BDO Kendalls

BDO Kendalls Corporate Finance (VIC) Pty Ltd
The Rialto, 525 Collins St
Melbourne VIC 3000
GPO Box 4736 Melbourne VIC 3001
Phone 61 3 8320 2222
Fax 61 3 8320 2200
cf.melbourne@bdo.com.au
www.bdo.com.au
ABN 82 065 203 492
AFS Licence No. 222438

29 October 2007

The Directors
Victorian Livestock Exchange Limited
Office 8, 22-26 Princes Way
DROUIN VIC 3818

Dear Sirs,

Independent Expert's Report Pursuant to Section 257D of the Corporations Act

Introduction

1. Victorian Livestock Exchange Limited ("VLE" or "the Company") has announced that it proposes to seek approval from shareholders to complete a selective buy back of shares by offering to pay $1.85 for the cancellation of each ordinary share ("the Proposal") held by the shareholders who hold less than 20,000 shares ("the Minority Shareholders") as described in the Explanatory Memorandum which accompanies and forms part of the Notice of Meeting.

2. VLE has requested BDO Kendalls Corporate Finance (VIC) Pty Limited ("BDO Corporate Finance") to prepare an Independent Expert's Report ("IER") to express an opinion as to whether or not the Proposal is fair and reasonable to all VLE Shareholders ("all Shareholders").

3. The completion of the Proposal may result in the shareholders who currently hold equal to or more than 20,000 shares ("the Continuing Shareholders") owning proportionally a larger percentage interest in the shares in VLE.

4. We understand that our IER will form part of the Explanatory Memorandum ("Explanatory Memorandum") that will accompany the Notice of Meeting to be sent to shareholders. Details of the Proposal are set out more fully in the Explanatory Memorandum.

Purpose and Scope of the Report

5. Section 257D of the Corporations Act allows a company to reduce its share capital by way of a capital reduction where the reduction:

   - Is fair and reasonable to the company's shareholders as a whole;
   - does not materially prejudice the company's ability to pay its creditors; and
   - is approved by shareholders.

6. There is no mandatory requirement for an IER to be prepared in relation to a capital reduction. However, Australian Securities & Investments Commission ("ASIC") Regulatory Guide 110 *Share Buy-Backs* ("RG 110") indicates that in such circumstances an IER may be appropriate. Such IER's would usually accompany the Explanatory Memorandum sent to shareholders and should state whether, in the opinion of the expert, the proposal is fair and reasonable to the Minority Shareholders and to the Continuing Shareholders, in that it strikes a fair balance between the interests of the persons whose shares are to be cancelled and those who will remain in the company.

Other

7. Our procedures and enquiries do not include verification work nor constitute an audit in accordance with Australian Auditing Standards ("AUS"), nor do they constitute a review in accordance with AUS 902 applicable to review engagements.

Opinion

8. **In our opinion, having considered the overall implications of the Proposal, the proposed selective capital reduction is fair and reasonable to all Shareholders. Our conclusion is based on the fact that the Proposal strikes a fair balance between the interests of Minority Shareholders and the Continuing Shareholders.**

Our opinion is based solely on the information made available to us at the date of this report.

A summary of our analysis undertaken in forming the above opinion is provided below.

9. The following table summarises our assessment of a Minority Shareholding in VLE, the VWAP observed for VLE shares over the past 12 months and the most recent Dividend Re-investment Plan ("DRP") prices compared to the Proposal Consideration being offered to Minority Shareholders.

Table 1: Valuation of Minority Interest Shareholding compared to the Proposal Consideration

	Value per Share
Assessed Value on Net Asset Basis	$1.76 – $2.06
VWAP for past 12 months	$1.75
DRP value range	$1.35 – 1.85
Value of Proposal consideration	**$1.85**

10. Based on BDO Corporate Finance's assessment of the value per share for a minority shareholding of VLE as shown in the table above, the Proposal Consideration falls within the assessed value per share range and accordingly, Minority Shareholders of VLE would not be disadvantaged by the Proposal.

11. We have also considered the potential advantages and disadvantages to the Minority and Continuing Shareholders of VLE and considered whether the advantages outweigh the disadvantages. Summarised below are the advantages and disadvantages considered by BDO Corporate Finance.

Minority Shareholders

12. Summarised below are the advantages and disadvantages considered by BDO Corporate Finance to the Minority Shareholders.

Advantages

- **Proposal Consideration –** The Proposal Consideration offered is greater than the assessed value per share on a minority basis;
- **No alternative investment plans –** The Company has no other plans which are likely to provide better returns to the Minority Shareholders in the medium term;
- **Exit illiquid investment –** The Proposal provides an opportunity for Minority Shareholders to exit from an illiquid investment as it is listed on an illiquid exchange being the Bendigo Stock Exchange (BSX) and the Company has announced that it is considering removing the company from the BSX, reducing liquidity further;
- **Small parcel of shares –** Minority Shareholders with less than marketable parcels of shares will be provided with the opportunity to exit their investment free of transaction costs; and
- **Taxation consequences -** Minority Shareholders may crystallise any potential taxation consequences of investment in VLE i.e. taxable loss to be offset against other taxable income.

Disadvantages

- **Forego future benefits –** Minority Shareholders will not be able to share in any potential upside in VLE in the future.
- **Taxation consequences –** Minority Shareholders may crystallise a potential taxation gain on their investment in VLE i.e. taxable income.

Continuing Shareholders

13. Summarised below are the advantages and disadvantages considered by BDO Corporate Finance to the Continuing Shareholders:

Advantages

- **Delisting** – acceptance of buy-back offers by a substantial number of Minority Shareholders is expected to place the Company in a position to implement a de-listing from the BSX, resulting in reduced reporting and compliance costs;
- **Restructuring -** the buy-back may reduce the number of Shareholders below the public company threshold of 50, thereby enabling the company to convert to a private company;
- **Non-disclosure of annual reports** – in the event the company is able to convert to a private company this may result in reduced operating and reporting obligations for the Company, thereby providing an opportunity to reduce operating costs. On a confidentiality basis, approval of the Proposal and the subsequent delisting and privatising of the Company, will mean the Company will no longer be required to publish annual reports and make announcements to the market in respect of keeping the market informed of potential acquisitions or changes to strategy thereby improving and maintaining confidentiality of its operations.

- **Further Investors** - The buy-back and consequent de-listing may place the Company in a position to attract further private investment in the future to enable the development of the business.

Disadvantages

- **Proposal Consideration –** Cash of $634,000 will be required to carry out the buy-back;
- **Future Liquidity –** If the Company's securities were to be delisted, liquidity for the remaining securities would decrease;
- **Future Capital –** a reduced Shareholder spread may result in a potential reduction in opportunities for the Company to raise funds in the future.

Other Matters

14. Our opinion is based on economic, market and other conditions prevailing at the date of this report.

15. Our opinion should not be construed as a recommendation as to whether or not to vote in favour of, or against the Proposal. Approval or rejection of the Proposal is a matter for individual shareholders based on their own circumstances including their appetite for risk and their own investment objectives, investment portfolios and tax positions. Shareholders should consult their own financial advisers.

    This opinion should be read in conjunction with the full text of this report and appendices, which sets out our scope and findings.

16. The balance of this report is set out in the following sections:

Glossary of Terms and Definitions
I Financial Services Guide ("FSG")
II Terms of the Proposal
III Scope of the Report
IV Overview of Victorian Livestock Exchange Limited
V Share Capital and Ownership of Victorian Livestock Exchange Limited
VI Valuation Methodology
VII Valuation of Victorian Livestock Exchange Limited shares
VIII Impact of the Proposal
IX Assessment of whether the Proposal is Fair and Reasonable to Minority and Continuing Shareholders

Appendices
1 Sources of Information
2 Overview of Valuation Methodologies
3 Qualifications, Limitation and Consents

Yours faithfully

BDO Kendalls Corporate Finance (VIC) Pty Ltd

P. W. Rundle

Michael Smith

PHILLIP RUNDLE
Director

MICHAEL SMITH
Director

Glossary of Terms and Definitions

Abbreviation	Meaning
$	All dollar amounts are in Australian dollars unless otherwise stated.
AFSL	Australian Financial Services Licence
ASIC	Australian Securities and Investments Commission
AUS	Australian Auditing Standards
BDO Corporate Finance	BDO Kendalls Corporate Finance (VIC) Pty Limited
Board	The board of directors of VLE
BSX	Bendigo Stock Exchange
Continuing Shareholders	Assumed to be shareholders with shareholdings equal to or greater than 20,000 shares as at the date of this report.
Company	Victorian Livestock Exchange Ltd or VLE
Corporations Act	Corporations Act 2001 (Cth) and predecessor laws
DCF	Discounted Cash Flow
DRP	Dividend Re-investment Plan
Explanatory Memorandum	Notice of General Meeting and Explanatory Memorandum accompanying this report
IER	Independent Expert's Report which sets out BDO Corporate Finance's opinion as to whether or not, the Proposal is fair and reasonable to Minority Shareholders and Continuing Shareholders
Independent Expert	BDO Corporate Finance
Minority Shareholders	The holders of VLE's ordinary securities other than the Continuing Shareholders
Proposal	Selective Capital Reduction by cash return of $1.85 for cancellation of each ordinary share held by Minority Shareholders
Proposal Consideration	Cash return of $1.85 to the Minority Shareholders
RG 74	ASIC Regulatory Guide 74 – Acquisitions Agreed to by Shareholders
RG 75	ASIC Regulatory Guide 75 – Independent Expert Reports to Shareholders
RG 110	ASIC Regulatory Guide 110 - Share Buy-Backs
Section 257D	Section 257D of the Corporations Act 2001
Shareholder	Holder of VLE shares
VLE	Victorian Livestock Exchange Ltd
VWAP	Volume Weighted Average Price

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I Financial Services Guide ("FSG")

BDO Kendalls Corporate Finance (VIC) Pty Limited ABN 82 065 203 492 ("BDO Corporate Finance") has been engaged to issue general financial product advice in the form of a report to be provided to you.

16. Financial Services Guide

The Corporations Act 2001 requires BDO Corporate Finance to provide this Financial Services Guide in connection with its provision of a report ("Report") that is included in a document ("Disclosure Document") provided to members by the company engaging BDO Corporate Finance to prepare this Report. The FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as a financial services licensee.
The matters covered by the FSG include:

- who BDO Corporate Finance is and how to contact BDO Corporate Finance;
- what services BDO Corporate Finance is authorised to provide;
- how BDO Corporate Finance, staff and associates are remunerated in relation to general financial product advice;
- any relevant associations or relationships; and
- BDO Corporate Finance's complaints handling procedures and how you may access them.

17. The financial services BDO Corporate Finance is licensed to provide

BDO Corporate Finance holds Australian Financial Services Licence No. 222 438 authorising it to provide financial product advice to wholesale and retail clients on securities and interests in managed investments schemes.
BDO Corporate Finance provides general financial product advice by virtue of an engagement to issue the Report in connection with a financial product of another entity. The Report includes a description of the terms and circumstances of our engagement and identifies the entity that has engaged us. You have not engaged us directly but you will be provided with a copy of the Report as a security holder of the entity as a result of the circumstances surrounding BDO Corporate Finance's engagement to produce the Report.
BDO Corporate Finance provides the Report as a financial services licensee authorised to provide the financial product advice contained in the Report.

18. General financial product advice

BDO Corporate Finance's Report provides only general financial product advice. BDO Corporate Finance's Report does not provide personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.
Before you act on this general advice you should consider the appropriateness of the advice having regard to your own objectives, financial situation and needs.
Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

19. Payments to BDO Corporate Finance for services provided

BDO Corporate Finance charges fees for providing reports. The fees are agreed on either a fixed fee or time cost basis and paid by the entity that engages us to provide a report.
Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of a report.

20. Remuneration or other benefits received by our employees

All BDO Corporate Finance employees and directors receive salaries, bonuses and other benefits from BDO Corporate Finance. Any bonuses paid by BDO Corporate Finance to employees are based on overall productivity and are not directly connected with any engagement for the provision of a report.

21. Referrals

BDO Corporate Finance does not pay commissions or provide any other benefits to any person for referring clients to us in relation to the reports that we are licensed to provide.

22. Associations and relationships

BDO Corporate Finance is wholly owned subsidiary of BDO Kendalls (VIC) Pty Ltd, which is a member of an Australian association of independent accounting and management consulting firms trading under the name of "BDO Kendalls". From time to time BDO Corporate Finance and/or its related entities may provide professional services, including audit, taxation and financial advisory services, to financial product issuers in the ordinary course of business.

23. Independence

BDO Corporate Finance is independent of the entity that engages it to provide a report. The guidelines for independence in the preparation of reports are set out in Practice Note 42 issued by the Australian Securities Commission ("ASC") (the predecessor to the Australian Securities & Investments Commission) on 8 December 1993. BDO Corporate Finance operates independently of the interstate members of BDO International in Australia.

24. Complaints resolution

As the holder of an Australian Financial Services Licence, BDO Corporate Finance is required to operate a system for handling complaints from persons to whom BDO Corporate Finance provides financial product advice. Any complaints can be made, in writing, addressed to BDO Corporate Finance (VIC) Pty Ltd, Level 30, 525 Collins Street, Melbourne, Victoria, 3000.
Upon receipt of a written complaint the matters raised will be investigated and as soon as practicable the complainant will be advised in writing of BDO Corporate Finance's determination.
A complainant not satisfied with the outcome of the above process, or BDO Corporate Finance's determination, has the right to refer the matter to Financial Industry Complaints Service Limited ("FICS") on 1300 78 08 08. FICS is an independent company established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.
Further details about FICS are available at the FICS website www.fics.asn.au or by contacting FICS directly at the address set out below:
Financial Industry Complaints Service Limited
PO Box 579 Collins Street West Melbourne VIC 8007
You can also contact the Australian Securities and Investments Commission (ASIC) on 1300 300 630 to make a complaint or obtain information about your rights.
If you believe your privacy has been compromised, please contact us immediately. We will respond to all complaints within two (2) days and aim to have them resolved within ten (10) days. Where this is not possible, you will be contacted and advised when it is likely your complaint will be resolved.
Additionally, you are entitled to contact the Privacy Commissioner if you believe there has been an interference with your privacy. The Office of the Federal Privacy Commissioner can be contacted on 1300 363 992 or privacy@privacy.com.au

II Terms of the Proposal

25. Summary of the Proposal

VLE proposes to offer a cash return of $1.85 per share to buy back all shares other than those shares held by the Continuing Shareholders. Under the proposal up to 342,721 shares held by Minority Shareholders may be bought back through the payment of a total of $634,034. Shareholders to whom buy-back offers are made are under no obligation to accept the offer. Shareholders who do not accept the Company's offer would retain their shares in the Company, as would those Shareholders not eligible to receive the offer.

26. Conditions and Terms of the Proposal

Full details of the Proposal are set out in the Explanatory Memorandum. In order to properly assess the Proposal, Shareholders should have regard to all material information including the following:

- The total number of shares that could be the subject of the buy-back would be determined at the time of making the offer by reference to the number of holdings of fewer than 20,000 shares in the Company's Register of members;
- The Company would expect to fund the buy-back utilising retained earnings and other sources of funds which may be available to it at the relevant time. Details would be announced to the BSX and set out in the buy-back offer sent to eligible shareholders. Payment of the consideration, together with costs incidental to the buy-back, would reduce the Company's cash reserves, and the Company's paid-up capital;
- If all shares of holders eligible to participate in the offer were bought back, based on present holdings, the remaining holders would have a proportionally larger percentage interest in the issued voting shares of the Company but otherwise there would be no material effect on the control of the Company;
- The principal reason for the buy-back would be to enable eligible Shareholders to dispose of their shareholding in the Company prior to de-listing from the BSX which is a proposal currently under consideration by the Board. The buy-back would also enable the Company to reduce the number of shareholders on the share registry;
- If all shareholders that currently hold less than 20,000 shares accept the proposal, the Company will cancel 342,721 shares held by Minority Shareholders; and
- The proposed consideration of $1.85 per share to Minority Shareholders will represent a payment of $634,034.

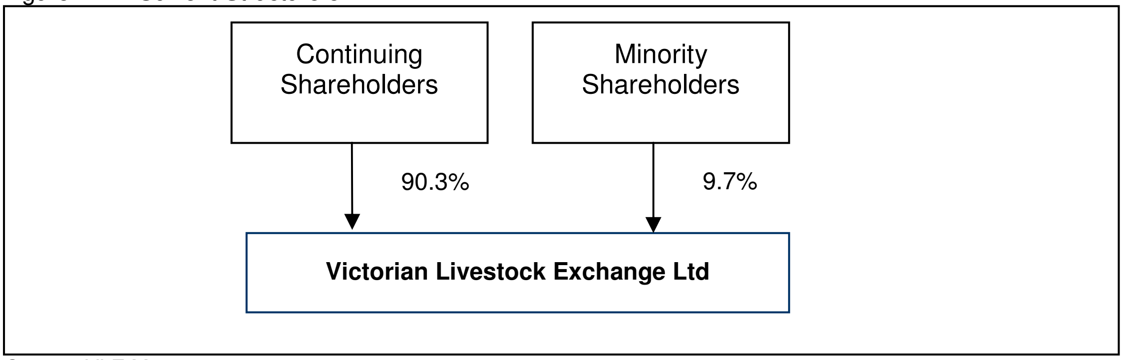
27. The Proposal is subject to a number of conditions set out in the Explanatory Memorandum including the passing of a special resolution to authorise the selective capital reduction by members at a General Meeting of shareholders.

28. Overview of Proposal

Set out below is a simplified diagram of VLE before and after the Proposal:

Current Structure of VLE

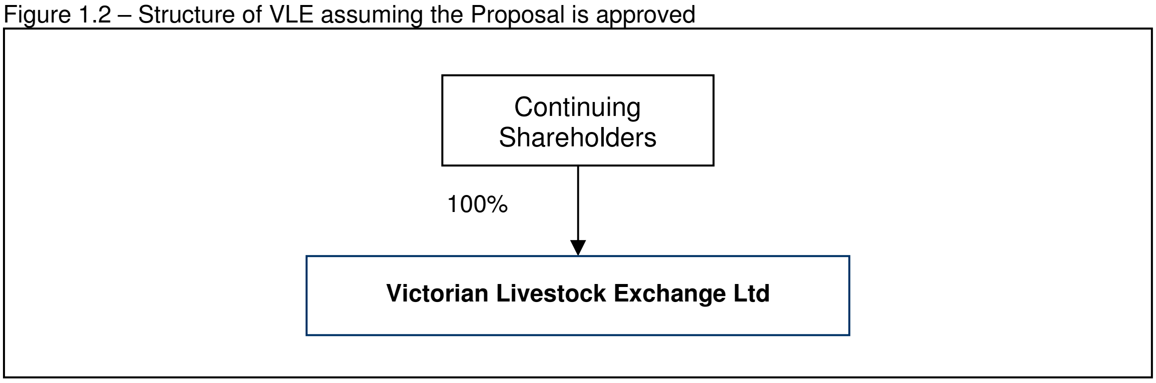
Figure 1.1 – Current Structure of VLE



Source: VLE Management

Structure of VLE, assuming the Proposal is approved

Figure 1.2 – Structure of VLE assuming the Proposal is approved



Source: VLE management

III Scope of the Report

29. Purpose of Report

The selective buy back of shares is to be implemented pursuant to Section 257D of the Corporations Act. This allows a company to reduce its share capital by way of a capital reduction where the reduction:

- Is fair and reasonable to the company's shareholders as a whole;
- does not materially prejudice the company's ability to pay its creditors; and
- is approved by shareholders.

30. Section 256C(4) of the Corporations Act states that the company must include with the Notice of Meeting a statement setting out all information known to the company that is material to the decision on how to vote on the resolution.

31. There is no mandatory requirement for an IER to be prepared in relation to a capital reduction. However ASIC Regulatory Guide 110 indicates that where a proposal involves the buy-back of a significant percentage of shares, an IER may be appropriate. The IER should state whether, in the opinion of the expert, the proposal is fair and reasonable to the Minority Shareholders and to the Continuing Shareholders, in that it strikes a fair balance between the interests of the persons whose shares are to be cancelled and those who will remain in the company.

32. The independent directors of VLE have requested BDO Corporate Finance to prepare an IER expressing an opinion as to whether or not the Proposal is fair and reasonable to all Shareholders.

33. BDO Corporate Finance has also been asked to comment on whether the Proposal materially prejudices the Company's ability to pay its creditors and our assessment of this has been included in our assessment of the Proposal.

34. Our report considers the interests of shareholders as a whole and not individually. Individual shareholders may have issues that affect them in particular ways that are not general to the shareholders as a whole and this report cannot, and does not, consider such issues.

35. Our opinion should not be construed as a recommendation as to whether or not to vote in favour of, or against the Proposal. Approval or rejection of the Proposal is a matter for individual shareholders based on their own circumstances, including their appetite for risk, their investment objectives, investment portfolios and tax positions. Shareholders should consult their own financial advisers.

36. Our procedures and enquiries did not include verification work nor constitute an audit in accordance with Australian Auditing Standards ("AUS"), nor do they constitute a review in accordance with AUS 902 applicable to review engagements.

Our Approach

37. The term "fair and reasonable" does not have any statutory definition, although overtime a commonly accepted meaning has evolved. Regulatory Guides issued by the Australian Securities Commission, the predecessor to ASIC, in particular Regulatory Guides 74 and 75, provide some guidance to the use of that term.

38. Regulatory Guide 75 attempts to provide a precise definition of fair and reasonable. The Regulatory Guide continues earlier regulatory guidelines that created a distinction between "fair and reasonable". Fairness is said to involve a comparison of the offer price with the value that may be attributed to the securities that are the subject of the offer based on the value of the underlying businesses and assets. In determining fairness, any existing entitlement to shares by a bidder is to be ignored. Reasonableness is said to involve an analysis of other factors that shareholders might consider prior to accepting a takeover offer such as:

- the bidder's existing shareholding;
- other significant shareholdings;
- the probability of an alternative offer;
- the liquidity of the market for the target company's shares; and
- the options for the target in the event that the bid does not proceed.

39. Regulatory Guide 74 deals with the Independent Expert Report required for the purposes of a general meeting of shareholders. This meeting is required by section 257D of the Corporations Act 2001 to approve a selective capital reduction.

40. The likely advantages and disadvantages for the Minority and Continuing Members, should the proposal proceed, should be compared with the advantages and disadvantages should it not. The effect of the proposed changes on shareholder value is only one element of this assessment. Accordingly, "fair and reasonable" must be capable of broad interpretation to meet the particular circumstances of each transaction. This involves a judgement on the part of the expert as to the alternatives available. On this basis, a proposal will be *fair and reasonable* if the Minority and Continuing shareholders will, on balance, be better off if the proposal is accepted.

41. In forming our opinion as to whether the Proposal is fair and reasonable we have treated the concepts of fairness and reasonableness as a single opinion, that is, the Proposal is or is not fair and reasonable.

42. In forming our opinion as to whether the Proposal is fair and reasonable we have had regard (inter alia) to the following factors:

- the value of the shares being cancelled by VLE;
- the value of the consideration being paid by VLE;
- the terms and conditions of the Proposal;
- the potential impact of the Proposal on the financial position of VLE; and

- other advantages and disadvantages which may impact the Minority and Continuing shareholders of VLE in the event that the Proposal proceeds.

43. For the purpose of our opinion, market value is defined as the price that could be negotiated in an open and unrestricted market between a willing, knowledgeable but not anxious buyer and a willing, knowledgeable but not anxious vendor acting at arms length, each believing that they have complete information with respect to the asset being sold.

44. We have also given due consideration to relevant matters in other ASIC guidelines, including Regulatory Guide 42 (Independence of Experts' Reports) and Regulatory Guide 43 (Valuation Reports and Profit Forecasts). The Regulatory Guides reflect ASIC's underlying philosophy that the premium for control of a company be shared by all members of that company.

45. Limitations and Reliance on Information

Appendix 1 sets out details of information referred to, and relied upon, by BDO Corporate Finance during the course of preparing this IER, and forming an opinion on the Proposal.

46. This IER is based upon financial and other information provided by VLE. BDO Corporate Finance has considered and relied upon this information. BDO Corporate Finance believes the information provided to be reliable, complete and not misleading and has no reason to believe that any material facts have been withheld. The information provided has been evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether or not the Proposal is fair and reasonable.

47. VLE has agreed to indemnify BDO Corporate Finance, its affiliated companies and their respective officers, employees, associates and agents against any losses or claims arising out of the preparation of this IER and which arise from:

- Reliance on information provided by VLE which VLE should have known was incomplete, false or misleading; or
- The failure to provide material information within the possession of VLE or its advisers which VLE or its advisers should have known to be material.

48. BDO Corporate Finance does not warrant that its enquiries 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 transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

49. Preparation of this IER does not imply that BDO Corporate Finance has in any way audited the financial accounts or other records of VLE. The directors of VLE have advised that the accounting information provided to BDO Corporate Finance was prepared in accordance with generally accepted accounting principles and, except where noted, prepared in a manner consistent with the method of accounting used by the Company in previous accounting periods.

50. An important part of the information used in forming an opinion of the kind expressed in this IER are the opinions and judgement of management. To the extent practical, BDO Corporate Finance has evaluated information provided through analysis, inquiry and review. However, certain aspects of the information provided are not capable of external verification or validation.

51. BDO Corporate Finance's opinion is based on economic, market and other external conditions prevailing at the date of this IER. These conditions can change significantly over relatively short periods of time. In addition to the above, this IER should be read in the context of the qualifications, limitations and consents set out in Appendix 3 of this report.

IV Overview of Victorian Livestock Exchange Limited

52. Summary of Company History and Description of Business

VLE is a listed public company, incorporated and domiciled in Australia. It was listed on the BSX in 2001. VLE was formed in June 1997 with the purpose of establishing a livestock exchange in Pakenham, 65 kilometres south-east of Melbourne.

53. VLE's main asset is its under cover soft floor livestock selling facility at Pakenham and Leongatha.

54. In August 2001, VLE completed a capital raising in excess of $660,000 and listed on the BSX. The proceeds of the share issue were primarily used for debt reduction and capital works such as improvements to the weighing system, the establishment of an internet based selling platform and improved disabled access and security fencing.

55. VLE operates in an industry dominated predominately by government or private organisations therefore, industry information is largely unavailable and subsequently an industry analysis has not been performed.

56. The principal activities of the economic entity during the 2007 financial year were:

- the operation of livestock marketing centres;
- the development and sale of surrounding industrial land; and
- the delivery of electronic animal reading services within Victoria and New South Wales.

57. VLE have operations in the following locations:

- Drouin (Head Office)
- Pakenham
- Leongatha
- Traralgon
- Sale
- Korumburra

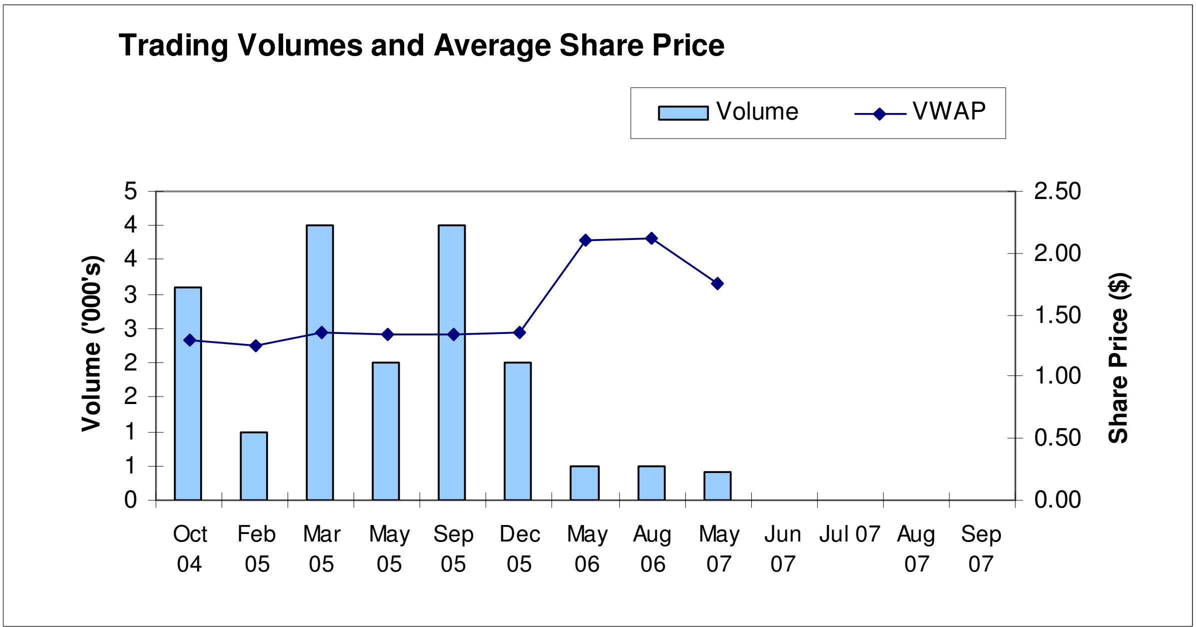
V Share Capital and Ownership of Victorian Livestock Exchange Limited

58. Share Price and Volume History

The following chart provides a summary of the share trades in VLE's shares for the three years from 30 September 2004 to 30 September 2007.

59. Throughout that time the shares have been thinly traded with a monthly average trading price determined by dividing the total value of shares traded by the number of shares. This approach means that the high and low prices are not identified in the graph below. Furthermore, there were many months in this three year period in which there were no trades and as such they have not been presented in the graph below with the exception of the four months to 30 September 2007.

Figure 1.3 – Trading Volumes and Average Share Price



Source: BSX

60. In respect of the above analysis we note the following:

- The share price of VLE shares has been relatively stable trading at a VWAP of approximately $1.35;
- The share price of VLE shares from 30 September 2004 to 30 September 2007 has ranged from a high of $2.125 on 10 August 2006 to a low of $1.27 on 19 October 2004;
- The shares have exhibited low liquidity over most of this period, reflecting the large share blocks historically held by long term investors that are not traded; and
- The increase in May 06 is based on a trade of 500 shares at $2.10 per share and in August 06 on a trade of 500 shares at $2.125. Management have not been able to provide an explanation for this isolated increase in the share price.

61. We also note that C & J Sleigh have purchased an additional 88,119 shares in VLE in an off market transaction on 28 August 2007 at $1.85 per share on behalf of The HCF Australia Superannuation Fund. As this was an off market transfer it has not been incorporated into our analysis above.

62. Trading in VLE's Shares

An analysis of the trading volume in VLE's shares for the period from 30 September 2004 to 30 September 2007 shows that only 22,600 shares were traded.

Table 2: Trading liquidity in VLE's shares

Period	High $	Low $	Volume Weighted average $	Volume	As a % of issued shares
Last 6 months	1.75	1.75	1.75	400	0.01%
Last 12 months	2.125	1.75	1.75	400	0.01%
2 years	2.125	1.34	1.47	7,400	0.21%
3 years	2.125	1.27	1.40	14,400	0.41%

Source: BSX

63. The above analysis illustrates that VLE's shares have historically exhibited very low liquidity. The volume weighted average market price for the period from 30 September 2004 to 30 September 2007 is observed as being $1.40, with the last on market share trade being recorded on 14 May 2007.

64. Strike Price for the Most Recent Dividend Re-investment Plan ("DRP")

VLE has a dividend re-investment plan ("DRP") that is available for shareholders wishing to re-invest dividends back into the company. The strike rate for the DRP was set at $1.85 as announced to the market on 23 January 2007 for dividends with a record date of 6 February 2007. The previous DRP price prior to this was $1.35 announced to the market on 21 January 2006 with a record date of 8 February 2006.

65. Ownership Structure

The ownership structure of VLE at 30 June 2007 was as follows:

Table 3: Top 10 Holding

Ordinary Shares	
Total Ordinary Shares on Issue	3,526,915
Top 10 Shareholders – Ordinary Shares	1,879,339
Top 10 Shareholders – percentage of ordinary shares on issue	53.40%

Source: Audited Financial Statements 30 June 2007

66. Capital Structure and Shareholders

The top 10 shareholders of VLE as at 1 August 2007 are set out below. We have been advised that there has been no change in the top 10 shareholding structure since 2 August 2007 other than the transaction disclosed as footnote 1 to the table below.

Table 4: Capital Structure and Major Shareholders

Major Shareholders	Number of shares	%
Maintangoon Pty Ltd	450,822	12.8
Gold Sea Pty Ltd	319,533	9.1
G & R Osborne	208,363	5.9
C & J Sleigh[1]	189,315	5.4
J. Khalid	188,322	5.3
Pedrobob Pty Ltd	121,592	3.5
Bendigo Asset Management	104,545	3.0
Tribuzi Contractors Pty Ltd	103,704	2.9
Westmont Holdings Pty Ltd	103,119	2.9
Harjan Pty Ltd	90,024	2.6
Sub Total	**1,879,339**	**53.4**
Other Shareholdings	1,647,576	46.6
Total Ordinary Shares on Issue	**3,526,915**	**100**

Source: Share Registry as at 2 August 2007
1 We note that C & J Sleigh have purchased an additional 88,119 shares in VLE in an off market transaction on 28/8/2007 at $1.85 per share on behalf of The HCF Australia Superannuation Fund.

67. Range of Shares Held

The spread of VLE shareholders as at 30 June 2007 is as follows:

Table 5: Shareholder Spread

Range of Shares Held	Number of Ordinary Shareholders	Number of Shares	Percentage
1 – 1,000	5	3,400	0.1%
1,001 – 5,000	79	194,625	5.5%
5,001 – 10,000	8	61,859	1.8%
10,001 – 100,000	36	1,477,716	41.9
100,000 - Over	9	1,789,315	50.7
Total	137	3,526,915	**100%**

Source: Annual Report 2007

68. Effect of the Proposed Transaction on the Current Capital Structure

We are advised that the Company currently has 3,526,915 shares on issues. If the Proposal is approved, a total of 342,721 shares will be eligible to participate and may subsequently be bought back. The pro forma capital structure of VLE, if the Proposal is approved, is summarised below.

Table 6: Capital Structure

	Number of shares held
Current Number of Ordinary Shares	3,526,915
Shares that may be cancelled under the Proposal	(342,721)
Total shares on issue after Proposal	3,184,194

69. Earnings History

The consolidated operating results of VLE and its controlled entities for the year ended 30 June 2005, 30 June 2006, 30 June 2007 and forecast 30 June 2008 are summarised below:

Table 7: Profit and Loss Statements of VLE

	30 June 2005 Audited $'000	30 June 2006 Audited $'000	30 June 2007 Audited $'000	30 June 2008 Forecast $'000
Revenue				
Revenue	4,097	2,845	5,163	6,947
Other income	-	2	-	97
Total Revenue	**4,097**	**2,847**	**5,163**	**7,044**
Expenses				
Employee benefits	588	849	1,532	1,249
Depreciation and amortisation	322	385	476	613
Other	1,271	1,354	1,931	2,818
Impairment of Property & Buildings	-	-	33	-
Total Expenses	**2,181**	**2,588**	**3,972**	**4,680**
Earnings before interest and income tax expense (EBIT)	**1,916**	**259**	**1,191**	**2,364**
Finance Costs	153	410	658	695
Earnings before income tax expense	**1,763**	**(151)**	**533**	**1,669**
Income Tax Expense	530	(44)	(160)	(501)
Net Profit	**1,233**	**(107)**	**373**	**1,168**

Source: Audited financial statements and management accounts

Comments on the consolidated operating results of VLE

- Trading profit of VLE has fluctuated significantly.
- Of the $1.19 million EBIT generated in 2007, approximately $500,000 was derived from livestock operations of the company and approximately $600,000 was derived from land subdivision activities.
- Of the $2.3 million EBIT for 2008, approximately $1.1 million is expected to be derived from the livestock operations and the remaining $1.2 million to be derived from the sale of land.

70. Balance Sheet

The statement of financial position of VLE and its controlled entities as at 30 June 2005, 30 June 2006 and 30 June 2007 is summarised below:

Table 8: Statement of financial position

	30 June 2005 Audited $'000	30 June 2006 Audited $'000	30 June 2007 Audited $'000
Current Assets			
Cash and cash equivalents	30	288	35
Trade and other receivables	2,278	361	465
Inventories	62	883	466
Current tax assets	-	153	258
Other current assets	31	77	67
Total Current Assets	**2,401**	**1,762**	**1,291**
Non-Current Assets			
Property, plant and equipment	12,988	16,051	19,849
Deferred tax assets	15	29	53
Intangible assets	190	1,436	1,436
Total Non-Current Assets	**13,193**	**17,516**	**21,338**
Total Assets	**15,594**	**19,278**	**22,629**
Current Liabilities			
Trade and other payables	2,809	1,475	889
Short term borrowings	91	165	111
Current tax liabilities	527	-	-
Short term provisions	4	17	35
Total Current Liabilities	**3,431**	**1,657**	**1,035**
Non-Current Liabilities			
Long-term borrowings	2,184	7,798	8,714
Deferred tax liabilities	1,695	1,699	2,515
Long term provisions	5	4	**4**
Total Non-Current Liabilities	**3,884**	**9,501**	**11,233**
Total Liabilities	**7,315**	**11,158**	**12,268**
Net Assets	**8,297**	**8,120**	**10,361**
Equity			
Issued Capital	3,247	3,363	3,504
Reserves	3,295	3,295	5,196
Retained Earnings	1,737	1,462	1,661
Total Equity	**8,279**	**8,120**	**10,361**

Source: Audited financial statements and management accounts

Comments on Financial Position

71. The group's land was revalued at 30 June 2007 by directors resulting in an increase in value of $2.6 million. This valuation was performed on an open market basis, being the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date. The revaluation surplus, net of applicable deferred income taxes, was credited to an asset revaluation reserve in shareholders' equity.

72. The intangible assets relate predominately to the goodwill associated with the livestock operations at Korumburra/Leongatha and at Sale. In an announcement on 2 August 2007 the company advised that the Korumburra saleyards would conduct their last sale of cattle on 8th August 2007. Management have advised that the goodwill in respect of these operations would still be of value given that the majority of the operations undertaken at Korumburra would be transferred to Leongatha.

73. Given the level of fluctuation in historical profits and considering the valuation methodologies set out in Appendix 2 BDO Corporate Finance consider that the Net Asset approach to be the most appropriate approach in valuing the company. The Net Asset approach adopted is based on a going concern basis. Further consideration of our valuation approach is considered in Section VI below.

VI Valuation Methodology

74. Selection of Methodology

Set out in Appendix 2 is a summary of the various valuation methodologies considered by BDO Corporate Finance in its valuation of VLE.

75. The DCF method is considered inappropriate for VLE as the expected future cash flows are difficult to forecast.

76. The Net Asset Value ("NAV") on a going concern basis of VLE is considered the most appropriate method as the entity is expected to continue in its existing form and the Net Asset value is reflective of the underlying value of the company which is primarily comprised of land and buildings.

77. As there is only limited trading in VLE's shares, the market based valuation methodology is also inappropriate to adopt as our primary valuation approach as observed share price may not be reflective of the true value of the company. Further, there are no comparable securities listed on the ASX which provide a basis for comparison. However we note that VLE operates a dividend re-investment plan ("DRP") that provides guidance on the share price of the Company. Details of the prices adopted for the DRP for the past two years are set out in Section V above. Accordingly we have considered this as a cross check to the reasonableness of the NAV determined on a going concern basis in our assessment of value.

78. We note that the past earnings of VLE have been volatile and it would be difficult to determine a future maintainable earnings position to apply an earnings based valuation methodology. Further, there is limited transactional information in respect of the industry VLE operates in and therefore it is difficult to determine an appropriate or comparative multiple with which to apply to future maintainable earnings to determine an enterprise value for VLE.

VII Valuation of Victorian Livestock Exchange Limited shares

79. As discussed in the section above, BDO Corporate Finance has adopted the Net Asset Value ("NAV") methodology in its assessment of the value of VLE.

80. Valuation

In valuing VLE under the NAV approach we have considered the following points:

- Our valuation is as at the date of our report based on audited accounts as at 30 June 2007;
- the valuation is for 100 percent of the shares of VLE;
- there is one class of share on issue;
- we have used and relied on the information set out in Appendix 1.
- VLE has been valued on a going concern basis;
- the intangible assets of the company relate predominately to the goodwill surrounding the future earnings associated with the operations at Korumburra/Leongatha and at Sale. The value of intangibles appears to be reasonable based on the projected earnings of the livestock operations of the business for 2008; and
- all other accounts in the balance sheet reflect their fair value and are fully recoverable.

81. In order to assess the value of VLE, we have considered the net asset value of VLE at 30 June 2007.

Table 9: Net Assets

	30 June 2007 Audited $'000
Assets	
Total Current Assets	**1,291**
Total Non-Current Assets	**21,338**
Total Assets	**22,629**
Liabilities	
Total Current Liabilities	**1,035**
Total Non-Current Liabilities	**11,233**
Total Liabilities	**12,268**
Net Assets	**10,361**
Net asset value per share ($)	
Number of shares (000's)	3,526
Value Per Share ($)	2.94

82. Valuation per share for Minority Shareholder

In determining the value of shares in a company, it is important to consider the disadvantages associated with minority interests, including the lack of marketability, especially in companies that are listed on illiquid markets or have exhibited thinly traded holdings as is the case with VLE.

83. As mentioned above, in determining the value of the Company we have employed an assets-based methodology. This involves the determination of the net realisable value of the assets in the Company. Only a controlling shareholder would normally have the ability to liquidate or realise the underlying assets, therefore, the value of the Company generated under the assets-based methodology represents the value of a controlling shareholding. In our assessment of the value of a Minority Shareholding in the Company, we consider it appropriate to apply a discount to the value of the controlling interest determined.

84. Discounts are usually applied to minority interests to account for the disadvantage of not being able to exert influence and control and for the lack of marketability. Generally the main areas of influence and control that are restricted for minority interests include the ability to:

- elect directors and appoint management;
- influence managerial control, including day to day running of the business;
- determine management compensation;
- set company policies and business strategy;
- award business contracts;
- make acquisitions;
- influence decisions about the corporate structure;
- register the company's shares for a public offering; and
- impact dividend policy.

85. It is important to note that the discount applied for minority interests varies significantly, depending on specific circumstances and after taking into account all the relevant facts.

86. In our determination of an appropriate discount to apply we have also considered premiums for control observed in market takeovers. Premium for control is defined as the difference between the price attached to a controlling interest and the price at which a share, which does not carry with it control of a company, could be acquired. This is effectively the inverse of a discount for minority interests, however it does not take into account any discount that may be applied for lack of marketability.

87. It is observed that takeovers involving the acquisition of a 100% interest generally take place at significant premiums to the pre-bid offer price. This premium is generally in the range of 20% to 45% and represents two elements:

- a pure control premium; and
- the expected synergy benefits which the acquirer is prepared to pay the target shareholders.

88. Observed premiums in takeovers therefore include both elements however it is not possible to separate these two elements in any meaningful way. A number of studies have been

conducted in this area, however they are subject to the facts surrounding the company being valued and the unique features of the transaction including:

- the synergies to be achieved; and
- the costs of integrating the businesses.

89. Accordingly, the pure control premium would generally be expected to be at the lower end of the 20% to 45% range, referred to above, where there are no clear synergy benefits. We note, however, that when determining the appropriate discount to apply to reflect a minority interest and lack of marketability, it is necessary to add a further discount to reflect the lack of marketability.

90. Based on the factors set out above, our experience and academic studies on minority and marketability discounts, we consider an appropriate discount to apply to determine the value of a minority interest in the Company to be in the range of 30% to 40%. On this basis, the valuation of a minority interest is in the range of $1.76 to $2.06 per share.

Table 10: Valuation of minority interest in VLE

	Low ($'000's)	High ($'000's)
Net Asset Value	10,361	10,361
Number of shares (000's)	3,526	3,526
Value per Share ($)	**2.94**	**2.94**
Discount for Minority and Marketability (30-40%)	**(1.18)**	**(0.88)**
Ascribed Minority Interest Value	**$1.76**	**$2.06**

91. Cross Check

As noted above, VLE operates a dividend reinvestment plan. We note that the strike price for the DRP in 2006 and 2007 was $1.35 and $1.85 respectively. Further, we note that the VWAP for the past 12 months, albeit on very thin trading was $1.75. On this basis, our assessed value range above of $1.76 to $2.06 appears reasonable.

VIII Impact of the Proposal

92. Valuation per share – Post Transaction (Controlling Interest)

In order to assess the impact of the Proposal on Continuing Shareholders we have considered the net asset position prior to the Proposal with the proforma net asset position assuming all Minority Shareholders accept the Proposal:

Table 11: Proforma Net Assets

	Net Assets 30 June 2007 $'000	Adjustments $'000	Proforma Net Assets $'000
Assets			
Cash and cash equivalents	35	**(35)**	**-**
Total Current Assets	**1,291**	**(35)**	**1,256**
Total Non-Current Assets	**21,338**		**21,338**
Total Assets	**22,629**	**(35)**	**22,594**
Liabilities			
Total Current Liabilities	**1,035**		**1,035**
Long-term borrowings	8,714	**(599)**	9,313
Total Non-Current Liabilities	**11,233**	**(599)**	**11,832**
Total Liabilities	**12,268**	**(599)**	**12,867**
Net Assets	**10,361**	**(634)**	**9,727**
Net asset value per share ($)			
Number of shares (000's)	3,526		3,184
Value Per Share ($)	2.94		3.05

93. We are advised that the transaction will be funded by existing cash reserves and additional borrowings against the existing assets of the Company should existing cash reserves be inadequate. On this basis, our assessment of net assets post the transaction will be $9.727 million

94. Based on the remaining outstanding shares of 3,184,194 the value of a Continuing share on a net asset basis post the transaction will be $3.05. This represents an increase in net asset value of 3.7% for the Continuing Shareholder.

95. Conclusion

BDO Corporate Finance considers the value of a Minority Shareholder to be in the range of $1.76 to $2.06 per share.

96. BDO Corporate Finance considers the value of a Continuing Shareholding to be $3.05 per share.

97. We have considered the impact of the Proposal in relation to the creditors of the Company. We note that if the Proposal proceeds, the net assets per share would increase from $2.94 to $3.05 and the net tangible assets would increase from $2.53 to $2.60 per share, on this basis the Proposal does not materially prejudice the Company's ability to pay its creditors.

IX Assessment of whether the Proposal is Fair and Reasonable to Minority and Continuing Shareholders

98. In assessing whether the Proposal is fair and reasonable to the Minority and Continuing Shareholders of VLE, we have considered the value of the Minority Shareholding to be acquired against the proposed consideration as well as the advantages and disadvantages of the Proposal proceeding or not proceeding.

99. In assessing whether we consider the Proposal fair and reasonable we have considered the following factors:

- the fair market value of a share in VLE compared to the Proposal Consideration being made to Minority Shareholders;
- the VWAP of share trades made on the BSX in respect of VLE shares.
- the value of the share price under which shares were issued to participating shareholders under the Dividend Reinvestment Plan (DRP) of VLE.
- whether any premium for control is being paid to the Minority Shareholders and quantify any premium;
- the likely advantages and disadvantages to the Minority Shareholders and the Continuing Shareholders if the Proposal is accepted or rejected; and
- any other factors relevant to the VLE shareholders in their assessment of the Proposal.

100. Valuation of VLE compared to the Proposal Consideration

The following table summarises our assessment of a Minority Shareholding in VLE, the VWAP observed for VLE shares over the past 12 months and the most recent DRP prices compared to the Proposal Consideration being offered to Minority Shareholders.

Table 13: Valuation of Minority Interest Shareholding compared to the Proposal Consideration

	Value per Share
Assessed Value on Net Asset Basis	\$1.76 - \$2.06
VWAP for past 12 months	\$1.75
DRP value range	\$1.35 – 1.85
Value of Proposal consideration	**\$1.85**

101. Based on BDO Corporate Finance's assessment of the value per share for a minority shareholding of VLE as shown in the table above, the Proposal Consideration falls within the assessed value per share range.

102. We have also considered the potential advantages and disadvantages to the Minority and Continuing Shareholders of VLE of the Proposal proceeding or not proceeding.

103. Minority Shareholders

The advantages and disadvantages of the Proposal proceeding for Minority Shareholders are set out below:

Advantages

- **Proposal Consideration –** The Proposal Consideration offered is greater than the assessed value per share on a minority basis;
- **No alternative investment plans –** The Company has no other plans which are likely to provide better returns to the Minority Shareholders in the medium term;
- **Exit illiquid investment –** The Proposal provides an opportunity for Minority Shareholders to exit from an illiquid investment as it is listed on an illiquid exchange being the Bendigo Stock Exchange (BSX) and the Company has announced that it is considering removing the company from the BSX, reducing liquidity further;
- **Small parcel of shares –** Minority Shareholders with less than marketable parcels of shares will be provided with the opportunity to exit their investment free of transaction costs; and
- **Taxation consequences -** Minority Shareholders may crystallise any potential taxation consequences of investment in VLE i.e. taxable loss to be offset against other taxable income.

Disadvantages

- **Forego future benefits –** Minority Shareholders will not be able to share in any potential upside in VLE in the future.
- **Taxation consequences –** Minority Shareholders may crystallise a potential taxation gain on their investment in VLE i.e. taxable income.

104. Continuing Shareholders

The advantages and disadvantages of the Proposal proceeding for the Continuing Shareholders are set out below:

Advantages

- **Delisting** – acceptance of buy-back offers by a substantial number of Minority Shareholders is expected to place the Company in a position to implement a de-listing from the BSX, resulting in reduced reporting and compliance costs;
- **Restructuring -** the buy-back may reduce the number of Shareholders below the public company threshold of 50, thereby enabling the company to convert to a private company;
- **Non-disclosure of annual reports** – in the event the company is able to convert to a private company this may result in reduced operating and reporting obligations for the Company, thereby providing an opportunity to reduce operating costs. On a confidentiality basis, approval of the Proposal and the subsequent delisting and privatising of the Company, will mean the Company will no longer be required to publish annual reports and make announcements to the market in respect of keeping the market informed of potential acquisitions or changes to strategy thereby improving and maintaining confidentiality of its operations.

- **Further Investors** - The buy-back and consequent de-listing may place the Company in a position to attract further private investment in the future to enable the development of the business.

Disadvantages

- **Proposal Consideration –** Cash of $634,000 will be required to carry out the buy-back;
- **Future Liquidity –** If the Company's securities were to be delisted, liquidity for the remaining securities would decrease;
- **Future Capital –** a reduced Shareholder spread may result in a potential reduction in opportunities for the Company to raise funds in the future.

105. Other Considerations

This IER only provides general information. It does not take into account a Shareholder's individual situation, objectives and needs. It is not intended to replace professional advice obtained by Shareholders. Shareholders should consider whether this IER is appropriate for the Shareholder's circumstances, having regard to the Shareholder's situation, objectives and needs before relying on or taking action based on this report. This report does not consider the taxation position of Shareholders, which depends upon their own individual circumstances. Shareholders should seek their own professional advice.

106. Whether or not individual Shareholders should vote to implement or not implement the Proposal depends upon an investor's situation, objectives and needs, as well as each investor's views as to the advantages and disadvantages associated with either implementing or not implementing the Proposal.

107. Conclusion

In our opinion, having considered the overall implications of the Proposal, the proposed selective capital reduction is fair and reasonable to all Shareholders. Our conclusion is based on the fact that the Proposal strikes a fair balance between the interests of Minority Shareholders and the Continuing Shareholders.

Sources of Information

Primary sources of information on which this IER is based include:

General

- Other sources of information include publicly available information such as:
- BSX – share prices
- ASIC Regulatory Guide 42 – Independence of Expert's Reports
- ASIC Regulatory Guide 74 – Acquisitions Agreed to by Shareholders
- ASIC Regulatory Guide 75 – Independent Expert Reports to Shareholders
- ASIC Regulatory Guide 110 – Share Buy-Backs
- Corporations Act 2001

VLE

- Annual Report – for the financial years ended 30 June 2005, 2006 and 2007
- Management Accounts for the financial year ended 30 June 2007.
- Budgeted Financial statements for the year ended 30 June 2008.
- Monthly share registry report for August 2007
- Articles of association of Victorian Livestock Exchange Limited
- Draft Explanatory Memorandum to accompany notice of annual general meeting for Victorian Livestock Exchange Limited

During the course of preparing this report, discussions were held with, and information received from Mr Michael Quinert and the management of VLE.

Overview of Valuation Methodologies

This Appendix sets out a brief discussion of the possible valuation methodologies applicable.

Realisable Net Asset Value ("NAV")

The NAV method estimates the value of a company's shares based on the summation of the realisable value of its assets and liabilities assuming the company is to be liquidated. It may be appropriate to consider the expenses and losses, (including taxation), that would be incurred in a liquidation or a break up of the company

This approach is generally used in situations when a business is not earning a profitable return, has solvency problems, is to be wound up, or is of the type that is typically sold on a net asset basis (such as share and property investment companies and trusts). This approach can also be used to compare with the results of an alternative valuation method by providing an estimate of a minimum value, especially where the subject equity holding (eg shareholding in a company) is a controlling interest.

Unless the ongoing value is greater than its realisable net asset value, usually it would be in the owner's interest to realise the assets and repay liabilities, rather than to continue operating as a going concern. This approach is typically more relevant to the valuation of a majority interest on the basis that the majority shareholder, by virtue of its control, may enforce a liquidation to realise the underlying net asset value, whereas a minority shareholder normally would not be able to effect such a realisation.

Discounted Cash Flow ("DCF")

The DCF method involves the calculation of net present values by discounting expected future cash flows. Forecast cash flows are discounted to a present value using discount rates that take into account the opportunity cost of capital and the risk of the Forecast/Projected cash flows. The discount rate represents the expected return to investors for their opportunity cost of capital based on investments of commensurate risk.

The DCF method is useful for valuing assets with finite and varying future cash flows.

Capitalisation of Earnings or Future Maintainable Earnings ("FME")

The use of FME places a value on a business or asset by assessing its core underlying earnings and applying an appropriate capitalisation rate or multiple which reflects, inter alia, comparable business capitalisation rates, economic and industry prospects, business growth opportunities, budget earnings over a period or multiple periods.

Net Asset Value on a Going Concern Basis ("NAV on a Going Concern Basis")

The NAV on a Going Concern Basis estimates the value of a company's shares based on the summation of the value of its assets and liabilities, assuming that the company is a going concern.

The NAV on a Going Concern Basis method usually is appropriate for companies where the majority of assets consist of cash or passive investments.

Transaction prices for securities ("Market Prices")

The recent trend in prices and volumes of securities transacted indicate values placed by buyers and sellers on the securities being traded.

Assuming the buyers and sellers were both knowledgeable and willing but not anxious these secondary market values can be used to form an opinion as to the market value of securities being valued.

Qualifications, Limitations and Consents

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Statements and opinions contained in this report are given in good faith and, in the preparation of this report, BDO Corporate Finance has relied upon the information provided by VLE, and believes, on reasonable grounds, it to be reliable, complete and not misleading. BDO Corporate Finance does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

Furthermore, recognising that BDO Corporate Finance may rely on information provided by VLE and its officers and/or associates, VLE has agreed to make no claim against BDO Corporate Finance to recover any loss or damage which VLE may suffer as a result of that reliance and also has agreed to indemnify BDO Corporate Finance against any claim arising out of the assignment to give this report, except where the claim has arisen as a result of any proven wilful misconduct by BDO Corporate Finance .

An advance draft of this report was provided to VLE for review of factual matters. The draft did not contain any conclusions. Certain changes were made to the factual contents of the report as a result of comments received. There were no alterations to the methodology adopted or our conclusions as a result of circulating the draft report.

BDO Corporate Finance is a wholly owned subsidiary of BDO Kendalls (VIC) Pty Ltd, which is a member of an Australian association of independent accounting and management consulting firms trading under the name of "BDO Kendalls". BDO Corporate Finance provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities.

The employee of BDO Corporate Finance principally involved in the preparation of this report was Phillip Rundle B COM, FCA, GAICD, F.Fin. Phillip has many years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert reports. Phillip Rundle is a representative of BDO Corporate Finance.

BDO Corporate Finance consents to the inclusion of this IER by VLE in the Notice of Extraordinary General Meeting in the form and content that it is included. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement without the prior written consent of BDO Corporate Finance to the form and context in which it appears. BDO Corporate Finance has consented to the use of extracts of this IER in the Notice of Extraordinary General Meeting to be issued by VLE relating to the Proposed Transaction, in the form and context they are included.

BDO Corporate Finance is not the auditor of VLE. Neither BDO Corporate Finance, nor any director or executive or employee thereof has any financial interest in the outcome of the Proposal which could be considered to affect our ability to render an unbiased opinion in this report except for the normal professional fee due for the preparation of this report which is based on the time devoted to this assignment. This fee is not contingent on the outcome of the Proposal. BDO Corporate Finance considers itself to be independent in terms of Regulatory Guide 42.