Table 4: Top 10 shareholders

Rank	Name	Shares 000's	%
1	Atlas Securities Pty Ltd	11,075	73.93%
2	National Nominees Ltd	701	4.68%
3	Sheba International Ltd	656	4.38%
4	Mrs Milly Elkington	512	3.42%
5	Glenfare Investments Pty Ltd	350	2.34%
6	Winpar Holdings Ltd	307	2.05%
7	Pink Pumpkin Pty Ltd	204	1.36%
8	GA & AM Leaver Investments Pty Ltd <GA & AM Super Fund>	162	1.08%
9	Dr Gordon Bradley Elkington	101	0.67%
10	Pink Pumpkin Pty Ltd <The Golden Seed A/C>	41	0.28%
Total Top 10 holders of Ordinary fully paid shares		14,109	94.19%
Other Shareholders		870	5.81%
Total		14,979	100.00%

67. As can be noted, shares in PHA are highly concentrated with the top shareholder, Atlas, holding approximately 74% of all shares. No other shareholder holds more than 5% of the total issued capital.
68. The last recorded sale price of PHA shares was at 4.5 cents, implying a market capitalisation of approximately \$0.67 million, however, there has been virtually no trading in PHA shares since 26 June 2013. Only 20,800 shares were traded on the two last recorded trading days: 26 June 2013 and 31 December 2013. The current quoted buy/sell spread Nil to 6.2 cents ².

² Source: www.commsec.com.au

7.3 FINANCIAL POSITION

69. A summary of PHA's Balance Sheet as at 30 April 2014 (unaudited), 31 December 2013 and 31 December 2012 are summarised in Table 5 below. PHA's recorded net assets were \$1.34 million as at 30 April 2014.

Table 5: Balance Sheet

PHA Ltd Balance sheet (\$'000s)	30-Apr-14 UNAUDITED	31-Dec-13 AUDITED REVIEWED	31-Dec-12 AUDITED REVIEWED
Current assets			
Cash and cash equivalents	561	596	456
Trade and other receivables	-	39	41
Investments (ASX-listed companies)	835*	835	1,027
TOTAL ASSETS	1,396	1,470	1,524
Current liabilities			
Trade and other payables	59	39	30
Current tax liabilities	-	-	1
TOTAL LIABILITIES	59	39	31
Net assets	1,337	1,431	1,493

*The current market value is \$0.844 million and we make adjustments for this in Section 9.2

70. The Company's cash investments include a savings and a US currency account. Its share investments comprise of stocks in the S&P/ASX 200, including National Australia Bank (62% of shareholding value), BHP Billiton (25%), Woodside (10%), and Telstra (3%).

7.4 FINANCIAL PERFORMANCE

71. A summary of the Company's operating results for the four months ended 30 April 2014 (unaudited), for the financial years ended to 31 December 2013 and 31 December 2012 are summarised in Table 6 below.

Table 6: Statement of Comprehensive Income

(\$'000s)	30-Apr-14 Year to Date UNAUDITED	31-Dec-13 Year AUDITED	31-Dec-12 Year AUDITED
Revenue			
Net profit on disposal of investments	-	171	16
Interest received	4	14	18
Dividends received	3	44	43
Other income	-	2	-
Total income	7	231	77
Expenses			
Employee benefits expense	(8)	(55)	(94)
Professional fees	(47)	(127)	(114)
Administration and other expenses	(46)	(97)	(98)
Total expenses	(101)	(279)	(306)
Income tax expense	-	-	(1)
Net loss for the period	(94)	(48)	(230)
Revaluations	-	(13)	113
Total comprehensive profit/(loss) after tax for the period	(94)	(61)	(117)

72. Table 6 above shows that the Company's revenue is subject to the volatility in financial markets. Its shareholding in some of the top stocks on the ASX suggests that PHA's revenue is likely to be heavily correlated to movements in the All Ordinaries index. Operating costs have been reduced in the current year as various dormant subsidiaries were deregistered in 2013.

7.5 SHARE PRICE HISTORY

73. We have not performed an analysis of PHA's share price history. The shares have been very thinly traded: a total trade volume of 20,800 in the last 12 months, and on only two trading dates: 26 June 2013 and 31 December 2013. Whilst we observe that the share price last traded at 4.5 cents on 31 December 2013 and that the current buy/sell spread range is 0 cents to 6.2 cents.
74. Our view is that the above prices would not reflect the current underlying or value of the Company and reflect the current limited activity and control by Atlas.

7.6 FINANCIAL PROSPECTS

75. The future financial prospects of the Company would appear to be limited. Despite extensive cost cutting over the preceding years, the Company has continued to incur losses.

76. It appears that the Company is operating at close to the minimum level of overheads required of an ASX-listed company, and is likely to continue to incur losses unless there is a significant improvement in Australian equity markets.
77. It is our understanding that should the Proposal not be approved by shareholders, the Directors intend to seek approval to liquidate the Company.

8. BASIS OF ASSESSMENT OF THE PROPOSAL

78. In assessing whether the advantages of the Proposal outweigh the disadvantages from the perspective of the PHA Shareholders, we have had regard to the criteria set out in RG111.
79. The following factors have been considered in our evaluation of the advantages and disadvantages to PHA Shareholders:
- The financial impact of the Proposal, which compares the fair value of PHA Shareholders' interests pre-Proposal (taking into account transaction costs should the Proposal be rejected) and the fair value of PHA Shareholders' interests post-Proposal (and any other consideration received as a result of approval of the Proposal);
 - Whether the Proposal brings about a change of control of PHA and if a control premium for control is received;
 - Whether further transactions are planned between the entity, the vendor or any of their associates
 - Whether the Proposal might deter the making of a takeover bid for PHA;
 - Other qualitative advantages and disadvantages of the Proposal to PHA; and
 - Any other factors which may have a material impact
80. The following sections set out details of our assessment of the financial impact of the Proposal (Section 9), whether a control premium is received (Section 10) and other qualitative aspects of the Proposal (Section 11).

9. ASSESSMENT OF FINANCIAL IMPACT OF PROPOSAL

9.1 OVERVIEW

81. Our assessment of the financial impact of the Proposal is based upon a comparison of the valuation of PHA pre-Proposal to the valuation of PHA at the conclusion of the Proposal.
82. Section roadmap:
- Section 9.2 determines the value of PHA pre- Proposal
 - Section 9.3 determines the value of PHA post-Proposal
 - Section 9.4 compares the value of PHA Shareholders' interest pre and post Proposal

- Section 9.5 considers the financial impact of the Proposal
- Section 9.6 summarises the financial impact of the Proposal

9.2 VALUE OF PHA PRE-PROPOSAL

83. Traditional valuation methodologies fall into 3 broad categories:

Market Based	Business or equity is determined by reference to comparable market buy/sell transactions
Asset Based	Value is determined by reference to the sale or realisable proceed of individual assets or groups of assets in an entity
Income Based	Value is determined by reference to capitalised future maintainable earnings (CME) or discounted cash flows (DCF) derived by the business

84. As PHA is an investment company and not a traditional operating business, we are limited in the valuation methodologies which we regard as appropriate.

85. We have rejected the use of a Market based and Income based methodologies as these are more appropriate for operating businesses. As an investment company with passive investments, we believe the **Asset Based** (NAV) approach is the most appropriate valuation methodology.

Net Asset Value (NAV) method

86. In our assessment of the value of PHA shares, we have considered the value of net assets and liabilities of PHA. As disclosed in its 30 April 2014 management accounts, the Company has net assets of \$1.34 million.

87. In considering net asset value, we have disregarded any intangible value the Company may have as a listed "shell". This is because the interest in any intangible value for PHA Shareholders is the same pre or post Proposal and therefore does not form part of our valuation assessment.

88. As per PHA's balance sheet shown in Table 5, its only significant assets are in short-term money market securities and ASX-listed investments (comprising "blue-chip" stocks).

89. We have made a number of adjustments to the unaudited 30 April 2014 accounts to take into account directors' estimates of expenses likely to be incurred by the Company up until the date of completion of the Proposal and any other potential adjustments we consider to be appropriate in the circumstances. We estimate the NAV of PHA, if the Proposal is not approved, to be approximately \$1.15 million, as reconciled in Table 7 below.

Table 7: Assessment of NAV - if Proposal is not approved

	(\$'000s)
Net assets (per table 5)	1,335
Add: Revaluation of ASX investments to market value	10
Add: NAB dividend receivable in July 2014	15
Less: disposal costs of share investments (brokerage at 0.5% of share market value of \$844k)	(4)
Less: Accrued expenses – net of indemnity	(126)
Balance of net assets	1,229
Return of capital (85% of net assets)	(1,045)
Net assets - post Capital Return	184
Less: Liquidation costs	(80)
Residual Net assets	104
Add back: Cash used for Capital Return	1,045
Total value of shareholder interests	1,149
Shares on Issue	14,979
Value per Share (cents)	7.67

90. We have been provided with directors' estimates of additional costs to be incurred by the Company from 30 April 2014 to the date of completion of the Proposal totalling approximately \$176,000. These include ongoing operating costs, directors fees, accounting & secretarial, as well as costs associated with the EGM and other costs relating to the Proposal. We have also been advised that should the Proposal not be approved, Peregrine has agreed to indemnify the Company a maximum of \$50,000 in relation to costs associated with the Proposal. Therefore, our assessment of the likely accrued expenses is reduced by the amount of the indemnity.
91. Other adjustments in table 7 relate to the revaluation of share investments to current market value, accounting for dividends declared by NAB but not payable until 17 July 2014, and brokerage costs on disposal of investments.
92. We note that the value of cash investments will likely increase (due to the accrual of interest income) and the value of share investments will either increase or decrease, but have not made adjustments for the expected change in value. Such movements are highly uncertain and will be the same both pre and post Proposal. We do not expect any subsequent movements will be material.
93. Our assessment also takes into account liquidation costs as it is our understanding that should the Proposal be rejected, the Directors intend to subsequently seek approval to liquidate the Company in the absence of other alternatives. Our estimate of liquidation costs for PHA takes into account the costs of holding another meeting of shareholders, professional adviser costs and the likelihood of a additional operating expenses, we estimate this to approximate \$80,000.
94. Therefore, we have determined a value of PHA, based on its net assets as at 30 April 2014 and including anticipated costs through to a likely liquidation of the Company, (in the absence of the Proposal being approved) at \$1.15 million, or 7.67 cents per share.

Quoted Market Price (QMP) Value method

95. The Quoted Market Price basis is not a relevant methodology to consider because PHA's shares are not actively traded, with the last trade occurring on 31 December 2013. This is highlighted by PHA's market capitalisation of \$0.67 million being substantially less than its net assets, despite almost of all its assets comprising liquid cash holdings and actively traded shares on the ASX.

Overall determined valuation of PHA Pre-Proposal

96. Based upon our analysis of the varying methodologies above, we have determined the most appropriate valuation for PHA to be \$1.15 million, based solely on the Net Asset Value methodology.

9.3 VALUE OF PHA POST-PROPOSAL

97. Assuming the Proposal is approved, we have assessed the NAV of PHA, to be approximately \$1.18 million, based solely on the Net Asset Value methodology, as reconciled in Table 8, below:

We believe the only effect on net assets likely to result from approval of the Proposal are that the costs associated with any liquidation would not be incurred, and the Company would bear all costs associated with the Proposal.

Table 8: Assessment of value post-Proposal

	(\$'000s)
Net assets (per table 5)	1,335
Add: Revaluation of ASX investments to market value	10
Add: NAB dividend receivable in July 2014	15
Less: disposal costs of share investments (brokerage at 2% of share market value of \$844k)	(4)
Less: Accrued expenses	(176)
Balance of net assets	1,179
Return of capital (85% of net assets)	(1,003)
Net assets of PHA post-Proposal	177
Add back : Cash used for Capital Return	1,003
Total value of shareholder interests	1,179
Shares on Issue	14,979
Value per Share (cents)³	7.87

9.4 VALUE COMPARISON & FINANCIAL IMPACT OF THE PROPOSAL ON PHA SHAREHOLDERS

98. The Proposal is for subsequent placement of 11,074,580 PHA shares (approximately 74% of issued capital) owned by Atlas to the Investors at a price per share equal to the net asset backing of those shares following completion of the Capital Return.

³ On a post capital return basis (assuming resolution 2 is approved) the value per share is 1.18 cents per PHA share

99. As no new shares will be issued, PHA Shareholders will not be diluted of any shareholding value or voting rights. Accordingly the impact of the Proposal on PHA Shareholders can be measured by the impact of transaction costs under scenario's of if the proposal is not approved against if it is approved.
100. At Table 9 below we set out the impact of the Proposal on PHA shareholders, in terms of the assessed value of their interests per share pre and post Proposal. The Proposal may result in the total assessed value of PHA Shareholder's interests increasing marginally from \$300,000 to \$307,000. Acceptance of the Proposal will have no dilutive effect on the value PHA Shareholder's shareholdings. On a cents per share basis the value of their PHA shares may increase from 7.67 to 7.87 cents per share.

Table 9 – Impact of the Proposal on PHA shareholders

(\$'000s)	Total Company	PHA Shareholder interests (Approx 26.1%)
PROPOSAL IS NOT APPROVED		
Total Value Shareholder interests (table 7) (\$'000's)	1,149	300
Shares on Issue (000's)	14,979	3,904
Value per Share (cents)	7.67	7.67
PROPOSAL IS APPROVED		
Total Value Shareholder interests (table 8) (\$'000's)	1,179	307
Shares on Issue ('000s)	14,979	3,904
Value per Share (cents)	7.87	7.87
Benefits accruing to PHA Non-Associated Shareholders - being increment (decrement) over pre-Proposal		
Gross \$'000s		7
Per share (cents)		0.20

101. Given that trading in PHA shares is highly illiquid and the most recent price at which PHA shares traded was 4.5 cents per share, the current PHA Shareholders find themselves unable to dispose of their shares at or near the NAV backing per share.

9.5 SUMMARY OF ASSESSMENT OF FINANCIAL IMPACT

102. As can be noted above, the Proposal if approved is likely to give rise to a small increase in the assessed value of PHA Shareholders interests, given the likely alternatives available if the Proposal is not approved.
103. Therefore we are of the opinion that the positive financial impact of the Proposal is **an advantage for PHA Shareholders**.

10. ASSESSMENT OF CONTROL PREMIUM

104. According to RG111.43 “a specific issue the expert should determine is whether the vendor is to receive a premium for control.”
105. If the Proposal is approved, control of the Company will pass from Atlas to the Investors.
106. As set out in the Notice of Meeting, pursuant to the Sale Agreement the price at which the Investors acquire the Proposal Shares from Atlas is an amount equal to the net asset backing per PHA share immediately following completion of the Capital Return, the subject of Resolution 2. Based on this understanding, we are of the opinion that there is no control premium received by the vendor and **PHA Shareholders are not disadvantaged.**

11. ASSESSMENT OF OTHER QUALITATIVE FACTORS OF THE PROPOSAL

125. No further transactions : RG111.45 provides that “an expert should also inquire whether further transactions are planned between the entity, the vendor or any of their associates. If any are contemplated, the expert should determine whether those transactions would be on an arm’s length basis. If not, an implication arises that they may compensate a vendor for a price that is too low”.

We have been advised that no further transactions are planned between PHA, Atlas or any of their associates.

126. Deterring takeover bid: RG111.46 provides that “an expert should also consider whether any proposed acquisition by way of sale, if approved, might deter the making of a takeover bid for the entity.”

Whilst it is possible that there may be a takeover bid for PHA in the future, should the Proposal be rejected, the Directors also intend to liquidate the Company. This suggests that the Directors do not believe that any such offer is likely to be received in the near future.

127. In assessing if the advantages of the Proposal outweigh the disadvantages, we have had regard to the following:

Advantages of the Proposal	<ul style="list-style-type: none"> ▪ There is a positive financial impact on PHA Shareholders ▪ There is no control premium received by the vendors ▪ Approval of the Proposal is likely to facilitate the election of new directors experienced in corporate restructures, who may be able to identify new projects for the Company ▪ The incoming directors have advised that they intend to significantly reduce the Company’s operating expenses (as an example, they intend to not be paid directors fees until such time as the acquisition of new business or undertaking is identified that would justify such fees)
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Disadvantages of the Proposal	<ul style="list-style-type: none"> ▪ No Investor has committed to contributing further capital into the Company, despite the Investors recognising that post Proposal the available funds in the Company will be significantly reduced. ▪ If further projects are identified, further capital may be required and may incorporate a capital raising which is potentially dilutive to PHA Shareholder's interests in the Company. ▪ Whilst no individual Investor will obtain control, the Investors as a whole, if acting as associates, will hold 74% of the Company post-Proposal and may control PHA.
If the Proposal is NOT approved	<ul style="list-style-type: none"> ▪ The Capital Return may still occur, and PHA Shareholders may still realise substantially all of the fair value in the Company ▪ However, it is our understanding that should the Proposal not be approved, the Directors intend to liquidate the Company

128. Given that the Proposal is likely to have a positive financial impact on PHA Shareholders interests, and result in the election of new directors experienced in corporate restructures who may be able to identify new projects for the Company, approval of the Proposal will provide PHA Shareholders with upside potential. This is contrasted to if the Proposal is rejected, in which case the Company will be liquidated (and incur additional liquidation costs) and PHA Shareholders will no longer retain an investment in the Company.

12. OPINION ON THE PROPOSAL

129. On the basis of our analysis, and for the reasons outlined in the preceding sections, we consider that **the advantages of the Proposal outweigh the disadvantages** to PHA Shareholders and the directors are justified in recommending that shareholders vote in favour of the Proposal.

APPENDIX A

Statement of Qualifications, Independence, Declarations and Consents

Qualifications

Nexia Australia is a national association of separate partnerships and entities (including Nexia Melbourne Pty Ltd) and a member of an international network of individual firms. Nexia Melbourne Pty Ltd (ACN 052 362 348) ("Nexia") is a Melbourne based accounting, audit and business advisory practice and is a licensed investment adviser within the terms of the Corporations Act 2001. The AFSL licence (No 247262) allows Nexia to act for clients only in the capacity of providing reports in relation to certain corporate transactions or to provide general financial product advice on certain classes of financial products. Senior partners at Nexia specialise in such advice and regularly perform corporate and asset valuations and advice on company restructures, acquisitions and proposals. Nexia, acting through different partners also performs audits on the accounts of Australian companies.

The primary person responsible for preparing this Report on behalf of Nexia is Gary Graco (Dip. Bus Studies – Accounting, ACA) with the assistance of staff, who has a significant number of years of experience in relevant corporate matters including valuations, independent expert reports and investigating accountant engagements.

Independence

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

Nexia and its related entities or any of its Directors or Partners have not had within the previous two years, any shareholding in the Company. During the 2 years period to this report Nexia and its related entities have not provided any professional services to the Company or any subsidiaries.

None of Nexia, Gary Graco, nor any other member, director, partner or employee of any of Nexia has any interest in the opinion reached by Nexia except that we are entitled to receive professional fees for the completion of this Report based on time incurred at normal professional rates. Nexia expects that professional fees rendered in respect to the preparation of this Report will not exceed \$15,000 (plus GST). With the exception of these fees no parties will receive any other benefits, whether directly or indirectly, for or in connection with issuing this Report.

Disclaimers

This Report has been prepared at the request of the Directors of the Company and was not prepared for any other purpose than stated in this Report in Section 2. This Report has been prepared for the sole benefit of the Directors and the Non-associated Shareholders of the Company. This Report should not be used or relied upon for any purpose other than as set out in Section 2. Accordingly, Nexia expressly disclaims any liability to any person (other than the Directors or Non-associated Shareholders of the Company) who relies on our Report, or to any person at all who seeks to rely on the Report for any other purpose not set out in Section 2.

Appendix C identifies the sources of information upon which this Report has been based. Any forecast information which has been referred to in this Report has been prepared by the relevant entity and is generally based upon best estimate assumptions about events and management actions that may or may not occur. Accordingly Nexia cannot provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. Whilst (unless stated otherwise in the Report) Nexia has no reason to believe that such information is not reliable and accurate, it has not caused such information to be independently verified or audited in any way. Inquiry, analysis and review have brought nothing to our attention to indicate a material misstatement, omission or lack of reasonable grounds upon which to base our opinion.

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

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

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

Indemnity

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

Consent

This Report has been prepared at the request of the Company and may accompany the Notice of Meeting to be given to shareholders.

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

APPENDIX B

Overview of Valuation Methodologies

Discounted Cash Flow Based Analysis (DCF)

This methodology recognises the present value (or today's dollar value) of the expected net cash flows which are forecast to be derived from future activities of the business and including a terminal value, which seeks to value the cash flows to perpetuity reflecting the ongoing life cycle of the business.

These future cash flows are discounted to current values by a discount rate recognising both the time value of money and the risks associated with the cash flow streams. Those risks can include general economic and sector risks and risks particular to the business.

This methodology is normally considered to be the most appropriate method in the calculation of the value where there is adequate information about likely future cash flows, usually over a finite term and in start up activities or assets with a finite life.

Capitalisation of Maintainable Earnings (CME)

This requires consideration of the following factors.

- (a) Estimation of future maintainable earnings. The maintainable level of earnings is considered to be the level below which, in the absence of unforeseen and exceptional circumstances, the income stream flowing from the assets is unlikely to fall. Maintainable earnings can be influenced by a number of factors including the trend and consistency of historical performance, the stage of development of the business sensitivity to key industry risk factors and the general economic outlook, and the extent to which one-off or non-recurring transactions are reflected in the financial records ; and
- (b) Determination of an appropriate capitalisation rate which will reflect a purchaser's required rate of return from the business. It should therefore reflect among other things:
 - the operational risks of the business;
 - the growth profile of the business;
 - the working and long-term capital requirements of the business currently and requirement for funding growth;
 - the nature of the environment in which the business operates;
 - alternative investment opportunities; and
 - a separate assessment of surplus or unrelated assets and liabilities, being those items which are not essential to producing the estimated future earnings.

This methodology is generally recognised as a surrogate for a discounted cash flow analysis (DCF). It is typically employed where an entity or asset has mature operations with a history of profits and an expectation that these will be maintained at similar levels in the future. It is considered a reliable methodology particularly where capital expenditure does not constitute a large part of the cash outflows of the business or where such outflows are generally of a replacement nature.

Comparable Market Transactions

This methodology requires research to ascertain details of any comparable transactions in the same industry for a similar entity to that being valued. If such transactions exist and the entity being valued is directly comparable to that being acquired then the assets, revenue or earnings multiples, or other measures employed in the actual transaction, can be utilised in the valuation.

The difficulty with this methodology is the sourcing of sufficient information involving the sale process to accurately analyse the consideration paid and to establish the comparability of the two businesses or entities.

Net Assets (NAV) or Cost Based

In the absence of positive or very poor cash flows or earnings, the net asset value of an entity can be a reasonable indication of the minimum value for that entity. This involves the determination of the net realisable value of the assets of the business or company assuming an orderly realisation of those assets. This value includes a reduction in value to allow for the reasonable costs of carrying out the sale of assets and for the time value of money. It is not a valuation on the basis of a forced sale, where the assets might be sold at values materially different from their fair market value.

This approach is appropriate where the business or entity concerned is predominately a property or liquid investment entity, is not generating adequate returns and in certain circumstances where there are surplus non-operating assets.

APPENDIX C

Documents and Information Relied Upon

1. Draft Notice of Meeting and Explanatory Memorandum dated 24 July 2014.
2. PHA management accounts for the 4 months ended 30 April 2014 and portfolio report as at 30 June 2014.
3. PHA audited financial statements for the year ended 31 December 2012 and 31 December 2013
4. Details of PHA investments and estimated costs for completion of the Proposal
5. Share Sale Agreement between Atlas and Peregrine dated 22 July 2014
6. Other discussions and correspondence with management and advisors
7. www.asx.com.au; google/finance; and various other websites and public domain information services.

Nexia Melbourne Pty Ltd Financial Services Guide

This Financial Services Guide is dated 24 July 2014.

Nexia Melbourne Pty Ltd (ABN 25 825 209 842) ("Nexia") holds Australian Financial Services Licence no 247262 authorising it to provide general financial product advice in relation to various financial products such as securities, interests in managed investment schemes, and superannuation to wholesale and retail clients. Nexia has been engaged by PHA Limited ("**PHA**" or "**the Entity**") to provide an Independent Experts Report ("**the Report**") for inclusion with the Notice of Meeting of Shareholders to be held on 8 September 2014 to consider resolutions associated with the sale of securities under Section 611 of the Corporations Act.

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

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

This Report contains only general financial product advice. It was prepared without 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 this Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

When providing reports in the form of this Report, Nexia's client is the Entity to which it provides the report. Nexia receives its remuneration from the Entity. In respect of this Report, Nexia will receive a fee of up to \$15,000 plus reimbursement of out-of-pocket expenses from PHA. Directors or employees of Nexia or other associated entities may receive partnership distributions, salary or wages from Nexia.

Nexia and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products.

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

Nexia has internal complaints-handling mechanisms. If you have concerns regarding this Report, please contact us in writing to Mr Kevin Mullen, Nexia Australia, Level 18, 530 Collins Street, Melbourne, Vic, 3000. 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.





By mail:

Public Holdings (Australia) Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: +61 1300 554 474

SHAREHOLDER PROXY FORM

I/We being a member(s) of Public Holdings (Australia) Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐

the Chairman
of the Meeting
(mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the General Meeting of the Company to be held at **2:00pm on Monday, 8 September 2014, at the RACV Club, Presidents Room on the First Floor, 501 Bourke Street, Melbourne** and at any adjournment or postponement of the meeting. The Chairman of the Meeting intends to vote all available proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

STEP 2

VOTING DIRECTIONS

Resolution 1

Approval for Placement of Atlas' Existing PHA Shares to clients of Peregrine Corporate Limited

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

Resolution 2

To approve the Capital Return to Shareholders

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Resolution 3

Election of Director - Mr Bryan Frost

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Resolution 4

Election of Director - Mr Peter Chapman

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Resolution 5

Election of Director - Mr Clayton Dodd

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

PHA PRX401



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

Signing Instructions

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

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:00pm on Saturday, 6 September 2014**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE  www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).



by mail:

Public Holdings (Australia) Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

**If you would like to attend and vote at the General Meeting, please bring this form with you.
This will assist in registering your attendance.**