INDEPENDENT EXPERT'S REPORT

Carbon Polymers Limited

27 September 2013

Final Report

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 14, 140 William Street
MELBOURNE VIC 3000
Australia

FINANCIAL SERVICES GUIDE

This Financial Services Guide is issued in relation to an independent expert's report ("Report or IER") prepared by BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (BDO) in relation to the proposed acquisition by Carbon Polymers Limited ("CBP" or "the Company") of Bluenergy Group Pty Ltd ("Bluenergy") ("Proposed Transaction"). The Report is intended to accompany the notice of meeting and accompanying explanatory memorandum (Documents) that are to be provided by the directors ("Directors") of CBP.

Financial Services Guide

BDO holds an Australian Financial Services Licence (License No: 247420) (Licence). As a result of our Report being provided to you BDO are required to issue to you, as a retail client, a Financial Services Guide (FSG). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial services BDO is licensed to provide

The Licence authorises BDO to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

BDO provides financial product advice by virtue of an engagement to issue the Report in connection with the issue of securities of another person.

Our Report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our Report (as a retail client) because of your connection with the matters on which our Report has been issued.

Our Report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the Report.

General financial product advice

Our Report provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to the Proposed Transaction may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that BDO may receive

BDO has charged fees for providing our Report. The basis on which our fees will be determined has been agreed with, and our fees will be paid by the person who engaged us to provide the Report. Our fees have been agreed on either a fixed fee or time cost basis.

BDO will receive a fee based on the time spent in the preparation of this Report in the amount of approximately $67,500 (plus GST and disbursements). BDO will not receive any fee contingent upon the outcome of the Proposed Transaction, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposed Transaction.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of BDO or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our Report was provided.

Referrals

BDO does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that BDO is licensed to provide.

Associations and relationships

BDO is the licensed corporate advisory arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. The directors of BDO may also be partners in BDO East Coast Partnership, Chartered Accountants and Business Advisers.

BDO East Coast Partnership, Chartered Accountants and Business Advisers are comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

BDO's contact details are as set out on our letterhead.

BDO is unaware of any matter or circumstance that would preclude it from preparing the Report on the grounds of independence under regulatory or professional requirements. In particular, BDO has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and Australian Securities and Investments Commission (ASIC).

Complaints Resolution

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 (East Coast) Pty Ltd, Level 14, 140 William Street, Melbourne VIC 3000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory Resolution, you can raise your concerns with the Financial Ombudsman Service Limited (FOS). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. BDO is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited

GPO Box 3

Melbourne VIC 3001

Toll free:	1300 78 08 08
Email:	info@fos.org.au

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 14, 140 William Street
MELBOURNE VIC 3000
Australia

The Directors
Carbon Polymers Limited
150 Woodpark Drive
SMITHFIELD NSW 2164

27 September 2013

Dear Directors

INDEPENDENT EXPERT'S REPORT

Introduction

The directors ("Directors") of Carbon Polymers Limited ("CBP" or "the Company") have appointed BDO Corporate Finance (East Coast) Pty Ltd ("BDO") to prepare an independent expert's report ("Report" or "IER") setting out our opinion as to whether the proposed acquisition by CBP of Bluenergy Group Pty Ltd ("Bluenergy") is fair and reasonable to CBP's non-associated shareholders ("Non-associated Shareholders") ("Proposed Transaction").

The Report is intended to accompany the notice of meeting and explanatory memorandum ("Documents") that are to be sent to shareholders of CBP by the Directors of CBP.

The Proposed Transaction

CBP has entered into a heads of agreement (dated 15 February 2013, and amendment dated 22 February 2013) with Bluenergy to acquire 100% of the issued shares in Bluenergy for consideration comprising the issue of 450 million new ordinary shares in CBP at a notional price of $0.10 per CBP share.

As at 30 June 2013 CBP had on issue, approximately, 189 million ordinary shares, 20.41 million options and convertible notes that that can be converted to 10.25 million ordinary shares. The Proposed Transaction could provide the current shareholders of Bluenergy with up to 70% of the issued shares in CBP and consequently the Proposed Transaction under Resolution 3 in the Documents will require approval of Non-associated Shareholders.

A general meeting of shareholders of CBP is proposed to be held in October 2013 or shortly thereafter for Non-associated Shareholders to vote on the Proposed Transaction.

Purpose of our Report

The Directors have engaged BDO to prepare this Report to opine on whether the Proposed Transaction is fair and reasonable to Non-associated Shareholders for the purposes of Section 611 of the Corporations Act 2001 (Cth) (Act) and is to be included in the Notice of Meeting in order to assist the Shareholders in their decision whether to approve the Proposed Transaction.

All amounts in this Report are stated in Australian dollars ($) unless otherwise stated.

Approach

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

In arriving at our opinion, we have assessed the terms of the Proposed Transaction as summarised in our Report that is attached, and in the Documents. In undertaking this assessment, we have:

- compared our assessed value of a CBP Share (on a control basis) before the Proposed Transaction to our assessed value of a CBP Share (on a minority basis) after the Proposed Transaction; and
- considered other factors which we consider to be relevant to the Non-associated Shareholders in their assessment of the Proposed Transaction.

Summary of opinion

In our opinion, the Proposed Transaction is fair and reasonable to the Non-associated Shareholders.

Fairness assessment

We have formed our opinion in relation to fairness by comparing our assessed value of a CBP Share (on a control basis) before the Proposed Transaction to our assessed value of a CBP Share (on a minority basis) after the Proposed Transaction.

The Proposed Transaction will be fair if the assessed value per Share (on a minority basis) after the Proposed Transaction is equal to or greater than the value of a CBP Share (on a control basis) before the Proposed Transaction. Our assessed value is based on CBP's net tangible asset value ("NTAV") before and after the Proposed Transaction.

The results of our fairness assessment is summarised below.

Table 1: Fairness assessment

$	Ref	NTAV
Fairness of Proposed Transaction		
NTAV per CBP Share before the Proposed Transaction	Section 7.1	0.6 cents
NTAV per CBP Share after the Proposed Transaction	Section 8.1	1.7 cents

Source: BDO analysis

As the NTAV of a CBP Share after the Proposed Transaction is higher than the NTAV of a CBP Share before the Proposed Transaction, we conclude that the Proposed Transaction is fair.

Reasonableness assessment

According to RG 111, an offer is reasonable if it is fair. On this basis, as we have concluded that the Proposed Transaction is fair, it is also considered to be reasonable.

We have also considered various factors that we believe Non-associated Shareholders should consider when deciding whether or not to approve the Proposed Transaction. The factors that we have considered are set out in Section 9.2 of our Report. Below is a summary of the factors we considered:

- Uncertainty of the carrying value of property, plant and equipment ("PPE")
- Dilution of existing Shareholders' interest.
- If the Proposed Transaction is not approved, CBP may not have the ability to meet its debts as and when they fall due.
- If the Proposed Transaction is not approved, further capital initiatives may be required.

Shareholders’ individual circumstances

Our analysis has been undertaken, and our conclusions are expressed, at an aggregate level. Accordingly, we have not considered the effect of the Proposed Transaction on the particular circumstances of individual Shareholders. Some individual Shareholders may place a different emphasis on various aspects of the Proposed Transaction from that adopted in this Report. Accordingly, individual Shareholders may reach different conclusions as to whether or not the Proposed Transaction is fair and reasonable in their individual circumstances. As the decision of an individual Shareholder in relation to the Proposed Transaction may be influenced by their particular circumstances (including their taxation position), Shareholders are advised to seek their own independent advice.

Approval or rejection of the Proposed Transaction is a matter for individual Shareholders based on their expectations as to the expected value and future prospects and market conditions and their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Shareholders should carefully consider the Documents. Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their professional adviser.

Summary

This summary should be read in conjunction with the attached Report that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

Glossary

Capitalised terms used in this Report have the meanings set out in the glossary.

Sources of information

Appendix 1 identifies the information referred to, and relied upon by us during the course of preparing this Report and forming our opinion.

Financial Services Guide

BDO holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A Financial Services Guide is attached at the start of this Report.

Yours faithfully
BDO CORPORATE FINANCE (EAST COAST) PTY LTD

Dan Taylor
Director

David McCourt
Director

TABLE OF CONTENTS

1. OVERVIEW

1.1. Proposed Transaction Summary

The Proposed Transaction relates to Resolution 3, details of which are set out in the accompanying notice for a shareholders' meeting ("Notice of Meeting"). However, Resolutions 1 to 6 are interdependent. Accordingly, it is also necessary to consider the potential impact of approving Resolutions 4 and 5. Resolutions 3, 4 and 5 as summarised below.

1.1.1. Resolution 1 – Change to Nature and Scale of Activities

The Proposed Transaction will, if approved, result in a substantial change to the size and scale of CBP's activities.

1.1.2. Resolution 2 – Consolidation of Capital

If Resolution 2 in the Notice of Meeting is approved, the issued capital of CBP (comprising shares and options) will be proportionately consolidated such that the share price is not less than $0.20.

The number of shares and options referred to in this report do not take into account the impact of resolution 2. However, the number of share issued pursuant to subsequent resolutions will be proportionately adjusted in line with the consolidation of capital ratio. Accordingly, resolution 2 will not impact the proportion of shares held by each CBP shareholder before or after the Proposed Transaction (other than rounding up).

1.1.3. Resolution 3 – Bluenergy Share Acquisition & Company Share Issue

If Resolution 3 in the Notice of Meeting is approved:

- CPB will own 100% of the issued shares of Bluenergy
- CBP's issued capital will increase by 450 million fully paid ordinary shares ("FPO Shares") to 639.2 million FPO Shares
- The current shareholders of Bluenergy will obtain a controlling interest in CBP.

We also understand that:

- The acquisition of Bluenergy and its subsidiaries under Resolution 3 may be undertaken in a number of separate transactions steps (to be determined by management of CBP)
- Related party loans equating to a net amount of $10.9 million held by subsidiaries of Bluenergy will be forgiven as part of the Proposed Transaction, provided the Proposed Transaction is approved.

1.1.4. Resolution 4 – Roche Resources Earn Out Component and Company Share Issue

Roche Resources Mining and Infrastructure Pty Ltd ("Roche Resources") is a wholly owned subsidiary of Bluenergy. As noted above, subject to the approval of Resolution 3, Bluenergy will become a wholly owned subsidiary of CBP.

If Resolution 4 in the Notice of Meeting is approved:

- CBP will issue 50 million FPO shares to the current owners of Roche Resources if, and only if, Roche Resources achieves a net profit after tax ("NPAT") target of $5.0 million (as a stand alone entity) for the year ended 30 June 2014.

1.1.5. Resolution 5 – Issue of CBP Shares to Gurney Capital

If Resolution 5 in the Notice of Meeting is approved:

- CBP's financial adviser to the transaction, Gurney Capital Nominees Pty Ltd ("Gurney Capital"), will be issued with 5 million FPO shares increasing the total number of shares on issue to 644.2 million FPO shares (694.2 million FPO shares if Roche Resources reaches the NPAT target).

1.1.6. **Resolution 6 – Share Placement Approval**

If Resolution 6 in the Notice of Meeting is approved:

- That the Board will be authorised to issue up to 50,000,000 fully paid ordinary shares on a pre-consolidation (resolution 2) basis at $0.20 per share.
- The proceeds will be used for the acquisition of assets, reduction of liabilities, costs of the Transaction and to support working capital requirements.

1.2. Consideration

In relation to the Proposed Transaction (Resolution 3), CBP will issue 450 million FPO Shares to the current shareholders of Bluenergy based on a notional share price of $0.10 per CBP share, equating to a notional purchase price of $45 million in the form of scrip.

1.3. Escrowed Securities

Under the terms of the Proposed Transaction, the existing shareholders of Bluenergy have agreed to enter into a voluntary escrow agreement with CBP in relation to all of the CBP shares received under the agreement which are issued to them at completion. Under these voluntary escrow agreements, the vendors agree, subject to certain limited exceptions, not to deal in their escrowed securities for a period of 12 months from their issue date.

1.4. Transaction Rationale

The directors have provided the following rationale in respect to the Proposed Transaction:

(a) The Proposed Transaction represents a significant investment opportunity for CBP to diversify its interests.

(b) CBP will acquire a profitable new business which has the potential to increase shareholder value and provide a viable future business.

(c) CBP will increase its scale and aims to become a leading diversified investment company listed on the ASX.

(d) The Proposed Transaction should increase the market capitalisation of CBP and should increase the liquidity of the shares of CBP and analyst coverage.

1.5. Transaction Costs

The costs associated with the Proposed Transaction primarily comprise the 5 million shares to be issued to Gurney Capital pursuant to Resolution 5.

In addition, per the terms of the heads of agreement entered into between CBP and Bluenergy, CBP may be required to reimburse Bluenergy for up to $500,000 in costs if the Proposed Transaction is not approved.

2. SCOPE AND LIMITATIONS

The Directors have engaged BDO to prepare a Report in relation to the Proposed Transaction to satisfy the requirements of Section 611 of the Act.

Section 606 of the Act does not allow a person to acquire a relevant interest in shares such that they would control 20% or more of the voting shares in a company without making a takeover offer.

Section 611 provides an exemption to Section 606 if the acquisition is approved by a Resolution of the shareholders at a general meeting called for that purpose. Section 611 requires shareholders to be given all relevant information known to the person making the acquisition, their associates or the company, which is material to the acquisition, prior to general meeting taking place.

The current shareholders of Bluenergy do not presently hold any equity interests in CBP.

The approval by Non-associated Shareholders of the Proposed Transaction and its implementation would result in the shareholders of Bluenergy obtaining voting interests of up to 70% in CBP.

ASIC Regulatory Guide 'Acquisition approved by members' ("RG 74") obliges the directors of a company to supply to shareholders all information that is material by either:

- The directors undertaking a detailed examination of the proposal themselves, if they consider that they have sufficient expertise; or
- By commissioning an independent expert's report.

In compliance with the above, the Directors have decided to commission an IER regarding the 'fairness and reasonableness' of the Proposed Transaction to the Non-associated Shareholders of CBP.

2.1. Scope

The procedures we have undertaken have been limited to those procedures that we believe were required in order to form our opinion. Our procedures in the preparation of the Report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards, nor do they constitute a review in accordance with Auditing Standards applicable to review engagements.

The assessment of whether the Proposed Transaction is fair and reasonable necessarily involves determining the 'fair market value' of various securities, assets and interests.

For the purposes of our opinion, the term 'fair market value' is defined as:

"*The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm's length*."

2.2. Basis of Assessment

In determining whether the Proposed Transaction is fair and reasonable to Non-associated Shareholders, we have had regard to the following ASIC guidelines:

- Regulatory Guide 111 'Content of expert reports' ("RG 111")
- Regulatory Guide 112 'Independence of experts' ("RG 112").

In particular, RG 111 provides guidance in respect of independent expert's reports under the Act. RG 111 provides two criteria for an expert analysing a control transaction. They are:

- Is it 'fair'; and
- Is it 'reasonable'?

That is, the terms fair and reasonable are regarded as separate elements and are not to be regarded as a compound phrase.

2.2.1. **Fair**

RG 111.11 indicates 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. The comparison must 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.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

In our opinion, the Proposed Transaction will be fair to the Non-associated Shareholders if the assessed value per CBP Share (on a minority basis) after the Proposed Transaction is equal to or greater than the value of a CBP Share (on a control basis) before the Proposed Transaction.

2.2.2. **Reasonable**

RG 111.12 indicates that an offer is 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to vote for the proposal.

RG 111.13 sets out some of the factors that an expert might consider in assessing the reasonableness of an offer, including:

- The bidder's pre-existing voting power in securities in the target
- Other significant security holding blocks in the target
- The liquidity of the market in the target's securities
- Any special value of the target to the bidder, such as particular technology, the potential to write off outstanding loans from the target, etc.
- The likely market price if the offer is unsuccessful
- The value to an alternative bidder and likelihood of an alternative offer being made.

2.3. **Limitations**

2.3.1. **General**

In preparing an independent expert's report, ASIC requires the independent expert when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the proposal, ASIC Regulatory Guides and commercial practice.

Our Report also includes the following information and disclosures:

- Particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO East Coast Partnership or BDO (or antecedent firms) and any of the parties to the Proposed Transaction.
- The nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the Report.
- We have been appointed as independent expert for the purposes of providing a Report for inclusion in the Documents.

- We have relied on information provided by the Directors and management of CBP and Bluenergy and we have not carried out any form of audit or independent verification of the information provided.
- We have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of our Report.

2.3.2. **Current Market Conditions**

Our opinion is based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time. Changes in those conditions may result in any opinion becoming quickly out dated and in need of revision. We reserve the right to revise any opinion, in the light of material information existing at the Report date that subsequently becomes known to us.

2.3.3. **Reliance on Information**

This Report is based upon financial and other information provided by CBP, the Directors and management of CBP. We have considered and relied upon this information. We believe the information provided to be reliable, complete and not misleading, and we have no reason to believe that any material facts have been withheld.

Our procedures in the preparation of the Report involved an analysis of financial information and accounting records. This did not include verification work nor constitute an audit or review in accordance with Australian Auditing and Assurance Standards and consequently does not enable us to become aware of all significant matters that might be identified in an audit or review. Accordingly we do not express an audit or review opinion.

It was not our role to undertake, and we have not undertaken, any commercial, technical, financial, legal, taxation or other due diligence, other similar investigative activities or valuations in respect of the Proposed Transaction. We understand that the Directors have been advised by legal, accounting and other appropriate advisors in relation to such matters, as necessary. We do not provide any warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Directors and/or their advisors.

We do not provide any warranty or guarantee that our inquiries have identified or verified all of the matters which an audit, extensive examination or 'due diligence' investigation might disclose. An opinion as to whether a corporate transaction is 'fair and reasonable' is in the nature of an overall opinion, rather than an audit or detailed investigation and it is in this context that we advise that we are not in a position, nor is it practical for us, to undertake such an extensive verification exercise.

It is understood that except where noted, the accounting information provided to us was prepared in accordance with generally accepted accounting principles (including adoption of Australian Equivalents to International Financial Reporting Standards) and prepared in a manner consistent with the method of accounting used by CBP in previous accounting periods.

2.4. **APES 225**

This engagement has been conducted in accordance with professional standard APES 225 *Valuation Services*, as issued by the Australian Professional and Ethical Standards Board.

2.5. Assumptions

In forming our opinion, we have made certain assumptions as outlined below:

- Assumptions summarised in the valuation sections of this Report.
- We have had full access to CBP management to obtain information as required.
- Matters such as compliance with laws and regulations and contracts in place are in good standing, and will remain so. There are no material legal proceedings, other than as publicly disclosed.
- Information in relation to the Proposed Transaction that is distributed to Shareholders, or any information issued by a statutory body is complete, accurate and fairly presented in all material respects.
- Any publicly available information relied on by us is accurate, up to date and not misleading.
- If the Proposed Transaction is implemented, it will be implemented in accordance with the publicly stated terms.
- The legal mechanisms to implement the Proposed Transaction are valid and effective.
- There are no undue changes to the terms and conditions of the Proposed Transaction or complex issues unknown to us from the date of issue of this Report.

3. OVERVIEW OF CARBON POLYMERS

3.1. Overview

Prior to October 2010 CBP was known as Nullabor Holdings Limited, which listed on the ASX in 1970 as a general investment company. CBP has invested in the recovery and reuse of carbon and plastic materials primarily found in used tyres that it collects from retail partners and local governments. CBP has recently diversified its operations to include logistics and construction. The following entities are 100% owned subsidiaries of CBP:

3.1.1. TCPL

Tyre Collections Pty Limited ("TCPL") is a transport and logistics company dealing with the management and transport of containers from Australia for clients, the collecting and delivery of goods and the management and temporary storage of products. The company has operations in Sydney, Adelaide and Perth.

3.1.2. RCM

Reclaim Holdings Pty Limited ("RCM") is a moulded products business that commenced when the company acquired the Reclaim Industries plant and equipment. It sells safety equipment related to traffic, site management and OH&S applications. RCM had operated in the processing and manufacture of waste tyres to produce soft fall surfacing and moulded products. The plant and equipment have undergone substantial upgrades and are supplying building contractors in synthetic surfacing, playground installations, equestrian surfaces and OH&S applications.

3.1.3. Avon Plastics

Avon Plastics Pty Limited ("Avon Plastics") operates a number of full recycling plants capable of granulating, washing, drying and extruding polymers from recycled plastics and processing used tyres to reduce them into a fine mesh powder and granules. This facilitates the manufacture of plastics including high, medium and low density polyethylene in addition to other plastic products. The subsequent mesh powder and granules are then used extensively in the manufacture of adhesives, road bases, mining applications and new tyres.

3.1.4. SRS

Softfall Rubber Surfaces Pty Ltd ("SRS") is a construction and landscaping company focused on construction activities in the government and NGO sector. SRS also supplies and installs safety surfacing and synthetic coverings. SRS is located in Adelaide, Perth and Sydney.

3.1.5. Oakturn

Oakturn Pty Ltd ("Oakturn") produces fine powders and granules of recycled rubber that is used in adhesives, road bases and mining applications.

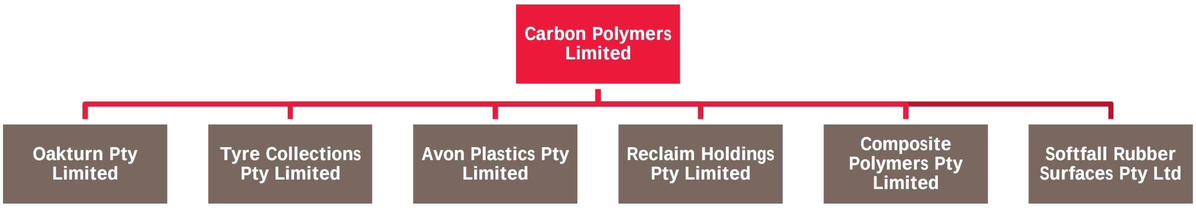
3.1.6. Composite Polymers

Composite Polymers Pty Limited ("Composite Polymers") is currently dormant. It is intended to be the operating entity for producing composite polymers combining rubber and plastic.

3.2. Corporate Structure

CBP's corporate structure comprising its subsidiaries is summarised below:

Figure 1: CBP Corporate structure



Source: CBP's Annual Report 2012

Note: CBP owns 100% of the subsidiaries presented above

3.3. Key personnel

The table below presents a brief description of CBP's directors and key management:

Table 2: CBP's directors and key management

Name and position	Description
Andrew Howard, Chairman/Group Managing Director	Andrew Howard has a background in restructuring commercial ventures with 25 years' experience in capital markets with local and international Investment banks. He is a responsible manager on an Australian Financial Service Licence.
Rodger Johnston, Non-Executive Director	Rodger Johnston holds a Bachelor of Economics degree from Sydney University. He has 36 years of professional and commercial experience. He has held positions on the boards of public companies in Australia and Asia.
Paul McGregor, Non-Executive Director	Paul McGregor has 30 years' experience in wholesale financial markets working for domestic and international Investment banks. During this time he has also been a member of the Australian Securities Exchange Market Practice Committee.
Jerry Gordon, Oakturn Managing Director and CBP Company Secretary	Jerry Gordon has been the catalyst for Carbon Polymers development of new technologies for recycling during his 30 year career. Jerry has a background in mechanical engineering and has been responsible for developing plant and equipment for commercial grade textile manufacturing, laser cutting, packaging and handling equipment, tyre recycling systems and plastic extrusion systems.

Source: CBP

3.4. Historical Financial Information

3.4.1. Financial performance

The consolidated statements of comprehensive income of CBP for the years ended 30 June 2011 ("FY2011") and 30 June 2012 ("FY2012"), the six months to 31 December 2012 ("YTD Dec-2012") and preliminary statement for 30 June 2013 ("FY2013"):

Table 3: Consolidated Statements of Comprehensive Income

Period $	FY2011 (Audited)	FY2012 (Audited)	YTD Dec-2012 (Reviewed)	FY2013 (Preliminary)
Revenue	179,014	1,352,187	688,485	1,372,075
Other income	13,543	896	-	3,873
Cost of sales	(10,632)	(295,244)	(587,318)	(721,217)
Other operating expenses	-	(4,781,696)	(2,566,062)	(2,749,496)
EBITDA	**181,925**	**(3,723,857)**	**(2,464,895)**	**(2,094,765)**
Depreciation and amortisation expense	(133,183)	(2,791,977)	(185,479)	(384,324)
Finance costs	-	(324,862)	(113,605)	(355,476)
Fair value adjustments	37,278	-		-
Profit / (loss) before income tax	**86,020**	**(6,840,696)**	**(2,763,979)**	**(2,834,565)**
Income tax expense	-	-	-	-
Profit / (loss) from continuing operations	**86,020**	**(6,840,696)**	**(2,763,979)**	**(2,834,565)**
Profit / (loss) from discontinued operations	2,685,109	-	-	
Profit / (loss) for the year	**2,771,129**	**(6,840,696)**	**(2,763,979)**	**(2,834,565)**
Other comprehensive income:				
Net gain on revaluation of plant and equipment	1,881,393	-	-	524,866
Other comprehensive income for the year, net of tax	1,881,393	-	-	524,886
Total comprehensive income / (loss) for the year	**4,652,522**	**(6,840,696)**	**(2,763,979)**	**(2,309,699)**

Source: CBP Annual Report 2012, CBP Interim Financial Statements for the 6 months ended 31 December 2012 and Preliminary financial statements for FY2013.

We note the following:

- CBP reported operating losses for FY2013 from continuing operations.
- Cost of sales YTD Dec-2012 and FY2013 are higher than FY2012 as a result of Management writing down the value of inventory to $nil, being the cost of the inventory to CBP. Inventory relates to the tyres used in CBP's tyre recycling business. CBP does not pay for the tyres it receives, instead it receives cash for the tyres it collects or that are delivered to its premises. The write off has increased the loss for the period, however will not affect any future financial years.
- Depreciation and amortisation expense in FY2012 includes amortisation of $2.3 million in development costs relating to the tyre recycling plant at Smithfield.
- Other expenses relate to operating expenditure including wages (including superannuation), insurance, building occupancy costs, advertising and other administrative costs. Management has advised this was a result of a reversal of in FY2012 provisions.
- The profit on discontinued operations in FY2011 was a result of the disposal of Simultech Pte Ltd in October 2010. The disposal cancelled the Simultech Pte Ltd debt of $4.7 million and reduced the Silmutech Pte Ltd trade receivables by $2.0 million.

- The net gain on revaluation of plant and equipment in FY2011 of $1.9 million was a result of the acquisition of Reclaim Industries Limited. The reported value of the plant and equipment was based on a directors valuation of $2.8 million. The $0.5 million net gain on revaluation of plant and equipment in FY2013 was based on an independent valuation report which valued the PPE at $3.3 million

3.4.2. Financial position

The consolidated statements of financial position of CBP as at 30 June 2011, 30 June 2012, 31 December 2012 and 30 June 2013 are summarised below:

Table 4: Consolidated Statements of Financial Position

As at $	30-Jun-11 (Audited)	30-Jun-12 (Audited)	31-Dec12 (Reviewed)	30-Jun-13 (Preliminary)
Current assets				
Cash and cash equivalents	310,538	249,146	327,592	73,639
Trade and other receivables	55,079	821,267	117,047	557,839
Inventories	579,183	629,715	-	-
Current tax receivable	198,256	-	-	-
Other assets	243,000	-	-	-
Total current assets	**1,386,056**	**1,700,128**	**444,639**	**631,478**
Non-current assets				
Property, plant and equipment	5,738,581	5,945,913	6,039,945	6,564,811
Intangible assets	13,877,037	11,610,000	11,610,000	11,610,000
Total non-current assets	**19,615,618**	**17,555,913**	**17,649,945**	**18,174,811**
Total assets	**21,001,674**	**19,256,041**	**18,094,584**	**18,806,289**
Current liabilities				
Trade and other payables	878,602	1,343,327	1,784,888	1,643,050
Short-term provisions	10,343	90,408	90,408	90,408
Total current liabilities	**888,945**	**1,433,735**	**1,875,296**	**1,733,458**
Non-current liabilities				
Borrowings	1,650,000	3,466,858	3,965,229	4,364,492
Total non-current liabilities	**1,650,000**	**3,466,858**	**3,965,229**	**4,364,492**
Net assets	**18,462,729**	**14,355,448**	**12,254,059**	**12,708.339**
Equity				
Issued capital	31,890,028	34,623,468	35,286,053	35,286,053
Reserves	2,292,713	2,292,713	2,292,713	2,817,579
Accumulated losses	(15,720,012)	(22,560,733)	(25,324,707)	(25,395,293)
Total equity	**18,462,729**	**14,355,448**	**12,254,059**	**12,708,339**
Net Tangible Assets	**4,685,692**	**2,745,448**	**644,059**	**1,098,339**

Source: CBP Annual Report 2012, CBP Interim Financial Statements for the 6 months ended 31 December 2012 and preliminary financial statements for FY2013.

We note the following:

- The decreases in cash and cash equivalents at 30 June 2012 and 31 March 2013 were due to the operating losses reported by CBP.
- Inventories have been written down to nil in the 31 December 2012 interim financial accounts.
- PPE comprises ancillary and plastics plant, vehicles, shipping containers, office furniture and equipment and leasehold improvements. All PPE has been recorded in CBPs consolidated accounts at cost less depreciation, except for the PPE acquired from Reclaim Industries Ltd. Management has advised the $2.8 million of PPE acquired from Reclaim Industries Ltd was based on a valuation by the Directors in FY2011, however CBP has subsequently obtained a valuation from a licensed valuer (Grays Asset Services) that values the PPE at $3.35 million. In FY2013 CBP revlaued its PPE to be in line with the valuation from Grays Asset Services.
- Intangible Assets of $11.6 million represents goodwill recognised on the acquisition of CBP's subsidiaries. The decrease in intangible assets at 30 June 2012 was due to the write down of $2.3 million of capitalised development costs in relation to the tyre recycling plant at Smithfield.
- Trade and other payable have increased year on year. At 30 June 2013, management has advised that $800K of the trade and other payables has been unpaid for more than 90 days, $421K relates to payroll deductions and $168K relates to outstanding superannuation payments.
- Borrowings includes $2.7 million in convertible notes (see Section 3.7 for summary of the convertible notes), a $450K loan secured against the assets of Oakturn, being the plant and equipment at Smithfield via a fixed and floating charge in relation to Oakturn Pty Ltd. The balance of the borrowings is unsecured loans from the directors.

3.5. Audit Opinions

3.5.1. 30 June 2011

CBP's auditor gave a qualified audit opinion of the financial report for the year ended 30 June 2011. This was primarily due to CBP's acquired plant and equipment and stock of processed material from the recycling of tyres from the administrators of Reclaim Industries Limited. The auditors were unable to obtain sufficient appropriate evidence to support the carrying amount of these assets at 30 June 2011. The auditor also considers there to be inherent uncertainty regarding the recoverability of intangible assets as their recoverability is ultimately dependent on the success of CBP's future operations.

3.5.2. 30 June 2012

For the year ended 30 June 2012 CBP's auditor issued an adverse opinion. This was due to the significance of matters including acquired plant and equipment and stock as previously identified in the 30 June 2011 report. A number of items remained outstanding as at the date of the auditors report including impairment analysis of intangible assets, signed agreements and confirmations of borrowings and reconciliations of trade payables. This resulted in the adverse opinion due to the financial position and performance not giving a true and fair view and not complying with the Australian Accounting Standards.

In response to the issues raised by CBP's auditor, Management obtained a valuation of the PPE acquired from the administrators of Reclaim Industries Limited by Grays Asset Services in accordance with Australian Accounting Standards, prepared detailed pricing information relating to the carrying value of stock and completed an impairment analysis of the relevant intangible assets.

3.5.3. **Half year review as at 31 December 2012**

CBP's auditor gave a qualified conclusion for the interim financial report for the period ended 31 December 2012. This was primarily due to the auditor being unable to obtain sufficient appropriate audit evidence about the carrying amount of plant and equipment and stock acquired during FY2011, as previously mentioned. There also remained outstanding items from the FY2012 audit report as at the date of signing the review report.

Management have obtained a valuation for the acquired plant and equipment including a reconciliation confirming the ownership of property plant and equipment. They are also in the process of developing a more rigorous approach for the impairment analysis relating to the recording of intangible assets to comply with the Australian Accounting Standards. Management has also indicated that they have undertaken cost cutting initiatives to avoid the uncertainty regarding the going concern of CBP in future periods.

3.6. Going Concern

As stated in CBP's interim financial report as at 31 December 2012 the Company's ability to continue as a going concern is dependent on the current purchase orders being fulfilled and other financial support. The Directors have secured a Standby Share Subscription Facility with a fund manager for $5 million. This facility has not been drawn upon. The Directors expect that increased production of recycled products will provide a significant positive cash contribution to CBP. Several Directors and shareholders have undertaken to financially support the Company.

The auditor considers, notwithstanding the above, there to be significant uncertainty regarding the ability of CBP to operate as a going concern at 31 December 2012, as there was evidence of CBP's two principal operating companies' failure to pay debts as and when they fell due.

To date there has been no opinion provided by the auditor in relation to the 30 June 2013 preliminary accounts. We note that as at 30 June 2013 CBP is in a loss making position and the revaluation of $1 million in PPE represents approximately 91% of NTA. Further, drawing upon the Standby Share Subscription Facility at CBP's current share price would significantly dilute the interests of the existing shareholders and the capital that is raised may only support CBP's cash flow requirements for a short period of time.

3.7. Capital structure and ownership

As at 30 June 2013 CBP had the following securities on issue:

Table 5: CBP's securities on issue

	Issued	Details
Ordinary shares on issue	189,173,168	• FPO Shares
Unlisted options	20,408,000	• Expiry date of 8 April 2014 • Exercise price of $0.30
Convertible notes	10,250,000	• Five series of convertible notes • 3.0 million notes are convertible at $0.30 and have an interest rate of 7.0% per annum • 7.25 million are convertible at $0.25 and have an interest rate of 10.0% per annum • Expiry dates range from January 2014 to March 2015

Source: CBP Management (Computershare report)

All options and convertible notes are unlisted. In addition, the options and convertible notes (except for 100,000 convertible notes) are held by the current shareholders of CBP.

The top 10 shareholders and total issued shares of CBP as at 5 September 2013 are summarised in the table below:

Table 6: Top 10 shareholders before the Proposed Transaction

Shareholder	Number of ordinary shares	% of total ordinary shares
Himer Holdings Pty Ltd	21,000,000	11.10%
Tristate Capital Pty Limited	17,000,000	8.99%
Moveforward Pty Limited	13,122,793	6.94%
First State Pty Ltd	12,500,000	6.61%
Reefgully Pty Limited	9,789,791	5.18%
Fekila Pty Limited	9,000,000	4.76%
Gordon Reef Pty Limited	7,100,000	3.75%
Riati Pty Limited	5,652,188	2.99%
Central Medical Services Pty	5,000,000	2.64%
Riati Pty Ltd	4,485,312	2.37%
Top 10 shareholders	**104,650,084**	**55.33%**
Other shareholders	84,523,084	46.67%
Total	**189,173,168**	**100.00%**

Source: CBP Management (Computershare report)

Resolution 2 – Consolidation of Capital will result in the number of shares shown above to reduce proportionately.

3.8. Share price analysis

We have considered the trading activity and the ASX market price for CBP's shares in the twelve month period up to 21 May 2013. We note that CBP's shares were suspended from official quotation on 1 October 2012 and were reinstated on 9 April 2013. The table below summarises trades over the year up to 16 August 2013:

Table 7: Volume weighted average share price of daily trades

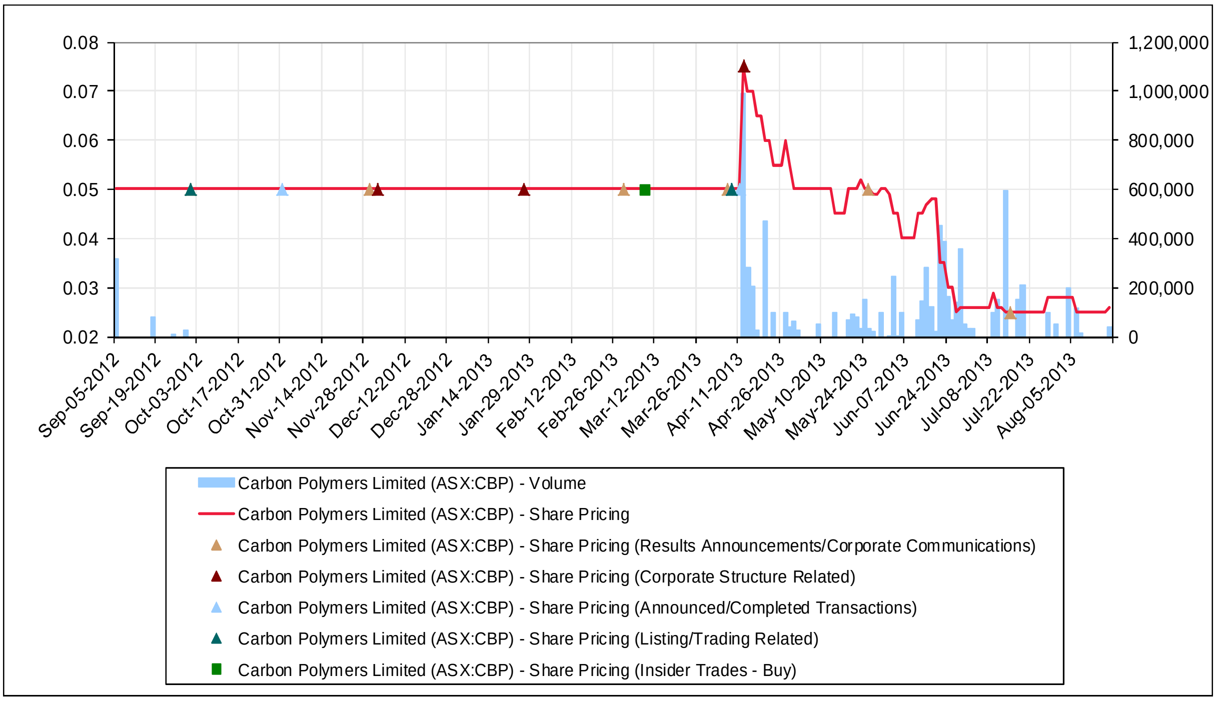
	Low ($)	High ($)	VWAP ($)	Cumulative value ($m)	Cumulative volume (m)	% of issued capital
As at 16 August 2013	0.03	0.03	0.03	0.00	0.04	0.02%
1 week	0.03	0.03	0.03	0.00	0.04	0.02%
1 month	0.03	0.03	0.03	0.02	0.88	0.46%
3 months	0.02	0.05	0.03	0.17	4.96	2.62%
6 months	0.02	0.08	0.04	0.33	7.41	3.92%
12 months	0.02	0.08	0.04	0.42	9.68	5.21%

Sources: Capital IQ and BDO analysis

Legend: VWAP denotes volume weighted average share price

Provided below is a graph showing the price and volume of CBP's shares traded daily for the 1 year period up to 16 August 2013:

Figure 2: Daily closing share price and volume of shares traded over last 12 months



Source: Capital IQ

We note the following with respect to the share trading price of CBP shares over the twelve month trading period:

- The shares were suspended from official quotation on 1 October 2012 by the ASX pending compliance with listing rules 19.11A and 12.2 in relation to its full year statutory accounts
- The shares were reinstated to official quotation following compliance with listing rule 19.11A and 12.2 by securing a $5 million standby share subscription agreement on 9 April 2013.
- On 11 April 2013 CBP announced the acquisition of Bluenergy.
- On 12 April CBP announced the appointment of Mr Paul McGregor as a director. CBP also held a general meeting to vote on three resolutions relating to the removal of Mr Andrew Howard and Mr Phillip Merhi from the board and the appointment of Mr Virendra Nath as a director of CBP. All three motions were rejected.
- The latest closing price in the above trading period was $0.03 per share on 16 August 2013 which is date the last share trade took place.
- The shares traded between $0.02 per share and $0.08 per share in the year prior to 16 August 2013
- VWAP prices are observed to remain relatively constant over the twelve month period
- There was a very low trading volume over the period, as the total traded volume of shares over the twelve months to 16 August 2013 was approximately 5% of the total issued capital.
- Over the year analysed, there were 58 trading days. Low volumes of shares have traded on all the trading days.

4. OVERVIEW OF BLUENERGY GROUP

4.1. Overview

Bluenergy operates an established business through a number of major subsidiaries that have been operating in Australia since 1980. The businesses primarily provide civil, concrete, general construction services, modular building solutions, and general residential land subdivisions (including house and land packages) throughout Australia.

Bluenergy's operations are headquartered in Victoria with operations mainly in Victoria, Queensland and Western Australia. Bluenergy is a holding company that has the following wholly owned subsidiaries:

4.1.1. Bluenergy Holding Pty Ltd

Bluenergy Holdings Pty Ltd (Bluenergy Holdings) is the holding company for Bluenergy Construction Group Unit Trust and is the property asset ownership (and associated contracts) vehicle for the Bluenergy group. Bluenergy's major clients include the State Government of Victoria, Costco, Lend Lease, Rio Tinto and BHP.

4.1.2. Bluenergy Roofing

Bluenergy Roofing has provided advanced roofing solutions in Australia since 1995 with projects in the commercial, industrial and government sectors. Bluenergy Roofing offers roofing contracting services to install roofing for retail clients to large industrials and uses specialised roofing products imported from Germany and China with operations primarily in Victoria and NSW through a subsidiary.

4.1.3. Bluenergy Concreting

Bluenergy Concreting provides contracting for the construction of large structures including formwork, concreting, scaffolding, steel fixing, cranage and traffic management. Bluenergy Concreting has experience in both civil and commercial projects and operates in Western Australia to provide services primarily to the construction and ancillary mining services industries.

4.1.4. Bluenergy Plant Hire

Bluenergy Plant Hire offers a range of specialised heavy earthmoving equipment for hire and sale in Australasia primarily to the construction and ancillary mining services industries.

4.1.5. Bluenergy Civil Contracting

Bluenergy Civil Contracting undertakes civil construction projects within Australia's residential, industrial, commercial and infrastructure sectors. Bluenergy Civil Contracting offers expert contractors, equipment, resources and technology to complete the required projects while achieving social, economic and environmental sustainability.

4.1.6. Bluenergy Engineering Services

Bluenergy Engineering Services provides engineering solutions to the mining and earthmoving industries in Western Australia.

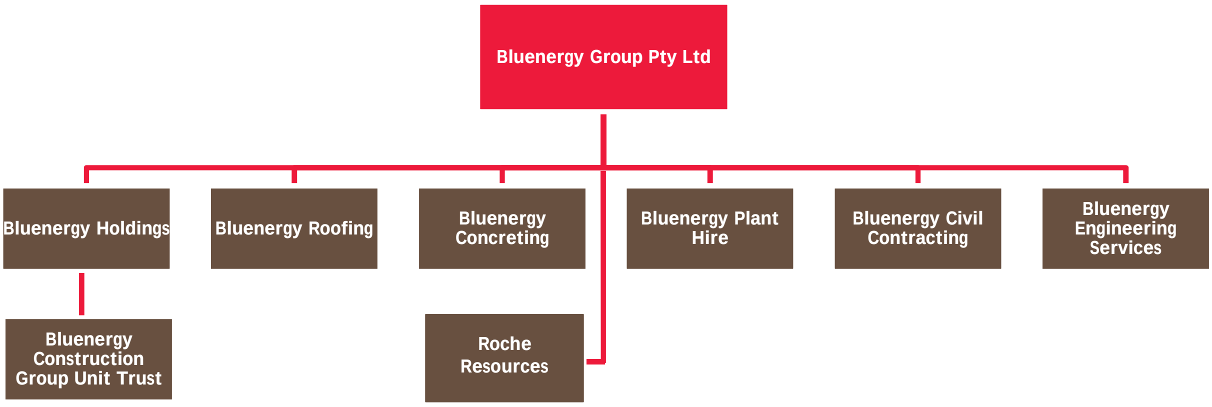
4.1.7. Roche Resources Mining and Infrastructure Pty Ltd

Roche Resources Mining and Infrastructure Pty Ltd ("Roche Resources") has recently been incorporated and aims to be a leading Indigenous Australian Mining, Infrastructure and Services company, providing construction, engineering, design, maintenance and industrial services to the resources, energy and infrastructure sectors.

4.2. **Corporate Structure**

Bluenergy's Post Transaction corporate structure is summarised below:

Figure 3: Bluenergy Corporate Structure



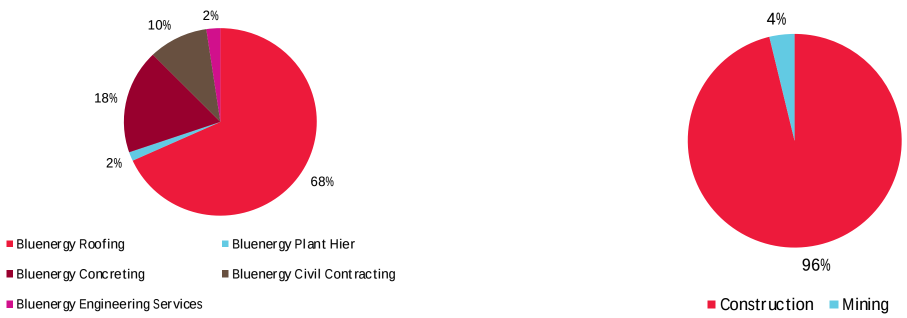
Source: Bluenergy Management

Note: Bluenergy will own 100% of the subsidiaries presented above on completion of the Proposed Transaction. Each of the above entities are currently standalone entities.

4.3. **Revenue Summary**

Bluenergy's revenue for FY2012 by subsidiary and by industry is summarised below:

Figure 4: Revenue for FY2012



We note the following in relation to Bluenergy's revenue:

- Bluenergy Roofing contributed the majority of Bluenergy's revenue in FY2012 with approximately 68% of total revenue.
- Majority of Bluenergy's revenues are currently provided by the construction industry.
- Management has identified remote and modular housing construction for mining projects and residential subdivisions in growth corridors (including house and land packages) as the key focus of the group going forward.

4.4. Historical Financial Information

4.4.1. Historical financial performance

The consolidated statements of comprehensive income of Bluenergy for FY2012 and FY2013 are summarised below.

Bluenergy and its subsidiaries have not historically prepared consolidated financial statements as the group of entities that comprise of Bluenergy were stand alone legal entities. Management of CBP prepared the consolidated statements of comprehensive income for the purposes of this Report and the Documents. We also note the financial statements of Bluenergy and its subsidiaries have not been audited.

Table 8: Consolidated Statements of Comprehensive Income

Period ended $	FY2012 (Management)	FY2013 (Management)
Revenue	22,025,918	24,165,614
Other income	12,468	15,952
Cost of sales	(13,767,592)	(18,462,052)
Other expenses	(5,762,629)	(4,342,395)
EBITDA	**2,508,166**	**1,377,119**
Depreciation and amortisation	(762,780)	(231,717)
Finance costs	(5,317)	(138,093)
Profit / (loss) before income tax	**1,740,069**	**1,007,309**
Income tax expense	(648,367)	(302,193)
Total comprehensive income / (loss) for the year	**1,091,702**	**705,116**

Sources: Bluenergy Management Accounts for FY2012 and FY2013

We note the following:

- The decrease in gross margin from FY2012 to FY2013 is primarily due to conservative recognition of profit on two major projects which were in progress at 30 June 2013.
- Other expenses of $4.3 million for FY2013 are lower than FY2012. This is predominately a result of a decrease in directors' fees from FY2012 to FY2013.
- Depreciation and amortisation includes depreciation on plant and equipment held by Bluenergy Roofing, Bluenergy Plant Hire and Bluenergy Concreting.
- Finance costs have increased in FY2013 due to tan increase in borrowings relating to the investment in land at Miles, Queensland.
- The income tax expense is based on the statutory tax rate of 30% and the standalone profits of each entity that will comprise the Bluenergy Group if the Proposed Transaction is approved. The income tax estimate is a provisional estimate, as the Bluenergy entities have not yet lodged any income tax returns. The tax profile of the group may change going forward and upon lodgement of the historical income tax returns

4.4.2. Forecast financial performance

An overview of Bluenergy's pipeline of projects is discussed in Section 2.1 of the Explanatory Statement. CBM management have advised that the pipeline of potential work for Bluenergy is in excess of $500 million. The pipeline is based on various potential projects in Papua New Guinea and accommodation projects in the Australian mining industry. CBP management has advised that these projects are not included in the forecast EBITDA for FY2014, as discussed below.

Section 2.3 of the Explanatory Statement provides a breakdown of forecast EBITDA for the year ended 30 June 2014 ("FY2014").

In relation to Bluenergy's FY2014 forecast EBITDA, we note that:

- FY2014 budgeted EBITDA is $21.5 million (excluding costs associated with the Proposed Transaction) compared to $1.4 million actual EBITDA for FY2013 (unaudited) and $2.5 million for FY2012 (unaudited).
- The Explanatory Statement notes that the expected increase in EBITDA is based on contracted amounts of revenue for construction, current pre-sales for the subdivisions and projections based on those sales for the remaining lots and rental returns negotiated with tenants for remote accommodation.
- The forecasts have not been reviewed by an investigating accountant, and management has not provided the contracts to support the forecasts.

4.4.3. **Financial position**

Management of CBP prepared the consolidated statements of financial position of Bluenergy for the purposes of this Report and the Documents. The statements of financial position of Bluenergy as at 30 June 2012 and 31 March 2013 summarised below:

Table 9: Consolidated Statements of Financial Position

As at $	30 June 2012 (Management)	30 June 2013 (Management)
Current assets		
Cash and cash equivalents	967,348	(484,330)
Trade and other receivables	1,685,495	6,646,560
Total current assets	**2,652,843**	**6,162,230**
Non-current assets		
Property, plant and equipment	12,431,027	14,974,494
Non current Receivables	2,351,150	2,034,594
Equity investment	-	20,000
Intangible assets	276,045	275,339
Total non-current assets	**15,058,222**	**17,304,427**
Total assets	**17,711,065**	**23,466,657**
Current liabilities		
Trade and other payables	1,306,740	5,440,120
Financial liabilities	495,289	217,391
Short-term provisions	699,330	526,269
Total current liabilities	**2,473,523**	**6,183,780**
Non-current liabilities		
Other payables	-	350,000
Financial liabilities	12,433,039	13,115,007
Total non-current liabilities	**12,433,039**	**13,465,007**
Net assets	**2,804,502**	**3,817,870**
Equity		
Issued capital	1,208,800	1,213,840
Retained Earnings	1,567,866	2,604,030
Total equity	**2,804,502**	**3,817,870**
Net Tangible Assets	**2,528,457**	**3,542,531**

Source: Bluenergy Management Accounts

We note the following in relation to the statements of financial position of Bluenergy:

- The decrease in cash and cash equivalents from 30 June 2012 to 30 June 2013 was primarily due to the payment of $2.15 million in relation to the investment in land at Miles, Queensland.
- Trade and other receivables increased by $5 million from 30 June 2012 to 30 June 2013 due to a ramp up in construction operations.
- PPE includes plant and equipment of $12.2 million, motor vehicles of approximately $250K, computer software of $10K and the land at Miles, Queensland of $2.5 million. Management has advised all PPE has been recorded at historical cost.
- Non-current receivables represent related party loans, which decreased by approximately $320K from 30 June 2012 to 30 June 2013.
- The increase in trade and other payables by $4.2 million was predominantly attributable to the ramp up in construction costs. Trade and other payables also includes deferred tax liabilities.
- The increase in current financial liabilities predominately relates to the purchase of land at Miles, Queensland.
- Non-current financial liabilities represent Directors loans. Management has advised that $12.0 million of these loans will be forgiven as part of the Proposed Transaction.

4.5. Industry Overview – Building and Construction

Bluenergy operates in the building and construction industry in Australia. We provide a brief description of the building and construction industry below. The following summary in relation to current and future conditions for the building and construction industry is based on IBISWorld industry reports and publicly available information.

4.5.1. Building and construction in Australia overview

The building and construction industry in Australia consists of companies engaged in the construction of buildings (residential and non-residential), infrastructure, civil engineering projects and on-site assembly of prefabricated buildings.

4.5.2. Current performance

Demand in the building and construction industry is mostly driven by general economic conditions, business activity and investment in mining and energy infrastructure, but also anti-cyclical government spending on construction of roads and schools.

Non-residential building activity was severely impacted by the global financial crisis (“GFC”). However in response, the Federal Government funded a stimulus package targeting, inter alia, the education and healthcare sectors in 2009 and 2010, which coincided with a peak in non-residential activity in 2010. Non-residential building activity has since slowed down post the government stimulus package ceasing.

Continued growth in the building and construction industry has been underpinned by investment in the resources and mining sector. However, softening commodity prices has led to mining construction projects being scaled back leading to a subdued outlook for growth over the coming years.

4.5.3. **Key drivers of demand**

Demand for the products and services delivered by the building and construction industry are primarily driven by the following:

- Actual capital expenditure on mining – the building and construction industry generates much of its revenue from work on mineral and energy developments, representing a principal source of expansion
- Capital expenditure by the public sector – public sector investment into infrastructure projects such as water supply, power generation, railways, pipelines and other public works has traditionally provided a source of funding
- Population – a key determinant in the demand for public infrastructure like transport, sanitation, energy and housing is the pace of population growth and the pattern of demographic change
- Private construction capital expenditure – the private sectors share of investment into the construction market has surged with an unprecedented increase of investment into mining and energy capacity with public private partnership arrangements.

4.5.4. **Outlook**

Annual growth in the overall building and construction industry is expected to be 2.2% to 2018 according to IBISWorld. This growth is supported by natural disaster reconstruction efforts in response to cyclone Yasi and government directed flood relief with reconstruction efforts expected to gather momentum into 2013 and 2014.

Management of Bluenergy has identified remote and modular housing construction for mining projects and residential subdivisions in growth corridors as the key focus of the group going forward. In that regard, we note that:

- The scaling back of projects by mining companies recently may limit Bluenergy's prospects in the mining sector. However, revenues from the mining sector only accounted for 4% of revenues in 2012.
- Residential construction activity has remained relatively flat for a number of years due to a combination of weaker economic conditions, deteriorating housing affordability, tighter lending arrangements and a reduced level of land releases by State Governments.

5. PRO FORMA FINANCIAL INFORMATION AFTER THE PROPOSED TRANSACTION

5.1. Financial performance

Management of CBP has prepared the pro forma statement of financial performance of CBP assuming the Proposed Transaction is approved, as summarised below:

Table 10: Pro forma Consolidated Statements of Comprehensive Income after the Proposed Transaction

FY2013 $	CBP	Bluenergy	Bluenergy Adjustments	Pro forma
Revenue	1,372,075	24,165,614	-	25,537,689
Other income	3,873	15,952	-	19,825
Cost of sales	(721,217)	(18,462,052)	-	(19,183,269)
Other expenses	(2,749,496)	(4,342,395)	-	(7,091,891)
EBITDA	**(2,094,765)**	**1,377,119**		**(717,646)**
Depreciation and amortisation expense	(384,324)	(231,717)	-	(616,041)
Finance costs	(355,476)	(138,093)	-	(493,569)
Profit / (loss) before income tax	**(2,834,565)**	**1,007,309**	**-**	**(1,827,256)**
Income tax expense	-	(302,193)	-	(302,193)
Profit / (loss) from continuing operations	**(2,834,565)**	**705,116**	**-**	**(2,129,449)**
Other comprehensive income:				
Net gain on revaluation of plant and equipment	524,866	-	**-**	524,866
Gain from debt forgiveness in Bluenergy	**-**	-	10,893,397	10,893,397
Other comprehensive income for the year net of tax	**524,866**	**-**	**10,893,397**	**11,418,263**
Total comprehensive income / (loss) for the year	**(2,309,699)**	**705,116**	**10,893,397**	**9,288,814**

Source: Management

We note the following:

- The adjustments relate to the forgiveness of certain related party loans ($12.0 million) and receivables ($1.2 million) held by subsidiaries of Bluenergy that Management has advised will occur assuming the Proposed Transaction is approved.
- The pro forma statement of financial performance does not take into account any potential tax implications associated with the proposed debt forgiveness.
- Assuming the Proposed Transaction is approved, CBP's retrospective FY2013 financial performance reflects an operating loss from continuing operations of $2.1 million.

5.2. **Financial position**

Management of CBP has prepared the pro forma statement of financial position of CBP assuming the Proposed Transaction is approved, as summarised below:

Table 11: Pro forma Statements of Financial Position after the Proposed Transaction

As At 31 March 2013 $	CBP	Bluenergy	Bluenergy Adjustments	Pro forma
Current assets				
Cash and cash equivalents	73,639	(484,330)	-	(410,691)
Trade and other receivables	557,839	6,646,560	-	7,204,399
Total current assets	**631,478**	**6,162,230**	**-**	**6,793,708**
Non-current assets				
PPE	6,564,811	14,974,494	-	21,539,305
Non-current receivables	-	2,034,594	(2,016,594)	18,000
Equity Investments	0	20,000		20,000
Intangible assets	11,610,000	275,339	31,552,115	43,437,454
Total non-current assets	**18,174,811**	**17,304,427**	**29,535,521**	**65,014,759**
Total assets	**18,806,289**	**23,466,657**	**29,535,521**	**71,808,467**
Current liabilities				
Trade and other payables	1,643,050	5,440,120	-	7,083,170
Financial liabilities	-	217,391	-	217,391
Short-term provisions	90,408	526,269	-	616,677
Total current liabilities	**1,733,458**	**6,183,780**	**-**	**7,917,238**
Non-current liabilities				
Other payables	-	350,000	-	350,000
Financial liabilities	4,364,492	13,115,007	(12,049,728)	5,429,771
Total non-current liabilities	**4,364,492**	**13,465,007**	**(12,049,728)**	**5,779,771**
Total Liabilities	**6,097,950**	**19,648,787**	**(12,049,728)**	**13,697,009**
Total equity	**12,708,339**	**3,817,870**	**41,585,249**	**58,111,458**
Net Tangible Assets	**1,098,339**	**3,542,531**	**10,033,134**	**14,674,004**

Source: Management

We note the following in relation to the pro forma statement of financial position of CBP:

- The net adjustments represent the following:
  - The net amount of $10.9 million in related party loans being forgiven
  - A dividend of $0.9 million to be declared by a subsidiary of Bluenergy (which partially offsets the debt forgiveness)
- The consolidation entries associated with CBP's acquisition of Bluenergy are based on the assumed notional purchase price of $45.0 million.
- The adjustment to intangible assets (goodwill) is the balancing amount to the elimination entries and adjustments detailed above.

5.3. Pro forma capital structure

The table below represents the proposed ordinary shares on issue after the completion of the Proposed Transaction (before taking into account the impact of Resolution 2 – Consolidation of Capital, which will proportionally decrease the number of shares on issue and the shares that are issued pursuant to the other resolutions being put to the shareholders of CBP):

Table 12: CBP's Pro Forma Capital Structure

Proposed Transaction Steps	Change	Shares on issue	Details
Existing FPO Shares on issue	-	189,173,168	
Resolution 3 – Acquisition of Bluenergy	450,000,000	639,173,168	Issued at $0.10 per share
Resolution 4 – Roche Resources Earn Out Shares	50,000,000	689,173,168	Issued only if Roche Resources achieves the FY2014 NPAT target of $5.0 million
Resolution 5 – Issue of CBP Shares to Gurney Capital	5,000,000	694,173,168	
Resolution 6 – Share Placement	50,000,000	744,173,168	Maximum of 50 million shares to be issued at $0.20 each

Source: Management

6. VALUATION METHODOLOGY

6.1. Overview

In assessing the fairness of the Proposed Transaction, we have determined the value of CBP before and after the Proposed Transaction, assuming that it is approved by Non-associated Shareholders. We have considered the following valuation methodologies:

- Capitalisation of earnings
- Discounted cash flow ("DCF")
- Asset-based valuations
- The most recent quoted market price of listed securities (share market trading method).

Set out in Appendix 3 is a summary description of the valuation methodologies we have considered.

Set out below is a discussion of the valuation method we consider appropriate for the purposes of undertaking our valuation assessment of CBP.

6.2. Selected valuation methodology for CBP before the Proposed Transaction

We have used an asset based approach to value CBP. We do not consider the other methodologies to be appropriate for the following reasons:

- CBP has incurred operating losses in FY2012 and FY2013.
- Management has prepared cash flow forecasts for CPB for the 12 months ending 30 June 2014. However, we do not consider these forecasts to be appropriate for valuation purposes on the basis that they have not been independently reviewed and they reflect significant increases in revenue and profitability which are not supported by CBP's historical financial results.
- CBP's ASX share trading prices are not considered an appropriate indicator of value, given CBP shares were suspended from official quotation from October 2012 to April 2013. Further, in the six months since in reinstatement to official quotation there has been relatively low trading volumes (3.9% over the 6 month period to 16 August 2013), and therefore are illiquid.

In applying an asset based approach, we consider CBP's NTAV to be the most appropriate indicator of value for the following reasons:

- CBP's intangible assets relate to the goodwill recognised on the FY2010 acquisition of the remaining 50% interest in Oakturn that CBP did not already own. The purchase price was based on the estimated value of the shares that CBP (known as Nullabor Holdings Limited at the time) issued as consideration, and the valuation of the shares was based on a forecast of profits prepared by Management. However, CBP has incurred losses since the acquisition.
- CBP's auditors have raised similar concerns in relation to the intangible assets. Management has used the financial forecasts prepared at the time of the Oakturn acquisition to support the carrying value of the goodwill. However, to date the auditors are yet to accept Management's impairment analysis and were unable to express an opinion in relation to the intangible assets of CBP as at 31 December 2012.
- CBP has revalued the PPE at 30 June 2013, increasing the value by approximately $0.5 million. CBP's auditor also raised concerns in relation to the carrying value of PPE and provided a qualified audit conclusion in the interim financial report for the period ended 31 December 2012. Nevertheless, we have assumed the book values of PPE for purposes of our analysis. If the Proposed Transaction is fair using the book value of PPE, it will also be fair if we used a discounted value of PPE.

6.3. Selected valuation methodology for CBP after the Proposed Transaction

We also consider the NTAV approach as the most appropriate methodology to value CBP after the Proposed Transaction, assuming that it is approved by Non-associated Shareholders, due to the following:

- Although Bluenergy is profitable, CBP as a consolidated entity after the Proposed Transaction will report an operating loss from continuing operations of $2.1 million.
- Management has provided us with FY2014 forecasts for Bluenergy. However, these forecasts incorporate a number of significant assumptions regarding future events and do not include the cash flows associated with the existing operations of CBP. Further, the forecasts have not been independently reviewed. As such, we do not consider these forecasts to be appropriate for our valuation analysis.
- The pro-forma financial position of CBP after the Proposed Transaction shows intangible assets of $43.4 million, which includes CBP's goodwill of $11.6 million and the goodwill of $31.8 million to be recognised on the acquisition of Bluenergy. However, as discussed above, CBP's goodwill of $11.6 million is not included in our calculation of the NTAV of CBP before the Proposed Transaction. Further, the goodwill to be recognised on the acquisition of Bluenergy is a balancing adjustment based on Bluenergy's tangible assets and the notional purchase price of $45.0 million (being 450 million shares at a notional issue price of $0.10 per share). Accordingly, we consider NTAV to be more appropriate than a net asset based approach.

In order to assess the value of CBP after the Proposed Transaction, we have also considered the following:

- Potential dilutive effects of the Proposed Transaction.
- Minority interest discount to determine the minority interest value of CBP after the Proposed Transaction.

6.4. Procedures for reviewing reasonableness of financial information

RG111.77 requires an expert to undertake critical analysis of the information on which the IER is based. The expert needs to be satisfied that critical information is not materially inaccurate.

The NTAV approach was selected as the most appropriate methodology to value CBP before and after the Proposed Transaction. Application of this method requires that the balance sheets for CBP and Bluenergy are not materially inaccurate. The primary asset for both entities is PPE.

Based on the procedures outlined below, we consider the financial information for CBP and Bluenergy as outlined in this report provides a reasonable basis upon which to undertake the NTAV analysis.

6.4.1. Procedures in relation to review of financial information for CBP

In relation to the balance sheet and PPE of CBP, we note that:

- We have reviewed CBP's financial statements for the six months ended 31 December 2012 and earlier periods and have taken into account the concerns raised by CBP's auditors in relation to the carrying value of PPE (as discussed in Section 3.5 of this IER).
- We have also reviewed CBP's preliminary (unaudited) financials statement for 30 June 2013, which included an uplift in the value of PPE to align the carrying value with the PPE valuation report obtained from Grays Asset Services.
- We have reviewed the valuation report prepared by Grays Asset Services, which notes a number of limitations, including:

- Assets located in Victoria and New South Wales were decommissioned at the time of the valuation, but were valued on the basis that they would be placed into operation in the near future. The value of these assets may be less in the event of disposal.
- Grays Asset Services was unable to obtain exact details as to make, model and specifications for a number of assets.
- Assets located in South Australia were excluded from the scope of the report given Grays Asset Services had not undertaken a site inspection.

The concerns raised by CBP's auditors and the limitations of the Grays Asset Services valuation indicate that there may be downside risk to the value of the PPE held by CBP. However, the risk to the non-associated shareholders of CBP is to vote on Proposed Transaction on the basis of PPE being undervalued. Accordingly, adopting the book value of tangible assets is likely to be conservative for purposes of assessing the fairness of the Proposed Transaction.

6.4.2. **Procedures in relation to review of financial information for Bluenergy**

In relation to the balance sheet and PPE of Bluenergy, we note that:

- The PPE has not been independently reviewed to confirm its existence and/or value and the financial information for Bluenergy has not been audited.
- We have reviewed the pro-forma consolidated financial information for Bluenergy and the post Proposed Transaction pro forma financial information for CBP as shown in this Report. We have discussed perceived irregularities and amendments were made by management where necessary.
- We reviewed the fixed asset registers of the Bluenergy group of entities (current as at 30 June 2013) and note that the amounts disclosed in the fixed asset registers reconcile with the amounts disclosed in the management accounts for the Bluenergy entities. However, the fixed asset register does not provide a number of details on a line by line basis, such as the original cost and accumulated depreciation for each asset, the estimated useful lives, asset numbers/identifiers, locations of the assets etc. We have not undertaken a detailed review of audit of the fixed asset register to confirm its accuracy or integrity.
- We requested the capital allowances schedules from the income tax returns of the Bluenergy entities to reconcile this information with the information disclosed in the Bluenergy management accounts. However, as the Bluenergy entities have not lodged any tax returns, this task was not possible.
- We have reviewed the list of due diligence procedures undertaken by CBP management in relation to the Bluenergy entities, which included the verification and appraisal of key fixed assets. CBP management did not document the findings of their investigations but have advised that they were satisfied with the results of the due diligence analysis. Specifically, the directors of CBP have advised that:
    - Mr Andrew Howard, Managing Director of CBP, was previously a director of Allmine Group Limited ("AZG"), a company that was listed on the ASX. Construction Industries Australia Ltd ("CIA") was a wholly owned subsidiary of AZG that leased the PPE from Concreting Australia Pty Ltd (now known as Bluenergy Concreting) for approximately $4.0 million in FY2012.
    - CIA's immediate parent entity, Arccon Pty Ltd ("Arccon"), was responsible for the signoff of the equipment that was provided under the lease. The equipment was subject to a monthly audit by Arccon and CIA staff to identify, quantify and acknowledge the existence and use of the equipment. This process was put in place by the auditors of AZG and was an integral part of the compliance regime of a listed entity.

- One of the reasons the directors of CBP have arranged the Proposed Transaction is due to their knowledge of the underlying value of the equipment and its proximity to contracts that the group is currently shortlisted to undertake.
- The PPE is required to fulfil the existing contracts and potential contracts, and Bluenergy would otherwise need to purchase or lease replacement equipment at a substantial cost.

The absence of audited financial reports or an independent valuation of the PPE indicates that there may be downside risk to the net asset value and the PPE values of Bluenergy. The risk to the non-associated shareholders of CBP is to vote on Proposed Transaction on the basis of Bluenergy's PPE being overvalued.

However, the previous rental cost of approximately $4.0 million per annum appears to support the written down value of the PPE of $12.0 million (indicating a rental yield of approximately 33%). This assumes that the equipment is required for the ongoing operations of the group, as advised by CBP.

Based on the procedures and comments outlined above, adopting the book value of tangible assets for Bluenergy is considered reasonable for purposes of assessing the fairness of the Proposed Transaction. However, we have also taken into account the potential downside risk to the asset values for Bluenergy in forming our opinion.

6.5. Control Premium and Minority Interest Discount

In accordance with ASIC regulatory guides, we have assessed the value of CBP before the Proposed Transaction on a control basis. Applying an asset based approach to value CBP before the Proposed Transaction provides a controlling value. Accordingly, we have not included an additional premium for control.

If the Proposed Transaction is approved, the CBP Non-associated Shareholders, together, will hold a minority interest in CBP. Accordingly, it is necessary to apply a minority interest discount in valuing CBP on after the Proposed Transaction. We have assumed a minority interest discount of 20%. This is equivalent to a control premium of 25%, which we do not consider to be unreasonable based on our review of empirical studies and historical control premiums.

6.6. Cross checks

As noted above, we do not consider it appropriate to value CBP using the capitalisation of earnings or DCF methods. In addition, CBP's ASX share trading prices do not provide an appropriate indicator of value, given the very low trading volumes.

We note that an asset based approach typically provides the lowest value for an entity operating as a going concern, and is often used as a cross check to income or market based methods. As we have applied an asset based method to value CBP before and after the Proposed Transaction, and due to the inapplicability of the other methods, we have not undertaken a cross check in our fairness assessment.

7. VALUATION OF CBP BEFORE THE PROPOSED TRANSACTION

7.1. Net Tangible Assets

To determine the fair market value of CBP before the Proposed Transaction, we have considered the NTAV of CBP as at 30 June 2013, as set out below:

Table 13: Valuation Summary of the fair market value of CBP Shares before the Proposed Transaction

$	Reference	
NTAV	Section 3.4	1,098,339
Equity value of CBP (control)		1,098,339
Number of ordinary shares on issue	Section 3.7	189,173,168
Equity value of CBP per share (control) ($)		0.0058
Equity value of CBP per share (say) (control)		0.6 cents

Sources: BDO Analysis

In relation to the NTAV of CBP before the Proposed Transaction we note the following:

- We have assumed CBP will operate as a going concern for purposes of our assessment. We note that CBP's auditor has raised concerns regarding CBP's ability to operate as a going concern, and the value of assets is likely to decrease in the context of liquidation.
- We have assumed that no material contingent liabilities exist as at the time of preparing this Report.

7.2. Valuation Conclusion

Based on the book value of CBP's tangible assets as at 30 June 2013, CBP's NTAV per share is approximately 0.6 cents per share on a controlling interest basis, before the Proposed Transaction.

As noted previously, CBP's auditor has raised concerns regarding CBP's ability to operate as a going concern, and the value of assets is likely to decrease in the context of liquidation. Accordingly, adopting the book value of tangible assets is likely to be conservative for purposes of assessing the fairness of the Proposed Transaction.

8. VALUATION OF CBP AFTER THE PROPOSED TRANSACTION

8.1. Net Tangible Assets

To determine the fair market value of CBP after the Proposed Transaction, we have considered the pro-forma NTAV of CBP (which includes the tangible assets of Bluenergy) as at 30 June 2013, as set out below:

Table 14: Valuation the fair market value of CBP Shares after the Proposed Transaction

	Ref	
NTAV	Section 5.2	14,674,004
Equity raised pursuant to Resolution 6 – Share Placement		1,000,000
Equity value of CBP (control)		15,674,004
Minority interest discount	Section 7.3	20%
Equity value of CBP (Minority)		**12,539,203**
Potential number of ordinary shares on issue after the Proposed Transaction	Section 5.3	744,173,168
Equity value of CBP per share (Minority) ($)		$0.0168
Equity value of CBP per share (say) (Minority)		1.7 cents

Sources: BDO Analysis

The potential number of shares on issue after the Proposed Transaction assumes that:

- Resolutions 1 to 6 are all approved
- The maximum number of shares are issued at $0.20 pursuant to the share placement under resolution 6
- The Roche Resources Earn Out shares (per Resolution 4) are issued to the current shareholders of Roche Resources. However, this will only occur if, and only if, Roche Resources achieves NPAT of $5.0 million as a stand alone entity in FY2014. Whilst the Earn Out shares may dilute the current CBP shareholders, if Roche Resources achieves the NPAT target, the value of the shares in CBP is also likely to increase to some extent.

8.2. Valuation Conclusion

Based on the above, we have estimated the fair market value of an issued share of CBP to be 1.7 cents on a minority interest basis, after the Proposed Transaction, assuming it is approved by Non-associated Shareholders.

9. EVALUATION

9.1. Fairness

In order to determine whether the Proposed Transaction is "fair", we compared the value of a CBP share before the Proposed Transaction on a control basis with the value of a CBP after the Proposed Transaction, assuming it is approved by Non-associated Shareholders, on a minority interest basis.

The result of our fairness assessment is summarised below:

Table 15: Fairness analysis

	Ref	NTAV
Fairness of Proposed Conversion		
FMV of a CBP share before the Proposed Transaction (Control)	Section 7.1	0.6 cents
FMV of a CBP share after the Proposed Transaction (Minority)	Section 8.1	1.7 cents

Source: BDO analysis

From the above, the fair market value of a CBP share after the Proposed Transaction is higher than the fair market value of a CBP Share before the Proposed Transaction, inclusive of a premium for control.

We note that the NTAV of Bluenergy would need to be overstated by at least 70% for the Proposed Transaction to be considered not fair.

Whilst there are limitations in relation to the reliability of the financial information for both CBP and Bluenergy, based on the information that was available and the procedures that were able to be undertaken we consider it highly unlikely that the financial information is misstated to the extent that the Proposed Transaction would not be fair.

Accordingly, the Proposed Transaction is considered to be fair to the Non-associated Shareholders.

9.2. Reasonableness

As set out in RG 111, an offer is considered to be reasonable, if it is fair.

Notwithstanding the above, set out below is a summary of our assessment of the other factors which we believe should be considered by Non-associated Shareholders in their assessment of the Proposed Transaction.

9.2.1. Uncertainty of the carrying value of PPE

We have based our valuation of CBP before and after the Proposed Transaction based on the NTAV, having concluded all other valuation methods are inappropriate. However, we note that as at 31 December 2012 the auditors of CBP we unable to express an opinion as to the carrying value of $2.8 million of CBP's PPE.

In addition we have not been provided with an independent valuation of the PPE owned by Bluenergy. As such we have had to place reliance on the unaudited book value of the PPE, which management has advised is at historical cost less depreciation.

9.2.2. Ability to operate as a going concern

The auditors of CBP stated 'evidence was apparent at 31 December 2012, in the consolidated entity's two principle operation companies, of failure to pay debts as and when they fall due'.

The auditors of CBP have also raised concerns that in the absence of a material improvement of the operating results, failure in raising additional equity or alternative funding, CBP may not be able to continue as a going concern.

The FY2012 and FY2013 pro-forma financial performance of CBP (including Bluenergy) report losses from continuing operations. However, Bluenergy has historically been a profitable business and may therefore reduce CBP's reliance on other forms of financial support, and improve the likelihood of CBP being able to meet its debts and to operate as a going concern.

9.2.3. Change in the nature and scale of CBP's business

The Proposed Transaction will result a significant change in the nature and scale of CBP's business operations. Diversifying CBP's interests into additional industries has the potential to assist mitigate the risks associated with the current operations of CBP.

9.2.4. Increased liquidity

The increase in the number of issued shares and number of shareholders in CBP, in addition to the increase in scale of operations, increases the potential of CBP share becoming more liquid (Notwithstanding the 12 month escrow on shares issued to existing Bluenergy shareholders).

9.2.5. Further Dilution of existing CBP Shareholders - Resolution 4, Options and Convertible Notes

As shown below, the current shareholders of CBP may be further diluted if Resolution 4 (i.e. a share placement, as set out in the NOM) is also approved, and if the outstanding options and convertible notes are exercised.

Table 16: Potential fully diluted capital structure

Shareholdings	Before the Proposed Transaction (undiluted)	%	After the Proposed Transaction (diluted)	%
CBP Shareholders	189,173,168	100.0%	189,173,168	24.41%
Shareholders of Bluenergy (Resolution 3)	Nil	0.0%	450,000,000	58.08%
Roche Resources Earn Out (Resolution 4)	Nil	0.0%	50,000,000	6.45%
Corporate Advisers (Resolution 5)	Nil	0.0%	5,000,000	0.65%
Share Placement (Resolution 6)	Nil	0.0%	50,000,000	6.45%
Options (100% existing CBP shareholders)	Nil	0.0%	20,408,000	2.63%
Convertible notes (existing CBP shareholders)	Nil	0.0%	10,150,000	1.31%
Convertible notes (non shareholders of CBP)	Nil	0.0%	100,000	0.01%
Total	189,173,168	100.0%	774,831,168	100.00%

Source: Management, BDO analysis

In relation to the table above, we note that:

- The Roche Resources Earn Out (per Resolution 2) will only be issued to the current shareholders of Roche Resources if, and only if, Roche Resources achieves NPAT of $5.0 million in FY2014.
- The potential dilution to the current shareholders of CBP as a result of Resolution 6 (share placement) will depend upon the extent to which the current shareholders participate in the share placement.
- Based on the exercise prices outlined in Section 2.7, the outstanding CBP options and the convertible notes are deeply out of the money, both before the Proposed Transaction and after the Proposed Transaction. Further, CBP Management has advised that, except for 100,000 convertible notes, all the options and convertible notes are held by existing Non-associated Shareholders. Accordingly, the exercise of all outstanding options and convertible notes would only result in a small dilution to the existing shareholders of CBP.

- The total number of issued shares that will be held by the Non-associated Shareholders of CBP will be 25.62% on a fully diluted basis, assuming all Resolutions are approved, the maximum number of shares is issued pursuant to the share placement (Resolution 6), and all options and convertible notes are exercised.

The dilution outlined above has the following effect on the share price of CBP after the Proposed Transaction:

Table 17: Valuation the fair market value of CBP Shares after the Proposed Transaction

$	Ref	Net Assets Value
Equity value of CBP (Minority)	Section 8.1	**12,539,203**
Fully diluted number of ordinary shares on issue post Proposed Transaction		774,831,168
Equity value of CBP per share (Minority) ($)		$0.0162
Equity value of CBP per share (say) (Minority)		1.6 cents

Sources: BDO Analysis

In relation to the table above, we note the following:

- The equity value does not include any potential increase in value that could result from an increase in earnings under Resolution 3, nor does it include the cash from the exercise price of the options.
- The fair market value of a fully diluted CBP share on a minority basis, after the Proposed Transaction, is higher than the fair market value of an undiluted CBP share before the Proposed Transaction, and would therefore still be 'fair'.
- We have not taken into account any specific transaction costs, other than the 5.0 million shares to be issued to Gurney Capital if Resolution 5 is approved. We note that CBP may be required to reimburse Bluenergy for up to $500,000 in costs if the Proposed Transaction is not approved.

9.3. Implications if the Proposed Transaction is not approved

If the Proposed Transaction is not approved, it is more likely that CBP will not be able to operate as a going concern.

9.4. Conclusion

Based on the above, we conclude that the Proposed Transaction is fair and reasonable to the Non-associated Shareholders of CBP.

10. QUALIFICATIONS AND DECLARATIONS

10.1. Qualifications

BDO has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions. BDO holds an Australian Financial Services Licence, issued by ASIC, for giving expert reports pursuant to the Listing Rules of the ASX and the Act.

Dan Taylor has a B.Com from the University of Adelaide, is a fellow of the Institute of Chartered Accountants in Australia and a fellow of the Financial Services Institute of Australia. Mr Taylor is a director of BDO. Mr Taylor is also a partner of BDO East Coast Partnership. Mr Taylor is the director responsible for this Report.

Mr Taylor has over 18 years experience in the chartered accountancy profession and has undertaken numerous corporate finance assignments involving acquisitions, divestments, valuations, independent expert reports and financial due diligence. Accordingly, Mr Taylor is considered to have the appropriate experience and professional qualifications to provide the advice offered.

Mr David McCourt, BBus, CA, is a director of BDO. Mr McCourt is also a partner of BDO East Coast Partnership.

Mr McCourt has been responsible for the review of this IER. Mr McCourt has over 14 years experience in a number of specialist corporate advisory activities including company valuations, financial modelling, preparation and review of business feasibility studies, accounting, advising on mergers and acquisitions and advising on independent expert reports. Accordingly, Mr McCourt is considered to have the appropriate experience and professional qualifications to provide the advice offered.

10.2. Independence

We are not aware of any matter or circumstance that would preclude us from preparing this Report on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

We were not involved in advising on, negotiating, setting, or otherwise acting in any capacity for CBP in relation to the Proposed Transaction, other than the preparation of this Report. Further, we have not held and, at the date of this Report, do not hold any shareholding in, or other relationship with CBP that could be regarded as capable of affecting our ability to provide an unbiased opinion in relation to the Proposed Transaction. We consider ourselves to be independent in terms of RG 112 Independence of experts (RG 112), issued by ASIC.

We will receive a fee based on the time spent in the preparation of this Report in the amount of approximately $60,000 (plus GST and disbursements). We will not receive any fee contingent upon the outcome of the Proposed Transaction, and accordingly, we do not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion in relation to the Proposed Transaction.

BDO (East Coast) Partnership has also been engaged to assist management with the preparation of the pro-forma consolidated financial information for Bluenergy and the post Proposed Transaction pro forma financial information for CBP as shown in this Report. BDO did not provide any opinion on the pro-forma consolidated financial information of Bluenergy. We will receive a fee of approximately $20,000 (plus GST and disbursements) for this assistance.

A draft of this Report was provided to the Directors for review of factual accuracy. Certain changes were made to the Report as a result of the circulation of the draft Report. However, no changes were made to the methodology, conclusions or recommendations made to the Non-associated Shareholders.

10.3. Disclaimer

This Report has been prepared at the request of the Directors and was not prepared for any purpose other than that stated in this Report. This Report has been prepared for the sole benefit of the Directors and Non-associated Shareholders. Accordingly, this Report and the information contained herein may not be relied upon by anyone other than the Directors and Non-associated Shareholders without our written consent. We accept no responsibility to any person other than the Directors, and Non-associated Shareholders in relation to this Report. The statements and opinions contained in this Report are given in good faith and are based upon our consideration and assessment of information provided by the Directors, executives and management of CBP.

APPENDIX 1: SOURCES OF INFORMATION

In preparing this Report, we have had access to and relied upon the following principal sources of information:

- CBP's Audited Annual Report for 2011 and 2012, consolidated management's accounts for the 6 month period to 31 December 2012 and Preliminary Annual Report for 2013
- Bluenergy's consolidated management accounts for FY2012 and FY2013
- Heads of agreements between CBP and Bluenergy dated 22 February 2013
- Carbon Polymers ASX announcements
- Carbon Polymers website, http://www.carbonpolymers.com.au
- Discussions with Carbon Polymers management
- Industry data from IBIS World and publicly available resources
- Information and research sourced from Bloomberg and Capital IQ
- Draft Notice of Meeting, as provided on 24 September 2013

APPENDIX 2: GLOSSARY

Abbreviation	Description
$	All figures are quoted in Australian Dollars unless otherwise stated
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUD	Australian dollar
Avon Plastics	Avon Plastics Pty Limited
BDO	BDO Corporate Finance (East Coast) Pty Ltd
Bluenergy	Bluenergy Group Pty Ltd
Bluenergy Management	Bluenergy Group Pty Ltd's Management
CBP or the Company	Carbon Polymers Limited
Composite Polymers	Composite Polymers Pty Limited
DCF	Discounted cash flow
Directors	Directors of Carbon Polymers Limited
Documents	Notice of meeting and explanatory memorandum
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FY2011	30 June 2011
FY2012	30 June 2012
YTD Dec-2012	31 December 2012
GFC	Global financial crisis
Management	Carbon Polymers Limited's Management
NTVA	Net tangible asset value
Non-associated shareholders	Carbon Polymers Limited's non-associated shareholders
Oakturn	Oakturn Pty Ltd
PPE	Property, Plant and Equipment
Proposed Transaction	Proposed acquisition by Carbon Polymers Limited of Bluenergy Group Pty Ltd
RCM	Reclaim Holdings Pty Limited
Report or IER	Independent Expert's Report
RG 74	ASIC Regulatory Guide 'Acquisition approved by members'
RG 111	Regulatory Guide 111 'Content of expert reports'
RG 112	Regulatory Guide 112 'Independence of experts'
SRS	Softfall Rubber Surfaces Pty Ltd
TCPL	Tyre Collections Pty Limited

Numbers in tables and figures in the Report may differ due to rounding

APPENDIX 3: VALUATION METHODS

In conducting our assessment of the fair market valuation, the following commonly used business valuation methods have been considered:

Discounted cash flow

The DCF method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- The forecast of future cash flows of the business asset for a number of years (usually five to ten years)
- The discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value

DCF is appropriate where:

The businesses' earnings are capable of being forecast for a reasonable period (preferably five to ten years) with reasonable accuracy

- Earnings or cash flows are expected to fluctuate significantly from year to year
- The business or asset has a finite life
- The business is in a 'start up' or in early stages of development
- The business has irregular capital expenditure requirements
- The business involves infrastructure projects with major capital expenditure requirements
- The business is currently making losses but is expected to recover

Capitalisation of earnings

This method involves the capitalisation of estimated normalised earnings by an appropriate multiple. Normalised earnings are the assessed sustainable earnings that can be derived by the business and excludes any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies or transactions.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Net realisable value of assets

Asset based valuations involve the determination of the market value of a business based on the net realisable value of the assets used in the business.

The net realisable value of assets involves:

- Separating the business or entity into components which can be readily sold, such as individual business units or collections of individual items of plant and equipment and other assets
- Ascribing a value to each based on the net amount that could be obtained for this asset if sold

Share market trading history

The application of the price that a company's shares trade on the ASX is an appropriate basis for valuation where:

- The shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's shares
- The market for the company's shares is active and liquid

Constant growth dividend discount model

The dividend discount model works best for:

- Firms with stable growth rates
- Firms that pay out dividends that approximate free cash flow to equity
- Firms with stable leverage
- Firms where there are significant or unusual limitations on the rights of shareholder