VERTUA

Vertua Limited

ACN 108 076 295

NOTICE OF 2017 EXTRAORDINARY GENERAL MEETING

AND

EXPLANATORY STATEMENT

DATE AND TIME OF MEETING

16 February 2018 at 9:00 am (AET)

VENUE

Level 5, 97 Pacific Highway
North Sydney NSW 2060

These documents should be read in their entirety.

If Shareholders are in any doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser.

NOTICE OF 2017 EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Shareholders of Vertua Limited ACN 108 076 295 (the **Company**) will be held on 16 February 2018, at 9:00 am (AET) at Level 5, 97 Pacific Highway, North Sydney NSW 2060 (the **Meeting**).

The Explanatory Statement that accompanies and forms part of this Notice of Extraordinary General Meeting (the **Notice**) describes in more detail the matters to be considered at the Meeting.

Please refer towards the rear of the Explanatory Statement accompanying this Notice for a glossary of terms used in this Notice and in the Explanatory Statement. Unless otherwise stated, all references to sums of money, '$' and 'dollars' are references to Australian currency.

SPECIAL BUSINESS

1. Resolution 1: Approval of issue of options and issue of shares to Manning Capital Holdings under a Share Option Deed

To consider and, if thought fit, pass the following ordinary resolution:
"That for the purpose of section 611, item 7 of the Corporation Act 2001 and for all other purposes, approval is given for the Company to issue up to 10,958,898 or more fully paid class A shares to Manning Capital Holdings Pty Ltd ACN 610 530 679 in its capacity as trustee of the Manning Capital Holdings Unit Trust under and on the terms and conditions of the Share Option Deed between the Company and Manning Capital Holdings Pty Ltd – resulting in a relevant interest of 56.8% or more."

Note: It should be noted that it is possible for more than 10,958,898 shares to be issued depending on the total loan moneys outstanding under the loan facility at the time of exercise of options.

Voting exclusion statement

The Company will disregard any votes cast in favour of Resolution 1 by Manning Capital Holdings and its associates. However the Company need not disregard any such vote if:

- it is cast by a person as proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- it is not cast on behalf of Manning Capital Holdings or any of its associates.

2. Resolution 2: NSX LR 6.44 – Approval of issue of options and issue of shares to Manning Capital Holdings under a Share Option Deed

To consider and, if thought fit, pass the following special resolution:

"That for the purpose of NSX Listing Rule 6.44 and for all other purposes, approval is given for the Company to issue fully paid class A shares to Manning Capital Holdings Pty Ltd ACN 610 530 679 in its capacity as trustee of the Manning Capital Holdings Unit Trust under and on the terms and conditions of the Share Option Deed between the Company and Manning Capital Holdings Pty Ltd described in the Explanatory Statement."

Voting exclusion statement

All shareholders may vote on this resolution.

3. Resolution 3: NSX LR 6.25 – Approval of issue of options and issue of shares to Manning Capital Holdings under a Share Option Deed

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

"That for the purpose of NSX Listing Rule 6.25 and for all other purposes, approval is given for the Company to issue fully paid class A shares to Manning Capital Holdings Pty Ltd ACN 610 530 679 in its capacity as trustee of the Manning Capital Holdings Unit Trust under and on the terms and conditions of the Share Option Deed between the Company and Manning Capital Holdings Pty Ltd described in the Explanatory Statement."

Voting exclusion statement

All shareholders may vote on this resolution.

4. **Resolution 4 – Approval of giving of financial benefits under Secured Loan Agreement, General Security Agreement, Priority Deed and Share Option Deed**

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

"That for the purposes of section 208 of the Corporations Act 2001 and for all other purposes, approval is given for the Company to give Manning Capital Holdings Pty Limited 610 530 679 in its capacity as trustee of the Manning Capital Holdings Unit Trust financial benefits under a Secured Loan Agreement, a General Security Agreement, a Priority Deed and a Share Option Deed described in the Explanatory Statement accompanying this Notice of Meeting."

Voting exclusion statement

The Company will disregard any votes cast on this resolution by Manning Capital Holdings and its associates. However, the Company need not disregard any such vote if:

- it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- it is not cast on behalf of Manning Capital Holdings or any of its associates.

5. **Resolution 5: Approval of issue of shares to Manning Capital Holdings pursuant to Convertible Note**

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

"That for the purposes of section 611, item 7 of the Corporation Act 2001, NSX Listing Rules 6.25 and 6.44, and for all other purposes, approval is given for the Company to issue up to 4,075,348 or more fully paid class A shares to Manning Capital Holdings Pty Ltd ACN 610 530 679 in its capacity as trustee of the Manning Capital Holdings Unit Trust under and on the terms and conditions of the Convertible Note Deed between the Company and Manning Capital Holdings Pty Ltd – resulting in a relevant interest of 28.7%."

Note: It should be noted that it is possible for more than 4,075,348 shares to be issued pursuant to the convertible notes depending on the total amount of shares on issue at the time of conversion.

Voting exclusion statement

The Company will disregard any votes cast in favour of Resolution 7 by Manning Capital Holdings and its associates. However the Company need not disregard any such vote if:

- it is cast by a person as proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- it is not cast on behalf of Manning Capital Holdings or any of its associates.

6. **Resolution 6: NSX LR 6.44 and 6.25 – Approval of issue of shares to Manning Capital Holdings pursuant to Convertible Note**

To consider and, if thought fit, pass the following special resolution:

"That for the purpose of NSX Listing Rules 6.44 and 6.25 and for all other purposes, approval is given for the Company to issue fully paid class A shares to Manning Capital Holdings Pty Ltd ACN 610 530 679 in its capacity as trustee of the Manning Capital Holdings Unit Trust under and on the terms and conditions of the Share Option Deed between the Company and Manning Capital Holdings Pty Ltd described in the Explanatory Statement."

Voting exclusion statement

All shareholders may vote on this resolution.

7. Resolution 7: Approval of giving of financial benefits under Approval of shares to Manning Capital Holdings pursuant to Convertible Note

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

"That for the purposes of section 208 of the Corporations Act 2001 and for all other purposes, approval is given for the Company to give Manning Capital Holdings Pty Limited 610 530 679 in its capacity as trustee of the Manning Capital Holdings Unit Trust financial benefits under a Secured Loan Agreement, a General Security Agreement, a Priority Deed and a Share Option Deed described in the Explanatory Statement accompanying this Notice of Meeting."

Voting exclusion statement

The Company will disregard any votes cast on this resolution by Manning Capital Holdings and its associates. However, the Company need not disregard any such vote if:

- it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- it is not cast on behalf of Manning Capital Holdings or any of its associates.

Related Resolutions

For avoidance of doubt each of resolutions 1 to 4 relate to the approval of issue of options and issue of shares to Manning Capital Holdings under a share option deed. In order for the issue of options to be effective, all of resolutions 1 to 4 will need to be passed. For the avoidance of doubt, each of resolutions 5 to 7 relate to the approval of the issue of shares to Manning Capital Holdings pursuant to convertible notes. In order for the approval of the issue of shares pursuant to the convertible notes to be effective, all of resolutions 4 to 7 will need to be passed.

BY ORDER OF THE BOARD

Christopher Bregenhoj
Chairman

20 December 2017

IMPORTANT INFORMATION

Voting Entitlement

For the purpose of regulation 7.11.37 of the *Corporations Regulations 2001*, the Directors have determined that the shareholding of each Shareholder for the purposes of ascertaining their voting entitlements for the Meeting will be as it appears on the Company's Share Register at 7:00 pm (AET) on 14 February 2018 (the **Entitlement Time**).

Accordingly, only those persons registered as holders of Shares at the Entitlement Time will be entitled to attend and vote at the Meeting as shareholders.

Transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the Meeting.

Required Majorities

In accordance with the *Corporations Act 2001*, for the Resolutions to be effective:

- the Resolutions must be passed at a meeting of which not less than 28 days' written notice has been given; and
- in the case of an ordinary resolution, the Resolutions must be passed by more than 50% of the votes cast by Shareholders present and entitled to vote on the resolution, whether in person or by proxy, attorney or representative; and
- in the case of a special resolution, the Resolution must be passed by at least 75% of the votes cast by Shareholders present and entitled to vote on the resolution, whether in person or by proxy, attorney or representative.

On a show of hands every Shareholder has one vote, and on a poll, every Shareholder has one vote for each fully paid class A share held in the capital of the Company.

Appointment of Proxies

(a) A Proxy Form accompanies this Notice.

(b) A Shareholder entitled to attend and vote at the Meeting has the right to appoint a proxy.

(c) A proxy need not be a shareholder of the Company.

(d) Where more than one proxy is appointed by a Shareholder who is entitled to do so, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights.

(e) To be valid, the proxy form must be received by the share registrar of the Company, Link Market Services Limited, by no later than 9:00am (AET) on 14 February 2018 (48 hours prior to the Meeting).

The proxy form can be sent to Link Market Services:

By post: Locked Bag A14
Sydney South NSW 1235
Australia

By facsimile: +61 2 9287 0309

Online

www.linkmarketservices.com.au

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

Enquiries

All enquires in relation to the Meeting, the Notice or the Explanatory Statement should be directed to the Chairman, Mr Christopher Bregenhoj, on +61 2 8624 6160.

EXPLANATORY STATEMENT

IMPORTANT INFORMATION

This Explanatory Statement has been prepared for the information of Shareholders of Vertua Limited ACN 108 076 295 (the **Company**) in connection with the Resolutions and other business to be considered at the Extraordinary General Meeting of Shareholders convened to be held at the Company's offices on 16 February 2017 at 9.00am (AET) at Level 5, 97 Pacific Highway, North Sydney NSW 2060 (the **Meeting**).

This Explanatory Statement has been prepared for the benefit of Shareholders in accordance with the applicable provisions of the NSX Listing Rules and the *Corporations Act 2001* to provide them with sufficient information to ensure that they are informed of all substantial matters relevant to the Resolutions and other business proposed to be considered at the Meeting as notified in the accompanying Notice of Extraordinary General Meeting (the **Notice**).

Shareholders should read this Explanatory Statement in full. Its individual sections do not give a comprehensive review of the Resolutions. Further, this Explanatory Statement should be read in conjunction with the Notice and the Glossary that appears at the end of the Notice, where various terms used in both the Notice and this Explanatory Statement are defined. Unless otherwise stated, all references to sums of money, '$' and 'dollars' are references to Australian currency.

If you are in any doubt about what to do in relation to the Resolutions and other business contemplated in the Notice and Explanatory Statement, you should seek advice from an accountant, solicitor or other professional adviser.

INTRODUCTION

The Meeting has been convened to consider special business associated with the financing arrangements of the Company.

SPECIAL BUSINESS

1. RESOLUTION 1: APPROVAL OF ISSUES OF OPTIONS AND ISSUE OF SHARES TO MANNING CAPITAL HOLDINGS UNDER A SHARE OPTION DEED

1.1 Shareholder approval

The company seeks shareholder approval for the Company to issue options and fully paid class A shares to Manning Capital Holdings Pty Ltd as trustee for the Manning Capital Holdings Unit Trust (**MCH**), in connection with a loan arrangement (subject to shareholder approval) from MCH to the Company (**Proposed MCH Transaction**).

1.2 Background

The Company has established a new loan (subject to shareholder approval) with a longer term (but otherwise on substantially the same terms) from MCH (**MCH Loan**) to replace several existing loans the Company had as set out below:

- from Manning Group Pty Ltd as trustee for the Manning Group Trust (MGT) (First MGT Loan). This was a loan facility dated 17 March 2015 of up to $1,500,000 to fund the acquisition of the Horizon Print Management business. The First MGT Loan was approved by shareholders at the Company's 2015 AGM;
- from MGT (Second MGT Loan). This was a loan facility dated 18 February 2016 of up to $2,000,000 to fund the acquisition of the Locumsgroup business;
- from Manning Capital Pty Limited ACN 168 436 146 (MC) (First MC Loan). This was a loan facility dated 31 August 2016 of up to $1,500,000 to enable acquisition

of 144 Fullers Road, Chatswood, New South Wales and development costs including project management and marketing costs.

The MCH Loan replaces the First MGT Loan, the Second MGT Loan and the First MC Loan which had a cumulative facility limited of $5,000,000, and a variety of expiry dates and conditions. The Company seeks to streamline the related party debt facility into a single facility, pursuant to the MCH Loan. The Company wishes to have greater flexibility in drawing funds from the MCH Facility than is currently prescribed by the various existing loans. The new MCH Facility will:

- enable drawdowns for both acquisitions and working capital without the restriction of the existing terms;
- reduce administration associated with multiple loans;
- reduce the risk of requiring additional shareholder approvals which are often uneconomical with reference to the total loan advance amounts;
- provide certainty with respect of liquidity for the group, and ensure solvency of the group as a whole;
- rectify advances made in excess of the original anticipated loan terms.

The following comparative table shows the key terms of the First MGT Loan, the Second MGT Loan, the First MC Loan and the MCH Loan.

	First MGT Loan	Second MGT Loan	First MC Loan	MCH Loan
Loan Limit	$1,500,000	$2,000,000	$1,500,000	$6,000,000
Effective Interest Rate	12%	12%	12%	12%
Expiry	2020	18 February 2021	Later of 28 February 2018 or sale of the property	14 March 2020
Use of funds	Acquisition of Horizon Print Management	Acquisition of Locumsgroup business	Acquisition of 144 Fullers Road development	General acquisitions, working capital and funding
Key Terms	9,700,000 options to be approved	N/A	N/A	10,000,000 options to be approved

1.3 New Loan Terms – MCH Loan

The MCH Loan is on substantially the same terms as the First MGT Loan, the Second MGT Loan and the First MC Loan save that it has a longer term. It has the following key terms:

- Cash advance facility, not to exceed six million dollars ($6,000,000.00)
- Effective interest rate fully drawn of 12% per annum

1.4 Existing Option Agreements

In connection with the First MGT Loan, shareholders of the Company also approved at the 2015 AGM, the grant of 9,700,000 options to MGT pursuant to an option deed between the Company and MGT (**MGT Option Deed**). The Company is now seeking to terminate the MGT Option Deed and cancel the options issued to MGT pursuant to the MGT Option Deed. The Company is seeking to enter into new option arrangements, as detailed below, in a similar arrangement to the MGT Option Deed.

1.5 New Option Agreements

Pursuant to the MCH Loan, the Company has entered into a secured loan agreement (subject to shareholder approval), which provides for a $6,000,000 secured loan facility (**Secured Loan Agreement**), and a share option deed with MCH, granting MCH a minimum of 10,000,000 options to subscribe for and have issued to it one fully paid class A share (**Share**) per option, at an issue price of 14.85 cents per Share (**Options**) (**MCH Option Deed**). The Company's indebtedness under the MCH Loan is further secured by the grant of an all present and future property assets and undertaking general security interest, no exceptions, under a general security agreement in favour of MCH.

Subject to the occurrence of certain conditions precedent, the Options may be exercised at any time during the exercise period, being the period ending at 5.00pm on 14 March 2027 or the date of commencement of the liquidation of the Company, whichever is earlier. Subject to rounding, the maximum number of Shares that may be issued in consequence of the exercise of the Options is the greater of:

(a) 10,000,000 Shares; and

(b) that number of Shares as is equal to the loan moneys then outstanding under the Secured Loan Agreement divided by the issue price,

provided always that the maximum number of Shares that may be issued to MCH may not on a post-dilution basis exceed 49.9% of all Shares then on issue. For the avoidance of doubt the 49.9% cap is to be calculated in addition to any existing relevant interest held by MCH. MCH has an existing relevant interest of 17.8%. As set out in the table at 1.10, the combined maximum number of shares MCH may have a relevant interest in after exercise of 10,938,898 options will be 12,915,427 shares (56.8%).

The Company discloses to shareholders that the substantial period for exercise of the options until 14 March 2027 combined with the significant percentage of shares which may be issued if the options are exercised (up to 49.9% of shares then on issue) could deter future bids for shares in the Company for a substantial period.

1.6 Who is Manning Capital Holdings (MCH)

Manning Capital Holdings Pty Limited is the corporate trustee of the Manning Capital Holdings Unit Trust, a hybrid unit trust, and whose ultimate class of discretionary objects includes Mr James Manning (**JEM**) and his wife, Louise Manning (**LKM**). LKM is also the ultimate beneficial shareholder in MCH, which is a private family investment vehicles associated with the Manning Family. It has made a number of similar investments in private companies throughout Australia, and has significant experience in property and commercial debt investments.

1.7 Relationship between MCH and the Company

MCH's sole director is Louise Manning, wife of the Company's Managing Director, James Manning. Mr Manning is a member of a class of ultimate beneficiaries of MCH.

1.8 Existing interest of MCH in Vertua

MCH is currently the second largest shareholder in Vertua. Its direct holding is 1,525,616 shares as at 31 October 2017, which represents 13.87% of the current issued capital. An associate of MCH holds a further 430,913 shares representing 3.9%. MCH and its associates therefore hold a total relevant interest of 1,956,529 shares (17.8%) at 31 October 2017.

1.9 Key option terms and other disclosures

For the purposes of section 611, item 7 of the *Corporations Act* certain information must be given to shareholder to vote. This section sets out the information which is required. The Company has engaged the Independent Expert to prepare for the benefit of the Company and its shareholders an independent expert's report on whether the Proposed MCH Transaction is fair and reasonable to non-associated shareholders of Vertua.

A report by the Independent Expert accompanies this statement. They have concluded that the Proposed MCH transaction is not fair but reasonable] to the non-associated shareholders of Vertua.

The approval resolution must be passed as an ordinary resolution. Under section 611, item 7(a), neither MCH nor any of its associates may vote on the resolution.

Under and in respect of the MCH Option Deed:

- the issue price for the Shares is 14.85 cents per Share. The NSX closing price for Vertua Shares has been constant since 13 June 2016 at 7 cents per share.
- MCH has not indicated whether or not it intends to exercise the option and, if so, to what extent;
- the Company currently has on issue 11,002,821 Shares. Should 10,000,000 options granted to MCH be exercised, the percentage of Shares of all Shares on issue that MCH would hold would be 58.8%. It should be noted that it is possible for more than 10,000,000 options to be exercised depending on the total loan moneys outstanding under the facility at the time of exercise of the options;
- the option under the MCH Option Deed was granted at the same time as the Secured Loan Agreement was entered into and was central to the loan facility under the Secured Loan Agreement being granted on the terms that it was;
- the option may be exercised in whole or in part;
- the option may be exercised in respect of any uncalled shares in the event that a takeover bid is made during the option period relating to 50% or more of the capital of the Company, including Shares already held by the offeror; and
- the number of Shares or the issue price may be adjusted in the event of a rights issue or a bonus issue, or a conversion of the Shares into a larger or smaller number.

For the purposes of section 611, item 7 of the *Corporations Act*, shareholders are additionally advised:

- at the date of this Notice, LKM is an associate of MCH for the purposes of Chapter 6 of the *Corporations Act 2001*, with a 17.78% voting power in relation to the Company through the aggregate holdings of MCH and Woodville Super Pty Ltd.
- The maximum extent of the increase in MCH's voting power in the Company that would result from the acquisition of Shares on a full exercise of the options granted under the MCH Option Deed would be 41.02%;
- the relevant interest and the voting power that MCH together with its associates would have as a result of a full exercise of the options granted under the MCH Option Deed would be 58.8% resulting from an issue of 10,958,898 additional shares to MCH on full exercise of the options; and
- the option issue to MCH is proposed as part of the financing terms for the refinance terms under the terms of the Proposed MCH Transaction and the

option to so be issued Shares was central to the financing having been agreed to be extended on current terms;

- the options are assignable and may be exercised in favour of a nominee;
- each Option entitles its holder to subscribe for one Share;
- Shares may be issued in consequence of the exercise of an Option. Subject to the occurrence of a specified condition precedent, the Options may be exercised at any time until 5.00pm on 14 March 2027.
- a condition precedent to exercise is specified as the issue by the holder of the Options of a notice of its intention to exercise some or all of the Options;
- within seven days of the issue of such a notice, the Company may cancel any or all of the Options notified at the greater of an amount offered by the Company, an independently assessed market value, the then prevailing NSX closing price or, in the context of a takeover, the final takeover bid price;
- subject to rounding, the maximum number of Shares that may be issued in consequence of the exercise of the Options is the greater of 10,000,000 Shares and (that number of Shares as is equal to the loan moneys then outstanding under the Secured Loan Agreement divided by the issue price) provided always that the maximum number of Shares that may be issued may not on a post-dilution basis exceed 49.9% of all Shares then on issue without the Company's consent. For avoidance of doubt, the 49.9% cap is to be calculated in addition to any existing relevant interest held by MCH. MCH has an existing relevant interest of 17.8%. As set out in the table at 1.10, the combined maximum number of shares MCH may have a relevant interest in after the exercise of 10,958,898 options will be 12,485,427 shares (56.8%);
- should shareholders pass Resolution 3, MCH intends that the Company will undertake the business activities on the same basis that it currently does and there will be no change to the group's activities;
- MCH does not intend to materially change the number or nature of the Company's employees;
- MCH does not intend that the Company undertake any asset transfers, any redeployment of fixed assets or any other material transaction by Vertua that is not disclosed to shareholders or in the ordinary course of business;
- Vertua continues to monitor its overall financial position, and given the limited capital available to the Company, does not, until further advice, intend to pay any dividends;
- Mr James Manning is a director of the Company. He is also a member of the class of discretionary objects of the Manning Capital Holdings Unit Trust, of which Manning Capital Holdings Pty Ltd is the corporate trustee. Mr Manning has no other interest in the outcome of this resolution.
- no additional person is intended to be appointed a Director of the Company in consequence of the issue of any Shares the subject of approval under Resolution 3.

1.10 Maximum relevant interest on exercise of the MCH Options and Convertible Note conversion

Shareholders will vote on independent resolutions regarding the MCH Option Issue (Resolutions 1-4) and the Convertible Note Assignment (Resolutions 5-7). However, it is possible that in the future, MCH will elect to exercise some or all of the MCH Options and convert some or all of the Convertible Notes.

The maximum relevant interest of Mr James Manning and his associates, including MCH and Woodville Super Pty Ltd, in the issued share capital of Vertua on a fully diluted basis assuming conversion of the Convertible Notes and exercise of the MCH Options is 56.6% and has been calculated as follows:

Shareholder	**Ordinary Class A Shares**	**Convertible Notes[1]**	**MCH Options[2]**	**Other Options[3]**	**Total Shares**	**%Interest**
Manning & Associates	1,956,529	15,958,686	27,470,859	1,350,000	46,736,074	56.6%
Holicarl Pty Ltd	1,590,900	15,468,457	-	1,350,000	18,409,357	22.3%
Lily Bordeaux Pty Ltd	620,451	6,032,699	-	-	6,653,150	8.1%
Mr David Leon	261,252	2,540,158	-	-	2,801,410	3.4%
Calvert Investments Pty Ltd	601,681	-	-	-	601,681	0.7%
Esplanade Super Pty Ltd	227,237	-	-	1,350,000	1,577,237	1.9%
Other shareholders	5,744,771	-	-	-	5,744,771	7.0%
Total	**11,002,821**	**40,000,000**	**27,470,859**	**4,050,000**	**82,523,680**	**100.0%**

Notes

1. *Assumes all Convertible Note holders convert in unison per the terms of the Convertible Note Subscription Agreement, assuming that Vertua has waived the requirement that the number of shares that can be issued in connection with the conversion of the Convertible Notes cannot exceed 49.5% of all issued Class A shares in the Company after conversion of the Convertible Notes, as per a deed of variation executed in 2016.*
2. *The maximum number of option shares issued in aggregate must not exceed 49.9% of all shares of any class on issue in the Company. 27,470,859 shares assumes: (1) 55,052,821 Ordinary Class A shares are issued prior to exercise of the MCH Options, comprising 11,002,821 Ordinary Class A Shares as at the date of this Notice of Meeting and conversion/exercise of the Convertible Notes and the other options, and (2) at least $4.1m of the $6.0m available under the MCH Loan has been drawn down by Vertua.*
3. *Assumes exercise of all other options currently on issue, set out in clause 3.4.2 of the Independent Expert's Report.*

Mr James Manning and his associates could achieve a higher maximum relevant interest of 58,8% by exercising the maximum allowable number of MCH Options and converting none of the Convertible Notes.

1.11 ASIC review of shareholder materials

ASIC has reviewed drafts of the shareholder materials, including this explanatory statement.

ASIC is not responsible for the contents of the meeting materials. The fact that ASIC has reviewed the meeting documents should not be taken to mean the following:

(a) that the meeting material complies with the *Corporations Act 2001*; or

(b) it is an endorsement by ASIC of, or any other expression of opinion by ASIC on, the proposals under the notice of meeting; and

(c) that ASIC has formed any view as to the merits of the proposals that are for consideration or as to how the Company shareholders should vote (on this matter shareholders of the Company must reach their own decision).

1.12 Requisite majority

Resolution 1 needs to be passed as an ordinary resolution. That is, this resolution need only be passed by more than 50% of all Shareholders present and voting, being entitled to do so, on this resolution.

1.13 Recommendation

Having regard to his interests and offices described above, Mr Manning declines to make a recommendation on how Shareholders should vote on this resolution.

Mr Chris Bregenhoj and Mr Ben Doyle, each of who has no interest in the outcome of this resolution and who acts independently of Mr Manning in relation to this resolution, have closely considered the proposed giving of financial benefits and recommend that Shareholders vote in favour of this resolution.

1.14 Voting exclusion statement

The company will disregard any votes cast in favour of Resolution 3 by MCH and its associates. However, the company need not disregard any such vote if:

- It is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- Is not cast on behalf of MCH or any of its associates.

1.15 Related resolutions

For avoidance of doubt each of resolutions 1 to 4 relate to the approval of issue of options and issue of shares to Manning Capital Holdings under a share option deed. In order for the issue of options to be effective, all of resolutions 1 to 4 will need to be passed.

2. RESOLUTION 2 – NSX LR 6.44 – APPROVAL OF ISSUE OF OPTIONS AND ISSUE OF SHARES TO MANNING CAPITAL HOLDINGS UNDER SHARE OPTION DEED

2.1 NSX LR 6.44

By Resolution 2, the Company seeks shareholder approval for the proposed issue of options and Shares on the exercise of those options granted under the MCH Option Deed for the purposes of NSX LR 6.44. Further explanatory information, and background relevant to the MCH Option Deed can be found in the explanatory notes accompanying Resolution 1. The grant of shares and options under the original MGT Option Deed was approved at the Company's 2015 AGM for the purposes of NSX LR 6.44.

NSX LR 6.44 requires that shareholders approve by special resolution an issue of equity securities to a related party (except in circumstances which are presently irrelevant).

2.2 Required disclosure

The following information is disclosed for the purposes of this resolution:

(a) *Name*

The Options are granted to MCH. They are assignable and may be exercised in favour of a nominee.

(b) *Securities to be issued*

Each Option entitles its holder to subscribe for one Share.

(c) *Issue date*

Shares may be issued in consequence of the exercise of an Option. Subject to the occurrence of a specified condition precedent, the Options may be exercised at any time until 5.00pm on 14 March 2027 or commencement of liquidation of the Company, whichever is earlier.

A condition precedent to exercise is specified as the issue by the holder of the Options of a notice of its intention to exercise some or all of the Option. Within seven days of the issue of this notice, the Company may cancel any or all of the Options notified at the greater of an amount offered by the Company, an independently assessed market value, the then prevailing NSX closing price or, in the context of a takeover, the final takeover bid price.

(d) *Relationship*

Manning Capital Holding's relationship with the Company and with Mr James Manning, the Company's Managing Director, is described in sections 1.6 and 1.7 above.

(e) *Issue price*

The exercise price for each Option, and therefore for the issue price for each Share issued in consequence of the exercise of an Option is 14.85 cents.

(f) *Terms of options and Shares*

The Options entitle their holder to subscribe for Shares at a price of 14.85 cents per Share. Subject to the occurrence of condition precedent discussed above, the Options may be exercised at any time during the exercise period. Subject to rounding, the maximum number of Shares that may be issued in consequence of the exercise of the Options is the greater of 10,000,000 Shares and (that number of Shares as is equal to the loan moneys then outstanding under the Secured Loan Agreement divided by the issue price) provided always that the maximum number of Shares that may be issued may not on a post-dilution basis exceed 49.9% of all Shares then on issue. For avoidance of doubt, the 49.9% cap is to be calculated in addition to any existing relevant interest held by MCH. MCH has an existing relevant interest of 17.8%. As set out in table at 1.10, the combined maximum number of shares MCH may have a relevant interest in after the exercise of 10,938,898 options will be 12,915,427 shares (56.8%).

(g) *Intended use of funds raised*

Generally, no funds are intended to be raised by the issue. Rather, if any Shares are issued they will be in satisfaction of any debt outstanding by the Company to MCH under the Secured Loan Agreement. Should MCH elect to subscribe for Shares for cash, the funds raised would be used for working capital and other proper corporate purposes.

2.3 Requisite majority

Resolution 2 needs to be passed as a special resolution. That is, this resolution needs to be passed by more than 75% of all Shareholders present and voting, being entitled to do so, on this resolution.

2.4 Recommendation

Having regard to his interests and offices described above, Mr Manning declines to make a recommendation on how Shareholders should vote on this resolution.

Mr Chris Bregenhoj and Mr Ben Doyle, each of who has no interest in the outcome of this resolution and who acts independently of Mr Manning in relation to this resolution, have closely considered the proposed giving of financial benefits and recommend that Shareholders vote in favour of this resolution.

2.5 Voting exclusion statement

All shareholders may vote on this resolution.

3. RESOLUTION 3 – NSX LR 6.25 – APPROVAL OF ISSUE OF OPTIONS AND SHARES TO MANNING CAPITAL HOLDINGS PURSUANT TO MCH OPTION DEED

3.1 NSX LR 6.25

For present purposes and under NSX LR 6.25(1), the Company may not without shareholder approval in accordance with that rule issue Shares above the "15% in 12 months limit" as calculated in accordance with that rule. Issues made with prior shareholder approval are not counted in that calculation.

3.2 Required disclosure

The information that is required to be disclosed for the purposes of this resolution is identical to that required to be disclosed for the purposes of Resolution 4. Shareholders are invited to review the above discussion. The grant of shares and options under the original MGT Option Deed was approved at the Company's 2015 AGM for the purposes of NSX LR 6.25.

3.3 Requisite majority

Resolution 3 needs to be passed as an ordinary resolution. That is, this resolution need only be passed by more than 50% of all Shareholders present and voting, being entitled to do so, on this resolution.

3.4 Recommendation

Having regard to his interests and offices described above, Mr Manning declines to make a recommendation on how Shareholders should vote on this resolution.
Mr Chris Bregenhoj and Mr Ben Doyle, each of who has no interest in the outcome of this resolution and who acts independently of Mr Manning in relation to this resolution, have closely considered the proposed giving of financial benefits and recommend that Shareholders vote in favour of this resolution.

3.5 Voting exclusion statement

All shareholders may vote on this resolution.

4. Resolution 4: APPROVAL OF GIVING FINANCIAL BENEFITS UNDER SECURED LOAN AGREEMENT, GENERAL SECURITY AGREEMENT, PRIORITY DEED AND SHARE OPTION DEED

4.1 Chapter 2E of the Corporations Act 2001

The objective of the related party provisions in Ch 2E of the *Corporations Act 2001* is to protect the interests of shareholders of public companies by requiring shareholder approval for giving financial benefits that could endanger shareholders' interests.

Under s208, and unless an exception set out in ss210 to 216 were to apply, for a public company or an entity it controls to give a financial benefit to a related party of the public company the company's shareholders must approve the transaction in the way set out in ss217 to 227 of the *Corporations Act 2001*.

Where shareholder approval is required, meeting materials seeking approvals for related party transactions involving a public company must provide sufficient information to shareholders to enable them to decide whether or not the financial benefit to be given to a related party is in the interests of the Company.

4.2 The Financing

The Proposed MCH Transaction has been structured such that it replaces certain financing arrangements the Company previously had with MGT (previously approved by shareholders at the 2015 AGM). Background to the terms of the Proposed MCH Transaction is set out in the previous resolutions. Further details on the terms on which the financing has been granted in respect of the Proposed MCH Transaction are set out below.

4.3 Commercial rationale for the Financing

The Proposed MCH Transaction provided the Directors with surety associated with the terms of the finance with MCH moving forward. Further a single loan facility allows the Company to better arrange debt facilities with its principle bankers, National Australia Bank (**NAB**), given their requirement to hold first security over various company assets. The MCH Option Deed enables MCH to convert its loan to shares at a suitable time and at a significant premium to the current market price.

4.4 Alternative options considered

Under the terms of the original First MGT Loan and MGT Option Deed, the Company considered both alternate sources of debt financing as well as equity financing. Given the size of the Company, alternate debt financing options were limited.

Further, given the timeframes, size of the capital raising required and dilution effect, it was thought that a capital raising was not appropriate at the time. It was additionally thought that there would be little chance of raising capital on terms as favourable as the MCH conversion rate.

The MCH Proposed Transaction is simply proposed to replace the First MGT Loan and MGT Option Deed.

4.5 Financing documentation

The Proposed MCH Transaction documentation comprises a secured loan agreement, a general security agreement, a priority deed with the Company's external principal financier, presently NAB, and a share option deed.

These documents are discussed in turn below.

4.6 Secured Loan Agreement

Under the Secured Loan Agreement, Manning Capital, in its capacity as trustee for the Manning Capital Holdings Unit Trust, has agreed to provide loan advances to the Company not exceeding $6,000,000 to repay existing debt, including debt incurred for previous acquisitions plus for working capital purposes.

The interest rate payable under the Agreement is 11.25% per annum, with an annual facility fee payable of 0.75% per annum of the maximum facility amount. The facility may be drawn down progressively, and is repayable on the third anniversary of the notified satisfaction or waiver of the conditions precedent to draw down, including approvals the subject of this statement and the accompanying notice of meeting and other conditions precedent usual for a facility of this nature. Repayment is also required on the occurrence of specified default events usual for a transaction of this nature.

Prepayments may be made after expiry of the second year of the term.

4.7 General Security Agreement

The General Security Agreement is in form that is usual for a transaction of this nature and creates a general security interest over all the present and future assets and undertaking of the Company, without exception.

The General Security Agreement contains positive and negative undertakings, including as to reporting and the creation of other security interests, and a set of events of default that are also usual for a transaction of this nature. The moneys secured under the General Security Agreement comprise in essence all moneys owed, actually or contingently, in the present or in the future, by the Company to Manning Capital.

Interest on moneys payable under the General Security Agreement runs at 11.25% per annum plus the annual facility fee of 0.75%.

4.8 Priority Deed

The priority deed to be entered into will be in the standard form required by NAB as the Company's principal financiers.

4.9 Share Option Deed

The MCH Option Deed and its terms are discussed in detail below.

4.10 Nature of the financial benefits given

The Options granted

The Options granted under the MCH Option Deed entitle their holder to subscribe for Shares at a price of 14.85 cents per Share. Subject to the occurrence of conditions precedent, the Options may be exercised at any time during the exercise period. Subject to rounding, the maximum number of Shares that may be issued in consequence of the exercise of the Options is the greater of 10,000,000 Shares and (that number of Shares as is equal to the loan moneys then outstanding under the Secured Loan Agreement divided by the issue price) provided always that the maximum number of Shares that may be issued may not on a post-dilution basis exceed 49.9% of all Shares then on issue. For avoidance of doubt, the 49.9% cap is to be calculated in addition to any existing relevant interest held by MCH. MCH has an existing relevant interest of 17.8%. As set out in table at 1.10, the combined maximum number of shares MCH may have a relevant interest in after the exercise of 10,938,898 options will be 12,915,427 shares (56.8%).

Other financial benefits given

Mr Manning is the spouse of the director of MCH and a member of the class of discretionary beneficiaries of the trust of which MCH is trustee.

MCH as trustee of the Manning Capital Holdings Unit Trust will derive interest income and other payments pursuant to the MCH Loan. Mr Manning may financially benefit as a beneficiary of the trust from income derived by MCH.

The share options granted as security for the MCH Loan may be exercised resulting in MCH increasing its relevant interest in the Company to 58.8%. Mr Manning may financially benefit as a beneficiary of the trust from the possible increased relevant interest in the Company if MCH exercises some or all of the share options.

4.11 Who is Manning Capital Holdings (MCH)

As set out in section 1.6 above, Manning Capital Holdings Pty Limited is the corporate trustee of the Manning Capital Holdings Unit Trust, a hybrid unit trust, and whose ultimate class of discretionary objects includes Mr James Manning (**JEM**) and his wife, Louise Manning (**LKM**). LKM is also the ultimate beneficial shareholder in MCH, which is a private family investment vehicle associated with the Manning Family. It has made a number of similar investments in private companies throughout Australia, and has significant experience in property and commercial debt investments.

4.12 Relationship between MCH and the Company

As set out in section 1.7 above, MCH's sole director is Louise Manning, wife of the Company's Managing Director, James Manning. Mr Manning is a member of a class of ultimate beneficiaries of MCH.

4.13 Existing interest of MCH in Vertua

MCH is currently the second largest shareholder in Vertua. Its direct holding is 1,525,616 shares as at 31 October 2017, which represents 13.87% of the current issued capital. An associate of MCH holds a further 430,913 shares representing 3.9%. MCH and its associates therefore hold a total relevant interest of 1,956,529 shares (17.8%) at 31 October 2017.

4.14 Independent expert's report on value of financial benefits

The Company has engaged the Independent Expert to prepare for the benefit of the Company and its shareholders an independent expert's report on whether the Proposed MCH Transaction is fair and reasonable to non-associated shareholders of Vertua.

The Independent Expert's report accompanies this statement. the Independent Expert has concluded that the Proposed MCH transaction is not fair but reasonable to the non-associated shareholders of Vertua.

4.15 Impact on the Company

The MCH Option Deed was a condition of the lender to the provision of finance referred to in paragraph 4.2 above. The MCH option Deed is in substitution for the MGT Option Deed described in paragraph 1.4 above. The Deed provides for an additional 300,000 options to MCH above the original 9,700,000 options issued to MGT.

4.16 Dilution effect

Should all the Options be exercised, existing shareholders' holdings will be approximately diluted by one half, from 56.7% to 28.4% in accordance with the following table assuming no future issues of shares to third parties.

	Pre MCH Option Issue and Exercise		**MCH Option Issue and Exercise**	**Post MCH Option Issue and Exercise**	
Class A Shareholder	**#Shares**	**%Interest**	**#Shares**	**#Shares**	**%Interest**
Manning Related Parties					
Manning Capital Holdings Pty Ltd	1,525,616	13.9%	10,958,898	12,484,514	56.8%
Woodville Super Pty Limited	430,913	3.9%	-	430,913	2.0%
Manning Group Pty Ltd	-	0.0%	-	-	0.0%
Manning Custodian Pty Ltd	-	0.0%	-	-	0.0%
Total Manning shares	**1,956,529**	**17.8%**	**10,958,898**	**12,915,427**	**58.8%**
Other shareholders					
Holicarl Pty Ltd	1,590,900	14.5%	-	1,590,900	7.2%
Lily Bordeaux Pty Ltd	620,451	5.6%	-	620,451	2.8%
Calvert Investments Pty Ltd	601,681	5.5%	-	601,681	2.7%

Other shareholders	6,233,260	56.7%	-	6,233,260	28.4%
Total other shares	**9,046,292**	**82.2%**	**-**	**9,046,292**	**41.2%**
Total Class A Shares	**11,002,821**	**100.0%**	**10,958,898**	**21,961,719**	**100.0%**

4.17 ASIC review of shareholder materials

This statement has been reviewed by ASIC for the purposes of determining its compliance with Chapter 2E of the Corporations Act 2001. ASIC has not given the Company, under s.220 of the Act, written comments on the meeting materials.

ASIC is not responsible for the contents of the meeting materials. The fact that ASIC has reviewed the meeting documents should not be taken to mean the following:

(a) that the meeting material complies with the *Corporations Act 2001*; or

(b) it is an endorsement by ASIC of, or any other expression of opinion by ASIC on, the proposals under the notice of meeting; and

(c) that ASIC has formed any view as to the merits of the proposals that are for consideration or as to how the Company shareholders should vote (on this matter shareholders of the Company must reach their own decision).

4.18 Requisite majority

Resolution 4 needs to be passed as an ordinary resolution. That is, this resolution need only be passed by more than 50% of all Shareholders present and voting, being entitled to do so, on this resolution.

4.19 Directors' recommendations and reasons

Having regard to his interests and offices described above, Mr Manning declines to make a recommendation on how Shareholders should vote on this resolution.

Mr Chris Bregenhoj and Mr Ben Doyle, each of whom has no interest in the outcome of this resolution and who acts independently of Mr Manning in relation to this resolution, has closely considered the proposed giving of financial benefits and recommends that Shareholders vote in favour of this resolution.

4.20 Directors' interest in the outcome

Though Mr Manning does not hold any shareholding interest in MCH, that company is owned by his wife and is trustee of the Manning Capital Holdings Unit Trust. Under the Trust, Mr Manning is a member of a class of discretionary objects, in whose favour the trustee may or may not exercise its discretion for his benefit.

Mr Chris Bregenhoj, the Chairman of Vertua, has no interest in this resolution.

Mr Ben Doyle holds no interest in this resolution.

4.21 Voting exclusion statement

The Company will disregard any votes cast on this resolution by MCH and its associates. However, the Company need not disregard any such vote if:

- it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- it is not cast on behalf of Manning Group or any of its associates.

5. Resolution 5 Takeovers provisions approval of issue of Shares to Manning Related Parties

5.1 The Share Sale Agreement and the Subscription Agreement

Under the original Share Sale Agreement and the Subscription Agreement, which was approved at the Company's EGM held on 8 February 2016, the shareholders of Joe Public Holdings Pty Limited (**JPH Shareholders**) have agreed to receive the $6,000,000 purchase consideration payable on the sale of their shares in Joe Public Holdings Pty Limited (**JPH Shares**) in the form of 40,000,000 Convertible Notes issued by the Company at $0.15 each, each with a nil conversion exercise price.

Following shareholder approval, Custodian and Woodville were issued 15,114,953 Convertible Notes (**Original Convertible Notes**). The Original Convertible Notes were assigned to MCH on 22 November 2016 (subject to shareholder approval), in accordance with the terms of the Original Convertible Notes (**Convertible Notes**).

The purpose of this Resolution 5 is to seek shareholder approval for MCH to be assigned the Convertible Notes, and for the Shares which may be issued to MCH upon conversion of the Convertible Notes

5.2 The terms of issue of the Convertible Notes

MCH is an existing substantial holder in the Company, with a substantial direct holding of 13.87%. An associate of MCH holds a further 430,913 shares (3.9%) giving MCH together with its associates an existing relevant interest of 17.8%.

As MCH has an existing relevant interest in 1,956,529 Shares (17.8%), the issue of further Shares to MCH on exercise of the conversion rights under the Convertible Notes issued under the Convertibles Notes must first be approved by shareholders in accordance with s 611, item 7 of the *Corporations Act 2001*.

The approval resolution must be passed as an ordinary resolution. Under section 611, item 7(a), neither MCH nor any of its associates may vote on the resolution.

Under and in respect of the Convertible Notes:

- the issue price for the Shares is 15.0 cents per Share. The NSX closing price for Vertua Shares has been constant since 13 June 2016 at 7 cents per share;
- none of the Manning Related Parties has indicated whether or not it intends to exercise its right to convert and, if so, to what extent;
- the Company currently has on issue 11,002,821 Shares and 14,050,000 Options. Should all of the conversion rights granted to MCH under the Convertible Notes to be issued to it be exercised, the percentage of Shares of all Shares on issue in the Company and therefore voting power that MCH together with its associates would hold would be 28.7%. This is set out more fully in the table in 5.3 below. This increase in voting power would constitute a change in control of the Company for the purposes of Chapter 6 of the Act;
- the rights of conversion under the Convertible Notes were central to the Convertible Notes being issued on the terms that they were;
- the right of conversion may be exercised in respect of all or any of the Convertible Notes; and
- the other material terms of issue are summarised below.

For the purposes of section 611, item 7 of the Corporations Act 2001 shareholders are additionally advised:

- at the date of this Notice, each Manning Related Party is an associate of MCH for the purposes of Chapter 6 of the Corporations Act 2001, with a voting power of 17.78% in the Company
- the Convertible Notes to be assigned to MCH were as part of the financing terms for the Acquisition and the conversion rights
- the Convertible Notes to so be assigned are central to the financing having been agreed to be extended on current terms;
- the Convertible Notes may not be exercised in favour of a nominee;
- each Convertible Note entitles its holder to convert the Convertible Note into one Share, without payment of a conversion fee or any other amount. Convertible Notes, however, may only be converted by their holder if proportionately each other Convertible Note holder exercises its conversion rights at the same time;
- the Convertible Notes are redeemable in the situations referred to in section 7.5 of this Explanatory Statement;
- Shares may be issued in consequence of the exercise of conversion right under a Convertible Note. Conversion rights under the Convertible Notes may be exercised by their holder at any time within 5 years after their grant or following the occurrence of a specified default event or change event
- the Company may also, between the third anniversary of their issue and the specified redemption date, elect to convert all or any of the Convertible Notes into Shares;
- subject to rounding, the maximum number of Shares that may be issued in consequence of the exercise of the conversion rights under the Convertible Notes together with all other shares in the Company of any class held by any of the holders of the Convertible Notes or their associates must not exceed 49.5% of all Shares then on issue, that percentage including any Shares issued on conversion of any Convertible Note;
- apart from the possible exercise of conversion rights under the Convertible Notes, MCH does not at this stage intend to inject further capital into the Company;
- MCH do not intend that the Company undertake any asset transfers, any redeployment of fixed assets or any other material transaction by Vertua that is not disclosed to shareholders;
- Vertua continues to monitor its overall financial position, and given the limited capital available to the Company, does not, until further advice, intend to pay any dividends;
- Mr James Manning is a director of the Company. He is also a member of the class of discretionary objects of the Manning Capital Holdings Unit Trust, of which Manning Capital is the corporate trustee. Mr Manning has no other interest in the outcome of this resolution; and
- no additional person is intended to be appointed a director of the Company in consequence of any resolution the subject of this AGM.

5.3 Associated shareholders

The following table is relevant to your consideration of each of resolutions 1, 5, 6 and 7. The table sets out the number of Shares held by and the voting power of MCH and its associates both before the assignment of Convertible Notes (current and fully-diluted) and after the assignment and conversion on a fully diluted basis:

Class A Shareholder	Pre Convertible Note Assignment and Conversion		Convertible Note Assignment and Conversion	Post Convertible Note Assignment and Conversion	
	#shares	%interest	#shares	#shares	%interest
Manning Related Parties					
Manning Capital Holdings Pty Ltd	1,525,616	13.86%	4,075,348	5,600,964	25.7%
Woodville Super Pty Limited	430,913	3.92%	227,490	658,403	3.0%
Manning Group Pty Ltd	-	0.0%	-	-	0.0%
Manning Custodian Pty Ltd	-	0.0%	-	-	0.0%
Total Manning shares	**1,956,529**	**17.78%**	**4,302,838**	**6,053,168**	**28.7%**

5.4 Maximum relevant interest on exercise of the MCH Options and Convertible Note conversion

Shareholders will vote on independent resolutions regarding the MCH Option Issue (Resolutions 1-4) and the Convertible Note Assignment (Resolutions 5-7). However, it is possible that in the future, MCH will elect to exercise some or all of the MCH Options and convert some or all of the Convertible Notes.

The maximum relevant interest of Mr James Manning and his associates, including MCH and Woodville Super Pty Ltd, in the issued share capital of Vertua on a fully diluted basis assuming conversion of the Convertible Notes and exercise of the MCH Options is 56.6% and has been calculated as follows:

Shareholder	Ordinary Class A Shares	Convertible Notes[1]	MCH Options[2]	Other Options[3]	Total Shares	%Interest
Manning & Associates	1,956,529	15,958,686	27,470,859	1,350,000	46,736,074	56.6%
Holicarl Pty Ltd	1,590,900	15,468,457	-	1,350,000	18,409,357	22.3%
Lily Bordeaux Pty Ltd	620,451	6,032,699	-	-	6,653,150	8.1%
Mr David Leon	261,252	2,540,158	-	-	2,801,410	3.4%
Calvert Investments Pty Ltd	601,681	-	-	-	601,681	0.7%
Esplanade Super Pty Ltd	227,237	-	-	1,350,000	1,577,237	1.9%
Other shareholders	5,744,771	-	-	-	5,744,771	7.0%
Total	**11,002,821**	**40,000,000**	**27,470,859**	**4,050,000**	**82,523,680**	**100.0%**

Notes

1. *Assumes all Convertible Note holders convert in unison per the terms of the Convertible Note Subscription Agreement, assuming that Vertua has waived the requirement that the number of shares that can be issued in connection with the conversion of the Convertible Notes cannot exceed 49.5% of all issued Class A shares in the Company after conversion of the Convertible Notes, as per a deed of variation executed in 2016.*
2. *The maximum number of option shares issued in aggregate must not exceed 49.9% of all shares of any class on issue in the Company. 27,470,859 shares assumes: (1) 55,052,821 Ordinary Class A shares are issued prior to exercise of the MCH Options, comprising 11,002,821 Ordinary Class A Shares as at the date of this Notice of Meeting and conversion/exercise of the Convertible Notes and the other options, and (2) at least $4.1m of the $6.0m available under the MCH Loan has been drawn down by Vertua.*
3. *Assumes exercise of all other options currently on issue, set out in clause 3.4.2 of the Independent Expert's Report.*

Mr James Manning and his associates could achieve a higher maximum relevant interest of 58,8% by exercising the maximum allowable number of MCH Options and converting none of the Convertible Notes.

6. Resolution 6: NSX LR 6.25 and 6.44 approval of issue of Shares on conversion of Convertible Notes

6.1 NSX LR 6.25

Under NSX LR 6.25(1), the Company may not without shareholder approval in accordance with that rule issue Shares above the “15% in 12 months limit” calculated in accordance with that rule. Issues made with prior shareholder approval and certain other issues are not counted in making that calculation.

6.2 NSX LR 6.44

By Resolution 6, the Company also seeks shareholder approval for the proposed issue of Shares on the exercise of the rights of conversion under the Convertible Notes to MCH for the purposes of NSX LR 6.44. That listing rule requires that shareholders approve by special resolution an issue of equity securities to a related party except in presently irrelevant circumstances. Shareholders originally approved the issue of shares under the Original Convertible Notes at the 2016 EGM. The Original Convertible Notes were assigned to MCH on 22 November 2016 (subject to shareholder approval), in accordance with the terms of the Original Convertible Notes (**Convertible Notes**).

6.3 Required disclosure

The following information is disclosed for the purposes of this resolution:

(a) Name

Under the Convertible Notes, shares would be issued to MCH upon conversion of those Convertible Notes.

(b) Securities to be issued

Under the Convertible Notes and subject to the 49.5% limit referred to in section 7.3 below , a total of 15,114,953 Convertible Notes were assigned to MCH Each Convertible Notes entitles its holder on conversion to subscribe for one Share.

(c) Issue date

The Original Convertible Notes subscribed for under the Convertible Notes Subscription Agreement were issued on 22 January 2016. They were assigned to MCH on 22 November 2016.

Further Shares would be issued in consequence of the exercise of the right of conversion under the Convertible Notes to be issued. That conversion right may be exercised by a holder of Convertible Notes at any time within 5 years after the issue of the relevant Convertible Note and only if each other then holder rateably exercises his own conversion rights under the Convertible Notes he then holds.

The Company may also elect to convert all or any of the Convertible Notes on issue after the third anniversary of their issue.

The Convertible Notes are also redeemable at the option of the Company or a holder on the fifth anniversary of the date of issue of the Convertible Note; at the option of the holder, following specified default events in relation to the Company; and at the option of the holder, on the occurrence of specified change in law events.

New Shares issued on exercise of a Convertible Note holder's conversion rights are to rank equally with all other shares then on issue in the Company.

(d) Relationships

The MCH relationship with the Company has been described in sections 5.3 above.

(e) Issue price

The issue price of each Share under the Share Sale Agreement is $0.15 per Share.

The issue price of each Convertible Note on completion of the Acquisition is $0.15. Each Convertible Note has a nil exercise price.

(f) Terms of convertible notes and Shares

The Convertible Notes, on exercise of the right of conversion, entitle their holders to subscribe for Shares at a price of $0.15 per Share. Subject to the occurrence of condition precedent discussed above, the conversion rights may be exercised at any time during the exercise period. Subject to rounding, the maximum number of Shares that may be issued in consequence of the exercise of the right of conversion under the Convertible Notes together with all other shares in the Company of any class held by any of the holders of the Convertible Notes or their associates must not exceed 49.5% of all Shares then on issue, that percentage including any Shares issued on conversion of any Convertible Note

(g) *Intended use of funds raised*

Shares issued in consequence of the exercise of the conversion right under the Convertible Notes would effectively retire the debt under the MCH Loan at the rate of one $0.15 Convertible Note for every one Share issued at $0.15.

6.4 Requisite majority

Resolution 6 needs to be passed as a special resolution. That is, this resolution needs to be passed by not less than 75% of all Shareholders present and voting, being entitled to do so, on this resolution.

6.5 Recommendation

Having regard to his interests and offices described above, Mr Manning declines to make a recommendation on how Shareholders should vote on this resolution.

Mr Chris Bregenhoj and Mr Ben Doyle, who have no interest in the outcome of this resolution and who act independently of Mr Manning have closely considered the proposed giving of financial benefits and recommend that Shareholders vote in favour of this resolution.

6.6 Voting exclusion statement

All shareholders may vote on this resolution

7. RESOLUTION 7: CHAPTER 2E APPROVAL OF ACQUISTION OF ISSUE OF SHARES TO MANNING RELATED PARTIES PURSUANT TO CONVERITBLE NOTE

7.1 Chapter 2E of the Corporations Act 2001

The objective of the related party provisions in Ch 2E of the Corporations Act 2001 is to protect the interests of shareholders of public companies by requiring shareholder approval for the giving of financial benefits that could endanger shareholders' interests.

Under s 208, and unless an exception set out in ss 210 to 216 were to apply, for a public company or an entity it controls to give a financial benefit to a related party of the public company, the company's shareholders must approve the transaction in the way set out ss 217 to 227 of the Corporations Act 2001.

Where shareholder approval is required, meeting materials seeking approvals for related party transactions involving a public company must provide sufficient information to shareholders to enable them to decide whether or not the financial benefit to be given to a related party is in the interests of the Company.

7.2 The Convertible Notes

Following shareholder approval at the 2016 EGM, Custodian and Woodville were issued the Original Convertible Notes. These were assigned to MCH on 22 November 2016 (subject to shareholder approval), in accordance with the terms of the Original Convertible Notes (Convertible Notes).

This Resolution 7 is to seek shareholder approval for the MCH to be assigned the Convertible Notes, and for the Shares which may be issued to MCH upon conversion of the Convertible Notes.

The terms of the Convertible Notes are set out below.

7.3 Commercial rationale for the convertible note issue

The Convertible Notes were issued on 22 January 2016. The reasons for the issue of the convertible notes are set out in 7.4 below . The Convertible Note terms allow their holder to convert the notes into Shares on a one-for-one basis, as to which see below.

7.4 Alternative options considered

At the time of the issue of the Convertible Notes, the Company considered both alternate sources of debt financing as well as equity financing. Given the size of the Company and the terms of the transactions contemplated, alternate debt financing options were limited.

Further, given the timeframes, size of the capital raising required and dilution effect, it was thought that a capital raising was not appropriate at the time. It was additionally thought that there would be little chance of raising capital on terms as favourable as the Convertible Note conversion rate.

7.5 The Subscription Agreement and terms of issue

7.5.1 The Share Sale Agreement and the Subscription Agreement

Under the original Share Sale Agreement and the Subscription Agreement, which was approved at the Company's EGM held on 8 February 2016, the JPH Shareholders have agreed to receive the $6,000,000 purchase consideration payable on the sale of their JPH Shares in the form of 40,000,000 Convertible Notes issued by the Company at $0.15 each, each with a nil conversion exercise price.

The Original Convertible Notes were issued on 22 January 2016 and the Convertible Notes were assigned to MCH on 22 November 2016.

The terms of issue set out below is a summary of the material terms of issue of the Convertible Notes:

- they bear interest on their face value at a rate equal to BBSW + 8% per annum, with interest calculated and payable quarterly;
- no interest is payable on the Convertible Notes prior to the third anniversary of their issue, unless a defined Default Event occurs;
- the Convertible Notes are unsecured;
- they convert into Shares at the rate of one Share for every one Convertible Note;
- each Convertible Note entitles its holder to convert the Convertible Note into one Share, without payment of a conversion fee or any other amount. Convertible Notes, however, may only be converted by their holder if proportionately each other Convertible Note holder exercises its conversion rights at the same time;
- Shares may be issued in consequence of the exercise of conversion right under a Convertible Note. Conversion rights under the Convertible Notes;
- may be exercised by their holder at any time within 5 years after their grant or following the occurrence of a specified default event or change event;
- the Company may also, between the third anniversary of their issue and the specified redemption date, elect to convert all or any of the Convertible Notes into Shares;
- subject to rounding, the maximum number of Shares that may be issued in consequence of the exercise of the conversion rights under the Convertible Notes Options must not on a post-dilution basis exceed 49.5% of all Shares then on issue including shares already held by the noteholder and its associates;
- all Convertible Notes are to rank equally, but rank in terms of payment, including on redemption, behind any third party secured, bank or financial institution lender. The Convertible Notes rank ahead of Shareholders in the absence of dividends declared on Shares and as debt on a winding up;
- Convertible Notes may only be transferred with the unanimous consent of all holders of Convertible Notes;
- Convertible Note holders may participate in new issues and capital reconstructions consistently with Australian listed company options;
- the Convertible Notes are redeemable at the option of either the holder or the Company after the fifth anniversary of their issue, at the option of a holder following the occurrence of a Default Event or on the occurrence of specified change events;
- Default Events triggering redemption rights are customary for convertibles notes issued in Australia of the current nature in the current context;

- the Convertible Notes contain customary financial information undertakings, as well as undertakings as to financial practices and business activities; and
- dividends, distributions, buy-backs and other capital reconstructions are not to be undertaken by the Company while the Convertible Notes are outstanding, except with the consent of the Convertible Note holders.

7.6 Nature of the financial benefits given

7.6.1 The financial benefits given

MCH has been assigned 15,100,000 Convertible Notes.

7.6.2 The other financial benefits given to MCH

The other financial benefits given to MCH as a result of the assignment of Convertible Notes are:

- MCH held security over all present and after acquired property of the Company as part of the security for the First MC Loan. MCH will receive a financial benefit by the continuation of security over all assets of the Company to secure the MCH Loan.
- If the Convertible Notes are converted into shares in the Company, MCH could receive a financial benefit by increasing its relevant interest in the Company from 17.78% to 28.7% as set out in the table at 5.3.
- As the lender under the MCH Loan, MCH will receive financial benefits from the Company in the form of interest and all other fees payable by the Company as borrower to MCH as lender pursuant to the MCH Loan.
- On and from the third anniversary of the date of issue of the Convertible Notes, the Company must pay interest to the holders of the notes on the principal value of each note. MCH as one of the noteholders will receive a financial benefit from the payment of the Company of that interest to MCH.

7.7 Who are the Manning Related Parties?

The Manning Related Parties comprise Woodville, Custodian and Manning Group. Each of them is a private family investment vehicle associated with the Manning family, of which the Vertua Managing Director, Mr James Manning, is a member. It has made a number of similar investments in private companies throughout Australia. It has made a significant number of these in property related transactions. Mr Manning is also a member of the class of discretionary objects of the Manning Capital Holdings Unit Trust, of which MCH is the corporate trustee. MCH holds 10,000,000 Options.

Together, Woodville and Custodian hold 17.78% of JPH's issued share capital.

7.8 Relationship between the Manning Related Parties and Vertua

Mr James Manning is the Vertua Managing Director. He is also a member of the class of discretionary objects of the Manning Capital Holdings Unit Trust, of which MCH is the corporate trustee.

Woodville is the trustee of the Woodville Superannuation Fund. Woodville acts in concert with Custodian.

Custodian is the trustee of the Custodian Trust. Amongst the class of discretionary objects of the trust are Georgina Manning and Kathleen Manning, who also serve as Custodian's directors. Custodian acts in concert with Woodville.

7.9 Existing interests of related parties in the Company

Woodville currently holds 430,913 Shares and has a relevant interest in 1,956,529 Shares.

MCH currently holds 1,525,616 Shares and has a relevant interest in 1,956,259 Shares.

Custodian holds no Shares in Vertua and therefore presently does not have a relevant interest in any Vertua Share on issue.

This position would change if MGT were to exercise any of the Options that it holds. In that event, MCH intends to act in concert with MGT, Custodian and Woodville, as would they with MCH, so that they would all be associates of one another for the purposes of Chapter 6 of the Corporations Act 2001.

7.10 Independent expert's report on value of financial benefits

The Company has engaged the Independent Expert to prepare for the benefit of the Company and its members an independent expert's report on the valuation of the financial benefits to be given as part of the proposals to be approved at the meeting contemplated by this statement.

The Independent Expert's report accompanies this statement. The Independent Expert has concluded that the proposed transaction is not fair but reasonable to the non-associated shareholders of Vertua.

7.11 Impact on the Company

The Acquisition should see the Company's total assets increase by up to $1,500,000.00 and annual profit before tax and extraordinary items increase in the current financial year YTD to 30 September 2017 by approximately $180,000.00, being interest on $1.5 million dollars at 12% per annum.

7.12 Dilution effect

Should all the Convertible Notes be exercised by MCH, existing Shareholders' holdings will be diluted to 71.3% equity in the Company.

7.13 Requisite majority

Resolution 7 needs to be passed as an ordinary resolution. That is, this resolution need only be passed by more than 50% of all Shareholders present and voting, being entitled to do so, on this resolution.

7.14 Directors' interest in the outcome

Mr James Manning, the Vertua CEO, is a member of the class of discretionary objects of the Manning Capital Holdings Unit Trust, of which MCH is the corporate trustee.

Mr Doyle, a Vertua director, has no interest in the resolution.

Mr Chris Bregenhoj, Vertua's Chairman, has no interest in the resolution.

7.15 Directors' recommendations and reasons

Having regard to his interests and offices described in section 5.3 above, and though he voted at a Vertua Board meeting in favour of a resolution to put the proposal to members for their consideration and approval, Mr Manning declines to make a recommendation on how Shareholders should vote on this resolution.

Mr Bregenhoj and Mr Doyle, who have no interest in the outcome of this resolution and who both act independently of Mr Manning in relation to this resolution, have closely considered the proposed giving of financial benefits under this resolution and recommend that Shareholders vote in favour of this resolution, principally, and as discussed above, because of the reasons set out in 7.4.

7.16 Voting exclusion statement

The Company will disregard any votes cast on this resolution by MCH and their associates. However, the Company need not disregard any such vote if:

- it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- it is not cast on behalf of the Manning Related Parties or any of their associates.

7.17 Related resolutions

For avoidance of doubt each of resolutions 5 to 7 relate to the approval of the issue of shares to Manning Capital Holdings pursuant to convertible notes. In order for the approval and the issue of shares pursuant to the convertible notes to be effective, all of resolutions 4 to 7 will need to be passed.

GLOSSARY

In this Explanatory Statement the following terms have the meaning set out below:

ACN	Australian Company Number.
AET	Australian Eastern Time.
ASIC	Australian Securities and Investments Commission.
Company	Vertua Limited ACN 108 076 295 of Level 5, 97 Pacific Highway, North Sydney, New South Wales 2060.
Directors	The directors of the Company as at the date of the Notice and Explanatory Statement.
Entitlement Time	7:00pm (AET) on 14 February 2018.
Explanatory Statement	The Explanatory Statement accompanying the Notice.
Independent Expert	BDO Corporate Finance (East Coast) Pty Ltd
Meeting	The Extraordinary General Meeting of the Company convened to be held on 16 February 2018 at 9.00am (AEDT) at the Company's offices, Level 5, 97 Pacific Highway, North Sydney, New South Wales 2060.
Notice	The notice convening the 2017 Annual General Meeting of Shareholders of the Company.
NSX	National Stock Exchange of Australia Limited ACN 000 902 063 and the financial market of which it operates of Level 2, 117 Scott Street, Newcastle NSW 2300.
NSX Listing Rules	The official listing rules of NSX and any other rules of NSX which are applicable while the Company is admitted to the official list of NSX, each as amended or replaced from time to time, except to the extent of any express written waiver by NSX.
Remuneration Report	The remuneration report of the Company, included in the Directors' Report for the financial year ended 31 March 2017.
Resolutions	The resolutions the subject of the Notice.
Share	A fully paid class A share in the capital of the Company.
Shareholder(s)	A person or company registered in the register of members of the Company as the holder of one or more Shares as at the Entitlement Time.
Spill Resolution	The resolution required by the *Corporations Act 2001* to be put to Shareholders at the 2017 Annual General Meeting of the Company proposing the calling of a Spill Meeting to consider the appointment of Directors of the Company.
Spill Meeting	The general meeting of Shareholders required to be convened by the Company within 90 days of the Company's 2018 Annual General Meeting pursuant to the *Corporations Act 2001* following the approval of a Spill Resolution by more than 50% of Shareholders.

INDEPENDENT EXPERT'S REPORT
VERTUA LIMITED

In relation to the approval of

- issue of options and shares to Manning Capital Holdings Pty Ltd under a share option deed; and
- approval of issue of shares to Manning related parties pursuant to a convertible note

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Level 11, 1 Margaret St
SYDNEY NSW 2000
Australia

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) (**BDOCF**) at the request of the directors (**Directors**) of Vertua Limited (**Vertua** or **the Company**).

Engagement

The IER is intended to accompany the Notice of meeting and Explanatory Memorandum (**Transaction Document**) that is to be provided by the Directors of Vertua to assist the Shareholders of Vertua (**Vertua Shareholders)** in determining whether to approve the issue of options and shares to Manning Capital Holdings Pty Ltd pursuant to a new loan arrangement (**MCH Option Issue**) and the issue of shares to Manning related parties pursuant to assignment of a convertible note to Manning Capital Holdings Pty Ltd (**Convertible Note Assignment**).

Financial Services Guide

BDOCF holds an Australian Financial Services Licence (License No: 247420) (**Licence**). As a result of our IER being provided to you BDOCF is 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 BDOCF is licensed to provide

The Licence authorises BDOCF 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.

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

Our IER 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 IER (as a retail client) because of your connection with the matters on which our IER has been issued.

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

General financial product advice

Our IER 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 voting on the MCH Option Issue and Convertible Note Assignment described in the Transaction Document may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that BDOCF may receive

BDOCF will receive a fee based on the time spent in the preparation of the IER in the amount of approximately $35,000 (plus GST and disbursements). BDOCF will not receive any fee contingent upon the outcome of the Proposed MCH Transaction or the Convertible Note Assignment, 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 MCH Transaction or the Convertible Note Assignment.

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 BDOCF 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 IER was provided.

Referrals

BDOCF 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 BDOCF is licensed to provide.

Associations and relationships

BDOCF is the licensed corporate finance arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. The directors of BDOCF may also be partners in BDO East Coast Partnership, Chartered Accountants and Business Advisers. BDO East Coast Partnership, Chartered Accountants and Business Advisers is comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients. BDOCF's contact details are as set out on our letterhead.

BDOCF is unaware of any matter or circumstance that would preclude it from preparing the IER on the grounds of independence under regulatory or professional requirements. In particular, BDOCF 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 11, 1 Margaret Street, Sydney NSW 2000.

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. BDOCF 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 11, 1 Margaret St
SYDNEY NSW 2000
Australia

The Directors
Vertua Limited
Level 5, 97 Pacific Highway
NORTH SYDNEY NSW 2060

22 November 2017

Dear Directors

INDEPENDENT EXPERT'S REPORT

Introduction

BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (**BDOCF**, **we**, **us** or **our**) has been engaged by the Directors (**Directors**) of Vertua Limited (**Vertua** or **the Company**) to prepare an independent expert's report (**Report** or **IER**). The Directors have requested that our Report sets out our opinion as to:

- whether the issue of options and fully paid Class A shares to Manning Capital Holdings Pty Ltd as trustee for the Manning Capital Holdings Unit Trust (**MCH**) (**MCH Option Issue**), is fair and reasonable to the non-associated Shareholders of Vertua (**Non-Associated Shareholders**); and
- whether the issue of shares in Vertua to MCH pursuant to the assignment of convertible notes from Manning Custodian Pty Ltd to MCH (**Convertible Note Assignment**), is fair and reasonable to the Non-Associated Shareholders.

MCH Option Issue

This Report opines on whether approving the MCH Option Issue (and the right of MCH to exercise the options and be issued with Class A shares in Vertua) is fair and reasonable to the Non-Associated Shareholders. The MCH Option Issue is in connection with a new loan and cumulative facility of $6 million from MCH (**MCH Loan**) which will replace several existing loans and a cumulative facility of $5 million from Manning Group Pty Ltd as trustee for the Manning Group Trust (**MGT**) and Manning Capital Pty Limited (**MC).** The $5 million cumulative facility is comprised of (1) a $1.5 million facility from MGT (**First MGT Loan**), (2) a $2.0 million facility from MGT (**Second MGT Loan)**, and (3) a $1.5 million facility from MC (**First MC Loan**) (collectively the **MGT/MC Loans**).

Full details of the MCH Option Issue are set out in the Transaction Document to be sent to the shareholders of Vertua.

Convertible Note Assignment

15,114,953 Convertible Notes were assigned from Manning Custodian Pty Ltd to MCH on 22 November 2016. The Company is seeking shareholder approval for the issue of fully paid Class A shares to MCH upon conversion of the Convertible Notes.

This Report sets out our opinion as to whether the Convertible Note Assignment is fair and reasonable to the Non-Associated Shareholders.

Full details of the Convertible Note Assignment are set out in the Transaction Document to be sent to the shareholders of Vertua.

Summary of Opinion

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

Fairness Assessment

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 value of the securities the subject of the offer is determined 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 relation to the interpretation of RG111.11, ASIC have advised that the appropriate assessment is to compare:

- The fair market value of a Class A Share pre-transaction on a control basis (being the value of the securities the subject of the offer per RG111.11)
- The fair market value of a Class A Share Share post-transaction on a minority basis (being the offer price or consideration per RG111.11).

The basis for the above form of comparison is to ensure our analysis is in line with RG111.5 to RG111.7 which includes statements as follows:

- The main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the MCH Option Issue and the Convertible Note Assignment.
- The form of analysis an expert uses to evaluate a transaction should address the issues faced by security holders.

MCH Option Issue

We have formed our opinion in relation to fairness of the MCH Option Issue by comparing the:

- the fair market value of a Vertua Share before completion of the MCH Option Issue on a controlling interest basis; and
- fair market value of a Vertua Share after completion of the MCH Option Issue on a minority interest basis.

In our assessment, we have considered the impact of the MCH Option Issue independently from the Convertible Note Assignment.

A summary of our opinion is set out below:

Fair market value of Vertua Class A share	Ref	Low	High
Before MCH Option Issue (controlling interest basis)	5.3	0.03	0.06
After MCH Option Issue (minority interest basis)	6.3	0.02	0.04
Conclusion		**NOT FAIR**	

As set out above, our opinion is that the MCH Option Issue is not fair to Non-Associated Shareholders.

Convertible Note Assignment

We have formed our opinion in relation to fairness of the Convertible Note Assignment by comparing the:

- the fair market value of a Vertua Share before completion of the Convertible Note Assignment on a controlling interest basis; and
- fair market value of a Vertua Share after completion of the Convertible Note Assignment on a minority interest basis.

In our assessment, we have considered the impact of the Convertible Note Assignment independently from the MCH Option Issue.

A summary of our opinion is set out below:

Fair market value of Vertua Class A share	Ref	Low	High
Before Convertible Note Assignment (controlling interest basis)	5.3	0.03	0.06
After Convertible Note Assignment (minority interest basis)	7.3	0.02	0.05
Conclusion		**NOT FAIR**	

As set out above, our opinion is that the Convertible Note Assignment is not fair to Non-Associated Shareholders.

Reasonableness Assessment

In accordance with paragraph 12 of RG 111, an offer is 'reasonable' if it is 'fair'. An offer could be considered 'reasonable' if there are valid reasons to approve it, notwithstanding that it may not be regarded as 'fair'.

MCH Option Issue

While the MCH Option Issue is not fair, we have assessed the reasonableness of the MCH Option Issue by considering the factors set out below:

Advantages	
Simplified debt structure	The MCH Option Issue is in connection with the MCH Loan, which replaces the First MGT Loan, Second MGT Loan, and First MC Loan. The Company's senior lender had requested a simplified related party debt structure before lending additional capital to the Company. The MCH Loan addresses and resolves this concern, adding to the Company's ability to secure additional financing.
Replaces options with similar terms	The MCH Options replace the MGT Options, which are on substantially the same terms, as presented in Section 1.2.2. If the MCH Option Issue is not approved, the MGT Options (which have already been approved by Shareholders) will not be cancelled.
Increased borrowing capacity	The MCH Loan results in a total credit facility of $6 million compared to the $5 million cumulative facility associated with the First MGT Loan, Second MGT Loan, and First MC Loan. The expanded facility provides the Company with greater access to capital if needed in the future.

Aligns interest of Management and Non-Associated Shareholders	The MCH Option Issue allows one of the Company's executive directors to increase his equity ownership in the Company through the exercise of options. An increase in ownership provides increased incentive for Management to deliver value to all shareholders.
Maintains access to capital provided by MCH Loan and avoids alternative funding costs	The MCH Option Issue is in connection with the MCH Loan. If the MCH Option Issue is not approved, the Company's access to the capital and additional facility granted under the MCH Loan may be compromised. In order to secure comparable funding, the Company may need to bear the costs of securing additional funds including actual financing costs and opportunity costs of foregone capital.
Disadvantages	
Potential Dilution due to increase in maximum facility limit	The number of shares issuable pursuant to the MGT Option Deed and MCH Option Deed are dependent on the drawn balance of the MGT/MC Loans and MCH Loan, respectively. The MGT/MC Loans have a cumulative maximum facility of $5 million compared to the $6 million facility on the MCH Loan. As such, the maximum number of shares issuable under the MCH Option Deed (without consideration for the 49.9% maximum issuance cap) is circa 40.4 million shares compared to 33.7 million under the MGT Option Deed. However, given the latest available information regarding total shares on issue and the MCH Loan balance, the maximum number of shares issuable under both option deeds is equal as at the Valuation Date. The MCH Option Deed stipulates a minimum of 10,000,000 shares, while the MGT Option Deed reflects a minimum of 9,700,000. As a result, it is possible the MCH Option Issue could result in slight dilution for Non-Associated Shareholders, as compared to the MGT Options.
Potential effect of maximum relevant interest and MCH Option term	As discussed in Section 1.4, on a fully diluted basis, the maximum relevant interest achievable by Mr James Manning and his associates is 58.8%. As discussed in Section 1.2.2, the term of the MCH Options is to 14 March 2027. The potential levels of equity interest held by Mr James Manning and his associates and the term of the MCH Options potentially reduces the likelihood that a control transaction will emerge in the future, unless it has the support of Mr James Manning and his associates. We note that our analysis of the MCH Option Issue includes a premium for control.

The MCH Options replace the MGT Options, which were in connection with the First MGT Loan and had previously been approved by Shareholders. If the MCH Option Issue is not approved, the MGT Options will not be cancelled. As a result, the MCH Option Issue has relatively minimal additional dilutive effect on Non-Associated Shareholders and increases the borrowing capacity of Company.

After considering the above factors, our opinion is that the MCH Option Issue is reasonable.

Convertible Note Assignment

We have assessed the reasonableness of the Convertible Note Assignment by considering the factors set out below:

Advantages	
No real change in the convertibility of the Convertible Notes.	15,114,953 Convertible Notes were assigned from Manning Custodian Pty Ltd to MCH on 22 November 2016. Management has already obtained shareholder approval to issue shares under the Convertible Notes to Manning Custodian Pty Ltd. If the Convertible Note Assignment is not approved, Management has indicated it intends to reassign the Convertible Notes to Manning Custodian Pty Ltd.
Reduced gearing levels upon conversion of Convertible Notes.	While the Convertible Note Assignment does not result in an immediate issuance of Class A shares, it grants the right to MCH to convert its Convertible Notes. Upon conversion of Convertible Notes, the Company would operate at lower gearing levels, potentially increasing its ability to secure future financing.

Disadvantages	
Potential dilution upon conversion of Convertible Notes	The Convertible Note Assignment grants MCH the right to convert its Convertible Notes and be issued Class A shares, which would result in dilution for Non-Associated Shareholders. However, as indicated above, if the Convertible Note Assignment is not approved, it is our understanding Management intends to reassign the Convertible Notes to Manning Custodian Pty Ltd, which would preserve the conversion right. Accordingly, the Convertible Note Assignment does not result in a material change in potential dilution, as compared to the 'before' scenario.
Potential increase in the maximum relevant interest that will be held by Mr James Manning and his associates	As discussed in Section 1.4, on a fully diluted basis, the maximum relevant interest achievable by Mr James Manning and his associates is 58.8%. The potential levels of equity interest held by Mr James Manning and his associates potentially reduces the likelihood that a control transaction will emerge in the future, unless it has the support of Mr James Manning and his associates.

15,114,953 Convertible Notes were assigned from Manning Custodian Pty Ltd to MCH on 22 November 2016. The Company is seeking shareholder approval for the issue of fully paid Class A shares to MCH upon conversion of the Convertible Notes. However, shareholders have already approved the issue of shares under the Convertible Notes before they were assigned to MCH. Management has indicated that if the Convertible Note Assignment is not approved, the Convertible Notes will be assigned back to Manning Custodian Pty Ltd. As such, the Convertible Note Assignment has virtually no commercial impact to the Non-Associated Shareholders.

After considering the above factors, our opinion is that the Convertible Note Assignment is reasonable.

Other Matters

Shareholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed at an aggregate level. Accordingly, BDOCF has not considered the effect of the MCH Option Issue or the Convertible Note Assignment on the particular circumstances of individual Vertua shareholders. Some individual Vertua shareholders may place a different emphasis on various aspects of the MCH Option Issue or the Convertible Note Assignment from that adopted in this IER. Accordingly, individual Vertua shareholders may reach different conclusions as to whether or not approving the MCH Option Issue or the Convertible Note Assignment is fair and reasonable in their individual circumstances.

The decision of an individual Vertua Shareholder in relation to approving the MCH Option Issue or the Convertible Note Assignment may be influenced by their particular circumstances and accordingly Vertua Shareholders are advised to seek their own independent advice.

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

Current Market Conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in light of material information existing at the valuation date that subsequently becomes known to us.

Sources of Information

Appendix 2 to the IER sets out details of information referred to and relied upon by us during the course of preparing this IER and forming our opinion.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by Vertua.

Under the terms of our engagement, Vertua agreed to indemnify the partners, directors and staff (as appropriate) of BDO East Coast Partnership and BDOCF and their associated entities, against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided by Vertua which is false or misleading or omits any material particulars, or arising from failure to supply relevant information.

Limitations

This IER has been prepared at the request of the Directors for the sole benefit of the Directors and Vertua Shareholders to assist them in their decision to approve or reject the MCH Option Issue or the Convertible Note Assignment. This IER is to accompany the Transaction Document to be sent to Vertua Shareholders to consider the MCH Option Issue and the Convertible Note Assignment and was not prepared for any other purpose.

Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and Vertua Shareholders without our written consent, and we accept no responsibility to any other person.

No extract, quote or copy of our IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of the IER with the Transaction Document. Apart from this IER, we are not responsible for the contents of the Transaction Document or any other document associated with the MCH Option Issue or the Convertible Note Assignment. We acknowledge that this IER may be lodged with regulatory authorities.

Glossary

Capitalised terms used in this Report have the meanings set out in the glossary. A glossary of terms used throughout this IER is set out in **Appendix 1**.

Financial Services Guide

BDOCF 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 to this IER.

Yours faithfully

BDO CORPORATE FINANCE (EAST COAST) PTY LTD

Daniel Coote	**David McCourt**
Director	Director

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1. PURPOSE AND BACKGROUND

1.1. Purpose

We have been appointed by the Directors of Vertua to prepare an IER setting out our opinion as to whether approving the MCH Option Issue and the Convertible Note Assignment is fair and reasonable to the Non-Associated Shareholders.

This report is to accompany the Notice of Meeting and Explanatory Memorandum (**Transaction Document**) required to be provided to the Shareholders of Vertua entitled to vote on the MCH Option Issue and the Convertible Note Assignment and has been prepared to assist the Non-Associated Shareholders in their considerations of whether or not to approve the MCH Option Issue and the Convertible Note Assignment.

The MCH Option Issue and the Convertible Note Assignment are discussed further below.

1.2. MCH Option Issue

On 16 March 2017, Vertua entered into a share option deed with MCH, granting MCH a minimum of 10,000,000 options to subscribe for one fully paid Class A share per option at an issue price of $0.1485 per share (**MCH Options**), in connection with a new loan and cumulative facility of $6 million from MCH (**MCH Loan**) which will replace several existing loans and a cumulative facility of $5 million from Manning Group Pty Ltd as trustee for the Manning Group Trust (**MGT**) and Manning Capital Pty Limited (**MC).** The $5 million cumulative facility is comprised of (1) a $1.5 million facility from MGT (**First MGT Loan**), (2) a $2.0 million facility from MGT (**Second MGT Loan)**, and (3) a $1.5 million facility from MC (**First MC Loan**) (collectively the **MGT/MC Loans**).

In connection with the First MGT Loan, Vertua had granted a minimum of 9,700,000 options over Class A shares to MGT (**MGT Options**). The Company is seeking to terminate the MGT Options and will do so upon shareholder approval of the MCH Options.

Full details of the MCH Option Issue are set out in the Transaction Document to be sent to the shareholders of Vertua. Resolutions 1, 2, 3, and 4 of the Transaction Document, as set out below, relate to the MCH Option Issue.

Resolution 1 – Approval of issue of options and issue of shares to Manning Capital Holdings under a Share Option Deed

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

"That for the purpose of section 611, item 7 of the Corporations Act 2001 and for all other purposes, approval is given for the Company to issue fully paid Class A shares to Manning Capital Holdings Pty Ltd ACN 610 530 679 in its capacity as trustee of the Manning Capital Holdings Unit Trust under and on the terms and conditions of the Share Option Deed between the Company and Manning Capital Holdings Pty Ltd"

Resolution 2 – NSX LR 6.44 – Approval of issue of options and issue of shares to Manning Capital Holdings under a Share Option Deed

To consider and, if thought fit, pass the following special resolution:

"That for the purpose of NSX Listing Rule 6.44 and for all other purposes, approval is given for the Company to issue fully paid Class A shares to Manning Capital Holdings Pty Ltd ACN 610 530 679 in its capacity as trustee of the manning Capital Holdings Unit Trust under and on the terms and conditions of the Share Option Deed between the Company and Manning Capital Holdings Pty Ltd described in the Explanatory Statement."

Resolution 3 – NSX LR 6.25 – Approval of issue of options and issue of shares to Manning Capital Holdings under a Share Option Deed

To consider and, if thought fit, pass the following special resolution:

"That for the purpose of NSX Listing Rule 6.25 and for all other purposes, approval is given for the Company to issue fully paid Class A shares to Manning Capital Holdings Pty Ltd ACN 610 530 679 in its capacity as trustee of the Manning Capital Holdings Unit Trust under and on the terms and conditions of the Share

Option Deed between the Company and Manning Capital Holdings Pty Ltd described in the Explanatory Statement."

Resolution 4 – Approval of giving of financial benefits under Secured Loan Agreement, General Security Agreement, Priority Deed and Share Option Deed

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

"That for the purpose of section 208 of the Corporations Act 2001 and for all other purposes, approval is given for the Company to give Manning Capital Holdings Pty Ltd ACN 610 530 679 in its capacity as trustee of the Manning Capital Holdings Unit Trust financial benefits under a Secured Loan Agreement, a General Security Agreement, a Priority Deed and a Share Option Deed described in the Explanatory Statement accompanying this Notice of Meeting."

1.2.1. Comparison of MCH Loan and MGT/MC Loans terms

The MCH Loan replaces the MGT/MC Loans. The following table summarises the key terms of the MCH Loan and the MGT/MC Loans. We note the MGT/MC Loans consist of three separate facilities.

	MGT/MC Loans	MCH Loan
Facility limit	a. $1,500,000 b. $2,000,000 c. $1,500,000	$6,000,000
Interest rate	a. 12.00% b. 12.00% c. 11.00%	12.00% (consisting of prescribed interest rate of 11.25% p.a. and annual 0.75% facility fee)
Repayment date	a. Five (5) years from the Commencement Date b. Five (5) years from the date of the Secured Loan Agreement c. On the last to occur of: i. 18 months from the initial advance date ii. On completion of the sale of the Chatswood property iii. Such later time approved by the lender	Three (3) years from the initial amount advance date
Security	All present and after-acquired property assets of Vertua	All present and after-acquired property assets of Vertua

Source: Respective loan agreements, discussions with Management, BDO analysis

Note: Loans include principal and accrued interest

(a) Reflects the secured loan agreement with MGT dated 17 March 2015 to fund the acquisition of HPM (First MGT Loan)

(b) Reflects the loan agreement with MGT dated 18 February 2016 to fund the acquisition of Locumsgroup (Second MGT Loan)

(c) Reflects the loan agreement with MC dated 31 August 2016 for FPG No.1 (First MC Loan)

As indicated above, the terms of the MCH Loan is on substantially the same terms as the MGT/MC Loans it replaces. The MCH Loan has a maximum facility limit of $6,000,000 compared to the maximum facility limit of $5,000,000 in aggregate between the MGT/MC Loans.

1.2.2. Comparison of MCH Option and MGT Option terms

The following table summarises the key terms of the MCH Options and the MGT Options.

	MGT Options	MCH Options
Number of options issued	Greater of: (a) number of shares as is equal to the Loans (1) then outstanding under the Secured Loan Agreement divided by the Price; and (b) 9,700,000 shares provided that the maximum number of option shares issued in aggregate must not exceed 49.9% of all shares of any class on issue in the Company	Greater of: (a) number of shares as is equal to the Loans (1) then outstanding under the Secured Loan Agreement divided by the Price; and (b) 10,000,000 shares provided that the maximum number of option shares issued in aggregate must not exceed 49.9% of all shares of any class on issue in the Company
Exercise price	$0.1485	$0.1485

Expiry period	10 years from date of option deed	10 years from date of option deed
Expiry date	17/03/2025	14/03/2027
Maximum shares issuable based on maximum facility limit (without consideration for 49.9% cap discussed above)	33,670,034	40,404,040

Source: MCH Option Deed, MGT Option Deed, BDO analysis

Note: Loans include principal and accrued interest

1.2.3. Pro forma shareholding - exercise of MCH Options

The following table shows the pro forma Vertua shareholding before and after the exercise of the MCH Options assuming no future issues of shares to third parties.

Class A Shareholder	Pre MCH Option Issue and Exercise		MCH Option Issue and Exercise	Post MCH Option Issue and Exercise	
	# shares	% interest	# shares	# shares	% interest
Manning Related Parties					
Manning Capital Holdings Pty Ltd	1,525,616	*13.9%*	10,958,898	12,484,514	*56.8%*
Woodville Super Pty Limited	430,913	*3.9%*	-	430,913	*2.0%*
Manning Group Pty Ltd	-	*0.0%*	-	-	*0.0%*
Manning Custodian Pty Ltd	-	*0.0%*	-	-	*0.0%*
Total Manning shares	**1,956,529**	***17.8%***	**10,958,898**	**12,915,427**	***58.8%***
Other shareholders					
Holicarl Pty Ltd	1,590,900	*14.5%*	-	1,590,900	*7.2%*
Lily Bordeaux Pty Ltd	620,451	*5.6%*	-	620,451	*2.8%*
Calvert Investments Pty Ltd	601,681	*5.5%*	-	601,681	*2.7%*
Other shareholders	6,233,260	*56.7%*	-	6,233,260	*28.4%*
Total other shares	**9,046,292**	***82.2%***	**-**	**9,046,292**	***41.2%***
Total Class A shares	**11,002,821**	***100.0%***	**10,958,898**	**21,961,719**	***100.0%***

Source: Share register as at 6 November 2017, Company financial statements, and BDO analysis

For the avoidance of doubt, approval of the MCH Option Issue does not result in an immediate issue of Class A shares but rather the granting to MCH the right to exercise the MCH Options. The table above sets out the pro-forma shareholding assuming the MCH Option Issue is approved and the MCH Options are exercised. As set out above, the MCH Option Issue and exercise of MCH options would increase issued Class A shares by circa 11 million shares, which is the amount of shares that results in 49.9% of total shares on issue immediately following the exercise of options and issue of shares.

Company director James Manning has held or currently holds an interest in the Company through four entities: MGT, MCH, Manning Custodian Pty Ltd, and Woodville Super Pty Ltd. The MCH Option Issue and exercise of the MCH Options would increase the ownership percentage of these entities from 17.8% to 58.8%, excluding any potential impact of the Convertible Note Assignment.

1.3. Convertible Note Assignment

Vertua acquired Joe Public Holdings Pty Ltd (**JPH**) in November 2015. Under the terms of the JPH acquisition, which were approved at the Company's EGM on 8 February 2016, JPH shareholders agreed to receive the purchase consideration of $6,000,000 in the form of 40,000,001 convertible notes issued by the Company at $0.15 each, each with a nil conversion exercise price (**Convertible Notes**).

15,114,953 Convertible Notes were assigned from Manning Custodian Pty Ltd to MCH on 22 November 2016. The Company is seeking shareholder approval for the issue of fully paid Class A shares to MCH upon conversion of the Convertible Notes.

Full details of the Convertible Note Assignment are set out in the Transaction Document to be sent to the shareholders of Vertua. Resolutions 5, 6 and 7 of the Transaction Document, as set out below, relate to the Convertible Note Assignment.

Resolution 5 – Approval of issue of shares to Manning Capital Holdings pursuant to Convertible Note

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

"That for the purposes of section 611, item 7 of the Corporation Act 2001, NSX Listing Rules 6.25 and 6.44, and for all other purposes, approval is given for the Company to issue fully paid class A shares to Manning Capital Holdings Pty Ltd ACN 610 530 679 in its capacity as trustee of the Manning Capital Holdings Unit Trust under and on the terms and conditions of the Convertible Note Deed between the Company and Manning Capital Holdings Pty Ltd"

Resolution 6 - NSX LR 6.44 and 6.25 – Approval of issue of shares to Manning Capital Holdings pursuant to Convertible Note

To consider and, if thought fit, pass the following special resolution:

"That for the purpose of NSX Listing Rules 6.44 and 6.25 and for all other purposes, approval is given for the Company to issue fully paid class A shares to Manning Capital Holdings Pty Ltd ACN 610 530 679 in its capacity as trustee of the Manning Capital Holdings Unit Trust under and on the terms and conditions of the Share Option Deed between the Company and Manning Capital Holdings Pty Ltd described in the Explanatory Statement."

Resolution 7 - Approval of giving of financial benefits under Approval of shares to Manning Capital Holdings pursuant to Convertible Note

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

"That for the purposes of section 208 of the Corporations Act 2001 and for all other purposes, approval is given for the Company to give Manning Capital Holdings Pty Limited 610 530 679 in its capacity as trustee of the Manning Capital Holdings Unit Trust financial benefits under a Secured Loan Agreement, a General Security Agreement, a Priority Deed and a Share Option Deed described in the Explanatory Statement accompanying this Notice of Meeting."

1.3.1. Pro forma shareholding – Conversion of Convertible Notes

The following table shows the pro forma Vertua shareholding before and after the Convertible Note Assignment and conversion.

Class A Shareholder	Pre Convertible Note Assignment and Conversion		Convertible Note Assignment and Conversion	Post Convertible Note Assignment and Conversion	
	# shares	% interest	# shares	# shares	% interest
Manning Related Parties					
Manning Capital Holdings Pty Ltd*	1,525,616	*13.9%*	4,075,348	5,600,964	*25.7%*
Woodville Super Pty Limited*	430,913	*3.9%*	227,490	658,403	*3.0%*
Manning Group Pty Ltd	-	*0.0%*	-	-	*0.0%*
Manning Custodian Pty Ltd	-	*0.0%*	-	-	*0.0%*
Total Manning shares	**1,956,529**	***17.8%***	**4,302,838**	**6,259,367**	***28.7%***
Other shareholders					
Holicarl Pty Ltd*	1,590,900	*14.5%*	4,170,661	5,761,561	*26.4%*
Lily Bordeaux Pty Ltd*	620,451	*5.6%*	1,626,558	2,247,009	*10.3%*
Calvert Investments Pty Ltd	601,681	*5.5%*	-	601,681	*2.8%*
Other shareholders*	6,233,260	*56.7%*	684,886	6,918,146	*31.8%*
Total other shares	**9,046,292**	***82.2%***	**6,482,105**	**15,528,397**	***71.3%***
Total Class A shares	**11,002,821**	***100.0%***	**10,784,943**	**21,787,764**	***100.0%***

Source: Share register as at 6 November 2017, Company financial statements, and BDO analysis

** Indicates holder of Convertible Notes. Convertible Note holders must act as one on a pro-rata basis with their ownership of Convertible Notes.*

The Convertible Note Assignment assigned the 15.1 million convertible notes from Manning Custodian Pty Ltd to MCH. Conversion of the Convertible Notes requires the participation of all subscribers in equal proportion to the notes issued to each party. Additionally, the number of shares that can be issued in connection with the conversion of the Convertible Notes cannot exceed 49.5% of all issued Class A shares in the Company after conversion of the Convertible Notes. As such, the maximum number of shares that can be issued in connection with the conversion of the Convertible Notes is 10,784,943.

For the avoidance of doubt, approval of the Convertible Note Assignment does not result in an immediate issue of Class A shares but rather the granting to MCH the right to convert its Convertible Notes. The table above sets out the pro-forma shareholding assuming the Convertible Note Assignment is approved and the Convertible Notes are converted. As set out above, the Convertible Note Assignment and conversion of Convertible Notes would increase issued Class A shares by circa 10.8 million shares.

The Convertible Note Assignment and conversion of Convertible Notes would increase the ownership percentage of Manning related parties from 17.8% to 28.7%, excluding any potential impact of the MCH Option Issue.

1.4. Maximum relevant interest on exercise of the MCH Options and Convertible Note conversion

As discussed in Sections 1.2 and 1.3 of this Report, Shareholders will vote on independent resolutions regarding the MCH Option Issue and the Convertible Note Assignment. However, it is possible that in the future, MCH will elect to exercise some or all of the MCH Options and convert some or all of the Convertible Notes.

The maximum relevant interest of Mr James Manning and his associates, including MCH and Woodville Super Pty Ltd, in the issued share capital of Vertua on a fully diluted basis assuming conversion of the Convertible Notes and exercise of the MCH Options is 56.6% and has been calculated as follows:

Shareholder	Ordinary Class A Shares	Convertible Notes [1]	MCH Options [2]	Other options [3]	Total Shares	% Interest
Manning & Associates	1,956,529	15,958,686	27,470,859	1,350,000	46,736,074	56.6%
Holicarl Pty Ltd	1,590,900	15,468,457	-	1,350,000	18,409,357	22.3%
Lily Bordeaux Pty Ltd	620,451	6,032,699	-	-	6,653,150	8.1%
Mr David Leon	261,252	2,540,158	-	-	2,801,410	3.4%
Calvert Investments Pty Ltd	601,681	-	-	-	601,681	0.7%
Esplanade Super Pty Ltd	227,237	-	-	1,350,000	1,577,237	1.9%
Other shareholders	5,744,771	-	-	-	5,744,771	7.0%
Total	**11,002,821**	**40,000,000**	**27,470,859**	**4,050,000**	**82,523,680**	**100.0%**

Notes:

1 *Assumes all Convertible Note holders convert in unison per the terms of the Convertible Note Subscription Agreement, assuming that Vertua has waived the requirement that the number of shares that can be issued in connection with the conversion of the Convertible Notes cannot exceed 49.5% of all issued Class A shares in the Company after conversion of the Convertible Notes, as per a deed of variation executed in 2016.*

2 *As discussed in Section 1.2, The maximum number of option shares issued in aggregate must not exceed 49.9% of all shares of any class on issue in the Company. 27,470,859 shares assumes:(1) 55,052,821 Ordinary Class A shares are issued prior to exercise of the MCH Options, comprising 11,002,821 Ordinary Class A Shares as at the date of this Report and conversion / exercise of the Convertible Notes and the other options, and (2) at least $4.1m of the $6.0m available under the MCH Loan has been drawn down by Vertua.*

3 *Assumes exercise of all other options (discussed further in Section 3.4.2) currently on issue.*

We note however, as discussed in Section 1.2.3, Mr James Manning and his associates could achieve a higher maximum relevant interest of 58.8% by exercising the maximum allowable number of MCH Options and converting none of the Convertible Notes.

2. SCOPE AND LIMITATIONS

2.1. Scope

The scope of the procedures we undertook in forming our opinion on whether approving the MCH Option Issue and the Convertible Note Assignment are fair and reasonable to the Non-Associated Shareholders has been limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards.

Our assessment involved determining the fair market value of various securities, assets and liabilities. 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. Summary of Regulatory Requirements

2.2.1. Section 611 of the Act

Immediate exercise of the MCH Options may result in MCH (and related parties) increasing its voting power in Vertua from 17.8% to 58.8%, excluding the potential effect of conversion of the Convertible Notes.

Immediate conversion of the Convertible Notes may result in MCH increasing its voting power in Vertua from 17.8% to 28.7%, excluding the potential effect of exercise of the MCH Options.

Section 606 of the Act expressly prohibits transactions that result in a person or entity that, with their associates, increases their voting power from:

- 20% or below to more than 20%; or
- A point that is above 20% to below 90%,

without making a full takeover offer to all Shareholders or otherwise falling within another exception (such as 611 of the Act).

Item 7 of Section 611 of the Act provides an exception to the prohibition on the basis that the acquisition is approved by resolution at a general meeting. RG 74 issued by ASIC sets out the obligation to supply Shareholders with 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 commissioned this IER regarding the 'fairness and reasonableness' to the Non-Associated Shareholders of approving the MCH Option Issue and the Convertible Note Assignment.

2.2.2. Section 208 of the Act

Section 208 of Chapter 2E of the Act requires a company to seek shareholder approval before giving a financial benefit to a related party unless the benefit falls within an exception provided for in Section 210 of the Act.

Regulatory Guide 76: Related party transactions (**RG 76**) states that it is necessary for entities to include a valuation from an independent expert with a notice of meeting for member approval under Chapter 2E of the Act, where:

- the financial benefit is difficult to value;
- the transaction is significant from the point of view of the entity; or
- the independent directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.

We note that the MCH Option Issue and Convertible Note Assignment may result in financial benefits being provided to MCH and that Mr James Manning is both Managing Director and CEO of Vertua and a member of the class of discretionary objects of the Manning Capital Holdings Unit Trust, of which Manning Capital

Holdings Pty Ltd is the corporate trustee.

2.3. Basis of Assessment

In determining whether approving the MCH Option Issue and the Convertible Note Assignment are fair and reasonable to the Non-associated Shareholders, we have had regard to:

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

In particular, RG 111 establishes guidelines in respect of independent expert reports under the Act.

RG 111 establishes two distinct criteria for an expert analysing a control transaction. The tests are:

- Is the offer 'fair'?
- Is it 'reasonable'?

The terms fair and reasonable are regarded as separate elements and are not regarded as a compound phrase.

2.3.1. 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 value of the securities the subject of the offer is determined 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.

If the MCH Option Issue is approved and the MCH Options are immediately exercised, MCH (and related parties) may own up to 12,915,427 Vertua Shares representing a 58.8% equity interest in Vertua based on the current number of Shares on issue.

If the Convertible Note Assignment is approved and the Convertible Notes are converted, MCH (and related parties) may own up to 6,259,367 Vertua Shares representing a 28.7% equity interest in Vertua based on the current number of Shares on issue.

In relation to the interpretation of RG111.11, ASIC have advised that the appropriate assessment is to compare:

- The fair market value of a Class A Share pre-transaction on a control basis (being the value of the securities the subject of the offer per RG111.11)
- The fair market value of a Class A Share post-transaction on a minority basis (being the offer price or consideration per RG111.11).

The basis for the above form of comparison is to ensure our analysis is in line with RG111.5 to RG111.7 which includes statements as follows:

- The main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the MCH Option Deed and the Convertible Note Assignment.
- The form of analysis an expert uses to evaluate a transaction should address the issues faced by security holders.

The MCH Option Issue is fair if the fair market value of a Vertua Share after completion of the MCH Option Issue on a minority basis is equal to or greater than the fair market value of a Vertua Share before completion of the MCH Option Issue on a controlling interest basis.

The Convertible Note Assignment is fair if the fair market value of a Vertua Share after completion of the Convertible Note Assignment on a minority basis is equal to or greater than the fair market value of a Vertua Share before completion of the Convertible Note Assignment on a controlling interest basis.

2.3.2. Reasonable

In accordance with paragraph 12 of RG 111, an offer is 'reasonable' if it is 'fair'. An offer could be considered 'reasonable' if there are valid reasons to approve it, notwithstanding that it may not be regarded as 'fair'.

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.
- Taxation losses, cash flow or other benefits through achieving 100% ownership of the target.
- 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.

Further, RG 111.26 states that an issue of shares for cash may have other benefits that should be considered in deciding whether the transaction is reasonable. These benefits may include:

- The provision of new capital to exploit business opportunities
- A reduction in debt and interest payments, or
- A needed injection of working capital.

2.3.3. General requirements in relation to the IER

In preparing the IER, 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 MCH Option Issue and the Convertible Note Assignment. In preparing the IER we considered the necessary legal requirements and guidance of the Act, ASIC regulatory guides and commercial practice.

The IER 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 BDOCF and any of the parties to the MCH Option Issue and the Convertible Note Assignment.
- 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 IER.
- We have been appointed as independent expert for the purposes of providing an IER for the Transaction Document.
- That we have relied on information provided by the board of Directors of Vertua (Board) and management of Vertua and that we have not carried out any form of audit or independent verification of the information provided.
- That we have received representations from the Board in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

2.4. Special Value

We have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the particular potential acquirer of potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

2.5. Reliance on Information

This IER is based upon financial and other information provided by the Board and management of Vertua. We have considered and relied upon this information. Unless there are indications to the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether approving the MCH Option Issue and the Convertible Note Assignment are fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or due diligence investigation might disclose. In any event, 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.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of management the information was evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation.

Under the terms of our engagement, Vertua has agreed to indemnify BDOCF and BDO East Coast Partnership, and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

2.6. Limitations

We acknowledge that this IER may be lodged by the Board with regulatory and statutory bodies and will be included in the Transaction Document to be sent to the Vertua Shareholders. The Board acknowledges that our IER has been prepared solely for the purposes noted in the Transaction Document and accordingly we disclaim any responsibility from reliance on the IER in regard to its use for any other purpose. Except in accordance with the stated purposes, no extract, quote or copy of the IER, in whole or in part, should be reproduced without our prior written consent, as to the form and context in which it may appear.

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 in respect of Vertua. We understand that the Board has been advised by legal, accounting, tax and other appropriate advisors in relation to such matters as necessary. We provide no warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Board or their advisors.

We note that the IER does not deal with the individual investment circumstances of Vertua Shareholders. Some individual Vertua Shareholders may place a different emphasis on various aspects of the MCH Option Issue and the Convertible Note Assignment from that adopted in our IER. Accordingly, individuals may reach different conclusions on whether or not the MCH Option Issue and the Convertible Note Assignment are fair and reasonable. An individual Vertua Shareholder's decision in relation to the MCH Option Issue and the Convertible Note Assignment may be influenced by their particular circumstances and, therefore, Vertua Shareholders are advised to seek their own independent advice.

Apart from the IER, we are not responsible for the contents of the Transaction Document or any other document. We have provided consent for inclusion of the IER in the Transaction Document. Our consent and the Transaction Document acknowledge that we have not been involved with the issue of the Transaction Document and that we accept no responsibility for the Transaction Document apart from the IER.

2.7. Assumptions

In forming our opinion, we have made certain assumptions and outline these in our IER including:

- Assumptions outlined in the valuation sections.
- That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other

than as publicly disclosed.

- Information sent out in relation to the MCH Option Issue and the Convertible Note Assignment to Vertua Shareholders or any regulatory or statutory body is complete, accurate and fairly presented in all material respects.
- Publicly available information relied on by us is accurate, complete and not misleading.
- If the MCH Option Issue and the Convertible Note Assignment are implemented, that they will be implemented in accordance with the stated terms.
- The legal mechanisms to implement the MCH Option Issue and the Convertible Note Assignment are correct and effective.

3. PROFILE OF VERTUA

3.1. Company overview

Vertua provides property development, print, and professional services in Australia. The Company is headquartered in North Sydney, Australia and is listed on the National Stock Exchange (**NSX**).

The Company operates through three divisions: (1) Property, (2) Printing, and (3) Professional Services.

Property engages in the acquisition, development, and management of properties either directly or through joint ventures. Fiducia Group Pty Ltd (**Fiducia**), a wholly owned subsidiary of the Company, is the principal operating business of Property. Property receives income through the sale of properties held for sale, profit share of existing developments, and property development management fees.

Printing was established with the Company's March 2015 acquisition of Horizon Print Management Pty Ltd (**HPM**). HPM positions itself as a leading strategic print solutions partner and acts as an independent broker of printing services. Primary service offerings include digital and variable data printing, offset printing, mailhouse services, and storage & distribution services.

Professional Services was established with the February 2016 (finalised in June 2016) acquisition of 50% of Locumsgroup, a professional services business founded in 1952 offering tax & accounting services, financial planning, and mortgage & specialist property advisory services.

3.2. Corporate structure

The entities in which Vertua holds a controlling interest are outlined below:

Entity Name	Ownership Interest
Corporate	
Vertua Investments Limited	100%
Vertua Nominees Pty Ltd	100%
Print Segment	
Horizon Print Management Pty Ltd	100%
Professional Services Segment	
Locumsgroup Asset Management Pty Ltd	50%
Locumsgroup Sydney Pty Ltd	50%
Locumsgroup Core Unit Trust	50%
Locumsgroup Administrative Services Trust	50%
Locumsgroup Finance Trust No. 2	50%
Braxton Unit Trust	50%
Locumsgroup Private Accounting Services Pty Ltd	50%
Property Segment	
RB Partners Pty Ltd	100%
Joe Public Holdings Pty Ltd	100%
Fiducia Group Pty Ltd	100%
Fiducia Development Group Pty Ltd	100%
Fiducia Property Group Pty Ltd	100%
Fiducia Development Management Trust	100%
FPG No. 1 Pty Ltd	50%
144 Fullers Road Pty Ltd	100%
FPG No. 2 Pty Ltd	100%
FPG No. 3 Pty Ltd	100%
FPG No. 4 Pty Ltd (Dormant)	100%
FPG No. 5 Pty Ltd (Dormant)	100%
Great Superintended Pty Ltd	100%

Source: 2017 annual report

3.3. Directors and management

The current board of directors consists of the following individuals:

Director Name	Capacity
Christopher Bregenhoj	Chairman and Secretary
James Manning	Managing Director
Benjamin Doyle	Executive Director

Source: 2017 annual report

3.4. Capital structure and ownership

As at 6 November 2017, the Company had the following securities on issue:

Class	Number of shares	% - Fully Diluted
Class A Shares	11,002,821	16.9%
Class A Options (unexercised)	14,050,000	21.6%
Convertible Notes (unconverted)	40,000,001	61.5%
Total	**65,052,822**	**100.0%**

Source: Company share register as at 6 November 2017

We note the 14,050,000 Class A Options above includes the MCH Options. If the MCH Option Issue is not approved, the 9,700,000 MGT Options will be re-issued. If the MGT Options are re-issued the number of options outstanding is 13,750,000.

3.4.1. Class A shares

The Company's top 10 Class A shareholders are outlined below:

Owner	Class A shares	% - Class A shares
Holicarl Pty Ltd	1,590,900	14.5%
Manning Capital Holdings Pty Ltd*	1,525,616	13.9%
Lily Bordeaux Pty Ltd	620,451	5.6%
Calvert Investments Pty Ltd	601,681	5.5%
Woodville Super Pty Limited*	430,913	3.9%
Mr Stuart Page	277,273	2.5%
Mr David Leon	261,252	2.4%
Strat Capital Pty Ltd	250,000	2.3%
Esplanade Super Pty Ltd	227,273	2.1%
Kizun Pty Ltd	125,400	1.1%
Total	**5,910,759**	**53.7%**

Source: Company share register as at 6 November 2017

** Indicates a Manning related party*

Class A shares entitle the holder to participate in dividends and the proceeds on the winding up on the Company in proportion to the number of and amounts paid on the shares held. The shares have no par value and the Company does not have a limited amount of authorised capital. Each share entitles the holder to one vote.

As indicated above, the Company's top 10 equity holders own nearly 54% of the outstanding shares on issue.

3.4.2. Class A options

Ownership detail regarding the Company's class A options is outlined below:

Owner	Class A options	% - Class A options	Exercise price	Remaining option term (as at Valution Date)
Manning Capital Holdings Pty Ltd*	10,000,000	71.2%	0.1485	9.3
Holicarl Pty Ltd	1,350,000	9.6%	0.2000	4.4
Esplanade Super Fund Pty Ltd	1,350,000	9.6%	0.2000	4.4
Woodville Super Pty Ltd*	1,350,000	9.6%	0.2000	4.4
Total	**14,050,000**	**100.0%**		

Source: Company share register as at 6 November 2017, respective option deeds, and BDO analysis

** Indicates a Manning related party*

As discussed in Section 1.2, in connection with the MCH loan, the Company issued a minimum of 10,000,000 (maximum of 40,404,040) $0.1485 Class A options to MCH in March 2017, subject to Shareholder approval. In connection with this option issue, the Company cancelled the minimum of 9,700,000 $0.1485 Class A options previously issued to MGT. We note the cancellation of the MGT Options is subject to shareholders approving the MCH Option Issue. If the MCH Option Issue is not approved, the MGT Options will not be cancelled and will retain the right to be issued shares in the Company pursuant to the MGT Option Deed.

The above notwithstanding, the maximum number of shares issuable under the MGT Option Deed and MCH Option Deed is limited at 49.9% of all outstanding shares immediately following the associated exercise of the options and issuance of shares.

3.4.3. Convertible notes

Detail regarding the Company's convertible notes is outlined below:

Owner	Convertible notes	% - Convertible notes	Issue Price	Subscription amount
Holicarl Pty Ltd	15,468,458	38.7%	0.15	2,320,269
Manning Capital Holdings Pty Ltd	15,114,953	37.8%	0.15	2,267,243
Lily Bordeaux Pty Ltd	6,032,699	15.1%	0.15	904,905
Wealth Holdings Trustees Ltd	2,540,158	6.4%	0.15	381,024
Woodville Super Pty Ltd	843,733	2.1%	0.15	126,560
Total	**40,000,001**	**100.0%**		**6,000,001**

Source: Company share register as at 6 November 2017 and note subscription agreements

** Indicates a Manning related party*

In February 2016, the shareholders of the Company voted in favour of issuing the Convertible Notes listed above at a price of $0.15 ($6 million in total) as consideration for the acquisition of JPH. The terms of the notes are outlined below:

- The Convertible Notes are interest-free up to the third anniversary of issue, after which they accrue interest at a rate equal to BBSW + 8% per annum on face value;
- Each Convertible Note shall convert to one class A ordinary share;
- Convertible Note holders are required to act in concert regarding conversion of the Notes;
- Conversion may be exercised by the holders at any time within 5 years from the date of issue;
- Conversion may also be exercised by the Company after 3 years from the date of issue; and
- Redemption of the Convertible Notes is at the option of either holder or the Company after 5 years.

In November 2016, Manning Custodian Pty Ltd (M**anning Custodian**) assigned its 15,114,953 Convertible Notes to MCH. As discussed in Section 1.3, convertibility of the Convertible Notes now held by MCH to Class A shares is subject to Shareholder approval. It is our understanding that if Shareholder approval is not obtained, MCH is legally capable of assigning its Convertible Notes back to Manning Custodian, and Manning Custodian's conversion rights will be preserved.

The Convertible Notes are recorded on the Company's financial statements according to the portions that exhibit debt and equity characteristics, respectively. The allocation as at FY17 is outlined below:

Classification	Fair value ($)
Non-current liability	1,340,701
Equity	3,265,420
Total	**4,606,121**

Source: 2017 annual report

3.5. Historical financial information

3.5.1. Financial performance

Historical income statements of Vertua for the two most recent financial years ended 31 March (**FY16** and **FY17**, respectively) are set out below.

FYE 31 March	FY16	FY17
Revenue	14,868,114	18,843,726
Other income	376,059	1,221,770
Cost of sales	(13,041,643)	(13,272,249)
Gross Profit	**2,202,530**	**6,793,247**
Gain on bargain purchase	1,409,123	35,098
Salaries and wages	(850,284)	(2,983,765)
Management fees	(125,115)	(240,000)
Director fees	(58,487)	(67,500)
Professional fees	(613,767)	(647,479)
Property costs	(222,935)	(280,158)
Advertising and promotion	(11,106)	(55,360)
Other expenses from ordinary activities	(194,075)	(1,117,494)
EBITDA	**1,535,884**	**1,436,589**
Depreciation and amortisation	(480,590)	(1,246,502)
EBIT	**1,055,294**	**190,087**
Finance costs	(231,929)	(1,183,359)
EBT	823,365	(993,272)
Tax (expense)/benefit	497,758	137,137
Net income	**1,321,123**	**(856,135)**
Profit/(loss) for the year is attributable to:		
Non-controlling interest	27,974	21,037
Owners of Vertua Limited	1,293,149	(877,172)
Net income	**1,321,123**	**(856,135)**
Revenue growth	*1392.5%**	*26.7%*
Gross profit margin	*14.8%*	*36.1%*
Operating expenses/sales	*14.0%*	*28.6%*
EBITDA margin	*10.3%*	*7.6%*
Net income margin	*8.9%*	*-4.5%*

Source: 2017 annual report; revenue growth in FY16 calculated based on annualised revenue for the 9 months ended 31 March 2015.

Detail of the Company's revenue by business segment is also set out below:

FYE 31 March	FY16	FY17	Annual Growth
Print services	11,590,012	11,731,769	1.2%
Property	2,982,681	4,718,723	58.2%
Professional services	213,407	2,393,234	1021.4%
Other	82,014	-	-100.0%

Total revenue	**14,868,114**	**18,843,726**	**26.7%**

Source: 2017 annual report

We note the following regarding the Company's financial performance:

1. Revenue increased 26.7% in FY17 compared to FY16, due in particular to growth within the Property and Professional Services segments. Given the acquisition of Locumsgroup occurred in late FY16, the FY16 Professional Services revenue does not reflect a full year of operations for the segment. Property exhibited annual growth of 58.2%, primarily as a result of a $3.0 million sale of a development site. Printing remained fairly consistent, with annual revenue growth of 1.2%.

2. Other income consists of interest received, GST disbursement recoveries, fair value gains, insurance claim income related to bad debt recoveries, and other miscellaneous income. The increase in other income in FY17 was primarily in relation to GST disbursement recoveries and fair value gains related to the aforementioned property sale. The expected recovery associated with a bad debt within Printing also contributed to the increase.

3. The Company's overhead expenses increased by circa $3.3 million in FY17, due primarily to a $2.1 million increase in salaries and wages. While the Locumsgroup acquisition represented the primary driver of this increase, all business segments saw an increase in personnel costs in FY17. The majority of the remaining increase in overhead expenses related to other expenses from ordinary activities, the largest component of which was a circa $360,000 doubtful debt expense related to Printing.

4. Reported EBITDA declined by circa $100,000 in FY17, while EBITDA margins declined from 10.3% to 7.6%. While gross margins increased substantially from 14.8% to 36.1%, overhead expenses as a percentage of sales increased from 14.0% to 28.6%. We note a majority of the Company's reported EBITDA in FY16 was due to a gain on bargain purchase related to the acquisition of JPM, which we do not consider to be an aspect of normal business operations.

5. Finance costs increased substantially in FY17 compared to FY16 due to the Company's increased borrowings. Vertua's debt facilities are discussed in Section 3.5.2.

6. After deducting depreciation & amortisation, finance costs, and taxes, the Company reported a net loss of $856,135 in FY17. Of this amount, a loss of $877,172 was attributable to the owners of Vertua, while a net profit of $21,037 was attributable to a non-controlling interest.

3.5.2. Historical statements of financial position

Historical statements of financial position for Vertua in FY16 and FY17 are set out below:

FYE 31 March	FY16	FY17
Cash and cash equivalents	840,244	581,075
Trade and other receivables	4,595,396	8,182,658
Inventories and work in progress	232,947	2,443,921
Financial assets	3,368,959	1,669,301
Net present value of trail commission income	292,899	381,866
Total current assets	**9,330,445**	**13,258,821**
Receivables	-	26,500
Property, plant and equipment	2,755,799	2,439,119
Investment property	-	879,932
Intangibles	4,812,805	3,805,778
Deferred tax	657,452	734,329
Net present value of trail commission income	820,819	697,119
Total non-current assets	**9,046,875**	**8,582,777**
Total assets	**18,377,320**	**21,841,598**
Trade and other payables	3,272,049	3,195,880
Income tax	90,934	-
Provisions	164,166	152,267
Other current liabilities	529,700	74,607
Financial liabilities	-	2,708,986
Total current liabilities	**4,056,849**	**6,131,740**
Payables	-	63,174
Financial liabilities measured at amortised cost	5,682,682	7,073,078
Financial liabilities	1,380,000	1,300,000
Total non-current liabilities	**7,062,682**	**8,436,252**
Total liabilities	**11,119,531**	**14,567,992**
Net assets	**7,257,789**	**7,273,606**
Issued capital	4,704,398	4,746,557
Convertible notes	3,265,420	3,265,420
Reserves	-	445,504
Accumulated losses	(2,586,370)	(3,435,568)
Equity attributable to the Owners of Vertua Limited	**5,383,448**	**5,021,913**
Non-controlling interest	1,874,341	2,251,693
Total equity	**7,257,789**	**7,273,606**

Source: 2017 annual report

We note the following regarding Vertua's historical balance sheets:

1. The Company's current assets totalled $13.3 million as FY17, consisting primarily of $8.2 million in trade and other receivables, which is recorded net of provision for doubtful recovery. Receivables are comprised of trade receivables related to the Printing and Professional Services segments, as well as real estate commission receivables, insurance income receivables, and loan receivables from completed property development within the Property segment. Receivables increased by nearly $3.6 million in FY17, as compared to FY16, with increases seen in all business segments. Detail of the Company's receivables balance by segment is outlined below:

Description	Printing	Property	Professional Services	Unallocated	Consolidated
Trade receivables	1,900,697	1,030,562	170,360	29,277	3,130,896

Other receivables	380,303	-	21,459	-	401,762
Loan receivable from completed property development	-	1,700,000	-	-	1,700,000
Receivable from sale of property	-	2,950,000	-	-	2,950,000
Trade and other receivables	**2,281,001**	**5,680,562**	**191,818**	**29,277**	**8,182,658**

Source: FY17 management accounts and BDO analysis.

2. Vertua's $2.4 million in inventories and work in progress relates primarily to $2.3 million in property stock, which relates to a completed development held for sale. This balance was $nil in 2016.

3. The Company's financial assets consist of interests in residential development entities located in Sydney, NSW and are recorded at fair value. This balance decreased by circa $1.7 million in FY17 compared to FY16 due in part to a reclassification of the properties mentioned in point 2 above.

4. With consideration to International Accounting Standard 39 (**IAS 39**), the Company reports the net present value of trail commission income related to the mortgage book of Professional Services. Trail commission assets were acquired with the acquisition of Vertua's interest in Locumsgroup. The fair value calculation reflects an assessment of future income streams, with assumptions made for estimated mortgage book run-off, commission rates, costs to maintain mortgage book, and tax impacts. These net cash flows are then discounted at a market based discount rate to determine the present value as at the reporting date. As at FY17, 35% of this asset was classified as short-term, while 65% was classified as long-term.

5. The Company's $2.4 million in fixed assets is comprised primarily of $2.1 million in land & buildings and circa $230k in fixtures and fittings. The $2.1 million in land and buildings relates to the portion of the Company's headquarters, Level 5, 97 Pacific Highway, out of which the Company operates. A portion of this property is sublet to a separate entity, the balance of which comprises the $880k 'investment property' as at 31 March 2017. We note the fair value of the entire property was determined to be $3.0 million and was split into the $2.1 million and $900k amounts based on an allocation of square meters attributable to each purpose.

6. The $3.8 million in intangible assets at FY17 resulted from the Company's prior acquisitions; $1.8 million consists of amortisable identifiable intangible assets, while $2.0 million consists of goodwill. See below for detail of these balances:

Asset	Property	Printing	Professional Services	Unallocated	Balance - FY17
Customer relationships	-	125,000	1,253,564	-	1,378,564
Contractual rights	321,792	-	-	-	321,792
Software	-	-	-	135,158	135,158
Total intangibles	**321,792**	**125,000**	**1,253,564**	**135,158**	**1,835,514**
Add: Goodwill	-	1,004,184	966,078	-	1,970,262
Total intangibles and goodwill	**321,792**	**1,129,184**	**2,219,642**	**135,158**	**3,805,776**

Source: 2017 annual report, FY17 management accounts, and BDO analysis.

The customer relationship balance relates primarily to the Company's acquisition of its interest in Locumsgroup, with a $125k portion relating to customer lists acquired with HPM. The contractual rights relate to property development management rights acquired in the acquisition of JPH, while software relates to capitalised costs for software for internal use. The $2.0 million in goodwill was created with the acquisitions of HPM and Locumsgroup ($1m each, respectively).

7. The Company's $734k in deferred tax assets increased in FY17 due primarily to increased tax losses generated. A significant portion of this balance is subject to the Company's ability to meet the Modified Continuity of Ownership provisions as outlined in the Income Tax Assessment Act.

8. The Company's $11.1 million in financial liabilities consists of related-party debt, bank debt, and the debt portion of its outstanding convertible notes, as outlined below:

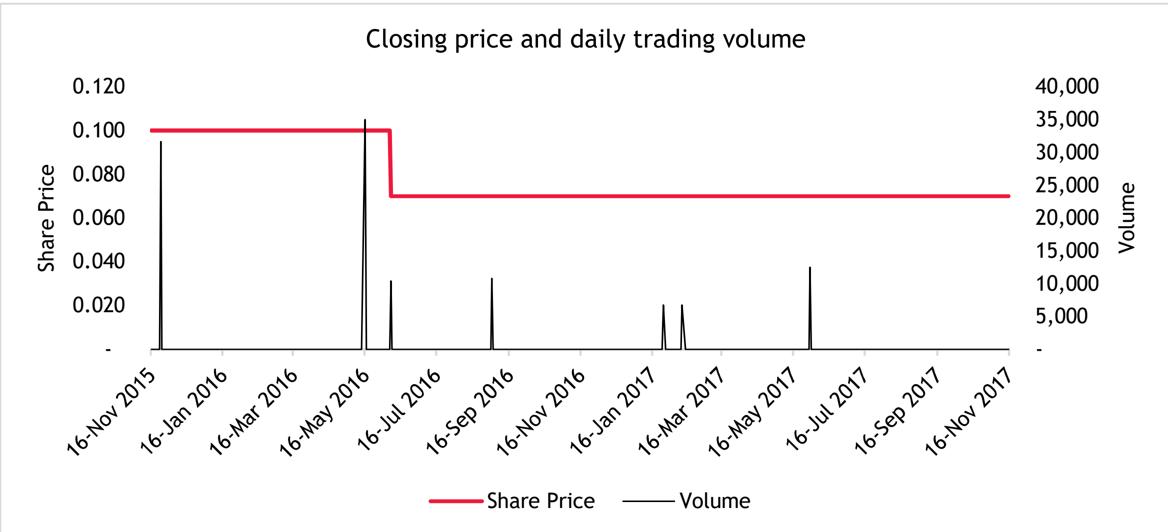
Description	FY16	FY17	Interest rate - p.a.
Related party debt			
The Manning Group Pty Ltd	2,339,345	-	12.0%
Manning Capital Holdings Pty Ltd	-	2,442,599	12.0%
Manning Capital Pty Ltd	1,700,000	2,453,351	12.0%
Esplanade Super Pty Ltd	265,212	278,809	5.0%
Holicarl Pty Ltd	265,212	278,809	5.0%
Woodville Super Pty Ltd	265,212	278,809	5.0%
Total related party debt	**4,834,981**	**5,732,377**	
Bank debt			
NAB loan - Property development	-	2,708,986	5.5%
NAB loan - Property investment	-	1,300,000	5.5%
CommBank Mortgages Bill Line	1,380,000	-	
Total bank debt	**1,380,000**	**4,008,986**	
Convertible notes			
Convertible notes - debt portion	847,701	1,340,701	BBSW + 8%
Total financial liabilities	**7,062,682**	**11,082,064**	

Source: 2017 annual report and relevant note agreements

The MGT/MC loans (which were replaced by the MCH loan) were expanded to provide working capital and fund the acquisition of Locumsgroup. The MC loan was used to purchase the net assets of RB Partners Pty Ltd, which now is a wholly owned subsidiary of the Company. The proceeds from the Esplanade Super Pty Ltd, Holicarl Pty Ltd, and Woodville Super Pty Ltd loans was used to purchase 80% of the net assets of CFL Property Pty Ltd.

3.6. Share price history

Details of the Company's share price history and trading volumes are outlined below:



Source: NSX

Number of months prior to 15 November 2017	Low price	High price	Average daily volume	Cumulative shares traded	As a % of total shares issued
1	0.07	0.07	-	-	0.0%
6	0.07	0.07	119	25,000	0.2%
9	0.07	0.07	93	25,000	0.2%
12	0.07	0.07	116	38,500	0.3%

Source: NSX

As indicated in the chart and table above, the Company's Class A shares have experienced limited trading volume, with less than 40,000 shares in total being exchanged in the 12 months prior to the Valuation Date. This represents less than 0.5% of the total shares on issue.

3.6.1. Price sensitive announcements

Set out below is a summary of the Company's price sensitive announcements in the two years prior to the Valuation Date, as indicated by NSX.

Date	Announcement	Share price - 1 day before	Share price - 1 day after	Change ($)	Change (%)
23-Jun-17	FY2017 annual report	0.07	0.07	-	0.0%
15-Jun-17	Preliminary final report - 31 March 2017	0.07	0.07	-	0.0%
13-Dec-16	Half year report	0.07	0.07	-	0.0%
7-Sep-16	Annual report	0.07	0.07	-	0.0%
16-Jun-16	Preliminary financial report	0.07	0.07	-	0.0%
31-Mar-16	Acquisition of interest in Astonia	0.10	0.10	-	0.0%
31-Mar-16	Acquisition of CFL Property	0.10	0.10	-	0.0%
1-Mar-16	Settles Locumsgroup	0.10	0.10	-	0.0%
10-Feb-16	Acquisition of 50% of Locumsgroup	0.10	0.10	-	0.0%
7-Jan-16	EGM with respect of Joe Public transaction	0.10	0.10	-	0.0%
16-Dec-15	Notice of substantial shareholding - Doyle	0.10	0.10	-	0.0%
11-Dec-15	Acquisition of Paragon Printers	0.10	0.10	-	0.0%
27-Nov-15	Half year report	0.10	0.10	-	0.0%

Source: NSX

4. VALUATION METHODOLOGY

4.1. Fairness assessment overview

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 value of the securities the subject of the offer is determined 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 relation to the interpretation of RG111.11, ASIC have advised that the appropriate assessment is to compare:

- The fair market value of a Class A share pre-transaction on a control basis (being the value of the securities the subject of the offer per RG111.11)
- The fair market value of a Class A share post-transaction on a minority basis (being the offer price or consideration per RG111.11).

Accordingly, to undertake this comparison we have undertaken an assessment of the value of a Vertua Share before and after the MCH Option Issue and the Convertible Note Assignment have been exercised. We have considered the impact of the MCH Option Issue and the Convertible Note Assignment independently from one another.

The valuation methods for the above analyses are considered below.

4.2. Valuation methods

Details of common methodologies for valuing businesses and assets are included at Appendix 3.
The principal methodologies that can be used are as follows:

- Discounted cash flow (DCF)
- Capitalisation of future maintainable earnings (FME)
- Net asset value (NAV)
- Quoted market price basis (QMP).

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

4.3. Selected valuation methods for Vertua

In accordance with RG 111.15, we have considered the fair market value of Vertua on the basis of a knowledgeable and willing, but not anxious, seller that is able to consider alternative options to the bid. This approach does not take into account the particular circumstances of any specific transaction.

Given the extremely low trading volume, we have not considered the most recent per-share price of $0.07 to be an accurate representation of the fair market value of the Company's class A shares.

In determining the fair market value of Vertua, we have adopted a 'sum of the parts' approach given each of the three businesses exhibits considerably different operating characteristics from one another. Our selected methodologies are outlined below:

Business segment	Selected methodology	Rationale
Property	DCF	- Value derived from balance sheet property assets, for which cash flow projections are available - Volatile earnings history
Printing	FME	- Value derived from earnings - Established business with consistent operating history
Professional Services	FME	- Value derived from earnings - Established business with consistent operating history

4.4. DCF methodology

The DCF methodology is particularly applicable to all businesses and specifically ones that demonstrate the following characteristics:

— Limited lives

— Current growth

— Start-up phase

— Irregular cash flows

We have assessed the fair market value of Property by performing a discounted cash flow analysis on the property level for the Company's current property investments and projects for which Property receives development management fees. Discrete cash flow forecasts were provided for each of the Company's ongoing projects as at FY17.

4.5. FME methodology

The FME Methodology is particularly applicable to businesses with relatively steady growth histories and forecast, regular capital expenditure requirements and non-finite lives. This method places a value on the business by estimating the likely FME. The FME is then capitalised at an appropriate rate that reflects:

- Business outlook;
- Business risk;
- Investor expectations;
- Future growth prospects; and
- Other entity-specific factors

We have assessed the fair market value of Printing and Professional Services by applying a capitalisation multiple to an EBITDA earnings level. In our opinion, the FME approach using an EBITDA earnings level is the preferred valuation approach as it allows for greater comparability of entities with different financing and tax structures as well as accounting differences.

4.6. Other valuation considerations

4.6.1. Future events

The business of Vertua to be considered in this valuation is that which exists at the current date.

Growth potentials, which may result from new activities, business initiatives, acquisitions and the like (which are not capable of estimation), is not within the scope of this valuation.

4.6.2. Control premium

As indicated in Section 4.1 above, RG111.11 suggests the appropriate assessment involves determining the fair market value of a Class A share pre-transaction on a control basis. Investment fundamentals dictate that the value of 100% of a company is normally greater than the sum of values attributable to the individual shares of that company based on transactions in minority share holdings.

In our application of the FME methodology for Printing and Professional Services, we have applied a control premium in our calculation of the comparable companies' implied trading multiples. See Appendix 5 for further detail. We have not applied a control premium in our valuation of Property given the cash flow forecasts have been prepared on a controlling interest basis.

4.6.3. Surplus assets and liabilities

Companies may hold surplus assets or have surplus liabilities that are not part of the normal operating activities, and are not otherwise captured in the application of the selected valuation methodologies.

We have determined the operating value of each business segment separately and considered the net debt position of the consolidated entity to determine an aggregate equity value for the Company. We have also considered the existence of surplus assets and liabilities of Company, as presented in Section 5.2

4.6.4. Valuation in Accordance with 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.

5. CONCLUDED VALUATION OF VERTUA BEFORE THE MCH OPTION ISSUE AND CONVERTIBLE NOTE ASSIGNMENT

Given we have considered the MCH Option Issue independently from the Convertible Note Assignment, the value of Vertua before each respective transaction is the same under both sets of analyses and outlined as follows:

5.1. Operating value attributable to owners of Vertua

Based on Sections 8-10 below, we have determined the consolidated enterprise value of the Company ranges from $8.3 million to $8.6 million, as indicated below:

	Note	Low	Midpoint	High
Business Enterprise Value				
Property	1	6,219,949	6,219,949	6,219,949
Printing	2	1,440,000	1,560,000	1,680,000
Professional Services (50% interest)	3	1,384,493	1,410,743	1,436,993
Corporate	4	(755,648)	(755,648)	(755,648)
Total BEV attributable to owners of Vertua		**8,288,793**	**8,435,043**	**8,581,293**

Notes:

1. *See Section 8.*
2. See Section 9.
3. *See Section 10.*
4. *In determining the operating value of the Company on a consolidated basis, we have considered the overhead expenses of the corporate, non-operating entity separate from Property, Printing, and Professional Services. The weighted average remaining term of Property's ongoing projects is 0.83 years, or circa 10 months. As Property represents the most significant component of the Company's operations, we have applied one year of the after-tax overhead expenses of the corporate entity to account for the ongoing operational cost of the Company. See details of this calculation below:*

	Vertua
FY18 operating expenses (budget)	(1,079,497)
Taxes @ 30%	323,849
After-tax annual operating expenses	**(755,648)**

Source: FY18 operational expenditure budget for Company's corporate entity and BDO analysis

5.2. Equity adjustments

In order to determine the equity value attributable to the owners of Vertua, we have made a number of adjustments to enterprise value to calculate equity value. Namely, we have added the Company's cash, deducted the interest bearing liabilities, and added the value of surplus assets, net of surplus liabilities.

5.2.1. Net debt

The Company's cash and debt balances as at FY17 are outlined below:

Net debt	FY17
Cash	581,075
Less: Loan - Manning Capital Holdings Pty Ltd	(2,442,599)
Less: Loan - Manning Capital Pty Ltd	(2,453,351)
Less: Loan - Esplanade Super Pty Ltd	(278,809)
Less: Loan - Holicarl Pty Ltd	(278,809)
Less: Loan - Woodville Super Pty Ltd	(278,809)
Less: NAB loan - Property investment	(1,300,000)
Less: Loan: Wexford Family Trust	(20,912)
Less: Loan: Ex-Pat Capital	(53,695)
Total net debt (excl FPG1, convertible note)	**(6,525,909)**

Source: 2017 annual report

Notes:

1. *We have accounted for the $2.7 NAB facility within the valuation of Property given it is attributable to FPG1, in which the Company holds a 50% interest. Refer to Section 8.4 for this analysis.*
2. *We have determined the value of the convertible note in Section 5.2.2 below.*

5.2.2. Convertible notes

We have determined the fair value of the convertible notes based on the terms outlined in the note subscription agreement (**Subscription Agreement**) with consideration for the following inputs:

Date	The Subscription Agreement stipulates that the interest period reflects the three months ending March, June, September, and December, with exceptions for the first and last payments.
Principal balance	Based on the 40m issued notes and $0.15 issue price
Interest payment	The interest rate outlined in the Subscription Agreement is the 90-day Bank Bill Swap Rate ("BBSW") + 8%. We have used a coupon rate of 9.7% in our analysis based on the 1.7% 90-day BBSW rate as at 15 November 2017. Interest does not accrue on the notes until after the third anniversary of the note issuance date.
Discount term	Based on the number of days between the interest payment dates and the Valuation Date.
Discount factor	Based on the discount term above and a discount rate of 12%. We have determined 12% to be the appropriate market discount rate for an instrument of this type based on the following factors: 1. The interest rate on the MCH loan and Manning Capital Pty Ltd loan, both of which do not have conversion features, is 12%. 2. The interest rate on two of Property's preferred trust investments is 12% on a pre-tax basis. We consider the preferred trust investment and junior debt to be relatively similar in risk profile.

Source: Subscription Agreement and BDO analysis

We have not attributed value to the conversion feature in the 'before' scenario given the right to issue Class A shares to convertible note holders is subject to shareholders approving the Convertible Note Assignment. However, it is our understanding that the debt-like feature of the note will remain regardless. As such, our fair value outlined below excludes the conversion feature of the instrument.

Date	Principal balance	Interest payment	Principal repayment	Total cash flows	Discount term	Discount factor	Discounted cash flows
1/03/2019	6,000,000	145,650	-	145,650	1.29	0.86	125,834
1/06/2019	6,000,000	145,650	-	145,650	1.54	0.84	122,291
1/09/2019	6,000,000	145,650	-	145,650	1.79	0.82	118,847
1/12/2019	6,000,000	145,650	-	145,650	2.04	0.79	115,536
1/03/2020	6,000,000	145,650	-	145,650	2.29	0.77	112,317
1/06/2020	6,000,000	145,650	-	145,650	2.55	0.75	109,154
1/09/2020	6,000,000	145,650	-	145,650	2.80	0.73	106,080
1/12/2020	6,000,000	145,650	-	145,650	3.05	0.71	103,125
8/02/2021	6,000,000	145,650	6,000,000	6,145,650	3.24	0.69	4,259,094
Fair value of convertible note as at Valuation Date (excl conversion feature)							**5,172,278**

Source: Convertible note subscription agreement and BDO analysis

5.2.3. Surplus assets, net

We have determined the following assets are surplus to the operating value calculated in Section 5.1 above.

Surplus assets, net	Note	FY17
Land & Buildings	1	2,148,068
Investment property	2	879,932
Deferred tax asset	3	734,329
Vertua Opportunities Fund	4	125,000
Total surplus assets, net		**3,887,329**

Source: FY17 annual report and FY17 management accounts

Notes:

1. *Represents the Company's headquarters and primary place of business. We have considered this to be a surplus asset given rental expenses are reflected within the profit and loss statements of Property, Printing, and Professional Services. While these related party payments net to nil on a consolidated basis, we have not captured the value of the rental income in our analysis. As such, this property is considered to be surplus to the operating value of the business.*
2. *As discussed in Section 3.5.2, the Company sublets a portion of its headquarters to an unrelated party. We have not captured the rental income related to this property in our valuation. As such, this property is considered to be surplus to the operating value of the business.*
3. *As discussed in Section 3.5.2, the Company has deferred tax assets as a result of its historical losses. While the ability to use these losses is contingent on the Company adhering to continuity of ownership provisions, Management has indicated it intends to do so in the future. As such, we have deemed it appropriate to reflect this as a surplus asset.*
4. *Vertua Limited, which is not part of Property, Printing, or Professional Services, holds $125k in Vertua Opportunities Fund, a fund managed by Vertua Limited. The fund was established in January 2017 and is focused on tourism-related property investments. Given how recently the fund was established relative to FY17, we have considered the cost of this fund to represent fair value. We have considered this to be a surplus asset outside the scope of the Company's normal operations.*

5.3. MGT Option Value

The MCH Options replace the MGT Options, which will be cancelled by the Company, subject to shareholder approval of the MCH Option Issue. As such, we have considered the option value associated with the MGT Options using the Black-Scholes option pricing method in the 'before' scenario, as presented below:

MGT Options	Note	
Underlying asset price	1	0.04
Exercise price	2	0.1485
Term (years)	2	7.34
Annual volatility	3	50.00%
Risk-free rate	4	2.60%
Call option value		0.01
MGT Option shares issuable	5	10,958,898
MGT option value		**124,358**

Notes:

1. *Represents the value of one Class A share before the MCH Option Issue and Convertible Note Assignment. See Section 5.5 below.*
2. *Based on the MGT Option Deed.*
3. *See Appendix 7.*
4. *Based on the yield of the 10-year Australian Government bond as at the Valuation Date.*
5. *See Section 1.2.2. The number of shares issuable pursuant to the MGT Option Deed is the greater of (1) the outstanding balance of principal and accrued interest to MGT divided by the MGT Option strike price and (2) 9,700,000 shares. Given the MCH Loan replaces the MGT/MC Loans, we have calculated the maximum number of shares issuable pursuant to the MGT Option Deed based on the MCH Loan balance as at 31 March 2017. However, the MGT Option Deed also stipulates that the number of shares issuable pursuant to the MGT Option Deed cannot exceed 49.9% of all existing shares on issue after the exercise of the options. The number of MGT Option shares issuable indicated above reflects this provision based on current shares on issue as at the Valuation Date.*

5.4. Other option value

On 31 March 2016, the Company entered into share option deeds with Holicarl Pty Ltd, Esplanade Super Fund Pty Ltd, and Woodville Super Pty Ltd. The options were issued in connection with three separate loan facilities. The loans and options issued to these parties are all on equal terms. The maximum number of shares issuable pursuant to the respective option deeds is the greater of 1) the outstanding loan balance of the associated secured loan divided by the option strike price and 2) 1,350,000 options. As at 31 March 2017, The Company had loans with each of the three parties listed above with outstanding balances of $278,809, inclusive of accrued interest. Set out below is the option value associated with these entities on an aggregate basis:

Other options	Note	
Underlying asset price	1	0.04
Exercise price	2	0.2000
Term	2	4.38
Annual volatility	3	50.00%
Risk-free rate	4	2.60%
Call option value		0.00
Other option shares issuable	5	4,182,135
Other option value		**14,835**

Notes:

1. *Represents the value of one Class A share before the MCH Option Issue and Convertible Note Assignment. See Section 5.5 below.*
2. *Based on the respective option deeds between the Company and Holicarl Pty Ltd, Esplanade Super Fund Pty Ltd, and Woodville Super Pty Ltd*
3. *See Appendix 7.*

4. *Based on the yield of the 10-year Australian Government bond as at the Valuation Date.*
5. *See above. The number of shares issuable pursuant to the respective option deeds is the greater of (1) the outstanding balance of principal and accrued interest divided by the option strike price and (2) 1,350,000 shares (4,050,000 in aggregate for all three entities).*

5.5. Value summary

Based on the above, we have concluded the per-share equity value attributable to the owners of Vertua before the MCH Option Issue and Convertible Note Assignment (on a control basis) ranges from $0.03 to $0.06, with a midpoint of $0.04, as indicated below:

	Sec	Low	Midpoint	High
Total BEV attributable to owners of Vertua	5.1	**8,288,793**	**8,435,043**	**8,581,293**
Less: Net debt	5.2	(6,525,909)	(6,525,909)	(6,525,909)
Less: Fair value of Convertible Notes	5.2	(5,172,278)	(5,172,278)	(5,172,278)
Add: Surplus assets, net	5.2	3,887,329	3,887,329	3,887,329
Total equity value attributable to owners of Vertua		**477,935**	**624,185**	**770,435**
Less: MGT Option value	5.3	(124,358)	(124,358)	(124,358)
Less: Other option value	5.4	(14,835)	(14,835)	(14,835)
Equity value attributable to Class A holders		**338,743**	**484,993**	**631,243**
Class A shares outstanding	3.4	11,002,821	11,002,821	11,002,821
Per-share equity value attributable to owners of Vertua		**0.03**	**0.04**	**0.06**

6. CONCLUDED VALUATION OF VERTUA AFTER THE MCH OPTION ISSUE

This section considers the value impact of the MCH Option Issue only and does not consider the impact of the Convertible Note Assignment and conversion.

6.1. MCH Option value

If shareholders approve the MCH Option Issue, MCH will be granted the right to exercise the MCH Options and be issued Class A shares; additionally, the MGT Options will be cancelled. Accordingly, in order to determine the value of the Company after the MCH Option Issue, we have considered the option value of the MCH Options and removed the option value associated with the MGT Options. Similar to the MGT Option value calculated in Section 5.3 above, we have utilised the Black-Scholes option pricing method. Set out below is our calculation of the MCH Option value.

MCH Options	Note	
Underlying asset price	1	0.04
Exercise price	2	0.1485
Term	2	9.31
Annual volatility	3	50.00%
Risk-free rate	4	2.60%
Call option value		0.01
MCH Option shares issuable	5	10,958,898
MCH option value		**162,525**

Notes:

1. *Represents the value of one Class A share before the MCH Option Issue and Convertible Note Assignment. See Section 5.5.*
2. *Based on the MCH Option Deed.*
3. *See Appendix 7.*
4. *Based on the yield of the 10-year Australian Government bond as at the Valuation Date.*
5. *See Section 1.2.2. The number of shares issuable pursuant to the MCH Option Deed is the greater of (1) the outstanding balance of principal and accrued interest to MCH divided by the MCH Option strike price and (2) 10,000,000 shares. We have calculated the maximum number of shares issuable pursuant to the MCH Option Deed based on the MCH Loan balance as at 31 March 2017. However, the MCH Option Deed also stipulates that the number of shares issuable pursuant to the MCH Option Deed cannot exceed 49.9% of all existing shares on issue after the MCH Options exercised. The number of MCH Option shares issuable indicated above reflects this provision.*

The MCH Option Issue does not affect our valuation of the Business Enterprise Value of the Company or any of the equity adjustments listed in Section 5.2.

6.2. Minority discount

In relation to the interpretation of RG111.11, ASIC have advised that the appropriate assessment is to compare:

- The fair market value of a Class A Share pre-transaction on a control basis
- The fair market value of a Class A Shares post-transaction on a minority basis

Accordingly, in determining the value of one Class A share after the MCH Option Issue, we have applied a minority discount in the 'post' scenario. We have applied a minority discount of 16.7% based on our selected control premium of 20%, which is outlined in more detail in Appendix 5.

6.3. Concluded value of one Class A share after the MCH Option Issue

Based on the above, we have concluded the per-share equity value attributable to the owners of Vertua after the MCH Option Issue (on a minority basis) ranges from $0.02 to $0.04, with a midpoint of $0.03, as calculated below:

	Note	Low	Midpoint	High
Total BEV attributable to owners of Vertua	1	**8,288,793**	**8,435,043**	**8,581,293**
Less: Net debt	2	(6,525,909)	(6,525,909)	(6,525,909)
Less: Fair value of Convertible Notes	2	(5,172,278)	(5,172,278)	(5,172,278)
Add: Surplus assets, net	2	3,887,329	3,887,329	3,887,329
Total equity value attributable to owners of Vertua		**477,935**	**624,185**	**770,435**
Less: MCH Option value	3	(162,525)	(162,525)	(162,525)
Less: Other option value	4	(14,835)	(14,835)	(14,835)
Equity value attributable to Class A holders		**300,575**	**446,825**	**593,075**
Class A shares outstanding	5	11,002,821	11,002,821	11,002,821
Per-share equity value attributable to Class A holders (controlling)		**0.03**	**0.04**	**0.05**
Less: Minority discount @ 16.7%	6	(0.00)	(0.01)	(0.01)
Per-share equity value attributable to Class A holders (minority)		**0.02**	**0.03**	**0.04**

Notes:

1. *See Section 5.1.*
2. *See Section 5.2.*
3. *See Section 6.1.*
4. *See Section 5.4.*
5. *See Section 1.2.3. We note the MCH Option Issue does not result in an increase in issued Class A shares until MCH exercises the MCH Options.*
6. *Based on control premium of 20% using the following formula: 1 – (1/(1+20%)). See Appendix 5 for further detail.*

7. CONCLUDED VALUATION OF VERTUA AFTER THE CONVERTIBLE NOTE ASSIGNMENT

This section considers the value impact of the Convertible Note Assignment only and does not consider the impact of the MCH Option Issue.

7.1. Conversion right of Convertible Notes

If shareholders approve the Convertible Note Assignment, MCH will be granted the right to exercise its conversion right and be issued Class A shares upon conversion. Accordingly, in order to determine the value of the Company after the Convertible Note Assignment, we have calculated the conversion right associated with the Convertible Notes using the Black-Scholes option pricing method, as set out below:

Conversion right of Convertible Notes	Note	
Underlying asset price	1	0.04
Exercise price	2	0.15
Term	2	3.24
Annual volatility	3	50.00%
Risk-free rate	4	2.60%
Call option value		0.00
Maximum shares issuable	5	10,784,943
Fair value of conversion right		**34,377**

Notes:

1. *Represents the value of one Class A share before the MCH Option Issue and Convertible Note Assignment. See Section 5.5.*
2. *Based on the Subscription Agreement.*
3. *See Appendix 7.*
4. *Based on the yield of the 10-year Australian Government bond as at the Valuation Date.*
5. *See Section 1.2.2. The maximum number of shares issuable pursuant to the Subscription Agreement cannot exceed 49.5% of all shares on issue immediately following conversion.*

Pursuant to the Subscription Agreement, the number of shares that can be issued in connection with the conversion of the Convertible Notes cannot exceed 49.5% of all issued Class A shares in the Company after conversion. As such, the conversion right is only attributable to 10,784,943 Convertible Notes, which totals $34,377 in aggregate. We have included this amount in the fair value of the Convertible Notes in the 'after' scenario.

The Convertible Note Assignment does not affect our valuation of the Business Enterprise Value of the Company or any of the equity adjustments listed in Section 5.2 except the Fair Value of the Convertible Notes.

7.2. Minority discount

In relation to the interpretation of RG111.11, ASIC have advised that the appropriate assessment is to compare:

- The fair market value of a Class A Share pre-transaction on a control basis
- The fair market value of a Class A Share post-transaction on a minority basis

Accordingly, in determining the value of one Class A share after the Convertible Note Assignment, we have applied a minority discount in the 'after' scenario. We have applied a minority discount of 16.7% based on our selected control premium of 20%, which is outlined in more detail in Appendix 5.

7.3. Concluded value of one Class A share after the Convertible Note Assignment

Based on the above, we have concluded the per-share equity value attributable to the owners of Vertua after the Convertible Note Assignment (minority basis) ranges from $0.02 to $0.05, with a midpoint of $0.03, as indicated below:

	Note	Low	Midpoint	High
Total BEV attributable to owners of Vertua	1	**8,288,793**	**8,435,043**	**8,581,293**
Less: Net debt	2	(6,525,909)	(6,525,909)	(6,525,909)
Less: Fair value of Convertible Notes	3	(5,172,278)	(5,172,278)	(5,172,278)
Less: Convertible Notes conversion right	2	(34,377)	(34,377)	(34,377)
Add: Surplus assets, net	2	3,887,329	3,887,329	3,887,329
Total equity value attributable to owners of Vertua		**443,558**	**589,808**	**736,058**
Less: MGT Option value	4	(124,358)	(124,358)	(124,358)
Less: Other option value	4	(14,835)	(14,835)	(14,835)
Equity value attributable to Class A holders		**304,365**	**450,615**	**596,865**
Class A shares outstanding	5	11,002,821	11,002,821	11,002,821
Per-share equity value attributable to Class A holders (controlling)		**0.03**	**0.04**	**0.05**
Less: Minority discount @ 16.7%	6	(0.00)	(0.01)	(0.01)
Per-share equity value attributable to Class A holders (minority)		**0.02**	**0.03**	**0.05**

Notes:

1. *See Section 5.1. The Convertible Note Assignment does not influence our valuation of the Business Enterprise Value of the Company.*
2. *See Section 5.2.*
3. *Includes value calculated in Section 5.2 and value of conversion right calculated in Section 7.1*
4. *See Sections 5.3 and 5.4.*
5. *See Section 1.3.1. We note the Convertible Note Assignment does not result in an increase in issued Class A shares until the Convertible Notes are converted.*
6. *Based on control premium of 20% using the following formula: 1 - (1/(1+20%)). See Appendix 5 for further detail.*

8. VALUATION OF PROPERTY SEGMENT

8.1. Properties held

As at FY17, Property held an equity interest in the following property developments, the values for which have been classified as financial assets on the consolidated Company balance sheet:

Development	Expected completion date	Term to completion (as at FY17)
Homebush	1/06/2017	0.17
Waterloo	1/01/2018	0.76
Northbridge	1/09/2018	1.42
Clovelly	1/04/2018	1.00
Weighted remaining term to completion (weighted by PV of project)		**0.83**

Source: Feasibility workpapers provided by Management

Property also holds a 50% interest in FPG No. 1 Pty Ltd ("FPG1"), the vehicle through which the Chatswood properties are held. This entity's balance sheet has been consolidated into the Company along with a $700k non-controlling interest for the 50% held by outside entities.

Management provided feasibility workpapers for each of the investments listed above which included projected cash flows of each project.

8.2. Cash flows

Each project is structured in a similar fashion, with investors and a property development manager. In each of the properties held, Vertua holds an equity interest of preferred trust securities. Additionally, the Company acts as the property development manager through Fiducia. Based on the terms of each individual project, investors and Fiducia are entitled to their respective share of the projects' profits.

The cash flows are segmented into the following types:

- Investor: return of preferred investment
- Investor: return on preferred investment (coupon rate)
- Investor: profit share
- Development manager: profit share
- Development manager: management fee

The investors and development manager do not receive cash flows during the forecast period; rather, all payments are made when the property is sold. As such, we have discounted the cash flows at each project's completion term, as outlined in Section 6.1.

We note the profit distributable to investors and property development managers represents a levered cash flow; that is, forecast cash flows include interest payments. The distributable profit is attributable only to equity holders.

The Company invests in property developments through trusts, which are pass-through entities for taxation purposes. As such, the projected cash flows in the feasibility workpapers did not incorporate tax considerations. Accordingly, we have made assumptions regarding tax liabilities at a Company level.

8.3. Discount rates

We have discounted each of the cash flow types indicated above based on their relative risk profiles and cash flow characteristics. Given we adjusted the development cash flows to a post-tax basis, we have used after-tax discount rates in our analysis. See below for a summary of our discount rate selection for each cash flow type.

Cash flow type	Discount rate determination	Comments
Investor: return of preferred investment	Coupon rate (after-tax)	We have not applied a tax rate to the return of investor capital given this would not be subject to a tax liability.
Investor: return on preferred investment (coupon rate)	Coupon rate (after-tax)	We have discounted the accrued preferred dividend at the after-tax coupon rate of each individual investment.
Investor: profit share (after-tax)	Property cost of equity	Given these cash flows are calculated after interest payments have been deducted, we have discounted this cash flow at a cost of equity, calculated using the Capital Asset Pricing Method ("CAPM")
Development manager: profit share (after-tax)		
Development manager: management fee (after-tax)		

Source: BDO analysis

We have determined the cost of equity for Property ranges from 15.2% to 17.1%, with a midpoint of 16.1%, which we have calculated using CAPM, the details of which are outlined below, along with a discussion of each input.

Weighted Average Cost of Capital (WACC)	Note		
Cost of Equity (CAPM)		**Low**	**High**
Risk Free Rate of Return (Rf)	1	4.4%	4.4%
Equity Market Risk Premium (MRP)	2	6.0%	6.0%
Geared Beta Estimate (ßL)	3	0.63	0.94
Asset Beta (ßU)	4	0.40	0.60
CAPM Based Cost of Equity		**8.2%**	**10.1%**
Specific Risk & Size Premium (α)	5	7.0%	7.0%
Cost of Equity (Ke)		**15.2%**	**17.1%**
Capital Structure			
Debt / Enterprise Value	6	45.0%	45.0%
Equity / Enterprise Value		55.0%	55.0%
Debt-to-Equity Ratio		**81.8%**	**81.8%**
Midpoint cost of equity		**16.1%**	

Notes:

1. *Risk-free rate: based on the average yield over the last 10 years of inflation-indexed Australian government securities and expected inflation of 2.5% as at 31 March 2017.*
2. *Equity risk premium: based on the historical return of the equity markets over long-term government bond yields.*
3. *Geared beta: based on the selected debt/enterprise value ratio and asset beta. See notes 4 and 6.*
4. *Asset beta: based on the asset betas exhibited by guideline companies deemed similar to Property. See Appendix 6.*
5. *Alpha: consists of a size premium of circa 6% per the Duff and Phelps Valuation Handbook/Ibbotson and a specific risk premium of 1%.*
6. *Debt/enterprise value: based primarily on the loan-to-value ratios of the four properties in which Property holds trust securities. These ratios range from 39% to 50% based on the feasibility workpapers of each investment.*

8.4. Chatswood property

The Chatswood development consists of two properties, 2A and 2B, which are held within FPG1. As at FY17, the two properties are classified in the consolidated Company balance sheet as follows:

Property	Account	Value
2A	Work in progress	2,348,517
2B	Accounts receivable	2,950,000

Source: FY17 management accounts

Both properties were expected to be sold shortly after FY17.

We have valued Property's 50% interest in FPG1 by considering the adjusted net asset value of the entity, with consideration for the expected selling prices of the two properties, expected costs to complete the project, and other net assets within FPG1. Details of this calculation are outlined below:

FPG1	Note	Value
Expected selling price of 2A	1	2,550,000
Add: expected selling price of 2B	1	2,900,000
Less: short-term NAB facility	2	(2,708,986)
Less: other net assets of FPG1	3	(1,117,458)
Adjusted NAV of FPG1		**1,623,556**
Less: 50% non-controlling interest		(811,778)
Adjusted NAV of FPG1 attributable to Property		**811,778**

Notes:

1. *Based on most recent feasibility workings and discussions with Management*
2. *The full amount of the $2.7 million NAB facility is held within FPG1 and is secured by the Chatswood property.*
3. *Includes expected costs to complete project, which have been capitalised as accrued purchases.*

8.5. Property value summary

Our consolidated valuation of Property is outlined below:

Investment	Expected completion date	Term to completion (from FY17)	Note	Fair Value
Homebush	1/06/2017	0.17	1	1,679,798
Waterloo	1/01/2018	0.76	1	121,393
Northbridge	1/09/2018	1.42	1	1,625,861
Clovelly	1/04/2018	1.00	1	876,272
Total		**0.83**		**4,303,324**
		Less: Unpaid and uncalled units	2	(397,751)
		Add: Loan receivable from completed development	3	1,700,000
		Add: Property management fee receivable	4	381,000
		Add: 50% interest in Chatswood	5	811,778
		Total value of Property projects		**6,798,352**
		Less: 12 months of Fiducia overhead expenses	6	(578,403)
		Operating value of Property		**6,219,949**

Notes:

1. *Includes cash flows to Property as both investor and development manager (through Fiducia).*
2. *Relates to the additional investment to which Property has committed to contributing to its projects.*
3. *Relates to the proceeds receivable from a development that was completed as at 31 March 2017.*
4. *Relates to proceeds receivable for Fiducia development management fees for which an invoice was issued at 31 March 2017.*
5. *See Section 8.4 above.*

6. *In addition to valuing the individual investments and developments within Property, we have also considered the overhead expenses of Fiducia. The weighted average remaining term of Property's ongoing projects is 0.83 years, or circa 10 months. As such, we have applied one year of Fiducia's after-tax overhead expenses to account for the additional expenses required to maintain operations and receive the cash flows associated with Property's developments. See details of this calculation below:*

FYE 31 March 17	Fiducia
FY17 operating expenses	(826,289)
Taxes @ 30%	247,887
After-tax annual operating expenses	**(578,403)**

Source: FY17 management accounts and BDO analysis

9. VALUATION OF PRINTING SEGMENT

9.1. Normalisation of earnings

The FME method requires a determination of the Company's earnings potential on a normalised basis. We have selected EBITDA as the appropriate earnings level given it allows greater comparability between firms with varying capital structures and differences in accounting practices. In determining Printing's future maintainable earnings, we considered historical financial performance for FY16 and FY17, including the impact from any non-recurring items.

Our calculation of Printing's future maintainable earnings is outlined below:

FYE 31 March	FY16	FY17
Reported EBITDA	**312,633**	**439,081**
Adjustments		
Bad debt expense	-	360,727
Bad debt recovery	-	(324,655)
Excess insurance cost	-	5,000
Total adjustments	**-**	**41,073**
Normalised EBITDA	**312,633**	**480,153**
Selected normalised EBITDA	**480,000**	

Source: 2017 annual report, FY17 management accounts, and BDO analysis

Upon review of Printing's financial performance in the two most recent financial years, we have normalised FY17 results for a bad debt of $361k related to Printing's customer Ortega Publishing Pty Limited. Printing insures its receivables and has filed a claim for the outstanding debtor balance and expects to receive $325k. We have made an adjustment to exclude from reported EBITDA the $41k loss attributable to insurance claim expenses and other costs associated with recovering the debt. This has resulted in normalised EBITDA of $480k for FY17. We have placed greater reliance on the financial performance in FY17 as compared to FY16 given it represents the most recent trailing twelve-month period for which financial information is available as at the Valuation Date.

Based on discussions with Management and additional review of the financial information, we did not identify any other necessary normalisation adjustments.

Based on the above, we have estimated the future maintainable earnings of Printing to be $480k.

9.2. Capitalisation multiple

The appropriate earnings multiple is usually assessed by collecting market evidence with respect to the earnings multiples of companies with operations that are broadly comparable to those of the entity being valued. Such multiples are derived from:

- Share market prices of broadly comparable listed companies; and
- Prices achieved in mergers and acquisitions of broadly comparable companies (usually reflecting a controlling interest status).

9.2.1. Publicly traded comparable companies

We have researched a range of broadly comparable companies that provide similar products and services to Printing. Set out in Appendix 4 are descriptions of the operations of the identified companies. A table of the calculated market multiples of selected comparable companies is set out below:

Company Name	Country	Market Cap as at 31/03/17 AUDm	Enterprise Value as at 31/03/17 AUDm	EBITDA Multiple LTM Actual
IVE Group Limited	Australia	280	395	10.7x
PMP Limited	Australia	341	352	14.5x
OPUS Group Limited	Australia	42	24	3.3x
			Average	**9.5x**
			Median	**10.7x**
			Average (Excluding PMP)	**7.0x**
			Median (Excluding PMP)	**7.0x**

Source: Capital IQ and BDO analysis

Notes:

1. *Enterprise value represents the sum of market capitalisation, preferred equity, minority interest and debt, less cash.*
2. *A control premium of 20% has been applied to market capitalisation to calculate the multiples above (refer Appendix 5).*

With respect to the above, we note that on 28 October 2016 PMP announced it had entered into an agreement to acquire IPMG Pty Limited (IPMG), a privately held leader in Australian print services. The transaction closed on 1 March 2017. Given the market enterprise value above reflects investor expectations regarding the EBITDA contribution from IPMG while the LTM EBITDA figure does not, the 14.5x implied multiple should not be relied upon as a normalised trading multiple. Accordingly, we have calculated the average and median EBITDA multiples excluding PMP, which are both 7.0x, respectively.

Given OPUS Group Limited's size and service offering relative to Printing, we consider it to the be the most applicable comparable company.

9.2.2. Recent transactions

We have also observed the implied multiples of mergers and acquisitions in Printing's industry. Set out below are transactions for a controlling interest in companies that offer print and print-related services in Australia in the three years prior to FY17.

Closed date	Target	Buyer	Country	Implied Enterprise Value ($m)	EV/EBITDA Multiple
1/03/2017	IPMG Pty Limited	PMP Limited	Australia	119.4	5.7x
13/12/2016	The Franklin Printing Group Pty. Ltd.	IVE Group Limited	Australia	100.0	5.2x
29/04/2016	Colorpak Limited	Graphic Packaging International, Inc.	Australia	93.3	7.5x
				Average	**6.1x**
				Median	**5.7x**

Source: Capital IQ and BDO analysis

As indicated above, transaction multiples (and total transaction size) appear fairly consistent in the industry, ranging from 5.2x to 7.5x based on our analysis. The average and median multiples are 6.1x and 5.7x, respectively.

9.2.3. Private equity deal metrics

We have also examined transaction multiples observed in private equity transactions. Private equity deal multiples are available for transactions of a similar scale to Printing's enterprise values, whereas the data for listed entities and recent printing industry transactions generally involve businesses significantly larger than Printing. Private equity pricing multiples for FY12 to FY16 are set out in the table below:

EV/EBITDA Multiples	FY12	FY13	FY14	FY15	FY16
All	9.3x	7.2x	8.0x	7.7x	8.0x
EV < $50M	4.4x	5.9x	5.5x	4.5x	4.7x
EV $50M - $250M	7.5x	6.3x	8.5x	7.7x	8.0x
EV > $250M	10.8x	7.5x	5.3x	7.9x	8.0x

Source: Australian Private Equity & Venture Capital Association Limited Deal Metrics Survey December 2016- A survey of Australian VC and PE deal activity in FY16

Note: Weighted by transaction enterprise value

We note that smaller companies have lower EBITDA multiples compared to larger entities. In particular, companies with an enterprise value less than $50 million commanded a weighted average multiple of 4.7x EBITDA in FY16.

9.3. Selection of appropriate EBITDA multiple

In our analysis, we adopted a capitalisation multiple (on a controlling basis) of 3.0x to 3.5x normalised EBITDA. In selecting this multiple, we considered:

- Printing's smaller size compared to the public comparable companies and transactions.
- OPUS Group Limited's trading multiple in particular based on its similarities in size and service offering to Printing.

9.4. Business enterprise value

Based on the above, we have determined the business enterprise value of Printing ranges from $1.4 million to $1.7 million, with a midpoint of $1.6 million as outlined below:

	Low	Midpoint	High
Normalised EBITDA	480,000	480,000	480,000
BEV/EBITDA Multiple	3.00x	3.25x	3.50x
BEV	**1,440,000**	**1,560,000**	**1,680,000**

10. VALUATION OF PROFESSIONAL SERVICES

10.1. Normalisation of earnings

The FME method requires a determination of the Company's earnings potential on a normalised basis. We have selected EBITDA as the appropriate earnings level given it allows greater comparability between firms with varying capital structures and differences in accounting practices. In determining Professional Services' future maintainable earnings, we considered historical financial performance for FY16 and FY17, including impact from any non-recurring items.

Our calculation of Professional Services's future maintainable earnings is outlined below:

	FY16	FY17
Reported EBITDA	**55,837**	**520,012**
Adjustments		
Fair value gain - trail commission	-	(312,224)
Total adjustments	**-**	**(312,224)**
Normalised EBITDA	**55,837**	**207,788**
Selected normalised EBITDA	**210,000**	

Source: 2017 annual report, FY17 management accounts, and BDO analysis

Upon review of Professional Services' financial performance in the two most recent financial years, we have normalised FY17 results for a fair value gain related to an increase in the net present value of mortgage trail commission income, which is reported on the Company's balance sheet pursuant to IAS 39. The Company performs year-end accounting adjustments to remove any operational impact on the profit and loss statement related to mortgage trail income, which is incorporated into the revaluation of the capitalised mortgage book asset. Any subsequent increase or decrease in value to this asset is therefore included in reported EBITDA as a fair value gain or loss.

It is our preferred valuation approach to value the Professional Services business segment using an FME that excludes any impact from mortgage trail commissions and consider the fair value of the mortgage book asset separately. As such, we have made an adjustment to exclude from reported EBITDA the $312k fair value gain of the net present value of the mortgage trail income. This has resulted in normalised EBITDA of $210k for FY17. We have placed greater reliance on the financial performance in FY17 as compared to FY16 given it represents the most recent trailing twelve-month period for which financial information is available as at the Valuation Date. Furthermore, the FY16 figures reported above do not reflect a full year's worth of operations given Professional Services was acquired in FY16.

Based on discussions with Management and additional review of the financial information, we did not identify any other necessary normalisation adjustments.

Based on the above, we have estimated the future maintainable earnings of Professional Services to be $210k.

10.2. Capitalisation multiple

The appropriate earnings multiple is usually assessed by collecting market evidence with respect to the earnings multiples of companies with operations that are broadly comparable to those of the entity being valued. Such multiples are derived from:

- Share market prices of broadly comparable listed companies; and
- Prices achieved in mergers and acquisitions of broadly comparable companies (usually reflecting a controlling interest status).

10.2.1. Publicly traded comparable companies

We have researched a range of broadly comparable companies that provide similar products and services to Professional Services. Set out in Appendix 4 are descriptions of the operations of the identified companies. A table of the calculated market multiples of selected comparable companies is set out below:

Company Name	Country	Market Cap as at 31/03/17 AUDm	Enterprise Value as at 31/03/17 AUDm	EBITDA Multiple LTM Actual
Countplus Limited	Australia	80	103	10.7x
			Average	**10.7x**
			Median	**10.7x**

Source: Capital IQ and BDO analysis

Notes:

1. *Enterprise value represents the sum of market capitalisation, preferred equity, minority interest and debt, less cash.*
2. *A control premium of 20% has been applied to market capitalisation to calculate the multiples above (refer Appendix 5).*

We have only discovered one publicly traded Australian company that offers services similar to Professional Services. We have placed limited reliance on this figure given the lack of other comparable companies.

10.2.2. Recent transactions

We have also observed the implied multiples of mergers and acquisitions in Professional Services' industry. Set out below are transactions for a controlling interest in companies that offer business-related professional services in Australia in the three years prior to FY17.

Closed date	Target	Buyer	Country	Implied Enterprise Value ($m)	EV/EBITDA Multiple
6/01/2015	Crowe Horwath Australasia Ltd.	KKR Asset Management, LLC	Australia	183.0	10.1x
				Average	**10.1x**
				Median	**10.1x**

Source: Capital IQ and BDO analysis

As indicated above, we have only noted one relevant transaction (with reported multiples). We note this transaction occurred more than two years prior to FY17 at an exit multiple of 10.1x

10.2.3. Private equity deal metrics

We have also examined transaction multiples observed in private equity transactions. Private equity deal multiples are available for transactions of a similar scale to Professional Services' enterprise values, whereas the data for listed entities and recent printing industry transactions generally involve businesses significantly larger than Professional Services. Private equity pricing multiples for FY12 to FY16 are set out in the table below:

EV/EBITDA Multiples	FY12	FY13	FY14	FY15	FY16
All	9.3x	7.2x	8.0x	7.7x	8.0x
EV < $50M	4.4x	5.9x	5.5x	4.5x	4.7x
EV $50M - $250M	7.5x	6.3x	8.5x	7.7x	8.0x
EV > $250M	10.8x	7.5x	5.3x	7.9x	8.0x

Source: Australian Private Equity & Venture Capital Association Limited Deal Metrics Survey December 2016- A survey of Australian VC and PE deal activity in FY16

Note: Weighted by transaction enterprise value

We note that smaller companies have lower EBITDA multiples compared to larger entities. In particular, companies with an enterprise value less than $50 million commanded a weighted average multiple of 4.7x EBITDA in FY16.

10.3. Selection of appropriate EBITDA multiple

In our analysis, we adopted a capitalisation multiple (on a controlling basis) of 3.0x to 3.5x normalised EBITDA. In selecting this multiple, we considered:

- Professional Services' smaller size compared to the public comparable companies and transactions.
- The Company's previously acquired 50% interest in Professional Services in February 2016. As part of the acquisition, the Company has an option to purchase the remaining 50% by 31 March 2020 for a

consideration equal to the average EBITDA of Professional Services for the three years prior to the transaction at the following multiple:

  - 5.0x if average EBITDA is between $500k and $1.5 million;
  - 5.5x if average EBITDA is between $1.5 million and $1.75 million; or
  - 6.0x if average EBITDA is between $1.75 million and $2.0 million.

- We note these multiples were determined before the Company implemented the accounting policy to recognise the income from mortgage trail commissions as a capitalised asset as opposed to as income on the profit and loss statement. As such, we do not consider these multiples to be on an equivalent basis to how we are valuing Professional Services.

10.4. Dividend preference rights

Pursuant to the sale and purchase agreement associated with the acquisition of Locumsgroup, Vertua is entitled to annual dividends of $400k in preference to other shareholders ("Dividend") for five years following completion of the acquisition of Locumsgroup. Based on an amendment agreement between Vertua and the seller of Locumsgroup dated December 2016, the annual Dividend is to be paid on 30 June in each year on profits generated in the trailing financial year. As at FY17, the first of the five Dividend payments had been made to Vertua. As such, it is our understanding that Vertua is entitled to four remaining Dividend payments on 30 June in each of the four years 2017-2020.

In order to determine the benefit of the four remaining Dividend payments, we have considered the incremental benefit of the annual $400k distributions in comparison to the share of distributions to which Vertua would be entitled in the absence of the preferential units (i.e. 50% of the distributable after-tax earnings). We included cash flows associated with mortgage trailing commissions in this calculation given the Dividend is payable from all income generated by Professional Services. We have also applied a long-term growth rate of 2.5% to account for inflation.

Finally, we discounted the incremental annual benefit of the Dividend in each of the four years at a rate of 16.1%, which we calculated as the appropriate cost of equity for Property in section 8.3. We feel this represents a reasonable discount rate for Professional Services and Vertua overall. This method resulted in a net present value of $530k attributable to the incremental benefit of Vertua's preferential dividend right, in addition to its 50% interest.

10.5. Concluded business enterprise value

Based on the above, we have determined 100% of the business enterprise value of Professional Services ranges from $630k to $735k excluding the NPV of trail commission income, and $1.7 million to $1.8 million including the NPV of trail commission income.

After adjusting for the Company's 50% non-controlling interest and preferential dividend (as discussed above), we have determined 50% of the operating value of Professional Services ranges from $1.38 million to $1.44 million, as outlined below:

	Low	Midpoint	High
Normalised EBITDA (excl fair value adjustments)	210,000	210,000	210,000
BEV/EBITDA Multiple	3.00x	3.25x	3.50x
BEV (excl NPV of trail commission income)	**630,000**	**682,500**	**735,000**
Add: NPV of trail commission income	1,078,985	1,078,985	1,078,985
BEV (incl NPV of trail commission income)	**1,708,985**	**1,761,485**	**1,813,985**
Less: 50% Non-controlling interest	(854,493)	(880,743)	(906,993)
BEV 50% interest (incl NPV of trail commission income)	**854,493**	**880,743**	**906,993**
Add: NPV of benefit of preferential dividend	530,000	530,000	530,000
BEV 50% interest (incl NPV of trail commission and dividend)	**1,384,493**	**1,410,743**	**1,436,993**

11. FAIRNESS ASSESSMENT

11.1. Fairness

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 value of the securities the subject of the offer is determined 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 relation to the interpretation of RG111.11, ASIC have advised that the appropriate assessment is to compare:

- The fair market value of a Class A Share pre-transaction on a control basis (being the value of the securities the subject of the offer per RG111.11)
- The fair market value of a Class A Share post-transaction on a minority basis (being the offer price or consideration per RG111.11).

The basis for the above form of comparison is to ensure our analysis is in line with RG111.5 to RG111.7 which includes statements as follows:

- The main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the MCH Option Issue and the Convertible Note Assignment.
- The form of analysis an expert uses to evaluate a transaction should address the issues faced by security holders.

11.2. MCH Option Issue

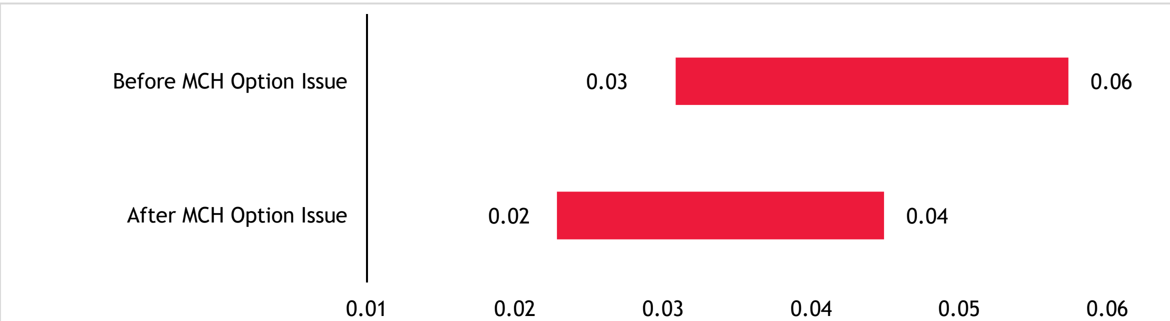
We have formed our opinion in relation to fairness of the MCH Option Issue by comparing the:

- The fair market value of a Vertua Share before completion of the MCH Option Issue on a controlling interest basis; and
- The fair market value of a Vertua Share after completion of the MCH Option Issue on a minority interest basis.

In our assessment, we have considered the impact of the MCH Option Issue independently from the Convertible Note Assignment.

A summary of our opinion is set out below:

Fair market value of Vertua Class A share	Ref	Low	High
Before MCH Option Issue (controlling interest basis)	5.3	0.03	0.06
After MCH Option Issue (minority interest basis)	6.3	0.02	0.04
Conclusion		**NOT FAIR**	



As set out above, our opinion is that the MCH Option Issue is not fair to Non-Associated Shareholders.

11.3. Convertible Note Assignment

We have formed our opinion in relation to fairness of the Convertible Note Assignment by comparing the:

- The fair market value of a Vertua Share before completion of the Convertible Note Assignment on a controlling interest basis; and
- The fair market value of a Vertua Share after completion of the Convertible Note Assignment Issue on a minority interest basis.

In our assessment, we have considered the impact of the Convertible Note Assignment independently from the MCH Option Issue.

A summary of our opinion is set out below:

Fair market value of Vertua Class A share	Ref	Low	High
Before Convertible Note Assignment (controlling interest basis)	5.3	0.03	0.06
After Convertible Note Assignment (minority interest basis)	7.3	0.02	0.05
Conclusion		**NOT FAIR**	

As set out above, our opinion is that the Convertible Note Assignment is not fair to Non-Associated Shareholders.

12. REASONABLENESS ASSESSMENT

12.1. Reasonableness

In accordance with paragraph 12 of RG 111, an offer is 'reasonable' if it is 'fair'. An offer could be considered 'reasonable' if there are valid reasons to approve it, notwithstanding that it may not be regarded as 'fair'.

12.2. MCH Option Issue

While the MCH Option Issue is not fair, we have assessed the reasonableness of the MCH Option Issue by considering the factors set out below:

Advantages	
Simplified debt structure	The MCH Option Issue is in connection with the MCH Loan, which replaces the First MGT Loan, Second MGT Loan, and First MC Loan. The Company's senior lender had requested a simplified related party debt structure before lending additional capital to the Company. The MCH Loan addresses and resolves this concern, adding to the Company's ability to secure additional financing.
Replaces options with similar terms	The MCH Options replace the MGT Options, which are on substantially the same terms, as presented in Section 1.2.2. If the MCH Option Issue is not approved, the MGT Options (which have already been approved by Shareholders) will not be cancelled.
Increased borrowing capacity	The MCH Loan results in a total credit facility of $6 million compared to the $5 million cumulative facility associated with the First MGT Loan, Second MGT Loan, and First MC Loan. The expanded facility provides the Company with greater access to capital if needed in the future.
Aligns interest of Management and Non-Associated Shareholders	The MCH Option Issue allows one of the Company's executive directors to increase his equity ownership in the Company through the exercise of options. An increase in ownership provides increased incentive for Management to deliver value to all shareholders.
Maintains access to capital provided by MCH Loan and avoids alternative funding costs	The MCH Option Issue is in connection with the MCH Loan. If the MCH Option Issue is not approved, the Company's access to the capital and additional facility granted under the MCH Loan may be compromised. In order to secure comparable funding, the Company may need to bear the costs of securing additional funds including actual financing costs and opportunity costs of foregone capital.
Disadvantages	
Potential Dilution due to increase in maximum facility limit	The number of shares issuable pursuant to the MGT Option Deed and MCH Option Deed are dependent on the drawn balance of the MGT/MC Loans and MCH Loan, respectively. The MGT/MC Loans have a cumulative maximum facility of $5 million compared to the $6 million facility on the MCH Loan. As such, the maximum number of shares issuable under the MCH Option Deed (without consideration for the 49.9% maximum issuance cap) is circa 40.4 million shares compared to 33.7 million under the MGT Option Deed. However, given the latest available information regarding total shares on issue and the MCH Loan balance, the maximum number of shares issuable under both option deeds is equal as at the Valuation Date. The MCH Option Deed stipulates a minimum of 10,000,000 shares, while the MGT Option Deed reflects a minimum of 9,700,000. As a result, it is possible the MCH Option Issue could result in slight dilution for Non-Associated Shareholders, as compared to the MGT Options.
Potential effect of maximum relevant interest and MCH Option term	As discussed in Section 1.4, on a fully diluted basis, the maximum relevant interest achievable by Mr James Manning and his associates is 58.8%. As discussed in Section 1.2.2, the term of the MCH Options is to 14 March 2027. The potential levels of equity interest held by Mr James Manning and his associates and the term of the MCH Options potentially reduces the likelihood that a control

	transaction will emerge in the future, unless it has the support of Mr James Manning and his associates. We note that our analysis of the MCH Option Issue includes a premium for control.

The MCH Options replace the MGT Options, which were in connection with the First MGT Loan and had previously been approved by Shareholders. If the MCH Option Issue is not approved, the MGT Options will not be cancelled. As a result, the MCH Option Issue has relatively minimal additional dilutive effect on Non-Associated Shareholders and increases the borrowing capacity of Company.

After considering the above factors, our opinion is that the MCH Option Issue is reasonable.

12.3. Convertible Note Assignment

While, the Convertible Note Assignment is not fair, we have assessed the reasonableness of the Convertible Note Assignment by considering the factors set out below:

Advantages	
No real change in the convertibility of the Convertible Notes.	15,114,953 Convertible Notes were assigned from Manning Custodian Pty Ltd to MCH on 22 November 2016. Management has already obtained shareholder approval to issue shares under the Convertible Notes to Manning Custodian Pty Ltd. If the Convertible Note Assignment is not approved, Management has indicated it intends to reassign the Convertible Notes to Manning Custodian Pty Ltd.
Reduced gearing levels upon conversion of Convertible Notes.	While the Convertible Note Assignment does not result in an immediate issuance of Class A shares, it grants the right to MCH to convert its Convertible Notes. Upon conversion of Convertible Notes, the Company would operate at lower gearing levels, potentially increasing its ability to secure future financing.
Disadvantages	
Potential dilution upon conversion of Convertible Notes	The Convertible Note Assignment grants MCH the right to convert its Convertible Notes and be issued Class A shares, which would result in dilution for Non-Associated Shareholders. However, as indicated above, if the Convertible Note Assignment is not approved, it is our understanding Management intends to reassign the Convertible Notes to Manning Custodian Pty Ltd, which would preserve the conversion right. Accordingly, the Convertible Note Assignment does not result in a material change in potential dilution, as compared to the 'before' scenario.
Potential increase in the maximum relevant interest that will be held by Mr James Manning and his associates	As discussed in Section 1.4, on a fully diluted basis, the maximum relevant interest achievable by Mr James Manning and his associates is 58.8%. The potential levels of equity interest held by Mr James Manning and his associates potentially reduces the likelihood that a control transaction will emerge in the future, unless it has the support of Mr James Manning and his associates.

15,114,953 Convertible Notes were assigned from Manning Custodian Pty Ltd to MCH on 22 November 2016. The Company is seeking shareholder approval for the issue of fully paid Class A shares to MCH upon conversion of the Convertible Notes. However, shareholders have already approved the issue of shares under the Convertible Notes before they were assigned to MCH. Management has indicated that if the Convertible Note Assignment is not approved, the Convertible Notes will be assigned back to Manning Custodian Pty Ltd. As such, the Convertible Note Assignment has virtually no commercial impact to the Non-Associated Shareholders.

After considering the above factors, our opinion is that the Convertible Note Assignment is reasonable .

13. QUALIFICATIONS, DECLARATIONS AND CONSENTS

13.1. Qualifications

BDOCF is the licensed corporate finance arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. BDOCF provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities and provision of expert's reports.

Mr Daniel Coote CA, is a director of BDOCF and holds Bachelor of Commerce and Master of Applied Finance degrees from Macquarie University. Mr Coote is a partner of BDO East Coast Partnership and has been responsible for the preparation of this IER.

Mr Coote has over 17 years' experience in Chartered Accounting and regularly advises clients on corporate transactions and is experienced in the provision of valuations of shares and businesses for a variety of applications. Accordingly, Mr Coote has the appropriate experience and professional qualifications to provide the advice offered.

Mr David McCourt, BBus, CA, is a director of BDOCF and a CA certified Business Valuations Specialist. Mr McCourt is a partner of BDO East Coast Partnership and performed the concurring review of this IER.

13.2. Independence

We are not aware of any matter or circumstance that would preclude us from preparing this IER 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 consider ourselves to be independent in terms of RG 112 Independence of experts, issued by ASIC.

BDOCF was not involved in advising on, negotiating, setting, or otherwise acting in any capacity for Vertua in relation to the MCH Option Issue and Convertible Note Assignment. Further, BDOCF has not held and, at the date of this IER, does not hold any shareholding in, or other relationship with Vertua that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to MCH Option Issue and Convertible Note Assignment.

BDOCF will receive a fee of up to $35,000, plus Goods and Services Tax for the preparation of this IER. BDOCF will not receive any fee contingent upon the outcome of MCH Option Issue and Convertible Note Assignment 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 MCH Option Issue and Convertible Note Assignment.

13.3. Disclaimer

This IER has been prepared at the request of the Directors and was not prepared for any purpose other than that stated in this IER. This IER has been prepared for the sole benefit of the Directors and Vertua Shareholders. Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and Vertua Shareholders without our written consent. We accept no responsibility to any person other than the Directors and Vertua Shareholders in relation to this IER.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by the Board, executives and management of all the entities.

APPENDIX 1: GLOSSARY

Term	Definition
ASIC	Australian Securities & Investments Commission
Act	Corporations Act 2001
BDOCF, we, our or us	BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170)
Board	Board of directors of Vertua
Convertible Notes	40,000,001 convertible notes issued by the Vertua at $0.15 each in connection with the acquisition of JPH
DCF	Discounted cash flow method
Directors	Directors of Vertua
Fiducia	Fiducia Group Pty Ltd
First MGT Loan	Loan facility dated 17 March 2015 from MGT to Vertua of up to $1.5 million
First MC Loan	Loan facility dated 31 August 2016 from MC to Vertua of up to $1.5 million
FME	Future maintainable earnings
FPG1	FPG No. 1 Pty Ltd
FOS	Financial Ombudsman Service Limited
FYxx	Financial year ended/ending 30 June 20xx
HPM	Horizon Print Management Pty Ltd
JPH	Joe Public Holdings Pty Ltd
Licence	Australian Financial Services Licence No: 247420
NSX	National Stock Exchange
Manning Custodian	Manning Custodian Pty Ltd
MC	Manning Capital Pty Limited
MCH	Manning Capital Holdings Pty Ltd as trustee for the Manning Capital Holdings Unit Trust
MGT	Manning Group Pty Ltd as trustee for the Manning Group Trust
MCH Loan	New loan and cumulative facility of $6 million from MCH to Vertua
MGT/MC Loans	Existing loans and a cumulative facility of $5 million (consisting of the First MGT Loan, Second MGT Loan, and First MC Loan)
MCH Options	10,000,000 Class A options issued in connection with the MCH Loan
MGT Options	9,700,000 Class A options issued in connection with the First MGT Loan
MCH Option Deed	Option deed between MCH and Vertua
MGT Option Deed	Option deed between MGT and Vertua
MCH Option Issue	Issue of MCH Options in connection with the MCH Loan
NAV	Net asset value
Non-Associated Shareholders	Non-Associated Shareholders of Vertua
NPV	Net present value
Printing	Printing segment of Vertua
Professional Services	Professional services segment of Vertua
Property	Property segment of Vertua
QMP	Quoted market price basis
Report or IER	Independent expert's report
RG 76	ASIC Regulatory Guide 76 Related party transactions
RG 111	ASIC Regulatory Guide 111 Content of expert reports
RG 112	ASIC Regulatory Guide 112 Independence of experts
Second MGT Loan	Loan facility dated 18 February 2016 from MGT to Vertua of up to $2.0 million
Subscription Agreement	Convertible Note subscription agreement dated 15 October 2015
Transaction Document	Notice of meeting and Explanatory memorandum
Vertua, the Company	Vertua Limited
Vertua Shareholders	Existing shareholders of Vertua

Source: BDOCF

APPENDIX 2: SOURCES OF INFORMATION

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

- Transaction Document
- Company's annual financial reports for FY16 and FY17
- Segment financial report for FY16 and FY17
- Supporting workpapers for the Company's FY17 financial audit
- Company structure diagram and associated ASIC details for each entity
- Legal representation letter by Company's law firm for the reporting period ending 31 March 2017
- Company's share register at 6 November 2017, 31 March 2017, and 31 March 2016
- Feasibility workings, associated workpapers, and joint venture agreements for the Company's property investments
- Purchase price allocations related to the acquisitions of Joe Public Holdings and Locumsgroup
- Security deeds, loan agreements, and option deeds associated with the MCH Loan
- Security deeds, loan agreements, and option deeds associated with the MGT/MC Loans
- Subscription Agreements and Transfer From associated with the Convertible Notes
- Loan agreements for the Company's outstanding debt with related parties and external lenders

APPENDIX 3: VALUATION METHODS - BUSINESSES AND ASSETS

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

Discounted Cash Flow Method

The discounted cash flow (**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 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value (**NPV**).

DCF is appropriate where:

- the businesses' earnings are capable of being forecast for a reasonable period (preferably 5 to 10 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; or
- the business is currently making losses but is expected to recover.

Capitalisation of Future Maintainable Earnings Method

This method involves the capitalisation of normalised earnings by an appropriate multiple. Normalised earnings are the assessed sustainable profits that can be derived by the vendor's 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.

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 Asset Value

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

Valuation of net realisable assets involves:

- separating the business or entity into components which can be readily sold, such as individual business Shares or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- *orderly realisation*: this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;
- *liquidation*: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- *going concern*: the net assets on a going concern basis estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding company. Adjustments may need to be made to the book value of assets and liabilities to reflect their going concern value.

The net realisable value of a trading company's assets will generally provide the lowest possible value for the business. The difference between the value of the company's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where a company is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding company, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets.

Quoted Market Prices

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; and
- the market for the company's Shares is active and liquid.

APPENDIX 4: COMPARABLE COMPANIES' DESCRIPTIONS

Company Name	Business Description
PRINTING	
IVE Group Limited	IVE Group Limited provides marketing and print communication services in Australia. The company offers conceptual and creative design services across print, mobile, and interactive media; prints magazines, catalogues, and marketing and corporate communications materials and stationery; prints point of sale display materials and large format banners for retail applications; and provides personalized communications, including marketing mail, publication mail, ecommunications, and multi-channel solutions. It also provides outsourced communications solutions for large organizations, such as development of customized multi-channel management models covering creative and digital services, supply chain optimization, inventory management, and warehousing and logistics. The company was founded in 1921 and is headquartered in Homebush, Australia.
PMP Limited	PMP Limited provides commercial printing, letterbox delivery, digital pre-media, and magazine distribution services in Australia and New Zealand. It operates through PMP Australia, PMP New Zealand, and Gordon & Gotch Australia segments. The company offers printing products and services, such as multi-channel content management services; workflow solutions; image libraries and asset management services; production and creative services; on-site production studios; photography services; retail catalogues, magazines, newspapers, books, government and corporate documents, and government materials; and unaddressed catalogue, targeted catalogue, newspapers, and product sample delivery services. It also provides printing services comprising audience profiling, segmentation, and mapping; pre-press design and page build; and Web, sheetfed, and digital print services. In addition, the company offers magazine distribution services consisting of sales and market analysis, multi-platform design and marketing services, bespoke predictive analytics, range and display management services, and multi platforms and global digital distribution solution, as well as distribution solutions to various retail channels, including newsagents, grocery chains, petrol/convenience outlets, and specialty outlets. It provides its products and services to retailers; marketing, advertising, and media buying agencies; newspaper, magazine, and directory publishers; direct marketers and mail houses; corporate–financial services, telecommunications, and utilities; government; fast moving consumer goods markets; international and local book publishers; mailing houses; international distributors; and diverse category/product/country clients, as well as real estate and SMEs. PMP Limited is based in Chatswood, Australia.
OPUS Group Limited	OPUS Group Limited primarily provides printing and related services primarily in Australia and New Zealand. It offers digital and offset printing services; and ancillary business services and communication solutions, including digital asset management, content management, back-catalogue fulfilment, direct to consumer distribution and warehousing, variable data, and intelligent mailing. The company is also involved in the production and distribution of publications, such as electronic delivery of online material; and the production of professional educational and trade books, journals, loose leaf publications, manuals, and binders, as well as the provision of design and prepress, Web and sheet-fed printing, binding, shrink wrapping and banding, and inventory management services. In addition, it produces statutory documents, official reports, informational publications, official forms and certificates, public awareness campaign material, point of sale items, and confidential documents; and offers Web hosting, electronic fulfillment, call center and e-commerce, and logistics services, as well as secure print facilities for government customers. The company is based in Riverwood, Australia. OPUS Group Limited is a subsidiary of 1010 Printing Group Limited.
PROFESSIONAL SERVICES	
Countplus Limited	Countplus Limited, together with its subsidiaries, provides accounting and business advisory services in Australia. It offers accounting, tax, and audit services; financial advice related to personal insurance, investment, and superannuation; broking services for home and investment loans, business loans, and leasing/hire purchase; and property broking services for new residential property. The company also invests in technology based solutions; and provides corporate recovery and insolvency solutions, financial planning services, and human resource solutions. In addition, it assist clients in selecting various lending products, such as housing loans, commercial property loans, vehicle finance, plant and equipment loans, insurance premium funding, cash flow finance/debtor funding, and banking facility restructures. Countplus Limited was founded in 2006 and is headquartered in Sydney, Australia.

Source: Capital IQ

APPENDIX 5: COMPARABLE TARGET COMPANY DESCRIPTIONS

Target Company	Business Description
PRINTING	
IPMG Pty Limited	IPMG Pty Limited, together with its subsidiaries, provides printing, publishing, and digital media services. The company was incorporated in 1995 and is headquartered in Edgecliff, Australia. As of March 1, 2017, IPMG Pty Limited operates as a subsidiary of PMP Limited.
The Franklin Printing Group Pty. Ltd.	As of December 13, 2016, Franklin Printing Group Pty Ltd. operates as a subsidiary of IVE Group Limited (ASX:IGL).
Colorpak Limited	Colorpak Limited designs, produces, and sells folding carton products in Australia and New Zealand. The company offers printed folding cartons, paper cups and lids, printed leaflets, printed blister and lidding foils, printed self-adhesive labels, point of sale displays, and other value added paperboard packaging products. It serves pharmaceutical, healthcare, food and beverage, confectionery, wine, cosmetics, technology, FMCG, and fast moving consumer goods industries. The company is based in Braeside, Australia. As of April 29, 2016, Colorpak Limited operates as a subsidiary of Graphic Packaging International, Inc.
PROFESSIONAL SERVICES	
Crowe Horwath Australasia Ltd.	Crowe Horwath Australasia Ltd. provides practical accounting, audit, tax, business, and financial advice to individuals, and small and medium businesses in Australia and New Zealand. The company offers services in the areas of accounting and tax compliance, audit and assurance, tax advisory, business advisory, corporate finance, business recovery, forensic accounting, and superannuation and self-managed super funds. It serves customers in various industries, such as agribusiness, Asia business, automotive, education sector, entertainment and sports, foreign subsidiaries, government, manufacturing, not-for-profit, private and family business, professional services, property and development, resources, and retail and franchise. The company was formerly known as WHK Group Limited and changed its name to Crowe Horwath Australasia Ltd. in July 2013. The company was incorporated in 1986 and is based in Melbourne, Australia. As of January 6, 2015, Crowe Horwath Australasia Ltd. operates as a subsidiary of Financial Index Australia Pty Ltd.

Source: Capital IQ

APPENDIX 5: CONTROL PREMIUM

In relation to the interpretation of RG111.11, ASIC have advised that the appropriate assessment is to compare:

- The fair market value of a Class A share pre-transaction on a control basis (being the value of the securities the subject of the offer per RG111.11)
- The fair market value of a Class A share post-transaction on a minority basis (being the offer price or consideration per RG111.11).

Investment fundamentals dictate that the value of 100% of an entity is normally greater than the sum of values attributable to the individual securities of that entity based on transactions in minority holdings.

The difference between the value of 100% of an entity and the total value of minority interests is referred to as a premium for control taking into account control and synergistic benefits for the acquirer.

Control of an entity by a security holder gives that security holder rights to which security holders are not entitled, including control of the entity's policies and strategies, and use of cash flows.

The level of premium for control paid in a takeover bid will vary across industries and is dependent upon the specifics of the entity being acquired. We have reviewed transactions of public companies in similar industries to the business segments of Vertua in order to observe the premium paid (over market capitalisation) to acquire a controlling interest in the target companies. We observed transactions in the Real Estate Management and Development, Professional Services, and Commercial Services and Supplies industries, as profiled by S&P Capital IQ, in the last ten years in Australia. This data is outlined in the table below:

Transaction Closed Date	Target	Buyer	1-Day Premium
12/12/2016	SAI Global Limited	Baring Private Equity Asia	32.3%
3/11/2016	Payce Consolidated Limited	Bellawest Pty Limited	80.0%
24/02/2016	Veda Group Pty Limited	Equifax Inc.	41.6%
16/10/2015	SKILLED Group Limited	Programmed Maintenance Services Limited	15.9%
16/04/2015	Chandler Macleod Group Limited	RGF Staffing Melbourne two Pty Ltd.	82.8%
6/01/2015	Crowe Horwath Australasia Ltd.	KKR Asset Management, LLC	20.5%
2/04/2014	Real Estate Corp Limited	The Hansen Investment Trust	13.8%
29/11/2013	Greencap Limited	Wesfarmers Industrial And Safety Pty Ltd.	33.3%
27/08/2012	Precious Metal Resources Limited	Sovereign Gold Company Limited	6.4%
23/08/2012	Talent2 International Ltd.	Allegis Group, Inc.; Morgan and Banks Investments Pty Ltd	45.3%
4/07/2012	Customers Ltd.	DirectCash Payments Inc.	38.0%
28/02/2011	Ross Human Directions Ltd.	Chandler Macleod Group Limited	12.3%
30/12/2010	The MAC Services Group Pty. Ltd.	Oil States International, Inc.	16.4%
12/11/2010	Ammtec Limited	Australian Laboratory Services Pty. Ltd.	43.3%
19/12/2007	Brookfield Australia Investments Group	Brookfield Asset Management Inc.	1.0%
25/06/2007	Veda Advantage Limited	Merrill Lynch Global Private Equity; Pacific Equity Partners	20.3%
21/06/2007	CCI Holdings Limited	Bureau Veritas Australia Pty. Ltd.	20.8%
7/06/2007	Integrated Group Limited	Programmed Maintenance Services Limited	14.4%
7/05/2007	Promentum Limited	Pacific Print Group Limited	8.7%
		Average	**28.8%**
		Median	**20.5%**

Source: S&P Capital IQ

We note that transaction premiums in the industries listed above have averaged 29.0%, with a median of 20.5%. We note a portion of these premiums reflect synergistic value only available to a specific purchaser, as opposed to solely control value. As such, we have considered a control premium of 20% in our analysis. We have applied this premium to the market capitalisations of the publicly traded comparable companies to calculate their respective trading multiples as at the Valuation Date.

APPENDIX 6: COMPARABLE COMPANY BETAS

The beta coefficient is a measure of the expected volatility and therefore risk of a company's stock relative to the market portfolio. The beta of a stock is determined by the characteristics of the firm and is generally based on three factors:

- The nature of revenue and the extent to which it is cyclical
- Operating leverage
- Financial leverage

The expected beta cannot be observed; therefore the historical beta is usually used as a proxy for the expected beta. A beta can be estimated by regressing the excess returns of the stock against the excess returns of the index representing the market portfolio.

There are significant measurement issues with beta, which means that only limited reliance can be placed on such statistics. Even measurement of historical betas is subject to considerable variation. It requires a considerable degree of judgement.

The beta is measured on the cash flows returned to equity holders and is therefore after interest. Accordingly, a firm's beta also reflects its capital structure. Since financial leverage is likely to differ between firms it is generally erroneous to make comparison of betas between firms without regard to each firm's leverage. Accordingly, the company's target debt and equity mix is relevant.

The betas can all be degeared (or 'delevered') to remove the impact of leverage. The method is set out below:

$$Beta\ (ungeared) = \frac{Beta\ (geared)}{1 + \frac{D}{E} * (1 - t)}$$

The ungeared or 'asset' betas can then be analysed to determine an appropriate asset beta for the subject of the valuation, and it can be regeared (or 'relevered') to reflect the appropriate capital structure. Rearranging the above equation, we have:

$$Beta\ (geared) = Beta\ (ungeared) * (1 + \frac{D}{E} * \ (1 - t))$$

Given the low trading volume of the Company, we have relied upon betas of guideline public comparable companies. The betas for listed companies that may be considered broadly comparable to the Company are set out below.

	Adjusted Weekly 5 Year Asset Beta 31-Mar-17	Adjusted Weekly 4 Year Asset Beta 31-Mar-17	Adjusted Weekly 3 Year Asset Beta 31-Mar-17
AVJennings Limited	0.36	0.36	0.37
Cedar Woods Properties Limited	0.56	0.55	0.54
Finbar Group Limited	0.43	0.47	0.37
Land & Homes Group Limited	1.78	1.85	1.85
McGrath Limited			
Peet Limited	0.30	0.30	0.29
Phileo Australia Limited	0.47	0.56	0.54
Servcorp Limited	0.38	0.37	0.31
Sunland Group Limited	0.33	0.34	0.21
Villa World Limited	0.49	0.56	0.52
Median	**0.43**	**0.47**	**0.37**
Mean	**0.57**	**0.59**	**0.56**

Source: S&P Capital IQ

We have selected an asset beta range of 0.40 to 0.60 for the Company with consideration for the median/mean betas exhibited by comparable public entities.

APPENDIX 7: COMPARABLE COMPANY EQUITY VOLATILITY

In determining the appropriate equity volatility for the Company, we are unable to rely on the actual trading history of the Company given the lack of adequate trading volume. Accordingly, we have relied on the volatility exhibited by guideline comparable companies. The annualised equity volatilities of selected comparable companies as at the Valuation Date are set out below:

Ticker	Company	Market Capitalisation ($AUDmm)	Annualised Equity Volatility				
			5-YR	2-YR	1-YR	6-MO	3-MO
ASX:AVJ	AVJennings Limited	261	26.8%	21.8%	21.0%	30.2%	31.3%
ASX:CWP	Cedar Woods Properties Limited	443	23.2%	24.9%	21.0%	22.7%	25.1%
ASX:FRI	Finbar Group Limited	229	22.4%	18.9%	19.8%	24.8%	26.4%
ASX:LHM	Land & Homes Group Limited	31	NMF	NMF	NMF	NMF	NMF
ASX:MEA	McGrath Limited	74	NA	NA	41.2%	52.1%	60.0%
ASX:PPC	Peet Limited	710	22.7%	15.3%	14.7%	21.3%	22.6%
ASX:PHI	Phileo Australia Limited	330	36.2%	32.8%	35.3%	94.1%	102.4%
ASX:SRV	Servcorp Limited	536	24.0%	22.6%	26.3%	25.3%	30.3%
ASX:SDG	Sunland Group Limited	261	25.2%	17.4%	17.9%	20.3%	24.8%
ASX:VLW	Villa World Limited	285	21.8%	15.8%	14.7%	20.8%	25.0%
	Maximum	710	36.2%	32.8%	41.2%	94.1%	102.4%
	Third Quartile	415	25.6%	23.2%	26.3%	30.2%	31.3%
	Average	316	25.3%	21.2%	23.6%	34.6%	38.7%
	Median	273	23.6%	20.4%	21.0%	24.8%	26.4%
	First Quartile	237	22.6%	17.0%	17.9%	21.3%	25.0%
	Minimum	31	21.8%	15.3%	14.7%	20.3%	22.6%

Source: S&P Capital IQ

We have primarily relied upon the five-year volatility indicated above given it provides the most trading history and captures equity movements through full business cycles. While the median/average five-year equity volatility exhibited by the guideline comparable companies is circa 25%, we have selected a value of 50% for the following reasons:

1. The Company is significantly smaller than the comparable companies listed above, whose average market capitalisation is over $300 million. Smaller companies are generally less stable and face increased risk due to factors such as less established operating history, less diversified product/service offerings, less geographic diversification, and key person risk.
2. The Company operates at a significantly higher gearing level than the companies listed above. All else held equal, greater debt levels, relative to equity, increase equity volatility.