

GENERAL MEETING – NOTICE AND PROXY FORM

BauMart Holdings Limited (ASX: **BMH**) (the **Company** or **BauMart**) refers to the announcement dated 23 June 2022 in relation to the conditional sale of its wholly owned subsidiary Eco Pallets Pty Ltd (**Eco Pallets**) (including Eco Pallets' subsidiary, Eco Pallets NZ Limited) for a cash consideration of \$1 million and advises that it will convene and hold a general meeting for shareholders to consider and vote on the sale (**Proposed Sale**).

The general meeting will be held at 10.00am (WST) on Thursday, 18 August 2022 at 15 McCabe Street, North Fremantle, Western Australia 6159 (**Meeting**).

Notice of Meeting

The Notice of Meeting and Explanatory Statement (**Notice**) is attached, together with a copy of the proxy form.

In accordance with the *Corporations Amendments (Meetings and Documents) Act 2022* which came into effect on 1 April 2022, the Company will not be dispatching physical copies of the Notice to shareholders. Instead, the Notice is being made available to shareholders electronically and can be viewed and downloaded at the following link: <https://baumart.com.au/asx-announcements/>. The Notice is also available online at <https://www2.asx.com.au/markets/company/bmh>.

Further details on where the Notice can be viewed and downloaded, along with a personalised proxy form, will be dispatched to shareholders on Monday, 18 July 2022.

Independent Expert's Conclusion

The Notice includes an Independent Expert's Report from BDO Corporate Finance (WA) Pty Ltd (**Independent Expert**) which concludes that the Proposed Sale is fair and reasonable and hence in the best interests of shareholders, in the absence of a superior proposal.

The Independent Expert's conclusion should be read in context with the full Independent Expert's Report and the Notice.

Attending the Meeting

The Board has made the decision that it will hold a physical meeting. The Company will update shareholders if changing circumstances relating to COVID-19 will impact planning or the arrangement for the Meeting by way of an announcement on ASX and details will be made available on the Company's website at <https://baumart.com.au>.

Shareholders are encouraged to lodge a directed proxy form in accordance with the instructions set out in the Notice and personalised proxy form. Any proxy voting instructions must be received by no later than 10.00am (WST) on Tuesday, 16 August 2022, being not less than 48 hours before the commencement of the Meeting.

Further Information

Shareholders are encouraged to seek professional advice before making any voting decision in relation to the Proposed Sale.

Shareholders with any questions in relation to the Proposed Sale or the Meeting should contact the Company Secretary, Natalie Teo, on +618 6389 2688 or by email at natalie.teo@anthonyho.com.au between 9.00am and 5.00pm (WST), Monday to Friday.

AUTHORISED BY:

Ben Talbot

Executive Director

18 July 2022

About BauMart Holdings Limited

BauMart Holdings Limited (ASX: BMH) is an Australian public company headquartered in Perth and listed on the Australian Securities Exchange. The origins of the Company began with securing distribution partnerships with suppliers of building materials and its investment and leasing of automated glass-processing equipment. Since its listing in June 2015, the Company has diversified its business across a broad range of divisions including, but not limited to:

- supply of industrial products, including plastic material handling unit load devices;
- supply of building products, including premium volcanic natural stones;
- sourcing, procurement and end-to-end supply chain services; and
- managed services.

For further information, please contact:

Ben Talbot, Executive Director

T: +61 8 6558 0814

E: info@baumart.com.au



Notice of General Meeting, Explanatory Statement, Independent Expert's Report and Proxy Form

BauMart Holdings Limited
ACN 602 638 531

Format

To be held as a physical meeting.

Venue

15 McCabe Street, North Fremantle, Western Australia 6159

Time and Date

10:00am (WST)
Thursday, 18 August 2022

Independent Expert's Report

Shareholders should carefully read and consider the Independent Expert's Report which accompanies this Notice of General Meeting. This Independent Expert considers the proposed transaction to be **fair and reasonable**.

IMPORTANT NOTE

The Notice of General Meeting, Explanatory Statement, Independent Expert's Report and Proxy Form should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser prior to voting.

Contents

Item	Page
Notice of General Meeting	2
Meeting and Voting Information	4
Explanatory Statement	6
Glossary of Terms	12
Annexure A – Independent Expert's Report	14
Proxy Form	Attached

Important Dates

An indicative timetable of key proposed dates is set out below. These dates are indicative only and are subject to change.

Event	Date
Last day for receipt of Proxy Forms – Proxy Forms received after this time will be disregarded	10:00am (WST) Tuesday, 16 August 2022
Snapshot date for eligibility to vote	5:00pm (WST) Tuesday, 16 August 2022
General Meeting	10:00am (WST) Thursday, 18 August 2022
Completion of Proposed Sale	5:00pm (WST) Thursday, 25 August 2022

Notice of General Meeting

Notice is hereby given that a General Meeting of BauMart Holdings Limited (ACN 602 638 531) (**Company**) will be held as a physical meeting at 15 McCabe Street, North Fremantle, Western Australia 6159 at 10:00am (WST) on Thursday, 18 August 2022.

Agenda

Resolution

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

Approval of disposal of shares in Eco Pallets

“That, for the purposes of Listing Rule 10.1 and for all other purposes, approval is given for the disposal of the entire issued share capital of Eco Pallets Pty Ltd to APX Holdings Pty Ltd, in the manner and on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusions

For the purposes of Listing Rule 14.11, the Company will disregard any votes cast in favour of the Resolution by the person disposing of the substantial asset to, or acquiring the substantial asset from, the Company and any other person who will obtain a material benefit as a result of the transaction (except solely by reason of being a holder of ordinary securities in the Company), or an ‘associate’ (for the purposes of the Listing Rules) of such persons.

This includes Matthew Logan, a Director of the Company, and his associates.

The Company need not disregard a vote cast in favour of the Resolution if it is cast by:

- a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;
- the Meeting Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Meeting Chair on the Resolution as the Meeting Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the Resolution; and
 - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Independent Expert’s Report

The Independent Expert’s Report annexed to this Notice has been prepared by the Independent Expert, BDO Corporate Finance (WA) Pty Ltd, to consider the fairness and reasonableness of the Proposed Sale the subject of the Resolution.

The Independent Expert has concluded that the Proposed Sale is **fair and reasonable** and therefore in the best interests of Shareholders in the absence of a superior proposal. The Independent Expert’s conclusion should be read in context with the full Independent Expert’s Report.

Explanatory Statement

For further information in relation to the items of business to be considered at the Meeting, please refer to the Explanatory Statement which accompanies this Notice. The Explanatory Statement forms part of this Notice.

Glossary

Unless inconsistent with the context, capitalised terms used in this Notice will have the meanings given to them in the Glossary of Terms set out in the Explanatory Statement.

By order of the Company's Board of Directors.



Natalie Teo
Company Secretary

18 July 2022

Meeting and Voting Information

Voting entitlement (snapshot date) The Board has determined that, for the purposes of voting at the Meeting, Shares will be taken to be held by persons who are registered as the holders of Shares at **5:00 pm (WST) on Tuesday, 16 August 2022**. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Participation The Meeting will be held as a physical meeting. Shareholders may attend and participate (including to vote) in person at 15 McCabe Street, North Fremantle, Western Australia 6159.

Voting at the Meeting will be conducted by way of a poll.

IMPORTANT: COVID-19 matters The Company will be observing social distancing rules and other COVID-19 legal requirements that may apply having regard to the circumstances at the time of the Meeting.

Attending the Meeting in person may be affected or prevented by lockdowns, social gathering restrictions, travel restrictions or other governmental orders in response to the COVID-19 pandemic. The Company may be required to take special measures in response, such as limiting physical attendee numbers or prohibiting physical attendance at the Meeting altogether.

If a situation in relation to COVID-19 were to change in a way that affects the position above, the Company will provide an update ahead of the Meeting by releasing an ASX announcement. However, Shareholders are strongly encouraged to consider appointing the Meeting Chair as proxy to attend and vote at the Meeting on their behalf if they are uncertain about attending the Meeting.

Appointment of Corporate Shareholder representatives A Shareholder that is a corporation may appoint an individual to act as its representative in accordance with section 250D of the Corporations Act. The Shareholder must lodge a satisfactory and duly executed appointment document with the Company in accordance with the instructions below.

Appointment of attorneys A Shareholder may appoint an attorney to act on the Shareholders' behalf at the Meeting. To do so, the Shareholder must lodge a duly executed power of attorney with the Company in accordance with the instructions below.

Appointment of proxies A Shareholder entitled to attend and vote at the Meeting is entitled to appoint up to two proxies. A proxy does not need to be a Shareholder.

To appoint a second proxy, a Shareholder must state on each Proxy Form (in the appropriate box) the percentage of voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half the Shareholder's votes. Fractions of votes will be disregarded.

Appointing the Meeting Chair as proxy

Shareholders may appoint the Meeting Chair as their proxy by marking the relevant box on the Proxy Form. Proxy Forms submitted without specifying the name of the proxy or expressly nominating the Meeting Chair as proxy will be deemed an appointment of the Meeting Chair. The Meeting Chair will be deemed proxy for a Shareholder if the proxy named in the Proxy Form does not attend the Meeting.

Directing a proxy how to vote

Shareholders may direct a proxy whether to vote for or against, or to abstain from voting, on the Resolution by marking the relevant box on the Proxy Form. Shareholders may also specify the proportion or number of votes that a proxy may exercise. All votes must be cast in accordance with such directions.

Directed proxies that are not voted on a poll at the Meeting by an appointed proxy will default to the Meeting Chair who will be required to vote proxies as directed on a poll.

**Lodgement of
appointment
documents**

Subject to any legal restrictions on proxy voting, a proxy may vote on the Resolution at their discretion unless the Proxy Form directs the proxy how to vote on the Resolution.

Duly completed corporate representative appointment documents, powers of attorney and Proxy Forms (together with any power of attorney or other authority under which they are executed, if applicable) must be received by the Company on or before **10:00am (WST) on Tuesday, 16 August 2022**. Documents received after that time will be invalid.

Appointment documents are to be lodged as follows:

by hand: 15 McCabe Street, North Fremantle, Western Australia 6159

by post: PO Box 4324, Mosman Park South, Western Australia 6912

**Proxy voting
intention of
Meeting Chair**

The Meeting Chair intends to vote all undirected proxies **FOR** the Resolution. In exceptional cases, the Meeting Chair may change his or her voting intention, in which case the Company will make an announcement to ASX in this regard.

Voting procedure

Voting on the Resolution at the Meeting will be conducted by way of a poll.

**Questions by
Shareholders**

The Meeting Chair will allow a reasonable opportunity at the Meeting for Shareholders to ask questions or make comments on the Proposed Sale and the resolution.

Please submit any questions to the Company by **10:00am (WST) on Tuesday, 16 August 2022** in the same manner as outlined above for lodgement of appointment documents.

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolution in the accompanying Notice of General Meeting.

Shareholders should also carefully read the Independent Expert's Report in Annexure A when considering how to vote on the Resolution.

This Explanatory Statement should be read in conjunction with the Notice of General Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary or otherwise in the Explanatory Statement.

1. Background – Proposed Sale

On 29 July 2021, the Company announced that it was conducting a strategic business review which included evaluating potential projects and strategies to deliver long term growth and maximise shareholder value.

On 23 June 2022, the Company announced to ASX that it has entered into a binding but conditional Share Sale Agreement with APX Holdings Pty Ltd (**Sale Agreement**) under which APX agreed to purchase Eco Pallets (including its subsidiary, Eco Pallets NZ) by way of share purchase for \$1,000,000 in cash (**Proposed Sale**).

A director of the Company, Matthew Logan, has an indirect 30% shareholding in APX. Mr Logan has advised the Company that, if the Proposed Sale completes, it is proposed that he be appointed as a director of APX.

ASX has advised that, pursuant to its discretion under Listing Rule 10.1.5, it considers the relationship between Matthew Logan and APX is of a nature that warrants the Proposed Sale be considered by Shareholders under Listing Rule 10.1. Accordingly, the Resolution seeks Shareholder approval for the Proposed Sale for the purposes of Listing Rule 10.1.

If the Resolution is passed, the Company will be able to proceed with the Proposed Sale under the Sale Agreement.

If the Resolution is not passed, the Company will not be able to proceed with the Proposed Sale, and accordingly will not dispose of the Eco Pallets Shares. In such circumstances, the Company may seek other suitable divestment and/or investment opportunities to deliver value to Shareholders.

The Resolution is an ordinary resolution. It must be passed by at least a majority of the votes cast by Shareholders present and entitled to vote on the Resolution.

2. Rationale for Proposed Sale

As noted in Section 1 above, the Company has been conducting a strategic business review of its business units. The review seeks to achieve the following outcomes:

- assessing current revenue streams and each business unit's potential to generate and maintain sustainable margin;
- identifying potential projects and strategies to deliver sustainable and long-term growth;
- reviewing operational expenses to enable cost effective scale-up of future activities; and
- exploring acquisition and divestment opportunities to add value for shareholders.

The ongoing review has identified that the Eco Pallets business is capital intensive and to date, has not been able to deliver or generate a sustainable earnings profile for the Company. In recent times its margin and performance have been further hampered by rising supply chain and production costs.

In addition, the Company manages the Eco Pallets business from Perth, being the Company's head office. However, Eco Pallets' key markets and customers are located in eastern Australia. This distance creates logistical and operational challenges in properly managing and growing the Eco Pallets business.

The Company considers the Proposed Sale and realisation of this asset is in line with the Company's short to medium term objectives as it is expected that significant additional capital will be required to scale and progress the Eco Pallets business. The Company considers this capital may be more appropriately applied to its other business activities.

The consideration for the Proposed Sale will also provide short term funding for the Company's current operations and any growth objectives, thus reducing the need to seek alternative debt or equity funding for working capital.

In addition, the cost savings coupled with the consideration to be received for the Proposed Sale will assist the Company to progress its sourcing and procurement services for the mining services sector in West Africa, which the Company has identified as a scalable business model.

3. Listing Rule 10.1

Listing Rule 10.1 restricts an entity from making a disposal of a substantial asset to any of the persons (**LR10.1 Parties**) without obtaining shareholder approval or an exception applies:

- a related party (Listing Rule 10.1.1);
- a child entity of the entity (Listing Rule 10.1.2);
- a person who is or was in the last 6 months before the transaction or agreement a substantial (10%+) holder of the entity (Listing Rule 10.1.3);
- an associate of a person mentioned in Listing Rule 10.1.1- 10.1.3 (Listing Rule 10.1.4); or
- a person whose relationship to the entity or a person referred to in rules 10.1. 1 to 10.1. 4 is such that, in ASX's opinion, the transaction should be approved by security holders (Listing Rule 10.1.5).

Listing Rule 10.2 provides that an asset is substantial if its value or the value of the consideration paid or received by the entity for it is, or in ASX's opinion is, 5% or more of the entity's equity interests set out in its last set of financial statements given to ASX under the Listing Rules.

The Proposed Sale is expected to constitute the disposal of a substantial asset for the purposes of Listing Rules 10.1 and 10.2. The proposed consideration amount of \$1,000,000 exceeds 5% of the equity interest in the Company's consolidated statement of financial position for the half financial year ended 31 December 2021.

As noted above, ASX has exercised its discretion under Listing Rule 10.1.5 to require the Company obtain approval of its Shareholders for the Proposed Sale.

4. Listing Rule required information

The following information is provided in relation the Resolution, in accordance with Listing Rule 10.5:

(a) Details of the person to whom the Company is disposing of the substantial asset

The Company is disposing of the Eco Pallets Shares to APX Holdings Pty Ltd (ACN 656 082 316).

The shareholders of APX as at the date of this Notice are as follows:

Name	Shares	%
Wai Heng Ho	6,801,000	31.15%
Matador Holdings Pty Ltd	6,767,000	30.99%
Serng Yee Liew	6,095,000	27.91%
Patrac Holdings Pty Ltd	1,086,100	4.97%
Stefa Pty Ltd	543,000	2.49%
Petto Holdings Pty Ltd	543,000	2.49%

Director of the Company, Matthew Logan, is the sole director and shareholder of Matador Holdings Pty Ltd. Mr Logan holds 3,200,000 Shares in the Company, representing approximately 2.21% of the total Shares on issue. Mr Logan has advised the Company that, upon successful completion of the Proposed Sale, he will likely step down as a Director of the Company and be appointed a director of APX.

Paul Challis is a director and 50% shareholder of Patrac Holdings Pty Ltd. He is also the sole director of APX.

Serng Yee Liew is also a shareholder of the Company and holds 2,850,000 Shares, representing approximately 1.97% of the total Shares on issue.

(b) **Category in Listing Rules 10.1.1 – 10.1.5 which APX falls into and why**

APX does not fall within any of the categories of LR10.1 Party in Listing Rules 10.1.1 to 10.1.4.

As noted above, ASX has exercised its discretion under Listing Rule 10.1.5 to determine that APX is a LR10.1 Party due to the relationship between APX and Matthew Logan, in particular:

- Mr Logan's substantial equity holding in APX and proposed directorship;
- the fact that Mr Logan was a founder of Eco Pallets and was involved in the sale of the entity to the Company in 2016.

(c) **Details of the asset being disposed of**

The asset being disposed of under the Proposed Sale is the Eco Pallets Shares, 100% of which are owned by the Company. This will result in the disposal of wholly owned subsidiaries Eco Pallets and Eco Pallets NZ.

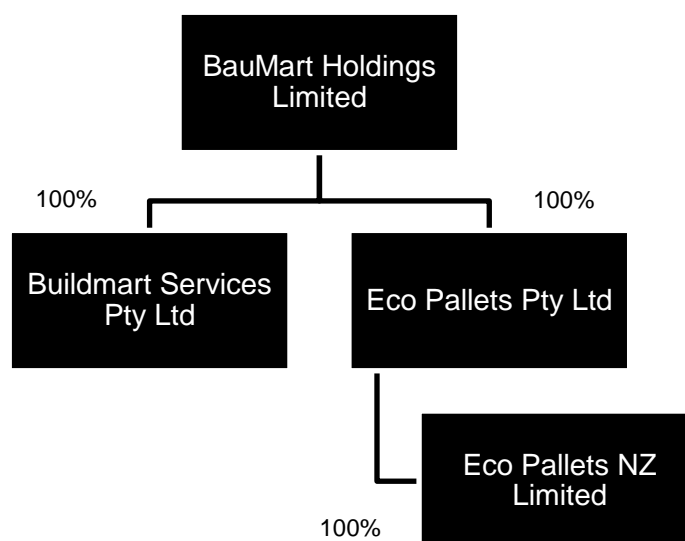


Figure 1: Current corporate structure

Eco Pallets and Eco Pallets NZ operate a materials handling product supply business which services the materials handling and industrial supplies market Australia-wide, specialising in plastic materials handling unit load devices, such as plastic pallets and plastic crates.

Eco Pallets head office is located in Perth, but is supported by distribution centres in Melbourne, Brisbane, and Sydney, as well as overseas (through Eco Pallets NZ) in Auckland, New Zealand.

From food to pharmaceuticals, Eco Pallets seeks to provide practical, cost-effective materials handling solutions for a wide range of industries. Aside from lightweight plastic pallets, Eco Pallets' product line includes bulk containers, collapsible crates, and banded pallets.

Eco Pallets was founded in 2009 by Evan Retallack and Matthew Logan. It was acquired by the Company in May 2016 for the issue of 8,000,000 new Shares.

(d) **Consideration for the Proposed Sale**

The total consideration payable under the Proposed Sale will be \$1,000,000 in cash.

(e) **Intended use of funds received for the Proposed Sale**

The Company continues to review project, acquisition and/or investment opportunities in the sourcing and procurement space with a view to maximise Shareholder value.

It is proposed that funds received under the Sale Agreement will be deployed towards:

- progressing the expansion of the Company's sourcing and procurement services for mining consumables in West Africa;
- reviewing businesses and activities with an aim of identifying new opportunities (through the ongoing strategic review process); and
- general working capital.

(f) **Timetable for completing the Proposed Sale**

The timetable below is a summary of the key dates relevant to the Proposed Sale and future dates are indicative only and subject to change:

Event	Date
Enter Sale Agreement, as announced to ASX	23 June 2022
Shareholder Approval – General Meeting (under this Notice)	18 August 2022
Completion of Sale	25 August 2022

(g) **Summary of the material terms of the Sale Agreement in respect of the Proposed Sale**

Please see a summary of the material terms of the Proposed Sale in Section 5 below.

5. Summary of the Material Terms of the Sale Agreement

The following is a summary of the material terms of the Proposed Sale under the Sale Agreement:

- (a) APX will purchase the Eco Pallets Shares from the Company for a total consideration of \$1,000,000 in cash (**Consideration**).
- (b) Completion of the Proposed Sale is conditional on satisfaction of various conditions precedent, including the following:
- the Company obtaining all necessary legal, regulatory and shareholder approvals which are required to give effect to the transactions contemplated in the Sale Agreement;
 - Material Adverse Events not occurring in relation to Eco Pallets;
 - the assets of the Eco Pallets and Eco Pallets NZ being free from all security interests and other encumbrances, other than certain permitted dealings; and
 - the Eco Pallets Shares being free from all security interests and other encumbrances;
 - the Company and each of its subsidiaries (excluding Eco Pallets and Eco Pallets NZ) executing a deed of release under which they release Eco Pallets and Eco Pallets NZ from all amounts which may be owed or that become owing in the future to the Company or its subsidiaries in relation to the period of time prior to completion of the proposed Sale; and
 - Eco Pallets and Eco Pallets NZ executing a deed of release under which they release the Company and its subsidiaries from all amounts which may be owed or that become owing in

the future to Eco Pallets and Eco Pallets NZ in relation to the period of time prior to completion of the proposed Sale.

- (c) Completion of the Proposed Sale is to occur 5 business days after the conditions precedent described above are satisfied or waived (**Completion**).
- (d) The Company will indemnify APX, Eco Pallets and Eco Pallets NZ in relation to any tax liabilities incurred as a result of the release of intra-group loans at Completion.
- (e) The Company will indemnify APX, Eco Pallets and Eco Pallets NZ in relation to any unfunded tax or duty liabilities of Eco Pallets or Eco Pallets NZ which relates to the period prior to 1 July 2022.
- (f) Within 10 business days of Completion, the parties will prepare completion accounts to determine Eco Pallets consolidated working capital position at 30 June 2022. The Company must reimburse APX to the extent of a working capital deficit such that the working capital at that date is less than \$300,000. APX must pay the Company an additional amount to the extent the working capital at that date exceeds \$300,000.

The Sale Agreement otherwise contains provisions considered standard for an agreement of its nature, including representations, warranties and confidentiality provisions.

6. Potential Financial Effect

The table below sets out the estimated potential financial effect of the Proposed Sale on the Company and the potential change to the scale of the Company's activities.

Financial metric	Consolidated historical	Effect of Proposed Sale	Pro forma following Proposed Sale	Percentage change
at 31 December 2021 (reviewed)				
Total assets	\$7,967,229	-\$145,764	\$7,821,465	-1.83%
Total equity	\$5,532,455	\$726,718	\$6,259,173	13.14%
at 30 June 2021 (audited)				
Total annual revenue	\$10,083,505	-\$4,921,059	\$5,162,446	-48.80%
Annual profit (loss) before tax and extraordinary items	\$3,316,069	-\$426,438	\$2,889,631	-12.86%

The Proposed Sale will not have any impact on the capital structure of the Company.

7. Independent Expert's Report

This Notice includes an Independent Expert's Report by the Independent Expert, BDO Corporate Finance (WA) Pty Ltd, at Annexure A.

The Independent Expert has considered the terms of the Proposed Sale and has concluded that, in the absence of a superior proposal, the Proposed Sale is **fair and reasonable and therefore in the best interests of Shareholders**. It considers the position of Shareholders if the Proposed Sale is approved is more advantageous than the position if it is not approved.

The Independent Expert considers the Proposed Sale to be **fair** because, in the absence of any other relevant information, and a superior proposal, the value of the Consideration is within the Independent Expert's assessed range of values of Eco Pallets.

The Independent Expert considers the Proposed Sale to be **reasonable** because, among other things:

- the Proposed Sale is fair;
- consideration from the Proposed Sale provides a source of funding for the Company;
- the Proposed Sale provides the Company with certainty of value; and
- Shareholders are no longer exposed to the risks associated with Eco Pallets and the materials handling industry.

Additional information about the potential advantages and disadvantages of the Proposed Sale is set out in section 13 of the Independent Expert's Report.

The Independent Expert's conclusions above are in summary form and should be read in context with the full Independent Expert's Report at Annexure A.

8. Related Party Financial Benefits

Section 208(1) of the Corporations Act (set out in Chapter 2E) requires a public company to obtain the approval of its shareholders before providing a financial benefit to a 'related party' (e.g. a director or an entity controlled by a director of that company), unless giving the financial benefit falls within a statutory exception. Any financial benefit approved by shareholders must be provided within 15 months of the approval.

Section 210 of the Corporations Act provides an exception to the requirement for shareholder approval where a financial benefit is given to a related party on terms that would be reasonable in the circumstances if the public company and the related party were dealing at arm's length, or the terms are less favourable to the related party than the arm's length terms.

As noted above, Matthew Logan has an indirect shareholding interest in APX. Accordingly, he may obtain a financial benefit from the Proposed Sale through this shareholding interest in APX. Mr Logan is a 'related party' of the Company for the purposes of the Corporations Act by virtue of being a Director.

The Directors (other than Mr Logan, who declines to make a comment in this regard) consider that the terms of the Proposed Sale reflect an arm's length negotiation between the Company and APX, and accordingly that the 'arm's length' exception under section 210 of the Corporations Act applies. On this basis, approval of the Proposed Sale is not sought for the purposes of section 208 of the Corporations Act.

9. Directors' Recommendation

The Directors (other than Matthew Logan) do not have any material interest in the outcome of the Resolution, and based on all the information available, recommend that Shareholders vote in favour of the Resolution as it is in the best interests of the Company and subject to the Independent Expert continuing to conclude that the Proposed Sale is in the best interests of Shareholders.

The Directors recommend that Shareholders read the Independent Expert's Report in full.

Mr Logan has a material personal interest in the outcome of the Resolution, and accordingly declines to make a recommendation on voting.

Glossary

In this Explanatory Statement, the following terms have the meaning set out below, unless the context otherwise requires:

APX	APX Holdings Pty Ltd (ACN 656 082 316).
Associate	Has the meaning given to that term in the Listing Rules.
ASX	ASX Limited (ACN 008 624 691) or the financial market known as the Australian Securities Exchange, as the context requires.
Board	The Company's Board of Directors.
Company	BauMart Holdings Limited (ACN 602 638 531).
Company Secretary	The Company Secretary of the Company at the time of the Meeting.
Corporations Act	The <i>Corporations Act 2001</i> (Cth).
Director	A director of the Company.
Eco Pallets	Eco Pallets Pty Ltd (ACN 152 625 824).
Eco Pallets NZ	Eco Pallets NZ Limited (NZBN 9429047937949), a wholly-owned subsidiary of Eco Pallets Pty Ltd.
Eco Pallets Shares	48,000,100 fully paid ordinary shares in Eco Pallets Pty Ltd.
Explanatory Statement	This explanatory statement which accompanies and forms part of the Notice of Meeting.
General Meeting or Meeting	The general meeting of Shareholders convened by this Notice, including or any adjournment of such meeting.
Glossary	This glossary of terms.
Group	means the corporate group comprising the Group Companies.
Group Company	means the Company or Eco Pallets NZ.
Independent Expert	BDO Corporate Finance (WA) Pty Ltd (ACN 27 124 031 045).
Independent Expert's Report	The report dated 29 June 2022 provided by the Independent Expert pursuant to Listing Rule 10.5.10, as annexed to this Notice.
Listing Rules	The listing rules of ASX, as amended from time to time.
Material Adverse Event	<p>means any matter, event or circumstance, whether occurring before or after the date of the Sale Agreement, which has or is reasonably likely to have, either individually or when aggregated with other matters, events or circumstances of a like kind:</p> <ul style="list-style-type: none">(a) the effect of diminishing the net assets of the Group by 25% or more;(b) the effect of diminishing earnings before interest and taxes (EBIT) of the Group by 25% or more over any 12 month period;(c) an adverse effect of 25% or more on the affairs, assets, liabilities, financial condition, operations or prospects of the Group or its business; or(d) loss, amendment or variation to any authorisation required by the Group to operate the business, <p>including an effect as a result of:</p>

- (e) any legislation (whether by statute, by-law, regulation or otherwise) having been enacted or introduced;
- (f) any action, suit, proceeding or investigation having been commenced or threatened against any one or more of a Group Company or the seller; or
- (g) the novel coronavirus (COVID-19) pandemic;
- but excluding a change resulting from:
- (h) general economic or political conditions or changes in those conditions (including financial market fluctuations, changes in interest rates);
- (i) the transaction, acts, omissions or circumstances contemplated by the Sale Agreement, or the execution, performance or announcement of the transaction under the Sale Agreement;
- (j) changes to the Accounting Standards or the interpretation of them; or
- (k) matters disclosed in the materials given to APX Holdings Pty Ltd from the Company for due diligence purposes in relation to the Proposed Sale.

Meeting Chair	The chairperson of the Meeting.
Notice or Notice of General Meeting	The notice of General Meeting which accompanies this Explanatory Statement.
Proxy Form	The proxy form accompanying the Notice.
Proposed Sale	Has the meaning given to that term in Section 1.
Resolution	The resolution set out in the Notice.
Sale Agreement	Has the meaning given to that term in Section 1.
Section	A section of this Notice.
Share Registry	The Company's securities registry, being Advanced Share Registry.
Share	A fully paid ordinary share in the capital of the Company.
Shareholder	A registered holder of a Share.
WST	Australian Western Standard Time, being the time in Perth, Western Australia.

Annexure A – Independent Expert's Report

(attached as a separate document)

For personal use only

BAUMART HOLDINGS LIMITED
Independent Expert's Report

OPINION: FAIR AND REASONABLE

29 June 2022

Financial Services Guide

29 June 2022

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by BauMart Holdings Limited ('BauMart' or 'the Company') to provide an independent expert's report on the proposed sale of BauMart's wholly owned subsidiary, Eco Pallets Pty Ltd ('Eco Pallets' or 'the Business'), to APX Holdings Pty Ltd ('APX') for cash consideration of \$1 million. You are being provided with a copy of our report because you are a shareholder of BauMart, and this Financial Services Guide ('FSG') is included in the event you are also classified under the Corporations Act 2001 ('the Act') as a retail client.

Our report and this FSG accompanies the Notice of Meeting required to be provided to you by BauMart to assist you in deciding on whether or not to approve the proposal.

Financial Services Guide

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

This FSG includes information about:

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

Information about us

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

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

Financial services we are licensed to provide

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

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

General Financial Product Advice

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

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$32,000.

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

Remuneration or other benefits received by our employees

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

Referrals

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

Complaints resolution*Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints can be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700, West Perth WA 6872 or, by telephone or email using the contact details within the following report.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint in writing within 1 business day or, if the timeline cannot be met, then as soon as practicable and investigate the issues raised. As soon as practical, and not more than 30 days after receiving the complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

If a complaint is made and the complainant is dissatisfied with the outcome of the above process, or our determination, the complainant has the right to refer the matter to the Australian Financial Complaints Authority Limited ('AFCA').

AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

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

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

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

TABLE OF CONTENTS

1.	Introduction	1
2.	Summary and Opinion	1
3.	Scope of the Report	4
4.	Outline of the Proposed Sale	6
5.	Profile of BauMart	7
6.	Profile of Eco Pallets	14
7.	Economic analysis	18
8.	Industry analysis	20
9.	Valuation approach adopted	24
10.	Valuation of Eco Pallets	25
11.	Valuation of the Consideration	36
12.	Is the Proposal Sale fair?	37
13.	Is the Proposed Sale reasonable?	38
14.	Conclusion	39
15.	Sources of information	40
16.	Independence	40
17.	Qualifications	41
18.	Disclaimers and consents	41
	Appendix 1 - Glossary and copyright notice	
	Appendix 2 - Valuation Methodologies	
	Appendix 3 - Comparable Company Descriptions	
	Appendix 4 - Target Company Descriptions of Comparable Transactions	
	Appendix 5 - Control Premium	

29 June 2022

The Independent Directors
BauMart Holdings Limited
Suite 3, 15 McCabe Street
North Fremantle WA 6159

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 23 June 2022, BauMart Holdings Limited ('BauMart' or 'the Company') announced on the Australian Securities Exchange ('ASX') that it had signed a binding Share Sale Agreement ('Sale Agreement') with APX Holdings Pty Ltd ('APX') to sell 100% of the shares of BauMart's wholly owned subsidiary, Eco Pallets Pty Ltd ('Eco Pallets' or 'the Business') to APX ('Proposed Sale').

Under the terms of the Sale Agreement, the consideration payable by APX for the shares in Eco Pallets is \$1,000,000 in cash ('Consideration'). Additionally, as a condition precedent of the Proposed Sale, BauMart will enter into a Release Deed with Eco Pallets ('Release Deed'), which will release BauMart from intercompany loans owing to Eco Pallets, which total \$1,654,878 as at 30 April 2022 ('Forgiven Loan').

BauMart's Executive Director, Matthew Logan, is a substantial shareholder of APX (owning approximately 30% of APX). ASX has exercised its discretion under Listing Rule 10.1.5 and determined that Matthew Logan is a person whose relationship to BauMart is such that, in ASX's opinion, the transaction should be approved by security holders.

All currencies are quoted in Australian dollars unless otherwise stated.

2. Summary and Opinion

2.1 Requirement for the report

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

Our Report is prepared pursuant to ASX listing rule 10.1 of the Corporations Act 2001 ('Corporations Act' or 'the Act') and is to be included in the Notice of Meeting of BauMart in order to assist the Shareholders in their decision whether to approve the Proposed Sale.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guides Regulatory Guide 76 'Related party transactions' ('RG 76'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

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

- How the value of Eco Pallets compares to the value of the Consideration;
- The likelihood of an alternative offer being made to BauMart;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Proposed Sale; and
- The position of Shareholders should the Proposed Sale not proceed.

2.3 Opinion

We have considered the terms of the Proposed Sale as outlined in the body of this report and have concluded that, in the absence of a superior proposal, the Proposed Sale is fair and reasonable to Shareholders.

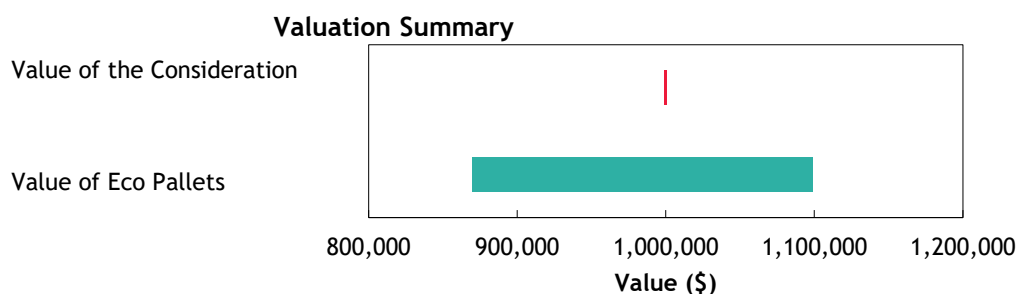
2.4 Fairness

In Section 12 we determined that the value of Eco Pallets compares to the Consideration, as detailed below.

	Ref	Low \$	High \$
Value of Eco Pallets	10.3	844,825	1,098,825
Value of the Consideration	11	1,000,000	1,000,000

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, and a superior proposal, the Proposed Sale is fair for Shareholders because the value of the Consideration is within our assessed range of values of Eco Pallets.

2.5 Reasonableness

We have considered the analysis in Section 13 of this report, in terms of the advantages and disadvantages of approving the Proposed Sale.

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

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1.1	The Proposed Sale is fair	13.2.1	Reduction in operating cash flow for the wider BauMart group
13.1.2	Consideration from Proposed Sale provides a source of funding	13.2.2	Loss of scale of BauMart
13.1.3	The Proposed Sale provides BauMart with certainty of value	13.2.3	Loss of diversification
13.1.4	Shareholders are no longer exposed to the risks in Eco Pallets	13.2.4	Loss of potential upside in Eco Pallets

Other key matters we have considered include:

Section	Description
13.1	Alternative Proposal

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of, or agrees to acquire or dispose of, a substantial asset when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity as set out in the latest accounts given to the ASX under its Listing Rules. Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a related party or person of influence of the listed entity as defined under the ASX Listing Rules. BauMart's Executive Director, Matthew Logan, is a substantial shareholder of APX (owning approximately 30.00% of APX) and is therefore considered to be a related party.

Based on the reviewed accounts as at 31 December 2021, the value of the Consideration paid for Eco Pallets, represents in excess of 5% of the equity interest of BauMart. Listing Rule 10.5.10 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded.

Accordingly, an independent experts' report is required for the Proposed Sale. Under RG 111, the report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto, are fair and reasonable to the non-associated shareholders.

3.2 Regulatory guidance

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

This regulatory guide suggests that, where an expert assesses whether a related party transaction is 'fair and reasonable' for the purposes of ASX Listing Rule 10.1 this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal.

We do not consider the Proposed Sale to be a control transaction in the sense that the Proposed Sale does not result in a transfer of control of BauMart. As such, we have used RG 111 as a guide for our analysis but have considered the Proposed Sale as if it were not a control transaction. Notwithstanding, pursuant to the Proposed Sale, BauMart proposes to dispose its 100% interest in Eco Pallets, therefore we have valued Eco Pallets on a control basis.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject of the offer. In the case of BauMart, its wholly owned subsidiary, Eco Pallets, is the subject of the Proposed Sale. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. RG 111 states that when considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. As

outlined in Section 3.2, we do not consider that the Proposed Sale is a control transaction in the sense that the Proposed Sale does not result in a transfer of control of BauMart. However, as BauMart is proposing to dispose its 100% interest in Eco Pallets, we have assessed the value of Eco Pallets on a controlling interest basis.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any alternate options.

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

- A comparison between value of Eco Pallets and the value of the Consideration (fairness - see Section 12 'Is the Proposed Sale Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 14 'Is the Proposed Sale Reasonable?').

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

A Valuation Engagement is defined by APES 225 as follows:

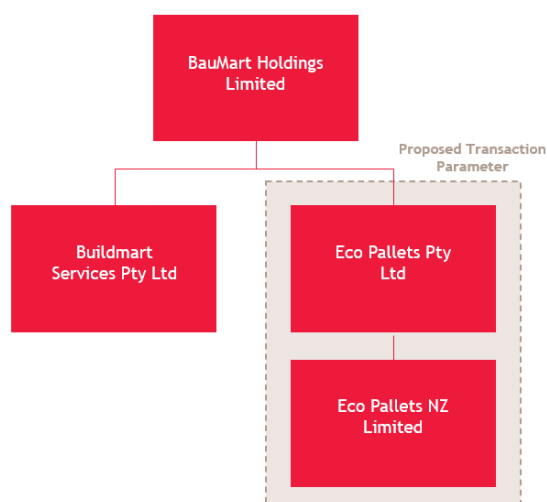
'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances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

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

4. Outline of the Proposed Sale

On 23 June 2022, BauMart announced that it had entered into a binding Sale Agreement with APX for the sale of Eco Pallets, including its subsidiary Eco Pallets NZ Limited. Under the terms of the Sale Agreement, the consideration payable by APX for the entire issued capital of Eco Pallets is \$1,000,000 in cash.

The current corporate structure of BauMart, is set out below.



Source: BauMart management

The Sale Agreement sets out certain conditions precedent, including but not limited to the following:

- BauMart obtaining all necessary legal, regulatory and shareholder approvals which are required to give effect to the Proposed Sale;
- no material adverse events occurring;
- the assets and shares of Eco Pallets being free from all encumbrances;
- all BauMart and APX warranties being, at completion, true, accurate and not misleading in all material respects;
- BauMart receiving confirmation from the ASX that it will not exercise its power under Listing Rule 11.1.3 to require BauMart to re-comply with Chapters 1 and 2 of the Listing Rules; and
- Execution of a Release Deed, which will release BauMart from \$1,654,878 of intercompany loans as at 30 April 2022 owing to Eco Pallets.

BauMart or APX may terminate the Sale Agreement any time before completion if a condition precedent is not satisfied or waived or if an approval or consent required as one of the conditions precedents is not granted on terms which are acceptable to BauMart or APX, acting reasonably.

An annexure to the Sale Agreement includes a completion pro-forma balance sheet, which is derived from the unaudited balance sheet of Eco Pallets as at 30 April 2022. The assets and liabilities of Eco Pallets per this completion balance sheet will be transferred as part of the Business sale. Where there are differences between the balances at completion and the pro-forma balance sheet per the Sale Agreement, there will be a corresponding adjustment to the Consideration. The pro-forma balance sheet of Eco Pallets that is to be transferred pursuant to the Proposed Sale is presented in Section 10.2 of our Report.

BauMart's executive director, Matthew Logan, is a substantial shareholder of APX, holding 30% of APX as at the date of our Report. We note that if APX acquires Eco Pallets, it is intended that Matthew Logan will resign as a director of BauMart and be appointed a director of APX. APX has informed BauMart that it does not have any current intention of listing on any stock exchange.

5. Profile of BauMart

5.1 Overview

BauMart, the parent entity, is an Australian public company listed on the ASX that is headquartered in Perth, Australia. Operating across Sydney, Melbourne, Brisbane and in Auckland, New Zealand, BauMart, together with its subsidiaries, procures, supplies and installs building products and materials for the residential and commercial construction markets in Australia and New Zealand.

BauMart was incorporated in 2014 and began by securing distribution partnerships with suppliers of building materials and investment and leasing of automated glass processing equipment. Since its listing on 16 June 2015, BauMart has narrowed its focus on building materials and supply. As part of this strategy, BauMart purchased Eco Pallets on 31 May 2016. Subsequently, BauMart sold its glass processing assets on 9 June 2020 and deregistered BauMax Pty Ltd on 15 July 2020, which was a provider of information technology services.

The BauMart's board of directors comprises:

- Mr Matthew Logan - Executive Director;
- Mr Ben Talbot - Executive Director;
- Mr Berthus Budiman - Non-Executive Director; and
- Mr Anson Gan - Non-Executive Director.

5.2 Operations

BauMart is a supplier and installer of building materials, either as an intermediary through its source and procure business unit, or directly through its building materials business unit.

The buildings materials business primarily specialises in the supply of volcanic natural stones. Historically, this division also supplied glass and wood composites up until the 2019 financial year, however this has since been discontinued.

Through its wholly owned subsidiary, Eco Pallets, BauMart operates a complementary materials handling business. Eco Pallets specialises in the provision of plastic materials handling products, with an emphasis on plastic pallets and plastic crates.

As an ancillary service, BauMart also is a provider of project based managed services to industrial businesses.

The following entities are BauMart's wholly owned subsidiaries:

- Buildmart Services Pty Ltd;
- Eco Pallets Pty Ltd; and
- Eco Pallets NZ Limited.

On 29 July 2021, BauMart announced it was undertaking a strategic review of its businesses. COVID-19 impacted the Company's activities, with lockdowns restricting the travel of east-coast based marketing teams. Also, BauMart's key suppliers in Malaysia were forced to operate at 60% capacity due to government imposed COVID-19 control orders and supply chain issues such as rising costs (including freight) and other logistical issues resulting in delays. As part of the strategic review, the Company and its advisors evaluated current and potential projects, divestments and strategies.

Eco Pallets

Eco Pallets supplies plastic pallets, crates and spill control products designed for transportation purposes. The materials handling business unit is operated through BauMart's subsidiary Eco Pallets, which has operations in both Australia and New Zealand. The materials handling division has historically been the largest contributor to the Company's performance, accounting for approximately 78% of revenue and 69% of profits for the half year ended 31 December 2021.

Source & Procure

The sourcing and procurement division provides specialised procurement solutions to a broad range of sectors, primarily through BauMart's wholly owned subsidiary, Buildmart Services Pty Ltd ('**Buildmart**'). Buildmart specialises in sourcing, procurement and end-to-end- supply chain services, along with managed services.

Buildmart has contracts across the supply of both equipment and consumables. On 19 October 2019, Buildmart secured a three year contract with Newfield Resources Limited ('**Newfield**') for the supply of various underground mining equipment. This equipment included drill rig jumbos, haul trucks and LHD loaders, with Buildmart including 12 months of maintenance as part of the contract.

On 4 April 2022, Buildmart entered a contract with Newfield's wholly owned subsidiary, Sierra Diamonds Limited ('**Sierra**'), for the supply of spare parts for its mining fleet.

Buildmart entered into a five year supply distribution agreement with Washpod Consolidated Pty Ltd ('**Washpod**') on 31 January 2022, for the provision of industrial washing machine parts. The supply distribution agreement provided the Company with its first project-based recurring income stream.

Building Materials

The building materials division supplies and installs building products and materials, procured from local and offshore suppliers, to both the residential and commercial property construction markets.

BauMart supplies volcanic natural stones from Indonesia, offering green sukabami, sandstone, limestone, basalt, lava stone and mosaic stone products. BauMart's key supplier is PT D&W International (known as Stone Depot), of which BauMart holds exclusive distribution rights within Australia.

On 29 April 2022, the Company announced that as a result of its strategic review, it is to focus on growing the service offering by supplying the mining sector, an industry which historically it did not have much of an exposure.

Equipment Investments

The equipment investments division acquires and leases specialised equipment to external customers. This segment primarily focussed on the hire of glass processing equipment, with its key customer being Sydney Sunny Glass Pty Ltd ('**Sydney Sunny Glass**'). This segment was divested when BauMart sold its glass processing equipment to Ventus Aqua Pty Ltd ('**Ventus Aqua**') in June 2020, which is now known as

Australia Sunny Glass Group Limited ('ASG'). As consideration, BauMart received 11,666,667 fully paid ordinary shares in Ventus Aqua at a deemed price of \$0.30 per share.

The deemed price of \$0.30 per share was based on the initial public offer price of ASG when it was to list on the National Stock Exchange of Australia ('NSX'). ASG is currently in the process of withdrawing from the NSX and is seeking a listing on the ASX through a capital raise of up to \$7.5 million at a price of \$0.35 per share. Therefore, following the completion of the Proposed Sale (if it is approved), a key investment of BauMart will be its investment in ASG. Based on the most recent capital raising price for ASG's listing on the ASX, BauMart's investment would be valued at approximately \$4.1 million. We have not conducted a valuation of BauMart's interest in ASG, as this is beyond the scope of our report. However, we have presented the value based on the capital raising price to provide shareholders with information on the relative contribution of value of the assets that will remain in BauMart if the Proposed Sale is approved.

Under the assumption that BauMart does not participate in the capital raising, its interest will be 11.60% and 10.83% under the minimum and maximum subscriptions respectively, therefore it will be a substantial shareholder but will not have a level of ownership where it can control ASG.

5.3 Historical Statements of Financial Position

Statement of Financial Position	Reviewed as at 31-Dec-21 \$	Audited as at 30-Jun-21 \$	Audited as at 30-Jun-20 \$
CURRENT ASSETS			
Cash and cash equivalents	342,851	750,505	268,504
Trade and other receivables	551,251	854,883	813,020
Other current assets	148,234	112,589	138,657
Inventories	252,861	327,361	372,299
Finance lease receivable	824,635	1,139,302	1,308,670
TOTAL CURRENT ASSETS	2,119,832	3,184,640	2,901,150
NON-CURRENT ASSETS			
Property, plant and equipment	213,080	219,183	286,086
Intangibles	8,673	9,657	3,583
Other non-current assets	4,316,667	4,316,667	-
Right of use assets	1,139,202	1,520,086	2,281,854
Finance lease receivable	169,775	177,315	1,168,184
TOTAL NON-CURRENT ASSETS	5,847,397	6,242,908	3,739,707
TOTAL ASSETS	7,967,229	9,427,548	6,640,857
CURRENT LIABILITIES			
Trade and other payables	996,703	2,298,231	3,039,941
Employee benefits	55,006	42,419	47,869
Current tax liabilities	2,943	2,943	2,943
Lease liabilities	394,210	788,420	726,729
Loans & borrowings	136,784	132,647	-
TOTAL CURRENT LIABILITIES	1,585,646	3,264,660	3,817,482
NON-CURRENT LIABILITIES			
Lease liabilities	849,128	849,128	1,642,377
TOTAL NON-CURRENT LIABILITIES	849,128	849,128	1,642,377
TOTAL LIABILITIES	2,434,774	4,113,788	5,459,859
NET ASSETS	5,532,455	5,313,760	1,180,998
EQUITY			
Issued capital	8,251,219	8,251,219	8,251,219
Accumulated losses	(3,535,167)	(3,754,152)	(7,070,221)
Reserves	816,403	816,693	-
TOTAL EQUITY	5,532,455	5,313,760	1,180,998

Source: BauMart's audited financial statements for the years ended 30 June 2020 and 30 June 2021 and reviewed financial statements for the half year ended 31 December 2021.

We note that the Company's auditor outlined the existence of material uncertainty relating to the going concern assumption in its audit report for the years ended 30 June 2020 and 30 June 2021 as well as for the review report for the half year ended 31 December 2021.

Commentary on Historical Statements of Financial Position

- Cash and cash equivalents decreased from \$0.75 million at 30 June 2021 to \$0.34 million at 31 December 2021. The decrease was largely the result of payments made during the normal course of operations totalling \$4.71 million and the payment of a deposit for mining equipment of \$0.36 million. This was partially offset by receipts from customers of \$3.89 million, lease payments received of \$0.33 million and government grants and tax incentives received of \$0.29 million.
- Trade and other receivables of \$0.55 million at 31 December 2021 relate to trade receivables from BauMart's normal activities. We note that per the reviewed financial statements, as at 31

December 2021, the entire balance was overdue (outside of BauMart's standard credit terms). However, at 31 December 2021 the Directors of BauMart were confident the trade receivables amounts would be fully recovered.

- Inventories of \$0.25 million at 31 December 2021 primarily relate to Eco Pallets' products.
- BauMart's current and non-current finance lease receivables relate to the Company's contract with Newfield for the supply of underground mining equipment. The contract with Newfield was entered into in October 2019 and has a three-year term with an implied annual interest rate of 14%. BauMart's subsidiary Buildmart Service Pty Ltd sourced and financed the purchase of the mining equipment which had a total value of approximately \$3.6 million.
- Other non-current assets of \$4.32 million at 31 December 2021, relates to the fair value of BauMart's 11,666,667 ordinary fully paid shares in ASG. The fair value of the investment was determined based on the last quoted market price of ASG securities, being \$0.37, as at 31 December 2021.
- Right of use assets of \$1.14 million at 31 December 2021 relates to the Company's rental property. We understand that the Company sublets this rental property.
- The Company's lease liabilities comprise of both short and long-term leases that have been discounted at a weighted average incremental borrowing rate of 5%.
- Loans and borrowings relate to the Company's trade finance facility and overdraft facility provided by National Australia Bank Limited ('NAB'). The trade finance facility has a limit of \$0.25 million, an interest rate of 4.68% per annum and matures on 31 May 2022. The overdraft facility has a limit of \$0.05 million, an interest rate of 8% per annum and has a revolving term. At 31 December 2021, the Company had drawn down \$0.14 million on the trade finance facility.

5.4 Historical Statement of Profit or Loss and Other Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income	Reviewed for the half year ended 31-Dec-21 \$	Audited for the year ended 30-Jun-21 \$	Audited for the year ended 30-Jun-20 \$
Sale of goods	2,963,830	5,483,448	4,274,780
Cost of sales	(2,514,615)	(4,670,626)	(3,541,637)
Gross profit	449,215	812,822	733,143
Other revenue	700,544	4,600,057	1,002,050
Net finance income	150,919	218,609	228,338
Corporate and administration expenses	(386,611)	(882,368)	(765,806)
Operational expenses	(93,134)	(194,732)	(161,742)
Occupancy expenses	(103,719)	(264,729)	(305,554)
Marketing expenses	(78,127)	(180,239)	(203,673)
Depreciation and amortisation expenses	(388,307)	(793,351)	(1,005,303)
Reversal of impairment of plant & equipment	-	-	220,303
Provision for doubtful debts	-	-	(399)
Profit / (Loss) before income tax	250,780	3,316,069	(258,643)
Income tax benefit / (expense)	(31,795)	-	-
Net profit / (loss) for the year	218,985	3,316,069	(258,643)
Other comprehensive income			
Items that will not be reclassified to profit or loss	-	816,667	-
Items that may be reclassified subsequently to profit or loss	(290)	-	-
Total comprehensive loss for the year, net of tax	218,695	4,132,736	(258,643)

Source: BauMart's audited financial statements for the years ended 30 June 2020 and 30 June 2021 and reviewed financial statements for the half year ended 31 December 2021.

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

- Sale of goods of \$3.0 million for the half year ended 31 December 2021, primarily related to sales from the materials handling supply division (largely Eco Pallets), with this division accounting for approximately 74% of BauMart's revenue for the half year ended 31 December 2021, compared to 48% of BauMart's revenue for the year ended 30 June 2021.
- Other revenue of \$0.70 million for the half year ended 31 December 2021 included revenue from the sublet of leased property (\$0.32 million) and from a research and development ('R&D') refund provided by the Australian Taxation Office ('ATO') of \$0.32 million. We note that other revenue for the year ended 30 June 2021 included a gain of \$3.65 million from the disposal of glass processing equipment.
- Net finance income of \$0.15 million for the half year ended 31 December 2021 included interest income of \$0.14 million from the Company's finance lease with Newfield. This was partially offset by an interest expense from the unwinding of interest in accordance with Australian Accounting Standard 16: Leases ('AASB16').

5.5 Capital Structure

The share structure of BauMart as at 21 June 2022 is outlined below:

	Number
Total ordinary shares on issue	144,744,757
Top 20 shareholders	129,119,255
Top 20 shareholders - % of shares on issue	89.20%

Source: Share registry information

The range of shares held in BauMart as at 21 June 2022 is as follows:

Range of Shares Held	No. of Ordinary Shareholders	No. of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	4	314	0.00%
1,001 - 5,000	8	23,104	0.02%
5,001 - 10,000	129	1,290,000	0.89%
10,001 - 100,000	24	771,279	0.53%
100,001 - and over	58	142,660,060	98.56%
TOTAL	223	144,744,757	100.00%

Source: Share registry information

The ordinary shares held by the most significant shareholders as at 21 June 2022 are detailed below:

Name	No. of Ordinary Shares	Percentage of Issued Shares (%)
WONDER HOLDINGS PTY LTD	28,333,334	19.57%
KREO CAPITAL MANAGEMENT PTE LTD	20,872,060	14.42%
MR TZE FONG GAN	8,500,000	5.87%
MR HOONG NGAI CHRISTOPHER LAI	8,000,000	5.53%
MS MAY ERN GLORIA LAI	8,000,000	5.53%
QP & CO PTY LTD <QUPPI FAMILY A/C>	7,500,000	5.18%
Subtotal	81,205,394	56.10%
Others	63,539,363	43.90%
Total ordinary shares on Issue	144,744,757	100.00%

Source: Share registry information

6. Profile of Eco Pallets

6.1 Overview

Founded in 2009, Eco Pallets is a materials handling product supplier based in Perth, Australia and services the pharmaceutical, laundry, mining and energy industries in Australia. Eco Pallets' core service offering is the supply of alternative and sustainable plastic materials products including pallets and crates designed for the hygienic transport of goods. Further, Eco Pallets provides personalised stencilling, transport and wrapping services.

Eco Pallets was acquired by BauMart on 31 May 2016 for consideration of 8 million shares in BauMart, which based on the closing price of BauMart shares on 31 May 2016, was valued at \$1.6 million.

Eco Pallets is party to an exclusive distributorship agreement with key supplier, Mah Sing Plastics Industries Sdn. Bhd. ('Mah Sing Plastics'), an International Standard for Organisation ('ISO') ISO 9001:2000 and ISO 14001 certified company based in Malaysia.

Eco Pallets operates under the materials handling business unit of BauMart, with its focus being on the optimisation of plastic pallet design in order to allow its products to be lightweight, be safer to handle, impervious to moisture and weak acids & alkalis. Whilst being more environmentally friendly, Eco Pallets also seeks to leverage its design to reduce freight costs. Leasing three warehouses located in Brisbane, Melbourne and Sydney, it offers its products through its distribution centres in Melbourne, Sydney, Brisbane and Auckland.

The products offered by Eco Pallets include:

- Eco Pallet Range: food and beverage shipping pallets, pharmaceutical pallets, international export pallets, light, medium and heavy-duty plastic pallets that are available in various sizes.
- Eco Crate Range: reusable and 100% recyclable plastic pallet crates that are fully collapsible and foldable. The Rigid Series, part of the range of Eco Crates, includes vented and non-vented sides and base plastic pallets available in various sizes.
- Eco Spill Range: bunded pallets for oil or chemical transportation that utilise spill containment systems.

On 29 April 2022, BauMart announced that its materials handling division (Eco Pallets) had been adversely impacted by current economic conditions, resulting in pressure on margins, unpredictable supply chain costs, higher than expected port charges and lagging delivery times.

6.2 Historical Statements of Financial Position

Statement of Financial Position	Unaudited as at 30-Apr-22 \$	Unaudited as at 30-Jun-21 \$	Unaudited as at 30-Jun-20 \$
CURRENT ASSETS			
Cash and cash equivalents	344,825	342,550	247,008
Trade and other receivables	733,214	692,176	454,460
Other current assets	68,598	99,149	25,473
Inventories	715,041	287,160	310,639
Intercompany	1,654,878	1,018,313	769,351
TOTAL CURRENT ASSETS	3,516,556	2,439,348	1,806,931
NON-CURRENT ASSETS			
Property, plant and equipment	207,861	210,746	213,067
Intangibles	8,201	9,660	3,584
TOTAL NON-CURRENT ASSETS	216,062	220,406	216,651
TOTAL ASSETS	3,732,618	2,659,754	2,023,581
CURRENT LIABILITIES			
Trade and other payables	1,674,876	1,299,942	1,087,478
Employee benefits	25,156	24,341	14,913
TOTAL CURRENT LIABILITIES	1,700,031	1,324,282	1,102,391
NON-CURRENT LIABILITIES			
Non-current employee benefits	-	-	12,183
TOTAL NON-CURRENT LIABILITIES	-	-	12,183
TOTAL LIABILITIES	1,700,031	1,324,282	1,114,575
NET ASSETS	2,032,587	1,335,471	909,007
EQUITY			
Issued capital	60,100	60,100	60,100
Retained earnings	1,972,087	1,275,345	848,907
Reserves	400	26	-
TOTAL EQUITY	2,032,587	1,335,471	909,007

Source: BauMart's audited financial statements and consolidation workbooks for the years ended 30 June 2020 and 30 June 2021, unaudited management accounts of Eco Pallets for the period ended 30 April 2022 and management advice

We have not undertaken a review of Eco Pallets' unaudited management accounts in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However, nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

Commentary on Historical Statements of Financial Position

- The trade and other receivables balance of \$0.73 million at 30 April 2022 primarily reflects amounts owing from Eco Pallets customers. We note that approximately 69% of the receivables balance is current (invoices are less than 30 days outstanding) and 27% of the balance is between 30 and 60 days outstanding.
- Other current assets of \$0.07 million at 30 April 2022 relate to deposits, prepaid expenses and prepaid inventory.
- The inventory balance increased from \$0.29 million at 30 June 2021 to \$0.72 million at 30 April 2022 as a result of increased business activity. Revenue of Eco Pallets has steadily increased over

the prior financial years and this trend is forecast to continue. In order to deliver on current and forecast customer demands, Eco Pallets has had to carry additional inventory.

- The intercompany receivable of \$1.65 million at 30 April 2022 relates to an intercompany loan provided by Eco Pallets to BauMart. The intercompany loan is repayable on demand and is not interest bearing. A condition precedent to the Proposed Sale is that the loan will be forgiven.
- Property, plant and equipment of \$0.21 million at 30 April 2022 includes fixtures & fittings, office equipment, warehouse equipment and pooling equipment.
- The trade and other payables balance of \$1.67 million at 30 April 2022, includes \$0.99 million owing to Mah Sing Plastics, which is Eco Pallets main supplier located in Malaysia.

6.3 Historical Statement of Profit or Loss and Other Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income	Unaudited for the period ended 30-Apr-22 \$	Unaudited for the year ended 30-Jun-21 \$	Unaudited for the year ended 30-Jun-20 \$
Sale of goods	5,209,010	4,921,059	3,954,692
Cost of sales	(4,349,522)	(4,165,770)	(3,265,375)
Gross profit	859,488	755,288	689,317
Other revenue	256,031	237,318	204,199
Net finance income / (expense)	(3,312)	(538)	(329)
Corporate and administration expenses	(65,151)	(116,986)	(73,852)
Operational expenses	(88,945)	(100,442)	(95,192)
Occupancy expenses	(141,590)	(199,145)	(172,674)
Marketing expenses	(120,448)	(135,761)	(126,947)
Depreciation and amortisation expenses	(7,207)	(9,318)	(5,835)
Other expenses	7,877	(3,978)	(10,629)
Profit / (Loss) before income tax	696,742	426,438	408,059
Income tax benefit / (expense)	-	-	-
Net profit / (loss) for the year	696,742	426,438	408,059
Other comprehensive income			
Items that will not be reclassified to profit or loss	-	-	-
Items that may be reclassified subsequently to profit or loss	400	26	-
Total comprehensive loss for the year, net of tax	697,142	426,464	408,059

Source: BauMart's audited financial statements and consolidation workbooks for the years ended 30 June 2020 and 30 June 2021, unaudited management accounts of Eco Pallets for the period ended 30 April 2022 and management advice

We have not undertaken a review of Eco Pallets' unaudited management accounts in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However, nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

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

- We understand that the increase in the sale of goods over the historical period is largely attributable to the introduction of a marketing campaign that commenced during the financial year ended 30 June 2020. Further, Eco Pallets has invested in research and development activities over the three periods shown above, the product of which was a refined product design which is now being marketed to customers. This has contributed to revenue growth for the Eco Pallets business. Lastly, as COVID-19 restrictions have been repealed, the team of Eco Pallets have been able to travel more freely, which has allowed increased marketing and sales generation.
- Gross profit margin increased from 15.3% for the year ended 30 June 2021 to 16.5% for the 10-month period ended 30 April 2022. Gross margin has increased due to increased economies of scale, resultant from increased levels of sales activity.
- Other revenue of \$0.26 million for the period ended 30 April 2022 related to a R&D refund provided by the ATO of \$0.25 million. We understand the R&D refund related to Eco Pallets' expenditures on crate optimisation.
- Corporate and administration expenses were \$0.07 million for the 10-month period ended 30 April 2022 and included salaries and wages for administration staff, insurance and computer expenses.
- Operational expenses were \$0.09 million for the 10-month period ended 30 April 2022. These costs largely relate to salaries and wages of operational staff.

7. Economic analysis

BauMart is exposed to the risks and opportunities of the Australian market due to the geographic location of its operations. Accordingly, we have presented an economic analysis of Australia.

Overview

In its May 2022 Statement of Monetary Policy, the Reserve Bank of Australia ('RBA') stated that it expects the Gross Domestic Product ('GDP') in Australia to grow by 4.5% over 2022. However, the RBA also elucidated caution around rising inflationary pressures, projecting consumer price inflation to peak at 6% in the latter half of 2022.

Both the Australian and global outlooks for growth and inflation remain uncertain in light of substantial geopolitical disruptions, emerging from several supply side factors, pandemic related disturbances in China and Russia's invasion of Ukraine. Moreover, it is uncertain how the withdrawal of extraordinary policy support will affect consumer demand. In many advanced economies, inflation has exceeded the initial forecasts published earlier in the year and remains a key source of market volatility. Moreover, inflation has outpaced many central banks' inflation targets.

Bond yields have increased, and equity prices have contracted, as the market outlook remains uncertain amongst market participants. The Australian equity market has outperformed other developed markets, as resource companies have capitalised on the recent wave of high commodity prices. In Australia and most advanced economies, fixed borrowing rates remain low for most borrowers, however, borrowing rates have increased from previous lows, in line with rising bond yields and other market interest rates. The RBA increased the cash rate by 0.5% in June 2022, which was the largest single rise in 22 years.

Economic Indicators

Inflation in Australia has increased quicker than expected, but still remains lower than many advanced economies. In the March quarter of 2022, headline inflation for the quarter reached 2%, and 5% over the year. Additionally, the outlook for inflation is higher than forecast earlier in the year. Headline annual inflation is expected to peak at around 6% in the second half of 2022, largely owing to higher petrol prices and rapid increases in the cost of new dwellings. As supply side issues are rectified, inflation is forecast to ease, however, with labour market conditions becoming increasingly tight, growth in labour costs is expected to pick up in the coming years. Inflation is expected to increase further over the remainder of the year but then decline toward the top of the 2% to 3% range in 2023.

The labour market has generated significant momentum on the back of the pandemic, and demand for labour is strong. The unemployment rate is currently 3.9%, which is the lowest rate in almost 50 years. Demand for employment has been met by firms increasing headcount and hours of existing staff, as restrictions and capacity limits are abolished across the country. Relatedly, labour underutilisation has declined significantly across most industries, and has been particularly prominent in industries where employment has grown strongly, such as professional services. The level of job vacancies remains very high, at a time where labour participation rate and the ratio of employment to working-age population are already at historical highs. The RBA forecasts unemployment rate to further decline to around 3.5% in early 2023 citing Australia's sizeable impending economic expansion, relative to other developed economies.

The combination of a tight labour market and a higher inflationary environment means that firms are generally better at compensating employees with higher wages and other benefits to attract and retain staff. However, despite low unemployment rates, wage growth has not matched inflation, consequently,

real wages have declined. Consumer sentiment has fallen as households maintain a pessimistic outlook in light of declining real incomes and rising living costs. The expected decline in consumer spending will likely be cushioned by strong household balance sheets. Wage growth remained relatively stagnant through 2021, recovering to levels seen pre-pandemic. However, more recent evidence from liaison and business surveys indicate that larger wage increases have been occurring or are planned in many private-sector firms.

Despite depreciating significantly against the United States dollar in early 2020, the Australian dollar recovered rapidly on the back of strong demand for Australian commodity exports. From mid-May 2021, the Australian dollar entered a depreciating trend against the United States dollar, however, this trend reversed from February 2022 onwards, following several price shocks to key commodity markets following Russia's invasion of Ukraine. The currencies of Australia and other commodity exporting countries have depreciated over April 2022, but still remain stronger than levels seen prior to Russia's invasion of Ukraine. The recent depreciation in the Australian dollar is linked to weaker forecast economic growth in China.

Source: www.rba.gov.au Statement by Phillip Lowe, Governor: Monetary Policy Decision dated 7 June 2022 and prior periods, www.rba.gov.au Statement on Monetary Policy May 2022 and prior periods, budget.gov.au Australian Government 2022-23 Budget Overview and imf.org World Economic Outlook dated April 2022.

8. Industry analysis

The core operations of Eco Pallets is the design, manufacture and sale of plastic pallets, crates and spill control products for the purpose of transportation. Pursuant to the Proposed Sale, the Eco Pallets business is proposed to be sold to APX, therefore we have included an overview of the plastic pallets sector in Australia as exposure to this industry is being divested.

Following the Proposed Sale, Shareholders will retain exposure to BauMart's remaining operations, being the procurement and supply chain and building materials sectors. In order to assist Shareholders in their evaluation of the Proposed Sale, we have also included an industry overview of these sectors.

8.1 Plastic Pallets in Australia

8.1.1. Industry Overview

Wood has remained the dominant pallet manufacturing material globally, however substitute plastic pallets have recently increased in popularity and pallet suppliers are shifting toward the manufacture of recyclable products.

Plastic pallets are typically made from robust materials, including polypropylene ('PP') and high-density polyethylene ('HDPE'), and offer the attraction of being eco-friendly, impervious to moisture, lighter in weight and able to hold larger weight loads, face reduced operational health and safety concerns and provide easier product tracking through embedded radio frequency identification chips. These products are essential for hygiene-sensitive applications such as pharmaceutical manufacturing and food production. Recent trends in businesses shifting their focus toward sustainability measures has further driven demand for such pallets.

Following the onset of the COVID-19 pandemic and the resulting supply chain issues, there has been elevated demand for pallets in the Australian market. Brambles Limited ('Brambles'), which accounts for 6.3% of market share in the pallets industry, has stated that inventory stored on pallets in warehouses remains at an all-time high. Financial constraints, disruptions in supply chains and developing sustainability initiatives are likely to continue throughout 2022, and therefore manufacturers, distributors and retailers are likely to experience sustained demand for plastic pallets.

Low-priced imports of products from countries with lower labour costs, such as China, have hindered demand for Australian-made products. Exports of pallets are limited, as sizes produced in Australia differ from internationally accepted standards.

8.1.2. Industry Outlook

The plastic pallets industry is forecast to continue growing at a moderate pace over the next five years, due to a favourable outlook for several key demand drivers, and improved operating conditions as the economy recovers from the impacts of the COVID-19 pandemic.

While demand for pallets from the industry's main markets will increase, greater import penetration and competition from additional products are anticipated to hinder industry growth over the period. With steady economic growth, a rise in manufacturers entering the industry and consequently a lift in industry employment is projected. With the new industry entrants and increased competition, margins may tighten and unprofitable players are likely to be squeezed out of the market. There may be some consolidation within the sector, however only the low cost manufacturers or those with a unique product are likely to be an attractive acquisition target for larger companies such as Brambles.

Improvements in pallet design to optimise efficiency for storage and handling is anticipated to affect industry players with increased competition expected to impact on pricing ability, particularly smaller players who are price takers. As the national pallet pool becomes increasingly saturated with plastic pallets, which have a longer lifespan than wooden pallets, manufacturing of new plastic pallets is projected to increase.

Source: IBISWorld, Australian Pallet Survey 2017 Report, Yahoo finance, CHEP

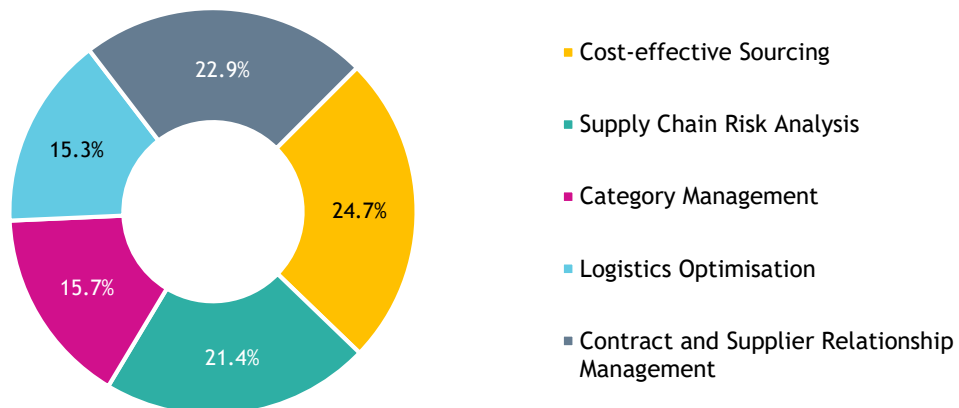
8.2 Procurement and Supply Chain Consultants

We have presented an overview of this industry as Shareholders currently have an exposure to this industry however this exposure will become more prominent (relative to the other business segments of BauMart), should the Proposed Sale be approved.

8.2.1. Industry Overview

Companies in the procurement and supply chain consulting industry generally provide advice to companies on procurement functions, such as indirect and direct procurement, and supply chain management. Industry players typically offer strategic sourcing, supply chain risk analysis, contract and supplier relationship management and category management.

The segmentation of revenue within the Industry is presented below:



Source: IBISWorld

Over the past decade, the global economy has become more integrated, with free trade agreements and tariff reductions being symptomatic of this. As a result, there is increased opportunities to expand into global markets, but also increased threats of competition. This has created an opening for supply chain and procurement consultants to add value across many industries.

As supply chains have become more complex, businesses have faced new challenges including adaption of new supply chain technology, sourcing goods from different locations and improving logistics procedures. Businesses require supply and procurement to support them through these changes, as they aim to remain competitive in an increasingly globalised economy.

Industries have reacted differently to growing supply chain complexities. Manufacturers tend to move toward a leaner inventory model or simply offshore production to combat rising input costs. Retailers depend heavily on procurement and logistics, with large global retailers like Zara and H&M Hennes & Mauritz AB increasing their presence in Australia putting pressure on local competitiveness. Mining sectors

and government sectors have steadily relied on supply chain consultants to ensure smooth operations, providing a stable stream of revenue to the sector over the past 5 years.

During the early stages of COVID-19, the demand for supply chain consultants reduced, as many businesses viewed these consulting services to be discretionary in nature. As a cost cutting measure, the supply and procurement industry suffered a contraction in the early part of the pandemic. However, as the pandemic progressed and economic conditions stabilised, the demand for supply chain was forecast to grow. The COVID-19 pandemic produced major disruptions to the supply chains of many businesses, which lead to businesses again seeing the necessity in hiring experienced supply chain and procurement consultants to navigate the uncertain landscape.

The supply and procurement consulting industry is a disaggregated industry, with a range of industry participants from small consulting firms to large multinational industry firms. There is low barriers to entry, although firms with a global network can take on much larger projects than those with limited international or national capabilities.

8.2.2. Industry Outlook

IBISWorld expects the industry revenue to grow at an annualised 2.2% over the five years up to 2026-27 to \$2.0 billion.

The broader economy has rebounded from the initial fallout associated with COVID-19. With this, business confidence has risen and is forecast to remain positive, which increases the spending propensity of business. As such, this is likely to result in higher expenditure on goods and services, increasing the demand for those who specialise in procurement.

The invasion of Ukraine, by Russia has once again placed strain on international supply chains, demonstrating the need for resilient sourcing and procurement. Russia is a major exporter of energy products (crude oil and gas), agricultural commodities (including wheat, sunflower oil, barley and fertilisers) and other critical minerals. While there are only 15,000 tier 1 suppliers in Russia, there are over 374,000 businesses dependant on Russian suppliers and 7.6 million with tier 2 relationships with Russia. The challenges in dealing with Russia and the varying level of economic sanctions that are in place, has deepened the need for experienced supply chain consultants.

Global supply chains have been disrupted during the COVID-19 pandemic, particularly as a result of quarantine measures and manufacturing limitations. As businesses emerge from the pandemic, it is expected that many will review their supply chains and procurement processes with the intention of sidestepping future large scale disruptions. This is predicted to drive the demand for specialists in supply chain management and procurement.

Barriers to entry for specialised supply chain and procurement services remain low, and with the buoyant economic activity, it is expected that new entrants will enter the market. In particular, these new entrants are expected to be smaller or mid-sized enterprises catering to businesses too small to access the larger consulting firms or without defined supply chain functions. This is expected to put pressure on revenue growth and profit margins within the industry.

With many stakeholders placing an increased importance on Environmental, Social and (Corporate) Governance ('ESG'), there is a greater onus on businesses to ensure that supply chains are free of unethical practises. As a result, the Federal Government passed the Modern Slavery Act 2018, which took effect on 1 January 2019. The impact of this is that any business with over \$100 million of consolidated revenue is to report annually on the risks of modern slavery in its operations and supply chains, as well as

the actions taken to address these risks. This has created scope for supply chain consultants to aid businesses in ensuring supply chains are engaged in ethical activities.

Source: IBISWorld, Dun & Bradstreet, UN Comtrade Database

8.3 Building Material Supply in Australia

8.3.1. Industry Overview

The hardware and building supplies industry was forecast to rise at an annualised rate of 2.4% over the five years through to 2021-2022, giving a total industry revenue of \$26.8 billion. However, building material supplies sales are expected to slow in the current year by 3.1%, as the surge in sales following the economic recovery caused by the COVID-19 pandemic taper off.

Weak growth in discretionary incomes and volatile consumer sentiment over the past five years has had adverse impacts on the building supplies sector. This has been exacerbated by low house construction activity and a decline on capital expenditure on private dwellings, which trended downwards from March 2018 to March 2021. From March 2021 onwards, the amount of capital expenditure on private dwellings has steadily increased, but not to levels previously achieved.

COVID-19's impact on the building supplies sector has been mixed, with many households electing to undertake DIY projects or home renovations in lieu of holidays or other discretionary spending. This was a boost to industry revenue over the two years post pandemic.

Conversely, construction activity during the pandemic has fluctuated, as economic uncertainty has caused volatility in new construction projects.

8.3.2. Industry Outlook

The hardware and building supplies industry is expected to rise at an annualised rate of 0.7% over the five years through to 2026-27, giving total industry revenue of \$27.7 billion.

As the economy continues its economic recovery following the COVID-19 pandemic, it is expected that rising incomes will lead to increased capital expenditure on private dwellings, increasing demand for building supplies.

Profitability in the building supplies sector is expected to fall over the next five years. This is a result of larger building supply chains, such as the Bunnings Group, driving price competition with their significant purchasing power. Smaller suppliers who do not participate in buying groups are expected to struggle, with the total number of industry exits rising as a result.

Residential housing prices are forecast to rise, which is expected to drive demand for building supplies. As housing prices increase, more customers elect to stay in their existing home, encouraging DIY projects or maintenance work on their property. Further, home owners looking to upsize or downsize have a greater motive to spend more on home renovation, as they attempt to maximize the sale price of their existing property. In times of depressed property price growth, households will generally elect not to invest in home renovation because the likelihood of recovering the investment is low.

The increasing popularity of high density living areas is expected to temper growth in building industry supplies. This is forecast to limit the number of homeowners, resulting in lower spending on residential construction. Owners of units, apartments or townhouses typically rent out these dwellings, which discourages spending on maintenance and renovation. These types of housing are also often within a

strata, or controlled jointly by a group of owners, which is usually an impediment to property improvement or renovation decisions.

Source: IBISWorld, Australian Bureau of Statistics

9. Valuation approach adopted

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

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

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

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

In performing our assessment of whether the Proposed Sale is fair to Shareholders for the purposes of ASX Listing Rule 10.1, we have considered the value of Eco Pallets on a control basis relative to the value of the Consideration.

In our assessment of the value of an Eco Pallets share we have chosen to employ the following methodologies:

- FME as our primary valuation methodology as Eco Pallets is a business with a history of positive earnings, which renders it suitable for this methodology; and
- NAV on a going concern basis as a secondary valuation methodology.

We have chosen these methodologies for the following reasons:

- Eco Pallets has a history of achieving a positive earnings before interest, tax, depreciation and amortisation ('EBITDA') which allows for the capitalisation of FME to be applied. In capitalisation of the FME, we have adopted the enterprise value ('EV') to EBITDA multiples ('EV/EBITDA') derived from peer companies and transactions, and adjusted the multiple for several factors detailed further in Section 10 of our Report;
- We were not able to use the DCF methodology because we have not been provided with appropriate cash flow forecasts for Eco Pallets;
- Eco Pallets is a wholly owned subsidiary of BauMart, as such there is no readily observable price for the shares in Eco Pallets. Therefore, the QMP is not a suitable valuation approach to use; and
- Since Eco Pallets' net assets are positive and a large portion of its assets are held as cash and other tangible assets, NAV is an appropriate approach to use in valuing Eco Pallets. We have used the NAV as a cross check only because the NAV often represents a floor value that ignores the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill.

10. Valuation of Eco Pallets

10.1 Future Maintainable Earnings Value

When performing an FME valuation we must determine what the future maintainable earnings of Eco Pallets are and then determine an appropriate capitalisation multiple to apply to these earnings.

In calculating future maintainable earnings, the figure selected should represent what is currently sustainable. Any anticipated growth in earnings is accounted for via the capitalisation rate. We have reviewed the historical accounts of Eco Pallets and for each of the three years, made adjustments to the net profit after tax for the following items:

- Non-recurring or one-off items such as profit on sale of assets;
- Non-operating revenues and expenses;
- Unrecorded items; and
- Abnormal or non-commercial transactions.

Normalised Earnings

The objective of normalising earnings is to determine the underlying profitability expected to be maintained by Eco Pallets. Our adjustments are limited to those adjustments obvious from a review of the detailed financial statements and those provided by the management of Eco Pallets.

Our normalisation adjustments are set out below along with the resulting annualised adjusted EBITDA:

	Note	Unaudited for the year ended 30-Jun-20 \$	Unaudited for the year ended 30-Jun-21 \$	Annualised for the period ended 30-Apr-22* \$
NPAT		408,059	426,438	836,090
Add: depreciation and amortisation expenses		5,835	9,318	8,649
Add: net finance income / (expense)		329	538	3,975
Reported EBITDA		414,223	436,294	848,714
Management adjustments:				
R&D refund	a	(176,950)	(221,595)	(305,094)
Corporate and administrative expenses	b	(191,143)	(199,590)	(264,279)
Operating expenses	c	-	(8,265)	(8,591)
Occupancy expenses	d	(14,448)	(13,755)	(13,460)
Total management adjustments		(205,590)	(221,610)	(286,331)
Adjusted EBITDA		31,683	(6,911)	257,289

*We have presented the actual results of Eco Pallets for the ten months ended 30 April 2022 on an annualised basis in order to provide a comparison to historical annual periods

Source: BDO analysis and management advice

We have also been provided with a forecast for Eco Pallets for the year ending 30 June 2023, which we have used as a cross check of our assessed FME range, rather than using it to inform our range.

The following normalisation adjustments were made to the historical EBITDA of Eco Pallets.

Note a) Normalisation of government R&D grant

Eco Pallets has invested in R&D activities over the financial years ended 30 June 2020 ('FY20'), 30 June 2021 ('FY21') and the 10 month period ended 30 April 2022 ('YTD FY22'). Management advise that this expenditure was capital in nature and related to the development of certain moulds used in the production of plastic crates, which has been patent protected. There has not been any R&D costs included in the Eco Pallets forecast for the financial year ending 30 June 2023 ('FY23'), as the Business has completed the

development of its R&D projects and deployed these assets in the day to day operations. Based on our discussions with management, we consider it unlikely that there would be any significant R&D spend going forward, and therefore no ongoing R&D refund. As such, we have adjusted historical EBITDA to remove the R&D refunds. The historical expenditure has been capitalised, and therefore was not reflected in earnings, therefore a normalisation of historical expenditure was not required.

Note b) Corporate and administrative expenses

Corporate and administrative expenditure has been adjusted for salaries and related on costs and general overheads. A breakdown of the adjustments to corporate and administrative expenses is displayed in the table below.

	Ref	FY20 \$	FY21 \$	Annualised FY22 \$
Corporate and administrative expenses				
Matt Logan - 75% of Salary + super.	(i)	82,125	82,125	103,125
Berthus Budiman - 10% of Salary + super.	(i)	8,760	8,760	10,219
Adrian Teo - 75% of Salary + super.	(i)	49,275	52,047	56,100
Jason Pratama - 75% of Salary + super.	(i)	26,691	31,481	42,246
Arbab Ahmad - 75% of Salary + super.	(i)	-	-	15,313
Frederic Himawan - 10% of Salary + super.	(i)	972	1,272	935
Tax fees - 75% of total fee	(il)	18,893	19,311	31,757
Insurance	(il)	1,200	1,200	1,200
Staff amenities - 75% of total cost	(il)	3,227	3,395	3,383
Corporate and administrative expenses adjustment		191,143	199,590	264,279

Source: BDO analysis and management advice

The rationale for the adjustments to EBITDA are as follows.

- i) These are the employees and Directors of BauMart who were actively involved in the administration and day to day operations of Eco Pallets. These costs were recorded at the BauMart parent entity level, and not recharged to Eco Pallets. To form a normalised earnings position for Eco Pallets, management has provided estimates of the proportion of salary costs attributable to Eco Pallets, which has been based on time allocation between BauMart and Eco Pallets. Based on our discussions with management around their roles prior to and following the Proposed Sale and our experience in valuing similar sized businesses, we consider the estimates to be reasonable.
- ii) Tax, insurance and staff amenities are largely recorded at the BauMart parent entity level. We have allocated a proportion of these costs to Eco Pallets, based on the size of Eco Pallets relative to the wider group. Management advise that a 75% allocation would be reasonable. Based on the contribution of Eco Pallets to the Company, we consider the 75% allocation to be reasonable. This is supported by the fact that Eco Pallets accounted for approximately 78% of total revenue and 69% of profits of the Company for the half year ended 31 December 2021. We note that we have not allocated a portion of the BauMart audit fee to Eco Pallets because on a standalone basis an audit of Eco Pallets would not be required.

Note c) Operating expenses

Operating expenses have been adjusted for fuel and fringe benefits tax ('FBT') attributable to employees working for the Eco Pallets business unit. These costs were captured at the BauMart parent level, and have been adjusted in the stand alone accounts of Eco Pallets to reflect the expenses attributable to Eco Pallets.

Consistent with salaries and wages, the adjustment to operating expenses reflects the proportionate time each employee was working for Eco Pallets. A breakdown of the operating expenses adjustment to EBITDA is presented in the table below.

	FY20	FY21	Annualised FY22
	\$	\$	\$
Operating expenses			
Matt Logan - 75% of fuel allowance	-	2,550	1,620
Matt Logan - 75% of FBT allowance	-	3,750	4,145
Berthus Budiman - 10% of fuel allowance	-	340	216
Berthus Budiman - 10% of FBT allowance	-	500	585
Jason and Adrian - 75% of fuel allowance	-	1,125	2,025
Operating expenses adjustment	-	8,265	8,591

Source: BDO analysis and management advice

Note d) Occupancy expenses

Historically, Eco Pallets' corporate and administrative function was based in BauMart's head office. In early 2022, Eco Pallets shifted its corporate function to be at the Business' warehouse. Management advise that Eco Pallets' corporate function accounted for approximately 25% of the headcount in BauMart's corporate head office. As such, we have normalised historical earnings to reflect 25% of the rental expense incurred by BauMart.

	FY20	FY21	Annualised FY22
	\$	\$	\$
Occupancy expenses			
25% of Corporate Head Office	14,448	13,755	13,460
Occupancy expenses adjustment	14,448	13,755	13,460

Source: BDO analysis and management advice

Assessing Future Maintainable Earnings

In assessing future maintainable earnings, we have considered the historical levels of normalised earnings to determine an estimated future maintainable earnings position for Eco Pallets. The purpose of this is to derive a sustainable level of profitability that we consider to be achievable in the future.

Management has also provided us with its estimate of future earnings of Eco Pallets for FY23. For confidentiality reasons and as these are not publicly available, we have not presented the forecasts however we have considered them as a cross check in forming our future maintainable earnings range. The forecast provided by management supports our assessment of FME.

After considering Eco Pallets' historical normalised earnings and forecast earnings we estimate a future maintainable earnings figure of \$250,000 to \$260,000.

We specifically considered the following underlying drivers and factors that influence Eco Pallets' earnings.

Key factors considered in our FME assessment

- On an adjusted basis, Eco Pallets has not returned a profit for the FY20 and FY21 periods, meaning these periods are unable to be used as the basis of our future maintainable earnings assessment.
- Eco Pallets has historically invested in R&D, with the resulting R&D refunds contributing to the unadjusted EBITDA in FY20 and FY21. The historic R&D expenditure allowed for the development of key products and technology currently implemented in the Eco Pallets business. Given that the Business has moved past the R&D stage, the earnings profile of Eco Pallets has changed and as a result, we do not expect the R&D refunds to be a recurring income source. The reasonableness of this assumption has been confirmed by management.
- Eco Pallets has demonstrated 25.5% compound annual growth in revenue between FY20 and the annualised YTD FY22, with forecast FY23 revenue broadly in line with this trend. Per discussion with management, this is the result of investments in external marketing campaigns, development of sales staff, removal of travel restrictions on the east coast and efficiencies gained from automation of processes. Given Eco Pallets' rapid growth, we believe the most recent period (cross checked with the forecast period) to be the most appropriate to form our future maintainable earnings range.
- Notwithstanding the above, we understand Eco Pallets has faced margin pressures recently, with rising fuel, port, freight and shipping costs all impacting profits directly. While Eco Pallets has some protection in its contracts, the Business cannot pass all costs on directly to the end customer. As such, we believe this may have an impact on the growth in earnings in the medium term. We have considered this in the selection of an appropriate earnings multiple to apply to the business.

Calculation and Application of an Earnings Multiple

The next step in applying the FME methodology is to determine an appropriate multiple to apply to our assessed future maintainable earnings. Inherently, the multiple should reflect the risks and likely growth associated with a business.

To determine an appropriate multiple, we have analysed:

- Earnings multiples of publicly traded comparable companies ('**Trading Multiples**');
- Multiples implied from comparable transactions ('**Transaction Multiples**'); and
- Discounts to apply to the above in order to assess an appropriate earnings multiple for Eco Pallets.

Trading Multiples

We selected a group of public listed companies considered to be comparable due to activity or exposure to a similar end user market and with similar risks to Eco Pallets to determine an appropriate earnings multiple. The comparable companies are detailed in Appendix 3. In determining an appropriate earnings multiple to apply to Eco Pallets, the following factors were considered:

- economic factors (e.g. economic growth, inflation, interest rates) affecting the market in which Eco Pallets operates;
- strategic attractions of Eco Pallets - its particular strengths and weaknesses, market position, strength of competition and barriers to entry;

- relationship with and dependence on key clients;
- stability and quality of earnings;
- the asset backing of the underlying business;
- dependence on suppliers, customers and key personnel;
- the future prospects for the operations of Eco Pallets;
- the structural and regulatory framework; and
- share market conditions.

To determine appropriate trading multiples, we analysed ASX listed companies operating in the following sectors:

- Air Freight and Logistics;
- Containers and Packaging;
- Commodity Chemicals;
- Machinery Distribution;
- Paperboard Containers and Boxes;
- Plastic Products;
- Procurement; and
- Trading Companies and Distributors;

Our search criteria identified 111 public listed companies. To narrow our search, we considered companies with similar operations, revenue and market capitalisation (size) to Eco Pallets. We removed companies from our dataset that did not provide meaningful data.

A total of seven comparable publicly listed companies were identified based on our search criteria and available information. Summary descriptions and financial metrics for these identified 'most comparable companies' are set out in Appendix 3.

For the FME method, we have used EV/EBITDA method as earnings multiple determined from the publicly listed comparable companies, adjusted for a control premium of 25% and 35% (determined in Appendix 5). The EBITDA was derived from the financial data for the period ending closest to the Date of Valuation.

The table below sets out the earnings multiples of the comparable companies and also sets out the industry average earnings multiples.

Company Name	Enterprise value as at 30-May-22 (\$m)	Revenue* (\$m)	Historical* EBITDA (\$m)	Historical EBITDA multiple (x)	Forecast EBITDA for the year 30-May-23 (\$m)	Forecast EBITDA multiple (x)
Range International Limited	10.4	2.5	(2.9)	n/a	n/a	n/a
Pro-Pac Packaging Limited	154.3	450.5	12.5	12.4	30.9	6.8
Pact Group Holdings Ltd	1,347.0	1,794.3	212.1	6.4	300.0	6.1
Brambles Limited	17,830.7	7,448.2	2,312.4	7.7	2,665.3	7.0
Orora Limited	3,801.6	3,712.5	331.4	11.5	416.0	9.7

Company Name	Enterprise value as at 30-May-22 (\$m)	Revenue* (\$m)	Historical* EBITDA (\$m)	Historical EBITDA multiple (x)	Forecast EBITDA for the year 30-May-23 (\$m)	Forecast EBITDA multiple (x)
SECOS Group Limited	75.7	31.5	0.2	310.4	2.4	33.0
Ancor plc	35,981.8	18,779.2	2,871.1	12.5	3,007.7	12.2
Mean				60.1		12.5
Median				11.9		8.4
Mean (excluding outlier)				10.1		8.4
Median (excluding outlier)				11.5		7.0

Source: Bloomberg
n/a - not disclosed

*Revenue and historical EBITDA displayed in the table above is for the most recent 12 month reporting period. For all companies other than Ancor Plc, this period is the 12 months ended 31 December 2021. Ancor Plc.'s revenue and historical EBITDA values are for the 12 month period ended 31 March 2022.

Of the identified comparable companies, we consider Range International Limited ('Range') to be the most comparable because Range offers similar services to Eco Pallets, involving the manufacture and sale of plastic pallets made from recycled mixed waste plastic. It sells its products in Indonesia, Australia, New Zealand, Thailand, the Philippines and internationally. Given that Range is a loss making company, we are unable to use Range's earnings to formulate an EV/EBITDA multiple.

We believe the companies listed in the table all have similar operations to Eco Pallets, with the identified exceptions noted below.

- Pro-Pac Packaging Limited ('Pro-Pac') - is an Australian company that manufactures and distributes industrial, flexible and rigid packaging products, similar to Eco Pallets. Pro-Pac offers a more diversified range of products than Eco Pallets, supplying goods such as industrial and protective packaging products, strapping and wrapping machines, pallet wrapping machines and safety products.
- Pact Group Holdings ('Pact') - manufactures and supplies rigid plastic packaging in Australia, New Zealand and Asia, similar to Eco Pallets. Pact also offers metal packaging products, recycling solutions products, and contract manufacturing services and significantly larger as evidenced by its market capitalisation.
- Brambles - supplies unit load handling equipment such as pallets, crates and containers, which makes its operations comparable to that of Eco Pallets. However, we note Brambles operates in several different geographic regions, is more diversified and is significantly larger than Eco Pallets as evidenced by its market capitalisation.
- Orora Limited ('Orora') - Orora's operations are comparable to Eco Pallets, as Orora supplies packaging equipment, rigid and flexible packaging, and general packaging materials and supplies. However, Orora also offers differentiated products such as glass, wood and aluminium packaging. Orora also operates over different geographic sectors, is more diversified and is significantly larger than Eco Pallets as evidenced by its market capitalisation.
- SECOS Group Limited ('SECOS') - manufactures and distributes sustainable packaging materials in Oceanic, Asia, America, Europe and Africa. While the core operations of SECOS are similar to Eco Pallets,

SECOS targets primarily blue chip clients across a range of geographic regions, differentiating it from Eco Pallets.

- Amcor plc ('Amcor') - Amcor is engaged in the manufacture and sale of packaging products, which makes it broadly comparable to Eco Pallets. However, Amcor's product line is not centred on pallets and crates, making its core operations different to that of Eco Pallets. Amcor is also significantly larger than Eco Pallets, and targets a wider international client base compared to Eco Pallets.

In assessing the Trading Multiples included in the table above, we considered SECOS' EBITDA multiple of 310.4 times an outlier. Based on the above, we consider the forecast EBITDA multiple from the comparable listed companies is in the range of 7.0x to 8.0x.

We note that the comparable listed company's information provides a minority value. We have therefore adjusted the multiple range by applying a control premium in the range from 25% and 35%, as detailed in Appendix 5.

Based on the Trading Multiples, the EBITDA multiple to apply to the earnings of Eco Pallets on a controlling interest basis is in the range from 8.8x to 10.8x as derived below.

Assessed EV/EBITDA Trading Multiple	Low	High
Base EV/EBITDA multiple (excluding premium for control)	7.0x	8.0x
Premium for control	25.00%	35.00%
Base EV/EBITDA multiple (including premium for control)	8.8x	10.8x

Transaction Multiples

We have also considered the multiples implied by publicly available information on actual market (merger and acquisition) transactions. We searched for appropriate transactions based on:

- recent arm's length transactions (from the year 2010 and later);
- similar business activities, exposure to similar end user market; and
- those facing similar risks to their ongoing business operations.

A total of 11 transactions were identified based on our search criteria and available information. The implied EV/EBITDA multiple reflects a valuation on a control basis and therefore no further control premium adjustment is necessary. The target company descriptions for the list of comparable transaction set out below are contained in Appendix 4.

The table below sets out the average multiples implied of the selected precedent transactions.

Ann. Date	Target Company	Acquirer	Interest Acq.	Rev. of Target	Deal Value	Implied Deal Value (100%)	EBITDA	Implied Multiple
				(\$m)	(\$m)	(\$m)	(\$m)*	(x)
20-Jul-21	Hannibal Industries, Inc.	Nucor Corporation (NYSE:NUE)	100%	-	505.72	505.72	70.46	7.2
10-Dec-20	PalletOne, Inc.	UFP Industries, Inc. (NasdaqGS:UFPI)	100%	747.29	344.24	344.24	52.67	6.5
25-Feb-19	IFCO Systems GmbH	Triton Partners; Abu Dhabi Investment Authority	100%	1.53	3504.12	3504.12	352.12	10.0
26-May-17	Winhold Limited	Zola Fubu from a group of shareholders	100%	113.34	20.23	19.27	5.46	3.5

Ann. Date	Target Company	Acquirer	Interest Acq.	Rev. of Target (\$m)	Deal Value (\$m)	Implied Deal Value (100%) (\$m)	EBITDA (\$m)*	Implied Multiple (x)
20-Aug-15	IFCO JAPAN INC	IFCO Systems GmbH	67%	27.26	35.39	53.08	8.94	5.9
13-Aug-15	Palletforce Ltd	Forcefield Bidco Limited	100%	38.94	63.93	63.92	10.48	6.1
10-Jun-15	G.M. Kane & Sons Pty Ltd	CTI Logistics Limited	100%	n/a	27	27	4.34	6.2
27-Mar-15	ESE Direct Ltd.	H C Slingsby plc (AIM:SLNG)	100%	12.47	7.48	6.33	1.01	6.3
13-Jul-11	Promens hf.	Framtakssjóður Íslands	50%	765.13	68.66	138.7	68	2.0
23-Jan-11	Smurfit-Stone Container Corp. (now known as WestRock CP, LLC)	Whiskey Holdco, Inc. (now known as WestRock Company (NYSE: WRK))	100%	6141.74	4444.04	3990.71	570.6	7.0
15-Nov-10	IFCO Systems B.V.	Brambles Investment Limited	100%	808.16	1289.55	1242.79	146.06	8.5
Mean								6.3
Median								6.3

Source: Merger Market, Capital IQ, and BDO analysis

n/a - not disclosed

*Most recent 12-month period, prior to the transaction

As shown above, the mean and median EBITDA multiple based on our identified comparable market transactions is 6.3x. From the transactions identified above, we consider the acquisition of PalletOne, Inc. ('PalletOne') by UFP Industries, Inc. ('UFP Industries') (announced on 10 December 2020), to be the most significant recent transaction for EcoPallets due to the similar operations and markets, although a significantly larger size and more diverse geographic locations than Eco Pallets.

PalletOne manufactures and distributes wood pallets, boxes, crates and bins. While its core operations are centred on wood products, we believe this to be broadly comparable to Eco Pallets.

The transactions above are more comparable in size to Eco Pallets compared to the listed comparable companies discussed previously. We consider the higher comparable companies' Trading Multiples, relative to the implied EBITDA multiples outlined in Appendix 4, to be broadly in line with expectations.

Based on the Transaction Multiples, the EBITDA multiple to apply to the earnings of Eco Pallets is in the range from 6.0x to 6.5x.

Adjusted EV/EBITDA multiple

In determining an appropriate EV/EBTIDA multiple to apply to Eco Pallets, we have considered the Trading Multiples and Transaction Multiples. We have elected to use the Transaction Multiples as a basis for our EV/EBITDA multiple, as many of the comparable companies used in the derivation of the Trading Multiples are substantially larger and more diversified than Eco Pallets.

As detailed above, the EBITDA multiple range derived above is a base range that should be adjusted to reflect the specific risks associated with Eco Pallets. The main factors which we consider appropriate to apply to the multiple are set out below:

- Unlisted company status - there is a readily available market for trading in the securities of the comparable companies selected. This provides liquidity and transparency for investors in terms of reporting requirements demanded by the respective exchanges. A purchaser of Eco Pallets would

not enjoy the benefits that come with a listed company and accordingly, we have factored a discount for this.

- Small size - a significant difference exists between Eco Pallets and the comparable listed companies in terms of size and scale, as shown by the differences in EV, revenue and EBITDA in the tables above. Therefore, it is appropriate to discount the base multiple for the size and scale of Eco Pallets relative to these comparable listed companies.
- Concentration of operations - we note that Eco Pallets operates predominately in Australia, with satellite operations in New Zealand. This is more localised than the operations of the comparable listed companies, which operate across multiple states and internationally (G.M. Kane & Sons Pty Ltd being the exception).

In view of the above factors, we consider that a discount of between 55% and 65% should be applied to the base EBITDA multiple range to derive an appropriate earnings multiple to apply to the earnings of Eco Pallets. This results in a multiple in the range set out in the table below.

Assessed EV/EBITDA multiple	Low	High
Base EV/EBITDA multiple (including premium for control)	6.0x	6.5x
Discount for above factors	65%	55%
Adjusted EV/EBITDA multiple (rounded to one decimal place)	2.1x	2.9x

Source: BDO analysis

In determining the discount applied to our earnings multiple, we have looked at a comparison between the Trading Multiples and Transaction Multiples. The Trading Multiples dataset shows a mean of 10.1x and a median of 11.5x (excluding outliers), whereas the Transaction Multiples dataset shows a mean and median of 6.3x. This has been displayed in the table below.

Cross check of implied discount	Low	High
Trading Multiples range (control)	8.8x	10.8x
Transaction Multiples range	6.0x	6.5x
Implied discount	31.82%	39.81%

Source: BDO analysis

When comparing the Transaction Multiples and Trading Multiples, the Transaction Multiples are at an approximate discount of 32% to 40% to the Trading Multiples, on the basis that the Transaction Multiples are smaller, less diversified and unlisted. This has been calculated in the above table. Given that the market capitalisation for BauMart (of which Eco Pallets is a component of) is lower than most of the target companies used in the generation of the Transaction Multiples, we have applied a further discount of between 55% and 65% to the Transaction Multiples in assessing our earnings multiple range.

Summary of Future Maintainable Earnings Value

We consider that an appropriate multiple to apply to the adjusted EBITDA of Eco Pallets is between 2.1x and 2.9x. The application of this multiple to our assessed Future Maintainable Earnings of \$250,000 to \$260,000 results in an EV of between \$525,000 and \$754,000, noting that this value implicitly assumes control.

Equity value of Eco Pallets

In order to convert the EV into an equity value, we need to:

- add any assets and deduct any liabilities which are considered surplus to the operations of Eco Pallets; and
- add back Eco Pallets' net cash holding.

We do not consider there to be any other surplus assets or liabilities in Eco Pallets. Given that a condition precedent of the Proposed Sale is that the intercompany loan from Eco Pallets to BauMart is forgiven, we have not included this in our valuation of Eco Pallets.

Our derivation of the value of Eco Pallets (on a controlling interest basis) is summarised in the table and accompanying note below. We have assessed the value of Eco Pallets using the FME methodology to be between \$869,825 and \$1,098,825.

	Ref	Low \$	High \$
Assessment of EV			
Adjusted EV/EBITDA multiple		2.1x	2.9x
Assessed future maintainable earnings		250,000	260,000
Assessed EV		525,000	754,000
Adjustments			
Add: Cash at 30 April 2022	a	344,825	344,825
Total adjustments		344,825	344,825
Total value of Eco Pallets		869,825	1,098,825

Source: BDO analysis

Note a) Net cash adjustment

We have adjusted the cash and cash equivalents per the management accounts at 30 April 2022, which is consistent with the completion balance sheet that is set out in the Sale Agreement. The Sale Agreement stipulates that this is the minimum level of cash to be left in the Business on completion. Therefore, any variance between the actual cash left in the Business at completion and the minimum amount per the Sale Agreement will be adjusted for via a change in the amount of Consideration to be paid. We have reviewed the pro-forma balance sheet outlined in the Sale Agreement and note that there is no debt or debt-like items. As such, we have used the balance of cash at 30 April 2022 as the basis for our net cash adjustment.

10.2 Net Asset Value of Eco Pallets

We have assessed the value of Eco Pallets using the NAV methodology as a cross-check to the FME value derived above. Given that Eco Pallets is a wholly owned subsidiary of BauMart, there are no audited financials for the Business. We have used the unaudited management accounts as at 30 April 2022 as the starting point for our adjustments detailed below. Our adjustments reflect any material movements from the 30 April 2022 unaudited balance.

The value of Eco Pallets assets on a going concern basis is reflected in our valuation below:

NAV	Unaudited as at 30-Apr-22 \$	Ref	Adjusted valuation \$
CURRENT ASSETS			
Cash and cash equivalents	344,825		344,825
Trade and other receivables	733,214		733,214
Other current assets	68,598		68,598
Inventories	715,041		715,041
Intercompany loan	1,654,878	a	-
TOTAL CURRENT ASSETS	3,516,556		1,861,677
NON-CURRENT ASSETS			
Property, plant and equipment	207,861		207,861
Intangibles	8,201		8,201
TOTAL NON-CURRENT ASSETS	216,062		216,062
TOTAL ASSETS	3,732,618		2,077,740
CURRENT LIABILITIES			
Trade and other payables	1,674,876		1,674,876
Employee benefits	25,156		25,156
TOTAL CURRENT LIABILITIES	1,700,031		1,700,031
TOTAL LIABILITIES	1,700,031		1,700,031
NET ASSETS	2,032,587		377,708

Source: BDO analysis

The Proposed Sale of Eco Pallets is subject to a completion mechanism, where the completion balance sheet is detailed in the Sale Agreement. The Consideration will be adjusted for any deviation between the actual balance sheet of Eco Pallets at completion of the Proposed Sale and the completion balance sheet set out in the Sale Agreement. As a result, we have adjusted the balance sheet at 30 April 2022 to be reflective of the completion balance sheet set out in the Sale Agreement. The table above indicates the adjusted net asset value of Eco Pallets (on a controlling basis) is \$377,708.

The following adjustment was made to the net assets of Eco Pallets as at 30 April 2022 in arriving at our adjusted NAV.

Note a) Intercompany

Pursuant to the Sale Agreement, the loan from Eco Pallets to BauMart is to be forgiven prior to the Proposed Sale completing. As the loan to BauMart will be extinguished prior to transfer to APX, we have adjusted the balance to nil accordingly.

10.3 Assessment of Eco Pallets Value

The results of the valuations performed are summarised in the table below:

	Ref	Low \$	High \$
Future maintainable earnings	10.1	869,825	1,098,825
Net asset value	10.2	377,708	377,708

Source: BDO analysis

We consider the FME valuation approach to be the most appropriate methodology to assess the value of Eco Pallets. Compared to the NAV, the FME valuation better captures the earnings potential of the Business as its ability to design, manufacture and sell packaging and transport equipment lies in its staff and customer relationships, which are not reflected in the NAV of Eco Pallets.

The NAV also typically represents a floor value as it is the net value that can be realised if the assets of the Business were sold and liabilities discharged. This explains the values derived under the FME approach being higher than those values assessed under the NAV approach. We note that the FME methodology results in a wider range compared to the NAV method, reflecting the variability in the earnings of Eco Pallets.

Based on the results above we consider the value of Eco Pallets to be between \$869,825 and \$1,098,825.

11. Valuation of the Consideration

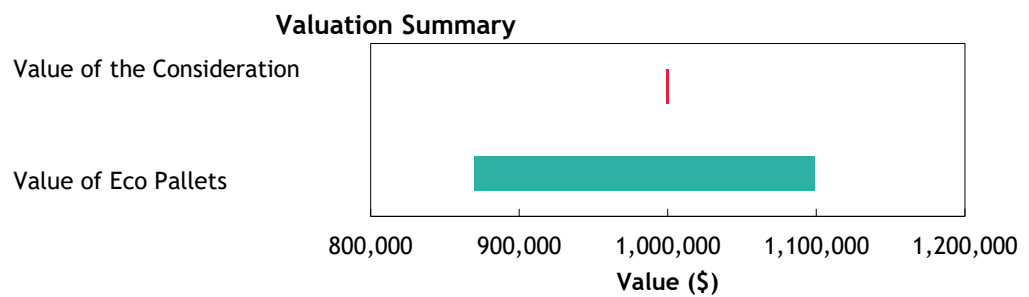
The value of the Consideration to be received by BauMart for the sale of Eco Pallets is \$1.0 million in cash.

12. Is the Proposal Sale fair?

The value of Eco Pallets and the value of the Consideration is compared below:

	Ref	Low \$	High \$
Value of Eco Pallets	10.3	869,825	1,098,825
Value of the Consideration	11	1,000,000	1,000,000

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, and a superior proposal, the Proposed Sale is fair for Shareholders because the value of the Consideration is within our assessed range of values of Eco Pallets.

13. Is the Proposed Sale reasonable?

13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of BauMart a premium over the value resulting from the Proposed Sale.

13.1 Advantages of Approving the Proposed Sale

We have considered the following advantages when assessing whether the Proposed Sale is reasonable.

13.1.1. The Proposed Sale is fair

As set out in section 12, the Proposal Transaction is fair. RG 111.12 states that an offer is reasonable if it is fair.

13.1.2. Consideration from the Proposed Sale provides a source of funding

As stated in Section 1, the Consideration for Eco Pallets is \$1.0 million of cash. The Consideration provides short term funding for BauMart's current operations and any planned growth initiatives. The cash inflow from the sale of the Eco Pallets business reduces the need to seek funding via alternative sources, such as debt or equity. Seeking alternate funding may take place at less favourable terms. Equity would likely be raised at a discount to the current market price, diluting Shareholders' current interests (assuming they don't participate in such raising), or debt may incur interest repayments or onerous covenants, affecting the Company's flexibility in day-to-day activities.

The Consideration received and the cost savings resulting from the Proposed Sale, may allow BauMart to pursue growth in its Building Materials segment through expansion into providing materials and equipment to the mining industry. This was identified as a growth area in the Company's strategic review announcement on 29 April 2022.

13.1.3. The Proposed Sale provides BauMart with certainty of value

The Consideration to be received has a fixed value, being the \$1.0 million cash receivable. BauMart's shareholding in Eco Pallets is an illiquid asset, with downside risk such that should BauMart decide to pursue a sale in future, it may not be able to realise the full value of Eco Pallets or in timeframe it wishes. The Proposed Sale provides a liquidity event for an otherwise illiquid asset, allowing BauMart to realise certain value from its portfolio investment.

13.1.4. Shareholders are no longer exposed to the risks in Eco Pallets

As set out in Section 8.2, global supply chains are becoming more complex and require a greater level of sophistication to navigate. The COVID-19 pandemic has created issues for shipping, transport and related industries, with delays in supply chain and rising costs impacting many industry participants.

Eco Pallets has faced margin pressures recently, with rising fuel, port, freight and shipping costs all impacting profits directly. While Eco Pallets has some protection in its contracts, the Business may not be able to pass all costs on directly to the end customer.

The divestment of the Eco Pallets business would alleviate the wider BauMart group from these risk factors.

13.2 Disadvantages of Approving the Proposed Sale

If the Proposed Sale is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

13.2.1. Reduction in operating cash flow for the wider BauMart group

Eco Pallets is the primary contributor to BauMart's group performance. Divesting Eco Pallets would significantly reduce operating cash flow of the wider Company, which would impact BauMart's ability to deliver on day-to-day activities and growth objectives. This would likely be of determinant to the value of a BauMart share held by the Shareholders following the Proposed Sale.

13.2.2. Loss of scale of BauMart

With the divestment of a key operating business unit comes the loss of scale. Operating a business of smaller size in a listed vehicle may make it harder to raise capital or attract financing, making it harder to deliver on the Company's longer term strategic initiatives.

13.2.3. Loss of diversification

Shareholders are currently exposed to a diversified construction services company, with operations in materials handling, building materials supply, and procurement and equipment investments. Divesting Eco Pallets may not align with the Shareholders risk preferences. Further, given the unique nature of Eco Pallets, it may be hard for shareholders to closely replicate its holdings in BauMart with another similar investment.

13.2.4. Loss of potential upside in Eco Pallets

Eco Pallets has achieved material growth in sales over the FY20 to YTD FY22 period, and this is forecast to continue into FY23. This growth has been driven by marketing initiatives, optimisation of internal processes and the deployment of internally generated capital designed through R&D. If the Proposed Sale is approved, Shareholders will lose the exposure to Eco Pallets at a time when its performance is showing improvement in comparison to prior years. Further, we note that the top end of our assessed range of values for Eco Pallets is higher than the value of the Consideration, therefore, should the high end of our valuation materialise, by approving the Proposed Sale, Shareholders may be foregoing value.

14. Conclusion

We have considered the terms of the Proposed Sale as outlined in the body of this report and have concluded that the Proposed Sale is fair and reasonable to the Shareholders of BauMart.

15. Sources of information

This report has been based on the following information:

- Application letter to the ASX;
- Audited financial statements of BauMart for the years ended 30 June 2020, 30 June 2021 and reviewed financial statements for the half year ended 31 December 2021;
- Australian Bureau of Statistics;
- Australian Government 2022-23 Budget Overview;
- Australian Pallet Survey 2017;
- Bloomberg;
- Discussions with Independent Directors and Management of BauMart;
- Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Executed Sale Agreement and non-binding indicative offers outlining the Proposed Sale between BauMart and APX;
- Dun & Bradstreet;
- International Monetary Fund World Economic Outlook;
- RBA Monetary Policy Decision dated 7 June 2022;
- Share registry information;
- Unaudited management accounts of Eco Pallets for the period ended 30 April 2022 and for the financial years ended 30 June 2020 and 30 June 2021;
- UN Comtrade Database;
- World Bank; and
- Yahoo Finance - *“Global Plastic Pallets Market Report 2021: Recycled Resin-based Pallets are Generating Considerable Traction within the Market”*, Dated 23 September 2021.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of approximately \$32,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by BauMart in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the BauMart, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to BauMart, Eco Pallets and APX and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of BauMart, Eco Pallets and APX and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with BauMart, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to BauMart and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investments Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Adam Myers, Sherif Andrawes and Ashton Lombardo of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Adam Myers is a member of Chartered Accountants Australia & New Zealand and the Joint Ore Reserves Committee. Adam's career spans over 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 400 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Head of Natural Resources for BDO and a former Chairman of BDO in Western Australia.

Ashton Lombardo is a member of the Australian Institute of Chartered Accountants and is a CA BV Specialist. Ashton has over ten years of experience in Corporate Finance and has facilitated the preparation of numerous independent expert's reports and valuations. Ashton has a Bachelor of Economics and a Bachelor of Commerce from the University of Western Australia and has completed a Graduate Diploma of Applied Corporate Governance with the Governance Institute of Australia.

18. Disclaimers and consents

This report has been prepared at the request of the Independent Directors of BauMart for inclusion in the Notice of Meeting which will be sent to all BauMart Shareholders. BauMart engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposed sale of BauMart's wholly owned subsidiary, Eco Pallets, to APX for cash consideration of \$1 million.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Independent Directors of BauMart are responsible for conducting appropriate due diligence in relation to the Proposed Sale. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The forecasts provided to BDO Corporate Finance (WA) Pty Ltd by BauMart and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance (WA) Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actually be achieved. We note that the forecasts provided do not include estimates as to the effect of any future emissions trading scheme should it be introduced as it is unable to estimate the effects of such a scheme at this time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposed Sale, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of BauMart, APX, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Adam Myers

Director



Sherif Andrawes

Director

Appendix 1 - Glossary of Terms

Reference	Definition
AASB16	Australian Accounting Standard 16: Leases
AFCA	Australian Financial Complaints Authority
Amcor	Amcor plc
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
APX	APX Holdings Pty Ltd
ASG	Australia Sunny Glass Group Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
BauMart	BauMart Holdings Limited
BDO	BDO Corporate Finance (WA) Pty Ltd
Brambles	Brambles Limited
Buildmart	Buildmart Services Pty Ltd
Consideration	The cash consideration payable by APX for the shares in Eco Pallets is \$1,000,000 under the terms of the Sale Agreement
DCF	Discounted Future Cash Flows
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
Eco Pallets	Eco Pallets Pty Ltd
ESG	Environmental, Social and (Corporate) Governance
EV	Enterprise value

Reference	Definition
EV/EBITDA	Enterprise value to EBITDA multiple
FBT	Fuel and fringe benefits tax
FME	Future Maintainable Earnings
Forgiven Loan	The release of the intercompany loan receivable of \$1,654,878 owing to Eco Pallets from BauMart as a condition precedent of the Proposed Sale
FSG	Financial Services Guide
FY20	Financial Year ended 30 June 2020
FY21	Financial Year ended 30 June 2021
FY22	Financial Year ended 30 June 2022
FY23	Financial Year ending 30 June 2023
GDP	Gross Domestic Product
HDPE	High-density polyethylene
ISO	International Standard for Organisation
Mah Sing Plastics	Mah Sing Plastics Industries Sdn. Bhd.
NAB	National Australia Bank Limited
NAV	Net Asset Value
Newfield	Newfield Resources Limited
NSX	National Stock Exchange of Australia
Orora	Orora Limited
Our Report	This Independent Expert's Report prepared by BDO
Pact	Pact Group Holdings
PalletOne	PalletOne, Inc.
PP	Polypropylene
Pro-Pac	Pro-Pac Packaging Limited

Reference	Definition
Proposed Sale	BauMart entering a binding Share Sale Agreement with APX to sell 100% of the shares of BauMart's wholly owned subsidiary, Eco Pallets, to APX
QMP	Quoted market price
R&D	Research and development
Range	Range International Limited
RBA	Reserve Bank of Australia
Release Deed	The Release Deed BauMart intends to enter into with Eco Pallets, which will release BauMart from \$1,654,878 of intercompany loans owing to Eco Pallets
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
RG 76	Related party transactions
Sale Agreement	The binding Share Sale Agreement between BauMart and APX for the sale of Eco Pallets, including its subsidiary Eco Pallets NZ Limited
SECOS	SECOS Group Limited
Shareholders	Shareholders of BauMart not associated with the Proposed Sale
Sierra	Sierra Diamonds Limited
Sydney Sunny Glass	Sydney Sunny Glass Pty Ltd
The Act or Corporations Act	The Corporations Act 2001 Cth
The Business	Eco Pallets Pty Ltd
The Company	BauMart Holdings Limited
Trading Multiples	Earnings multiples of publicly trading comparable companies
Transaction Multiples	Multiples implied from comparable transactions
UFP Industries	UFP Industries, Inc.
Ventus Aqua	Ventus Aqua Pty Ltd
Washpod	Washpod Consolidated Pty Ltd

Reference**Definition**

YTD FY22

The 10 month period ended 30 April 2022

Copyright © 2022 BDO Corporate Finance (WA) Pty Ltd

All rights reserved. No part of this publication may be reproduced, published, distributed, displayed, copied or stored for public or private use in any information retrieval system, or transmitted in any form by any mechanical, photographic or electronic process, including electronically or digitally on the Internet or World Wide Web, or over any network, or local area network, without written permission of the author. No part of this publication may be modified, changed or exploited in any way used for derivative work or offered for sale without the express written permission of the author.

For permission requests, write to BDO Corporate Finance (WA) Pty Ltd, at the address below:

The Directors

BDO Corporate Finance (WA) Pty Ltd

Level 9, Mia Yellagonga Tower 2

5 Spring Street

Perth, WA 6000

Australia

Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Appendix 3 - Comparable Company Descriptions

Our selection of comparable companies is primarily based on public companies operating in the materials handling industry and plastic packaging industry, and therefore face similar risks to Eco Pallets. Descriptions of the comparable listed companies identified are summarised below:

Company Name	Business Description
Range International Limited (ASX: RAN)	Range International Limited manufactures and sells plastic pallets made from recycled mixed waste plastic, including plastic fencing and retaining wall panels out of recycled plastic. It sells its products in Indonesia, Australia, New Zealand, Thailand, the Philippines, and internationally. The company was founded in 2002 and is based in Sydney, Australia.
Pro-Pac Packaging Limited (ASX:PPG)	Pro-Pac Packaging Limited, together with its subsidiaries, manufactures and distributes industrial, flexible, and rigid packaging products in Australia and New Zealand. It operates through its Flexibles, Industrial, and Rigid segments. The Flexibles segment manufactures flexible packaging materials products, such as stretch and shrink wrap, agricultural silage packaging, fresh produce bags, barrier and lidding films, and industrial protective films. The Industrial segment sources and distributes industrial packaging materials and related consumer products. The Rigid segment manufactures, sources, and distributes containers, closures, and related products and services. It offers corrugated cartons, flexible films, plastic bottles, lids and closures, food processing products, industrial and protective packaging products, strapping and wrapping machines, pallet wrapping machines, safety and personal protective equipment (PPE) products, gloves, and washroom and janitorial products. Additionally, the company also provides void fill solutions, bags and liners, cleaning supplies, labels and signs. The company supplies its products and services to produce, food and food processing, and warehousing and logistics, as well as agricultural, industrial, commercial, retail and fast-moving consumer goods (FMCG) markets. Pro-Pac Packaging Limited was founded in 1987 and is headquartered in Reservoir, Australia.
Pact Group Holdings Ltd (ASX:PGH)	Pact Group Holdings Ltd engages in the manufacture and supply of rigid plastic and metal packaging in Australia, New Zealand, and Asia. The company operates through Packaging and Sustainability, Materials Handling and Pooling, and Contract Manufacturing Services segments. The company offers packaging products for dairy and beverage, processed food, health and personal care, fresh food, household and industrial, and closures industries. It also offers reusable products, such as garment hangers, fresh produce crates, intermediate bulk containers (IBC's), and steel drums for supply chain, environmental, infrastructure, and retail accessories applications. Further, the

Company Name

Business Description

company provides recycling solutions, which include post-consumer and post-industrial Polyethylene terephthalate (PET) products comprising water and soft drink bottles, bakery trays, and protein trays into recycled food-grade resins. The company recycles post-consumer and post-industrial High-Density Polyethylene (HDPE) products consisting of milk, laundry, and shampoo bottles into recycled resin to manufacture milk and dairy containers, personal and homecare bottles, lubricant containers, pipe, and mobile garbage bins. In addition, the company recycles post-consumer and post-industrial Polypropylene (PP) products that include ice cream tubs, yoghurt containers, shopping, and produce crates into recycled resin to manufacture plant pots, paint pails, bread, milk, produce crates, and bins, and recycles pallet, shrink wrap, and shopping bags to manufacture builders' film, silage wrap, dampcourse, garage bags, and other sheet products. Moreover, it offers contract manufacturing services for homecare, personal care, cosmetics, automotive, promotional packaging, aerosol and liquid based consumer products, and pharmaceutical and nutraceutical manufacturing services, as well as provides packaging service for coated and uncoated tables, capsules, and powdered products. The company was founded in 2002 and is based in Cremorne, Australia.

Brambles Limited (ASX:BXB)

Brambles Limited operates as a supply-chain logistics company. The company operates through CHEP North America and Latin America, CHEP Europe, Middle East, Africa and India as well as CHEP Australia, New Zealand and Asia, excluding India segments. It engages in the pooling of unit-load equipment and associated services, focusing on the outsourced management of pallets, crates, and containers. The company serves customers in the fast-moving consumer goods, fresh produce, beverage, retail, and general manufacturing industries. Brambles Limited was founded in 1875 and is based in Sydney, Australia.

Orora Limited (ASX:ORA)

Orora Limited designs, manufactures, and supplies packaging products and services to the grocery, fast moving consumer goods, and industrial markets in Australia, New Zealand, the United States, and internationally. Operating through Orora Australasia and Orora North America segments, the company provides glass bottles, aluminium cans, tabs and ends, closures and caps, boxes and cartons, point-of-purchase displays, packaging equipment, rigid and flexible packaging, and general packaging materials and supplies. The company purchases, warehouses, sells, and delivers a range of packaging and related materials, sells equipment, manufactures corrugated sheets and boxes as well as providing point of purchase retail display solutions and other visual communication services. In addition, the company offers printing and signage, research and technology, product sourcing, automation and engineering, design, kitting and fulfilment, logistics, and digital technology services. The company was formerly known as Amcor Packaging (Australia) Limited and changed its name to Orora Limited in October 2013. Orora Limited was incorporated in 1949 and is headquartered in Hawthorn, Australia.

Company Name

Business Description

SECOS Group Limited (ASX:SES)

SECOS Group Limited, together with its subsidiaries, manufactures and distributes sustainable packaging materials in Oceanic, Asia, Americas, Europe, and Africa. The company provides biodegradable and compostable resins, packaging products and cast films to blue-chip companies. It also develops and manufactures bioplastic resins derived from renewable resources for the packaging and plastic products industries. SECOS Group Limited is headquartered in Mount Waverley, Australia.

Amcor plc (ASX:AMC)

Amcor plc develops, produces, and sells packaging products in Europe, North America, Latin America, Africa, and the Asia Pacific regions. The company operates through two segments, Flexibles and Rigid Packaging. The Flexibles segment provides flexible and film packaging products in the food and beverage, medical and pharmaceutical, fresh produce, snack food, personal care, and other industries. In addition, the Rigid Packaging segment offers rigid containers for a range of beverage and food products, including carbonated soft drinks, water, juices, sports drinks, milk-based beverages, spirits and beer, sauces, dressings, spreads, and personal care items, as well as plastic caps for various applications. The company sells its products primarily through its direct sales force. Amcor plc was incorporated in 2018 and is headquartered in Zürich, Switzerland.

Appendix 4 - Target Company Descriptions of Comparable Transactions

Our selection of comparable companies which were acquired is primarily based on available transaction data on target companies (public or private) operating in the materials handling industry and plastic packaging industry, and therefore face similar risks to Eco Pallets. Descriptions of the comparable transaction companies identified are summarised below:

Target Company	Acquirer	Country of Target Operations	Target Company Description
Hannibal Industries, Inc.	Nucor Corporation (NYSE:NUE)	United States	Hannibal Industries, Inc. manufactures carbon steel tubing and pallet racking systems. The company serves customers through distributors, manufacturer's representatives, and OEM partners in America and internationally. Hannibal Industries, Inc. was founded in 1985 and is based in Los Angeles, California, owning facilities located in Houston, Texas and Stockton, California.
PalletOne, Inc.	UFP Industries, Inc. (NasdaqGS:UFPI)	United States	PalletOne, Inc. manufactures and distributes pallet-related products in the United States. The company owns pallet manufacturing facilities and sawmills located in the eastern United States. The company was founded in 2001 and is based in Bartow, Florida.
IFCO Systems GmbH	Triton Partners; Abu Dhabi Investment Authority	Germany	IFCO SYSTEMS GmbH manufactures and supplies reusable plastic containers to retailers and producers in Germany and offers its products on a rental basis. Formerly known as IFCO Systems Europe GmbH prior to 2002, the company was founded in 1992 and is based in Pullach, Germany.
Winhold Limited	Zola Fubu from a group of shareholders	South Africa	Winhold Limited, an investment holding company, manufactures and distributes polyethylene and polypropylene bags, and sheeting and packaging products to the agricultural, chemical, construction, food processing, industrial, and consumer markets in South Africa. The company also supplies capital and consumer goods to the mining, petrochemical, and general industries, and additionally manufactures and distributes pallets and other products made out

Target Company	Acquirer	Country of Target Operations	Target Company Description
			of recycled polyethylene terephthalate polymer bottles. Further, the company offers extruded flexible sheeting for agricultural and construction markets. Winhold Limited was incorporated in 1945 and is headquartered in Germiston, South Africa.
IFCO JAPAN INC	IFCO Systems Gmbh	Japan	IFCO JAPAN INC. leases plastic containers from Mitsubishi Plastics, Inc. and Meiji Rubber & Chemical Co., Ltd. The company was founded in 1995 and is headquartered in Tokyo, Japan.
Palletforce Ltd	Forcefield Bidco Limited	United Kingdom	Palletforce Limited, a logistics supplier, operates an express palletised distribution network in Europe. It further offers tail lift services and tailor-made services, which include warehousing and order picking, European and international services, same-day express deliveries, and other services that suit customer requirements. Formerly known as Palletforce PLC, the company changed its name to Palletforce Limited in October 2015. Palletforce Limited was incorporated in 2000 and is headquartered in Burton upon Trent, United Kingdom.
G.M. Kane & Sons Pty Ltd	CTI Logistics Limited	Australia	G.M. Kane & Sons Pty Ltd., known as GMK Logistics, operates as a full-service logistics company in Australia. The company offers outsourced warehousing, storage and other value added services, and further manages third-party logistics. The company also offers transportation services including container cartage and de-hire, courier, national distribution, interstate transportation, specialised carpet and roll product transportation and specialist site delivery services.
ESE Direct Ltd.	H C Slingsby plc (AIM:SLNG)	United Kingdom	ESE Direct Ltd. manufactures and supplies industrial and commercial storage, handling, workshop, safety, site, office, and facilities products in the United Kingdom. The company also provides industrial equipment, warehouse equipment and office and signage solutions and offers premise solutions and safety and security solutions. In

Target Company	Acquirer	Country of Target Operations	Target Company Description
			<p>addition, racking systems, shelving systems and trucks and trolleys, such as sack trucks are also offered products, which are all sold online. The company was formerly known as Eastern Storage Equipment Ltd. prior to January 2013, founded in 1975 and is based in Norwich, United Kingdom.</p>
Promens hf.	Framtakssjóður Íslands	Iceland	<p>Promens hf. manufactures plastic packaging solutions, components and rotationally moulded products. It offers consumer packaging products, health care packaging products and a range of bulk packaging products for industrial applications. The company also provides a range of plastic automotive components for exterior and interior applications, as well as under the bonnet parts to passenger and commercial automotive original equipment manufacturers (OEMs) and plastic industrial components. Founded in 2005, the company is based in Kopavogur, Iceland with manufacturing facilities and sales offices in Belgium, Canada, China, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hong Kong, Iceland, India, Italy, the Netherlands, Norway, the Philippines, Poland, Spain, Sweden, Tunisia, and the United Kingdom.</p>
Smurfit-Stone Container Corp. (now known as WestRock CP, LLC)	Whiskey Holdco, Inc. (now known as WestRock Company (NYSE: WRK))	United States	<p>WestRock CP, LLC manufactures paperboard and paper-based packaging in North America. It offers corrugated containers that are used to transport various products and manufactures retail ready, point of purchase displays and a line of specialty products. The company produces a line of containerboard, which is used primarily in the production of corrugated packaging. In addition, it collects aluminium and plastics for resale to the manufacturers of these products, and operates brokerage system that allows purchasing and reselling recovered paper to its recycled paper mills and other producers on a regional and national contract basis, as well as offering reclaimed fibre. WestRock CP, LLC sells its packaging and other products directly to end users and converters, as well as through resellers. The company was formerly</p>

Target Company	Acquirer	Country of Target Operations	Target Company Description
IFCO Systems B.V.	Brambles Investment Limited	Germany	<p>known as Smurfit-Stone Container Corporation, founded in 1926 and is based in Norcross, Georgia.</p> <p>IFCO SYSTEMS B.V. provides logistics services worldwide. The company operates in two segments, RPC Management Services and Pallet Management Services. The RPC Management Services segment provides reusable plastic containers (RPC), transport and service solutions for various industries in Europe in addition to offering various solutions for beverage RPCs, bulk containers, and plastic pallets. The Pallet Management Services segment engages in the procurement, reconditioning, and distribution of wood pallets to and from the manufacturing, distribution, and retail sectors. The company also focuses on pallet recycling and the supply chain logistics services as well as offering custom wood crates and packaging material to customers in lawn and garden, heating and cooling, and personal recreational vehicle industries. The company was incorporated in 1999 and is headquartered in Schiphol, Germany.</p>

Appendix 5 - Control Premium

An acquirer would be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of a company. These advantages include the following:

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

A market-based multiple is calculated using a company's share price. A share price is reflective of a minority interest in a company. Therefore, we must add a premium for control to any FME valuation that is calculated using a market based multiple.

We have reviewed the control premiums on completed transactions, paid by acquirers of all ASX-listed companies. In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e. less than a 0% premium) and at a premium in excess of 100%. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2022	19	5,796.78	17.98
2021	33	1,420.58	33.59
2020	25	451.20	37.66
2019	43	3,161.24	29.90
2018	42	1,158.47	31.08
2017	29	973.72	37.91
2016	38	788.28	36.82
2015	34	828.15	34.10
2014	45	517.00	37.98
2013	36	138.78	33.37
2012	47	511.86	43.94

Entire Data Set Metrics	Average Deal Value (AU\$m)	Average Control Premium (%)
Mean	1,237.54	34.82
Median	124.26	30.79

Source: Bloomberg

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

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;

- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

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

We have removed transactions for which the announced premium was in excess of 100%. We have removed these transactions because we consider it likely that the acquirer in these transactions would be paying for special value and/or synergies in excess of the standard premium for control. Whereas the purpose of this analysis is to assess the premium that is likely to be paid for control, not specific strategic value to the acquirer.

The table above indicates that the long-term average control premium by acquirers of all ASX-listed companies is 34.82%. In a population where there are outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the assessed period was 30.79% for all ASX-listed companies.

We consider an appropriate control premium to be on the lower end of historical averages as a result of the size and scale of Eco Pallets. Based on the above, we consider an appropriate premium for control to be between 25% and 35%.



ACN 602 638 531

PROXY FORM

MR SAM SAMPLE
UNIT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE WA 6060

1. Appointment of Proxy

being a member/s of BauMart Holdings Limited and entitled to attend and vote hereby appoint

the Chair of the
Meeting
(mark with an 'X')

OR

PLEASE NOTE: Leave this box blank if you have selected the Chair of the Meeting. Do not insert your own name(s).

or if no person is named, the Chair of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of BauMart Holdings Limited to be held at 15 McCabe Street, North Fremantle Western Australia 6159, on Thursday, 18 August 2022 commencing at 10:00am (WST) and at any adjournment of that meeting.

The Chair of the Meeting intends to vote undirected proxies **in favour** of each of the items of business. In exceptional circumstances the Chair may change his or her voting intentions on any resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Note: You can direct the Chair how to vote by marking the boxes below (for example, if you wish to vote against or abstain from voting).

2. Items of Business

Voting directions to your proxy – please mark ☒ to indicate your directions

FOR

AGAINST

ABSTAIN

1. Approval of disposal of shares in Eco Pallets

☐☐☐

PLEASE NOTE: If you mark the “Abstain” box for a particular item, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll. Unless indicated otherwise by ticking the “For”, “Against” or “Abstain” box you will be authorising the Chair to vote in accordance with the Chair’s voting intention.

3. Signature of Securityholder(s)

Please sign here

THIS SECTION MUST BE SIGNED IN ACCORDANCE WITH THE INSTRUCTIONS OVERLEAF TO ENABLE YOUR DIRECTIONS TO BE IMPLEMENTED.

Individual or Securityholder 1

Individual/ Sole Director and
Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/ Company Secretary

Contact Name

Contact Daytime Telephone



ACN 602 638 531

HOW TO COMPLETE THE PROXY FORM

1. Appointment of Proxy

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chair of the Meeting, please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the Company.

If you have appointed a company as your proxy and a representative of that company wishes to attend the meeting, the representative will be required to provide the Company with the appropriate written documentation evidencing that the person is a representative of the proxy. Should you require it, the Company will provide you with a corporate representative form free of charge. Please contact the Company Secretary if you require a corporate representative form.

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote for in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies, you must specify the percentage of votes or numbers of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Section 1.

2. Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with your directions. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

3. Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the Company. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the Company's registered office or at the address given below no later than 10:00am (WST) on Tuesday, 16 August 2022, being 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged by post or email to BauMart Holdings Limited:-

PO Box 4324
Mosman Park South WA 6912

Email: info@baumart.com.au



ACN 602 638 531

PROXY FORM

MR SAM SAMPLE
UNIT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE WA 6060

1. Appointment of Proxy

being a member/s of BauMart Holdings Limited and entitled to attend and vote hereby appoint

☐

the Chair of the
Meeting
(mark with an 'X')

OR

PLEASE NOTE: Leave this box blank if you have selected the Chair of the Meeting. Do not insert your own name(s).

or if no person is named, the Chair of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of BauMart Holdings Limited to be held at 15 McCabe Street, North Fremantle Western Australia 6159, on Thursday, 18 August 2022 commencing at 10:00am (WST) and at any adjournment of that meeting.

The Chair of the Meeting intends to vote undirected proxies **in favour** of each of the items of business. In exceptional circumstances the Chair may change his or her voting intentions on any resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Note: You can direct the Chair how to vote by marking the boxes below (for example, if you wish to vote against or abstain from voting).

2. Items of Business

Voting directions to your proxy – please mark ☒ to indicate your directions

FOR

AGAINST

ABSTAIN

1. Approval of disposal of shares in Eco Pallets

☐☐☐

PLEASE NOTE: If you mark the “Abstain” box for a particular item, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll. Unless indicated otherwise by ticking the “For”, “Against” or “Abstain” box you will be authorising the Chair to vote in accordance with the Chair’s voting intention.

3. Signature of Securityholder(s)

Please sign here

THIS SECTION MUST BE SIGNED IN ACCORDANCE WITH THE INSTRUCTIONS OVERLEAF TO ENABLE YOUR DIRECTIONS TO BE IMPLEMENTED.

Individual or Securityholder 1

Individual/ Sole Director and
Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/ Company Secretary

Contact Name

Contact Daytime Telephone



ACN 602 638 531

HOW TO COMPLETE THE PROXY FORM

1. Appointment of Proxy

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chair of the Meeting, please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the Company.

If you have appointed a company as your proxy and a representative of that company wishes to attend the meeting, the representative will be required to provide the Company with the appropriate written documentation evidencing that the person is a representative of the proxy. Should you require it, the Company will provide you with a corporate representative form free of charge. Please contact the Company Secretary if you require a corporate representative form.

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote for in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies, you must specify the percentage of votes or numbers of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Section 1.

2. Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with your directions. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

3. Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the Company. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the Company's registered office or at the address given below no later than 10:00am (WST) on Tuesday, 16 August 2022, being 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged by post or email to BauMart Holdings Limited:-

PO Box 4324
Mosman Park South WA 6912

Email: info@baumart.com.au