OBJ RELEASE

16 January 2020

# Acquisition to Re-Position OBJ in the Highly Lucrative Global Health & Wellness Market

## Highlights:

- **OBJ has entered into a share sale agreement to acquire Export Corporation, the owner of Nutrition Systems, for $85 million comprising $50 million in cash and $35 million in equity.**
- **Notice of Meeting (NoM) relating to the proposed acquisition has today been issued and is attached to this announcement.**
- **OBJ Shareholders are now able to vote on each of the resolutions via Proxy Form provided in the NoM.**
- **Nutrition Systems is a highly profitable distributor and wholesaler of nutritional wellness products in Australia and New Zealand – focusing on highest quality sports nutrition products from the USA.**
- **Acquisition will change the nature of the Company's main activities from a pharmaceuticals, biotechnology and life sciences company to a vertically integrated, science-based wellness company.**
- **Benefits of the acquisition of Nutrition Systems to OBJ shareholders include:**
  - **complementing the Company's existing operations in line with the Board's strategy to strengthen the Company's trading aspect within the health and wellness space;**
  - **will bring OBJ closer to its target markets and the consumer; and**
  - **will add value to the Company for the benefit of all Shareholders.**
- **OBJ proposes to change the Company's name to Wellfully Limited.**
- **Nutrition Systems CEO and former elite athlete Danny Pavlovich will join the OBJ Board once the acquisition is settled and hold over 20% stake in OBJ.**
- **Global wellness industry is a highly lucrative market that has been enjoying a high growth trajectory in recent years (12.8% growth from 2015 – 2017).**

**OBJ Limited (ASX: OBJ) (OBJ or the Company)** is pleased to announce the Notice of Meeting (NoM) for the proposed acquisition of Export Corporation (Australia) Pty Ltd (Export Corporation) has been issued today. A copy of the NoM accompanies this announcement.

As announced on 7 November 2019, the Company entered into a share sale agreement to acquire 100% of the issued capital of Export Corporation from its sole shareholder. Export Corporation undertakes the wholesale distribution of nutritional wellness products in Australia and New Zealand, under the business name "Nutrition Systems".

A printed copy of the NoM, as well as a Proxy Form, will be mailed out to all OBJ Shareholders. The NoM includes an Explanatory Statement and Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd. The report concludes that, in the absence of a superior proposal, the proposed acquisition is not fair but reasonable (Item 2.3 of the BDO report).


**Directors**
Mr Antonio Varano
Mr Steven Schapera
Mr Jeffrey Edwards
Mr Cameron Reynolds
Dr Chris Quirk

**Company Secretary**
Mr John Palermo

**Registered Office:**
**284 Oxford Street**
**Leederville**
**Western Australia 6007**
Tel: +61 8 9443 3011
www.obj.com.au
ABN: 72 056 482 636

The General Meeting will be held on 18 February 2020 at RSM Perth, Sir Cyril Boardroom, Level 32, Exchange Tower, 2 The Esplanade, Perth WA 6000.

All shareholders are encouraged to vote on each of the eleven (11) resolutions either by attending the General Meeting in person, or by lodging a Proxy Form, or appointing a proxy online by 10.00am (WST) 16 February 2020.

Detailed information on how to vote is contained in the attached NoM and on the Proxy Form.

**BACKGROUND ON NUTRITION SYSTEMS**

Established in 1991, Nutrition Systems was one of the first companies in Australia to import health, wellness and sports nutritional products from the United States of America.

The Company distributes some of the world's leading nutritional wellness brands including Cellucor, Scivation, Muscle Pharm, ProSupps, Ghost, GAT Sports, BPI, Lenny & Larry's and Quest Nutrition.

Nutrition Systems distributes its products through major grocery and pharmacy platforms including Woolworths, IGA, Coles and Costco, Chemist Warehouse and Terry White Chemists, convenience stores, including Caltex and EzyMart, and hundreds of speciality health and wellness retailers and online, including Nutrition Zone, Elite Supplements, Supps R Us and Supplement Mart.

The Company maintains an efficient distribution network with next-day delivery to most customers. In addition to its distribution activities, Nutrition Systems undertakes extensive and ongoing product research and development of sports nutrition products.

Operating over 9,000 metres$^2$ of distribution facilities in Australia and New Zealand, Nutrition Systems currently employs more than 60 staff and has a nationwide sales team of experienced in-field account managers and in-house customer service representatives which provide customer service, product training, merchandising and promotional support.

Nutrition Systems also undertakes an in-house content production, public relations and regulatory team with significant expertise relating to the products it distributes. Its flagship magazine "Inside Fitness" has a circulation of 20,000 copies per issue.

Nutrition Systems actively sponsors major state and national sporting organisations including the Perth Wildcats, Sydney Roosters, in Australia, and the Hurricanes and New Zealand Warriors, in New Zealand. In addition to the logistic infrastructure and expertise, Nutrition Systems maintains an internal and external compliance team dedicated to ensuring product safety, efficacy and compliance with the regulations of the Therapeutic Goods Administration.

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## HIGHLY LUCRATIVE GLOBAL INDUSTRY

The global wellness industry has been enjoying a high growth trajectory in recent years. The total market grew by 12.8%, from a $3.7 trillion market in 2015 to $4.5 trillion in 2017.[1]

This represents a significant market opportunity for the Company to develop and distribute innovative products for various target wellness sectors, such as personal care, anti-aging, personalised medicine, nutrition and weight loss.

## ACQUISITION REPRESENTS SIGNIFICANT VALUE FOR OBJ SHAREHOLDERS

OBJ Board of Directors are of the view the acquisition represents an attractive investment opportunity for the Company to change its business focus to that of a distribution and wholesale company.

It will strengthen the growth of OBJ by positioning it closer to both its target markets and the end consumer through Nutrition Systems' extensive distribution network of specialty stores, major pharmacy and grocery chains throughout Australia and New Zealand.

It will also allow the Nutrition Systems business to access OBJ's technology platforms and manufacturing expertise.

The appointment to the Board of Nutrition Systems CEO and former elite athlete Danny Pavlovich provides the Company with extensive experience within the food and nutrition industry.

In addition, the potential increase in market capitalisation of the Company following Settlement and the associated Capital Raising may lead to increased coverage from investment analysts, access to improved equity capital market opportunities and increased liquidity which are not currently present.

The re-listing and Capital Raising will put the Company in a stronger position to advance the Company's existing business operations.

## DIRECTOR'S RECOMMENDATION

OBJ Board of Directors unanimously recommend that Shareholders vote in favour of the resolutions at the upcoming General Meeting. Each of the Directors intend to vote in favour of each of the Resolutions that they are entitled to vote on.

## CONSIDERATION

To fund the acquisition of 100% of the issued share capital in Export Corporation, OBJ has agreed to:

- a cash payment of $50 million; and
- issue OBJ shares to a value of $35 million.

*1. Global Wellness Economy Monitor*

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The consideration will comprise:

- A cash component of $38m payable as follows:
  - a $28m cash payment to be made at Settlement;
  - a $5m cash payment to be made 12 months after Settlement; and
  - a $5m cash payment to be made 24 months after Settlement.

- A cash component of $12m, with payment to be made at Settlement, specifically to acquire a property in New South Wales used in connection with the operation of the Nutrition Systems business from an entity associated with Export Corporation.

- An equity component of $35m in Shares (Equity Consideration) which will be issued across three tranches (further details provided in attached NoM).

**CAPITAL RAISING**

The Company proposes to undertake a capital raising of up to $50m (with a minimum of subscription of $40m) through the issue of up to 166,666,667 Shares at $0.30 cents per share on a post-consolidation basis.

The Capital Raising will be undertaken by way of a full-form prospectus. The Company also proposes to seek a debt facility of up to $20m.

**SUBSTANTIAL SHAREHOLDINGS AS A RESULT OF THE ACQUISITION**

As a result of the Acquisition, assuming that all of the Equity Consideration is issued, Danny Pavlovich, the sole shareholder of Export Corporation, will acquire voting power in OBJ of more than 20%.

**CHANGES TO OBJ BOARD**

It is proposed that Danny Pavlovich, the vendor of Export Corporation, will join the current OBJ Board upon settlement of the Acquisition. OBJ will seek shareholder approval for the election of Mr Pavlovich at the General Meeting.

Mr Pavlovich is the Chief Executive Officer of Nutrition Systems. A former elite athlete, he has grown Nutrition Systems from infancy to a multi-national distribution company with over 9000m2 of distribution capacity. Mr Pavlovich was the first person to import US Sports Supplements into Australia for distribution and sees great opportunity in the sports and wellness market both locally and internationally. Nutrition Systems products are widely known throughout Australia and New Zealand and can be found in large grocery and pharmacy chains, Woolworths, Coles, Chemist Warehouse, Costco and hundreds of specialty stores.

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**CHANGE OF NAME**

Upon settlement of the Acquisition, the Company proposes to change its name to "Wellfully Limited". The Company will seek shareholder approval for the proposed change of name at the General Meeting.

WELLFULLY

**For more information please contact:**
**David Tasker**
**Chapter One Advisors**
**dtasker@chapteroneadvisors.com.au**
**T: +61 433 112 93**

# OBJ LIMITED
# (TO BE RENAMED "WELLFULLY LIMITED")
# ACN 056 482 636

# NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

**TIME**: 10:00am

**DATE**: 18 February 2020

**PLACE**: RSM Perth
Sir Cyril Bird Boardroom
Level 32, Exchange Tower
2 The Esplanade
Perth WA 6000

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

***This Notice of 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.***

***The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 10:00am (WST) on 16 February 2020.***

***Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared for the purpose of the Shareholder approval under section 611 item 7 of the Corporations Act (refer to Resolution 3). The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this Resolution to the non-associated Shareholders. The Independent Expert has determined the Proposed Acquisition is <u>not fair but reasonable</u> to the non-associated Shareholders.***

## AGENDA

## 1. RESOLUTION 1 – CHANGE TO NATURE AND SCALE OF ACTIVITIES – PROPOSED ACQUISITION OF EXPORT CORPORATION (AUSTRALIA) PTY LTD

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

> *"That, subject to and conditional upon the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change to the nature and scale of its activities resulting from completion of the Proposed Acquisition of Export Corporation (Australia) Pty Ltd, as described in the Explanatory Statement."*

**Short Explanation of Resolution:** If successful, the Proposed Acquisition will result in the Company changing the nature and scale of its activities. ASX Listing Rule 11.1.2 requires the Company to seek Shareholder approval where it proposes to make a significant change to the nature and scale of its activities. ASX has also advised the Company that it will be required to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3. Please refer to the Explanatory Statement for further details.

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of this Resolution by Export Corporation (Australia) Pty Ltd, Danny Pavlovich and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities in the Company, if the Resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if:

(a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) 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; or

(c) it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided that the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on the resolution, and the holder votes on this Resolution resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

## 2. RESOLUTION 2 – CONSOLIDATION OF CAPITAL

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

> *"That, subject to and conditional upon the passing of all Essential Resolutions, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that every twenty (20) Shares be consolidated into one (1) Share and, where the Consolidation results in a fraction of a Share or an Option being held, the Company be authorised to round that fraction up to the nearest whole Share."*

## 3. RESOLUTION 3 – APPROVAL OF ISSUE OF EQUITY CONSIDERATION TO THE VENDOR

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

> *"That, subject to and conditional upon the passing of all Essential Resolutions, for the purposes of section 611 (item 7) of the Corporations Act and for all other purposes, approval is given for the Company to issue up to 145,833,334 Shares (**New Shares**) (on a post-Consolidation basis) to the Vendor (or his nominee) on the terms and conditions set out in the Explanatory Statement, which will result in the Vendor's voting power increasing from 0% to 45.62% in the capital of the Company."*

**Short Explanation of Resolution:** The Company has entered into the Agreement pursuant to which the Company will acquire 100% of the issued capital of Nutrition Systems from the Vendor. The Company seeks Shareholder approval for the issue of the above Shares as consideration for the Proposed Acquisition in accordance with section 611 Item 7 of the Corporations Act.

**Voting Exclusion**: No votes may be cast in favour of this Resolution by:

(a) the person proposing to make the acquisition and their associates; or

(b) the persons (if any) from whom the acquisition is to be made and their associates.

Accordingly, the Company will disregard any votes cast on this Resolution by the Vendor and any of his associates.

**Expert's Report**: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under section 611 Item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this resolution to the non-associated Shareholders in the Company. The Independent Expert has determined the Proposed Acquisition is **not fair but reasonable** to the non-associated Shareholders.

## 4. RESOLUTION 4 – CAPITAL RAISING

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

> *"That, subject to and conditional upon the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 116,666,667 Shares (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion Statement**: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Export Corporation (Australia) Pty Ltd and a person who is expected to participate in, or who will obtain a material benefit as a result of the proposed issue except a benefit solely by reason of being a holder of ordinary securities in the Company or an associate of that person (or those persons). However, the Company need not disregard a vote if:

(a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) 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; or

(c) it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided that the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on this Resolution, and the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

## 5. RESOLUTION 5 – ELECTION OF DIRECTOR – DANNY PAVLOVICH

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

*"That, subject to and conditional upon the passing of all Essential Resolutions, and for all other purposes, Mr Danny Pavlovich, who being eligible and having given his consent to act, be elected as a director of the Company with effect on and from Settlement of the Proposed Acquisition."*

## 6. RESOLUTION 6 – CHANGE OF COMPANY NAME

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

*"That, subject to and conditional upon the passing of all Essential Resolutions, for the purpose of section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to **Wellfully Limited**."*

## 7. RESOLUTION 7 – ISSUE OF SHARES TO RELATED PARTY - STEVEN SCHAPERA – PROPOSED PARTICIPATION IN CAPITAL RAISING

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

*"That, subject to and conditional upon the passing of all Essential Resolutions, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 3,333,334 Shares to Steven Schapera (or his nominee) (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion Statement**: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Steven Schapera (and his nominee) or any of their associates and any other person who will obtain a material benefit as a result of the issue (except a benefit solely by reason of being a holder of ordinary securities in the Company). However, the Company need not disregard a vote if:

(a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) 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; or

(c) it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided that the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on this Resolution, and the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

## 8. RESOLUTION 8 – ISSUE OF SHARES TO RELATED PARTY - ANTONIO VARANO – PROPOSED PARTICIPATION IN CAPITAL RAISING

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

> *"That, subject to and conditional upon the passing of all Essential Resolutions, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 3,333,334 Shares to Antonio Varano (or his nominee) (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion Statement**: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Antonio Varano (and his nominee) or any of their associates and any other person who will obtain a material benefit as a result of the issue (except a benefit solely by reason of being a holder of ordinary securities in the Company). However, the Company need not disregard a vote if:

(a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) 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; or

(c) it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided that the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on this Resolution, and the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

## 9. RESOLUTION 9 – ISSUE OF SHARES TO RELATED PARTY – JEFFREY EDWARDS – PROPOSED PARTICIPATION IN CAPITAL RAISING

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

> *"That, subject to and conditional upon the passing of all Essential Resolutions, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 1,666,667 Shares to Jeffrey Edwards (or his nominee) (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion Statement**: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Jeffrey Edwards (and his nominee) or any of their associates and any other person who will obtain a material benefit as a result of the issue (except a benefit solely by reason of being a holder of ordinary securities in the Company). However, the Company need not disregard a vote if:

(a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) 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; or

(c) it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided that the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on this Resolution, and the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

## 10. RESOLUTION 10 – ISSUE OF SHARES TO RELATED PARTY – CHRISTOPHER QUIRK – PROPOSED PARTICIPATION IN CAPITAL RAISING

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

*"That, subject to and conditional upon the passing of all Essential Resolutions, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 1,666,667 Shares to Christopher Quirk (or his nominee) (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion Statement**: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Christopher Quirk (and his nominee) or any of their associates and any other person who will obtain a material benefit as a result of the issue (except a benefit solely by reason of being a holder of ordinary securities in the Company). However, the Company need not disregard a vote if:

(a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) 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; or

(c) it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided that the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on this Resolution, and the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

## 11. RESOLUTION 11 – ISSUE OF SHARES TO RELATED PARTY – CAMERON REYNOLDS – PROPOSED PARTICIPATION IN CAPITAL RAISING

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

*"That, subject to and conditional upon the passing of all Essential Resolutions, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 1,666,667 Shares to Cameron Reynolds (or his nominee) (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion Statement**: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Cameron Reynolds (and his nominee) or any of their associates and any other person who will obtain a material benefit as a result of the issue (except a benefit solely by reason of being a holder of ordinary securities in the Company). However, the Company need not disregard a vote if:

(a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) 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; or

(c) it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided that the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on this Resolution, and the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

**Dated: 16 January 2020**

**By order of the Board**

**John Palermo**
**Company Secretary**

**Voting in person**

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

**Voting by proxy**

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

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

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

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

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9443 3011.***

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

**Resolutions 1 to 6 are referred to as Essential Resolutions throughout this Notice. Each Essential Resolution is conditional on each other Essential Resolution being approved.**

**The Proposed Acquisition requires Shareholder approval under the ASX Listing Rules and therefore may not proceed if that approval is not forthcoming.**

**Should any of the Essential Resolutions not be approved by the requisite majority, the Company will not proceed with the Proposed Acquisition. The Company is required to re-comply with ASX's requirements for admission and quotation and therefore, the Proposed Acquisition may not proceed if those requirements are not met. The ASX has an absolute discretion in deciding whether or not to re-admit the Company to the Official List and to quote the Company's Shares and therefore, the Proposed Acquisition may not proceed if the ASX exercises that discretion. The ASX and its officers take no responsibility for the contents of this Notice.**

**The Directors recommend that Shareholders vote in favour of all Resolutions.**

## 1. BACKGROUND TO THE PROPOSED ACQUISITION OF EXPORT CORPORATION (AUSTRALIA) PTY LTD

### 1.1 Background of the Company

OBJ Limited (ACN 056 482 636) (ASX: OBJ) (**Company**) was incorporated on 22 June 1992. The Company was admitted to the Official List of ASX on 26 May 2000 and official quotation of its securities commenced on 29 May 2000.

The principal activities of the Company during the financial year ended 30 June 2019 were the research and development for its Dermaportation and Enhanced Transdermal Polymer transdermal drug delivery technologies. The Company also continues to review its intellectual property assets and evaluate new business opportunities to strengthen its technology and/or product portfolio.

The Board of the Company has been evaluating new business opportunities that will enable it to move closer to the consumer in the health and wellness space, whilst strengthening its technology and broadening its product portfolio with the objective of enhancing Shareholder value. The Board considers that the Company's strategy to move closer to the consumer will improve profitability by collecting a larger share of the retail dollar generated by its products and technology.

The Company's auditor is RSM Australia Partners and the investigating accountant for the purposes of the prospectus to be issued in relation to Resolution 4 is BDO Corporate Finance (WA) Pty Ltd.

### 1.2 General Background to the Proposed Acquisition

As announced on 7 November 2019, the Company has executed a share sale agreement pursuant to which the Company has agreed to acquire 100% of the issued capital of Export Corporation (Australia) Pty Ltd from its sole shareholder.

Export Corporation (Australia) Pty Ltd undertakes the wholesale distribution of nutritional wellness products in Australia and New Zealand, under the business name "Nutrition Systems".

The Vendor is not associated with the Company or its existing Directors. As part of the Proposed Acquisition, the Company will also acquire a property in New South Wales used in connection with the operation of Export Corporation (Australia) Pty Ltd's business from an entity associated with Export Corporation (Australia) Pty Ltd (**NSW Property**). Entry into the property sale contract is a condition precedent to settlement of the Proposed Acquisition.

The Proposed Acquisition will change the nature of the Company's main activities from a pharmaceuticals, biotechnology and life sciences company to a vertically integrated, science-based wellness company.

The Proposed Acquisition is conditional on (amongst other things) the Company obtaining all necessary regulatory and Shareholder approvals to effect the Proposed Acquisition and satisfying all other requirements of ASX for the reinstatement to official quotation of the Shares to trading on the ASX.

The key terms of the Agreement are set out below:

(a) **Conditions Precedent**

Settlement of the Acquisition is subject to the following conditions precedent:

(i) (**Due Diligence**): completion of due diligence on Export Corporation (Australia) Pty Ltd and its business by the Company to its satisfaction;

(ii) (**Shareholder Approvals**): the Company obtaining the following shareholder approvals:

(A) approval of the Consolidation;

(B) approval of the change in nature and scale of the OBJ's activities;

(C) approval for the issue of the Shares the subject of the Capital Raising;

(D) approval for the issue of the Equity Consideration; and

(E) approval under item 7 of section 611 of the Corporations Act 2001 (Cth) (***Corporations Act***)**;**

(iii) (**Capital Raising**): the Company raising not less than $40,000,000, via the issue of Shares and/or debt funding, subject to Shareholders' approval where required;

(iv) (**Conditional approval**): receipt of conditional approval from ASX for the re-quotation of the Shares, on conditions satisfactory to OBJ;

(v) (**NSW Property sale agreement**): execution of a property sale agreement in relation to the NSW Property;

(vi) (**Employment Agreement**): the Company entering into an employment or contractor agreement with Danny Pavlovich for a term of not less than two (2) years; and

(vii) (**Escrow arrangements**): the Vendor entering into escrow arrangements, if any, in respect of the Equity Consideration, as required under the ASX Listing Rules or by the ASX.

If the conditions precedent to settlement of the Acquisition are not all fulfilled or waived by that date which is 3 months after execution of the Agreement, then unless otherwise agreed by the parties in writing, the Agreement shall be deemed to be at an end and of no force or effect with none of the parties being subject to any of the obligations contained in the Agreement and with no party claiming any rights at law or equity against any other party, save for the performance of those covenants and agreements (if any) which should have been performed and all damages for breach of the same.

It is noted that the Capital Raising condition precedent is for the benefit of the Company and may be waived by the Company by notice in writing to the Vendor on or before the End Date. The Company has secured a $20,000,000 loan facility with the ANZ Bank. The Board intends to apply $15,000,000 of the loan facility towards costs associated with the Proposed Acquisition and has therefore resolved that the maximum amount of the Capital Raising will be $35,000,000.

(b) **Consideration**

Subject to certain adjustments (refer to Section 1.2(c)), pursuant to the Agreement, the Company has agreed to:

(i) make payment of $50,000,000 in cash (**Cash Consideration**); and

(ii) issue that number of Shares having an aggregate value of $35,000,000 (**Equity Consideration**),

in consideration for the acquisition of Nutrition Systems and acquisition of the NSW Property.

The Cash Consideration is payable by the Company as follows:

(i) $38,000,000 payable as follows:

(A) $28,000,000 payable at Settlement (**Stage 1 Cash Consideration**);

(B) $5,000,000 payable on the date that is 12 months from Settlement (**Stage 2 Cash Consideration**); and

(C) $5,000,000 payable on the date that is 24 months from Settlement (**Stage 3 Cash Consideration**).

(ii) $12,000,000 to acquire the NSW Property payable at Settlement.

The Equity Consideration is to be issued by the Company as follows:

(i) $10,000,000 worth of Shares (on a post-Consolidation basis) issuable 12 months after Settlement (unless otherwise agreed by the parties) with a deemed issue price of the higher of the 30-day VWAP of Shares calculated for the period ending on the business day before the Stage 1 Equity Consideration Issue Date and $0.24 (being 80% of the issue price of Shares under the Capital Raising) (**Floor Price**) (**Stage 1 Equity Consideration**);

(ii) $10,000,000 worth of Shares (on a post-Consolidation basis) issuable 24 months after Settlement (unless otherwise agreed by the parties) with a deemed issue price of the higher of the 30-day VWAP of Shares calculated for the period ending on the business day before the date of issue and the Floor Price; and

(iii) up to $15,000,000 worth of Shares (on a post-Consolidation basis) issuable 36 months after Settlement (unless otherwise agreed by the parties) with a deemed issue price of the higher of the 30-day VWAP of Shares calculated for the period ending on the business date before the date of issue and the Floor Price (**Stage 3 Equity Consideration**). The Stage 3 Equity Consideration is subject to performance adjustments which may lead to a lesser number of Shares being issued 36 months after Settlement.

(c) **Adjustments to the Consideration**

The amount of the Consideration actually paid to the Vendor will be adjusted as follows:

(i) the Cash Consideration actually paid by the Company will be subject to a working capital and inventory adjustment at Settlement;

(ii) the Stage 3 Equity Consideration is subject to performance adjustments, which may lead to a lesser number of Shares being issued 36 months after Settlement.

(d) **Cash Alternative to Equity Consideration**

The Company and the Vendor may mutually agree that the Company may pay a cash alternative for the Equity Consideration at any time mutually agreed between the parties

(e) **Change in Control of the Company**

In the event that a change in control of the Company occurs:

(i) all amounts of the Cash Consideration outstanding are immediately due and payable to the Vendor upon the change in control occurring; and

(ii) all outstanding Equity Consideration must be issued to the Vendor immediately following the change in control occurring

### 1.3 Summary of Resolutions

This Notice of Meeting sets out the Resolutions necessary to complete the Proposed Acquisition and associated transactions. Each of the Essential

Resolutions are conditional upon the approval by Shareholders of each of the other Essential Resolutions. If any of the Essential Resolutions are not approved by Shareholders, all of the Essential Resolutions will fail and Settlement will not occur.

A summary of the Essential Resolutions is as follows:

(a) (**Resolution 1**) the Proposed Acquisition, if successfully completed, will represent a significant change in the nature or scale of the Company's operations, specifically in relation to the change in the Company's focus to the distribution and wholesale of nutritional wellness products, for which Shareholder approval is required under ASX Listing Rule 11.1.2;

(b) (**Resolution 2**) in conjunction with the Proposed Acquisition, the Company intends to undertake a consolidation of its Shares on the basis that every twenty (20) Shares be consolidated into one (1) Share;

(c) (**Resolution 3**) the issue of the Equity Consideration to the Vendor in consideration for the Proposed Acquisition and the acquisition by the Vendor of which voting power in the Company which is above 20%;

(d) (**Resolution 4**) the Company will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules as a result of the Proposed Acquisition and, to achieve this, intends to undertake a capital raising by issuing up to 116,666,667 Shares (on a post-Consolidation basis) at an issue price of $0.30 per Share to raise up to $35,000,000 (**Capital Raising**);

(e) (**Resolution 5**) the appointment of Danny Pavlovich as a Director on and from Settlement; and

(f) (**Resolution 6**) the change of the Company's name to "Wellfully Limited".

In addition, current OBJ Directors Steven Schapera, Antonio Varano, Jeffrey Edwards, Christopher Quirk and Cameron Reynolds have expressed interest in participating in the Capital Raising by applying for up to 3,333,334 Shares at $0.30 per Share each in relation to Messrs Schapera and Varano and up to 1,666,667 Shares at $0.30 per Share in relation to Messrs Edwards, Quirk and Reynolds. The Company is seeking Shareholder approval for the participation of Messrs Schapera, Varano, Edwards, Quirk and Reynolds in the Capital Raising up to these amounts pursuant to Resolutions 7, 8, 9, 10 and 11.

## 1.4 Directors' recommendation and voting intention

All of the Directors are of the opinion that the Proposed Acquisition is in the best interests of Shareholders and, accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Essential Resolutions. The Directors' recommendations are based on an assessment of the advantages and disadvantages referred to in Sections 1.21 and 1.22, respectively, and being of the view that the advantages outweigh the disadvantages.

Each of the Directors intend to vote in favour of each of the Resolutions that they are entitled to vote on.

## 1.5 Background on Nutrition Systems

Export Corporation (Australia) Pty Ltd undertakes the business of wholesale distribution of nutritional wellness products in Australia and New Zealand, under the business name "Nutrition Systems". Established in 1991, Nutrition Systems was one of the first companies in Australia to import health, wellness and sports nutritional products from the United States of America. For over 25 years, Nutrition Systems has been importing and distributing the highest quality sports nutrition products from the USA, with a focus on the most innovative and effective products.

### 1.6 Key Investment Highlights

The Board considers that the Acquisition of Nutrition Systems:

(a) will complement the Company's existing operations and is in line with the Board's strategy to strengthen the Company's trading aspect within the health and wellness space;

(b) will bring OBJ closer to its target markets and the consumer; and

(c) add value to the Company for the benefit of all Shareholders.

### 1.7 Industry

The Company currently operates within the pharmaceuticals, biotechnology and life sciences industry. The Proposed Acquisition will change the nature of the Company's main activities from a pharmaceuticals, biotechnology and life sciences company to a vertically integrated, science-based wellness company.

Following Settlement, the Company will predominantly operate within the distribution and wholesale of wellness products industry.

The global wellness industry has been enjoying a high growth trajectory in recent years. The total market grew by 12.8%, from a $3.7 trillion market in 2015 to $4.2 trillion in 2017.[1] This represents a significant market opportunity for the Company to develop and distribute innovative products for various target wellness sectors, such as personal care, anti-aging, personalised medicine, nutrition and weight loss.

### 1.8 Nutrition Systems' Current Activities and Business Model

Nutrition Systems distributes some of the world's leading nutritional wellness brands including BPI, Cellucor, GAT Sports, Muscle Pharm, ProSupps, and Quest Nutrition.

Nutrition Systems distributes its products through major grocery and pharmacy platforms including Woolworths, IGA, Coles and Costco, Chemist Warehouse and Terry White Chemists, convenience stores, including Caltex and EzyMart, and hundreds of speciality health and wellness retailers and online, including Nutrition Zone, Elite Supplements, Supps R Us and Supplement Mart. Nutrition Systems maintains an efficient distribution network with next-day delivery to most customers.

In addition to its distribution activities, Nutrition Systems undertakes extensive and ongoing product research and development of sports nutrition products.

Nutrition Systems operates over 9,000 metres$^2$ of distribution facilities in Australia and New Zealand and currently employs more than 60 staff. Nutrition Systems

[1] Global Wellness Institute: https://globalwellnessinstitute.org/press-room/press-releases/wellness-now-a-4-2-trillion-global-industry/

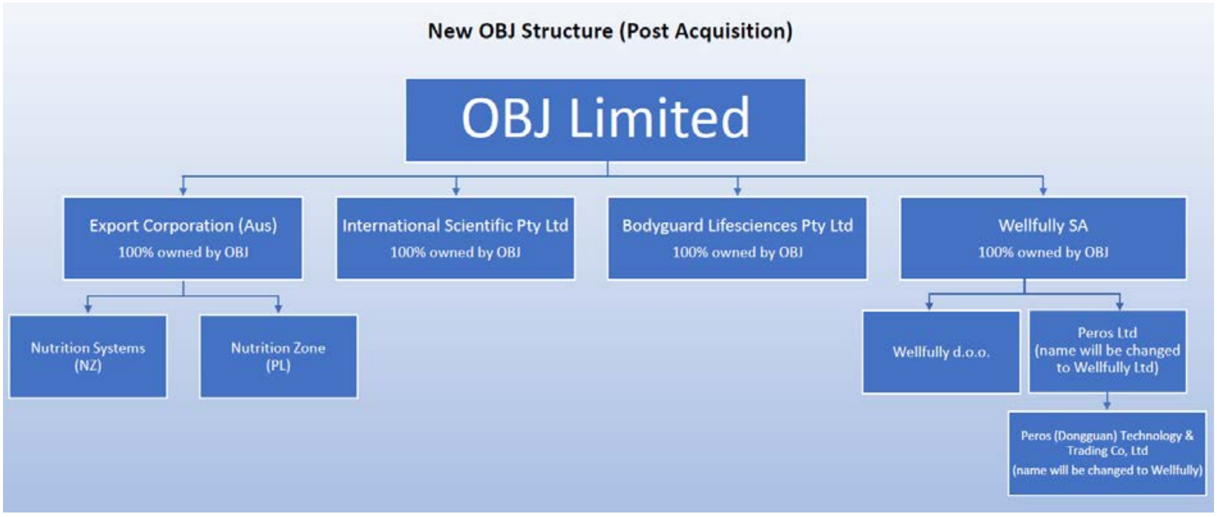
has a nationwide sales team of experienced in-field account managers and in-house customer service representatives which provide customer service, product training, merchandising and promotional support.

Nutrition Systems also undertakes an in-house content production, public relations and regulatory team with significant expertise relating to the products it distributes. Its flagship magazine "Inside Fitness" which has a circulation of 20,000 copies per issue. Nutrition Systems actively sponsors major state and national sporting organisations including the Perth Wildcats, Sydney Roosters, in Australia and the Hurricanes, All Blacks, and Silverferns in New Zealand.

In addition to the logistic infrastructure and expertise, Nutrition Systems maintains an internal and external compliance team dedicated to ensuring product safety, efficacy and compliance with the regulations of the Therapeutic Goods Administration.

## 1.9 Group Structure

Upon Settlement, the group structure of the Company will be as set out below:




## 1.10 Business Strategy

Following Settlement, the Company will predominantly focus on the distribution and wholesale business undertaken by Nutrition Systems. In relation to the Nutrition Systems business specially, the Company intends to expand the geographical exclusivity of its current suite of products as well establishing local manufacturing of existing products under license to its suppliers. This is expected to increase gross profit and mitigate the exposure to foreign exchange fluctuations and freight cost. It is expected that the Nutrition Systems business will also facilitate the initial roll out of the existing Bodyguard product suite to its existing network.

The Company will continue to drive the Bodyguard and Reduit brands to commercialisation in accordance with their respective business plans as previously announced to the market.

## 1.11 Management Team of Nutrition Systems

Key members of the Nutrition Systems management team are set out below:

(a) **Danny Pavlovich, Chief Executive Officer**

Mr Pavlovich is the Chief Executive Officer of Nutrition Systems. A former elite athlete, he has grown Nutrition Systems from infancy to a multi-national distribution company with over 9000m$^2$ of distribution capacity. Mr Pavlovich was the first person to import US Sports Supplements into Australia for distribution and sees great opportunity in the sports and wellness market both locally and internationally. Nutrition Systems products are widely known throughout Australia and New Zealand and can be found in large grocery and pharmacy chains, Woolworths, Coles, Chemist Warehouse, Costco and hundreds of specialty stores.

(b) **Djuro Kremenovic, Director of Operations**

Djuro has been in operational management roles for 13 years before moving to the sports nutrition industry 15 years ago, successfully managing growth in the retail and distribution sectors. He was also crucial to the setup of the modern-day Nutrition Systems, which was formed in Perth and moved to Sydney. Djuro has established new systems of operation, introducing new staff and departments, from adapting to leading benchmarks in an ever-changing industry landscape.

(c) **Shane Hunter, CEO Nutrition Systems, New Zealand**

Shane has 15 years' experience in the sports nutrition industry. Setting up and running a successful chain of retail stores in Australia, before moving to New Zealand in 2008 to establish the import/distribution standards of the industry known today in New Zealand and replicated in markets around the world. Shane's network within the sector is unparallel and maintains a high degree of influence on market trends and direction for innovation and product development for all market segments and customer focus.

## 1.12 Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

ASX has advised that it will require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules prior to the Company completing the Proposed Acquisition as the Proposed Acquisition will constitute a change in the nature and scale of the Company's activities.

As such, the Company will be required to re-comply with the conditions to listing on ASX set out in Chapters 1 and 2 of the ASX Listing Rules before Settlement of the Proposed Acquisition can occur and before the Company's Shares can be re-instated to trading on ASX following Settlement.

## 1.13 Capital Raising and Use of Funds

To assist the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules and to support its strategy following Settlement of the Proposed Acquisition, the Company intends, subject to Shareholder approval, to undertake the Capital Raising pursuant to a full form prospectus to raise up to $35,000,000 at an issue price of $0.30 per Share, with a minimum subscription of $25,000,000. Shareholder approval for the Capital Raising is the subject of Resolution 4. Please refer to Section 5 for further details in respect of the Capital Raising.

The indicative 2–year budget for the use of funds proposed to be raised in connection with the Capital Raising is set out below. The use of funds below is subject to confirmation and adjustment on completion of due diligence by the

Company and should be considered indicative only. A more detailed use of funds budget will be provided in the Prospectus:

| | Minimum Subscription | | Maximum Subscription | |
|---|---|---|---|---|
| **Funds Available** | **Amount (A$)** | **%** | **Amount (A$)** | **%** |
| Pre-Capital Raising cash balance[1] | $1,000,000 | 2.17% | $1,000,000 | 1.96% |
| Capital Raising funds | $25,000,000 | 54.35% | $35,000,000 | 68.63% |
| Available Debt Funding[1] | $20,000,000 | 43.48% | $15,000,000 | 29.41% |
| **Following the Capital Raising** | **$46,000,000** | **100%** | **$51,000,000** | **100%** |
| **Application of Funds** | **Amount (A$)** | **%** | **Amount (A$)** | **%** |
| Cash consideration for the Proposed Acquisition[2] | $40,000,000 | 86.96% | $40,000,000 | 78.43% |
| Expenditure on the Company's existing activities | $3,400,000 | 7.39% | $7,900,000 | 15.49% |
| Expenses of the Capital Raising | $1,600,000 | 3.48% | $2,100,000 | 4.12% |
| Working capital and corporate administration | $1,000,000 | 2.17% | $1,000,000 | 1.96% |
| **Total[3]** | **$46,000,000** | **100%** | **$51,000,000** | **100%** |

**Notes:**

1. As at 3 December 2019. This includes the $20,000,000 loan facility that the Company has secured with ANZ Bank. The Board intends to use $15,000,000 of the available debt facility towards costs associated with the Proposed Acquisition. In the event the Minimum Subscription is raised, the Board intends to utilise the full $20,000,000 in debt funding towards costs associated with the Proposed Acquisition.

2. Consisting of the initial cash payment of $40,000,000 due at Settlement, being $28,000,000 payable to the Vendor and $12,000,000 for acquisition of the NSW Property.

3. Assumes Export Corporation (Australia) Pty Ltd is self-funding.

It should be noted that the Company's budgets will be subject to modification on an ongoing basis depending on the results obtained from development, sales and marketing and commercialisation activities. The results obtained from development, sales and marketing and commercialisation activities may lead to increased or decreased levels of expenditure on certain activities reflecting a change in emphasis.

The above table is a statement of current intentions as of the date of this Notice. As with any budget, intervening events (including marketing and commercialisation success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

The Directors and the Proposed Director consider that following completion of the Capital Raising, the Company will have sufficient working capital to carry out its stated objectives. It should however be noted that an investment in the Company is speculative and investors are encouraged to read the risk factors outlined in Section 1.23.

## 1.14 No Underwriter

The Capital Raising is not underwritten.

## 1.15 Other advisers

The Company has engaged TTB Partners based in Hong Kong, as lead manager to the Capital Raising, and to provide corporate advisory and services in relation to the Capital Raising. The Company proposes to pay TTB Partners a 5% fee on the total funds raised under the Capital Raising upon settlement of the Acquisition, in consideration for those services.

In addition, a cash fee of 1.75% of the total consideration for the Acquisition will be payable by the Company to Gratia Australia Pty Ltd upon settlement of the Acquisition as a fee for introducing the parties.

## 1.16 Pro-forma capital structure

The proposed capital structure of the Company following completion of the Proposed Acquisition and the issue of all Shares contemplated by this Notice is set out below.

| | Capital Raising Minimum Subscription | Capital Raising Maximum Subscription |
|---|---|---|
| | Shares | Shares |
| Currently on issue | 1,809,462,635 | 1,809,462,635 |
| **On issue upon completion of Consolidation** | **90,473,132** | **90,473,132** |
| Capital Raising (Resolution 4) | 83,333,334 | 116,666,667 |
| Issue of Consideration Shares (Resolution 5)[1] | 145,833,334 | 145,833,334 |
| **TOTAL** | **319,639,800** | **352,973,133** |

**Notes:**

1 As set out in Section 1.2, the Equity Consideration will be issued in three tranches: 12, 24 and 36 months after Settlement. This figure assumes that $10,000,000 worth of Shares are issued 12 months after Settlement at a deemed issue price of $0.24 per Share, $10,000,000 worth of Shares are issued 24 months after Settlement at a deemed issue price of $0.24 per Share and $15,000,000 worth of Shares are issued 36 months after Settlement at a deemed issue price of $0.24 per Share. The third tranche of the Equity Consideration is subject to performance adjustments which may lead to a lesser number of Shares being issued 36 months after Settlement.

## 1.17 Pro-forma balance sheet

The pro-forma balance sheet of the Company following Settlement of the Proposed Acquisition and the issue of all Shares contemplated by this Notice is set out in Schedule 1. The historical and pro-forma information is presented in an abbreviated form, insofar as it does not include all of the disclosure required by the Australian Accounting Standards applicable to annual financial statements.

### 1.18 Indicative timetable

An indicative timetable for Settlement of the Proposed Acquisition and the associated transactions set out in this Notice is set out below:

| Event | Date* |
|---|---|
| Announcement of Proposed Acquisition | 7 November 2019 |
| Notice of Meeting for the Proposed Acquisition sent to Shareholders | 16 January 2020 |
| Shareholder meeting to approve the Proposed Acquisition and associated transactions | 18 February 2020 |
| Lodgment of Prospectus with the ASIC | 19 February 2020 |
| Opening Date of the Capital Raising | 19 February 2020 |
| Closing date of Capital Raising | 13 March 2020 |
| Settlement of Proposed Acquisition | 18 March 2020 |
| Issue of Shares under the Capital Raising | 18 March 2020 |
| Dispatch of holding statements | 20 March 2020 |
| Re-quotation on the ASX | 27 March 2020 |

*Please note this timetable is indicative only and the Directors reserve the right to amend the timetable as required.

### 1.19 Board Intentions upon Settlement

In the event that Settlement occurs, the Company proposes to:

(a) use the funds raised from the Capital Raising, will be used as detailed in Section 1.13; and

(b) execute the Bodyguard and Device business plans.

### 1.20 Composition of the Board of Directors

It is intended that the Board will comprise the following upon Settlement:

(a) Antonio Varano;

(b) Steven Schapera;

(c) Jeffrey Edwards;

(d) Cameron Reynolds; and

(e) Danny Pavlovich.

It is currently intended that Christopher Quirk will resign as a Director upon Settlement. Additional Board and management resources may be considered as appropriate as the business develops.

## 1.21 Advantages of the Proposed Acquisition

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

(a) the Proposed Acquisition represents an attractive investment opportunity for the Company to change its business focus to that of a distribution and wholesale company;

(b) the Company will obtain ownership of Nutrition Systems and its business operations;

(c) the Agreement requires the Company to complete a capital raising to raise not less than $25,000,000 and up to $35,000,000, which will provide the Company with sufficient funds to implement its proposed commercialisation, marketing and expansion strategy;

(d) the potential increase in market capitalisation of the Company following Settlement and the associated Capital Raising may lead to increased coverage from investment analysts, access to improved equity capital market opportunities and increased liquidity which are not currently present;

(e) the appointment to the Board of the Proposed Director provides the Company with extensive experience within the food and nutrition industry; and

(f) the re-listing and Capital Raising will put the Company in a stronger position to advance the Company's existing business operations.

## 1.22 Disadvantages of the Proposed Acquisition

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

(a) the Company will be changing the nature and scale of its activities to primarily be a wholesale company, which may not be consistent with the objectives of all Shareholders;

(b) the Proposed Acquisition will result in the issue of Shares under the Capital Raising and the issue of the Consideration Shares under the Proposed Acquisition, both of which will have a dilutionary effect on the holdings of Shareholders;

(c) in connection with the Proposed Acquisition, the Company has been required to engage a number of advisors, lawyers and experts to facilitate and report on the Proposed Acquisition, which represent sunk, but necessary costs to the Company;

(d) future outlays of funds from the Company may be required for the operations of Nutrition Systems;

(e) there is no guarantee that the price of the Shares will not fall as a result of the Proposed Acquisition; and

(f) there are additional risk factors associated with the change in nature of the Company's activities resulting from the Proposed Acquisition. Some of the key risks are summarised in Section 1.23.

### 1.23 Risk factors

The key risks of the Proposed Acquisition and following completion of the Proposed Acquisition are:

(a) **Risks relating to Change in Nature and Scale of Activities**

(i) **Completion risk**

Pursuant to the Agreement, the Company has agreed to acquire 100% of the issued capital of Nutrition Systems, Settlement of which is subject to the fulfilment of certain conditions. There is a risk that the conditions for Settlement of the Proposed Acquisition cannot be fulfilled and, in turn, that Settlement of the Proposed Acquisition does not occur.

If the Proposed Acquisition is not completed, the Company will incur costs relating to advisors and other costs without any material benefit being achieved.

(ii) **Re-quotation of Shares on ASX**

The Proposed Acquisition constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the Official List of ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

(iii) **Dilution**

The Company currently has 1,809,462,635 Shares on issue (on a pre-Consolidation basis). Pursuant to the Agreement, the Company proposes to issue the Equity Consideration, the Capital Raising Shares as well as the Lead Manager Shares.

On issue of the Capital Raising Shares and all of the Equity Consideration:

(A) the existing Shareholders will retain approximately 28.30% of the Company's issued Share capital at Minimum Subscription or 25.63% at Maximum Subscription;

(B) the Vendor will hold approximately 45.62% of the Company's issued Share capital at Minimum Subscription or 41.32% at Maximum Subscription.

Shareholders should note that the Stage 1 Equity Consideration is not due to be issued until 12 months after Settlement (with the Stage 2 Equity Consideration, 24 months after Settlement and the Stage 3 Equity Consideration, 36 months after Settlement);

(C) the investors under the Capital Raising will hold approximately 26.08% of the Company's issued Share capital at Minimum Subscription or 33.05% at Maximum Subscription.

(b) **Risks in respect of Nutrition Systems and its current operations**

**(i) Foreign Exchange Fluctuation**

Nutrition Systems imports the majority of its wellness products for distribution in Australia from the USA. Nutrition Systems may be exposed to rapid and material movements in exchange rates, which could affect its earnings, balance sheet and cash position.

**(ii) Importation of Stock from Overseas**

Nutrition Systems business depends on the timely importation of products from the United States of America. A delay in the importation of products could result in could materially adversely affect the Company's future business, operating results and financial position. Nutrition Systems mitigates this risk by advance ordering inventory greater than six months taking into account foreign exchange and trade discounts offered.

**(iii) Competition**

There is significant competition in the nutritional wellness industry generally. Nutrition Systems' financial performance and overall success in the market rests upon the successful implementation of strategies to compete with other highly competitive businesses. If Nutrition Systems may be unable to compete successfully against future competitors where aggressive policies are employed to capture market share. Such competition could result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect the Company's future business, operating results and financial position.

**(iv) Trading Relationships with major customers**

Nutrition Systems' ability to efficiently conduct its operations in a number of respects depends upon a number of contracts with major customers. As in any contractual relationship, the ability for Nutrition Systems to ultimately receive the benefit of the contract is dependent upon the relevant third party complying with its contractual obligations.

**(v) Trading Relationships with major customers**

Nutrition Systems' future depends, in part, on its ability to attract and retain management and key personnel who are responsible for overseeing the day-to-day operations of Nutrition Systems. Nutrition Systems' future also depends on the continued contributions of its executive management team and other key management personnel, the loss of whose services would be difficult to replace.

**(vi) Regulatory risks**

Nutrition Systems operates within a field that is highly regulated, particularly in relation to requirements of the Therapeutic Goods Administration (**TGA**). Nutrition Systems has a number of strategies in place to ensure regulatory compliance, including its own in-house compliance team, engagement of third-party consultants where required, as well as working closely with representatives of the TGA to mitigate the risk of breaching regulatory requirements in relation to the products Nutrition Systems imports and distributes. A change in the regulatory system or breach of regulatory requirements could impact adversely on the operations and, ultimately, the financial performance of Nutrition Systems and the Company's Shares.

(c) **General risks relating to the Company**

**(i) Additional requirements for capital**

The funds to be raised under the Capital Raising are considered sufficient to meet the immediate objectives of the Company and implementation of the strategy detailed in Section 1.15. Additional funding may be required in the event costs exceed the Company's estimates and to effectively implement its business and operational plans in the future to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur. If such events occur, additional funding will be required.

Following completion of the Capital Raising, the Company may seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, or other means. Failure to obtain sufficient financing for the Company's activities may result in delay and indefinite postponement of their activities and the proposed commercialisation, marketing and international expansion strategy. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing may not be favourable to the Company and might involve substantial dilution to Shareholders.

**(ii) Economic and financial market risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

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

(A) general economic outlook;

(B) interest rates and inflation rates;

(C) currency fluctuations;

(D) changes in investor sentiment toward particular market sectors;

(E) the demand for, and supply of, capital; and

(F) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

**(iii) Force majeure**

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

(iv) **Acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, companies, products, technologies and/or products that are complementary to the Company's business. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements, achieving the sales and margins anticipated and retaining key staff and user and supplier relationships.

(v) **Risk of high-volume Share sales**

If Settlement occurs, the Company will have issued a significant number of new Shares to various parties. The Vendor and others that receive Shares as a result of the Proposed Acquisition or the Capital Raising may not intend to continue to hold those Shares and may wish to sell them on ASX (subject to any applicable escrow period). There is a risk that an increase in the amount of people wanting to sell Shares may adversely impact on the market price of the Shares.

There can be no assurance that there will be, or continue to be, an active market for Shares or that the price of Shares will increase. As a result, Shareholders may, upon selling their Shares, receive a market price for their Shares that is less than the price of Shares offered pursuant to the Capital Raising.

(vi) **Trading price of Shares**

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

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

## 1.24 Plans for the Company if completion of the Proposed Acquisition does not occur

If the Essential Resolutions are not passed and the Agreement is not completed, the Company will continue to focus on its current activities, specifically research and development for its Dermaportation, Enhanced Transdermal Polymer transdermal drug delivery technologies, and its device business, as well as exploring new opportunities and look for potential business acquisitions to take the Company forward.

## 1.25 Directors' and Proposed Director's interests in the Proposed Acquisition

Directors are not required under the Constitution to hold any Shares to be eligible to act as a Director. Details of the Directors' and Proposed Director's relevant interest in the Shares of the Company (on a post-Consolidation basis), upon Settlement and assuming all Directors participate in the Capital Raising to the maximum extent as set out in Resolutions 7 to 11 are set out in the table below:

| Director / Proposed Director | Shares |
|---|---|
| Antonio Varano[1] | 3,533,334 |
| Steven Schapera[2] | 3,794,535 |
| Jeffrey Edwards[3] | 3,688,217 |
| Cameron Reynolds[4] | 1,666,667 |
| Christopher Quirk[5] | 2,825,497 |
| Danny Pavlovich[6] | Nil |

**Notes:**

1. 200,000 post-Consolidation Shares currently held and assuming that Shareholder approval for Resolution 8 is obtained and Mr Varano participates in the Capital Raising to the maximum extent possible (3,333,334 Shares).

2. 461,201 post-Consolidation Shares currently held and assuming that Shareholder approval for Resolution 7 is obtained and Mr Schapera participates in the Capital Raising to the maximum extent possible (3,333,334 Shares).
3. 2,021,550 post-Consolidation Shares currently held and assuming that Shareholder approval for Resolution 9 is obtained and Mr Edwards participates in the Capital Raising to the maximum extent possible (1,666,667 Shares).
4. Assuming that Shareholder approval for Resolution 11 is obtained and Mr Reynolds participates in the Capital Raising to the maximum extent possible (1,666,667 Shares).
5. 1,158,830 post-Consolidation Shares currently held and assuming that Shareholder approval for Resolution 10 is obtained and Mr Quirk participates in the Capital Raising to the maximum extent possible (1,666,667 Shares).
6. Danny Pavlovich is the sole shareholder of Export Corporation (Australia) Pty Ltd and will receive the Equity Consideration in accordance with the terms set out in Agreement (refer to Section 1.2 for further details). At Settlement, Danny Pavlovich will not hold any Shares in the Company.

### 1.26 Directors' interests in the Proposed Acquisition

None of the Directors have any interest in the Proposed Acquisition, other than as disclosed in this Notice.

### 1.27 Vendor's interests in the Company

The Vendor or his associates are not related parties of the Company (other than by virtue of becoming a Director upon Settlement) and they have no existing interest in the Shares of the Company.

### 1.28 Forward-looking statements

The forward-looking statements in this Explanatory Statement are based on the Company's current expectations about future events. However, they are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Directors, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward-looking statements in this Explanatory Statement. These risks include but are not limited to, the risks detailed in Section 1.23. Forward-looking statements include those containing words such as 'anticipate', 'estimates', 'should', 'will', 'expects', 'plans' or similar expressions.

## 2. RESOLUTION 1 – CHANGE TO NATURE AND SCALE OF ACTIVITIES – PROPOSED ACQUISITION OF EXPORT CORPORATION (AUSTRALIA) PTY LTD

### 2.1 General

Resolution 1 seeks approval from Shareholders for the Proposed Acquisition under and for the purposes of Listing Rule 11.1.2.

If Resolution 1 (along with the other Essential Resolutions) is passed, the Company will be able to proceed with the Proposed Acquisition and, as set out above, the Proposed Acquisition will change the nature of the Company's main activities from a pharmaceuticals, biotechnology and life sciences company to a vertically integrated, science-based wellness company.

If Resolution 1 (along with the other Essential Resolutions) is not passed, the Company will proceed in the manner set out in Section 1.24 above.

A summary of the terms and conditions of the Agreement is set out in Section 1.2 and a detailed description of Nutrition Systems and its business is outlined in Sections 1.5 to 1.11 above.

## 2.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable (and before making the change) and comply with the following:

(a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;

(b) if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the notice of meeting; and

(c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the Official List.

ASX has indicated to the Company that the change in the nature and scale of the Company's activities as a result of the Proposed Acquisition requires the Company, in accordance with ASX Listing Rule 11.1.2, to obtain Shareholder approval and the Company must comply with any requirements of ASX in relation to the Notice of Meeting.

## 2.3 Suspension until re-compliance with Chapters 1 and 2 of the ASX Listing Rules

ASX has also indicated to the Company that the change in the nature and scale of the Company's activities is a back-door listing of Nutrition Systems which consequently requires the Company to (in accordance with ASX Listing Rule 11.1.3) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules (including any ASX requirement to treat the Company's Shares as restricted Shares).

The Company's Shares have been suspended since it announced the Proposed Acquisition on 7 November 2019. If the Essential Resolutions are approved at the Meeting, it is expected that the Company's Shares will remain suspended from quotation until the Company has acquired Nutrition Systems pursuant to the Agreement and re-complied with Chapters 1 and 2 of the ASX Listing Rules, including by satisfaction of ASX's conditions precedent to reinstatement.

# 3. RESOLUTION 2 – CONSOLIDATION OF CAPITAL

## 3.1 Background and Legal Requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

Resolution 2 seeks Shareholder approval for the issued capital of the Company to be consolidated on a 20:1 basis (**Consolidation**). If Resolution 2 is passed, and excluding any Shares issued pursuant to the other Resolutions, the number of Shares on issue will be reduced from 1,809,462,635 to 90,473,132 (subject to rounding); and

The purpose of the Consolidation is to implement a more appropriate capital structure for the Company going forward.

## 3.2 Fractional entitlements

Not all Shareholders will hold that number of Shares which can be evenly divided by 20. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Share.

## 3.3 Taxation consequences

It is not considered that any taxation implications will exist for Shareholders arising from the Consolidation. However, Security Holders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, nor its advisers, accept any responsibility for the individual taxation implications arising from the Consolidation.

## 3.4 New holding statements

From the date two Business Days after the Consolidation is approved by Shareholders, all holding statements for Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Shares to be issued to holders of those Shares.

It is the responsibility of each Shareholder to check the number of Shares held prior to disposal or exercise (as the case may be).

## 3.5 Effect on capital structure

If Resolution 2 is passed, the effect which the Consolidation will have on the Company's capital structure is set out in the table below:

| Capital Structure | Shares |
|---|---|
| Current | 1,802,462,635 |
| Post-Consolidation | 90,473,132 |

## 3.6 Indicative timetable

If Resolution 2 is passed, the reduction of capital will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 8) of the ASX Listing Rules) and subject to compliance with all regulatory requirements:

| Action | Date |
|---|---|
| Company announces Consolidation and sends out Notice of Meeting. | 16 January 2020 |
| Company tells ASX that Shareholders have approved the Consolidation. | 18 February 2020 |
| Last day for pre-Consolidation trading. | 19 February 2020 |
| Post-Consolidation trading starts on a deferred settlement basis. | 20 February 2020 |
| Record date / Last day for Company to register transfers on a pre-Consolidation basis. | 21 February 2020 |

| Action | Date |
|---|---|
| First day for Company to send notice to each holder of the change in their details of holdings. | 24 February 2020 |
| First day for the Company to register Shares on a post-Consolidation basis and first day for issue of holding statements. | |
| Change of details of holdings date. Deferred settlement market ends. | 28 February 2020 |
| Last day for Shares to be entered into holders' Security holdings. | |
| Last day for the Company to send notice to each holder of the change in their details of holdings. | |

## 4. RESOLUTION 3 – APPROVAL OF ISSUE OF EQUITY CONSIDERATION TO THE VENDOR

### 4.1 General

Resolution 3 seeks Shareholder approval for the purpose of item 7 of section 611 of the Corporations Act to allow the Company to issue up to 145,833,334 Shares (**New Shares**) to the Vendor, Danny Pavlovich (or his nominee) (**Issue**). The issue of the New Shares will result in the Vendor's voting power in the Company increasing from 0% up to 45.62%.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Pursuant to ASX Listing Rule 7.2 (exception 16), Listing Rule 7.1 does not apply to an issue of securities approved for the purpose of item 7 of section 611 of the Corporations Act. Accordingly, if Shareholders approve the issue of securities pursuant to Resolution 3, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

### 4.2 Item 7 of Section 611 of the Corporations Act

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

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

(i) from 20% or below to more than 20%; or

(ii) from a starting point that is above 20% and below 90%,

(**Prohibition**).

#### (b) Voting Power

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

**(c) The Vendor's entitlements in the Company**

The Vendor does not currently hold any Shares in the Company.

Following the Issue, the Vendor's entitlements to the New Shares the subject of Resolution 3 and resulting voting power in the Company, will be as follows:

**Holdings of the Vendor following the Issue**

| Shares | Voting Power (Minimum Subscription) | Voting Power (Maximum Subscription) |
|---|---|---|
| 145,833,334 | 41.32 | 45.62 |

**(d) Associates**

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

(i) (pursuant to Section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:

(A) a body corporate the first person controls;

(B) a body corporate that controls the first person; or

(C) a body corporate that is controlled by an entity that controls the person;

(ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or

(iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

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

**(e) Relevant Interests**

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

(i) are the holder of the securities;

(ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(iii) have power to dispose of, or control the exercise of a power to dispose of, the securities.

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

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

(i) a body corporate in which the person's voting power is above 20%;

(ii) a body corporate that the person controls.

**(f) Associates of the Vendor**

No associates of the Vendor currently have or will have a relevant interest in the Company.

**(g) Control**

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

(i) Under section 50AA of the Corporations Act control means the capacity to determine the outcome of decisions about the financial and operating policies of the Company.

(ii) Under section 9 of the Corporations Act, a relevant agreement includes an agreement, arrangement or understanding whether written or oral, formal or informal and whether or not having legal or equitable force.

**(h) Agreement and options in relation to shares**

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

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

(ii) the person (whether before or after acquiring the relevant interest);

(A) has entered or enters into an agreement with another person with respect to the securities; or

(B) has given or gives another person an enforceable right, or has been or is given an enforceable right by another person, in relation to the securities (whether the right is enforceable presently or in the future and whether or not on the fulfilment of a condition); or

(C) has granted or grants an option to, or has been or is granted an option by, another person with respect to the securities;

(ii) the other person would have a relevant interest in the securities if the agreement were performed, the right enforced or the option exercised,

the other person is taken to already have a relevant interest in the securities.

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

The effect of section 608(8) on the proposed Issue is that the Vendor will acquire a relevant interest in all the New Shares when Shareholder approval to Resolution 3 is granted.

Note: Although the Agreement was executed before Shareholder approval was granted, the acquisition of the relevant interest will not occur until Shareholder approval has been given, and in the case of the New Shares the subject of Resolution 3, until those Shares are issued to the Vendor (or his nominee).

### 4.3 Reason Section 611 Approval is Required

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

Following the issue of the New Shares, the Vendor will have a relevant interest in up to 145,833,334 Shares in the Company, representing up to 45.62% voting power in the Company. This assumes that no other Shares are issued.

Accordingly, Resolution 3 seeks Shareholder approval for the purpose of section 611 item 7 and all other purposes to enable the Company to issue the New Shares to the Vendor (or his nominee).

### 4.4 Specific Information required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd annexed to this Explanatory Statement.

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

It is proposed that the Vendor (or his nominee) will be issued the New Shares in accordance with the terms of the Agreement as set out in Section 1.2.

No associates of the Vendor currently have or will have a relevant interest in the Company.

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

(i) **Relevant Interest**

The relevant interests of the Vendor in voting shares in the capital of the Company (both current, and following the issue of the New Shares to the Vendor as contemplated by this Notice) are set out in the table below:

| Party | Capacity | Relevant Interest as at the date of this Notice of Meeting | Relevant Interest after the issue of the New Shares |
|---|---|---|---|
| Danny Pavlovich | Vendor | 0 | 145,833,334 |
| **TOTAL** | **-** | **0** | **145,833,334** |

The Agreement is the only relevant agreement between the Company, and the Vendor in relation to the Company and this does not affect or relate to the control or influence of the Company's board or the Company's affairs.

**(A) Voting Power**

The voting power of the Vendor (both current, and following the issue of the New Shares to the Vendor (or his nominee) as contemplated by this Notice) is set out in the table below:

| Party | Voting Power as at the date of this Notice of Meeting | Voting Power after Shareholder approval of Resolution 3 | Voting Power after issue of the New Shares (assuming Minimum Subscription) |
|---|---|---|---|
| Danny Pavlovich | 0% | 0% | 45.62% |
| **TOTAL** | **0%** | **0%** | **45.62%** |

Further details on the voting power of the Vendor are set out in the Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd.

**(B) Summary of increases**

From the above chart it can be seen that the maximum relevant interest that the Vendor will hold after completion of the Issue) is 145,833,334 Shares, and the maximum voting power that the Vendor will hold is 45.62%. This represents a maximum increase in voting power of 45.62% (being the difference between 0% and 45.62%).

**(C) Assumptions**

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

(I) the Company has 1,809,462,635 Shares on issue as at the date of this Notice of Meeting;

(II) the Consolidation occurs;

(III) the Company issues 83,333,334 additional Shares pursuant to the Capital Raising (assuming the Minimum Subscription is raised);

(IV) the Company does not otherwise issue any additional Shares other than those under the Capital Raising; and

(V) the Vendor does not acquire any additional Shares.

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

As set out in Section 1, the reason for the issue of the New Shares to the Vendor (or is nominee) is part of the consideration for the Proposed Acquisition.

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

The New Shares the subject of Resolution 3 will be issued will be issued as follows (assuming the New Shares are issued at the Floor Price and that the Equity Consideration has not been adjusted (refer to Section 1.2(c)):

(i) up to 41,666,667 New Shares on the date that is 12 months after Settlement;

(ii) up to 41,666,667 New Shares on the date that is 24 months after Settlement; and

(iii) up to 62,500,000 New Shares on the date that is 36 months after Settlement.

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

The material terms of the Agreement are set out in Section 1.2.

(f) **The Vendor's Intentions**

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

(i) has no present intention of making any significant changes to the business of the Company;

(ii) has no present intention to inject further capital into the Company;

(iii) has no present intention of making changes regarding the future employment of the present employees of the Company;

(iv) does not intend to redeploy any fixed assets of the Company;

(v) does not intend to transfer any property between the Company and the Vendor;

(vi) has no intention to change the Company's existing policies in relation to financial matters or dividends; and

(vii) intends to join the Board, as outlined in Resolution 5 and Section 6.

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

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

(g) **Identity, associations and qualifications of Nominee Director**

The Company will appoint Danny Pavlovich as a non-executive director with effect from Settlement (**Nominee Director**).

The Nominee Director is also the Vendor. Refer to Section 1.1(a) for details of the qualifications of Danny Pavlovich.

Neither Danny Pavlovich nor any of his associates currently holds or has a relevant interest in any Shares in the Company.

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

(i) None of the current Board members have a material personal interest in the outcome of Resolution 3.

(A) All of the Directors are of the opinion that the Agreement is in the best interests of Shareholders and, accordingly, the Directors unanimously recommend that Shareholders vote in favour of Resolution 3. The Director's recommendations are based on the reasons outlined in Section 4.5.

(B) The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 3.

(i) **Capital Structure**

A capital structure showing the Company's current capital structure and the possible capital structure on completion of the Issue, and all other issues the subject of this Notice, is set out in Section 1.16.

### 4.5 Advantages of the Issue – Resolution 3

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

(a) the issue of New Shares to the Vendor (or his nominee) will complete the Company's obligations under the Agreement and will not require renegotiation of its terms;

(b) BDO Corporate Finance (WA) Pty Ltd has concluded that the issue of the New Shares is not fair but reasonable to the non-associated shareholders.

### 4.6 Disadvantages of the Issue – Resolution 3

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

(a) the issue of the New Shares to the Vendor will increase the voting power of the Vendor from 0% up to 45.62%, reducing the voting power of non-associated Shareholders in aggregate from 100% to 28.30% (this assume the completion of the Capital Raising at the Minimum Subscription, the issue of all 145,833,334 Shares to the Vendor and no further Shares being issued); and

(b) there is no guarantee that the Company's Shares will not fall in value as a result of the Issue.

### 4.7 Independent Expert's Report – Resolution 3

The Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd (a copy of which is attached as Annexure A to this Explanatory Statement) assesses whether the transactions contemplated by Resolution 3 are fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the transactions contemplated by Resolution 3 are **not fair but reasonable** to the non-associated Shareholders of the Company.

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

(a) Future cash flows from nutrition business operations to support the commercialisation of the Company's products;

(b) facilitating fuller utilisation of the Company's manufacturing partnerships;

(c) broader expertise and increased experience of the Board of Directors;

(d) synergies between the Company and Export Corporation;

(e) the Proposed Acquisition is structured so that the dilution of existing Shareholders' interests will be less if the business is successful in the future;

(f) increased market capitalisation; and

(g) no present intention to make significant change to the Company.

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

(a) existing Shareholders' interest in the Company will be diluted as a result of the issue of Shares to the Vendor;

(b) change in business nature; and

(c) fluctuations in Share price.

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

### 4.8 Pro-forma balance sheet

A pro-forma balance sheet of the Company post completion of the Issue (and other transactions contemplated by this Notice) is set out in Schedule 1.

## 5. RESOLUTION 4 – CAPITAL RAISING

### 5.1 General

Resolution 4 seeks Shareholder approval for the issue of up to 116,666,667 Shares (on a post-Consolidation basis) (**Capital Raising Shares**) at an issue price of $0.30 per Share to raise up to $35,000,000 (**Capital Raising**).

The Capital Raising will be undertaken via the issue of a prospectus (**Prospectus**) to assist in complying with Chapters 1 and 2 of the ASX Listing Rules which is required to obtain re-instatement of its Shares to trading on the Official List of ASX on completion of the Proposed Acquisition.

The Company has engaged the services of the Lead Manager TTB Partners to manage the Capital Raising. The Company will pay the Lead Manager a fee of a 5% fee on the total funds raised under the Capital Raising upon settlement of the Proposed Acquisition. The Directors do not have a material personal interest in TTB Partners and consider the engagement of TTB Partners to be on arm's length terms as the fees charged are comparable to unrelated licensed securities dealers. The Company will also engage a local manager to manage domestic offers and applications.

The Minimum Subscription under the Capital Raising is $25,000,000. It is noted the Capital Raising Shares the subject of the Capital Raising will only be issued if:

(a) the Minimum Subscription is raised;

(b) the Company has received conditional approval from ASX for the Company to be reinstated to official quotation on ASX following the Company's compliance with ASX Listing Rule 11.1.3 and Chapters 1 and 2 of the ASX Listing Rules on conditions acceptable to the Company; and

(c) the issue occurs contemporaneously with Settlement, which requires, amongst other things the passing of all Essential Resolutions.

A summary of ASX Listing Rule 7.1 is set out in Section 4.1 above. The Capital Raising does not fall within any of the exceptions to Listing Rule 7.1 and will exceed the Company's 15% placement capacity. The Capital Raising therefore requires the approval of Shareholders.

The effect of Resolution 4 will be to allow the Company to issue the Capital Raising Shares pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity. If Resolution 4 is not passed, the Company will not be able to proceed with the Capital Raising and the Proposed Acquisition will not proceed as Resolution 4 is an Essential Resolution.

## 5.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

(a) the maximum number of Shares to be issued is 116,666,667 Shares (on a post-Consolidation basis);

(b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same day;

(c) the issue price will be $0.30 per Share;

(d) the Directors will determine to whom the Shares will be issued, but these persons will not be related parties of the Company (other than as set out in Resolutions 7 to 11 in relation to the proposed participation of the Directors in the Capital Raising);

(e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(f) the Capital Raising is being conducted to fund costs associated with the Proposed Acquisition, details of which are set out in Section 1; and

(g) the Company intends to use the funds raised from the Capital Raising for the purposes outlined in Section 1.13.

# 6. RESOLUTION 5 – ELECTION OF DIRECTOR – DANNY PAVLOVICH

At Settlement, it is proposed that Danny Pavlovich be appointed as a director of the Company.

Pursuant to Resolution 5, Danny Pavlovich, seeks election from Shareholders to be appointed as an Executive Director upon Settlement. Resolution 5 is an Essential Resolution and is subject to and conditional upon approval of the Essential Resolutions.

***Qualifications and other material directorships***

Details of Mr Pavlovich's qualifications and any material directorships are set out in Section 1.11(a).

***Independence***

If elected, the Board does not consider Mr Pavlovich will be an independent director given he will become a substantial Shareholder upon issue of the Equity Consideration.

***Directors' Recommendation***

The Directors support the election of Danny Pavlovich and recommend that Shareholders vote in favour of Resolution 5.

## 7. RESOLUTION 6 – CHANGE OF COMPANY NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 6 seeks the approval of Shareholders for the Company to change its name to **Wellfully Limited**, subject to completion of the Proposed Acquisition.

If Resolution 6 is passed, the change of name will take effect when ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company and if Resolution 6 is passed, the Company will lodge a copy of the special resolution with ASIC on Settlement in order to effect the change.

The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company.

Resolution 6 is subject to and conditional upon the passing of the Essential Resolutions.

## 8. RESOLUTIONS 7 TO 11 – ISSUE OF SHARES TO RELATED PARTIES - PROPOSED PARTICIPATION IN CAPITAL RAISING

### 8.1 General

Pursuant to Resolution 4 the Company is seeking Shareholder approval for the issue of up to 116,666,667 Shares (on a post-Consolidation basis) at an issue price of $0.30 per Share to raise up to $35,000,000 (**Capital Raising**).

Current Directors Steven Schapera, Antonio Varano, Jeffrey Edwards, Christopher Quirk and Cameron Reynolds wish to participate in the Capital Raising.

Resolution 7 seeks Shareholder approval for the in the issue of up to 3,333,334 Shares to Steven Schapera (or his nominee) arising from the participation by Mr Schapera in the Capital Raising; Resolution 8 seeks Shareholder approval for the in the issue of up to 3,333,334 Shares to Antonio Varano (or his nominee) arising from the participation by Mr Varano in the Capital Raising; Resolution 9 seeks Shareholder approval for the in the issue of up to 1,666,667 Shares to Jeffrey Edwards (or his nominee) arising from the participation by Mr Edwards in the Capital Raising; Resolution 10 seeks Shareholder approval for the in the issue of up to 1,666,667 Shares to Christopher Quirk (or his nominee) arising from the participation by Mr Quirk in the Capital Raising and Resolution 11 seeks Shareholder approval for the in the issue of up to 1,666,667 Shares to Cameron Reynolds (or his nominee) arising from the participation by Mr Reynolds in the Capital Raising (together, the **Participation**).

### 8.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

(i) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(ii) give the benefit within 15 months following such approval,

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

The Participation will result in the issue of Shares which constitutes giving a financial benefit and Messrs Schapera, Varano, Edwards, Quirk and Reynolds are related parties of the Company by virtue of being Directors.

The Directors (other than Steven Schapera who has a material personal interest in Resolution 7, Antonio Varano who has a material personal interest in Resolution 8, Jeffrey Edwards who has a material personal interest in Resolution 9, Christopher Quirk who has a material personal interest in Resolution 10 and Cameron Reynolds who has a material personal interest in Resolution 11) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Shares will be issued to the Directors on the same terms as Shares issued to non-related party participants in the Capital Raising and as such the giving of the financial benefit is on arm's length terms.

### 8.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the Participation involves the issue of Shares to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

In relation to the issue date for the Shares the subject of Resolutions 7 to 11 (**Director Shares**), the Company has been granted a waiver from ASX Listing Rule 10.13.5 so that the Director Shares may be issued to Messrs Schapera, Varano, Edwards, Quirk and Reynolds (the **Related Parties**) no later than three months from the date of the Meeting (rather than the standard one month requirement), to correspond with the issue of other securities related to the Acquisition. The waiver has been granted on the following conditions:

(a) the Director Shares are issued not later than three months from the date of the Meeting;

(b) the Director Shares are issued pursuant to the relevant terms and conditions set out in this Notice;

(c) the Director Shares are subscribed for by the Related Parties under the Prospectus;

(d) the circumstances of the Company, as determined by ASX, have not materially changed since the Meeting; and

(e) the terms of the waiver are disclosed in this Notice and the Prospectus.

### 8.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Participation:

(a) up to:

(i) 3,333,334 Shares will be issued to Steven Schapera (or his nominee) pursuant to Resolution 7;

(ii) 3,333,334 Shares will be issued to Antonio Varano (or his nominee) pursuant to Resolution 8;

(iii) 1,666,667 Shares will be issued to Jeffrey Edwards (or his nominee) pursuant to Resolution 9;

(iv) 1,666,667 Shares will be issued to Christopher Quirk (or his nominee) pursuant to Resolution 10; and

(v) 1,666,667 Shares will be issued to Cameron Reynolds (or his nominee) pursuant to Resolution 11;

(b) In accordance with the waiver granted by ASX, the Shares will be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);

(c) the issue price will be $0.30 per Share, being the same as all other Shares issued under the Capital Raising;

(d) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

(e) the funds raised will be used for the same purposes as all other funds raised under the Capital Raising as set out in Section 1.13 of this Explanatory Statement.

Approval pursuant to ASX Listing Rule 7.1 is not required for the Participation as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to the Related Parties (or their nominees) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

## GLOSSARY

**$** means Australian dollars.

**Agreement** has the meaning given in Section 1.2.

**ASIC** means the Australian Securities & Investments Commission.

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

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of Directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Capital Raising** has the meaning set out in Section 5.1.

**Chair** means the chair of the Meeting.

**Company** or **OBJ** means OBJ Limited (ACN 123 591 382).

**Consolidation** means the consolidation of the Company's issued capital pursuant to Resolution 2.

**Constitution** means the Company's constitution.

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

**Directors** means the current directors of the Company.

**Essential Resolutions** means Resolutions 1 to 6.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**General Meeting** or **Meeting** means the meeting convened by the Notice.

**Independent Expert** means BDO Corporate Finance (WA) Pty Ltd.

**Independent Expert's Report** means the Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd which is attached to this Notice as Annexure A.

**Issue** means the proposed issue of Shares to the Vendor as outlined in Section 4.1.

**Lead Manager** means TTB Partners.

**Maximum Subscription** means the maximum amount to be raised under the Capital Raising, being $50,000,000.

**Minimum Subscription** means the minimum amount to be raised under the Capital Raising, being $40,000,000.

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

**Nutrition Systems** means Export Corporation (Australia) Pty Ltd (ACN 009 441 632).

**Official List** means the official list of the ASX.

**Prohibition** is defined in Section 4.2(a).

**Proposed Acquisition** means the proposed acquisition of 100% of the issued capital in Nutrition Systems by the Company pursuant to the Agreement.

**Proposed Director** means Danny Pavlovich.

**Prospectus** means the prospectus to be issued by the Company in connection with the Capital Raising.

**Proxy Form** means the proxy form accompanying the Notice.

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

**Schedule** means a schedule accompanying this Notice.

**Section** means a section of the Explanatory Statement.

**Settlement** means settlement of the Proposed Acquisition in accordance with the terms of the Agreement.

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

**Shareholder** means a registered holder of a Share.

**Vendor** means Danny Pavlovich, the legal and beneficial holder of all of the share capital on issue in Nutrition Systems.

**VWAP** means volume weighted average price.

**WST** means Western Standard Time as observed in Perth, Western Australia.

## SCHEDULE 1 – PRO-FORMA BALANCE SHEET

| | Notes | Audited Consolidated 30 June 2019<br>$ | Unaudited Minimum Subscription Consolidated Pro-Forma<br>$ | Unaudited Maximum Subscription Consolidated Pro-Forma<br>$ |
|---|---|---|---|---|
| **Current Assets** | | | | |
| Cash and cash equivalents | 1, 2, 3 & 6 | 2,251,910 | 3,376,910 | 7,876,910 |
| Trade and other receivables | | 560,813 | 560,813 | 560,813 |
| **Total Current Assets** | | **2,812,723** | **3,937,723** | **8,437,723** |
| | | | | |
| **Non Current Assets** | | | | |
| Plant and equipment | | 323,846 | 323,846 | 323,846 |
| Proposed acquisition | 3, 4 & 5 | - | 85,000,000 | 85,000,000 |
| **Total Non Current Assets** | | **323,846** | **85,323,846** | **85,323,846** |
| | | | | |
| **Total Assets** | | **3,136,569** | **89,261,569** | **93,761,569** |
| | | | | |
| **Current Liabilities** | | | | |
| Trade and other payables | | 255,157 | 255,157 | 255,157 |
| Borrowings | | 252,000 | 252,000 | 252,000 |
| Employee benefits provision | | 84,004 | 84,004 | 84,004 |
| Proposed loan facility | 1 & 2 | - | 20,000,000 | 15,000,000 |
| Proposed deferred loan | 5 | - | 10,000,000 | 10,000,000 |
| **Total Current Liabilities** | | **591,161** | **30,591,161** | **25,591,161** |
| | | | | |
| **Total Liabilities** | | **591,161** | **30,591,161** | **25,591,161** |
| | | | | |
| **Net Assets** | | **2,545,408** | **58,670,408** | **68,170,408** |
| | | | | |
| **Equity** | | | | |
| Issued capital | 1, 2, 4 & 6 | 33,043,514 | 89,168,514 | 98,668,514 |
| Reserves | | 232,334 | 232,334 | 232,334 |
| Accumulated losses | | (30,730,440) | (30,730,440) | (30,730,440) |
| **Total Equity** | | **2,545,408** | **58,670,408** | **68,170,408** |

**Notes:**

1. Proposed Maximum Capital Raising by the issue of 116,666,667 new Shares at an issue price of not less than $0.30 per Share to raise up to $35,000,000 (before issue costs) and proposed loan facility of $15,000,000.

2. Proposed Minimum Capital Raising by the issue of 83,333,333 new Shares at an issue price of not less than $0.30 per Share to raise up to $25,000,000 (before issue costs) and proposed loan facility of $20,000,000.

3. Proposed $40,000,000 cash consideration for the Proposed Acquisition at Settlement.

4. Proposed $35,000,000 equity consideration for the Proposed Acquisition at 12, 24 & 36 months.

5. Proposed $10,000,000 deferred cash consideration at 12 & 24 months.

6. Proposed costs of the Proposed Acquisition and Capital Raising and associated advisory and experts' fees are estimated to be $4,375,000 based on the Maximum Subscription and $3,875,000 based on the Minimum Subscription. Costs of the Proposed Acquisition represent approximately 5.15% of the transaction value.

# OBJ LIMITED
# Independent Expert's Report

3 December 2019

BDO

# Financial Services Guide

3 December 2019

**BDO Corporate Finance (WA) Pty Ltd** ABN 27 124 031 045 ('**we**' or '**us**' or '**ours**' as appropriate) has been engaged by OBJ Limited ('**OBJ**') to provide an independent expert's report on the proposal for OBJ to acquire all the shares in Export Corporation (Australia) Pty Ltd ('**Export Corp**') for consideration comprising cash and shares in OBJ ('**Proposed Transaction**'). You are being provided with a copy of our report because you are a shareholder of OBJ and this Financial Services Guide ('**FSG**') is included in the event you are also classified under the Corporations Act 2001 ('**the Act**') as a retail client.

Our report and this FSG accompanies the Explanatory Statement/Notice of Meeting required to be provided to you by OBJ to assist you in deciding on whether or not to approve the Proposed Transaction.

**Financial Services Guide**
This FSG is designed to help retail clients make a decision as to their use of our general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

**Information about us**
We are a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide professional services primarily in the areas of audit, tax, consulting, mergers and acquisition, and financial advisory services.

We and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business and the directors of BDO Corporate Finance (WA) Pty Ltd may receive a share in the profits of related entities that provide these services.

**Financial services we are licensed to provide**
We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients, and deal in securities for wholesale clients. The authorisation relevant to this report is general financial product advice.

When we provide this financial service we are engaged to provide an expert report in connection with the financial product of another person. Our reports explain who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

**General Financial Product Advice**
We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. If you have any questions, or do not fully understand our report you should seek professional financial advice.

**Fees, commissions and other benefits that we may receive**
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $65,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report and our directors do not hold any shares in OBJ Limited.

**Remuneration or other benefits received by our employees**
All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from OBJ for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

**Referrals**
We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

**Complaints resolution**
*Internal complaints resolution process*
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

**Referral to External Dispute Resolution Scheme**
A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ('**AFCA**').

AFCA is an external dispute resolution scheme that deals with complaints from consumers in the financial system. It is a not-for-profit company limited by guarantee and authorised by the responsible federal minister. AFCA was established on 1 November 2018 to allow for the amalgamation of all Financial Ombudsman Service ('**FOS**') schemes into one. AFCA will deal with complaints from consumers in the financial system by providing free, fair and independent financial services complaint resolution. If an issue has not been resolved to your satisfaction you can lodge a complaint with AFCA at any time.

Our AFCA Membership Number is 12561. Further details about AFCA are available on its website www.afca.org.au or by contacting it directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
AFCA Free call: 1800 931 678
Website: www.afca.org.au
Email: info@afca.org.au

You may contact us using the details set out on page 1 of the accompanying report.

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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

3 December 2019

The Directors
OBJ Limited
284 Oxford Street
Leederville WA 6007

Dear Directors

# INDEPENDENT EXPERT'S REPORT

## 1. Introduction

On 7 November 2019, OBJ Limited ('**OBJ**' or '**the Company**') announced the acquisition of the Export Corporation (Australia) Pty Ltd ('**Export Corporation**') group ('**Export Corporation group**'), comprising Export Corporation, Nutrition Systems NZ Pty Ltd ('**Nutrition Systems NZ**') and Nutrition Zone WA Pty Ltd ('**Nutrition Zone WA**') from the owners of the Export Corporation group (the '**Vendors**'), for consideration comprising cash and shares in OBJ ('**Proposed Transaction**'). The Proposed Transaction will also include the acquisition of a property in New South Wales ('**NSW Property**') used by the nutrition business ('**Nutrition Business**') of the Export Corporation group.

As a result of the Proposed Transaction the Vendors of the Export Corporation group will acquire an interest in OBJ exceeding 20%.

Following the Proposed Transaction, OBJ will be renamed Wellfully Limited ('**Wellfully**').

## 2. Summary and Opinion

### 2.1 Requirement for the report

The directors of OBJ have requested that BDO Corporate Finance (WA) Pty Ltd ('**BDO**') prepare an independent expert's report ('**our Report**') to express an opinion as to whether or not the Proposed Transaction is fair and reasonable to the non-associated shareholders of OBJ ('**Shareholders**').

Our Report is prepared pursuant to section 611 of the Corporations Act 2001 Cth ('**Corporations Act**' or '**the Act**') and is to be included in the Notice of Meeting ('**Transaction Document**') for OBJ in order to assist the Shareholders in their decision whether to approve the Proposed Transaction.

### 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**') Regulatory Guide 74 'Acquisitions Approved by Members' (**'RG 74'**), Regulatory Guide 111 'Content of Expert's Reports' ('**RG 111**') and Regulatory Guide 112 'Independence of Experts' ('**RG 112**').

In arriving at our opinion, we have assessed the terms of the Proposed Transaction as outlined in the body of this report. We have considered:

- How the value of an OBJ share prior to the Proposed Transaction on a control basis compares to the value of an OBJ/ Wellfully share following the Proposed Transaction on a minority basis;
- The likelihood of an alternative offer being made to OBJ;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Proposed Transaction; and
- The position of Shareholders should the Proposed Transaction not proceed.

## 2.3 Opinion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that, in the absence of an alternative offer, the Proposed Transaction is not fair but reasonable to Shareholders.

The value we have assessed for OBJ prior to the Proposed Transaction is based on its quoted market trading price. For an entity such as OBJ whose value is in its IP and in the future development of its products in development, the net asset value is very much a minimum value which bears little relation to the perceived future prospects of the business. The quoted market price goes some way to attributing value to that future potential and hence is considered a more reliable indicator of value.

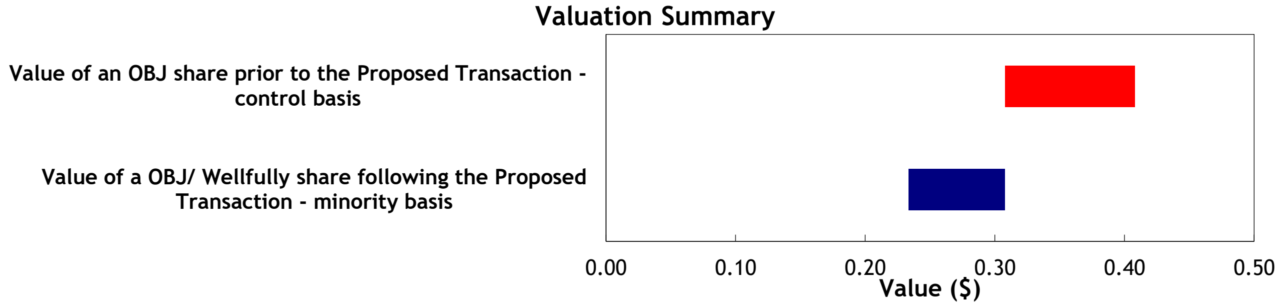
In this situation, particularly with the requirement for the comparison of a control value pre the Proposed Transaction with a minority value post the Proposed Transaction it is difficult for a transaction to be considered fair. However, in this case there is a significant benefit for OBJ to acquire an established business with strong cash flows, and together with the other factors that we have considered in our assessment of reasonableness, our conclusion is not fair but reasonable.

## 2.4 Fairness

In section 12 we determined that the value of an OBJ share prior to the Proposed Transaction on a control basis compares to the value of an OBJ/ Wellfully share following the Proposed Transaction on a minority basis, as detailed below (after the proposed 1 for 20 share consolidation).

| | Ref | Low<br>$ | High<br>$ |
|---|---|---|---|
| Value of an OBJ share prior to the Proposed Transaction | 10.5 | 0.308 | 0.408 |
| Value of a OBJ/ Wellfully share following the Proposed Transaction | 11.1 | 0.233 | 0.308 |

The above valuation ranges are graphically presented below:




The above values indicate that, in the absence of any other relevant information, and an alternative offer, the Proposed Transaction is not fair for Shareholders.

## 2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Proposed Transaction; and
- other considerations, including the position of Shareholders if the Proposed Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Proposed Transaction is approved is more favourable than the position if the Proposed Transaction is not approved. Accordingly, in the absence of any other relevant information and/or an alternative proposal we believe that the Proposed Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

| ADVANTAGES AND DISADVANTAGES | | | |
|---|---|---|---|
| Section | Advantages | Section | Disadvantages |
| 13.4.1 | Future cash flows from nutrition business operations to support the commercialisation of OBJ's products | 13.5.1 | Dilution of existing Shareholders' interest |
| 13.4.2 | Facilitating fuller utilisation of OBJ's manufacturing partnerships | 13.5.2 | Change in business nature |
| 13.4.3 | Broader expertise and increased experience of the board of directors | 13.5.3 | Fluctuations in share price |
| 13.4.4 | Synergies between OBJ and Export Corporation | | |

| ADVANTAGES AND DISADVANTAGES | | | |
|---|---|---|---|
| Section | Advantages | Section | Disadvantages |
| 13.4.5 | Proposed Transaction is structured so that the dilution of existing shareholders' interests will be less if the business is successful in future | | |
| 13.4.6 | Increased market capitalisation | | |
| 13.4.7 | No present intention to make significant change to OBJ | | |

Other key matters we have considered are summarised below:

| Section | Description |
|---|---|
| 13.3.1 | Future strategy for OBJ |
| 13.3.2 | Potential decline in share price |
| 13.6 | Potential requirement to raise capital in the future |

# 3. Scope of the Report

## 3.1 Purpose of the Report

Section 606 of the Corporations Act expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

As a result of the Proposed Transaction, the Vendors of the Export Corporation group will increase their interest in OBJ from a zero interest currently to an interest which may exceed 20%. The precise interest acquired will depend on the number of shares issued in each of the three equity consideration stages.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of OBJ, by either:

- Undertaking a detailed examination of the Proposed Transaction themselves, if they consider that they have sufficient expertise, experience and resources; or
- Commissioning an Independent Expert's Report.

The directors of OBJ have commissioned this Independent Expert's Report to satisfy this obligation.

## 3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act define the meaning of 'fair and reasonable'. In determining whether the Proposed Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111 which provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

RG 111 suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism used to effect it and that it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Proposed Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Proposed Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

## 3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities which are the subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities which are the subject of the offer in a control transaction, it is inappropriate for the expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio interest. Consequently, the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. A transaction might also be reasonable, despite being 'not fair', if the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of an OBJ share prior to the Proposed Transaction on a control basis and the value of an OBJ/ Wellfully share following the Proposed Transaction on a minority basis (fairness – see Section 13 'Is the Proposed Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness – see Section 14 'Is the Proposed Transaction Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('**APES 225**').

A Valuation Engagement is defined by APES 225 as follows:

*'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'*

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

# 4. Outline of the Proposed Transaction

On 7 November 2019, OBJ announced that it had entered into a Share Sale Agreement with Export Corporation, under which OBJ would acquire the Export Corporation group and the NSW Property for a total consideration, comprising cash and shares, of $85 million (**'Total Consideration'**). The Total Consideration is broken down into the following components:

- Cash of $38 million, payable in three separate instalments (**'Cash Consideration'**). The three instalments are to be staged as follows:
  - Stage One Cash Consideration totalling $28 million, payable at Settlement of the Proposed Transaction;
  - Stage Two Cash Consideration totalling $5 million, payable on the date that is 12 months from Settlement of the Proposed Transaction; and
  - Stage Three Cash Consideration totalling $5 million, payable on the date that is 24 months from Settlement of the Proposed Transaction.
- Cash of $12 million, payable at Settlement, specifically to acquire a property in New South Wales used in connection with the business of the Export Corporation group from an entity associated with the Export Corporation group.
- Shares in OBJ issued on the following consideration dates (**'Equity Consideration'**) for the following amounts:
  - Stage One Equity Consideration totalling $10 million worth of OBJ shares issuable 12 months after the Settlement date, with a deemed issue price the higher of the 30-day VWAP of OBJ shares calculated for the period ending on the trading day immediately prior to the date of issue (**'30-day VWAP Condition'**) and $0.24, being 80% of the issue price of OBJ shares under the Capital Raising (refer below) (**'Floor Price'**);
  - Stage Two Equity Consideration totalling $10 million worth of OBJ shares issuable 24 months after Settlement with a deemed issue price the higher of the 30-day VWAP Condition and the Floor Price; and
  - Stage Three Equity Consideration totalling $15 million worth of OBJ shares issuable 36 months after Settlement with a deemed issue price the higher of the 30-day VWAP Condition and the Floor Price. This Stage Three Equity Consideration is subject to performance adjustments which may lead to a lesser number of shares being issued. These performance adjustments relate to the EBIT for the business reducing over the three years following settlement – in the extreme case the Stage Three Equity Consideration could be reduced to $nil.
- The parties may mutually agree that OBJ may pay a cash alternative for the Equity Consideration at any time mutually agreed between the parties.

In order to fund the Proposed Transaction, the Company intends to raise up to $50 million through a combination of debt and equity ('**debt and equity** raising') as follows:

Equity of between $25 million (minimum equity raise) and $35 million (maximum equity raise) representing the issue of up to 116,666,667 shares at an issue price of $0.30 per Share (**'Capital Raising'**); and

Drawdown of debt through a $20 million debt facility with ANZ - $15 million to be utilised for the maximum Capital Raising and the full amount of $20 million to be utilised for the minimum Capital Raising.

Successful completion of the Capital Raising and securing of the debt facility is a condition precedent of the Proposed Transaction.

Following shareholder approval, the Company's Directors may participate in the Capital Raising as follows:

- Steven Schapera (or his nominee) up to 3,333,334 Shares at $0.30 per share to raise up to $1 million pursuant to Resolution 7;
- Antonio Varano (or his nominee) up to 3,333,334 Shares at $0.30 per share to raise up to $1 million pursuant to Resolution 8;
- Jeffrey Edwards (or his nominee) up to 1,666,667 Shares at $0.30 per share to raise up to $0.5 million pursuant to Resolution 9;
- Christopher Quirk (or his nominee) up to 1,666,667 Shares at $0.30 per share to raise up to $0.5 million pursuant to Resolution 10; and
- Cameron Reynolds (or his nominee) up to 1,666,667 Shares at $0.30 per share to raise up to $0.5 million pursuant to Resolution 11;

The Company may seek to raise further capital through equity or debt financing, joint ventures, licencing agreements, or other means following completion of the Capital Raising.

We note that a cash fee of 1.75% of the Total Consideration, amounting to $1,487,500 will be payable by the Company to Gratia Australia Pty Ltd on settlement as a fee for introducing the parties. John Palermo is the director of Gratia Australia Pty Ltd.

Upon completion of the Proposed Transaction, OBJ's name will be changed to Wellfully Limited.

## 4.1 Pro-forma capital structure post the Proposed Transaction

The shareholding structure of OBJ/ Wellfully following the Proposed Transaction is set out in the table below, based on a maximum Capital Raising of $35 million:

| | Shares held by non-associated shareholders | *% interest* | Shares held by Vendors | *% interest* | Total |
|---|---|---|---|---|---|
| Current shareholdings | 1,809,462,635 | *100.00%* | - | *0.00%* | 1,809,462,635 |
| Reduction through 1 for 20 consolidation | (1,718,989,503) | | | | (1,718,989,503) |
| Prior to Capital Raising | 90,473,132 | *100.00%* | - | *0.00%* | 90,473,132 |
| Maximum Capital Raising | 116,666,667 | | | | 116,666,667 |
| After Capital Raising (maximum) | 207,139,799 | *100.00%* | - | *0.00%* | 207,139,799 |
| Stage One Equity Consideration | | | 41,666,667 | | 41,666,667 |
| After Stage One Equity Consideration | 207,139,799 | *83.25%* | 41,666,667 | *16.75%* | 248,806,466 |
| Stage Two Equity Consideration | | | 41,666,667 | | 41,666,667 |
| After Stage Two Equity Consideration | 207,139,799 | *71.31%* | 83,333,334 | *28.69%* | 290,473,133 |
| Stage Three Equity Consideration | | | 62,500,000 | | 62,500,000 |
| **TOTAL after Stage Three Equity Consideration** | **207,139,799** | **58.68%** | **145,833,334** | **41.32%** | **352,973,133** |

**Source:** BDO analysis – assumes maximum Capital Raising of $35 million and maximum Stage Three Equity of $15 million and Vendors do not participate in the Capital Raising

In the event of the minimum Capital Raising of $25 million, the shareholding structure of OBJ/ Wellfully following the Proposed Transaction is set out in the table below.

| | Shares held by non-associated shareholders | *% interest* | Shares held by Vendors | *% interest* | Total |
|---|---|---|---|---|---|
| Current shareholdings | 1,809,462,635 | *100.00%* | - | *0.00%* | 1,809,462,635 |
| Reduction through 1 for 20 consolidation | (1,718,989,503) | | | | (1,718,989,503) |
| Prior to Capital Raising | 90,473,132 | *100.00%* | - | *0.00%* | 90,473,132 |
| Minimum Capital Raising | 83,333,333 | | | | 83,333,333 |
| After Capital Raising (minimum) | 173,806,465 | *100.00%* | - | *0.00%* | 173,806,465 |
| Stage One Equity Consideration | | | 41,666,667 | | 41,666,667 |
| After Stage One Equity Consideration | 173,806,465 | *80.66%* | 41,666,667 | *19.34%* | 215,473,132 |
| Stage Two Equity Consideration | | | 41,666,667 | | 41,666,667 |
| After Stage Two Equity Consideration | 173,806,465 | *67.59%* | 83,333,334 | *32.41%* | 257,139,799 |
| Stage Three Equity Consideration | | | 62,500,000 | | 62,500,000 |
| **TOTAL after Stage Three Equity Consideration** | **173,806,465** | **54.38%** | **145,833,334** | **45.62%** | **319,639,799** |

**Source:** BDO analysis – assumes minimum Capital Raising of $25 million and maximum Stage Three Equity of $15 million and Vendors do not participate in the Capital Raising

We note that the number of shares to be issued in the Stage Three Equity Consideration could be reduced if OBJ/ Wellfully fails to reach certain performance targets in relation to earnings as set out in the Share Sale Agreement.

We also note that the number of shares to be issued in the Stages One, Two and Three Equity Consideration may be lower than shown above if OBJ/ Wellfully performs well and the market (volume weighted average) price of the shares is above the Floor Price of 24 cents for the relevant calculation period for each tranche.

In either of these situations the Vendors would secure a lesser percentage interest than shown in the above tables.

## 4.2 Indicative use of funds from the Capital Raising

The Company set out the intended use of funds in the 7 November 2019 announcement. This indicative use of funds utilises the Company's existing cash reserves and the amount raised including the cash raised through the debt facility of $20 million (which will be fully utilised for the minimum Capital Raising, but only used to $15 million for the maximum Capital Raising).

| | Minimum Capital Raising of $25 million $ | Maximum Capital Raising of $35 million $ |
|---|---|---|
| Existing cash | 1,000,000 | 1,000,000 |
| Capital Raising | 25,000,000 | 35,000,000 |
| Debt funding | 20,000,000 | 15,000,000 |
| **TOTAL - Debt and equity raising** | **46,000,000** | **51,000,000** |
| Initial Cash Consideration for the Proposed Transaction | 40,000,000 | 40,000,000 |
| Expenditure on Company's existing activities | 3,400,000 | 7,900,000 |
| Working capital and corporate administration | 1,000,000 | 1,000,000 |
| Expenses of the Capital Raising | 1,600,000 | 2,100,000 |
| **TOTAL - Indicative use of funds** | **46,000,000** | **51,000,000** |

**Source:** Notice of Meeting

Full details of the Proposed Transaction are set out in the Explanatory Statement and Notice of Meeting.

## 5. Profile of OBJ Limited

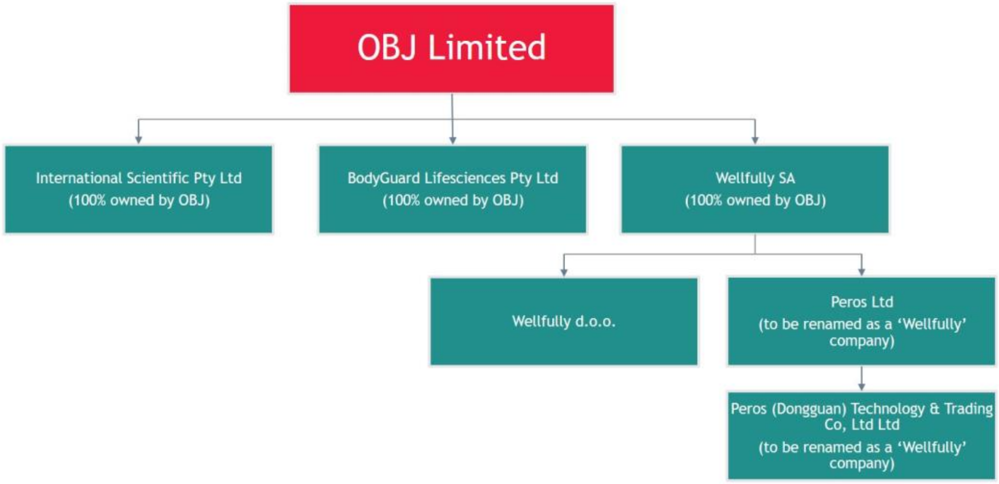
### 5.1 History

OBJ Limited (**'OBJ'**) is an ASX-listed Australian developer of proprietary magnetic microarray drug delivery and product enhancement technologies for the pharmaceutical, healthcare and consumer goods sectors. OBJ's head office and lab is located in Leederville, Western Australia (**'WA'**), with additional offices located in Switzerland, Croatia, and Hong Kong.

The Directors and key personnel of OBJ are as follows:

- Mr Antonio Varano, Non-Executive Chairman;
- Mr Steven Schapera, Non-Executive Director;
- Mr Jeffrey Edwards, Managing Director;
- Mr Cameron Reynolds, Non-Executive Director;
- Dr Christopher Quirk, Non-Executive Director; and
- Mr John Palermo FCA ASCA, Company Secretary.

OBJ wholly owns three subsidiaries, known as BodyGuard Lifesciences Pty Ltd (**'BodyGuard'**), International Scientific Pty Ltd (**'International Scientific'**) and Wellfully SA.




**Source:** OBJ, BDO analysis

OBJ has a portfolio of magnetic microarray proprietary technologies, and supports its partners by providing patent-protected market exclusivity, with expertise in magnetic array design, feasibility and efficacy, claims testing, engineering and production. These technologies are utilised in different ways, from enhancing the performance of skincare products, to providing a lubricant that is pushed through the skin in order to stimulate joints. These technologies are further detailed below.

### 5.2 Operations

#### Partnership with Procter & Gamble

In 2013, OBJ was approached by Procter & Gamble (**'P&G'**), to develop a solution for P&G's best-selling skincare product, known as SK-II. SK-II is a global cosmetics brand launched by P&G which is sold and marketed as a premium skincare product. SK-II is based in Japan.

SK-II consumers were becoming increasingly dissatisfied with the product, as they would find it would take five to six jars of SK-II before consumers would see changes to their skin.  P&G approached OBJ, seeking to develop a solution which would enhance the way that the SK-II product is applied, thus allowing consumers to experience the benefits of the product sooner.

OBJ developed a complex structure of magnetic fields to suit the molecular structures of SK-II. Simply put, OBJ developed a non-chemically invasive method of fundamentally changing SK-II's performance, by altering how it was applied to the skin.  P&G has since launched three products utilising OBJ's magnetic microarray technology, namely:

- The SK-II Eye Wand, which is used specifically for reducing black spots and bags under the eyes;
- Magnetic Boosters, which are used for whole face application of SK-II products; and
- The Genoptic Spot Pen, which is a disposable solution utilising OBJ's technology. Each unit contains the SK-II formulation within the device, and can be disposed of once the formulation has run out.

P&G and OBJ are also developing a smartphone application to be used in tandem with the aforementioned products.  Using OBJ's technology, the application will capture the user's face and track the areas to which SK-II has and has not been applied.  The application will be customisable to each user, and will provide the consumer with the option to purchase additional product within the application via a "buy" button.

OBJ receives revenue from P&G's SK-II products in the form of a royalty based on the bundled wholesale price.  P&G covers all research, development and manufacturing costs.

OBJ's relationship with P&G also includes the MagneMask, which is sold under the Olay brand.  The MagneMask utilises the same microarray technology used in SK-II, improving the performance of the formulation of Olay's face masks. OBJ receives a royalty for each unit shipped.

### BodyGuard

BodyGuard is the project title for a range of topically applied adhesive patch products, developed by OBJ, which utilise the Company's micro array technology as a disruptive solution to joint and muscle pain.  The first product embodiment of the Bodyguard range is a solution for knee pain, known as KneeGuard. Kneeguard has been clinically proven in a large scale clinical trial in relation to pain and function outcomes. Other product solutions targeting back, neck, shoulder, elbow and ankles, as well as large muscle groups, are in various stages of early development.

The KneeGuard patch contains a proprietary hydration formulation of therapeutic molecules, known to support the growth and maintenance of a healthy cartilage and reduce joint deterioration.  The micro array technology featured in the patch is then used to accelerate and enhance the delivery of these molecules through the skin and into the joint.  The formulation acts as a lubricant within the joint, preventing the erosion of knee cartilage and downstream pain resulting from bone degradation.

OBJ considers the KneeGuard patch to be a superior method of addressing knee pain by targeting the underlying cause on inflammation, rather than just masking the pain.  Unlike the application of orally ingested painkillers, the therapeutic formulation contained in the KneeGuard patch is applied locally at the site of injury and delivered in its most intact form.  This means that the chemistry molecules do not have to go through the process of being broken down and digested by the stomach (known as first-pass metabolism) then finding its way through the bloodstream and into the knee, reducing the proportion of active ingredient finally delivered into the joint.  The KneeGuard solution thereby provides a viable alternative to consumers adverse to ingesting oral pain killers and may go some way to addressing the opioid crisis, where an overuse and addiction to OTC drugs has reached epidemic levels in the US – a trend the FDA is seeking to reverse.

OBJ also considers KneeGuard is an alternative to other topically applied remedies, such as heat rubs and gels, which are applied only once inflammation has already occurred. These involve a messy application process by the user and then a delayed onset of benefit as the formulation molecules are slowly absorbed into the skin by random motion.

The Company is targeting release of the KneeGuard product in the United Kingdom in the second quarter of 2020, with aspirations to penetrate the market in the USA subsequently. OBJ is then seeking to adapt the KneeGuard patch to address other joints of the body.

As previously mentioned, the KneeGuard patch currently focuses on the hydration and lubrication of the knee joints, but in the future it is intended to extend the BodyGuard range to the injury management of joints, muscles, as well as more athletic motivations, such as increasing endurance and improving performance.

OBJ plans to apply the Bodyguard technology platform to create a range of vitamin, mineral and supplement patches as a viable alternative to the oral product, to delivery intact molecules directly to the site in a wearable patch form with sustained release characteristics.

### Other Developments

OBJ is also exploring avenues for applying its microarray technology within the beauty device area, specifically looking to utilise its technology for chemical formulations applied in the gaseous state, as mist is the most chemically active molecular state.

OBJ is also exploring further technologies which are set to be unveiled in January 2020 at the International Consumer Electronics Show (‘**ICES**’) in Las Vegas.

### Little Green Pharma Agreement

On 19 June 2019, OBJ announced an agreement with Little Green Pharma Pty Ltd (‘**LGP**’) to commercialise transdermal cannabis technologies. LGP is currently the only Australian producer and supplier of Good Manufacturing Practice (‘**GMP**’) quality medicinal cannabis products. The agreement allows for the adaptation of OBJ’s transdermal technology for the delivery of cannabinoid therapy. The agreement also features proposed joint funding of research and development expenses, and should trials be successful, a formal 50:50 joint venture for the ownership and commercialisation of cannabis and transdermal technologies.

(Source for information on OBJ products – George Tsadilas, OBJ General Manager, Product Development)

### Establishment of subsidiaries focused on commercialising a range of products and solutions

On 19 September 2019, OBJ announced the establishment of new subsidiaries to pursue opportunities in the beauty technology and consumer device sector under the Company’s own brand. Wellfully SA, a beauty and technology/ consumer products holding company for the device business has been established in Switzerland. Within Wellfully SA are three subsidiaries:

- Wellfully d.o.o – a sales and marketing support, back-office and service company established in Croatia;

- Peros Ltd (to be renamed as a 'Wellfully' company) – an Asia trading company set up in Hong Kong; and
- Peros (Dongguan) Technology and Trading Co, Ltd (also to be renamed as a 'Wellfully' company) – an operations and trading base in China.

## 5.3 Funding

OBJ's most recent capital raising was on 7 May 2018 when OBJ announced a private placement of 4,000,000 common shares at a price of $0.025 per share to raise $0.1 million. The transaction included participation from Antonio Varano, a Non-Executive Director of the Company.

We note that prior to the aforementioned private placement, the Company had not completed any other capital raisings since September 2015.

## 5.4 Historical Statements of Financial Position

| Statement of Financial Position | Audited as at 30-Jun-19 $000s | Audited as at 30-Jun-18 $000s | Audited as at 30-Jun-17 $000s |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 2,252 | 4,176 | 5,373 |
| Trade and other receivables | 561 | 255 | 399 |
| **TOTAL CURRENT ASSETS** | **2,813** | **4,431** | **5,772** |
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | 324 | 375 | 434 |
| **TOTAL NON-CURRENT ASSETS** | **324** | **375** | **434** |
| **TOTAL ASSETS** | **3,137** | **4,806** | **6,206** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 255 | 243 | 231 |
| Borrowings | 252 | 238 | 224 |
| Employee benefits provision | 84 | 69 | 49 |
| **TOTAL CURRENT LIABILITIES** | **591** | **551** | **504** |
| **TOTAL LIABILITIES** | **591** | **551** | **504** |
| **NET ASSETS** | **2,545** | **4,255** | **5,702** |
| **EQUITY** | | | |
| Issued capital | 33,044 | 33,044 | 31,766 |
| Reserves | 232 | 232 | 4,740 |
| Accumulated losses | (30,730) | (29,020) | (30,804) |
| **TOTAL EQUITY** | **2,545** | **4,255** | **5,702** |

**Source:** OBJ's audited financial statements for the years ended 30 June 2019, 30 June 2018 and 30 June 2017.

## Commentary on Historical Statements of Financial Position

- Trade and other receivables increased from approximately $255,000 at 30 June 2018 to approximately $561,000 as at 30 June 2019. The increase in trade and other receivables of approximately $306,000 was primarily the result of royalties and revenue owed to the Company.
- Plant and equipment of $323,846 at 30 June 2019 comprised as set out below:

  Laboratory plant & equipment $92,200

  Leasehold improvements $175,051

  Office furniture & equipment $56,595
- Borrowings of $252,000 at 30 June 2019 relate to convertible notes issued by OBJ on 4 June 2009. The convertible notes had a principal amount of $140,000, with an interest rate of 10% per annum, convertible on or before the 4 June 2012. We note that the notes were not converted by the due date, and the terms of the agreement are in dispute. The principal amount outstanding, inclusive of interest has been classified as current.

## 5.5 Historical Statements of Profit or Loss and Other Comprehensive Income

| Statement of Comprehensive Income | Audited for the year ended 30-Jun-19 $000s | Audited for the year ended 30-Jun-18 $000s | Audited for the year ended 30-Jun-17 $000s |
|---|---|---|---|
| **Income** | | | |
| Revenue | 2,745 | 2,040 | 1,966 |
| **Expenses** | | | |
| Borrowing costs | (14) | (14) | (14) |
| Depreciation | (73) | (97) | (146) |
| Administration fees | (630) | (509) | (459) |
| Auditor's remuneration | (41) | (40) | (38) |
| Consultants and consultants benefits expenses | (668) | (130) | (645) |
| Directors and employees benefits expenses | (1,770) | (1,769) | (2,664) |
| Legal costs | (277) | (57) | (46) |
| Materials and requisites | (66) | (48) | (46) |
| Occupancy expenses | (136) | (243) | (148) |
| Patent and trademark service fees | (219) | (186) | (94) |
| Product design and trial testing expenses | (115) | (143) | (147) |
| Travel and accommodation | (92) | (129) | (114) |
| Other expenses | (328) | (392) | (433) |
| **(Loss) from continuing operations before income tax** | **(1,684)** | **(1,717)** | **(3,028)** |
| Income tax expense | - | - | - |
| **(Loss) from continuing operations after income tax** | **(1,684)** | **(1,717)** | **(3,028)** |
| Foreign currency translation differences | (26) | 18 | (16) |
| **Total comprehensive (loss) for the year** | **(1,710)** | **(1,699)** | **(3,044)** |

**Source:** OBJ's audited financial statements for the years ended 30 June 2019, 30 June 2018 and 30 June 2017.

## Commentary on Historical Statements of Profit or Loss and Other Comprehensive Income

- Revenue is comprised of the following:

| Revenue breakdown | Financial year ended 30-Jun-19 $ | Financial year ended 30-Jun-18 $ | Financial year ended 30-Jun-17 $ |
|---|---|---|---|
| R&D revenue and tax incentives | 1,249,360 | 1,056,638 | 1,650,390 |
| Royalties | 1,444,939 | 889,302 | 167,136 |
| Interest received | 50,482 | 94,054 | 148,698 |
| **Total revenue** | **2,744,781** | **2,039,994** | **1,966,224** |

- The increase in revenue was due to increases in R&D revenue, as well as royalties attributed to the SK-II wand, magnetic boosters and genoptic spot pen products.
- Consultants and consultant benefits expenses increased from approximately $130,000 for the year ended 30 June 2018 to approximately $668,000 for the year ended 30 June 2019 due to the appointment of Paul Peros as well as all the costs associated with the Nutrition Systems project.
- Occupancy expenses decreased from $243,000 for the year ended 30 June 2018, to $136,000 for the year ended 30 June 2019 due to OBJ occupying less office space in its building.
- Other expenses of approximately $330,000 for the year ended 30 June 2019 comprised various categories of expense with the main items being public and investor relations expenses, share register maintenance fees, insurance, repairs and maintenance and computer expenses.

## 5.6 Capital Structure

The share structure of OBJ as at 13 November 2019 is outlined below:

| | Number |
|---|---|
| Total ordinary shares on issue | 1,809,462,635 |
| Top 20 shareholders | 351,551,850 |
| Top 20 shareholders - % of shares on issue | 19.43% |

**Source:** Share registry information

The range of shares held in OBJ as at 13 November 2019 is as follows:

| Range of Shares Held | Number of Ordinary Shareholders | Number of Ordinary Shares | Percentage of Issued Shares (%) |
|---|---|---|---|
| 1 - 1,000 | 433 | 111,252 | 0.01% |
| 1,001 - 5,000 | 206 | 523,320 | 0.03% |
| 5,001 - 10,000 | 332 | 2,665,935 | 0.15% |
| 10,001 - 100,000 | 1,758 | 82,078,252 | 4.54% |
| 100,001 - and over | 1,663 | 1,724,083,876 | 95.28% |
| **TOTAL** | **4,392** | **1,809,462,635** | **100.0%** |

**Source:** Share registry information

The ordinary shares held by the most significant shareholders as at 13 November 2019 are detailed below:

| **Top 4 shareholders**<br>Name | Number of Ordinary Shares Held | Percentage of Issued Shares (%) |
|---|---|---|
| Citicorp Nominees Pty Ltd | 46,547,568 | 2.57% |
| Virtus Capital Pty Ltd | 27,698,362 | 1.53% |
| JEB Holdings Pty Ltd | 27,437,719 | 1.52% |
| Jomima Pty Ltd | 24,143,584 | 1.33% |
| **Subtotal** | **125,827,233** | **6.95%** |
| Others | 1,683,635,402 | 93.05% |
| **Total ordinary shares on Issue** | **1,809,462,635** | **100.00%** |

**Source:** Share registry information

OBJ currently has no options on issue. The most recent options on issue expired on 20 February 2019.

# 6. Profile of Export Corporation

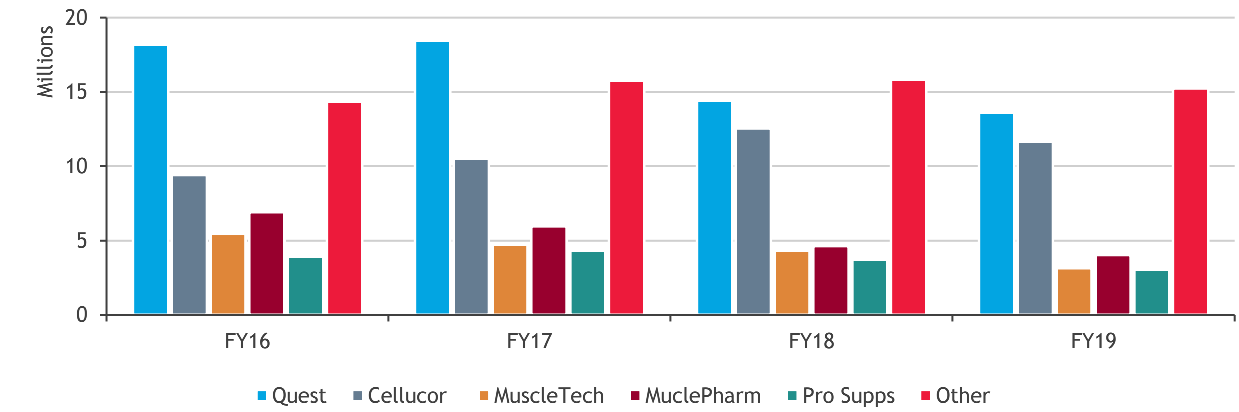
## 6.1 History and corporate structure

The business of Export Corporation operates in the distribution and wholesale of nutritional wellness products across Australia and New Zealand under the business name "Nutrition Systems". Export Corporation was established in 1991 by current CEO Danny Pavlovich and has imported and distributed nutritional products from the United States of America (‘**USA**’) for over 25 years. Danny Pavlovich has maintained strong long-term relationships with a number of Export Corporation's main suppliers based in the USA.

The Export Corporation group contains wholly owned Nutrition Systems NZ Pty Ltd (‘**Nutrition Systems NZ**’), and the separately owned Nutrition Zone WA Pty Ltd (‘**Nutrition Zone WA**’). Nutrition Zone WA was incorporated in August 2017, and acts as a specialist health and fitness retailer across Western Australia. Nutrition Zone WA is owned by Jadeline Enterprises Pty Ltd, of which Danny Pavlovich is the sole shareholder. It is a pre-condition of the Proposed Transaction that prior to completion the share in Jadeline Enterprises Pty Ltd is transferred to the ownership of Export Corporation.

Export Corporation occupies over 9,000 square metres of distribution facilities across Australia and New Zealand, and is led by a team of more than 60 staff consisting in-field account managers and in-house customer service representatives.

Export Corporation group primarily generates revenue by distributing some of the world's leading nutritional wellness brands, including Cellucor, Scivation, Muscle Pharm, Quest Nutrition and ProSupps. A breakdown of Export Corporation's key suppliers is displayed in the graph below:




In addition, Export Corporation generates revenue through its flagship magazine ‘Inside Fitness’ that promotes the products in which it distributes. Inside Fitness has a circulation of approximately 20,000 copies per issue across Australia and New Zealand.

Export Corporation's client base includes major grocery and pharmacy platforms, such as Woolworths, IGA, Coles, Chemist Warehouse and Terry White Chemists, and hundreds of speciality health and wellness retailers, for example Nutrition Zone, Supps R Us, and Supplement Mart. Export Corporation is the largest distributor of fitness supplements in both Australia and in New Zealand, has a market share in New Zealand of approximately 65%.

In the fourth quarter of 2019, Export Corporation is scheduled to commence the production of its own vitamins and supplements in the fourth quarter of 2019, intended to be distributed across Australian, New

Zealand, and Asian markets. The Proposed Transaction will allow Export Corporation to reduce manufacturing costs by utilising OBJ's existing underutilised manufacturing arrangements, thus increasing gross margins.

## 6.2 Administration and Distribution Centre Property in New South Wales

The nutrition business of Export Corporation has a distribution and administration centre in New South Wales which is separately owned by Westfire Investment Pty Ltd as trustee for the Pavlovich Property Trust ('**Westfire**'), an entity associated with Export Corporation.

The nutrition business rents this property from Westfire at market rates.

## 6.3 Historical Statements of Financial Position

In the table below we have presented a combined financial position for the Export Corporation group comprising Export Corporation, Nutrition Systems NZ and Nutrition Zone WA. To arrive at consolidated financials we have combined the audited financials for each of the three entities, and removed inter-company borrowings and receivables/ payables.

| Statement of financial position | 30-Jun-19<br>$000s | 30-Jun-18<br>$000s |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | 5,012 | 15,449 |
| Trade and other receivables | 32,361 | 18,784 |
| Inventories | 16,063 | 20,698 |
| Tax | 235 | 1,012 |
| Other current assets | 864 | 220 |
| **TOTAL CURRENT ASSETS** | **54,535** | **56,163** |
| **NON-CURRENT ASSETS** | | |
| Property, plant and equipment | 820 | 1,349 |
| Intangible assets | 1,325 | 1,276 |
| Other receivables | 364 | 364 |
| **TOTAL NON-CURRENT ASSETS** | **2,509** | **2,989** |
| **TOTAL ASSETS** | **57,044** | **59,151** |
| **CURRENT LIABILITIES** | | |
| Trade and other payables | 2,841 | 5,353 |
| Provisions | 17,157 | 550 |
| Borrowings | 153 | 61 |
| Income tax payable | 118 | 135 |
| **TOTAL CURRENT LIABILITIES** | **20,270** | **6,099** |

| Statement of financial position | 30-Jun-19<br>$000s | 30-Jun-18<br>$000s |
|---|---|---|
| **NON-CURRENT LIABILITIES** | | |
| Trade and other payables | 145 | 173 |
| **TOTAL NON-CURRENT LIABILITIES** | **145** | **173** |
| **TOTAL LIABILITIES** | **20,415** | **6,272** |
| **NET ASSETS** | **36,630** | **52,880** |
| | | |
| **TOTAL EQUITY** | **36,630** | **52,880** |

Source: Combined group financial statements as at 30 June 2019 and 30 June 2018, based on audited financial statements for the entities Export Corporation, Nutrition Systems NZ and Nutrition Zone WA.

## Commentary on Historical Statements of Financial Position

- The reduction in net assets during the year to 30 June 2019 was largely due to the payment of a fully franked dividend of $20 million by Export Corporation. This was funded from the cash balance, earnings for the year and reduction of loans receivable.
- Property, plant and equipment of $0.8 million at 30 June 2019 comprised the following:

| Net book balance of property, plant and equipment as at 30 June 2019 | Export Corporation<br>$ | Nutrition Zone WA<br>$ | Nutrition Systems<br>$ | Combined group<br>$ |
|---|---|---|---|---|
| Leasehold improvements | 100,428 | 257,805 | - | 358,233 |
| Plant and equipment | 121,442 | 111,881 | 54,863 | 288,186 |
| Motor vehicles | 161,028 | 12,497 | - | 173,525 |
| **Total property, plant and equipment** | **382,898** | **382,183** | **54,863** | **819,944** |

- Intangible assets of $1.3 million at 30 June 2019 was primarily the result of the acquisition of Natural Choice Bullcreek, Natural Choice Waterford and King Supplement WA by Nutrition Zone on 3 November 2017.
- Other receivables (current and non-current) includes loans to related parties. As at 30 June 2019, loans to related parties consisted of the following

| | Loan balance at 30-Jun-19<br>$ | Loan balance at 30-Jun-18<br>$ |
|---|---|---|
| **Current** | | |
| Loan - Danny Pavlovich | 16,563,012 | 3,509,187 |
| Loan to the Pavlovich Property Trust | 5,490,239 | 5,842,125 |
| Loan to Regent Asset | 3,609 | 25,331 |
| **Non-current** | | |
| Jadeline Enterprises Pty Ltd | 363,805 | 363,805 |

- Provisions as at 30 June 2019 covered provisions for employee entitlements, provision for leave and provision for dividend as summarised below.

| Provisions | Balance at 30-Jun-19 $ |
|---|---|
| Provision for dividend - Export Corporation | 16,563,012 |
| Provision for employee entitlements - Export Corporation | 539,038 |
| Provision for leave - Nutrition Zone (WA) | 55,309 |
| **Total** | **17,157,359** |

We note that the provision for dividend effectively matches the asset - loan Danny Pavlovich.

## 6.4 Historical Statements of Profit or Loss and Other Comprehensive Income

| Export Corporation group 'Consolidated' Statement of Comprehensive Income | Y/e 30 Jun-19 $000s | Y/e 30 Jun-18 $000s | Y/e 30 Jun-17 $000s | Y/e 30 Jun-16 $000s |
|---|---|---|---|---|
| **Revenue** | | | | |
| Sales revenue | 55,795 | 56,907 | 59,613 | 57,350 |
| **Cost of sales** | (39,990) | (39,188) | (42,422) | (40,511) |
| **Gross profit** | **15,805** | **17,719** | **17,191** | **16,839** |
| *Gross profit percentage* | *28.3%* | *31.1%* | *28.8%* | *29.4%* |
| Other income | (12) | (35) | 126 | - |
| **Total gross profit and other income** | **15,793** | **17,684** | **17,317** | **16,839** |
| **Expenses** | | | | |
| Admin and accountancy | (660) | (517) | (358) | (353) |
| Bad debts written off | (2) | 403 | (828) | (158) |
| Occupancy | (1,739) | (1,508) | (845) | (809) |
| Employment expenses | (4,957) | (4,321) | (3,498) | (3,770) |
| Outsourced other operating costs | (1,058) | (1,032) | (1,017) | (978) |
| Non-operating extraordinary | (128) | - | - | - |
| FX profit/ (loss) | - | - | (50) | 36 |
| Impairment of non-current assets | - | (225) | - | - |
| General and other expenses | (1,325) | (816) | (644) | (690) |
| **EBITDA** | **5,923** | **9,668** | **10,076** | **10,117** |
| Depreciation | (345) | (210) | (166) | (187) |
| **EBIT** | **5,578** | **9,459** | **9,910** | **9,930** |
| Net interest income/ (expense) | 328 | 387 | 492 | 314 |
| **Net profit before tax** | **5,905** | **9,846** | **10,402** | **10,244** |
| Income tax expense | (2,334) | (3,113) | (220) | (192) |
| **Net profit after tax** | **3,572** | **6,733** | **10,181** | **10,053** |

| Export Corporation group | Y/e 30 Jun-19 | Y/e 30 Jun-18 | Y/e 30 Jun-17 | Y/e 30 Jun-16 |
|---|---|---|---|---|
| 'Consolidated' Statement of Comprehensive Income | $000s | $000s | $000s | $000s |
| Foreign currency translation differences | 75 | (43) | 3 | 11 |
| **NPAT after FX differences** | **3,647** | **6,690** | **10,183** | **10,064** |
| Dividends paid | - | - | (2,587) | (2,721) |
| **NPAT after FX differences and dividends** | **3,647** | **6,690** | **7,596** | **7,343** |

Source: Combined group financial statements for the years ended 30 June 2019, 30 June 2018, 30 June 2017 and 30 June 2016 based on audited financial statements for the entities Export Corporation, Nutrition Systems NZ and Nutrition Zone WA.

## Commentary on Historical Statements of Profit or Loss and Other Comprehensive Income

- Gross margin. The gross margin for the Export Corporation group increased to 31.1% for FY18 but decreased to 28.3% for FY19. This reduction is largely as a result of movements in the USD:AUD exchange rate with most of the products imported from the USA.
- Occupancy expenses and employment expenses both increased in FY18 from FY17 levels and increased further for FY19. This was as a result of the Export Corporation group commencing the Nutrition Zone WA business.
- Outsourced other operating costs relates to Nutrition Systems NZ which outsources the majority of the administration and running costs of operating the business in New Zealand.
- Income tax expense incurred for FY18 and FY19 relates mainly to Export Corporation.
- Extraordinary losses in FY19 related to cyber attack losses in Export Corporation.
- Impairment of non-current assets in FY18 relates to the write-down of intangibles in Nutrition Zone WA.

# 7. Economic analysis

In the following sections we set out an analysis of the economic outlook in Australia and New Zealand and the implications for OBJ and for the business of the Export Corporation group.

## 7.1 Australia

### Domestic growth

The Reserve Bank of Australia (**'RBA'**) is expecting Gross Domestic Product **('GDP'**) growth of around 2.75% over 2020 and around 3.0% by the end of 2021. Growth is anticipated to be supported by increased investment in infrastructure and a pick-up in activity in the resources sector, as mining firms invest to sustain production levels and expand productive capacity. However, there remains some uncertainty around the outlook for household consumption. Continued low growth in household income remains a key risk to the outlook for household consumption, with only modest increases in household disposable income continuing to weigh on consumer spending. Although, signs of stabilisation in the Melbourne and Sydney housing market are expected to support spending.

In response, the RBA lowered interest rates in June 2019 for the first time since 2012 to 1.25%, before cutting rates further with the cash rate at a historic low of 0.75% in October 2019. The easing of monetary policy aims to support employment growth and increase inflation to be closer to the medium-term target of 2.0%. As a result of lower cash rates, businesses may be able to access financing at a lower cost of debt, which in time may boost credit demand by businesses.

### Inflation

Domestic inflation remains low, and suggests subdued inflationary pressures across the economy. Inflation in both headline and underlying terms was 1.7% over the year to the September 2019 quarter. Inflation forecasts have been revised, with the RBA expecting underlying inflation to be slightly below 2.0% over 2020 and 2021 and to increase further thereafter.

### Employment

Strong employment growth has persisted despite a dampening in expectations for GDP growth, with labour force participation at a record level. Employment growth over 2018 was largely in three industries: healthcare and social assistance, construction, and professional scientific and technical services. The unemployment rate has been steady at approximately 5.25% and is anticipated to remain around this level for several months before declining to slightly below 5.0% in 2021. Overall wage growth remains low, influenced by labour supply meeting the demand for labour, and caps on wages growth affecting public-sector pay outcomes. The RBA noted a further lift in wage growth would be required to sustainably lift inflation to within its medium target range of 2.0% to 3.0%.

Wage growth represents an opportunity for Export Corporation as higher wages leads to larger disposable income. Disposable income refers to the money available for spending and saving after income taxes, and higher disposable income typically results in increases in non-discretionary spending, which could in turn increase demand for products supplied by Export Corporation. Wage growth may be somewhat offset however by increases in unemployment, which decreases disposable income of consumers.

### Currency movements

The Australian dollar is currently at the low end of the narrow range that it has been trading recently. Movements in the Australian dollar tend to be related to developments in commodity prices and interest rate differentials. Since the start of the year, these two forces have been working in offsetting directions, with commodity prices in iron ore and gold increasing significantly in June 2019 and Australian bond yields declining relative to those in other major markets.

Whilst Export Corporation imports its products from the USA, hedging agreements are in place to fix the price at which goods are purchased. As a result, we note that fluctuations in the Australian dollar would not have a material impact on the operations of Export Corporation.

**Source:** www.rba.gov.au *Statement by Philip Lowe, Governor: Monetary Policy Decision* 5 November 2019, 2 October 2019, *and Statement on Monetary Policy November 2019, BDO analysis*

## 7.2 New Zealand

### Domestic growth

The Reserve Bank of New Zealand (**'RBNZ'**) noted a slowdown in domestic growth throughout the first half of 2019, and anticipates GDP growth will remain low throughout the second half of 2019. Annual GDP growth declined to 2.1% in the June 2019 quarter, from 3.2% in the corresponding quarter of 2018. The slowdown in growth has been driven by the declining population, combined with soft business investment and household spending, reducing the economy's potential growth rate and domestic demand. The effect of slower population growth has been particularly pronounced on the housing market and household spending, with house price inflation slowing since 2016 and annual consumption growth declining from 6.0% in 2016 to 3.5% in December 2018 quarter.

Furthermore, New Zealand's trading-partner growth has continued to decline in the first half of 2019 caused by weak manufacturing output and high uncertainty, dampening global business investment. However, New Zealand's export commodity prices have been robust, supporting a positive terms of trade.

As a result, the RBNZ eased its monetary stance and has held the Official Cash Rate (**'OCR'**) at 1.0% since August 2019, in order to support a pick-up in GDP growth to above potential. However, the outlook for GDP growth is still broadly balanced, with the uncertainty around downside risks of a slow in global economic growth. Annual GDP growth is forecast to increase to around 3.0% in 2020. Similar to Australia, as a result of lower cash rates, businesses may be able to access financing at a lower cost of debt, which in time may boost credit demand by businesses.

### Inflation

Domestic inflation was 1.5% in the first quarter of 2019, which is below the mid-point inflation target of 2.0%, and suggests subdued inflationary pressures across the economy. The outlook for inflation is below the target mid-point for longer than previously projected, with the RBNZ expecting underlying inflation to return to 2.0% only in mid-2021. However, inflation is anticipated to pick up slightly with easing of monetary policy.

### Employment

The labour market tightened over 2018, even as GDP growth declined sharply. This is similar to the experiences of other countries like Australia. Employment in New Zealand is near its maximum sustainable level with the unemployment rate decreasing to 4.2% in the first quarter of 2019, and is expected to hover around this rate through 2022. The job-finding rate increase over 2018 and firms report that finding skilled and unskilled labour is increasingly difficult.

Similar to Australia, wage growth represents an opportunity for Export Corporation as higher disposable income could increase demand for products supplied by Export Corporation. Decreases in unemployment also could increase demand for Export Corporation’s products due to increases in disposable income and consumer spending.

### Currency movements

The New Zealand dollar trade weighted index (**‘TWI’**) increased in late 2018, reflecting the widening interest rate differential between New Zealand and the rest of the world as global interest rates declined. Rising commodity prices, particularly dairy, have also supported the New Zealand dollar.

However, the increase in the New Zealand dollar TWI has largely reversed since March 2019 due to a lower outlook for New Zealand interest rates. This is expected to support net exports.

**Source:** www.rbnz.govt.nz *Monetary Policy Statement November 2019, BDO analysis*

# 8. Industry analysis

Export Corporation and its subsidiary Nutrition Systems as well as Nutrition Zone operate within the nutritional product distribution industry. We therefore consider that the industry most applicable to Export Corporation's business is the Vitamin and Supplement Stores Industry (**'the Industry'**). We have set out key trends for the Industry in the following paragraphs.

We consider the operations of OBJ to fall within the Cosmetics, Perfume and Toiletries Manufacturing industry, as the Company's current product offerings

## 8.1 Vitamin and Supplement Stores Industry

### Overview

The Industry includes bricks and mortar stores primarily associated with the sale of vitamins and supplements, as well as health foods. Online sales are also included where the company operates a bricks and mortar store, however pure-play online retailers are not included in our analysis on the basis that Export Corporation does not operate by retailing products only online.

Demand for vitamins and supplements has grown in recent times, due to rising health consciousness amongst consumers and increased gym membership numbers. This growing demand has driven industry growth, with revenue through to 2019 expected to grow at an annualised 3.4% to $530 million.

Strong sales growth over the past five years from pure online retailers, discount pharmacies and supermarkets have been constraints on industry growth, due to products being cheaper. As a result industry operators have been forced to reduce prices and squeeze profit margins in order to retain customers.

Despite pure-play online retailers typically offering cheaper prices, consumers have continued to visit sports nutrition stores to purchase products as in-store specialist advice is highly valued in this industry.

### Key External Drivers

Rising health consciousness reflects the increasing popularity of healthy diets and personal fitness. Higher health consciousness typically boosts the number of consumers looking to supplement their existing diet and exercise regimes. Over 2019, consumer health consciousness is expected to continue growing.

Household discretionary income drives consumer demand, because as discretionary income increases, consumers have more money to spend on non-essential items, such as supplements to complement exercise and dietary regimes. This presents an opportunity for industry operators to boost sales. Household discretionary income is expected to grow weakly through 2019.

Growing online shopping demand increases industry competition. Some operators complement their bricks and mortar operations with an online store, and demand is expected to continue increasing into the future.

Products such as exercise supplements are commonly used in conjunction with exercise and fitness regimes. As gym memberships increase, demand for these products also generally increases. However, some gyms and fitness centres also stock these goods, which is another external source of competition for the industry. Through 2019, demand from gyms and fitness centres for goods which they can stock, such as exercise supplements, are expected to increase.

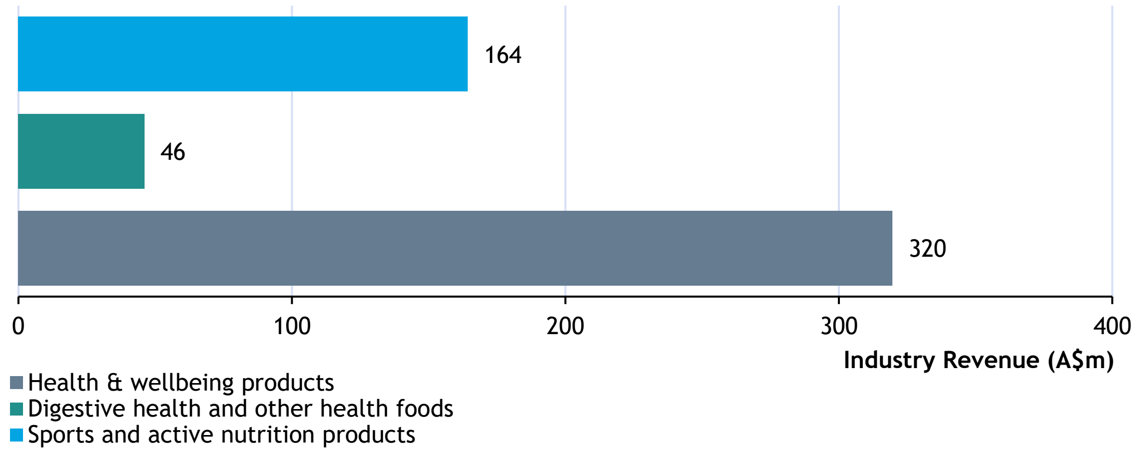
## Major Products and Markets

Younger customers are generally more involved in higher-intensity physical activity, and require greater levels of vitamins and supplements to complement their training regimes. Therefore, in younger markets, the most popular product type is sports and nutrition products. Fitness-related supplements, such as protein powder, which is most prevalent to consumers between the ages of 19 and 30, command a higher price per unit than health and wellbeing products. As a result, these fitness related supplements make up a significant portion of industry revenue for younger consumers.

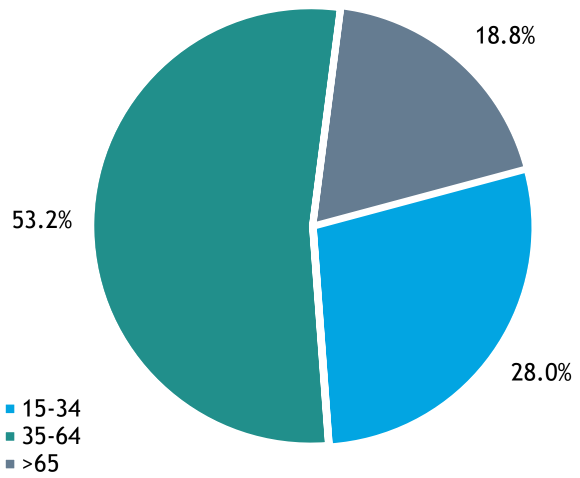
Middle-aged consumers, between 35 and 64 are becoming increasingly concerned with living a healthy lifestyle. This is reflective in changing trends toward healthier food consumption, combined with low intensity exercise. As a result, consumers in this market seek to supplement their diet with health and wellbeing products. Fitness gear and weight loss products are also popular in this market.

The market for consumers aged 65 and over continues to increase in line with the ageing population of Australia. Consumers in this market aim for prevention as a method of maintaining health, as opposed to treatment. This growing concern for health and wellbeing has led to increased demand for vitamin supplementation, which accounts for a significant portion of health and wellbeing products. These products include boosts to immune systems, sleep assistance, and supplements to reduce joint and bone pain.

**Industry Segmentation by Product Type**



Industry Segmentation by Consumer Age




### Outlook

The Industry is projected to post modest growth over the next five years, driven by the forecast rise in health consciousness as Australian consumers adopt an increasingly proactive approach to maintaining their health and wellbeing. The industry will struggle to fully harness demand over the next five years as external competitors, such as online retailers, strengthen market share. Nonetheless, the industry is expected to grow at an annualised 2.2% over the next five years through 2024, to $590 million.

**Source**: IBISWorld and BDO analysis

## 8.2 Cosmetics, Perfume and Toiletries Manufacturing Industry

### Overview

The Industry is associated with the production and manufacturing of cosmetic and toiletry products, such as creams, lotions, cosmetics and haircare. The Industry has a reputation for innovation, with growth driven by the development of new products for new target audiences, such as innovative products for millennials.

### Key External Drivers

Demand from department stores is a key driver for the Industry, as many products are often sold in department stores such as David Jones. Whilst demand from department stores has declined in recent years and is forecast to continue this trend, other retailers of products, such as specialty stores, supermarkets, and online retailers have offset this decline in demand.

Discretionary income is a key industry driver, as higher discretionary income provides consumers additional funds to spend on non-essential items, such as cosmetics. Through 2019, household discretionary income is expected to increase, therefore increasing demand from consumers.

### Major Products and Markets

Beauty, make-up and skincare products covers a range of goods, including as lipsticks, manicure products, skincare products, make-up, and sunscreens.

The demand for green consumerism and green products has grown in the Industry, with brands altering formulations of products to remove additives and artificial preservatives, in order to reduce carbon footprint. The demand for green products has also stemmed into manufacturing, with consumers increasingly becoming aware of sustainability, encouraging product packaging to utilise biodegradable materials.

Effectiveness of products are as important as ever to consumers. Once a product has been purchased, consumers expect to see immediate results, thus increasing the importance of how the product is used. Resultantly, brands are developing methods and technologies for product application which increase the effectiveness of a given product, in order to maintain customer satisfaction.

Developers and manufacturers are constantly utilising new digital technologies, such as smartphone applications, to enhance consumers' experience. Other brands are retailing products exclusively online, in an attempt to engage more directly with younger-generation internet users.

## Outlook

Industry revenue is projected to grow at an annualised rate of 2.7% over the next five years through 2024, to $1.7 billion. Growth will be driven by earnings from exportation of products which emphasise importance on application and results, as well as consumers taking a preference for environmentally friendly and preservative free products.

**Source:** IBIS World and BDO Analysis

# 9. Valuation approach adopted (fairness assessment)

## 9.1 Overview

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings (‘**FME**’)
- Discounted cash flow (‘**DCF**’)
- Quoted market price basis (‘**QMP**’)
- Net asset value (‘**NAV**’)
- Market based assessment.

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

It is also possible for a combination of different methodologies to be used together to determine an overall value, where separate assets and liabilities are valued using different methodologies. When such a combination of methodologies is used, it is referred to as a ‘sum-of-parts’ valuation (‘**Sum-of-Parts**’).

## 9.2 Valuation of an OBJ share prior to the Proposed Transaction

In our assessment of the value of an OBJ share prior to the Transaction, we have chosen to employ the following methodologies for the following reasons:

- We have chosen the QMP methodology as our primary valuation methodology. The QMP methodology is relevant to consider because OBJ’s shares are listed on the ASX which means there is a regulated and observable market for the shares. However, in order for the QMP methodology to be considered appropriate the market should be fully informed of the Company’s activities and ideally the Company’s shares should exhibit an acceptable level of liquidity;
- Net asset value as our secondary methodology and as a cross-check as the Company has been loss making over the past several years so there is no reliable basis for a methodology based on earnings. Our initial source for the values of the assets and liabilities of OBJ is the balance sheet of the Company as at 30 June 2019. We have then considered whether any adjustment is required to determine market value.
- We have not used a FME valuation to value OBJ because over the past several years OBJ has made net losses so that it is not possible to identify maintainable earnings;
- We consider that the Company’s earnings which are forecast to occur in future years are not sufficiently certain of achievement at this early stage for us to have a reasonable basis to utilise a valuation methodology based on the net present value of future cash flows (DCF). We have addressed these future potential earnings when considering reasonableness; and
- We have also addressed the capital raising price for recent capital raisings and the expected price for the Capital Raising of $0.30 per share, post-consolidation.

## 9.3 Valuation of an OBJ share following the Proposed Transaction

In our assessment of the value of an OBJ share following the Proposed Transaction, we have chosen to employ the following methodologies for the following reasons:

- Sum-of-Parts methodology. We have applied this methodology by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration for the following:
    - The value of OBJ prior to the Proposed Transaction;
    - The capitalisation of future maintainable earnings valuation of the business of the Export Corporation group;
    - Value of the commercial property in NSW which is being acquired as part of the Proposed Transaction (based on an independent specialist assessment of the market value of the property);
    - The valuation of any assets and liabilities of the entities in the Export Corporation group which are not part of the nutrition business operations (if any);
    - Present value of any change to corporate costs of OBJ following the Proposed Transaction;
    - Net cash raising through the Capital Raising and debt funding; and
    - The resulting number of shares on issue in OBJ following the Proposed Transaction.

We have considered the value of the synergies which may arise from the OBJ and the Export Corporation group coming together but have determined that the value implications are too uncertain at this stage. We have addressed these potential synergies when considering reasonableness.

## 9.4 Valuation of Export Corporation

In our assessment of the value of the business of the Export Corporation group we have chosen to employ the capitalisation of future maintainable earnings methodology as Export Corporation is a long-standing business with a history of profitability and it is reasonable to assume that these earnings will be maintainable into the future.

# 10. Valuation of an OBJ share prior to the Proposed Transaction

## 10.1 Overview of valuation

We have addressed the value of an OBJ share by applying the following methodologies:

- Quoted market price as our primary valuation methodology. OBJ is listed on the ASX which provides an indication of the market value where an observable market for the securities exists and this reflects the value that a Shareholder may receive for the sale of their shares on market; and
- Net asset valuation of OBJ as our secondary valuation methodology.

## 10.2 Quoted Market Prices for OBJ Securities

To provide our primary valuation, we have assessed the quoted market price for an OBJ share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

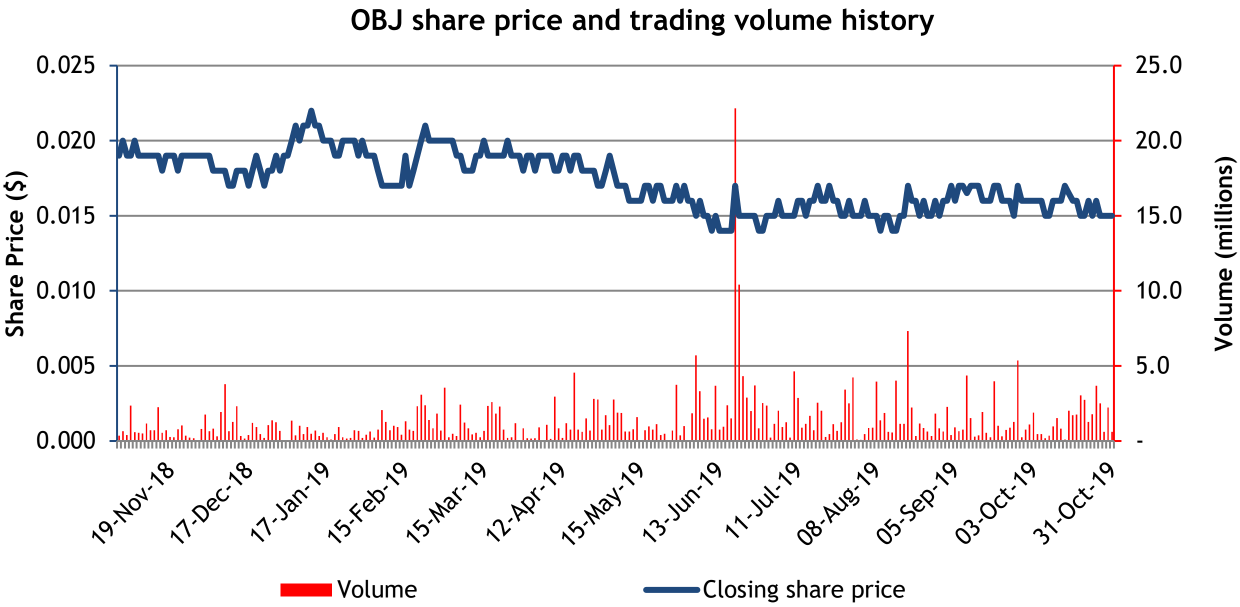
Whilst Export Corporation will not be obtaining 100% of OBJ, RG 111 states that the expert should calculate the value of a target's shares as if 100% control was being obtained. The expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 14.

Therefore, our calculation of the quoted market price of an OBJ share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

### Minority interest value

Our analysis of the quoted market price of an OBJ share is based on the pricing prior to the announcement of the Proposed Transaction. This is because the value of an OBJ share after the announcement may include the effects of any change in value as a result of the Proposed Transaction. However, we have considered the value of an OBJ share following the announcement when we have considered reasonableness in Section 14.

Information on the Proposed Transaction was announced to the market on 7 November 2019. Therefore, the following chart provides a summary of the share price movement over the 12 months to 31 October 2019, which was the last trading day prior to the announcement.




**Source:** Bloomberg

The daily price of OBJ shares from 31 October 2018 to 31 October 2019 has ranged from a low of $0.014 on 15 August 2019 to a high of $0.022 on 11 January 2019. The highest single day of trading over the assessed period was 19 June 2019, when 22,167,911 shares were traded.

During this period a number of announcements were made to the market. The key announcements are set out below:

| Date | Announcement | Closing Share Price One Day Prior to Announcement | Closing Share Price Following Announcement | | | Closing Share Price Three Days After Announcement | | |
|---|---|---|---|---|---|---|---|---|
| | | | Movement | | | Movement | | |
| | | $ | $ | | % | $ | | % |
| 19/09/2019 | Device Business Subsidiaries | 0.016 | 0.017 | ▫ | 6.3% | 0.016 | ▫ | 5.9% |
| 28/08/2019 | 2019 Appendix 4E | 0.015 | 0.015 | ▫ | 0.0% | 0.016 | ▫ | 6.7% |
| 31/07/2019 | Shareholder Update June 2019 Quarter | 0.016 | 0.015 | ▫ | 6.3% | 0.016 | ▫ | 6.7% |
| 31/07/2019 | Appendix 4C June 2019 Quarter | 0.016 | 0.015 | ▫ | 6.3% | 0.016 | ▫ | 6.7% |
| 19/06/2019 | Collaboration Agreement - Further Information | 0.014 | 0.017 | ▫ | 21.4% | 0.015 | ▫ | 11.8% |
| 19/06/2019 | Pause in Trading | 0.014 | 0.017 | ▫ | 21.4% | 0.015 | ▫ | 11.8% |
| 19/06/2019 | Collaboration with Little Green Pharma Ltd | 0.014 | 0.017 | ▫ | 21.4% | 0.015 | ▫ | 11.8% |
| 03/06/2019 | Appointment of Parafix as Manufacturing Partner | 0.016 | 0.016 | ▫ | 0.0% | 0.015 | ▫ | 6.3% |
| 30/04/2019 | Shareholder Update March 2019 Quarter | 0.018 | 0.017 | ▫ | 5.6% | 0.019 | ▫ | 11.8% |
| 30/04/2019 | Appendix 4C March 2019 Quarter | 0.018 | 0.017 | ▫ | 5.6% | 0.019 | ▫ | 11.8% |
| 28/02/2019 | Appendix 4D 31 December 2018 | 0.020 | 0.020 | ▫ | 0.0% | 0.020 | ▫ | 0.0% |
| 22/02/2019 | Term Sheet signed for next generation Olay Product | 0.020 | 0.021 | ▫ | 5.0% | 0.020 | ▫ | 4.8% |

| Date | Announcement | Closing Share Price One Day Prior to Announcement $ | Closing Share Price Following Announcement Movement $ | | % | Closing Share Price Three Days After Announcement Movement $ | | % |
|---|---|---|---|---|---|---|---|---|
| 31/01/2019 | Shareholder Update December 2018 Quarter | 0.019 | 0.020 | □ | 5.3% | 0.019 | □ | 5.0% |
| 31/01/2019 | Appendix 4C December 2018 Quarter | 0.019 | 0.020 | □ | 5.3% | 0.019 | □ | 5.0% |
| 18/12/2018 | Term Sheet Executed For First Integrated Product | 0.017 | 0.018 | □ | 5.9% | 0.017 | □ | 5.6% |

On 18 December 2018, OBJ announced it had executed a Licensing Term Sheet (‘**LTS**’) with P&G for the first fully integrated package product using OBJ technology. The product combined OBJ’s magnetic microarray technology with a pre-filled, airless pump pack, and was anticipated to initially serve P&G’s SK-II skincare business. On the date of the announcement the share price increased by 5.9% to close at $0.018, before declining by 5.6% over the subsequent three day trading period to close at $0.017.

On 31 January 2019, the Company released its December Quarterly Report and Appendix 4C, in which the Company highlighted activities undertaken during the quarter including new OBJ technology showcased at the Consumer Electronics Show (‘**CES**’) in Las Vegas and execution of a LTS with P&G. On the date of the announcement, the share price increased by 5.3% to close at $0.020, before decreasing by 5.0% over the subsequent three-day trading period to close at $0.019.

On 22 February 2019, OBJ implemented a new LTS with P&G for the fourth generation of the Olay Magnetic Infuser (‘**Olay MI**’) that incorporates OBJ’s multi-active technology. On the date of the announcement, the share price increased by 5.0% to close at $0.021, before decreasing by 4.8% over the subsequent three-day trading period to close at $0.020.

On 28 February 2019, OBJ released its half-year financial report. The report detailed a net consolidated loss of $788,400 in addition to the aforementioned LTS with P&G. On the date of the announcement the share price closed unchanged from the previous trading day, at $0.020, and remained at $0.020 over the subsequent three-day trading period.

On 30 April 2019, OBJ released its March Quarterly Report and Appendix 4C. The March Quarterly Report outlined a new LTS had been signed for the fourth generation Olay MI, OBJ technologies were showcased at CES, and the Company had appointed John Poynton of Jindalee Partners as Corporate Advisor to the Company. Furthermore, the Company received a research & development (‘**R&D**’) tax rebate of $758,069 during the period. On the date of the announcement the share price decreased by 5.6% to close at $0.017 before increasing by 11.8% over the subsequent three-day trading period to close at $0.019.

On 3 June 2019, OBJ Limited announced the appointment of Parafix Tapes and Conversions Ltd (‘**Parafix**’) as its manufacturing partner for the Kneeguard patch of the Bodyguard program. On the date of the announcement the share price remained unchanged to close at $0.016, before decreasing by 6.3% over the subsequent three-day trading period to close at $0.015.

On 19 June 2019, the following announcements were made:

- the Company went into a trading halt;
- the Company announced it had signed an agreement with LGP to commercialise transdermal cannabis technologies. LGP is the only Australian producer and supplier of GMP-quality medicinal

cannabis products, and the agreement allows them to explore the adaptation of OBJ's transdermal technology for the delivery of cannabinoid therapy; and

- OBJ announced it had requested further information in relation to the agreement with LGP.

On the date of the aforementioned announcements, the share price increased by 21.4% to close at $0.017, before declining by 11.8% to close at $0.015 over the subsequent three-day trading period.

On 31 July 2019, the Company released its June Quarterly Report and Appendix 4C. The June Quarterly Report highlighted Paul Peros was appointed CEO of the new device business, the collaboration with LGP to commercialise transdermal cannabis technologies, and Parafix was appointed as manufacturing partner for OBJ's Kneeguard patch. On the date of the announcement, the share price declined 6.3% to close at $0.015, before increasing 6.7% to close at $0.016.

On 28 August 2019 OBJ released its preliminary financial statements and review of operations for the year to 30 June 2019. This announcement detailed that the Company continued to progress its Bodyguard Program, the Board approved an updated Business Plan with the objective to commercialise OBJ's patch technology under its own brand, and OBJ signed a key funding and option agreement with LGP. On the date of the announcement the share price remained unchanged to close at $0.015, before increasing 6.7% to close at $0.016 over the subsequent three-day trading period.

On 19 September 2019, the Company announced the establishment of subsidiaries focused on commercialising OBJ's products and solutions in the beauty technology and consumer device sector under its own brand. On the date of the announcement the share price increased 6.3% to close at $0.017, before decreasing 5.9% to close at $0.016 over the subsequent three-day trading period.

To provide further analysis of the market prices for an OBJ share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 31 October 2019.

| Share Price per unit | 31-Oct-19 | 10 Days | 30 Days | 60 Days | 90 Days |
|---|---|---|---|---|---|
| Closing price | $0.015 | | | | |
| Volume weighted average price ('**VWAP**') | | $0.015 | $0.016 | $0.016 | $0.016 |

**Source:** Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Proposed Transaction, to avoid the influence of any increase in price of OBJ shares that has occurred since the Proposed Transaction was announced.

An analysis of the volume of trading OBJ shares for the twelve months to is set out below:

| Trading days | Share price low | Share price high | Cumulative volume traded | As a % of Issued capital |
|---|---|---|---|---|
| 1 Day | $0.015 | $0.016 | 602,334 | 0.03% |
| 10 Days | $0.014 | $0.017 | 20,213,885 | 1.12% |
| 30 Days | $0.014 | $0.017 | 42,488,210 | 2.35% |
| 60 Days | $0.014 | $0.018 | 87,720,550 | 4.85% |
| 90 Days | $0.014 | $0.018 | 135,233,754 | 7.47% |
| 180 Days | $0.013 | $0.021 | 289,342,319 | 15.99% |
| 1 Year | $0.013 | $0.022 | 346,446,404 | 19.15% |

**Source:** Bloomberg, BDO analysis

This table indicates that OBJ's shares display a low level of liquidity, with 19.15% of the Company's current issued capital being traded in a twelve month period. The level of liquidity is slightly higher for the most recent 180 day period, representing approximately 16% of the total issued capital (or annual equivalent of 32%).

RG 111.69 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and 'allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale'. We consider the following characteristics to be a guide as to what may be considered a liquid and active market:

- Regular trading in a company's securities;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

In the case of OBJ, we consider the shares to display an acceptable level of liquidity with:

- 16% of the Company's issued capital being traded in the last 180 day period;
- a good spread of ownership, refer capital structure in section 5.6 above; and
- no significant unexplained movements in share price.

Our assessment is that a range of values for OBJ shares based on market pricing, after disregarding post announcement pricing, is between $0.014 to $0.017.

## Control Premium

The quoted market price per share reflects the value to minority interest shareholders. In order to value an OBJ share on a control basis, we have added a control premium that is based on our analysis set out below.

We have reviewed control premiums on completed transactions, paid by acquirers of all ASX listed companies (excluding resources). In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e. less than a 0% premium). The transactions we have identified are summarised in the table below.

**All ASX listed companies (excluding resources)**

| Year | Number of Transactions | Average Deal Value (AU$m) | Average Control Premium (%) |
|---|---|---|---|
| 2019 | 22 | 5897.68 | 31.65 |
| 2018 | 29 | 1622.58 | 37.71 |
| 2017 | 20 | 1349.73 | 37.14 |
| 2016 | 26 | 1117.58 | 35.72 |
| 2015 | 16 | 1529.43 | 26.76 |
| 2014 | 21 | 876.14 | 23.66 |
| 2013 | 14 | 195.07 | 48.33 |
| 2012 | 26 | 671.69 | 55.49 |
| 2011 | 35 | 952.02 | 49.55 |
| 2010 | 25 | 476.73 | 37.35 |

**Source:** Bloomberg, BDO analysis

The mean and median of the entire data sets comprising control transactions from 2010 onwards for all ASX listed companies (excluding resources) is set out below.

| Entire Data Set Metrics | Average Deal Value (AU$m) | Average Control Premium (%) |
|---|---|---|
| Mean | 1426.33 | 39.43 |
| Median | 203.18 | 30.22 |

**Source:** Bloomberg, BDO analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- nature and magnitude of non-operating assets;
- nature and magnitude of discretionary expenses;
- perceived quality of existing management;
- nature and magnitude of business opportunities not currently being exploited;
- ability to integrate the acquiree into the acquirer's business;
- level of pre-announcement speculation of the transaction; and
- level of liquidity in the trade of the acquiree's securities.

When performing our control premium analysis, we considered completed transactions where the acquirer held a controlling interest, defined at 20% or above, pre transaction or proceeded to hold a controlling interest post transaction in the target company.

The table above indicates that the long term average control premium paid by acquirers of all ASX listed companies (excluding resources) is approximately 39.43%. However, in assessing the transactions included in the table, we noted transactions that appear to be extreme outliers. These outliers included 13 ASX listed company (excluding resources) transactions in total, for which the announced premium was in excess of 100%. We have removed these transactions because we consider it likely that the acquirer in these transactions would be paying for special value and/or synergies in excess of the standard premium for control. Whereas, the purpose of this analysis is to assess the premium that is likely to be paid for control, not specific strategic value to the acquirer.

In a population where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the last ten years was 30.22% for all ASX listed companies (excluding resources).

We note that OBJ is currently loss-making and its value is heavily dependent on its intellectual property. We are cognisant of this in determining the premium for control. Essentially, we consider that a lesser premium should apply to OBJ because of these factors which are not generally applicable to the companies in the data set addressed above.

Based on the above analysis, we consider an appropriate premium for control to be between 10% and 20%.

## Quoted market price including control premium

Applying a control premium to OBJ's quoted market share price results in the following quoted market price value including a premium for control shown both pre and post the share consolidation.

| | Low $ | High $ |
|---|---|---|
| Quoted market price value | $0.014 | $0.017 |
| Control premium | 10% | 20% |
| **Quoted market price valuation including a premium for control** | **$0.0154** | **$0.0204** |

**Source:** BDO analysis

Therefore, our valuation of an OBJ share based on the quoted market price method and including a premium for control is between $0.0154 and $0.0204 on a pre share consolidation basis, and between $0.308 and $0.408 on a post share consolidation basis.

Based on 1,809,462,635 shares on issue this is equivalent to a total equity value for OBJ in the range from $27.9 million to $36.9 million. (Or, excluding the control premium, a total equity value on a minority basis in the range from $25.4 million to $30.8 million.)

## 10.3 Net Asset Valuation of OBJ Limited

To provide a comparison to the valuation of OBJ using QMP as set out in Section 10.2 above, we have also undertaken a net asset valuation of OBJ.

The value of OBJ's net assets on a going concern basis is reflected in our valuation below:

| Net assets valuation summary | Note | Audited as at 30-Jun-19 $000 | Adjustments $000 | Adjusted NAV $000 |
|---|---|---|---|---|
| **CURRENT ASSETS** | | | | |
| Cash and cash equivalents | a | 2,252 | (760) | 1,492 |
| Trade and other receivables | b | 561 | (500) | 61 |
| **TOTAL CURRENT ASSETS** | | **2,813** | **(1,260)** | **1,553** |
| | | | | |
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | | 324 | | 324 |
| Advances to Devices business overseas | c | - | 579 | 579 |
| **TOTAL NON-CURRENT ASSETS** | | **324** | **579** | **903** |
| **TOTAL ASSETS** | | **3,137** | **(681)** | **2,456** |
| | | | | |
| **CURRENT LIABILITIES** | | | | |
| Trade and other payables | b | 255 | 300 | 555 |
| Borrowings | | 252 | | 252 |
| Provisions | | 84 | | 84 |
| **TOTAL CURRENT LIABILITIES** | | **591** | **300** | **891** |
| **TOTAL LIABILITIES** | | **591** | **300** | **891** |
| | | | | |
| **NET ASSETS (controlling interest basis)** | | **2,545** | **(981)** | **1,564** |
| Shares on issue (number) | | | | 1,809,462,635 |
| **Value per share (pre share consolidation)** | | | | **$0.0086** |

**Source:** OBJ's audited financial statements at 30 June 2019, OBJ's Appendix 4C for the quarter to September 2019 and BDO analysis

The table above indicates that the value of an OBJ share prior to the Proposed Transaction on a minority interest basis is estimated at $0.0086 per share. This is on a pre-share consolidation basis.

After adjusting for the 1 for 20 share consolidation, the value for an OBJ share is estimated at $0.0173 per share.

We note the following adjustments, referenced in the table above, in relation to our assessed net asset value.

### Note a) Cash and cash equivalents

We have updated the cash balance based on the Appendix 4C for the quarter to September 2019 which was recently released for OBJ. The movements from the 30 June 2019 balance are summarised below:

| Cash movement summary | $000 |
|---|---|
| Balance as at 30 June 2019 | 2,252 |
| Less: Cash used in operating activities | (185) |
| Less: Cash used in investing activities being costs related to the Proposed Transaction | (182) |
| Less: Cash used in financing activities being advances to the Devices business overseas | (417) |
| Add: Effect of exchange rate movements on cash held | 24 |
| **Cash balance at 30 September 2019** | **1,492** |

**Source:** BDO analysis and Appendix 4C

### Note b) Trade and other payables and receivables

The movements in trade and other payables and receivables are in the normal course of business operations although management note that the majority of debtors were received during the quarter and the receivables balance does not include any accrual for royalties receivable.

### Note c) Advances to the Devices business overseas

During the quarter to 30 June 2019 advances were made to the Devices business overseas with both cash and accrued amounts included.

Apart from the above, we have been advised that there has not been a significant change in the net assets of OBJ since 30 June 2019.

## 10.4 Consideration of Capital Raising price

We note that the Capital Raising associated with the Proposed Transaction is at $0.30 on a post-consolidation basis. We consider that as this is part of the Proposed Transaction it should not be used to assess the value of OBJ prior to the Proposed Transaction.

OBJ's most recent capital raising was in May 2018 when OBJ announced a private placement of 4,000,000 common shares at a price of $0.025 per share to raise $0.1 million. The transaction included participation from Antonio Varano, a Non-Executive Director of the Company.

Converting this price based on the share consolidation provides a value of $0.50.

We consider that although the May 2018 capital raising price does provide some guidance at that particular time, the progress of the business over the period of time renders it of little relevance as a current valuation. We also note that the amount raised from this capital raising was not significant and as the shares were issued to a related party may not represent market value.

## 10.5 Assessment of the value of an OBJ share prior to the Proposed Transaction

The results of the valuations performed are summarised in the table below. This table shows the values on a notional post share consolidation basis:

| | Low $ | High $ |
|---|---|---|
| ASX market prices (Section 10.2) | 0.308 | 0.408 |
| Net assets value (Section 10.3) | 0.0173 | 0.0173 |
| Recent capital raising prices (Section 10.4) | 0.50 | 0.50 |

**Source:** BDO analysis

We consider that the QMP valuation is a more reliable valuation to adopt because it factors the market's perception of the future prospects for OBJ into the value of an OBJ share. OBJ is in the very early stages in terms of commercial development and the value which is anticipated in the future from development is not reflected in the net asset values included in the balance sheet. However, the market is able to form a view on that anticipated future development and factor this 'blue sky' into the share price.

There is active trading in OBJ shares and a wide spread with no dominant shareholder(s) so we consider that there is a sufficiently liquid and active market to support the QMP methodology.

The most recent capital raising was in May 2018 but OBJ has developed considerably since that time so that price is unlikely to be reliable as an indicator of current market value.

Based on the results above, we consider the value of an OBJ share prior to the Proposed Transaction to be in the range from $0.308 to $0.408, on a post share consolidation basis.

We note that this is equivalent to a total equity value for OBJ in the range from $27.9 million to $36.9 million. (Or, excluding the control premium, a total equity value on a minority basis in the range from $25.4 million to $30.8 million.)

# 11. Valuation Post Transaction

## 11.1 Sum-of-Parts

We have employed the Sum-of-Parts methodology in estimating the value of OBJ/ Wellfully following the Proposed Transaction by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration for the following:

- The value of OBJ prior to the Proposed Transaction;
- The capitalisation of future maintainable earnings valuation of the business of the Export Corporation group;
- The property in New South Wales (based on the value of the nutrition business having been assessed after deducting the expense for renting this property at market rates);
- The valuation of assets and liabilities in Export Corp and associated entities which are not part of the nutrition business (if any);
- Present value of any change to corporate costs of OBJ following the Proposed Transaction;
- Net cash raised through the Capital Raising and debt funding;
- Debt assumed as part of the debt and equity raising; and
- The resulting number of shares on issue in OBJ following the Proposed Transaction, including shares issued as part of the Capital Raising.

The value of an OBJ share following the Proposed Transaction on a minority interest basis is reflected in our valuation below:

| Components of value - OBJ/ Wellfully post the Proposed Transaction (Minimum Capital Raising) | Ref | Low value $ million | High value $ million |
|---|---|---|---|
| Value of OBJ prior to the Proposed Transaction | 10.4 | 27.9 | 36.9 |
| Value of the Export Corporation group's nutrition business on FME basis | 11.2 | 63.0 | 79.2 |
| NAV of other assets and liabilities of Export Corporation group (if any) | 11.3 | 7.1 | 7.1 |
| Property in New South Wales | 11.4 | 11.8 | 13.1 |
| Present value of any change in corporate costs | 11.5 | - | - |
| Net cash raised through Capital Raising - minimum raising - and debt funding | 11.6 | 2.0 | 2.0 |
| Deduct new debt | 11.7 | (20.0) | (20.0) |
| **Value of OBJ following the Proposed Transaction (controlling interest basis)** | | **91.8** | **118.3** |
| Discount for minority interest (%) - note different rate applied to OBJ prior value | 11.8 | 23% | 17% |
| **Value of OBJ following the Proposed Transaction (minority interest basis)** | * | **74.6** | **98.4** |
| Number of shares in OBJ following the Proposed Transaction (and post the 1 for 20 share consolidation) | 11.9 | 319,639,799 | 319,639,799 |
| **Value per share (minority interest basis)** | | **0.233** | **0.308** |

*(* We note that in calculating the minority interest value from the control value for OBJ prior to the Proposed Transaction we have adopted the minority interest value as per section 10.4 rather than discounting using the minority discount range 17% to 23% as shown above)*

We note that the valuation range from $0.233 per share to $0.308 per share as shown above is based on the minimum debt and equity raising of $45 million.

The equivalent valuation range based on the maximum debt and equity raising of $50 million is from $0.232 to $0.301 per share as shown below.

| Components of value - OBJ/ Wellfully post the Proposed Transaction (Maximum Capital Raising) | Ref | Low value $ million | High value $ million |
|---|---|---|---|
| Value of OBJ prior to the Proposed Transaction | 10.4 | 27.9 | 36.9 |
| Value of the Export Corporation group's nutrition business on FME basis | 11.2 | 63.0 | 79.2 |
| NAV of other assets and liabilities of Export Corporation group (if any) | 11.3 | 7.1 | 7.1 |
| Property in New South Wales | 11.4 | 11.8 | 13.1 |
| Present value of any change in corporate costs | 11.5 | - | - |
| Net cash raised through Capital Raising - maximum raising - and debt funding | 11.6 | 6.5 | 6.5 |
| Deduct new debt | 11.7 | (15.0) | (15.0) |
| **Value of OBJ following the Proposed Transaction (controlling interest basis)** | | **101.3** | **127.8** |
| Discount for minority interest (%) | 11.8 | 23% | 17% |
| **Value of OBJ following the Proposed Transaction (minority interest basis)** | * | **81.9** | **106.3** |
| Number of shares in OBJ following the Proposed Transaction (and post the 1 for 20 share consolidation) | 11.9 | 352,973,132 | 352,973,132 |
| **Value per share (minority interest basis)** | | **0.232** | **0.301** |

*(* We note that in calculating the minority interest value from the control value for OBJ prior to the Proposed Transaction we have adopted the minority interest value as per section 10.4 rather than discounting using the minority discount range 17% to 23% as shown above)*

Although the valuation range is not sensitive to whether the Capital Raising is at the minimum or maximum level we consider it more appropriate to consider the range arising from the minimum Capital Raising since this is the scenario which gives the Vendors the highest potential interest in the share capital of OBJ/ Wellfully post the Proposed Transaction.

## 11.2 FME valuation of Export Corporation

When performing an FME valuation we must determine what the future maintainable earnings of the Export Corporation group are and then determine an appropriate capitalisation multiple to apply to these earnings.

In calculating future maintainable earnings, the figure selected should represent what is currently sustainable. Any anticipated growth in earnings is accounted for via the capitalisation rate. We have reviewed the historical accounts of the Export Corporation group and for each of the four years to 30 June 2019, made adjustments to the earnings before interest, tax, depreciation and amortisation (**'EBITDA'**) for the following items:

- Non-recurring or one-off items such as profit on sale of assets;
- Non-operating revenues and expenses;
- Unrecorded items; and
- Abnormal or non-commercial transactions.

### 11.2.1. Assessing Future Maintainable Earnings

The objective of normalising earnings is to determine the underlying profitability expected to be maintained by the business of the Export Corporation group. Our adjustments are limited to those adjustments apparent from a review of the detailed financial statements and those provided by the management of Export Corporation.

Our normalisation adjustments are set out below:

| Export Corporation group<br>Normalisation of EBITDA | Note | Y/e 30-Jun-19<br>$000s | Y/e 30-Jun-18<br>$000s | Y/e 30-Jun-17<br>$000s | Y/e 30-Jun-16<br>$000s |
|---|---|---|---|---|---|
| Unadjusted EBITDA | | 5,923 | 9,668 | 10,076 | 10,117 |
| **Normalisation adjustments** | | | | | |
| Bad debts | a | (44) | (449) | 782 | 112 |
| Other normalisation adjustments | b | 251 | 293 | (124) | - |
| **Adjusted EBITDA** | | **6,130** | **9,512** | **10,733** | **10,228** |

The following adjustments were made to Export Corporation group's EBITDA:

#### Note a) Bad debts

Over the four years to 30 June 2019, Export Corporation incurred bad debt expenses as part of the normal course of business operations. In FY17 a significant bad debt of $720,000 was incurred because of the bankruptcy of Supps R Us. $320,000 of this $720,000 arising from the Supps R Us bankruptcy was recovered via insurance cover in FY18.

In our assessment of future maintainable earnings we have added back the $720,000 arising from Supps R Us and deducted the $320,000 insurance recovery in FY18. We have then averaged the remaining bad debts expense over the 4 years to 30 June 2019 to estimate a normal level of bad debts expense of $46,000 per annum.

| Adjustment a Bad debts | 30-Jun-19<br>$'000 | 30-Jun-18<br>$'000 | 30-Jun-17<br>$'000 | 30-Jun-16<br>$'000 |
|---|---|---|---|---|
| Bad debts - actual expense | (2) | 403 | (828) | (158) |
| Normalisation adjustments: Insurance recovery and Supps R Us write off | - | (320) | 720 | - |
| Net back debt expense after removing Supps R Us component | (2) | 83 | (108) | (158) |
| Average bad debts expense over 4 years | (46) | (46) | (46) | (46) |
| **Total adjustment to bad debts expense - Supps R Us and averaging** | **(44)** | **(449)** | **782** | **112** |

#### Note b) Other normalisation adjustments - combined

We have normalised a number of other income and expense items covering losses due to cyber attacks, profit and loss on asset sales and impairment of non-current assets as a single line adjustment. Our net adjustment is set out below.

| Adjustment b - Other adjustments | 30-Jun-19 | 30-Jun-18 | 30-Jun-17 | 30-Jun-16 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Losses due to cyber attack | 128 | - | - | - |
| Profit and loss on sale of assets | 123 | 68 | (124) | - |
| Impairment of non-current assets | - | 225 | - | - |
| **Net normalisation adjustment** | **251** | **293** | **(124)** | **-** |

## Conclusion on normalised earnings

Based on the unadjusted EBITDA and the adjustments set out above we note that the normalised EBITDA for the nutrition business of Export Corporation is as set out below.

| Export Corporation group | Y/e 30-Jun-19 | Y/e 30-Jun-18 | Y/e 30-Jun-17 | Y/e 30-Jun-16 |
|---|---|---|---|---|
| Normalisation of EBITDA | $000s | $000s | $000s | $000s |
| **Adjusted EBITDA** | **6,130** | **9,512** | **10,733** | **10,228** |

We have also considered the budgeted performance for the nutrition business, and note that the budget for FY20 is for an overall (unadjusted) EBITDA across the three entities of approximately $7.5 million. The nutrition business is performing broadly in line with the budget for the year to date to 30 September 2019.

We note that the adjusted EBITDA for FY19 is significantly lower than the previous three years. Based on discussions with management and our analysis of performance we consider that the performance for the most recently completed year to 30 June 2019 is reflective of a decline in sales across the Export Corporation business. We have discussed this trend with nutrition business management and there are a number of factors underlying the decline in sales (several of which are more temporary in nature) as follows:

- The nutrition business had a peak during FY17 with Export Corporation able to capitalise on being an early participant in the market. During FY18 there was increasing competition in the 'Bar space' and 'Pre-workout space' which impacted sales.
- Also during this time, house brands began to take part of the market.
- In addition, parallel imported products ate into the 'speciality' part of the market.
- As a result of these trends eroding Export Corporation group's existing markets, the business focused on developing the pharmacy channels and expects to see an upturn in upcoming years in this area.
- During FY19 the nutrition industry as a whole was facing challenges with a lot of brands providing competition from overseas (with much of the product ranges being non-compliant). These cheap non-compliant varieties are expected to decline in the near future in the face of tighter legal controls over the industry.
- The decline of the AUD:USD exchange rate meant it was harder for the Export Corporation group to run product promotions on low margin varieties but with the aim to produce locally in the future this problem should be eliminated.

We note that the Nutrition Zone element of the business has not been profitable as a stand alone business since it was set up in FY18 with losses in FY18 and FY19, and this has also contributed to the drop in performance for the nutrition business as a whole. However, a small profit for Nutrition Zone is budgeted for FY20.

We consider that a level of future maintainable EBITDA in a range between the most recent FY19 performance and the previous three years to FY18 performance is appropriate and this is supported by the FY20 budget and the performance for the year to date.

We consider that the FY20 budget for the nutrition business is consistent with a range for the future maintainable EBITDA earnings of the business from $7.0 million to $8.0 million.

This range for future maintainable EBITDA earnings is based on the low end of the range being above with the historical performance for FY 19 and the high end of the range being below the levels of historical EBITDA for FY16 to FY18. This range is supported by the FY20 budget.

### 11.2.2. Calculation and Application of an Earnings Multiple

The next step in applying the FME method is to determine an appropriate multiple to apply to our assessed future maintainable 'earnings. Inherently, the multiple should reflect the risks and likely growth associated with a business.

To determine an appropriate multiple, we have analysed:

- Earnings multiples of publicly traded comparable companies (**'Trading Multiples'**); and
- Multiples implied from comparable transactions (**'Transaction Multiples'**).

#### Trading Multiples

We have considered multiples derived from the most comparable companies for which information is publicly available, adjusted to take account of the various ways in which the most comparable companies are different to Export Corporation.

A total of seven comparable publicly listed companies were identified based on our search criteria and available information. Summary descriptions and brief financial data for these identified 'most comparable companies' are set out in Appendix Three.

The table below sets out the Trading Multiples of the comparable companies to Export Corporation.

| Company Ticker | Company Name | Enterprise value as at 7 Nov 19 ($m) | Latest avail Historical EBITDA as at 7 Nov 19 ($m) | Historical EBITDA multiple | Forecast EBITDA as at 7 Nov 19 ($m) | Forecast EBITDA multiple |
|---|---|---|---|---|---|---|
| ASX:BWX | BWX Limited | 541.05 | 19.8 | 27.3 | 27.3 | 19.8 |
| TSX:GCL | Colabor Group Inc. | 141.23 | 22.9 | 6.2 | 19.6 | 7.2 |
| ASX:PBP | Probiotec Limited | 165.4 | 9.5 | 17.5 | 16.1 | 10.3 |
| ASX:SNL | Supply Network Limited | 178.99 | 14.1 | 12.7 | 15.5 | 11.5 |
| ASX:SSG | Shaver Shop Group Limited | 88.33 | 12.5 | 7.0 | 14.0 | 6.3 |
| ASX:VLS | Vita Life Sciences Limited | 28.64 | 4.9 | 5.9 | n/a | n/a |
| ASX:MPH | Mediland Pharm Limited | 81.87 | 1.6 | 51.6 | n/a | n/a |
| | | | **Mean** | **18.3** | | **11.0x** |
| | | | **Median** | **12.7** | | **10.3x** |

**Source:** Bloomberg, Capital IQ and BDO analysis

The EBITDA Multiples included in the table above have been assessed as at November 2019 using the EBITDA for the latest available historical year as at that date, generally year ended 30 June 2019 and the forecast EBITDA available as at that date.

Based on the above, our observed range of EBITDA multiples for comparable listed companies is 10.0 times to 11.0 times.

### Transaction Multiples as a Cross Check

Another source of comparative information to assist in determining the appropriate multiple is to consider the multiple implied by publicly available information on actual market (merger and acquisition) transactions. We searched for appropriate transactions based on:

- Recent arm's length transactions;
- Similar business activities, exposure to similar end user market; and
- Those facing similar risks to their ongoing business operations.

A total of four transactions were identified based on our search criteria and available information. We have primarily analysed transactions where the target is located in Australia. Summary descriptions and brief financial data for the transactions are set out in Appendix Four.

The table below sets out the average transaction multiple implied by the identified comparable transactions.

| Transaction Date | Target | Acquirer | Deal Value (A$m) | Most recent pre transaction EBITDA (A$m) | Implied EBITDA Multiple (x) |
|---|---|---|---|---|---|
| 16-Dec-16 | Vitaco Holdings Ltd | SIIC Medical Science & Technology Group Ltd and Primavera Capital Group | 359.9 | 22.9 | 15.7x |
| 30-Sep-15 | Swisse Wellness Pty Ltd | Biostime Healthy Australia Pty Ltd | 1,255.0 | 94.9 | 13.2x |
| 31-Jul-15 | Aftermarket Network Australia Pty Ltd | Bapcor Ltd | 287.0 | 33.0 | 8.7x |
| 31-Oct-14 | Reward Supply Co Pty Ltd | SAS Chomette Favor | 22.0 | 3.3 | 6.7x |
| | | | | **Mean** | **11.1x** |
| | | | | **Median** | **11.0x** |

**Source:** Merger Market, S&P Capital IQ, Bloomberg and BDO analysis.

From the four transactions above, the implied EBITDA multiple ranged from 6.7 times to 15.7 times, with an average of 11.1 times and a median of 11.0 times. On the basis of the foregoing, we consider that the EBITDA multiples arising from the observed transactions is broadly supportive of the multiple range derived from the trading multiples of comparable companies.

We note that these transaction multiples are control multiples whereas the comparable trading multiples are not. Consequently we would expect these multiples to be higher as they will include a control premium. We further note that the most recent comparable transaction is December 2016 so that the information is already relatively stale.

### Multiple Adopted

In order to arrive at our EBTDA multiple range, we have applied a discount to the observed trading multiple range of 10.0 times to 11.0 times the future maintainable (EBITDA) earnings in order to account for the following factors:

### Private Company Status

Private companies are generally valued at a discount to comparable listed companies. The private company discount is observable from actual transactions. (We note that the comparable transactions relate to private company transactions so there would be no requirement for this adjustment to be contemplated with a comparable transactions based multiple as the starting point.)

### Premium for Control

It should be noted that observed market prices for publicly listed companies relate to marketable parcels of shares, actively traded in a free and open market but which are minority interests. Generally, the value attributable to a 100% shareholding in a company, which provides the acquirer with the ability to exert full control over all the operational and financial aspects, is higher than a marketable parcel of shares.

To acquire a 100% shareholding and the benefits that come with this, the acquirer will have to pay a "premium for control". The premium for control reflects the additional value that attaches to a controlling interest compared to the value of a minority interest as demonstrated in normal share market trading.

We note the comparable transactions are control transactions so this adjustment would not be required with the transactions based multiple as the starting point.

### Key Personnel Risk

The contribution of Mr. Pavlovich to the operations of the nutrition business of the Export Corporation group is very important, due to his longstanding and strong relationships with suppliers and distributors, and the years of industry experience which he possesses.

Accordingly, we have discounted the multiple to reflect an applicable level of risk associated with key management personnel.

### Foreign exchange rate fluctuation risk

Export Corporation imports the majority of its products from the USA for distribution in Australia and is therefore exposed to significant risk of adverse movement in the USD/AUD exchange rate and also the risk of rapid fluctuation in that exchange rate.

### Conclusion

We have selected an earnings multiple of between 9.0 times and 9.9 times for Export Corporation as outlined below.

| | Low | High |
|---|---|---|
| EBITDA Multiple | 10.0x | 11.0x |
| Discount factor | 10% | 10% |
| **Multiple adopted** | **9.0x** | **9.9x** |

## 11.2.3. Assessment of the value of Export Corporation based on FME

Our assessment is based on applying our assessed multiple range to our assessed range for the future maintainable earnings of the Business.

Our assessed valuation of the enterprise value of Export Corporation based on the FME Methodology is thus in the range from $63.0 million to $79.2 million as summarised in the table below.

| Enterprise Value | Low<br>$'000 | High<br>$'000 |
|---|---|---|
| Future Maintainable Earnings | 7,000 | 8,000 |
| Multiple adopted | 9.0x | 9.9x |
| **Enterprise Value of the nutrition business of Export Corporation** | **63,000** | **79,200** |

We have not addressed the equity value of Export Corporation at this point; nor have we addressed a secondary valuation nutrition business based on net assets. Both of these are effectively addressed when we consider the net asset value of the Export Corporation group's other assets and liabilities in section 11.3 below.

## 11.3 NAV of Export Corp's Other Assets and Liabilities

The value of the Export Corporation group's other assets and liabilities, excluding the nutrition business, on a controlling basis is summarised in the table below.

| Statement of financial position | As at<br>30-Jun-19<br>$000s | Adjustments a<br>Excluding nutrition bus<br>$000s | Adjustments b<br>Other adjustments<br>$000s | Cash adjustment<br>$000s | Other assets & liabs<br>(not part of nutrition bus)<br>$000s |
|---|---|---|---|---|---|
| **CURRENT ASSETS** | | | | | |
| Cash and cash equivalents | 5,012 | | | 2,200 | 7,212 |
| Trade and other receivables | 32,361 | (10,308) | (22,053) | | - |
| Inventories | 16,063 | (16,063) | | | - |
| Tax | 235 | (235) | | | - |
| Other current assets | 864 | (864) | | | - |
| **TOTAL CURRENT ASSETS** | **54,535** | **(27,470)** | **(22,053)** | **2,200** | **7,212** |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 820 | (820) | | | - |
| Intangible assets | 1,325 | | (1,325) | | - |
| Other receivables | 364 | | (364) | | - |
| **TOTAL NON-CURRENT ASSETS** | **2,509** | **(820)** | **(1,689)** | **-** | **-** |
| **TOTAL ASSETS** | **57,044** | **(28,290)** | **(23,742)** | **2,200** | **7,212** |
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 2,841 | (2,841) | | | - |
| Provisions | 17,157 | (594) | (16,563) | | - |
| Borrowings | 153 | | | | 153 |
| Income tax payable | 118 | (118) | | | - |
| **TOTAL CURRENT LIABILITIES** | **20,270** | **(3,553)** | **(16,563)** | **-** | **153** |

| Statement of financial position | As at<br>30-Jun-19<br>$000s | Adjustments a<br>Excluding nutrition bus<br>$000s | Adjustments b<br>Other adjustments<br>$000s | Cash adjustment<br>$000s | Other assets & liabs<br>(not part of nutrition bus)<br>$000s |
|---|---|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 145 | (145) | | | - |
| **TOTAL NON-CURRENT LIABILITIES** | **145** | **(145)** | **-** | **-** | **-** |
| **TOTAL LIABILITIES** | **20,415** | **(3,698)** | **(16,563)** | **-** | **153** |
| **NET ASSETS** | **36,630** | **(24,592)** | **(7,179)** | **2,200** | **7,059** |

**Source:** 30 June 2019 financials and BDO Analysis

Our assessed value of the other assets and liabilities of the Export Corporation group effectively comprises the cash balance as at 30 September 2019 and a minimal current borrowings balance of $0.15 million.

We have made three sets of adjustments to the net assets of the Export Corporation group as at 30 June 2019 (refer section 6 above) as follows:

- Adjustments to exclude the assets and liabilities of the nutrition business;
- Other adjustments including elimination of related party assets and liabilities; and
- Cash adjustment to align with balance at 30 September 2019.

## Adjustments a) – Exclusion of the assets and liabilities of the nutrition business

We consider that the majority of assets of Export Corporation are essential to the nutrition business. The major components here are inventories and trade receivables and payables.

We note that the net balance of the assets and liabilities excluded is $24.2 million which is effectively a representation of the net asset value of the nutrition business based on net book values. It is therefore effectively a secondary valuation of the nutrition business and is directly comparable with the valuation range for the nutrition business, assessed above of $42.0 million to $57.8 million. The excess of the FME based valuation over the NAV indicates intangibles in the business including goodwill and is consistent with an established business with a history of profitable performance. (We further note that neither the FME based nor the NAV based values include the cash required for the business.)

## Adjustments b) – Other adjustments

We have excluded the following balances from other assets and liabilities:

- Loan balance of $16.6 million owed by Danny Pavlovich and matching provision for dividend liability of $16.6 million.
- Intangibles balance of $1.3 million.
- Related party loans of $5.5 million owed by the Pavlovich Property Trust and $0.4 million owed by Jadeline Enterprises Pty Ltd.

## Cash adjustment

We have adjusted the cash balance for the Export Corporation group in line with the balance at 30 September 2019 which we have verified against bank statements and reconciliations. The cash balance of the Export Corporation group as at 30 September 2019 was approximately $7.2 million and therefore an adjustment of $2.2 million.

## 11.4 Market value of commercial property in New South Wales

We instructed Ray White (Valuations NSW) to provide an independent market valuation of the commercial property at 216 Walters Road, Arndell Park, NSW 2148, currently owned by Westfire Investment Pty Ltd as trustee for the Pavlovich Property Trust.

We note that the nutrition business already pays a market rent for these premises so we were not required to make a market rent adjustment in arriving at our future maintainable earnings estimate (refer 11.2 above).

Ray White (Valuations NSW) used the 'direct comparison on a rate per square metre of gross lettable area' approach as its primary valuation methodology supported by the capitalisation of net income method.

The results of the valuation of the property are set out in the table below.

| Commercial property | Low Value $m | Preferred Value $m | High Value $m |
|---|---|---|---|
| 216 Walters Road, Arndell Park, NSW | 11.8 | 12.5 | 13.1 |

Source: Ray White (Valuations NSW) report

The table above indicates a range of values between $11.8 million and $13.1 million, with a preferred value of $12.5 million.

A copy of Ray White (Valuations NSW)'s report is attached as Appendix 5.

## 11.5 Present value of any change to corporate costs of OBJ/ Wellfully following the Proposed Transaction

As part of our analysis, we have considered the corporate costs of OBJ following the Proposed Transaction. We have considered whether the corporate costs of the OBJ/ Wellfully will change as a result of the Proposed Transaction. We have concluded that the existing corporate costs of OBJ are expected to remain unchanged in the short to medium term as the costs of maintaining an ASX listing will not change and there may be little opportunity for the incoming nutrition business or the existing OBJ business to reduce their ongoing business administration costs.

Consequently, we have not adjusted for an anticipated change in corporate costs.

## 11.6 Net cash raised through the debt and equity raising

The debt and equity raising will raise a gross amount of between $45 million (minimum raising) and $50 million (maximum raising). From this amount the cash payable to the Vendors at settlement should be deducted. The cash payable at settlement is $40 million comprising $28 million to the owners of Export Corporation and $12 million for the NSW Property).

In assessing the value of OBJ/ Wellfully post the Proposed Transaction we have included the cash raised from the debt and equity raising less the estimated transaction costs (net of the costs incurred to date) for the whole of the Proposed Transaction. We note that these transaction costs include, inter alia, the following:

- A fee to TTB Partners of 5% on the total funds raised under the Capital Raising; and
- A cash fee to Gratia Australia Pty Ltd of 1.75% of the Total Consideration.

We have summarised the net cash adjustment in the table below.

| Component | Minimum debt and equity raising $000s | Maximum debt and equity raising $000s |
|---|---|---|
| Capital Raising | 25,000 | 35,000 |
| Debt funding | 20,000 | 15,000 |
| **Gross cash amount raised** | **45,000** | **50,000** |
| Less amount to be paid to Vendors at settlement | (28,000) | (28,000) |
| Less amount to be paid for NSW Property | (12,000) | (12,000) |
| Less estimated costs of transaction | (3,393) | (3,893) |
| Add back cash costs incurred to date - OBJ | 373 | 373 |
| Add back cash costs incurred to date - Export Corp | 24 | 24 |
| **Net adjustment to cash** | **2,004** | **6,505** |

## 11.7 New debt

We note that $15 million of the total cash raised under the debt and equity raising is represented by debt through a facility with ANZ. This new debt is deducted as part of assessing the Sum-of-Parts value post the Proposed Transaction.

## 11.8 Consideration of possible financial impact of synergies as a result of the Proposed Transaction

We have considered the value of the synergies which may arise from the OBJ and the Export Corporation group coming together but have determined that the value implications are too uncertain at this stage. However, we have addressed these potential synergies when considering reasonableness in section 13 below.

## 11.9 Discount for Minority Interest

The sum of parts value of OBJ following the Proposed Transaction is reflective of a controlling interest. As determined in Section 3.3, the value of an OBJ share following the Proposed Transaction should be assessed on a minority basis.

In order to convert the sum of parts value of OBJ following the Proposed Transaction to a minority interest basis, we must apply a minority discount, which is the inverse of a premium for control and is calculated using the formula 1 – (1/1+control premium). Based on our analysis in Section 10.2 above, before applying an adjustment to apply to OBJ prior to the Proposed Transaction, we identified a control premium of approximately 30%. We consider that a control premium in relation to OBJ following the Proposed Transaction is in the range from 20% to 30% giving rise to a minority discount in the range of 17% to 23%. This is shown in the table below:

| Discount for minority interest | Low | Midpoint | High |
|---|---|---|---|
| Assessed control premium | 20% | 25% | 30% |
| Inverse of control premium | 1-(1/(1+control premium)) | | |
| **Discount for minority interest** | **17%** | **20%** | **23%** |

**Source:** Bloomberg and BDO Analysis

We note that in calculating the minority interest value of the Sum-of-Parts component representing the control value for OBJ prior to the Proposed Transaction, we have adopted the minority interest value as per section 10.4 rather than discounting using the minority discount range 17% to 23% as shown above, which we have applied to the other components of the Sum-of-Parts valuation.

## 11.10 Number of shares in OBJ following the Proposed Transaction

Following the Proposed Transaction OBJ will have a total of 319,639,799 shares on issue:

- after the proposed share consolidation;
- based on the equity component of $25 million at $0.30 per share of the minimum debt and equity raising of $45 million;
- after the issue of shares under the Proposed Transaction, assuming no adjustment to the Stage Three Equity Consideration based on performance and no adjustment to the price at which shares are issued for the Stages One, Two and Three Equity Consideration based on the VWAP at the relevant calculation dates exceeding the 24 cents per share Floor Price.

This is detailed in section 4.2 above.

We note that the number of shares on issue based on the above assumptions except for the equity component of $35 million at $0.30 per share of the maximum debt and equity raising of $50 million will be 352,973,132 (also detailed in section 4.2 above).

The above calculation is based on the maximum percentage interest of the Vendors in shares of OBJ/ Wellfully which may be approved in relation to Resolution 3 (as set out in the Notice of Meeting). There are two points to note which may reduce the number of shares actually issued (and hence the percentage interest of the Vendors in OBJ/ Wellfully) below this maximum amount as follows:

- the number of shares to be issued in the Stage Three Equity Consideration may be reduced if OBJ/ Wellfully fails to reach certain performance targets in relation to earnings as set out in the Share Sale Agreement; and
- the number of shares to be issued in the Stages One, Two and Three Equity Consideration may be lower than shown above if OBJ/ Wellfully performs well and the market (volume weighted average) price of the shares is above the Floor Price of 24 cents for the relevant calculation period for any or all of the tranches.

In either of these situations the Vendors would secure a percentage interest less than the maximum shown in the above tables.

## 11.11 Equity component of debt and equity raising is at 30 cents per share

The Capital Raising (the equity element of the debt and equity raising) is at $0.30 per share, and achieving the minimum total (debt and equity) raising is a condition precedent for the Proposed Transaction. This implies that participants in the equity raise consider a price of $0.30 per share to be acceptable. We note that this value is higher than our Sum-of-Parts value set out in section 11.1 above.

We consider that part of the explanation for this is that participants in the Capital Raising may attribute value to the synergies and other benefits which are expected to arise from combining OBJ and the Export Corporation group, whereas in our assessment, we have only been able to considered potential synergies and other benefits as one of the perceived advantages when addressing the reasonableness of the Proposed Transaction in section 13.

# 12. Is the Proposed Transaction fair?

The value of a share in OBJ prior to and following the Proposed Transaction is compared below:

| | Ref | Low<br>$ | High<br>$ |
|---|---|---|---|
| Value of an OBJ share prior to the Proposed Transaction | 10.5 | 0.308 | 0.408 |
| Value of a OBJ/ Wellfully share following the Proposed Transaction | 11.1 | 0.233 | 0.308 |

We note from the table above that the value range of an OBJ/ Wellfully share post the Proposed Transaction is below the value range of an OBJ share pre the Proposed Transaction. Therefore, we consider that the Proposed Transaction is not fair.

We note that RG111 provides guidance that 'an offer is "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer'. In our comparison above, the bottom of the range prior to the Proposed Transaction is equal to the top of the range following the Proposed Transaction.

Where the fairness comparison includes an element of the same assets, in this case the existing business of OBJ, the comparison should be between the relevant parts of the value ranges:

- the top of the value range prior to the Proposed Transaction should be compared with the top of the value range following the Proposed Transaction; and
- the bottom of the value range prior to the Proposed Transaction should be compared with the bottom of the value range following the Proposed Transaction.

On this basis the Proposed Transaction is not fair.

# 13. Is the Proposed Transaction reasonable?

## 13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of OBJ a premium over the value resulting from the Proposed Transaction.

## 13.2 Practical Level of Control

If the Proposed Transaction is approved then the Vendors will hold an interest of up to a maximum of approximately 39.45% in OBJ/ Wellfully. In addition to this, it is proposed that Danny Pavlovich will be elected to the board. Christopher Quirk will resign as a Director upon Settlement.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Proposed Transaction is approved then the Vendors will be able to block special resolutions.

OBJ's Board currently comprises five directors. As stated above Danny Pavlovich will replace Christopher Quirk on the board of directors. Danny Pavlovich will therefore represent $1/5^{th}$ of the total board.

The Vendors' control of OBJ/ Wellfully following the Proposed Transaction will be significant when compared to all other shareholders but the Vendors will not be able to exercise a similar level of control as if they held 100% of OBJ/ Wellfully.

## 13.3 Consequences of not Approving the Proposed Transaction

### 13.3.1. Future strategy for OBJ

If the transaction is not approved, OBJ will continue to focus on exploring new opportunities and look for potential business acquisitions to take the Company forward.

We note that the Appendix 4C for the quarter to 30 September 2019 for OBJ showed that cash had reduced by $0.8 million over the quarter to $1.5 million. OBJ clearly has a need for cash to develop its products and bring them to market successfully. If the Proposed Transaction does not proceed then OBJ will have to seek funding from another source.

It is likely that such a capital raising, if it could be successfully achieved, would be at a lower price than the current market price and would be dilutive to existing shareholders.

### 13.3.2. Potential decline in share price

We are unable to address the impact of the announcement of the Proposed Transaction on the trading price of OBJ shares since the Company has been suspended since immediately before the announcement.

## 13.4 Advantages of Approving the Proposed Transaction

We have considered the following advantages when assessing whether the Proposed Transaction is reasonable.

### 13.4.1. Future cash flows from nutrition business operations to support the commercialisation of OBJ's products

If the Proposed Transaction is approved, OBJ/ Wellfully has the opportunity to benefit from the future cash flows of the nutrition business which will ease the cash flow burden from OBJ's products, which are yet to realise a reliable revenue stream. The nutrition is a profitable business with strong cash flows from operations established over many years and these cash flows will be available within the expanded OBJ/ Wellfully entity potentially to support the development and commercialisation of OBJ's products.

Although the performance of the nutrition business declined for FY19 relative to prior years, there were a number of reasons for this, as set out in section 11.2 above, which do not herald a decline in performance expected to continue into the future, and management expects cash flows to remain strong.

Whilst OBJ's products such as the SK-II spot pen is currently being produced and retailed and BodyGuard is forecast to begin retailing in the second quarter of 2020, the revenue from OBJ's products in development is yet to be realised.

Having access to reliable cash flows represents a considerable advantage for OBJ whose value is seen to be in its IP and the future commercialisation of products which are currently in various early stages of development.

### 13.4.2. Facilitates fuller utilisation of OBJ's manufacturing partnerships

The Proposed Transaction enables OBJ's existing manufacturing partnerships to be more fully utilised. Export Corporation's product range will be produced and distributed through these existing arrangements, potentially making for more efficient utilisation of this asset. (For the Export Corporation group's nutrition business this is expected to decrease costs of importation from overseas, and provide a longer shelf life for products when compared to similar products that are imported.)

### 13.4.3. Broader expertise and increased experience of the board of directors

Danny Pavlovich is expected to take his place on the board of OBJ/ Wellfully, as discussed in section 13.2.

Danny Pavlovich, founder and CEO of Export Corporation CEO, has been nominated for appointment as a director of OBJ upon completion of the Proposed Transaction. He will bring 29 years' experience in sports nutrition, selling protein supplements and weight loss supplements as well as experience in negotiating licencing agreements with suppliers. This expertise and experience will enhance the overall capability of OBJ's board of directors.

### 13.4.4. Synergies between OBJ and Export Corporation

In assessing the value of OBJ/ Wellfully following the Proposed Transaction we were unable to identify the financial benefits arising from potential synergies between the existing operations of OBJ and the existing operations of the Export Corporation group sufficiently reliably for inclusion in our fairness assessment. However we consider that the following represent potential synergies which should be raised when considering the reasonableness of the Proposed Transaction.

These potential synergies include, but are not limited to:

- Utilisation of OBJ's manufacturing partnerships for manufacturing and producing Export Corporation's own product (refer 13.4.1 above);
- The reputation and knowledge of OBJ's Board in Asia, providing Export Corporation an opportunity to expand its distribution;
- The reputation and knowledge of Export Corporation's Director in the USA, which provides OBJ with an opportunity to access the retail market for its products in the USA;
- Export Corporation's established customer base, which may facilitate the distribution of OBJ's products; and
- The potential to utilise IP and technology owned by OBJ in order to develop products and recognise new revenue streams.

### 13.4.5. The Proposed Transaction is structured so that the dilution of existing shareholders' interests will be reduced if the business is successful in future

The Proposed Transaction provides for the Stage One, Two and Three Equity Consideration to be issued at a price which is the higher of the Floor Price of 24 cents per share and the VWAP at the appropriate time for each stage. If OBJ/ Wellfully is successful in future the expectation is that the issue price will be based on a VWAP which is greater than 24 cents per share and hence a lesser number of shares will be issued to the Vendors and the dilution of existing shareholders will therefore be reduced.

### 13.4.6. Increased market capitalisation

On completion of the Proposed Transaction, OBJ's market capitalisation is likely to increase. Greater market capitalisation is expected to provide OBJ with increased media and analyst coverage, which may translate to increased levels of interest from financial markets and access to a wider range of investors. Ultimately, the potential increase in market capitalisation may also lead to an increase in the liquidity of the Company's shares traded on the ASX.

### 13.4.7. No present intention to make significant change to OBJ

The Vendors have indicated that there is no intention to make significant changes to OBJ in relation to the business, the future employment of present employees and deployment of assets of the Company.

## 13.5 Disadvantages of Approving the Proposed Transaction

If the Proposed Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed below:

### 13.5.1. Dilution of existing Shareholders' interest

If the Transaction is approved, existing Shareholders' interest in OBJ will be diluted. On a fully diluted basis, assuming the maximum number of shares approved under the Proposed Transaction are issued by OBJ/ Wellfully, and the minimum Capital Raising, existing Shareholders' interest in OBJ/ Wellfully will be reduced to approximately 24.5%.

We note that the Proposed Transaction is structured such that the equity interest of the Vendors in OBJ/ Wellfully will not exceed the 20% (control) threshold on Settlement, nor on completion of the Stage One

Equity Consideration (refer proposed capital structure in section 4.1 above). It is not until completion of the Stage Two Equity Consideration that the interest of the Vendors will exceed 20%.

#### 13.5.2. Change in business nature

The nature and scale of the activities of the Company will change to primarily being a distribution company. This may not be consistent with all objectives of shareholders.

#### 13.5.3. Fluctuations in share price

There is no guarantee that the price of the Shares will not fall as a result of the Proposed Transaction.

### 13.6 Other Considerations

#### 13.6.1. Potential requirement to raise capital in the future

The debt and equity raising component of the Proposed Transaction requires OBJ/ Wellfully to raise up to $50 million, with a minimum raise of $45 million, comprising $20 million of debt and the balance in equity. However, at the minimum, the majority of the $45 million will be required to settle the initial cash element of the Total Consideration so that if only $45 million is raised, the Company may need to raise additional funds in the future, which would be further dilutive to shareholders and the cash flows of the Company.

## 14. Conclusion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that, in the absence of an alternative offer, the Proposed Transaction is not fair but reasonable to the Shareholders of OBJ.

The value we have assessed for OBJ prior to the Proposed Transaction is based on its quoted market trading price. For an entity such as OBJ whose value is in its IP and in the future development of its products in development, the net asset value is very much a minimum value which bears little relation to the perceived future prospects of the business. The quoted market price goes some way to attributing value to that future potential and hence is considered a more reliable indicator of value.

In this situation, particularly with the requirement for the comparison of a control value pre the Proposed Transaction with a minority value post the Proposed Transaction it is difficult for a transaction to be considered fair. However, in this case there is a very significant benefit for OBJ to acquire an established business with strong cash flows, and together with the other factors that we have considered in our assessment of reasonableness, our conclusion is not fair but reasonable.

## 15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of OBJ Limited for the years ended 30 June 2019, 30 June 2018 and 30 June 2017;
- Audited financial statements of Export Corporation and its subsidiaries for the years ended 30 June 2018 and 30 June 2017;
- Export Corporation group audited financial statements for the years ended 30 June 2019 and 30 June 2018;
- IBIS World Reports for the Vitamin and Supplement stores industry and Cosmetics, Perfume and Toiletries Manufacturing industry;
- Share Sale Agreement;
- Ray White (Valuations NSW) independent expert real estate valuation report, dated 20 November 2019;
- Share registry information;
- Information in the public domain;
- Discussions with the Directors and Management of the Export Corporation group; and
- Discussions with Directors and Management of OBJ.

## 16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $65,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by OBJ in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the OBJ, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to OBJ and Export Corporation and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of OBJ and Export Corporation and their respective associates.

Within the past two years, neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had any professional relationship with OBJ, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to OBJ and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

## 17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Head of Natural Resources for BDO and a former Chairman of BDO in Western Australia.

Adam Myers is a member of Chartered Accountants Australia and New Zealand. Adam's career spans 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

## 18. Disclaimers and consents

This report has been prepared at the request of OBJ for inclusion in the Explanatory Statement/Notice of Meeting which will be sent to all OBJ Shareholders. OBJ engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the acquisition of the Export Corporation group for consideration comprising cash and shares in OBJ.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Statement/ Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Statement/ Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of OBJ are responsible for conducting appropriate due diligence in relation to the Export Corporation group. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposed Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of OBJ, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon the independent valuation of the commercial property at 216 Walters Road, Arndell Park, NSW by Ray White (Valuations NSW).

Ray White (Valuations NSW) possess the appropriate qualifications and experience in the real estate industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report, as Appendix 4.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

**BDO CORPORATE FINANCE (WA) PTY LTD**

| | |
|---|---|
| **Sherif Andrawes** | **Adam Myers** |
| Director | Director |

# Appendix 1 – Glossary of Terms

| Reference | Definition |
|---|---|
| The Act | The Corporations Act 2001 Cth |
| APES 225 | Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' |
| AFCA | Australian Financial Complaints Authority |
| ASIC | Australian Securities and Investments Commission |
| ASX | Australian Securities Exchange |
| BDO | BDO Corporate Finance (WA) Pty Ltd |
| Bodyguard | BodyGuard Lifesciences Pty Ltd |
| Capital Raising | Equity capital raising of up to $35 million, with a minimum amount raised of $25 million, representing an issue of up to 116,666,667 shares at an issue price of $0.30 per Share. |
| Cash Consideration | The portion of the Total Consideration paid by OBJ for the acquisition of Export Corporation paid in cash |
| The Company | OBJ Limited |
| Corporations Act | The Corporations Act 2001 Cth |
| DCF | Discounted Future Cash Flows |
| Debt and equity raising | Cash raise of up to $50 million, with a minimum amount raised of $45 million, comprising a combination of debt and equity as follows:<br>• Equity of between $25 million (minimum equity raise) and $35 million (maximum equity raising) representing the issue of up to 116,666,667 shares at an issue price of $0.30 per Share; and<br>• Drawdown of debt through a $20 million debt facility with ANZ - $15 million to be utilised for the maximum Capital Raising and the full amount of $20 million to be utilised for the minimum Capital Raising. |
| EBIT | Earnings before interest and tax |
| EBITDA | Earnings before interest, tax, depreciation and amortisation |

| Reference | Definition |
|---|---|
| Equity Consideration | The portion of the Total Consideration paid by OBJ for the acquisition of Export Corporation paid by the issuance of shares in OBJ |
| Export Corporation | Export Corporation Pty Ltd |
| Floor Price | 80% of the issue price of OBJ shares under the Capital Raising of $0.30 |
| FME | Future Maintainable Earnings |
| FOS | Financial Ombudsman Service |
| FSG | Financial Services Guide |
| GDP | Gross Domestic Product |
| GMP | Good Manufacturing Practice |
| ICES | International Consumer Electronics Show |
| The Industry | The Vitamin and Supplement Stores Industry and the Cosmetics, Perfume and Toiletries Manufacturing Industry |
| International Scientific | International Scientific Pty Ltd |
| LGP | Little Green Pharma Pty Ltd |
| NAV | Net Asset Value |
| Nutrition Systems NZ | Nutrition Systems NZ Pty Ltd |
| Nutrition Zone WA | Nutrition Zone WA Pty Ltd |
| OBJ | OBJ Limited |
| OCR | Official Cash Rate |
| Parafix | Parafix Tapes and Conversions Limited |
| P&G | The Procter & Gamble Company |
| Proposed Transaction | The proposal for OBJ to acquire all the shares in Export Corporation (Australia) Pty Ltd for consideration comprising cash and shares in OBJ Limited |
| QMP | Quoted market price |
| RBA | Reserve Bank of Australia |

| Reference | Definition |
|---|---|
| RBNZ | Reserve Bank of New Zealand |
| Regulations | Corporations Act Regulations 2001 (Cth) |
| Our Report | This Independent Expert's Report prepared by BDO |
| RG 74 | Acquisitions approved by Members (December 2011) |
| RG 111 | Content of expert reports (March 2011) |
| RG 112 | Independence of experts (March 2011) |
| Section 611 | Section 611 of the Corporations Act |
| Shareholders | Shareholders of OBJ not associated with Export Corporation |
| Sum-of-Parts | A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies |
| Total Consideration | The total value, comprised of cash and shares, which OBJ paid for the acquisition of Export Corporation |
| Trading Multiples | Earnings multiples of publicly traded comparable companies |
| Transaction Document | Explanatory Statement/Notice of Meeting |
| Transaction Multiples | Multiples implied from comparable transactions |
| TWI | Trade Weighted Index |
| Valuation Engagement | An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time. |
| Vendors | The shareholders of Export Corporation Pty Ltd |
| 30-day VWAP Condition | The 30-day VWAP of OBJ shares calculated for the period ending on the trading day immediately prior to the date of issue |
| VWAP | Volume Weighted Average Price |
| WA | Western Australia |
| Wellfully | Wellfully Limited |

| Reference | Definition |
|---|---|
| Westfire | Westfire Investment Pty Ltd as trustee for the Pavlovich Property Trust |



The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008 Australia

# Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

### 1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

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

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

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

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

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

### 2 *Quoted Market Price Basis ('QMP')*

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

### 3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (‘**EBIT**’) or earnings before interest, tax, depreciation and amortisation (‘**EBITDA**’). The capitalisation rate or ‘earnings multiple’ is adjusted to reflect which base is being used for FME.

### 4 *Discounted future cash flows (‘DCF’)*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a -p phase, or experience irregular cash flows.

### 5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

# Appendix 3 – Comparable Company Analysis

Our selection of comparable companies is primarily based on the selection of public companies with operations in the distribution of food, healthcare, pharmaceuticals, and other products, which we consider to be similar in nature to the operations of the Export Corporation group.

Descriptions of comparable listed companies are summarised as follows:

| Company Name | Business Description |
|---|---|
| BWX Limited (ASX:BWX) | BWX Limited, together with its subsidiaries, engages in the development, manufacture, marketing, distribution, and wholesale of natural body, hair, and skin care products in Australia, the United States, and internationally. The company owns, produces, and distributes products under the Sukin, Mineral Fusion, Andalou Naturals, DermaSukin, Life Basics, Uspa, Edward Beale, and Renew personal care brands. It is also involved in the online sale of its products. The company was incorporated in 2013 and is headquartered in Dandenong South, Australia. |
| Colabor Group Inc. (TSX:GCL) | Colabor Group Inc., together with its subsidiaries, distributes and markets food and food-related products in Canada. It operates through two segments, Distribution and Wholesale. The Distribution segment offers frozen products, dry staples, dairy products, meat, fish, seafood, fruits and vegetables, disposables, and sanitation products. The Wholesale segment provides a range of fresh and frozen meat comprising beef, veal, lamb, pork, and poultry products for distributors, food retailers, and specialty butchers, as well as other food and non-food products to wholesalers. The company was founded in 1962 and is headquartered in Boucherville, Canada. |
| Mediland Pharm Limited (ASX:MPH) | Mediland Pharm Limited engages in the retail sale of health, beauty, and wellness products in Australia and New Zealand. The company's stores also offers luxury products, such as opal and pink diamond jewelry pieces, souvenirs and gifts, luxurious bedding and rugs. It operates through three retail stores in Sydney, Melbourne, and the Gold Coast, Australia; and one store in Auckland, New Zealand. The company was founded in 2002 and is headquartered in Sydney, Australia. |
| Probiotec Limited (ASX:PBP) | Probiotec Limited manufactures, markets, and distributes a range of prescription and over-the-counter pharmaceuticals, complementary medicines, and specialty ingredients in Australia and internationally. It also provides packaging options; analytical and stability testing services; new product formulation and production trials, and ongoing research and development services; and packaging options for human and animal nutrition products, as well as manufactures and exports a range of nutraceuticals and functional ingredient raw materials. Probiotec Limited was founded in 1997 and is headquartered in Laverton North, Australia. |

| Company Name | Business Description |
|---|---|
| Shaver Shop Group Limited (ASX:SSG) | Shaver Shop Group Limited engages in the retail of specialist personal grooming products in Australia and New Zealand. The company offers electric shavers, beard trimmers, hair clippers, body groomers, manual shavers, and oral care and massage products for men; and hair removal, hair styling, beauty, oral care, and massage products for women. Shaver Shop Group Limited was founded in 1986 and is based in Chadstone, Australia. |
| Supply Network Limited (ASX:SNL) | Supply Network Limited engages in the provision of aftermarket parts to the commercial vehicle industry in Australia and New Zealand. It sells truck and bus parts under the Multispares brand name, as well as offers a range of services comprising parts interpreting, procurement, supply management, and problem solving. The company is based in Pemulwuy, Australia. |
| Vita Life Sciences Limited (ASX:VLS) | Vita Life Sciences Limited, a pharmaceutical and healthcare company, engages in formulation, packaging, sale, and distribution of vitamins and supplements. It offers a range of supplements, vitamins, minerals, herbs, and superfoods. The company markets its products through pharmacies and health food stores under the VitaHealth, Herbs of Gold, VitaScience, and VitaLife brand names. It operates in Australia, Singapore, Malaysia, Thailand, Vietnam, Indonesia, Hong Kong, and China. Vita Life Sciences Limited was founded in 1947 and is headquartered in Kirrawee, Australia. |

| Company Ticker | Company Name | Enterprise value as at 7 Nov 19 ($m) | Latest available Historical EBITDA as at 7 Nov 19 ($m) | Historical EBITDA multiple | Forecast EBITDA as at 7 Nov 19 ($m) | Forecast EBITDA multiple |
|---|---|---|---|---|---|---|
| ASX:BWX | BWX Limited | 541.05 | 19.8 | 27.3 | 27.3 | 19.8 |
| TSX:GCL | Colabor Group Inc. | 141.23 | 22.9 | 6.2 | 19.6 | 7.2 |
| ASX:PBP | Probiotec Limited | 165.4 | 9.5 | 17.5 | 16.1 | 10.3 |
| ASX:SNL | Supply Network Limited | 178.99 | 14.1 | 12.7 | 15.5 | 11.5 |
| ASX:SSG | Shaver Shop Group Limited | 88.33 | 12.5 | 7.0 | 14.0 | 6.3 |
| ASX:VLS | Vita Life Sciences Limited | 28.64 | 4.9 | 5.9 | n/a | n/a |
| ASX:MPH | Mediland Pharm Limited | 81.87 | 1.6 | 51.6 | n/a | n/a |
| | | | **Mean** | **18.3** | | **11.0x** |
| | | | **Median** | **12.7** | | **10.3x** |

**Source:** Capital IQ

# Appendix 4 – Comparable Transaction Analysis

Our selection of comparable transactions is primarily based on transactions involving companies with operations in the distribution of food, healthcare, pharmaceuticals and other products, which we consider to be similar in nature to the operations of Export Corporation.

Descriptions of comparable target companies are summarised as follows:

| Target Name | Business Description |
|---|---|
| Vitaco Holdings Limited | Vitaco Holdings Limited develops, manufactures, and distributes nutrition products in New Zealand and Australia. The company operates through Supplements, Sports & Foods, and Other segments. It offers health food products and nutritional supplements, and sports nutrition and health food products to nutrition, health, and wellness industries. The company sells its products under the brand names of Nutra-Life, Wagner, Healtheries, Abundant Earth, Balance Sports Nutrition, Aussie Bodies, Biolane, Musashi, and Bodytrim, as well as through online. The company also exports its products worldwide. Vitaco Health Group Limited is based in North Ryde, Australia. |
| Swisse Wellness Pty Ltd | Swisse Wellness Pty Ltd. is engaged in the research, manufacture, marketing, and distribution of vitamins and supplements, and other health, body, and skin products. Swisse Wellness Pty Ltd. was formerly known as Swisse Vitamins Pty Ltd. The company was founded in 1969 and is based in Collingwood, Australia. Swisse Wellness Pty Ltd. operates as a subsidiary of Biostime Healthy Australia Pty Ltd. |
| Aftermarket Network Australia Pty Ltd | Aftermarket Network Australia Pty Ltd engages in the wholesale and distribution of automotive aftermarket parts and accessories. It distributes parts and accessories to a marketing network of stores and outlets, as well as to other aftermarket customers. Aftermarket Network Australia Pty Ltd was formerly known as Metcash Automotive Holdings Pty. Ltd. and changed its name to Aftermarket Network Australia Pty Ltd in August 2015. The company was incorporated in 2012 and is based in Macquarie Park, Australia. Ltd. As of July 31, 2015, Aftermarket Network Australia Pty Ltd operates as a subsidiary of Bapcor Limited. |
| Reward Supply Co Pty Ltd | Reward Supply Co Pty Ltd trading as Reward Hospitality, distributes non-food hospitality and hygiene products. The company provides China products such as, cutlery, drinkware, kitchenware, table service products, buffet and servingware products, bar and counter service products, glassware, chef clothing, commercial catering equipment, healthcare products, and packaging products and disposables. The company also sales its products online. The company was founded in 1980 and is based in Yatala, Australia with stores and distribution centers in Australia. Reward Supply Co Pty Ltd operates as a subsidiary of E.CF SAS. |

**Source:** Capital IQ

| Transaction Closed Date | Target Company | Acquirer | Transaction Value ($m) | Implied EV/EBITDA multiple | Implied Revenue multiple |
|---|---|---|---|---|---|
| 16-Dec-16 | Vitaco Holdings Limited | SIIC Medical Science & Technology Group Limited and Primavera Capital Group | 359.9 | 15.7 | 1.7 |
| 30-Sep-15 | Swisse Wellness Pty Limited | Biostime Healthy Australia Pty Limited | 1,255.0 | 13.2 | 4.8 |
| 31-Jul-15 | Aftermarket Network Australia Pty Limited | Bapcor Limited | 287.0 | 8.7 | 1.1 |
| 31-Oct-14 | Reward Supply Co Pty Limited | SAS Chomette Favor | 22.0 | 6.7 | 0.2 |
| | | | **Mean** | **11.1** | **1.9** |
| | | | **Median** | **11.0** | **1.4** |

**Source:** Capital IQ

# Appendix 5 – Report by Ray White (Valuations NSW)

# VALUATION REPORT

Ray White VALUATIONS


| | |
|---|---|
| **Property** | **216 Walters Road, Arndell Park NSW 2148.** |
| **Reliant party** | OBJ Limited. |
| **Instructed by** | Sherif Andrawes **-** BDO Corporate Finance (WA) Pty Ltd. |
| **Purpose** | Acquisition purposes only. |
| **Applicant** | OBJ Limited. |
| **Owner** | Westfire Investments Pty Ltd. |
| **Assessment Date** | 20 November 2019. |
| **File ref** | 1593. |


**Ray White (Valuations NSW)**
Level 17, 135 King Street
Sydney NSW 2000

Telephone: (02) 8016 3862

# CONTENTS

**Annexures**

# EXECUTIVE SUMMARY

*IMPORTANT: All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report including any annexures. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.*

*For the purpose of this report 'Ray White (Valuations NSW)' means the company specified in the explanatory note following the Assessment statement at the rear of this report.*

*Ray White (Valuations NSW) operates under the Australian Property Institute Limited Liability Scheme which is a scheme approved under Professional Standards Legislation.*

### 1.1 Instructions and property details

| | | | | |
|---|---|---|---|---|
| **Interest valued** | Freehold. | | | |
| **Assessment type** | Standard. | | | |
| **Basis for assessment** | Market Range with Vacant Possession – As Is. | | | |
| **Primary approach** | Direct Comparison. | | | |
| **Relevant dates** | **Assessment Date:** | 20 November 2019. | **Inspection Date:** | 20 November 2019. |
| **Title searched** | 21 November 2019. Encumbrances are noted in the section Land Particulars. | | | |
| **Site identified by** | The property has been identified by reference to the street numbers, building signage and the Deposited Plan being situated on the north-western corner of the intersection of Walters Road and Great Western Highway, Arndell Park. | | | |
| **Local authority/Zoning** | Blacktown City Council. | | Zoned "IN1 General Industrial". | |
| **Town planning scheme** | The current town planning scheme is Blacktown Local Environmental Plan 2015. | | | |
| **Highest and best use** | The highest and best use is considered to be the current office and warehouse use. | | | |
| **Areas** | **Site Area:** | 10,840 $m^2$ | **Gross Lettable Area:** | 5,248 $m^2$ |
| **Occupancy** | The subject is owner occupied by a sports supplement and nutritional products distributor trading as Nutrition Systems. | | | |
| **Brief description** | The subject property comprises a circa 2000 industrial building providing a good standard of office and warehouse accommodation being divided to form 2 tenancies along with marked parking for 59 cars. | | | |

### 1.2 Income summary – applying market rents

| | | |
|---|---|---|
| **Net annual rental income** (currently owner occupied/market) | $0 pa | $687,780 pa |
| **Vacancy** (currently owner occupied) | | *100%* |
| **Total outgoings** | *$20.09/$m^2$ pa* | *$99,450 pa* |
| **Weighted average lease expiry** for existing tenants based on income | 0 months | 0 years |

### 1.3 Recent sale history

| | | |
|---|---|---|
| **Sale date/Price** | 16 December 2010. | $5,950,000. |

### 1.4 Assessment (exclusive of GST)

| | |
|---|---|
| **Market Range with Vacant Possession – As Is** | **$11,800,000 - $13,100,000** |

### 1.5 Analysed results – adopting an assessment of $12,500,000 excluding GST

| | | |
|---|---|---|
| Analysed market yield/Reversionary yield | 5.22% | 5.50% |
| Initial yield | | 0% |
| Rate/$m^2$ gross lettable area | | $2,382/$m^2$ |
| Rate/$m^2$ of site area (improved) | | $1,153/$m^2$ |

## 1.6 Risk profile

*The purpose of risk ratings is to alert the reader to anything that is readily apparent and known to the Valuer at the date of assessment and that may impact on the current market value or marketability of the subject property, limited to the Valuers area of professional expertise.*

*The indicators in this risk summary are drawn from opinions of the Valuer and are expressed as opinion not fact.*

| Category | Low | Low/Medium | Medium | Medium/High | High |
|---|---|---|---|---|---|
| **Cash flow** | | | | | |
| **Asset** | | | | | |
| **Market** | | | | | |
| **Environment** | | | | | |
| **Management** | | | | | |

| | |
|---|---|
| **Consultant** | Jarrod Piltz MRICS AAPI<br>Certified Practising Valuer<br>Director |

Liability Limited by a scheme approved under Professional Standards Legislation.

This executive summary is a précis of the contents of the following assessment report. The assessment and report is contingent on a number of conditions, qualifications and critical assumptions which are fully described and set out in the body of the report.

It is essential that before the addressee relies on this assessment they read the report in its entirety, including any annexures.

Should the addressee be or become aware of any issue or issues that cast doubt on or are in conflict with the conditions, qualifications or assumptions contained within this report they must notify Ray White (Valuations NSW) in writing so that any conflicts may be considered and if appropriate an amended report issued.

This report is prepared for BDO Corporate Finance (WA) Pty Ltd ('BDO') and is to be included with the BDO Independent Experts Report in the OBJ Limited notice of meeting. It is for this purpose only and is not to be used or relied upon by any other party for any other purposes. It is subject to the terms and conditions, disclaimers, qualifications and limitations contained in this Report.

# PERFORMANCE & RISK PROFILE

## 2.1 Cash flow

## 2.2 Expiry

| | |
|---|---|
| – Tenancy comment | The subject is owner occupied by a sports supplement and nutritional products distributor trading as Nutrition Systems. |
| – Lease-up periods | The letting up period for the subject property is considered to be approximately six months allowing for a professional marketing campaign by suitably qualified real estate agent familiar with this type of property in the general locality. |
| – Market incentives | Typical for this asset and provided in the form of rent free period. |
| – Outgoings | Total adopted outgoings of $99,450 pa, reflect $18.95/m$^2$ or 12.63% of gross market rent which is considered to be within market levels. |
| – Cap. Ex. required | No, the building appears in good condition with no outstanding repairs required. |
| **– Cash flow risk rating** | **Low/Medium** |

## 2.3 Asset profile

| | |
|---|---|
| – Site quality | Regular shaped, generally level allotment suitable for the current use. |
| – Flooding | The subject is not noted as being situated within a Mainstream or Local Flooding area on the Blacktown City Council's website. |
| – Access quality | Good. Two kerb crossings are provided to Walters Road. |
| – Exposure | Good exposure to both Great Western Highway and Walters Road. |
| – Building design | Predominantly functional and efficient. It is highlighted a portion of the warehouse known as Warehouse 2, having a GLA of 2,321m$^2$, is accessible only through Warehouse 1 or 3 with no direct external access and therefore cannot be leased separately. |
| – Facilities & services | Modern to meet market requirement. |
| – Current use | Compatible with the predominant land use in the location. |
| – Parking | Marked parking for 59 cars is provided on site. |
| **– Asset risk rating** | **Low/Medium** |

## 2.4 Market

| | |
|---|---|
| – Market direction | The market has strengthened since 2013. It is highlighted that investment yields are now at or below historically low levels and any further yield compression is unlikely to occur in this current commercial property cycle. |
| – Marketability | Good. |
| – Saleability | Given a continuation of the market conditions that were experienced leading up to the date of assessment and a competent marketing campaign reflecting the nature of the property, I consider the property is saleable in a marketing period of up to six months. |
| – Buyer profile | The most likely buyer is an owner occupier. |
| **– Market risk rating** | **Medium** |

## 2.5 Environment

| | |
|---|---|
| – Environmental Issues | None apparent. |
| – Uses | The current use is not identified as a risk use in the API guidance notes. |
| – Environmental checklist | The environmental checklist has been completed. |
| – Asbestos | I have not been issued with an Asbestos Materials Report and though no obvious signs of asbestos were noted during my inspection the assessment is subject to there being no areas of asbestos contamination affecting Workplace Health and Safety requirements. |
| – **Environmental risk rating** | **Low/Medium** |

## 2.6 Management risk

| | |
|---|---|
| – Management experience | The property is currently owner managed which is considered appropriate for the scale of the property. |
| – **Management risk rating** | **Low/Medium** |

## 3.1 Special instructions

**Professional competency**

- Jarrod Piltz has over 15 years experience in the property industry and provides valuation and consultancy services for a range of retail, commercial, industrial properties; specialising in the Western Sydney market.

**Independence**

- Neither the valuer nor Ray White (Valuations NSW) has any pecuniary interest giving rise to a conflict of interest in valuing the property.

**Fee**

- In accordance with specific instructions, our fee for this assessment is $1,750+GST. I note this fee is not reliant upon the outcome of the proposed transaction.

**Use**

- Ray White (Valuations NSW) has prepared this report which appears in the notice of meeting. Ray White (Valuations NSW) was involved in only in the preparation of this summary and the assessment referred to herein, and specifically disclaim any liability to any person in the event of any omission from, or false or misleading statement included in the notice of meeting, other than in respect of the assessment and this report. We confirm that this report may be used in the notice of meeting.

## 3.2 Critical qualifications

**The conditions, qualifications and recommendations contained within this report should be noted and acted upon where appropriate prior to any reliance on this report. This Assessment has been prepared based on the following assumptions:**

**Information & Intellectual Property**

- All investigations have been conducted independently and without influence from a third party in any way.
- Any objective information, data or calculations set out in the Assessment will be accurate so far as is reasonably expected from a qualified and experienced valuer, reflecting due skill, care and diligence (except where the information, data or calculation originates from a third party source).
- While all reasonable endeavours have been made to clarify the accuracy of the information provided, this assessment is contingent upon all information provided by the proprietor consisting of a full and frank disclosure of all information that is relevant. Should any relevant information become available or was not supplied for the initial assessment, this should be referred to me for comment.

**Encroachments & Affectations**

- The land is not subject to any encroachments/encumbrances or restrictions on Title nor is affected by environmental risks other than those identified within this report.

**Lettable areas**

- I have relied upon the gross lettable area indicated on the building plans prepared by Realserve, Reference 36358CL, dated 13 April 2010, which appears consistent with my physical measurement during inspection. Should any subsequent surveys indicate a variation to the areas adopted within, the matter should be referred to me for review of the assessment.

**Environmental**

- Unless stated otherwise in the Land Particulars section, no soil tests or environmental studies have been made available. Therefore, it should be noted that the assessment is subject to there being no surface or sub-surface soil problems including instability, toxic or hazardous wastes, toxic mould, asbestos or building material hazards in or on the property that would adversely affect its existing or potential use or reduce its marketability. Should any problems be known or arise, then the assessment should be referred to Ray White (Valuations NSW) for review as Ray White (Valuations NSW) deems appropriate.
- Unless stated otherwise within the Performance Summary section or the Performance & Risk Profile section, no Asbestos Materials Report has been provided. Should any such matters be known or discovered, no reliance should be placed on the assessment of value unless Ray White (Valuations NSW) has been advised of these matters and has confirmed that the assessment is not affected.

### Site or Structural Survey

- I have not been provided with any reports relating to the condition of any plant, equipment, facilities or services at the property and assume for the purposes of my assessment that such are adequate for the continued ongoing utility of the property without the need for any specific short term capital expenditure.
- It should be noted that this assessment does not purport to be a structural survey of the improvements nor was any such survey sighted or undertaken. This assessment is conditional upon detailed reports in respect of the structure and serviced installations of the property not revealing any defects requiring significant expenditure. Additionally, in the absence of a Building Certificate issued by Council or other approved certifier, this assessment is conditional upon the property complying with all relevant statutory requirements in respect of such matters as health, building and fire safety regulations.

### Projections

- It should be noted that in the case of advice provided in this report which is of a projected nature, I must emphasise that specific assumptions have been made which appear reasonable based on current market sentiment and forecasts. It follows that any one of the associated assumptions may change over time and no responsibility can be accepted in this event. The value performance indicated above is an assessment of the potential trend in value. Accordingly, the indicated figures should not be viewed as absolute certainty.

### Non-Conforming Building Products and Fire Safety

- I have assumed (unless stated otherwise herein) that the improvements are compliant with the Building Code of Australia (BCA) along with the relevant fire safety codes and regulations and do not pose a fire compliance risk, nor require immediate rectification. I have made no allowances in our assessment for rectification works.
- My on-site inspection is not a conclusive indicator of the actual presence of non-conforming building products and/or fire safety issues within the subject property. If subsequent to the writing on this assessment an independent expert's report reveals the existence of any non-conforming building products previously not disclosed to the valuer in writing, then this assessment should be referred back to the valuer for further review and possible amendment. In this paragraph, non-conforming building products means building products and materials that do not satisfy the quality requirements of technical standards (including the Building Code of Australia) or legislative requirements, and/or products and materials that have been incorrectly or inappropriately used.

### Assignment

- This clause applies upon any request that this assessment be assigned to a party other than the intended recipients named herein. Notwithstanding anything else, including any agreement by Ray White (Valuations NSW) subsequent to this report's date that it will assign this assessment:
  a. This assessment is deemed not to be assigned unless the request for the assignment, confirmation, reissue or other act occurred within 3 months of the date of this assessment.
  b. Any assignment is deemed to be in reliance upon, and is conditional upon, the assignee's acknowledgement that Ray White (Valuations NSW):
     - Has not re-inspected the Property prior to the assignment occurring; and
     - Has not undertaken further investigation or analysis as to any changes since the initial assessment; and
     - Accepts no responsibility for reliance upon the initial assessment other than as a assessment of the Property as at the date of the initial assessment.

**Reliance**

- Where assigned, reliance on this assessment report is permitted only:
  1. By a party expressly identified by the report as being permitted to rely on it; and
  2. When the given permitted party has received the report directly from Ray White (Valuations NSW); and
  3. For a purpose expressly identified by the report as being a permitted use of the report.

**Limited Liability Scheme**

- Ray White (Valuations NSW) are participants in the Australian Property Institute (API) limited liability scheme. This scheme has been approved under professional Standards legislation and is compulsory for all API members.

**Assumptions based on opinion are detailed within this report.**

**Should any of the assumptions upon which my assessment is made prove to be incorrect or inaccurate, this report should be referred to Ray White (Valuations NSW) for reassessment.**

# LAND PARTICULARS

### 4.1 Title details

| Registered proprietor | Legal description | Encumbrances and interests |
|---|---|---|
| Westfire Investments Pty Ltd. | Lot 1 on Deposited Plan 655313 being all that property described within Folio Identifier 1/655313. | Please refer to Annexure 4 for details. |

A copy of the Folio Identifier is annexed which details all encumbrances and interests noted on title.

Covenant noted on the Folio Identifier as A282867 has been searched and relates to fencing and states that no advertising hoarding shall be erected on the site. This Covenant has been considered and reflected within my ascribed value.

There are considered to be no other encumbrances or interests registered or noted on title which are considered to adversely affect the value, marketability or continued utility of the property. Should any encumbrances, encroachments, restrictions, leases or covenants which are not noted in this report be discovered, the assessment should be requisitioned for comment.

### 4.2 Statutory assessment of land value

| Value | Base date |
|---|---|
| $4,080,000. | 1 July 2018. |

This statutory valuation is made for rating and taxation assessments and is quoted here for information purposes only.

### 4.3 Town planning summary

| | |
|---|---|
| **Local authority** | Blacktown City Council. |
| **Planning Scheme** | Blacktown Local Environmental Plan 2015. |
| **Zoning** | Zoned “IN1 General Industrial”. |
| **Permissible uses** | 1 Objectives of zone<br>• To provide a wide range of industrial and warehouse land uses.<br>• To encourage employment opportunities.<br>• To minimise any adverse effect of industry on other land uses.<br>• To support and protect industrial land for industrial uses.<br>• To enable other land uses that provide facilities or services to meet the day to day needs of workers in the area.<br>• To minimise adverse impacts on the natural environment.<br>2 Permitted without consent<br>Nil.<br>3 Permitted with consent<br>Building identification signs; Business identification signs; Depots; Food and drink premises; Freight transport facilities; Garden centres; General industries; Hardware and building supplies; Heliports; Industrial training facilities; Kiosks; Light industries; Neighbourhood shops; Oyster aquaculture; Places of public worship; Roads; Tank-based aquaculture; Warehouse or distribution centres; Vehicle sales or hire premises; Any other development not specified in item 2 or 4. |

| Town Planning *cont'd* | |
|---|---|
| **Permissible uses continued** | 4 Prohibited<br>Agriculture; Air transport facilities; Airstrips; Amusement centres; Business premises; Camping grounds; Caravan parks; Cemeteries; Commercial premises; Correctional centres; Eco-tourist facilities; Educational establishments; Entertainment facilities; Environmental facilities; Exhibition homes; Exhibition villages; Extractive industries; Farm buildings; Forestry; Function centres; Health services facilities; Heavy industrial storage establishments; Heavy industries; Helipads; Highway service centres; Home-based child care; Home businesses; Home occupations; Home occupations (sex services); Information and education facilities; Marinas; Open cut mining; Pond-based aquaculture; Recreation facilities (major); Recreation facilities (outdoor); Registered clubs; Residential accommodation; Restricted premises; Signage; Tourist and visitor accommodation; Veterinary hospitals; Wharf or boating facilities; Wholesale supplies.<br>The current use appears to accord with the permissible uses under the zoning. |
| **Permissible Floor Space Ratio (FSR)** | Not stated. |
| **Approximate existing FSR** | 0.48:1. |
| **Planning approvals/Permits/Applications** | None recent. |
| **Other matters** | None. |

The planning information noted has been obtained from the NSW Department of Planning and Environment website. This information has been relied upon in my assessment of value and no responsibility is accepted for the accuracy of the planning information provided. Should the information prove incorrect in any significant respect, the matter should be referred to me for review of the assessment.

### 4.4 Land area

| | |
|---|---|
| Walters Road frontage | 57.72 metres |
| Great Western Highway frontage | 163.98 metres (irregular) |
| Northern boundary | 160.98 metres |
| Rear boundary | 61.84 metres |
| ***Total site area*** | ***1.084 Hectares or 10,840 square metres*** |

Whilst I was not physically able to identify all of the property boundaries on inspection, I was able to identify some of the main property boundaries. It is assumed that there are no encroachments, however I am not a qualified Surveyor and no warranty can be given without the benefit of a formal identification survey.

## 4.5 Site description

| | |
|---|---|
| **Identification** | The property has been identified by reference to the street numbers, building signage and the Deposited Plan being situated on the north-western corner of the intersection of Walters Road and Great Western Highway, Arndell Park. |
| **Shape/Topography** | Slightly irregular shaped, generally level allotment suitable for the current use. |
| **Flood status** | The subject is not noted as being situated within a Mainstream or Local Flooding area on the Blacktown City Council's website. |

The flooding information noted has been obtained from the NSW Department of Planning and Environment website. This information has been relied upon in my assessment of value and no responsibility is accepted for the accuracy of the flooding information provided. Should the information prove incorrect in any material respect, the matter should be referred to me for review of the assessment as I deem appropriate.

## 4.6 Road description

Walters Road is a local roadway within the vicinity of the subject. Great Western Highway is a major arterial roadway.

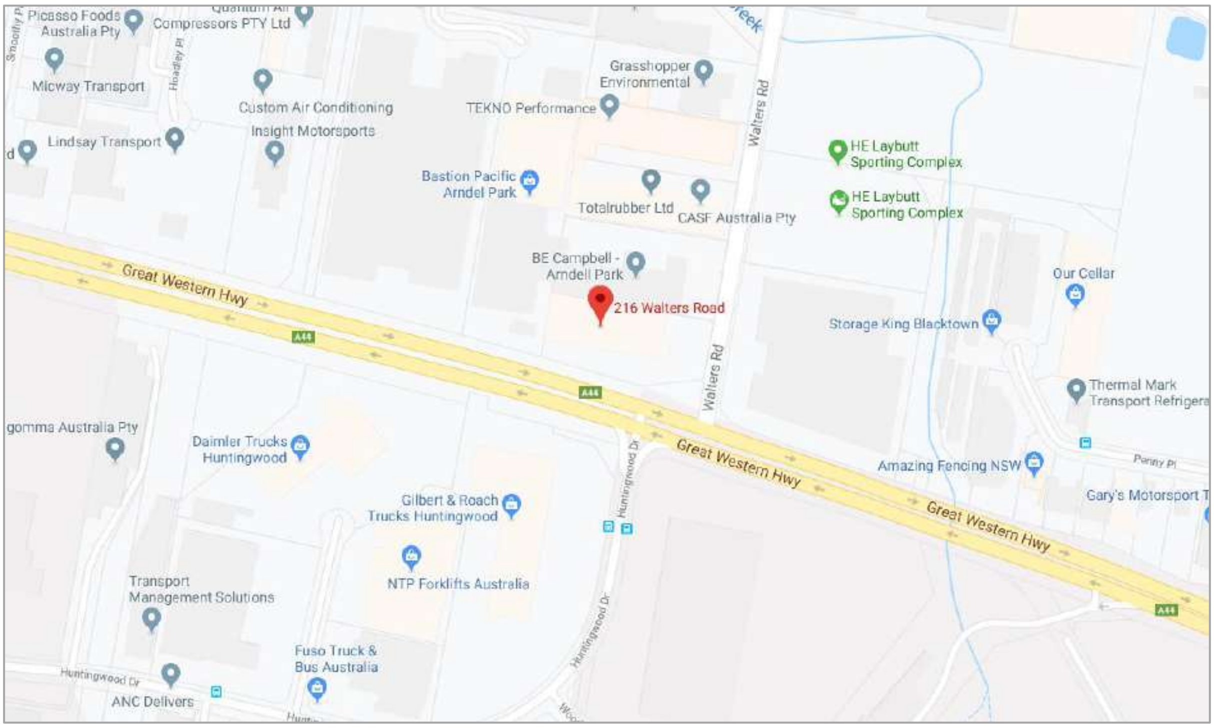
## 4.7 Services

Electricity, sewerage, town water, mains gas and telephone are all available for connection.

## 4.8 Location and neighbourhood

The property forms part of the established Arndell Park Industrial Area in Sydney's western suburbs, some 35 kilometres by road from Sydney CBD being approximately midway between Parramatta and Penrith.

Arndell Park has been developed since circa 1970 and comprises a broad mix of large factory/warehouse buildings with a number of older and modern factory units interspersed.



## 4.9 Environmental issues

| Issues | |
|---|---|
| **Current use** | Office and warehouse use. |
| **Existing issues raising concern** | None. |
| **Uses identified on API Guidance Note 1** | None. |
| **Previous uses** | Unknown. |
| **Environmental report provided** | No, an environmental report has not been provided. |
| **Environmental checklist** | The environmental checklist has been completed. |
| **EPA search** | A search of the contaminated land database at http://www.epa.nsw.gov.au/prclmapp/searchregister.aspx revealed no listing for the subject property. This search is of a database maintained by the Environmental Protection Agency under Part 5 of the Contaminated Land Management Act, 1997. The database is not a record of all contaminated land in NSW, but rather of all written notices issued by the EPA under the Act relating to the investigation or remediation of site contamination that presents a significant risk of harm. 'Significant risk of harm' refers to the status of a site where the contamination is considered to be serious and requires EPA regulatory intervention. |

No soil tests or environmental studies have been made available for my perusal. Therefore, it should be noted that my assessment is subject to there being no surface or sub-surface soil problems including instability, toxic or hazardous wastes, toxic mould, asbestos or building material hazards in or on the property that would adversely affect its existing or potential use or reduce its marketability. Should any problems be known or arise then the assessment should be referred to me for comment and review of the assessment as I deem appropriate.

It should be noted that an Asbestos Materials Report has not been provided. Should any such matters be known or discovered, no reliance should be placed on my assessment of value unless I have been advised of these matters and I have confirmed that my assessment is not affected.

**I am not an expert in this regard and if more detailed advice is required, an environmental consultant should be retained.**

# IMPROVEMENTS

## 5.1 Building construction details

**Construction details**


| | |
|---|---|
| **Year built** | Circa 2000. |
| **Levels** | Single level with upper level office. |
| **Footings** | Unsighted. |
| **Floors** | Concrete. |
| **Frame** | Steel. |
| **External walls** | Concrete. |
| **Roof** | Unsighted. |
| **Condition** | Good. |
| **Design** | Predominantly functional and efficient. |
| **Defects** | None evident. |

## 5.2 Site improvements

| | |
|---|---|
| **Landscaping** | Adequate. |
| **Hardstand** | Concrete hardstand to the driveways and circulation areas. |
| **Signage** | Pylon sign and on-building signage. |

## 5.3 Parking

Marked parking for 59 cars is provided on site. Two kerb crossings are provided to Walters Road.

## 5.4 Gross Lettable Area (GLA)

I have relied upon the gross lettable area indicated on the building plans prepared by Realserve, Reference 36358CL, dated 13 April 2010, which appears consistent with my physical measurement during inspection, being briefly summarised as follows:

| Unit | Office $m^2$ | Warehouse $m^2$ | Total GLA $m^2$ |
|---|---|---|---|
| Unit 1 | 204 | 1,078 | 1,282 |
| Unit 2 | 0 | 2,321 | 2,321 |
| Unit 3 | 604 | 1,041 | 1,645 |
| **Total** | **808** | **4,440** | **5,248** |

NB: It is highlighted a portion of the warehouse known as Warehouse 2, having a GLA of 2,321$m^2$, is accessible only through Warehouse 1 or 3 with no direct external access and therefore cannot be leased separately.

Should any subsequent surveys indicate a variation to the areas adopted within, the matter should be referred to me for review of the assessment.

## 5.5 Accommodation

The subject property comprises a circa 2000 industrial building providing a good standard of office and warehouse accommodation being divided to form 2 tenancies along with marked parking for 59 cars.

Unit 1 is situated towards the rear of the site being accessed via metal roller door from the driveway and comprises a good standard of column interrupted accommodation with concrete floors, concrete walls and unsealed ceilings with high bay lighting. The internal clearance ranges between 7.8 and 8.3 metres. A mezzanine level office component is provided, comprising carpet floor coverings, rendered and plasterboard walls and a suspended grid panel ceiling.

Unit 2 is interconnected with Units 1 & 3 and provides warehouse accommodation only, comprising concrete floors, concrete walls and unsealed ceilings with high bay lighting. The internal clearance ranges between 7.8 and 8.3 metres.

Unit 3 is situated towards the Walters Road frontage with the office component being accessed via aluminium framed glass entry doors and provides a good standard of open plan and formed office accommodation over 2 levels with tiled floors, render and plasterboard walls and a suspended grid panel ceiling with fluorescent lighting with ducted air-conditioning. Separate male, female and disabled amenities are provided, along with a staff lunch room with kitchenette.

The Unit 3 warehouse is accessed via 4 metal roller doors comprising 2 at grade roller doors and 2 sunken loading docks. This component comprises a good standard of column interrupted accommodation with concrete floors, concrete walls and unsealed ceilings with high bay lighting. The internal clearance ranges between 7.8 and 8.3 metres.


Office accommodation


Office accommodation

Warehouse accommodation

Warehouse accommodation

Warehouse accommodation

Warehouse accommodation

Awning


Loading dock


Car parking

Pylon sign

# INCOME ASSESSMENT

## 6.1 Lease details

The subject is owner occupied by a sports supplement and nutritional products distributor trading as Nutrition Systems.

## 6.2 Assessment of outgoings

Based on the information provided and my standards for the calculation of outgoings I have applied the annual outgoings for the purpose of this assessment as follows:

| | Provided | | Adopted | |
|---|---|---|---|---|
| Type | $ pa | $/sqm | $ pa | $/sqm |
| **Statutory expenses** | | | | |
| Council rates | $23,162 | $4.41 | $23,162 | $4.41 |
| Water rates | $3,207 | $0.61 | $3,207 | $0.61 |
| Land tax | $37,081 | $7.07 | $37,081 | $7.07 |
| ***Sub-total*** | ***$63,450*** | ***$12.09*** | ***$63,450*** | ***$12.09*** |
| **Operating expenses** | | | | |
| Insurance | $0 | $0.00 | $15,000 | $2.86 |
| Repairs & maintenance | $0 | $0.00 | $8,500 | $1.62 |
| Management | $0 | $0.00 | $12,500 | $2.38 |
| ***Sub-total*** | ***$0*** | ***$0.00*** | ***$36,000*** | ***$6.86*** |
| **Total** | **$63,450** | **$12.09** | **$99,450** | **$18.95** |

Total adopted outgoings of $99,450 pa, reflect $18.95/m$^2$ of GLA or 12.63% of gross market rent which is considered to be within market levels.

## 6.3 Rental evidence

| Address | Lease date | GLA m$^2$ | Rate $/m$^2$ |
|---|---|---|---|
| ***Unit 1<br>488-490 Victoria Street<br>Wetherill Park*** | ***10/19*** | ***5,100*** | ***$113 n<br>or $133 g*** |

This tenancy comprises an office and warehouse unit within a circa 2000 industrial building being occupied by Freight Assist Australia under the provisions of a 5+5+5 year leasing agreement commencing October 2019 based on an initial rental of $573,750 pa net or approximately $675,750 pa gross.

<u>Comments:</u>

*This tenancy provides inferior access and an overall inferior standard of accommodation. Therefore a rental rate above this agreement is warranted for the subject.*

| Address | Lease date | GLA m$^2$ | Rate $/m$^2$ |
|---|---|---|---|
| ***6 Shale Place<br>Eastern Creek*** | ***10/19*** | ***3,933*** | ***$127 n<br>or $152 g*** |

This tenancy comprises a circa 2010 industrial building providing a good standard of office and warehouse accommodation along with on-site parking for 38 cars being occupied under the provisions of a 2.83 year leasing agreement commencing October 2019 based on an initial rental of $500,000 pa net or approximately $598,325 pa gross.

<u>Comments:</u>

*Whilst this tenancy is smaller, it provides inferior access. On balance, a rental rate slightly below this agreement is warranted for the subject.*

| Address | Lease date | GLA m² | Rate $/m² |
| --- | --- | --- | --- |
| *2 Tyrone Place Erskine Park* | *06/19* | *21,142* | *$122 n or $143 g* |

This tenancy property comprises a circa 2011 logistics facility providing internal clearance ranging from 9.6 to 11.6 metres with B Double access and at-grade parking for 147 vehicles. Office accommodation is provided in the form of partitioned offices and open plan areas. Lease agreement commenced in June 2019 for 5 years with an initial rental of $2,590,000 pa net or $3,012,840 pa gross.

Comments:

*This tenancy comprises a much larger GLA and therefore a rental rate above this agreement is warranted for the subject.*

| Address | Lease date | GLA m² | Rate $/m² |
| --- | --- | --- | --- |
| *200 Walters Road Arndell Park* | *Reviewed 04/19* | *1,924* | *$224 n or $275 g* |

This tenancy comprises a circa 1994 industrial building providing office and warehouse accommodation along with a truck wash and a large hardstand yard component situated on a site of 9,350m2. The property is occupied by an industrial tenancy known as Grasshopper Environmental Pty Ltd who utilise the premises as a transport depot under the provisions of a 3+5+5 year leasing agreement commencing 1 April 2017 paying an initial rental of $406,000 pa net with fixed annual 3% reviews. The current rental; equates to $430,725 pa net or approximately $529,920 pa gross.

Comments:

*Whilst this tenancy is situated within close proximity to the subject, it comprises a much smaller GLA and provides a large yard component. Therefore a rental rate below this agreement is warranted for the subject.*

| Address | Lease date | GLA m² | Rate $/m² |
| --- | --- | --- | --- |
| *210 Silverwater Road Silverwater* | *03/19* | *2,750* | *$156 g* |

This tenancy comprises a circa 1970 industrial building situated on the corner of Silverwater Road and Clyde Street which has been refurbished to provide a good standard of office and warehouse accommodation being occupied by Autosports Prestige under the provisions of a 5+5+5 year leasing agreement commencing 1 March 2019 based on an initial rental of $330,000 pa net or $428,264 pa gross with fixed annual 3% reviews.

Comments:

*Whilst this tenancy provides an inferior standard of accommodation, it is smaller. Therefore a rental rate below this agreement is warranted for the subject.*

| Address | Lease date | GLA m² | Rate $/m² |
| --- | --- | --- | --- |
| *1 Wonderland Drive Eastern Creek* | *10/18* | *9,429* | *$122 n or $148 g* |

This tenancy property comprises a circa 2000 industrial building providing a good standard of office and warehouse accommodation plus onsite parking being occupied by Brighton Best Inter Pty Ltd under the provisions of a 10+5 year leasing agreement commencing October 2018 based on an initial rental of $1,150,000 pa net or approximately $1,395,154 pa gross.

Comments:

*This tenancy provides a similar standard of accommodation and therefore a similar rental rate is considered appropriate for the subject.*

| Address | Lease date | GLA m² | Rate $/m² |
| --- | --- | --- | --- |
| *1 Wulbanga Street Prestons* | *09/18* | *2,241* | *$138 n or $163 g* |

This tenancy comprises a brand new circa 2018 industrial building providing a good standard of office and warehouse accommodation being occupied by 600 Cranes Australasia under the provisions of a leasing agreement commencing September 2018 based on an initial rental of $310,000 pa net or approximately $365,283 pa gross.

Comments:

*Whilst this is situated within an inferior industrial location, it comprises a smaller GLA. Therefore a rental rate below this agreement is warranted for the subject.*

The rental evidence has been based on various third party sources of information. While I believe the information to be accurate, not all details have been formally verified.

The leasing agreement of 2 Tyrone Place, Erskine Park, reflects a rental rate of \$143/m$^2$ gross based on the GLA of 21,142m$^2$. As noted above, this tenancy comprises a much larger GLA and therefore a rental rate above this agreement is warranted for the subject.

The leasing agreement of 1 Wonderland Drive, Eastern Creek, reflects a rental rate of \$148/m$^2$ gross based on the GLA of 9,429m$^2$. As noted above, this tenancy provides a similar standard of accommodation and therefore a similar rental rate is considered appropriate for the subject.

The leasing agreement of 6 Shale Place, Eastern Creek, reflects a rental rate of \$152/m$^2$ gross based on the GLA of 3,933m$^2$. As noted above, whilst this tenancy is smaller, it provides inferior access. On balance, a rental rate slightly below this agreement is warranted for the subject.

The leasing agreement of 210 Silverwater Road, Silverwater, reflects a rental rate of \$156/m$^2$ gross based on the GLA of 2,750m$^2$. As noted above, whilst this tenancy provides an inferior standard of accommodation, it is smaller. Therefore a rental rate below this agreement is warranted for the subject.

Based on the above rental evidence and taking into account the characteristics of the subject premises, I have ascribed a market rental for the subject property of \$150/m$^2$ gross based on the gross lettable area of 5,248m$^2$ for the purposes of this assessment.

### 6.4 Net Market Income assessment

| Market rental | GLA m$^2$ | Market \$ pa | \$/m$^2$ |
|---|---|---|---|
| **Total gross rental** | **5,248** | **\$787,230** | **\$150.00** |
| *Less outgoings* | | *\$99,450* | *\$18.95* |
| **Net income** | | **\$687,780** | **\$131.05** |

# SALES EVIDENCE

## 7.1 Sales evidence

The following sales provide a sample of the information that has been investigated and analysed for the purpose of this assessment. Whilst I believe the information to be accurate, it was obtained from third party sources and not all details have been formally verified.

| Address | Sale date | Sale price | Bldg m² ($/m²) | Site m² ($/m²) | Yield % |
|---|---|---|---|---|---|
| ***98 Wetherill Street North Silverwater*** | ***09/19*** | ***$11,500,000*** | ***3,694 ($3,113)*** | ***4,898 ($2,348)*** | ***5.52% IY 5.23% AMY*** |
| This property comprises a circa 1980 industrial building which has been recently fully refurbished to a high standard to provide showroom, office and warehouse accommodation along with onsite parking for 41 cars. The property sold under the provisions of an 8 month leaseback agreement being purchased by an owner occupier. The market rental is considered to be $552,509 pa net. The property is zoned "IN1 General Industrial". <br>Comments:<br>*Whilst this property provides an inferior standard of accommodation, it is smaller and is situated within a superior industrial location. Therefore a capitalisation rate above and a rate per square metre of GLA below this sale are warranted for the subject.* | | | | | |
| ***19 Rowood Road Prospect*** | ***07/19*** | ***$16,950,000*** | ***4,800 ($3,531)*** | ***16,360 ($1,036)*** | ***5.68% IY 5.68% AMY*** |
| This property comprises a circa 1995 industrial building providing a good standard of office and warehouse accommodation along with large hardstand yard accommodation being accessed via Rowood Road. The property sold being occupied by Lander Nissan Service and Parts, being guaranteed by Automotive Holdings Group Limited, under the provisions of a 15+10+10 year leasing agreement with the initial term expiring 31 January 2034 based on a passing rental of $963,519 pa net with annual reviews to the greater of CPI or 4%. The property is zoned "B5 Business Development" and is partially burdened by an electricity easement.<br>Comments:<br>*Whilst this property provides an inferior standard of accommodation, it comprises a larger site area. Therefore a rate per square metre of GLA below this sale is warranted for the subject. This property represents a larger capital investment and therefore a rate per square metre of GLA below this sale is warranted for the subject.* | | | | | |
| ***159-163 Newtown Road Wetherill Park*** | ***06/19*** | ***$24,400,000*** | ***12,655 ($1,928)*** | ***20,240 ($1,205)*** | ***5.93% IY 5.93% AMY*** |
| This property comprises a circa 1990 industrial building with an internal clearance of 10 metres with refurbished office accommodation and ample on-site parking. Leased to Austcor Packaging with a passing income of $1,447,732 pa net with a 4.44 WALE by income with annual increases of 4%. Zoned IN1General Industrial.<br>Comments:<br>*This property provides an inferior standard of accommodation, represents a larger capital investment and comprises a larger GLA. Therefore a capitalisation rate below and a rate per square metre of GLA above this sale are warranted for the subject.* | | | | | |
| ***4 Progress Circuit Prestons*** | ***03/19*** | ***$3,500,000*** | ***1,228 ($2,850)*** | ***2,010 ($1,741)*** | ***1.73% IY 5.06% AMY*** |
| This property comprises a circa 2010 industrial building providing a good standard of office and warehouse accommodation across 2 tenancies. The property sold with Unit 1 being vacant whilst Unit 2 is occupied by Donya Constructions under the provisions of a 5+3 year leasing agreement commencing 1 October 2016 paying a passing rental of $60,471 pa net with annual reviews to the greater of CPI or 3% which is considered to be below the current market rent. The total market rental is considered to be $184,200 pa net.<br>Comments:<br>*This property comprises a smaller GLA and represents a smaller capital investment. Therefore a capitalisation rate above and a rate per square metre of GLA below this sale are warranted for the subject.* | | | | | |

| Address | Sale date | Sale price | Bldg m² ($/m²) | Site m² ($/m²) | Yield % |
|---|---|---|---|---|---|
| *16 Derby Street Silverwater* | *03/19* | *$10,000,000* | *3,410 ($2,933)* | *4,638 ($2,156)* | *5.12% IY 5.51% AMY* |

This property comprises a circa 1980 industrial building which has been refurbished and upgraded to provide a good standard of office and warehouse accommodation plus awning and hardstand yard accommodation. The property sold under the provisions of a short term leasing agreement expiring 31 July 2019 paying a passing rental of $511,500 pa net. The market rental is considered to be $578,170 pa net.

Comments:

*This property comprises a smaller GLA and therefore a rate per square metre of GLA below this sale is considered appropriate for the subject. Whilst this property is situated within a superior industrial location, it provides inferior leasing potential. On balance a similar capitalisation rate is considered appropriate for the subject.*

| Address | Sale date | Sale price | Bldg m² ($/m²) | Site m² ($/m²) | Yield % |
|---|---|---|---|---|---|
| *9-13 Shale Place Eastern Creek* | *12/18* | *$14,000,000* | *5,110 ($2,740)* | *10,374 ($1,350)* | *5.38% IY 5.38% AMY* |

This property comprises a circa 2000 industrial building providing a good standard of office, warehouse and logistics accommodation. The property sold under the provisions of a sale and leaseback agreement being occupied by C.R.Lawrence of Australia under the provisions of a 20+5+5 year leasing agreement commencing 3 September 2015 based on a passing rental of $752,800 pa net with fixed annual 2% reviews.

Comments:

*This property provides a superior tenancy profile and therefore a capitalisation rate above and a rate per square metre of GLA below this sale are warranted for the subject.*

| Address | Sale date | Sale price | Bldg m² ($/m²) | Site m² ($/m²) | Yield % |
|---|---|---|---|---|---|
| *276-282 Parramatta Road & 54-68 Hampstead Road Auburn* | *12/18* | *$12,250,000* | *5,686 ($2,154)* | *10,054 ($1,218)* | *3.34% IY 5.32% AMY* |

This property comprises a large land holding having frontages to Parramatta Road and Hampstead Road providing various older style showroom, office and warehouse buildings plus yard accommodation paying a passing rental of $509,420 pa gross or approximately $408,880 pa net which is considered to be below current market levels. The current market rent is considered to be $682,320 pa net. The existing improvements underutilise the site appear functional yet dated. The property sold at auction being zoned “B6 Enterprise Corridor”.

Comments:

*This property provides a far inferior standard of accommodation and therefore a rate per square metre of GLA above this sale is considered appropriate for the subject. Whilst this property is situated within a superior industrial location, it provides superior redevelopment potential. Therefore a capitalisation rate above this sale is warranted for the subject.*

| Address | Sale date | Sale price | Bldg m² ($/m²) | Site m² ($/m²) | Yield % |
|---|---|---|---|---|---|
| *4 Healey Circuit Huntingwood* | *11/18* | *$5,450,000* | *2,515 ($2,167)* | *4,000 ($1,363)* | *5.42% IY 5.42% AMY* |

This property comprises a circa 1990 industrial building providing a good standard of office and climate controlled warehouse accommodation being utilised as a food processing facility. The property being occupied by Krispy Kreme under the provisions of a 10+5+5 year leasing agreement commencing 5 April 2016 based on a passing rental of $295,538 pa net with annual reviews to the greater of CPI or 3.75%.

Comments:

*Whilst this property comprises a smaller GLA, it provides an inferior standard of accommodation and therefore a rate per square metre of GLA above this sale is considered appropriate for the subject. This property represents a smaller capital investment and therefore a capitalisation rate above this sale is warranted for the subject.*

### 7.2 Rationale for direct comparison

The sale of 159-163 Newton Road, Wetherill Park, reflects a rate of $1,928/m$^2$ based on the GLA of 12,655m$^2$. As noted above, this property provides an inferior standard of accommodation and comprises a larger GLA. Therefore a rate per square metre of GLA above this sale is warranted for the subject.

The sale of 4 Healey Circuit, Huntingwood, reflects a rate of $2,167/m$^2$ based on the GLA of 2,515m$^2$. As noted above, whilst this property comprises a smaller GLA, it provides an inferior standard of accommodation and therefore a rate per square metre of GLA above this sale is considered appropriate for the subject.

The sale of 9-13 Shale Place, Eastern Creek, reflects a rate of $2,740/m$^2$ based on the GLA of 5,110m$^2$. As noted above, this property provides a superior tenancy profile and therefore a capitalisation rate above and a rate per square metre of GLA below this sale are warranted for the subject.

The sale of 4 Progress Circuit, Prestons, reflects a rate of $2,850/m$^2$ based on the GLA of 1,228m$^2$. As noted above, this property comprises a smaller GLA and therefore a rate per square metre of GLA below this sale is warranted for the subject.

Having regard to the evidence above, other market research and my knowledge I have adopted $2,300/m$^2$ to $2,500/m$^2$ of GLA as the appropriate range. These rates have been applied this in my calculations under 8.4 Direct Comparison method.

### 7.3 Rationale for capitalisation rate

The sale of 9-13 Shale Place, Eastern Creek, reflects a purchase price of $14,000,000 and an analysed market yield of 5.38%. As noted above, this property provides a superior tenancy profile and therefore a capitalisation rate above this sale is warranted for the subject.

The sale of 4 Healey Circuit, Huntingwood, reflects a purchase price of $5,450,000 and an analysed market yield of 5.42%. As noted above, this property represents a smaller capital investment and therefore a capitalisation rate above this sale is warranted for the subject.

The sale of 16 Derby Street, Silverwater, reflects a purchase price of $10,000,000 and an analysed market yield of 5.51%. As noted above, whilst this property is situated within a superior industrial location, it provides inferior leasing potential. On balance a similar capitalisation rate is considered appropriate for the subject.

The sale of 19 Rowood Road, Prospect, reflects a purchase price of $16,950,000 and an analysed market yield of 5.68%. As noted above, this property represents a larger capital investment and therefore a rate per square metre of GLA below this sale is warranted for the subject.

Having regard to the evidence above, other market research and my knowledge I have adopted 5.50% as the appropriate market capitalisation rate and applied this in my calculations under heading 8.5 Capitalisation method.

### 8.1 Approaches

The most appropriate methods of assessment are direct comparison on a rate per square metre of gross lettable area supported by the capitalisation of net income.

### 8.2 Definitions

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

***Highest and Best Use*** *is the use of an asset that maximises its potential and that is physically possible, legally permissible and financially feasible*.

***Analysed rates:***

- **Initial Yield (IY)** is the Passing Income divided by the Purchase Price or Adopted Value, after adjustment for Surplus Land and/or Capital Works if applied in the assessment. Passing Income includes non-core income (i.e. income not capitalised in perpetuity – e.g. communication towers).
- **Analysed Market Yield (AMY)** is the Assessed Market Income divided by the Purchase Price or Adopted Value adjusted for reversions including, inter alia, vacancy, rental shortfalls or overage, capital expenditure required etc.
- **Reversionary Yield (RY)** is the Assessed Market Income divided by the Purchase Price or Adopted Value. If an allowance has been made for Surplus Land or Capital Works the Purchase Price or Adopted Value is adjusted for these items prior to calculating the Reversionary Yield.
- **Rate/m$^2$ lettable area** is the Purchase Price or Adopted Value divided by the lettable area of the building.
- **Rate/m$^2$ site area** is the Purchase Price or Adopted Value divided by the gross land area or useable land area.
- **Vacant Possession (VP)** refers to a right to possession of land or built-up property in respect of which there is no current occupant.

### 8.3 Recent sale history

| | Sale date | Sale price |
|---|---|---|
| **Sale date/Price** | 16 December 2010. | $5,950,000. |

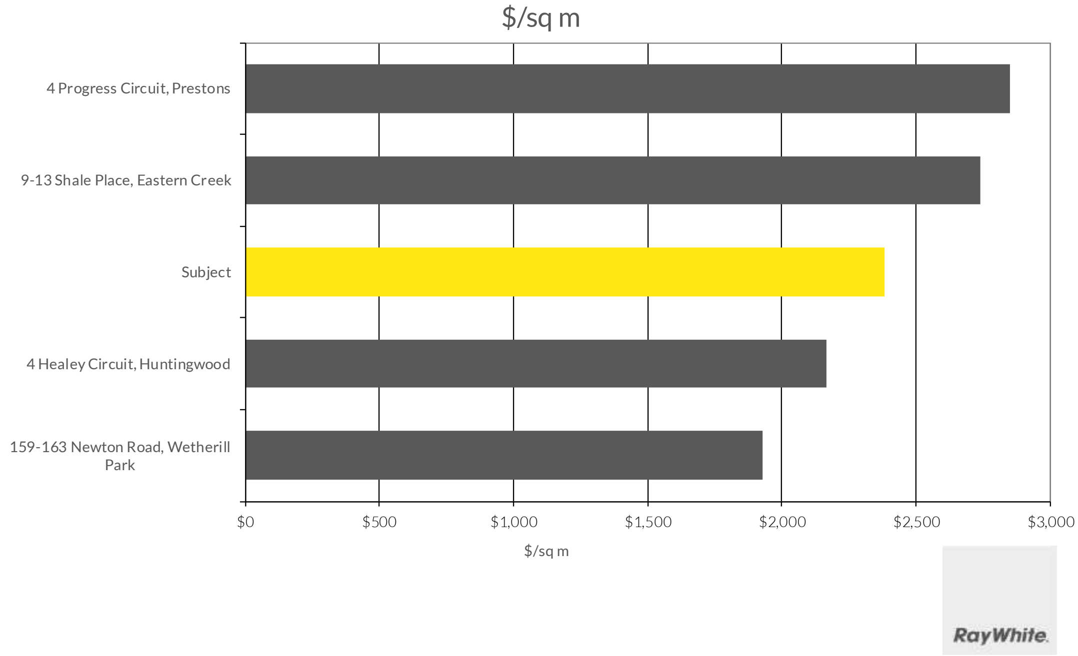
### 8.4 Direct comparison method

This approach utilises sales that have been analysed on a rate/m$^2$ of gross lettable area basis and compares the equivalent rates to the subject to establish the property's current market value. This approach is somewhat subjective given the difficulty in reflecting adjustments that can be applied in the capitalisation approach.

My adopted rate/m$^2$ of gross lettable area are discussed under heading 7.2 Rationale for direct comparison.

| **Gross Lettable area** | | | |
|---|---|---|---|
| GLA | | 5,248m$^2$ | |
| Value range | $2,300/m$^2$ | to | $2,500/m$^2$ |
| Resultant values | $12,070,860 | to | $13,120,500 |
| **Say** | **$12,000,000** | **to** | **$13,100,000** |

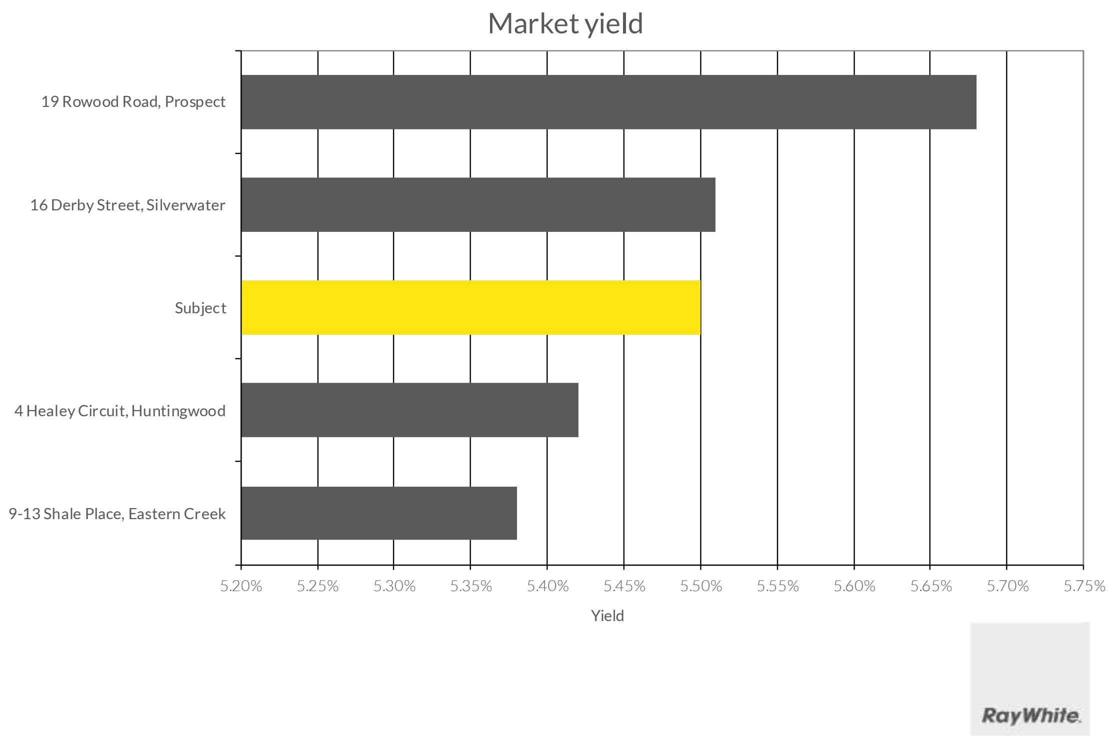
A comparison of the adopted rate with the market evidence is provided overleaf:




## 8.5 Capitalisation method

Under this approach, the current net market income generated by the property is capitalised at an appropriate market yield to establish the property's current market value fully leased. Appropriate capital adjustments are then made to reflect the specific cash flow profile and general characteristics of the property.

The adopted capitalisation rate applied to the subject property is 5.50%. This is compared to the analysed market yields of the sales evidence as follows:



Leasing adjustments have been deducted given the subject is owner occupied and include a 6 month letting up period, an agents leasing fee and a 3 month rent free incentive.

My calculations are as follows.

| | | |
|---|---|---|
| **Market net income** *(refer to Section 6.4 net income assessment)* | | **$687,780 pa** |
| Capitalisation rate | 5.50% | |
| **Capitalised value before adjustments** | | **$12,505,091** |
| **Adjustments** | | |
| Lease up allowance<br>(PV of 9 months gross income of<br>$787,230 @ 5.50% pa) | -$579,761 | |
| Agents fees<br>(12% of gross income deferred<br>6 months @ 5.50% pa) | -$91,911 | |
| **Total adjustments** | | **-$671,672** |
| **Derived value** | | **$11,833,419** |
| **Adopt** | | **$11,800,000** |

## 8.6 Sensitivity – based on capitalisation approach

| | | |
|---|---|---|
| *Increase capitalisation rate to/resultant value* | 5.75% | $11,289,719 |
| **Applied capitalisation rate/resultant capitalised value** | **5.50%** | **$11,833,419** |
| *Decrease capitalisation rate to/resultant value* | 5.25% | $12,428,899 |

# RECONCILIATION

### 9.1 Adopted value

The following table presents the results from the approaches that have been utilised in this assessment report and the value that has been adopted for the subject property.

| Direct comparison | Capitalisation | Adopted range |
|---|---|---|
| $12,000,000 - $13,100,000 | $11,800,000 | **$11,800,000 - $13,100,000** |

The primary method of assessment is Direct Comparison and I have weighted my assessment to reflect this.

| **Analysis of adopted value adopting an assessment of $12,500,000 excluding GST** | |
|---|---|
| Initial yield | 0% |
| Analysed market yield | 5.22% |
| Reversionary yield | 5.50% |
| Rate/m$^2$ of gross lettable area | $2,382/m$^2$ |
| Rate/m$^2$ of site area (improved) | $1,153/m$^2$ |

### 9.2 GST implications

Under the GST R2002/5 the property would not be classified as a going concern if:

– Sale and lease back.

– The building has never been leased or actively marketed.

As such, the ordinary method (whereby the full 10% GST is charged on the acquisition) or the margin scheme is likely to apply to the property.

# ASSESSMENT

Subject to the qualifications and assumptions contained within the body of this report, I assess the Market Range of the fee simple interest in possession of the property, as at 20 November 2019, to be:

**Market Range with Vacant Possession – As Is, excluding GST**

**$11,800,000 - $13,100,000**

**(ELEVEN MILLION EIGHT HUNDRED THOUSAND DOLLARS – THIRTEEN MILLION ONE HUNDRED THOUSAND DOLLARS)**

**NB: As instructed, this report is not suitable for Mortgage Security Purposes.**

This report is prepared for BDO Corporate Finance (WA) Pty Ltd ('BDO') and is to be included with the BDO Independent Experts Report in the OBJ Limited notice of meeting. It is for this purpose only and is not to be used or relied upon by any other party for any other purposes. It is subject to the terms and conditions, disclaimers, qualifications and limitations contained in this Report.

Only an electronically signed assessment submitted through a digital assessment instruction broker system, a signed hardcopy original of this assessment, a scanned version of a signed hardcopy original of this assessment or an electronic version of this assessment signed with an electronic signature should be relied upon and no responsibility or liability will be accepted for unauthorised copies of the assessment.

This report has been prepared subject to the conditions referred to in Section 3.1. Neither Ray White (Valuations NSW) nor any of its Directors make any representation in relation to the notice of meeting nor accepts responsibility for any information or representation made in the notice of meeting, apart from this report.

Ray White (Valuations NSW) has prepared this report which appears in the notice of meeting. Ray White (Valuations NSW) was involved in only in the preparation of this summary and the assessment referred to herein, and specifically disclaim any liability to any person in the event of any omission from, or false or misleading statement included in the notice of meeting, other than in respect of the assessment and this report. We confirm that this report may be used in the notice of meeting.

No part of this assessment or any reference to it may be included in any other document or reproduced or published in any way without written approval of the form and context in which it is to appear.

Neither the valuer nor Ray White (Valuations NSW) has any pecuniary interest giving rise to a conflict of interest in valuing the property.

The value assessed herein is based on the definition of market value unless otherwise stated in the report and does not represent the realisable value based on a mortgagee or receiver sale.

This assessment is current at the date of assessment only. The value assessed herein may change significantly and unexpectedly over a relatively short period including as a result of general market movements or factors specific to the particular property. Ray White (Valuations NSW) does not accept liability for losses or damage arising from such subsequent changes in value including consequential or economic loss. Without limiting the generality of the above comment, Ray White (Valuations NSW) does not assume any responsibility or accept any liability where this assessment is relied upon after the expiration of three months from the date of the assessment, or such earlier date if you become aware of any factors that have any effect on the assessment. However, it should be recognised that the three months reliance period does not guarantee the value for that period, it always remains an assessment at the date of assessment only.

Ray White (Valuations NSW) is not providing advice about a financial product, nor the suitability of the investment set out in the notice of meeting. Such an opinion can only be provided by a person who holds an Australian Financial Services Licence. Ray White (Valuations NSW) does not, nor does the consultant, hold an Australian Financial Services Licence and is not operating under such a licence in providing its opinion as to the value of the property detailed within this report.

| | | | |
|---|---|---|---|
| **Consultant** | Jarrod Piltz MRICS AAPI<br>Certified Practising Valuer<br>Director | **Reviewing party** | Arthur Zaglas |
| **Entity** | Ray White (Valuations NSW) | **Position** | Director |

Liability limited by a scheme approved under Professional Standards Legislation.

Quality Assurance procedures are undertaken prior to reports being released requiring internal compliance and verification checks. The reviewing Director has not inspected the property. Their signature confirms a genuine authorised Ray White (Valuations NSW) document. The opinion of value expressed in this report is that of the valuer only.

**Note:**

This document is prepared by:
Atlas Valuations Pty Ltd ABN 12 150 089 255 trading as Ray White (Valuations NSW).

Ray White (Valuations NSW) provides its valuation or advisory services as a member of the Ray White Group pursuant to a licence granted by Ray White (NSW) Pty Ltd In accordance with this licence, Ray White (Valuations NSW) utilises the trademark and brands of Ray White Group and has a link to the Ray White website. It thereby claims the benefit of all terms and conditions applicable to the use of such trademark, brands and website for the purposes of the provision of its valuation or advisory services.

Sole responsibility for the provision of the valuation or advisory services by Ray White (Valuations NSW) rests with that entity and Ray White Group assumes no responsibility nor otherwise acknowledges any liability for the provision of such services by reason of its licensing of Ray White (Valuations NSW).

# ANNEXURES

1. Environmental Checklist
2. Title Documents

# ANNEXURE 1

Environmental Checklist

# ENVIRONMENTAL CHECKLIST

Ray White VALUATIONS

This checklist is an extract from the API Standard Instructions for Valuation Reports Office, Industrial & Retail Investment Property Version 1.0 dated January 2016.

| Topic | | Overview | Advice |
|---|---|---|---|
| Historical Use | 1. | Is there any indication that there has been previous noxious or potentially contaminating use of the Property? | No |
| Planning Controls | 2. | Is the property subject to an environmental planning overlay that could constrain land use and development, or an overlay that indicates the need for an environmental audit as part of any development approval process? | No |
| Adjoining Planning Controls | 3. | Is land adjoining the property the subject of an overlay that indicates adjoining land could be contaminated? | No |
| Neighbouring Land Use | 4. | Based on a visual inspection to the extent that it is reasonably possible to do so, are there adjoining sites that appear to or are known to have or have had noxious or potentially contaminating uses? | No |
| Current Operations at the Property | 5. | Have your investigations identified industrial processes onsite that involve the use of chemicals or hazardous materials? | No |
| | 6. | Have your investigations identified there having been, past or present, the underground storage of fuels, chemicals or hazardous materials at the Property? | No |
| Registers, Notices and Orders | 7. | Is the property included in the current register of contaminated sites, or the subject of a contaminated land audit as indicated on that public register? | No |
| Environmental Licensing | 8. | Are the operations at the premises subject to an environmental license, resource consent or equivalent? | No |
| Asbestos | 9. | Could any buildings or improvements at the property predate 1990? Is asbestos containing material known to be present at the Property? | No |
| | 10. | Were there any observed non-compliances with statutory requirements pertaining to asbestos or hazardous materials (e.g. failure to maintain current asbestos register/record?) | No |
| | 11. | Did the asbestos register/record indicate the presence of asbestos? | N/A |
| | 12. | Is an Asbestos Management Plan in place for the Property? | Unknown |
| Aluminium Composite Cladding | 13. | Based on a visual inspection to the extent that it is reasonably possible could any buildings or improvements at the property incorporate aluminium composite cladding as part of their design / build? | No |
| | 14. | If 'yes' to the above (Q13) has the Property Owner taken additional measures to confirm the authenticity of the external wall cladding used, or to be used on the building, in particular, whether the product being used is of acceptable quality, meets Australian standards (BCA) and is fit for its intended purpose? Please attach any supporting documents as an annexure to the report. | N/A |

This questionnaire has been completed on the understanding the relying party accepts the Valuer is not an expert in environmental matters. If the questionnaire implies no issue, this does not guarantee the subject property is free of contamination or asbestos. This check list should be read in conjunction with comments contained in the report and is subject to the Valuer's disclaimer. This questionnaire should not be relied upon as a stand-alone document by the relying party or any other third party.

# ANNEXURE 2

Title Documents

NEW SOUTH WALES LAND REGISTRY SERVICES - TITLE SEARCH

FOLIO: 1/655313

| SEARCH DATE | TIME | EDITION NO | DATE |
|---|---|---|---|
| 21/11/2019 | 11:01 AM | 7 | 9/9/2018 |

NO CERTIFICATE OF TITLE HAS ISSUED FOR THE CURRENT EDITION OF THIS FOLIO.
CONTROL OF THE RIGHT TO DEAL IS HELD BY NATIONAL AUSTRALIA BANK LIMITED.

LAND

LOT 1 IN DEPOSITED PLAN 655313
LOCAL GOVERNMENT AREA BLACKTOWN
PARISH OF PROSPECT COUNTY OF CUMBERLAND
TITLE DIAGRAM DP655313

FIRST SCHEDULE

WESTFIRE INVESTMENTS PTY LTD (T AG92347)

SECOND SCHEDULE (5 NOTIFICATIONS)

1 RESERVATIONS AND CONDITIONS IN THE CROWN GRANT(S)
2 A282867 COVENANT
3 AA663611 LEASE TO JAX TYRES PTY LIMITED OF UNITS 2 AND 3, CNR GREAT WESTERN HIGHWAY AND WALTERS RD, ARNDELL PARK. EXPIRES: 31/12/2010. OPTION OF RENEWAL: 7 YEARS.
4 AG92348 MORTGAGE TO NATIONAL AUSTRALIA BANK LIMITED
5 AG937531 LEASE TO PROTECTOR GLASS INDUSTRIES PTY LTD OF UNIT 1 AND UNIT 1B, 131 GREAT WESTERN HIGHWAY, ARNDELL PARK. EXPIRES: 31/12/2014.

NOTATIONS

UNREGISTERED DEALINGS: NIL

*** END OF SEARCH ***

glsrwv05 PRINTED ON 21/11/2019

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NEW SOUTH WALES

# CERTIFICATE OF TITLE

REAL PROPERTY ACT, 1900

TORRENS TITLE
Register

Vol. 12382 Fol. 97

Appln. No. 14274

Prior Title Vol.7869 Fols.53 & 54

Edition issued 13-3-1974.

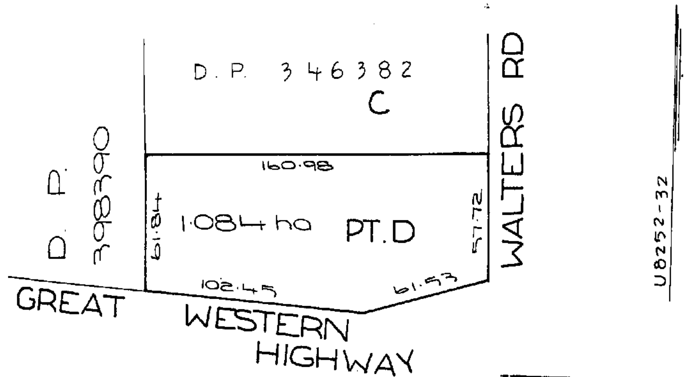
**CANCELLED**

I certify that the person described in the First Schedule is the registered proprietor of the undermentioned estate in the land within described subject nevertheless to such exceptions encumbrances and interests as are shown in the Second Schedule.

SEE AUTO FOLIO

Registrar General.

PLAN SHOWING LOCATION OF LAND
LENGTHS ARE IN METRES




THE LAND WITHIN DESCRIBED IS Lot 1 in DP 655313

N612228

REDUCTION RATIO 1:2000

ESTATE AND LAND REFERRED TO

Estate in Fee Simple in the part of Lot D in Deposited Plan 346382 shown in the plan hereon in the Municipality of Blacktown Parish of Prospect and County of Cumberland being part of Portion 196 granted to John Campbell on 30-6-1823.

FIRST SCHEDULE

~~JACK TRANTER ...stern Creek, Textile Worker.~~

SECOND SCHEDULE

1. Reservations and conditions, if any, contained in the Crown Grant above referred to.
2. Covenant created by Transfer No.A282867.



D P 655313

Prepared : 20·1·1995

This plan has been created to provide a unique identifier to enable the issue of an Automated Torrens Title for the land comprised in folio of the Register

Volume 12382 Folio 97

N001D1B

Metric Conversion Chart

| Feet | Inches | Metres |
|---|---|---|
| | 1/4 | 0.0064 |
| | 1/2 | 0.0127 |
| | 3/4 | 0.0190 |
| | 1 | 0.0254 |
| | 2 | 0.0508 |
| | 3 | 0.0762 |
| | 4 | 0.1016 |
| | 5 | 0.1270 |
| | 6 | 0.1524 |
| | 7 | 0.1778 |
| | 8 | 0.2032 |
| | 9 | 0.2286 |
| | 10 | 0.2540 |
| | 11 | 0.2794 |
| 1 | 0 | 0.3048 |
| 50 | 0 | 15.24 |
| 100 | 0 | 30.48 |

| Links | Metres |
|---|---|
| 1/10 | 0.0201 |
| 1 | 0.2012 |
| 100 | 20.115 |

Areas
1 Perch (P) 25.29 m2
1 Rood (R) 1012 m2
1 Acre (A) 4047 m2
1 Hectare (Ha) = 10,000 m2

OBJ Limited | ACN 056 482 636

# GM Registration Card

**If you are attending the meeting in person, please bring this with you for Securityholder registration.**

**Holder Number:**

## Vote by Proxy: OBJ

Your proxy voting instruction must be received by **10.00am (WST) on Sunday 16 February 2020,** being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

### SUBMIT YOUR PROXY VOTE ONLINE

**Vote online at https://investor.automic.com.au/#/loginsah**

**Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.**

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.

### SUBMIT YOUR PROXY VOTE BY PAPER

**Complete the form overleaf in accordance with the instructions set out below.**

#### YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: **https://investor.automic.com.au/#/home** Shareholders sponsored by a broker should advise their broker of any changes.

#### VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

#### DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP

#### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking 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 SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

#### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

**Individual**: Where the holding is in one name, the Shareholder must sign.

**Joint holding**: Where the holding is in more than one name, all of the Shareholders should sign.

**Power of attorney**: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

**Companies**: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

**Email Address**: Please provide your email address in the space provided.

**By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.**

#### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at https://automic.com.au.

#### ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

#### POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.

## Contact

**Return your completed form**

**BY MAIL**
Automic
GPO Box 5193
Sydney NSW 2001

**IN PERSON**
Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

**BY EMAIL**
meetings@automicgroup.com.au

**All enquiries to Automic**

**WEBCHAT**
https://automic.com.au/

**PHONE**
1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

## STEP 1: Appoint Your Proxy

### Complete and return this form as instructed only if you do not vote online

I/We being a Shareholder entitled to attend and vote at the General Meeting of OBJ Limited, to be held at **10.00 am (WST) on Tuesday 18 February 2020 at RSM Perth, Sir Cyril Bird Boardroom, Level 32, Exchange Tower, 2 The Esplanade, Perth WA 6000** hereby:

**Appoint the Chairman of the Meeting (Chair)** OR if you are not appointing the Chairman of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

**The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.**
Unless indicated otherwise by ticking the "for"," against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

## STEP 2: Your Voting Direction

| Resolutions | For | Against | Abstain |
|---|---|---|---|
| 1. Change to Nature and Scale of Activities - Proposed Acquisition of Export Corporation (Australia) Pty Ltd | | | |
| 2. Consolidation of Capital | | | |
| 3. Approval of Issue of Equity Consideration to Vendor | | | |
| 4. Capital Raising | | | |
| 5. Election of Director – Danny Pavlovich | | | |
| 6. Change of Company Name | | | |
| 7. Issue of Shares to Related Party – Steven Schapera – Proposed Participation in Capital Raising | | | |
| 8. Issue of Shares to Related Party – Antonio Varano – Proposed Participation in Capital Raising | | | |
| 9. Issue of Shares to Related Party – Jeffrey Edwards – Proposed Participation in Capital Raising | | | |
| 10. Issue of Shares to Related Party – Christopher Quirk – Proposed Participation in Capital Raising | | | |
| 11. Issue of Shares to Related Party – Cameron Reynolds – Proposed Participation in Capital Raising | | | |

***Please note:*** *If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution 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: Sign Here + Contact Details

### SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

| Individual or Securityholder 1 | Securityholder 2 | Securityholder 3 |
|---|---|---|
| | | |
| Sole Director and Sole Company Secretary | Director | Director / Company Secretary |

Contact Name:

Email Address:

Contact Daytime Telephone

Date (DD/MM/YY)

/ /

**By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).**