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**ALLEGRA ORTHOPEADICS LIMITED  
ISSUE OF SHARES TO ROBINWOOD INVESTMENTS PTY LTD**

**Independent Expert's Report  
pursuant to Section 611 of the Corporations Act**

**17 OCTOBER 2016**

## Glossary

Abbreviated Term	Definition
AMT	Allegra Orthopaedics Limited
AFSL	Australian Financial Services Licence
APES 225	Accounting Professional and Ethical Standards Board professional standard 225 - Valuation Services
ASIC	Australian Securities and Investment Commission
Asset Based Approach	The asset-based approach involves separating the business into components that can be readily sold or represented individually
ASX	Australian Securities Exchange
AU\$	Australian Dollar
Company	Allegra Orthopaedics Limited
Book Value	The value of a security or asset as entered on a firm's statement of financial position (also referred to as Carrying Value)
CME	Capitalisation of Maintainable Earnings
Company	Allegra Orthopaedics Limited
Directors	Directors of the Company
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
AGM	Annual General Meeting
Escrowed Proceeds	Proceeds held in escrow until some future event
EV	Enterprise Value
Issue Price	\$0.08 per Share
Moore Stephens	Moore Stephens (Vic) Pty Ltd - AFSL Holder 247362
MVE	Market Value of Equity
NAV	Net Asset Value
Net Debt	Debt minus cash held by the operating entity
NOM	Notice of Meeting

Abbreviated Term	Definition
Non-Associated Shareholders	AMT Shareholders not associated with the Proposed Transaction
NPAT	Net Profit After Tax
NTAV	Net Tangible Asset Valuation
Placement Shares	Proposed placement of 9.56 million new fully paid ordinary shares in AMT at an issue price of \$0.08 per Share
Proposal	The proposed transaction the subject of this IER
Proposed Transaction	The raising of approximately \$764,415 in capital by a Placement of Shares to Robinwood
QMV / QMP	Quoted Market Value/Price
Report	This Independent Expert Report prepared by Moore Stephens in relation to the Proposal
Robinwood	Robinwood Investments Pty Ltd
Robinwood Loan	Robinwood provided a loan facility of \$1 million on commercial terms to AMT in June 2016, which is currently drawn down to \$700,000, and is due for full repayment in December 2016.
RG 74	ASIC Regulatory Guide 74 - Acquisitions Approved by Members
RG 111	ASIC Regulatory Guide 111 - Content of Experts Reports
RG 112	ASIC Regulatory Guide 112 - Independence of Experts
RG 170	ASIC Regulatory Guide 170 - Prospective Financial Information
Shares	Fully paid ordinary shares in the Company
VWAP	Volume-Weighted Average Price

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17 October 2016

The Directors  
Allegra Orthopaedics Limited  
Level 8, 18-20 Orion Road  
LANE COVE WEST NSW 2066

Dear Sirs,

## INDEPENDENT EXPERT'S REPORT

### ISSUE OF SHARES REQUIRING SHAREHOLDER APPROVAL UNDER S611 OF THE CORPORATIONS ACT

As Directors of Allegra Orthopaedics Limited (**AMT**, or **Company**) you have requested Moore Stephens (Vic) Pty Ltd (**Moore Stephens**) to prepare an Independent Expert's Report (**Report**) in relation to a proposed placement of 9,438,957 million new fully paid ordinary shares in AMT (**Placement Shares**) at an issue price of \$0.08 per Share (**Issue Price**) to Robinwood Investments Pty Ltd (**Robinwood**) to raise approximately \$755,117 (**Proposed Transaction**).

The Proposed Transaction (as described in Section 1 below) will be presented to AMT Shareholders for approval at the Company's Annual General Meeting to be held on 30 November 2016 (**AGM**).

You have requested Moore Stephens to provide an opinion on whether the Proposed Transaction, the subject of Resolution 6<sup>1</sup> in the Notice of Meeting (**NOM**) is fair and reasonable to AMT Shareholders not associated with the Proposed Transaction (**Non-Associated Shareholders**).

Unless otherwise specified, all dollar amounts in the Report are in Australian Dollars (AUD) and all terms have the same meaning as in the **NOM**.

## 1. INTRODUCTION

### 1.1 Background

1. Allegra Orthopaedics Limited is an Australian Securities Exchange (**ASX**)-listed company based in Sydney and engaged in the design, development and sale of orthopaedic products.
2. On 17 October 2016, the Company announced that it had entered into a placement agreement with Robinwood. The placement agreement comprises a proposed issue of 9,438,957 fully paid ordinary Shares in AMT at an issue price of \$0.08 per Share to Robinwood to raise approximately \$755,117. Proceeds from the Proposed Transaction will assist the Company in funding its ongoing operations, for general working purposes and to meet its obligations.
3. Prior to the Proposed Transaction, AMT has 63,701,248 fully paid ordinary Shares on issue, of which Robinwood and associated entities hold a 35.42% interest (22,565,878 fully paid ordinary Shares)<sup>2</sup>. If the Proposed Transaction is approved and completed, Robinwood and associated entities will hold a total of 32,004,835 fully paid ordinary Shares in the Company, being a 43.76% interest.

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<sup>1</sup> Full details of the Resolution are set out in the NOM. Resolutions 1-5 set out in the NOM are not part of the Proposed Transaction.

<sup>2</sup> Robinwood currently has 21,391,879 Shares. Dr. Nicholas Hartnell, Robinwood's Director and major shareholder, owns 970,667 Shares personally. Dr. Nicholas Hartnell's parents, Mr. Anthony Hartnell and Mrs Maryed Hartnell also own 203,332 Shares.

4. The impact of the Proposed Transaction on AMT's Share Capital Structure is shown in the table below.

Table 1: AMT Share Capital Structure

AMT Shares on Issue Before the Proposed Transaction	63,701,248
Placement Shares to be issued to Robinwood	9,438,957
AMT Shares on Issue Following the Proposed Transaction	73,140,205
Robinwood and associated entities' equity interest Before the Proposed Transaction	35.42% (22,565,878 Shares)
Non-Associated Shareholders equity interest before the Proposed Transaction	64.58% (41,143,884 Shares)
Robinwood and associated entities' equity interest following the Proposed Transaction	43.76% (32,004,835 Shares)
Non-Associated Shareholders' equity interest following the Proposed Transaction	56.24% (41,143,884 Shares)

5. The approval and completion of the Proposed Transaction will result in the dilution of Non-Associated Shareholders' interest in AMT from 64.58% to 56.24%.
6. The Company's Directors advise that Robinwood has been a major shareholder and supporter of the Company and its strategy for some time. Robinwood was the only major participant in a rights issue in 2014. Following unsuccessful attempts by the Company to obtain debt financing from banks, Robinwood provided a loan facility of \$1 million on commercial terms to AMT in June 2016, which is currently drawn down to \$700,000 (**Robinwood Loan**). The Robinwood Loan is due for full repayment in December 2016.

## 2. PURPOSE AND SCOPE OF THIS REPORT

7. AMT is a public listed company incorporated in Australia and accordingly is subject to the Chapter 6 Takeover regulations of the *Corporations Act 2011 (the Act)*.
8. Section 606(1) of the Act prohibits the acquisition by a person of more than a 20% relevant interest in voting Shares of a company. Where the person already has a 20% or more interest prior to the transaction, there is a prohibition to acquire any further interests. Item 7 of Section 611 of the Act does however provide an exception to the prohibition if Shareholder approval for the sale of securities is given. Shareholders approving a resolution pursuant to this section must be provided with all material information in relation to the proposed resolution under that section.
9. Robinwood and associated entities currently have a 35.42% equity interest in AMT and as a result of completion of the Proposed Transaction, Robinwood and associated entities will have acquired a relevant interest of 43.76% of the Company's ordinary fully paid Shares.
10. Under Section 208 of Chapter 2E of the Act, a public company cannot give a financial benefit to a related party unless one of the exceptions set out in Sections 210 to 216 apply or shareholders have in a general meeting approved the giving of that financial benefit to the related party. The proposed issue of Placement Shares to Robinwood constitutes a financial benefit for the purposes of the Act. Furthermore, Robinwood is considered a related party of AMT under Section 228(3) of the Act, on

the basis that Dr. Nicholas Hartnell, who is a Director and the majority shareholder of Robinwood, is the son of Mr. Anthony Hartnell, Director of AMT. Consequently, the Proposed Transaction is a related party transaction to which the Corporations Act and ASX Listing Rules apply.

11. To meet its regulatory obligations and to ensure that AMT's Shareholders are fully informed, AMT's Independent Directors have engaged Moore Stephens to prepare an Independent Expert's Report for AMT Shareholders in relation to the Proposed Transaction. The Report will provide our opinion on whether the Proposed Transaction is fair and reasonable from the perspective of the Non-Associated Shareholders of AMT.
12. The Report may not be used for any other purpose, or by any other party, and Moore Stephens will not accept any responsibility for its use outside this purpose. No extract, quote or copy of this Report, in whole or in part, should be reproduced without prior written consent of Moore Stephens, as to the form and context in which it appears.
13. This is a summary of Moore Stephen's opinion as to the merits or otherwise of the Proposed Transaction. This summary should be considered in conjunction with, and not independently of, our detailed Report.

### 3. EXECUTIVE SUMMARY OPINION

#### 3.1 Basis of Assessment

14. In determining whether the Proposed Transaction is fair and reasonable we have given regard to the views expressed by ASIC in Regulatory Guide 111 "Content of Expert's Reports" (**RG 111**) and Regulatory Guide 112 "*Independence of Experts*" (**RG 112**). In preparing our Report we have given particular consideration to RG111.
15. RG111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
16. RG111 states that the expert report should focus on:
  - The issues facing the security holders for whom the report is being prepared; and
  - The substance of the transaction rather than the legal mechanism used to achieve it.
17. Where an issue of shares by a company otherwise prohibited under Section 606 is approved under item 7 of Section 611 and the effect on the company's shareholding is comparable to a takeover bid, RG111 states that the transaction should be analysed as if it was a takeover bid.
18. RG111 applies the "fair and reasonable" test as two distinct criteria in the circumstance of a takeover bid, stating:
  - A takeover is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
  - A takeover offer is considered "reasonable" if it is fair or, where the offer is "not fair", it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer.
19. Consistent with the guidelines in RG111, in determining whether the Proposed Transaction is "fair and reasonable" to the Non-Associated Shareholders, the analysis is undertaken as follows:

- A comparison of the fair value of a fully paid ordinary share in AMT prior to and immediately following the Proposed Transaction, being the “consideration” for Non-Associated Shareholders in the assessment of fairness; and
  - A review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction in the assessment of reasonableness.

20. We compare the fair value of a fully paid ordinary share in AMT prior to and immediately following the Proposed Transaction, both on a minority basis, given that Robinwood and associated entities already hold a blocking stake in the Company, and the Proposed Transaction does not result in any change in control..

21. In particular, we have considered the advantages and disadvantages of the Proposed Transaction in the event that the Proposed Transaction proceeds or does not proceed including:

  - The future prospects of the Company if the Proposed Transaction does not proceed; and
  - Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

22. Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.

**3.2 Fairness Assessment**

23. Based on our analysis, before the Proposed Transaction AMT’s fair value per Share on a minority basis is \$0.0313. Immediately following the Proposed Transaction, AMT’s value per Share on a minority basis is assessed to be \$0.0376.
24. As the fair value of a AMT Share immediately following the Proposed Transaction is higher than the fair value of a AMT Share before the Proposed Transaction, we conclude that the Proposed Transaction is **fair** from the perspective of AMT’s Non-Associated Shareholders.

**3.3 Reasonableness Assessment**

25. In assessing if the advantages of the Proposed Transaction outweigh the disadvantages, we have had regard to the following:

*Table 2: Advantages and Disadvantages*

<b>Advantages of the Proposed Transaction</b>	<p><b>a) Fairness Assessment</b></p> <p>The Proposed Transaction is fair from the perspective of Non-Associated Shareholders.</p>
	<p><b>b) Improved Financial Position and Funding Certainty</b></p> <p>Notwithstanding dilution in the Non-Associated Shareholders’ interest in the event the Proposed Transaction is approved, the balance sheet and cash position of the Company will be significantly strengthened.</p> <p>The Proposed Transaction will raise cash proceeds of approximately \$755,117 which will enable AMT to progress its objectives, fund working capital requirements as well as repay the Robinwood Loan which is due for full repayment in December 2016. The Directors of AMT consider that, based on current management budgets, the Proposed Transaction is</p>

**Disadvantages of the Proposed Transactions**

expected to provide sufficient funds to negate the need to raise additional capital for the foreseeable future, unless for value accretive opportunities.

**c) Limited Alternative Funding Options**

We have been advised that the Directors of AMT have been actively seeking to raise funds in recent times. Discussions with various banks did not result in debt financing being obtained. In addition, soundings were taken from major shareholders in the Company (other than Robinwood) to gauge their interest in subscribing for more shares in AMT and participating in a rights issue, and the feedback indicated there was no interest. In our experience loss making micro cap companies such as AMT typically find it particularly challenging raising funds for their ongoing activities, and usually the only avenue for raising capital is from their existing shareholders.

AMT's Directors consider that no superior proposal has been received at the date of this Report that would provide the Company with the necessary funds to progress its objectives and meet its obligations. We are not aware of any alternative proposals at this time that would offer the Non-Associated Shareholders a premium over the terms offered by the Proposed Transaction.

**a) Dilution**

The key disadvantage of the Proposed Transaction is that Non-Associated Shareholders' interest in the Company will be diluted from 64.58% to 56.24%.

**b) Strategic Influence and Takeover Prospects**

The dilution of Non-Associated Shareholders interests diminishes their ability to influence the strategic direction of the Company, including acceptance or rejection of takeover or merger proposals. However, we note that Robinwood and associated entities' equity interest of 35.42% prior to the Proposed Transaction is already a blocking stake and therefore one could infer that the prospects of Non-Associated Shareholders receiving an offer for their AMT Shares in the future are no less than prior to the Proposed Transaction.

We have also been advised that Robinwood and associated entities have no current intention to influence any change to AMT's strategic direction or Board composition, or to increase their Board representation following the Proposed Transaction.

26. After considering the above, we conclude that the advantages of the Proposed Transaction outweigh the disadvantages from the perspective of Non-Associated Shareholders. Therefore, in our opinion, the Proposed Transaction is **reasonable** to Non-Associated Shareholders of AMT.

**3.4 Summary of Opinion**

27. In our opinion, and for the reasons set out in Sections 9 and 10 of this Report, the Proposed Transaction is **fair and reasonable** to the Non-Associated Shareholders of AMT.

#### 4. GENERAL DISCLOSURES AND LIMITATIONS

##### Changes in market conditions

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

##### Individual Shareholder circumstances

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

##### Entirety of Report

30. This summary opinion should be read in conjunction with and not independent of the remainder of this Report.
31. The Report should also be read in conjunction with the Notice of Meeting for the AGM. Terms in this Report are, unless otherwise noted, consistent with terms and description referred to in the Notice of Meeting.

Yours faithfully

**Moore Stephens (Vic) Pty Ltd**

Holder of Australian Financial Services License No.247362



**Gary Graco**

**Authorised Representative**

## 5. DISCLOSURES AND LIMITATIONS

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

## 6. REGULATORY FRAMEWORK

### 6.1 Corporations Act – Takeover provisions

37. Section 606(1) of the Act prohibits the acquisition of a relevant interest in the voting Shares of a company where (a) a person's voting power increases from below 20% to more than 20%; or (b) from a starting point above 20% and below 90%. The interest of "associates" is aggregated for these purposes. Acquisition can be by way of transfer from other Shareholders (purchase) or by way of issue of new securities (subscription). Item 7 in the Exemptions Table of Section 611 of the Act provides an exemption to the Section 606 prohibition if the acquisition is approved by a majority of Shareholders at general meeting and no votes are cast by the persons proposing to make the acquisition, or their associates.
38. As a result of the Proposed Transaction, Robinwood and associated entities' relevant interest will increase from 35.42% to 43.76% of the issued Share capital of the Company.
39. In accordance with the provisions of ASIC Regulatory Guides, the Directors of AMT have engaged Moore Stephens to prepare an Independent Expert's Report for AMT Shareholders in relation to the Proposed Transaction. This satisfies the obligation under RG 74.12 to supply Shareholders with "enough information to make an informed decision on the merits of the Proposal". The Report will accompany the Notice of Meeting to be sent to Shareholders. The scope of the Report is to consider whether the Proposed Transaction is fair and reasonable from the perspective of Non-associated Shareholders of AMT.

### 6.2 Corporations Act – Giving a Financial Benefit to a Related Party

40. Under Section 208 of Chapter 2E of the Act, a public company cannot give a financial benefit to a related party unless one of the exceptions set out in Sections 210 to 216 apply or shareholders have in a general meeting approved the giving of that financial benefit to the related party. The proposed issue of Placement Shares to Robinwood constitutes a financial benefit for the purposes of the Act.

Furthermore, Robinwood is considered a related party of AMT under Section 228(3) of the Act, on the basis that Dr. Nicholas Hartnell, who is a Director and the majority shareholder of Robinwood, is the son of Mr. Anthony Hartnell, Director of AMT. Consequently, the Proposed Transaction is a related party transaction to which the Corporations Act and ASX Listing Rules apply.

### 6.3 Guidelines issued by ASIC on Issues of Shares

41. Our Report has been prepared having regard to ASIC Regulatory Guide 111 "Content of Expert's Reports" (**RG 111**) and Regulatory Guide 112 "Independence of Experts" (**RG 112**). In preparing our Report we have given particular consideration to RG111.
42. Where an issue of shares by a company otherwise prohibited under Section 606 is approved under item 7 of Section 611 and the effect on the company's shareholding is comparable to a takeover bid, RG111 states that the transaction should be analysed as if it was a takeover bid.
43. RG111 applies the "fair and reasonable" test as two distinct criteria in the circumstance of a takeover bid, stating:
  - A takeover is considered "fair" if the value of the offer price or consideration is equal to or **greater than the value of the securities that** are the subject of the offer; and
  - A takeover offer is considered "reasonable" if it is fair or, where the offer is "not fair", it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer.
44. Consistent with the guidelines in RG111, in determining whether the Proposed Transaction is "fair and reasonable" to the Non-Associated Shareholders, the analysis is undertaken as follows:
  - A comparison of the fair value of a fully paid ordinary share in AMT prior to and immediately following the Proposed Transaction, being the "consideration" for Non-Associated Shareholders in the assessment of fairness; and
  - A review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction in the assessment of reasonableness.
45. We compare the fair value of a fully paid ordinary share in AMT prior to and immediately following the Proposed Transaction, both on a minority basis, given that Robinwood and associated entities already hold a blocking stake in the Company, and the Proposed Transaction does not result in any change in control.
46. In particular, we have considered the advantages and disadvantages of the Proposed Transaction in the event that the Proposed Transaction proceeds or does not proceed including:
  - The future prospects of the Company if the Proposed Transaction does not proceed; and
  - Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.
  - Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.

### 6.4 Guidelines on Valuation Engagements

47. This Report has also been undertaken in accordance with the requirements set out in Accounting Professional and Ethical Standards Board professional standard 225 "Valuation Services" ("**APES 225**").

48. A valuation engagement is defined by APES 225 as “*Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time*”.

## 7. PROFILE OF AMT

### 7.1 Company overview

49. Allegra Orthopaedics Limited is an Australian Securities Exchange (ASX)-listed Company founded in 1994 engaged in the development and sale of orthopaedic products.
50. Previously the Company's primary business was as a designer and in-house manufacturer of orthopaedic products which it sold to a network of hospitals and surgeons throughout Australia. However, in late 2015 AMT took the strategic decision to cease manufacturing in-house and instead focus on growing sales, support and distribution of its product range. AMT outsourced their manufacturing to an Australian manufacturing facility, based in Sydney.
51. The Company has a national sales and support network in Australia and New Zealand servicing their customers and distribution partners including approximately 280 hospitals and over 250 hand therapists.
52. AMT's key product, the Total Active Knee, is a primary total knee replacement system which has a clinical history not only in Australia but also a previous sales pathway in the USA, Greece, Turkey and the UK. AMT also distributes internationally acquired products covering upper and lower limb implants as well as therapeutic casts and splints.
53. The Company is also the global licensee to commercialise a bone graft composite biocompatible ceramic material known as Sr-HT-Gahnite from the University of Sydney. This project is currently being funded by a \$1.5 million grant from NSW Health Department received in early 2015.

### 7.2 Senior Management and Board of Directors

54. AMT's senior management currently comprises the following individuals:

- Jenny Swain – Chief Executive Officer

Jenny Swain has over 15 years experience in orthopaedic sales and support. Prior to moving into a sales position, Jenny spent 12 years as a formally-trained and qualified Registered Nurse with practical experience in local and overseas hospitals. This included 5 years in Los Angeles Century City Hospital as the orthopaedic Unit Manager. She joined J&J in 1996 as the NSW Orthopaedic Territory Manager and in Feb 2000 joined Taylor Bryant (now Lifehealthcare) as Manager for the Orthopaedic Division.

- Rob Truscott – Chief Financial Officer

Rob Truscott is an experienced professional with over 25 years' experience in senior finance roles within a range of organisations. He spent six years working in London, and is a qualified CPA, with a Bachelor of Commerce degree from University of Western Sydney (UWS).

- Ameneh Sadeghpour – Project Manager and Innovation Ventures

Ameneh Sadeghpour is an Engineer with experience in the Pharmaceutical, Medical Device and Biotechnology industries. She has driven the transition of many technologies from proof of concept, to commercial production and industrial processes. Most recently she worked for Genea Biomedx, which specialises in IVF technologies. She was seconded to the UK for two years as the Operations/Project Manager to expand Genea's medical devices facility from Australia into the UK, including the set-up of the European sales and support centre and the attainment of a CE mark certification for sale in the EU. She has a Masters degrees in Biomedical Engineering and Project Management from UNSW and USYD, respectively, as well as a PMI Project Management Professional qualification.

55. The Company's Board of Directors currently comprises the following individuals:

- Peter Kazacos – Chairman

Peter Kazacos has over 40 years experience in the IT industry. He founded KAZ in 1988, guided it from a small IT services company in NSW to one of Asia Pacific's leading IT services and business process outsourcing service providers with over 4,000 employees, as a fully owned subsidiary of Telstra. He also founded Anitell Limited, building it into one of Australia's leading IT&C service providers operating outside the major metropolitan areas, leading to its acquisition in 2010 by Anittel Group Limited (since renamed Axxis Technology Group Limited), representing a major strategic milestone in the transformation and convergence of the IT&T industry. Prior to founding KAZ and Anittel, Peter held a number of senior technical positions in the Australia IT industry with leading Australian organisations. Peter was the recipient of the inaugural Australian Entrepreneur of the Year Award in 2001 in the Technology, Communications, E-Commerce and Biotechnology category.

- Anthony Hartnell – Director

Anthony Hartnell who has been honoured as an Officer in the Order of Australia has had a distinguished legal career in both government and private practice. He is the founding partner of Atanaskovic Hartnell, a legal firm specialising in corporate and commercial law, particularly covering corporate financing, takeovers and regulatory issues. He was the inaugural Chairman of the Australian Securities Commission. He has chaired a number of ASX-listed companies.

- Sean St Clair Mulhearn – Director

Sean Mulhearn was appointed as Director on 17 November 2015 and has been involved in the financial markets for over 30 years with experience in Asia, Europe, and the Americas. He holds a Bachelor of Economics from the University of Sydney and has obtained formal financial accreditations in the US and Asia. He has particular expertise in risk management. He recently founded Jacaranda Capital Partners, a boutique advisory and markets training business with offices in Singapore and Australia. He has been Member of Advisory Board of Pelican Point Capital Partners, LLC since October 30, 2014, and a Non-Executive Director of Greka Drilling Limited since October 5, 2015.

### 7.3 Share Capital

56. AMT currently has 63,701,248 fully paid ordinary Shares on issue (as of the latest Appendix 3B from 20 September 2016). The Company has no partly paid Shares, convertible notes or options on issue. Table 2 below sets out the top 20 Shareholders as at 12 August 2016:

Table 3: Top 20 Shareholders of AMT

Rank	Name	No. of Shares held	% of Issued Shares
1	ROBINWOOD INVESTMENTS PTY LTD	21,391,879	33.63
2	CRYPTYCH PTY LTD	7,067,856	11.11
3	WELSH SUPERANNUATION PTY LIMITED	6,600,000	10.38
4	MARIE CAROLL & DAWSON CAROLL	5,636,285	8.86
5	NETWEALTH INVESTMENTS LIMITED	5,517,036	8.67
6	MERGIN INVESTMENTS PTY LTD	2,332,857	3.67
7	MR KENNETH CAMPBELL	1,000,000	1.57
8	MR THOMAS JAMES CARROLL	1,000,000	1.57
9	DR NICHOLAS HARTNELL	970,667	1.53
10	MISTY HILLS NOMINEES PTY LTD	892,857	1.40
11	DESTIN PTY LIMITED	835,120	1.31
12	SANPEREZ PTY LTD	700,000	1.10
13	PETER WELSH	473,685	0.74
14	DESMON J BOKER PTY LIMITED	450,000	0.71
15	MS NICOLE FAITH ROGER	403,334	0.63
16	CRYPTYCH PTY LTD	355,000	0.56
17	DR ANDREW WILLIAM LEICESTER & MRS SKYE CHRISTINE LEICESTER	316,804	0.50
18	SIMON ROBERTS	309,358	0.49
19	LESLIE HARRY CROSS	300,000	0.47
20	JOHN O'MEARA & MARGARET O'MEARA	300,000	0.47
	<b>Total Top 20 holders of Ordinary fully paid Shares</b>	<b>56,852,738</b>	<b>89.37%</b>
	<b>Other Shareholders</b>	<b>6,762,276</b>	<b>10.63%</b>
	<b>Total</b>	<b>63,615,014</b>	<b>100.00%</b>

Source: Annual Report 2016

57. Allegra Orthopedics' Shares are tightly held with the top 20 Shareholders accounting for 89.37% of total issued Share capital of the Company, with the largest Shareholder, Robinwood (and its associated entities), currently holding a 35.42% interest.

#### 7.4 Financial Performance

58. A summary extract of AMT's Statement of Income for the years ended 30 June 2014 (audited), 30 June 2015 (audited) and 30 June 2016 (audited) are shown in Table 3 below.

Table 4: AMT Statements of Consolidated Income

\$000's	31-Jun-14 (audited)	31-Jun-15 (audited)	30-Jun-16 (audited)
Revenue from continuing operations	7,972	7,327	5,019
Other Income	817	1,503	976
<b>Total revenue</b>	<b>8,789</b>	<b>8,830</b>	<b>5,994</b>
Cost of goods sold	3,259	3,557	2,062
<b>Gross Profit</b>	<b>5,530</b>	<b>5,273</b>	<b>3,932</b>
Corporate and administration expenses	2,253	2,488	2,831
Quality and research and development expenses	1,393	1,580	1,343
Sales and marketing expenses	1,957	1,902	1,725
<b>Operating Income</b>	<b>-73</b>	<b>-696</b>	<b>-1,968</b>
Finance Costs	228	159	68
<b>Profit (loss) before income tax</b>	<b>-301</b>	<b>-855</b>	<b>-2,036</b>
Income tax expense (benefit)	0	0	0
<b>Profit (loss) for the year</b>	<b>-301</b>	<b>-855</b>	<b>-2,036</b>

Source: Annual Reports and Company management. Note: totals may not reconcile due to rounding

59. We note the following with regard to AMT's historic financial performance:

- Revenues from continuing operations have declined in recent years. Revenue in FY15 was impacted by the loss of a distribution agreement to sell products manufactured by Small Bone Innovation Inc. in Australia and New Zealand. The Company noted that the revenue decrease in FY16 was directly related to key surgeons participating in a product study with a separate orthopaedic company.
- Other Income comprises government grants, R&D tax offsets and net gains on property, plant and equipment disposals.
- Operating expenses comprise corporate and administrative expenses, research and development costs, and sales and marketing.

- Lower salary and rent expenses were more than offset by substantial restructuring costs incurred in transitioning from being an in-house manufacturer during FY16, resulting in total Corporate and administration expenses increasing by \$0.343 million in FY16.
- AMT has made an operating loss and net loss for the past three financial years.

## 7.5 Financial Position

60. A summary extract of AMT's Statement of Financial Position for the years ended 30 June 2014 (audited), 30 June 2015 (audited) and 30 June 2016 (audited) are shown in Table 4 below.

Table 5: AMT Statements of Financial Position

\$000's	31-Jun-14 (audited)	31-Jun-15 (audited)	30-Jun-16 (audited)
Cash and cash equivalents	26	1,083	1,155
Trade and other receivables	2,290	2,072	1,724
Inventories	3,265	2,360	1,511
Other current assets	0	0	0
<b>Total current assets</b>	<b>5,581</b>	<b>5,514</b>	<b>4,390</b>
Receivables	123	0	0
Property, plant and equipment	2,116	1,527	477
Intangibles	214	238	159
Other non-current assets	0	0	0
<b>Total non-current assets</b>	<b>2,453</b>	<b>1,765</b>	<b>636</b>
<b>Total assets</b>	<b>8,034</b>	<b>7,280</b>	<b>5,026</b>
Trade and other payables	1,661	2,367	1,809
Borrowings	1,566	219	946
Provisions	148	379	41
Payroll	0	0	0
<b>Total current liabilities</b>	<b>3,375</b>	<b>2,964</b>	<b>2,796</b>
Borrowings	233	98	39
Provisions	257	30	39
<b>Total non-current liabilities</b>	<b>490</b>	<b>129</b>	<b>79</b>
<b>Total liabilities</b>	<b>3,865</b>	<b>3,093</b>	<b>2,875</b>

<b>Net assets</b>	<b>4,169</b>	<b>4,186</b>	<b>2,151</b>
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Source: Annual Reports and Company management. Note: totals may not reconcile due to rounding

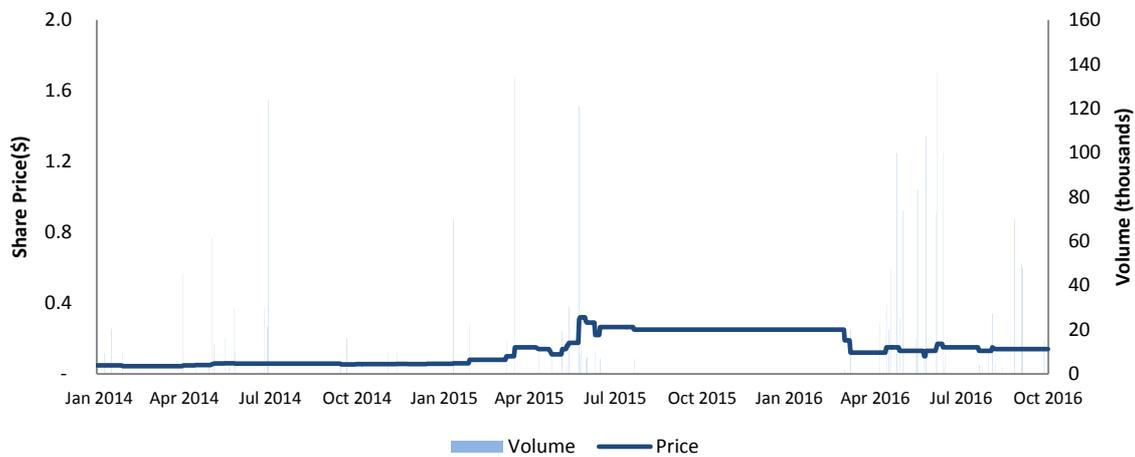
61. We note the following with regards to AMT's financial position:

- Net assets almost halved in FY16 due to the losses incurred during the period. Net assets as at 30 June 2016 stand at \$2.151 million.
- Of the \$1.724 million in Trade and other receivables, \$0.488 million comprises a research and development tax receivable.
- The Company has \$0.946 million in short term borrowings, comprising a debtor finance facility, lease liability and the loan from Robinwood (current outstanding amount of \$700,000 and due for full repayment in December 2016).

7.6 Share Price

62. The following chart shows AMT's recent Share price history (1 January 2014 to 3 October 2016):

Chart 1: AMT Share Price Performance



63. We observe the following in relation to AMT's Share price history during the above period:

- The Share price has traded in a range of \$0.0437 to \$0.32 during this period;
- AMT's Share price reached a low on 28 January 2014 (\$0.0437) and a high on 27 May 2015 (\$0.32).

64. The following data show recent trading in AMT Shares up until 3 October 2016:

Table 6: AMT Shares - Trading Volume

Period	30 Trading Days prior to 3 October 2016	120 Trading Days prior to 3 October 2016	3 October 2015 to 3 October 2016
Total Shares traded	183,300	1,104,700	1,126,700
As % of total issued capital	0.29%	1.73%	1.77%
Price (cents)			
High	14c	17c	25c
Low	14c	10c	10c
Total value of trades (\$)	\$25,472	\$152,191	\$156,272
VWAP	13.39c	14.20c	13.87c

65. This analysis demonstrates that the market for AMT's Shares has been very illiquid in recent times.

**7.7 Recent Company Announcements**

66. The following table summarises the key ASX announcements of the Company over the past 6 months:

Table 7: AMT Key ASX Announcements in 2016

Date	Announcement
20/09/2016	Update on Bone Substitute Project
30/08/2016	Appendix 4E and Annual Report
30/06/2016	Loan to Progress Bone Substitute Project
07/06/2016	Promising Results for Sr-HT-Gahnite Bone Substitute
20/04/2016	Management Changes
24/02/2016	Half Yearly Report and Accounts
04/02/2016	Update on Outsourcing of Manufacturing

**8. BASIS OF ASSESSMENT OF THE PROPOSED TRANSACTION**

67. In determining whether the Proposed Transaction is fair and reasonable we have given regard to the views expressed by ASIC in Regulatory Guide 111 "Content of Expert's Reports" (RG 111) and

- Regulatory Guide 112 "*Independence of Experts*" (**RG 112**). In preparing our Report we have given particular consideration to RG111.
68. RG111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
69. RG111 states that the expert report should focus on:
- The issues facing the security holders for whom the report is being prepared; and
  - The substance of the transaction rather than the legal mechanism used to achieve it.
70. Where an issue of shares by a company otherwise prohibited under Section 606 is approved under item 7 of Section 611 and the effect on the company's shareholding is comparable to a takeover bid, RG111 states that the transaction should be analysed as if it was a takeover bid.
71. RG111 applies the "fair and reasonable" test as two distinct criteria in the circumstance of a takeover bid, stating:
- A takeover is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
  - A takeover offer is considered "reasonable" if it is fair or, where the offer is "not fair", it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer.
72. Consistent with the guidelines in RG111, in determining whether the Proposed Transaction is "fair and reasonable" to the Non-Associated Shareholders, the analysis is undertaken as follows:
- A comparison of the fair value of a fully paid ordinary share in AMT prior to and immediately following the Proposed Transaction, being the "consideration" for Non-Associated Shareholders in the assessment of fairness; and
  - A review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction in the assessment of reasonableness.
73. We compare the fair value of a fully paid ordinary share in AMT prior to and immediately following the Proposed Transaction, both on a minority basis, given that Robinwood and associated entities already hold a blocking stake in the Company, and the Proposed Transaction does not result in any change in control.
74. In particular, we have considered the advantages and disadvantages of the Proposed Transaction in the event that the Proposed Transaction proceeds or does not proceed including:
- The future prospects of the Company if the Proposed Transaction does not proceed; and
  - Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.
  - Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.
75. Section 9 sets out details of our assessment of whether the fair value of a fully paid ordinary Share in AMT on a minority basis immediately following the Proposed Transaction is higher than the fair

value of a fully paid ordinary AMT Share on a minority basis prior to the Proposed Transaction. Section 10 details our assessment of the other matters to be considered, including the overall advantages and disadvantages of the Proposed Transaction.

## 9. FAIRNESS ASSESSMENT OF THE PROPOSED TRANSACTION

### 9.1 Value Definition Overview

76. Moore Stephen's valuation of AMT before the Proposed Transaction has been made on the basis of fair market value defined as the price that could be realised in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing, but not anxious seller and a willing, but not anxious, buyer acting at arm's length.

### 9.2 Valuation Methodology for AMT

77. In selecting an appropriate valuation methodology, we considered the applicability of a range of generally accepted valuation methodologies. These included:

- Discounted cash flow;
- Capitalisation of Future Maintainable Earnings;
- Net Asset Value; and
- Quoted Share Price.

Further details of each methodology are contained in Appendix B.

78. RG111.64 states that an expert should use its skill and judgment to select the most appropriate methodology in its report. The expert must have a reasonable (or tenable) basis for choosing the valuation methodology. RG111.65 states that an expert should, when possible, use more than one valuation methodology.

79. We believe a capitalisation of maintainable earnings or forecast cash flows is inappropriate in the circumstances given AMT is currently unprofitable and loss making. Furthermore, we have reviewed AMT management's profit and cash flow forecasts and believe they are too uncertain to be relied upon.

80. RG 111.69 states that an expert should consider "the quoted price for listed securities, where there is a liquid and active market".

81. We have considered this methodology. In our view a liquid stock would typically be characterised by having 25-50% of its total number of shares being traded over the course of a year, or about 0.5%-1.0% per week. AMT is a thinly traded stock that does not meet the characteristics of a liquid stock with an active market. Therefore we do not consider the quoted market price of AMT Shares to be a reliable indicator of their value.

82. We have adopted a Net Tangible Asset Valuation approach (**NTAV**) in order to value AMT Shares. An asset-based valuation involves separating the business into components that can be readily sold, such as individual business units or items of plant and equipment, and ascribing a value of each component based on the amount that could be obtained if sold.

83. We have assumed that asset values can be fully realised according to the Company's historical Statement of Financial Position as at 30 June 2016. Furthermore, this methodology estimates the

value of net assets at their fair market value and does not account for realisation costs. This method involves making any necessary adjustments required to reflect the fair market value of the net assets of the business.

**9.3 Net Tangible Asset Valuation of AMT - Before the Proposed Transaction**

84. Our estimation of the fair value of AMT Shares before the Proposed Transaction, adopting the NTAV methodology, is set out below:

*Table 8: NTAV Methodology applied to most recent Statement of Financial Position as at 30 June 2016*

\$000's	30-Jun-16 (audited)	Discounting	30-Jun-16 (NTAV audited)
Cash and cash equivalents	1,155		1,155
Trade and other receivables	1,724		1,724
Inventories	1,511		1,511
<b>Total current assets</b>	<b>4,390</b>		<b>4,390</b>
Receivables	0		0
Property, plant and equipment	477		477
Intangibles	159	100.00%	0
<b>Total non-current assets</b>	<b>636</b>		<b>477</b>
<b>Total assets</b>	<b>5,026</b>		<b>4,867</b>
Trade and other payables	1,809		1,809
Borrowings	946		946
Provisions	41		41
<b>Total current liabilities</b>	<b>2,796</b>		<b>2,796</b>
Borrowings	39		39
Provisions	39		39
<b>Total non-current liabilities</b>	<b>79</b>		<b>79</b>
<b>Total liabilities</b>	<b>2,875</b>		<b>2,875</b>
<b>Net assets</b>	<b>2,151</b>		<b>1,992</b>

85. Of the Company's assets, we have assumed that only the Company's intangibles cannot be realised in an orderly realisation of assets. The intangibles comprise patents and trademarks at cost less accumulated amortisation.

86. Based on the above, we have estimated the fair value of AMT, before the Proposed Transaction, to be \$1.992 million in total. Assuming 63,701,248 Shares outstanding as per the most recent Appendix 3B from 20 September 2016, the value per AMT Share on a minority basis is \$0.0313.

**9.4 Net Tangible Asset Valuation of AMT - Following the Proposed Transaction**

87. Our estimation of the fair value of AMT Shares following the Proposed Transaction, adopting the NTAV valuation methodology, is set out below:

Table 9: NTAV Methodology applied to most recent Statement of Financial Position as at 30 June 2016, assuming completion of the Proposed Transaction

\$000's	30-Jun-16 (audited)	Effect	30-Jun-16 (NTAV audited)
Cash and cash equivalents	1,155	755 Addition	1,910
Trade and other receivables	1,724		1,724
Inventories	1,511		1,511
<b>Total current assets</b>	<b>4,390</b>		<b>5,145</b>
Receivables	0		0
Property, plant and equipment	477		477
Intangibles	159	100.00% Discount	0
<b>Total non-current assets</b>	<b>636</b>		<b>477</b>
<b>Total assets</b>	<b>5,026</b>		<b>5,631</b>
Trade and other payables	1,809		1,809
Borrowings	946		946
Provisions	41		41
<b>Total current liabilities</b>	<b>2,796</b>		<b>2,796</b>
Borrowings	39		39
Provisions	39		39
<b>Total non-current liabilities</b>	<b>79</b>		<b>79</b>
<b>Total liabilities</b>	<b>2,875</b>		<b>2,875</b>
<b>Net assets</b>	<b>2,151</b>		<b>2,747</b>

- 88. Of the Company's assets, we have assumed that only the Company's intangibles cannot be realised in an orderly realisation of assets. The intangibles comprise patents and trademarks at cost less accumulated amortisation. In addition, we have assumed that the \$755,117 raised in the Proposed Transaction will increase the balance of Cash and cash equivalents by that value.
- 89. Based on the above, we have estimated the fair value of AMT, after the Proposed Transaction, to be \$2.747 million in total. Assuming 73,140,205 Shares are on issue following completion of the Proposed Transaction, the value per AMT Share on a minority basis is \$0.0376.

**9.5 Conclusion of Fairness Assessment**

- 90. Before the Proposed Transaction, AMT's fair value per Share on a minority basis is \$0.0313. Immediately following the Proposed Transaction, AMT's value per Share on a minority basis is estimated to be \$0.0376.
- 91. As the fair value of an AMT Share immediately following the Proposed Transaction is higher than the fair value of a AMT Share before the Proposed Transaction, we must conclude that the Proposed Transaction is **fair** from the perspective of AMT's Non-Associated Shareholders.

**10. ASSESSMENT OF THE ADVANTAGES AND DISADVANTAGES OF THE PROPOSED TRANSACTION**

- 92. In assessing if the advantages of the Proposed Transaction outweigh the disadvantages, we have had regard to the following:

*Table 10: Advantages and Disadvantages*

<p><b>Advantages of the Proposed Transaction</b></p>	<p><b>a) Fairness Assessment</b></p> <p>The Proposed Transaction is fair from the perspective of Non-Associated Shareholders.</p> <p><b>a) Improved Financial Position and Funding Certainty</b></p> <p>Notwithstanding dilution in the Non-Associated Shareholders' interest in the event the Proposed Transaction is approved, the balance sheet and cash position of the Company will be significantly strengthened.</p> <p>The Proposed Transaction will raise cash proceeds of approximately \$755,117 which will enable AMT to progress its objectives, fund working capital requirements as well as repay the loan from Robinwood which is due for full repayment in December 2016. The Directors of AMT consider that, based on current management budgets, the Proposed Transaction is expected to provide sufficient funds to negate the need to raise additional capital for the foreseeable future, unless for value accretive opportunities.</p> <p><b>b) Limited Alternative Funding Options</b></p> <p>We have been advised that the Directors of AMT have been actively seeking to raise funds in recent times. Discussions with various banks did not result in debt financing being obtained. In addition, soundings were taken from other major shareholders in the Company (other than Robinwood) to gauge their interest in subscribing for more shares in AMT and participating in a rights issue, and the feedback indicated there was no interest. In our experience loss making micro cap companies such as</p>
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**Disadvantages of the Proposed Transaction**

AMT typically find it particularly challenging raising funds for their ongoing activities, and usually the only avenue for raising capital is from their existing shareholders.

AMT's Directors consider that no superior proposal has been received at the date of this Report that would provide the Company with the necessary funds to progress its objectives and meet its obligations. We are not aware of any alternative proposals at this time that would offer the Non-Associated Shareholders a premium over the terms offered by the Proposed Transaction.

**a) Dilution**

The key disadvantage of the Proposed Transaction is that Non-Associated Shareholders' interest in the Company will be diluted from 64.58% to 56.24%.

**b) Strategic Influence and Takeover Prospects**

The dilution of Non-Associated Shareholders interests diminishes their ability to influence the strategic direction of the Company, including acceptance or rejection of takeover or merger proposals. However, we note that Robinwood and associated entities' equity interest of 35.42% prior to the Proposed Transaction is already a blocking stake and therefore one could infer that the prospects of Non-Associated Shareholders receiving an offer for their AMT Shares in the future are no less than prior to the Proposed Transaction.

We have also been advised that Robinwood and associated entities have no current intention to influence any change to AMT's strategic direction or Board composition, or to increase their Board representation following the Proposed Transaction.

93. After considering the above, we conclude that the advantages of the Proposed Transaction outweigh the disadvantages from the perspective of Non-Associated Shareholders. Therefore, in our opinion, the Proposed Transaction is **reasonable** to Non-Associated Shareholders of AMT.

**11. OPINION ON THE PROPOSED TRANSACTION**

94. On the basis of our analysis, and for the reasons outlined in the preceding sections, we consider that the Proposed Transaction is **fair and reasonable from the perspective of Non-Associated Shareholders** of AMT. Accordingly, we consider that the Independent Directors of AMT are justified in recommending Non-Associated Shareholders **vote in favour of the Proposed Transaction**.

**APPENDIX A****Statement of Qualifications, Independence, Declarations and Consents****Qualifications**

Moore Stephens (Vic) Pty Ltd (ACN 052 362 348) (Moore Stephens) is a Melbourne based accounting, audit and business advisory practice and is a licensed investment adviser within the terms of the *Corporations Act 2001*. Moore Stephens is an independent practice and a member of Moore Stephens International. Moore Stephens International is a national and international association of separate accountant and advisor entities represented in all capital cities of Australia and with 292 firms operating in 626 offices within 103 countries worldwide.

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

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

## Independence

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

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

None of Moore Stephens, Gary Graco, nor any other member, Director, partner or employee of any of Moore Stephens has any interest in the opinion reached by Moore Stephens except that we are entitled to receive professional fees for the completion of this Report based on time incurred at normal professional rates. With the exception of these fees no parties will receive any other benefits, whether directly or indirectly, for or in connection with issuing this Report.

## Disclaimers

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

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

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

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

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

#### **Indemnity**

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

#### **Consent**

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

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

APPENDIX B

Overview of Valuation Methodologies

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

Type	Method	Description	When method used
		the dividend policy of the entity. The appropriate capitalisation rate reflects the investor's required rate of return.	
	<b>Yield Based</b>	This method is primarily used for property assets and involves capitalising forecast distributions by an estimated future maintainable yield. The yield or rate is determined based on analysis of comparable entities.	<ul style="list-style-type: none"> <li>Commercial or investment properties including retail, industrial and commercial.</li> </ul>
<b>Market Approach</b>	<b>Market</b>	<p>This method values a company based on the traded prices of its equity on a public market/exchange. The approach can adopt the prevailing spot rate of the company's securities at valuation date or the Volume Weighted Average Price (VWAP over a set trading period i.e. the preceding 30, 60 or 90 trading days to the valuation date).</p> <p>In the absence of market data specific to the company, the market approach can also be used by examining market values for comparable companies ("Co-Co") or comparable transactions ("Co-trans"). Comparable transactions may be observed as being based upon a widely used industry practice such as a multiple of revenue instead of earnings.</p>	<ul style="list-style-type: none"> <li>Company's equity is listed on public market/exchange i.e. ASX.</li> <li>Securities in the company are actively traded on the market/exchange.</li> <li>As above for comparable companies or transactions</li> </ul>
	<b>Asset Approach</b>	<b>Asset Based</b>	<p>Asset based valuation involve separating the business into components that can be readily sold, such as individual business units or items of plant and equipment, and ascribing a value of each component based on the amount that could be obtained if sold.</p> <p>The asset value can be determined on the basis of:</p> <ul style="list-style-type: none"> <li>Orderly realisation</li> <li>Liquidation</li> <li>Going concern</li> </ul>
<b>Cost approach</b>		<p>The value of an asset determined by:</p> <ul style="list-style-type: none"> <li>replacement cost (in basic terms, the cost of replicating functionality).</li> <li>reproduction cost (in basic terms, the cost of recreating the asset).</li> </ul>	The cost-based approach can be used to derive market value where market or income factors are difficult to obtain or estimate with reliability (for example, for some intangible assets).

## **APPENDIX C**

### **Documents and Information Relied Upon**

1. Rights Issue Prospectus 2014
2. Security Deed Exchange with Robinwood, June 2016
3. Loan Deed Exchange with Robinwood, June 2016
4. Corporate Presentation to NAB, September 2016
5. Minutes from Board Meeting of 16 August 2016
6. Minutes from Board Meeting of 27 July 2016
7. Minutes from Board Meeting of 22 June 2016
8. Minutes from Board Meeting of 25 May 2016
9. Minutes from Board Meeting of 20 April 2016
10. Minutes from Board Meeting of 16 March 2016
11. Debtor Finance Facility with Scottish Pacific
12. Finance Update Report, 28 September 2016
13. Annual Report 2016
14. Annual Report 2015
15. Annual Report 2014
16. Correspondence with Company management during September and October 2016
17. ASX announcements

## APPENDIX D

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## Moore Stephens (Vic) Pty Ltd Financial Services Guide

**This Financial Services Guide is dated 17 October 2016  
and forms part of the Independent Limited Assurance Report.**

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