13 August 2009

The Directors
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Hall Chadwick Corporate (NSW) Limited

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Dear Sirs,

Independent Expert's Report on the proposal to issue share capital and capitalise debt owed to Vendors of businesses acquired by Allomak Limited

1. INTRODUCTION

Background

1.1 On 16 April 2009 Allomak Limited ("AMA" or "the company") requested a trading suspension and announced that it was preparing a recapitalisation plan with its bankers and key vendors.

1.2 The Company owes approximately $10 million to the vendors of certain key operating businesses underlying AMA ("the Vendors") and was in breach of its obligation to repay these amounts. The Vendors have now agreed to accept approximately 50% of the amounts owed to them as a conversion to ordinary shares in AMA and approximately 50% in the form of a long term loan, interest free, that will be repaid over a 5 year period (the "Transaction"). These loans are subordinated to the Company's banking facilities.

1.3 AMA's banker has agreed to provide a long-term loan facility with covenants consistent with the projected performance of the restructured businesses. The bank's proposal is conditional on shareholder approval of the Vendor Agreements.

Purpose of Report

1.4 You have requested Hall Chadwick Corporate (NSW) Limited ("HCC") to prepare an Independent Expert's Report to advise the shareholders of AMA other than those associated with the proposed issue of AMA shares to the Vendors ("Non-Associated Shareholders"), whether the proposed Transaction is fair and reasonable when considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.

1.5 HCC understands and has agreed that this report will accompany the notice to convene a meeting of AMA shareholders, to assist the Non-Associated Shareholders in their consideration of the resolutions to be put at a General Meeting.

Opinion

1.6 In our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders of AMA.

1.7 The ultimate decision however on whether to accept the proposed Transaction should be based on AMA shareholders own assessment of their circumstances.

2. THE PROPOSED TRANSACTION

2.1 AMA has failed to meet its payment obligations under business sale agreements previously entered into for businesses acquired by the company. AMA has entered into Deeds of Amendment and Release ("Agreements") with the Vendors of these businesses for the settlement of the purchase price balance. A summary of these Agreements is shown in the following table:

Vendor	**Business / Company Acquired**	**Outstanding Debt ($)**
Surrey Panelcare Pty Ltd and Tamadene Pty Ltd	Surrey Panelcare	1,150,000
OCNALA Pty Limited as trustee for the Alan Golding Family Trust	Alanco Australia	1,755,000
Mr Gloss Pty Ltd	Mr Gloss Holdings Pty Ltd	6,250,000
Lachlan and Jocelyn McGillivray	KT Cable Accessories Pty Ltd	700,000 (1)
Total		9,855,000

(1) $700,000 plus Incentive Payment equal to 50% of KT Cable Accessories EBIT in FY2010 if the Minimum Target is met ($900,000 or more).

2.2 The Agreements include the following common terms:

- The debt or 'Purchase price balance' is payable as follows:
  - 50% satisfied by the issue of AMA shares at 4 cents per share ("Share Entitlement");
  - 50% in the form of a long term loan, interest free, repaid over a 5 year period in 20 equal quarterly instalments commencing 30 October 2009, subordinated to the Company's banking facilities (secured by a registered second ranking fixed and floating charge over the assets of AMA and its subsidiaries);

  with the exception of the Mr Gloss Agreement which has allocated the purchase price balance as 52% AMA shares and 48% cash.

- The following table shows the agreed allocation of the purchase price balance between cash and shares:

Vendor	**Cash**	**Shares**	**Shares**
	$	$	(Number)
Surrey Panelcare Pty Ltd and Tamadene Pty Ltd	575,000	575,000	14,375,000
OCNALA Pty Limited as trustee for the Alan Golding Family Trust	877,500	877,500	21,937,500
Mr Gloss Pty Ltd	3,000,000	3,250,000	81,250,000
Lachlan and Jocelyn McGillivray	350,000	350,000	8,750,000
Total	4,802,500	5,052,500	126,312,500

- Payment of the amount by AMA to the Vendors will settle all AMA's (and their respective subsidiaries) obligations and liabilities under the original business sale agreements and any other related obligations or liabilities existing at the date of the Agreement;

- Completion is conditional on the passing of shareholder resolutions approving the issue of AMA shares to the Vendors and the payment of cash consideration to Mr Gloss Pty Ltd (as a related party) under the Agreements, and receipt of all regulatory approvals in respect of those resolutions.

2.3 AMA's banker has agreed to provide a long-term loan facility with covenants consistent with the projected performance of the restructured businesses ("Facility Agreement"). AMA currently owes its banker approximately $34 million. The Facility Agreement involves the reclassification of $12 million of this debt as interest-free, payable over 10 years, with an option to forego $6 million in debt at any time by paying down the debt by $6 million. The banker's proposal is conditional on shareholder approval of the Vendor Agreements.

2.4 The proposed issue of shares and payment of cash to the Vendors detailed in Section 2.2, and the associated refinancing with AMA's banker detailed in Section 2.3, is referred to hereinafter as the "**Transaction**".

2.5 The Vendors (other than Mr Gloss Pty Ltd) have each received 35% of their Share Entitlement prior to the General Meeting, which equates to 15,771,875 shares. The resolutions below seek shareholder approval for the issue of the balance of the Share Entitlement totalling 110,540,625 shares.

2.6 The Notice of Meeting includes the following resolutions relevant to the proposed Transaction and this Report:

Resolution 2: Issue of Shares to Surrey Panelcare Vendors
" That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue and allot 9,343,750 Shares at an issue price of 4 cents per share to Surrey Panelcare Pty Ltd and Tamadene Pty Ltd, the vendors of the Surrey Panelcare business, pursuant to the Surrey Panelcare Settlement Deed dated 30 June 2009. "

Resolution 3: Issue of Shares to Alanco Vendors
"That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue and allot 14,259,375 Shares at an issue price of 4 cents per share to OCNALA Pty Ltd, being the vendor of the Alanco business in accordance with the OCNALA Settlement Deed dated 30 June 2009."

Resolution 4: Issue of Shares to Mr Gloss Vendors
"That for the purposes of Item 7 of Section 611 of the Corporations Act, Chapter 2E of the Corporations Act and Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited (as the case may be) and for all other purposes, approval is given for the Company to:

(a) issue and allot 81,250,000 Shares at an issue price of 4 cents per share; and

(b) enter into a 5 year interest free loan agreement to repay $3,000,000,

to Mr Gloss Pty Ltd as trustee for the Mr Gloss Unit Trust as vendor of the Mr Gloss Holding Pty Ltd Shares, in accordance with the Mr Gloss Settlement Deed dated 30 June 2009."

Resolution 5: Issue of Shares to KT Cables Vendors

"That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue and allot 5,687,500 Shares at an issue price of 4 cents per share to Lachlan McGillivray and Jocelyn McGillivray, the vendors of the shares of KT Cable Accessories Pty Limited on the terms of the KT Cables Settlement Deed dated 30 June 2009."

2.6 For the Transaction to proceed it must be approved by the Non-Associated Shareholders. The following table shows the effect on the share capital of AMA after the Transaction:

AMA
Effect on Ordinary Shares

Effect on Ordinary Shares	**Number of Shares**
Ordinary shares currently on issue (a)	159,371,045
Shares to be issued to the Vendors requiring shareholder approval:	
Surrey Panelcare Pty Ltd and Tamadene Pty Ltd	9,343,750
OCNALA Pty Limited as trustee for the Alan Golding Family Trust (Alanco Australia)	14,259,375
Mr Gloss Pty Ltd	81,250,000
Lachlan and Jocelyn McGillivray (KT Cable Accessories)	5,687,500
Total ordinary shares on issue after Transaction	269,911,670

(a) The Vendors (other than Mr Gloss Pty Ltd) have each received 35% of their Share Entitlement prior to the General Meeting. The resolutions detailed above are seeking shareholder approval for the issue of the balance of the Share Entitlement. The shares currently on issue includes 15,771,875 shares issued to the Vendors prior to the General Meeting as follows:

Surrey Panelcare Pty Ltd and Tamadene Pty Ltd	5,031,250
OCNALA Pty Limited	7,678,125
Lachlan and Jocelyn McGillivray	3,062,500

2.7 Shown in the table below are related parties of the Vendors that currently hold shares in AMA, and the effect of the Transaction on their shareholdings:

Related Party of Vendor		Current Shareholding		Shares to be issued	Post Transaction Shareholding	
Alan Costello	Surrey Panels	6,837,086	4.3%	9,343,750	16,180,836	6.0%
Alan Golding	Alanco	11,495,610	7.2%	14,259,375	25,754,985	9.5%
Ray Malone	Mr Gloss	10,180,835	6.4%	81,250,000	91,430,835	33.9%
Lachlan McGillivray	J&L McGillivray	6,711,605	4.2%	5,687,500	12,399,105	4.6%
		35,225,136	22.1%	***110,540,625***	***145,765,761***	54.0%

2.8 One of the Vendors, Mr Gloss Pty Ltd, is an entity controlled by Mr Ray Malone, a director of the Company and is therefore a related party of the Company for the purposes of the Corporations Act and the Listing Rules. Mr Gloss Pty Limited will acquire a relevant interest greater than 20% (up to 33.9%) of the voting shares in the Company (on an undiluted basis) post completion of the Transaction. Accordingly, shareholder approval is being sought in accordance with Section 208 and Item 7 of Section 611 of the Corporations Act, and Listing Rule 10.11, for the issue of shares and cash payment to Mr Gloss Pty Ltd as a related party of the Company.

2.9 AMA also have the following options on issue:

- Employee options: Various exercise prices and expiry dates	255,000
- Series A Options, exercisable at $0.40 on or before 22 July 2011	560,000
- Series B Options, exercisable at $0.40 on or before 22 July 2011	560,000
- Series C Options, exercisable at $0.47 on or before 22 July 2011	4,875,000
- Series D Options, exercisable at $0.57 on or before 22 July 2011	4,875,000

2.10 As all options are well out of the money, we have not considered their effect on the percentage interests of shareholders, and all percentage interests in AMA shares disclosed in this report are expressed on an undiluted basis. There are no new issues of options included in the Transaction.

STRUCTURE OF REPORT

Our report is set out under the following headings:

APPENDICES

3 PURPOSE OF REPORT

3.1 The purpose of this report is to advise the Non-Associated Shareholders of AMA of the fairness and reasonableness of the Transaction.

This report provides an opinion on whether or not the terms and conditions in relation to the transaction are fair and reasonable to the AMA shareholders whose votes are not to be disregarded in respect of the transaction (that is, the Non-Associated Shareholders).

The ultimate decision whether to accept the terms of the Transaction should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Transaction or matters dealt with in this report, shareholders should seek independent professional advice.

For the Transaction to be fair, the Transaction consideration must be equal to or greater than the cost of the Transaction to AMA. To be reasonable the shareholders must obtain an overall benefit if the transaction proceeds.

3.2 This report has been prepared to satisfy the requirements of the Corporations Act 2001 ("Corporations Act") and the Australian Stock Exchange ("ASX") Listing Rules.

Corporations Act Requirements

3.3 One of the Vendors, Mr Gloss Pty Ltd, is an entity controlled by Mr Ray Malone, a director of the Company and is therefore a related party of the Company for the purposes of the Corporations Act and the Listing Rules.

3.4 Mr Gloss Pty Limited will acquire a relevant interest greater than 20% (up to 33.9%) of the voting shares in the Company (on an undiluted basis) post completion of the Transaction.

3.5 Section 606(1) of the Corporations Act states that a person must not acquire an interest in issued voting shares in a listed company if that person's or any other person's voting power increases to above 20%. Section 606(1) prohibits Mr Gloss Pty Limited from acquiring the issued ordinary shares in AMA under the Transaction, unless one of the exemptions under Item 7 of Section 611 of the Corporations Act applies.

3.6 The exceptions set out in Item 7 of Section 611 of the Corporations Act include an acquisition that is approved by a resolution of shareholders of AMA passed at a general meeting as per Section 611. This is the exception which is being relied upon by the AMA shareholders. At the general meeting of AMA no votes will be allowed to be cast by those persons (or their associates) acquiring shares under the Transaction, being Mr Gloss Pty Limited and its associates.

3.7 Section 208 of the Corporations Act specifies a public company must not give a financial benefit (including acquisition of an asset) to a related party without shareholder approval. Section 228(2) of the Corporations Act defines a related party as the following:

- Directors of the public company;
- Directors of an entity that controls the public company;

- If the public company is controlled by an entity that is not a body corporate – each of the persons making up the controlling entity;
- Spouses and de-facto spouses of the persons referred to above.

In addition to this, Section 228(5) of the Corporations Act states that a person may be a related party for the purposes of the legislation if they were a related party as defined in Section 228(2) within 6 months prior to the Transaction.

However, Section 210 of the Corporations Act states that member approval is not required to provide a financial benefit on terms that:

- Would be reasonable in the circumstances if the public company and the related party were dealing at arms length (i.e. the acquisition was for market value); or
- Was less favourable to the related party than arms length terms.

3.8 Shareholder approval is therefore required under section 208 for the issue of shares and cash payment to Mr Gloss Pty Ltd as a related party of the Company.

3.9 Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 "Content of Experts Reports" requires, amongst other things, that directors of a company need to provide shareholders with an analysis of whether a proposed transaction is fair and reasonable, when considered in the context of the interests of the non-associated shareholders. Regulatory Guide 111 recommends that this analysis should include an independent expert's report. The independent expert is required to state whether, in their opinion, the proposal is fair and reasonable having regard to the interests of non-associated shareholders and state the reasons for forming that opinion. This report provides such an opinion.

ASX Listing Rules

3.10 ASX Listing Rule 7.1 states that without the approval of holders of ordinary shares, an entity must not issue or agree to issue more equity securities than the number calculated according to the following formula:

(A x B) – C

Where:

A = The number of fully paid ordinary securities on issue 12 months prior to the date of agreement;

- Plus the number of fully paid ordinary securities issued under an exception in ASX Listing Rule 7.2,
- Plus the number of partly paid ordinary securities that became fully paid in the 12 months,
- Plus the number of fully paid ordinary securities that became fully paid in the 12 months with approval of holders of ordinary securities under ASX Listing Rule 7.1,
- Less the number of fully paid ordinary securities cancelled in the 12 months.

B = 15%

C = The number of equity securities issued or agreed to be issued in the 12 months before the date of the issue or agreement to issue but under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.

3.11 The issue of ordinary securities under the Transaction will result in an issue of AMA ordinary securities greater than allowed under the above formula. Accordingly, under ASX Listing Rule 7.1 AMA must obtain approval from the holders of the ordinary shares.

3.12 ASX Listing Rule 7.3 sets out the items to be included in the notice of general meeting of shareholders. Listing Rule 7.3 does not specifically require the notice to include a copy of an independent expert's report commenting on the issue.

3.13 ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval prior to the issue of securities to a related party. As stated above, Mr Gloss Pty Ltd is considered a related party of the Company by virtue of the fact that it is controlled by Mr Ray Malone, a Director of the Company. Shareholder approval is therefore required under Listing Rule 10.11 for the issue of shares to Mr Gloss Pty Ltd as a related party of the Company.

3.14 ASX Listing Rule 10.10 requires that the Notice of Meeting include a report on the transaction from an independent expert stating whether the transaction is fair and reasonable to the non-associated shareholders of the company. This report provides such as opinion.

4. OPINION

4.1 In our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders of AMA.

4.2 Our opinion is based solely on information available as at the date of this report.

4.3 The principal factors that we have considered in forming our opinion are summarised below.

Fair

4.4 For the Transaction to be fair, the Transaction consideration must be equal to or greater than the cost of the Transaction to AMA.

4.4.1 Based on the analysis contained in Section 9.4 of this report, the total cost of the Transaction to AMA is between **$(280,124)** and **$667,219**, with a midpoint value of **$193,548**, as shown in the following table:

Summary of Value Assessments:	***Low***	***High***	***Average***	
Vendor Share Entitlement	126,312,500	126,312,500	126,312,500	
Value per share	$0.021	$0.029	$0.025	(1)
Value of Shares	2,684,141	3,631,484	3,157,813	
Cash Payment for Debt	4,802,500	4,802,500	4,802,500	
	7,486,641	8,433,984	7,960,313	
Interest saving - Vendor debt	(798,520)	(798,520)	(798,520)	(2)
Interest saving - Facility Agreement	(6,968,245)	(6,968,245)	(6,968,245)	(3)
Total cost of Transaction to AMA	**(280,124)**	**667,219**	**193,548**	

(1) Including a 25% premium for control

(2) Cash consideration being paid to the Vendors of $4,802,500 is interest-free over a 5-year period. An adjustment is required to account for the time value of the debt, or the interest saved by AMA over the next 5 years.

(3) If the Transaction is approved, the terms of AMA's bankers Facility Agreement will result in the reclassification of $12 million in debt as interest-free, payable over 10 years. As this debt is interest-free and being repaid over a 10-year period, an adjustment is required to account for the time value of the debt, or the interest saved by AMA over the next 10-years as a result of the Transaction.

4.4.2 The total Transaction consideration (being the debt owing by AMA to the Vendors being repaid in shares and cash) is **$9,855,000**, comprising the following:

Value of Share Entitlement	$5,052,500	(1)
Debt to be repaid in Cash	$4,802,500	
Total value of Consideration	**$9,855,000**	

(1) 126,312,500 shares issued at $0.04 per share

4.4.3 Therefore, as the Transaction consideration is higher than the cost of the Transaction to AMA, in our opinion the Transaction is fair.

Reasonable

4.5 ASIC Regulatory Guide 111 considers a Transaction to be reasonable if:

- The Transaction is fair; or
- Despite not being fair, but considering other significant factors, shareholders should obtain an overall benefit if the Transaction proceeds.

4.5.1 We have concluded that the Transaction is reasonable. In forming our opinion we have considered the following relevant factors.

- The Transaction is fair;
- The Transaction will settle all AMA's (and their respective subsidiaries) obligations and liabilities to the Vendors;
- The Transaction will result in a net reduction in debt of approximately $5.05 million resulting from the capitalisation of debt owing to the Vendors and allow most of the balance of the outstanding purchase consideration to be turned into long-term debt. The Transaction will result in interest bearing debt being reduced by approximately $21.85 million ($12 million in interest-free bank debt and $4.8 million in interest-free Vendor debt and $5.05 million in capitalised Vendor debt);
- The Transaction will allow AMA to rectify a breach of covenants with its bankers with a new long-term loan facility, with covenants consistent with the projected performance of the restructured businesses. The facility involves the reclassification of $12 million of debt as interest-free, payable over 10 years, with an option to forego $6 million in debt at any time by paying down the debt by $6 million. This conversion of short-term debt into long-term debt will greatly improve the company's going concern proposition.
- The Transaction will provide incentive for the Vendors to work for the benefit of all AMA shareholders for the medium to longer term as they have a vested interest in the success of the Company over the next 5 years.
- The Vendors agreed to have their shares issued at $0.04 per share, which is a premium of more than 110% over the last closing share price of AMA, and a higher price than what was previously accepted by the Vendors i.e. Mr Gloss' contract stated a VWAP of $0.037 per share.
- The terms of the Vendor Agreements and the new bank facilities are favourable to AMA and provide a good opportunity for future profitability.
- Recent management and business restructuring has given the Company the best possible opportunity to capitalise on the proposed restructuring with the Vendors and bankers.
- If the Transaction does not occur AMA may become insolvent due to its inability to pay its debts and would not be able to continue to operate as a going concern.

4.6 Accordingly, in our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of AMA.

5 BASIS OF EVALUATION

Fair and Reasonable Assessment

5.1 In our assessment of whether the Transaction is fair and reasonable to AMA Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 111 "Content of Experts Reports" and Regulatory Guide 112 "Independence of Experts Reports".

5.2 ASIC Regulatory Guide 111 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the proposed Transaction is fair and reasonable. Under Regulatory Guide 111, a transaction is "fair" if the value of the asset being acquired (or in this case the debt being repaid to the Vendors) is equal to or greater than the cost of the transaction. Additionally, under Regulatory Guide 111 an offer is "reasonable" if it is fair. It is possible for an offer to be reasonable despite being unfair, if after considering other non-financial factors the shareholders should still accept the offer.

5.3 Our report has compared the likely advantages and disadvantages to non-associated shareholders if the Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the consideration to be paid under the proposal and the value of the cash being paid and shares being issued is only one element of this assessment.

5.4 Additionally we have considered whether any shareholder will obtain a level of control in AMA as a result of the proposed transaction. In the event that a change in control arises from the proposed transaction, proportionately greater benefits to non-associated shareholders must be demonstrated. This issue needs to be considered in comparing the value received by Non-Associated Shareholders in comparison to the value being paid.

5.5 Normal valuation practice is to determine the fair market value of an asset assuming a counter party transaction between a willing and not anxious buyer and a willing but not anxious seller, clearly at arm's length. We have adopted this approach in determining the market value of AMA.

5.6 In evaluating the Transaction, we have considered the value of the AMA shares being issued and the present value of the debt being repaid. We consider that the Transaction will be fair and reasonable if, on balance, the Non-Associated Shareholders in AMA will be better off if the Transaction is approved. We will also consider the Non-Associated Shareholder's interests should the Transaction not proceed.

5.7 In our assessment of the Transaction we have considered, in particular the following:

- The operational and financial position of AMA;
- The share trading history and value of AMA shares, under various methodologies;
- The present value and future value of the debt owing to the Vendors;
- The terms of the AMA bankers Facility Agreement, which is conditional on shareholder approval of the Vendor Agreements;
- Any control premium associated with the Transaction;
- The advantages and disadvantages associated with approving the Transaction;
- The likely value and liquidity of AMA shares in the absence of the Transaction.

Information relied upon

5.8 The documents and information relied on for the purpose of this valuation are set out in Appendix I. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit or extensive examination might disclose. None of these additional tasks have been undertaken.

5.9 We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.

5.10 An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

Independence of Hall Chadwick Corporate (NSW) Limited (HCC)

5.11 HCC are not the auditors of AMA. We have analysed and reviewed information provided by AMA management and made further enquiries where appropriate.

5.12 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in the report.

6 BACKGROUND

6.1 AMA is a diversified company focused on the wholesale vehicle aftercare and accessories market, including smash repair, vehicle protection equipment, brakes and transmission service workshops and the wholesale distribution of automotive and electrical accessories.

6.2 Prior to December 2008, AMA had acquired a number of businesses in the wholesale automotive aftermarket based on potential scale opportunities and an attempt to leverage existing businesses. However not all business acquisitions have been profitable and a major restructure has been necessary to focus on the core operations of the company, being:

- Smash repair shops / Panel shops;
- Manufacture and wholesale distribution of vehicle protection equipment, including alloy bull bars;
- Service workshops for brakes and transmissions; and
- Wholesale distribution of automotive and electrical accessories.

6.3 Further information on AMA's business operations can be found at Section 7 of this report.

6.4 The revenues of several AMA businesses were heavily impacted by the downturn in the economy. The December 2008 half-year accounts reported a loss of $68.2 million, of which more than $47.0 million related to the impairment of goodwill and intangible assets. This has resulted in a net deficiency of assets at 31 December 2008 of $8.4 million and gave rise to significant uncertainty regarding the ability of the company to continue as a going concern and pay its debts as and when they fall due, and to realise its assets and extinguish its liabilities in the normal course of business.

6.5 AMA has taken steps to restructure the business and resolve the going concern issue. It was announced to the market on 30 June 2009 that AMA had finalised a significant recapitalisation of the company to restructure their position with both their banker and key vendors of businesses previously acquired by AMA.

6.6 The Company owes approximately $10 million to the vendors of certain key operating businesses underlying AMA ("the Vendors") and was in breach of its obligation to repay these amounts. AMA has entered into Deeds of Amendment and Release ("Agreements") with the Vendors of these businesses for the settlement of the purchase price balance. The Vendors have agreed to accept approximately 50% of the amounts owed to them as a conversion to ordinary shares in AMA and approximately 50% in the form of an interest free loan, repaid in 20 equal quarterly instalments over a 5 year period commencing 30 October 2009. These loans are subordinated to the Company's banking facilities and secured by a registered second ranking fixed and floating charge over the assets of AMA and its subsidiaries.

6.7 AMA's banker has agreed to provide a long-term loan facility to AMA with covenants consistent with the projected performance of the restructured businesses ("Facility Agreement"). AMA currently owes approximately $34 million in commercial bills. The Facility Agreement involves the reclassification of $12 million of this debt as interest-free, payable over 10 years, with an option to forego $6 million in debt at any time by paying down the debt by $6 million. The banker's proposal is conditional on shareholder approval of the Vendor Agreements.

6.8 The terms of the restructured facilities are as follows:

a) The previous funding facility of $34 million was in default and has been replaced by 2 separate facilities.

b) $22 million of the debt comprises a commercial bill facility with a term of 5 years to be amortised quarterly by 35% of actual EBIT for the calendar quarter and annually by 75% of Free Cash Flow ("Commercial Bills Facility").

c) The balance of $12 million is approximately a 10-year no interest loan note that can be extinguished at any time by paying 50% ($6 million) of the face value of the debt ("Loan Note").

d) The Commercial Bills Facility and Loan Note, are secured by a first ranking fixed and floating charge over the Company, cross guarantees from each of the Company's subsidiaries and first ranking fixed and floating charges over each of those subsidiaries.

e) It is a condition subsequent of both facilities that the issue of shares under the Vendor Settlement Deeds, and all other necessary shareholder approval is given for the Vendor Settlement Deeds. In the event that approval is not given it shall be a Default Event under both facilities.

7. OVERVIEW OF AMA

7.1 Corporate History

7.1.1 AMA was officially listed on the ASX on 31 August 2006 and has focused its business activities on the Australian wholesale automotive aftermarket.

7.1.2 AMA business is focused on the wholesale vehicle aftercare and accessories market, including:

- Smash repair shops / Panel shops
- Manufacture and wholesale distribution of vehicle protection equipment, including alloy bull bars
- Service workshops for brakes and transmissions
- Wholesale distribution of automotive and electrical accessories

7.1.3 AMA operates two business segments: Distribution and Manufacturing.

7.2 Distribution

7.2.1 **Alanco Australia: '**Alanco' was established in Perth, WA in 1987 and has grown to be a important supplier in Western Australia as an importer and distributor of auto electrical, communication and accessories products. The business focuses on customer service and the provision of quality parts at competitive prices. Alanco continue to supply the automotive electrical and air-conditioning market with consumable parts via a showroom warehouse complex in Welshpool, WA, mobile parts van and professional sales people.

7.2.2 **KT Cable Accessories: '**KT Cables' was established in Gold Coast, Queensland in 1984 and is a provider of wiring and cabling accessories to the automotive aftermarket and other industries. Management advise the KT brand is recognised as representing high quality products and customer service within the industry. KT Cables supports many product lines including cable ties, wire, terminals, fuses, jumper leads, insulation tape, tools, lugs & links.

7.3 Manufacturing

7.3.1 **ECB (East Coast Bullbars): '**ECB' is a leader in the area of aftermarket aluminium automotive protection equipment and accessories. ECB's mission during their 30 years in the industry has been to use expertise and knowledge to design and manufacture quality products. ECB's manufacturing capabilities and facilities have developed a strong market reputation.

7.3.2 **FluidDrive Holdings: '**Fluiddrive' is a leading re-manufacturer of automatic and manual transmissions in Australia. AMA advise that during FY2008 Fluiddrive achieved the highest possible quality assurance accreditation available in the automotive industry (TS16949).

7.3.3 **Perth Brake Parts**: 'Perth Brake Parts' specialises in re-manufacturing brake components and distributing new brake and clutch component parts for the wholesale automotive aftermarket sector.

7.3.4 **Mr Gloss:** 'Mr Gloss' is Victoria's leading prestige vehicle smash repairer, acquired by AMA in July 2007. Mr Gloss has successfully integrated Surrey Panelcare.

7.3.5 **Dyno Dynamics**: Dyno Dynamics was incorporated in 1973 and is involved in the development of dynamometer equipment. The company supplies a wide range of vehicle chassis (2WD, 4WD, truck and motorcycle) dynamometers and engine dynamometers which can incorporate additional features that provide brake and emission testing capabilities. These products are sold within Australia and to the UK, Europe and the Middle East markets.

7.4 Discontinued Operations

7.4.1 The above trading entities form the basis of AMA's business going forward. There are also other businesses that AMA have historically traded but have since been sold, deregistered, or are in the process of being restructured to reduce costs, working capital and debt requirements of the company. They include the following:

7.4.2 **Autolac:** Autolac was established in 1986 and is one of the largest distributors in Australia of automotive paint and consumables to the smash repair industry. Autolac is a distributor of various brands of automotive paints, industrial, marine and wood finishes. Autolac was sold by AMA on 30 June 2009 after the AMA Board determined it was not part of the ongoing strategy of the company.

7.4.3 **LPGas1 and Dual LPG**: LPGas1 and Dual LPG (LP Gas Group) are providers of petrol/LP Gas hybrid conversions in passenger vehicles and diesel/LP Gas conversions in passenger and heavy commercial vehicles. Their customer base encompassed retail, numerous national car dealers, government bodies, trucking companies and corporate fleets. The LP Gas Group is now in Voluntary Administration.

7.4.4 **Emission Services and Diesel Test**: This was an emissions testing business and provided support to government, industry and commercial operators with emission testing and data relevant for pollution control, air quality, carbon trading offsets and Diesel Fuel Tax Rebates as part of the ATO's DT80 Testing program. Management has wound down this business.

7.4.5 **AlloAir Group**: AlloAir Systems and Allomak Technology Holdings held an industrial technology licence for air quality products with airflow and air management applications in the automotive and industrial sectors. AMA is no longer trading this business.

7.5 Financial Information

7.5.1 Set out below is the Audited Profit and Loss Statements of AMA for the years ended 30 June 2007 (FY2007) and 30 June 2008 (FY2008) and the Reviewed Profit and Loss Statement for the six months to 31 December 2008 (HY2009). Financials for the year ended 30 June 2009 have not yet been audited and have been included in the table at Section 7.5.6.

ALLOMAK LIMITED			
ACTUAL PROFIT AND LOSS STATEMENTS			
	HY2009 '000	**FY2008** '000	**FY2007** '000
Revenue from continuing operations	37,255	79,319	36,419
Other income	459	104	24
Raw materials and consumables	(19,284)	(37,150)	(18,392)
Inventory obsolescence	(3,161)	-	-
Employee benefits expense	(14,859)	(18,899)	(7,242)
Depreciation and amortisation	(963)	(1,081)	(498)
Advertising and marketing	(840)	(993)	(448)
Insurance	(257)	(664)	(221)
Travel and motor vehicle	(787)	(2,054)	(778)
Occupancy expenses	(1,805)	(2,721)	(1,497)
Professional services	(1,455)	(2,246)	(584)
Research and development	(166)	(152)	(165)
Communication expenses	(291)	(531)	(285)
Hire of equipment	(2,946)	-	-
Other expenses	(937)	(2,669)	(1,213)
Bad and doubtful debts	(6,410)	(213)	(248)
Finance costs	(1,568)	(1,845)	(404)
Profit/(loss) before tax and impairment	(18,015)	8,205	4,468
Impairment of intangibles	(47,239)	-	-
Impairment of assets	(1,425)	-	-
Profit/(loss) before tax	(66,679)	8,205	4,468
Income tax expense	(1,488)	(2,075)	(812)
Profit/(loss) after tax	(68,167)	6,130	3,656
Loss attributable to minority interest	-	137	175
Profit/(loss) after tax attributable to Allomak	(68,167)	6,267	3,831
Earnings before interest and taxation (EBIT)	(65,111)	10,187	5,047
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	(15,484)	11,268	5,545

7.5.2 During the 2009 financial year AMA has undertaken a rigorous review of its businesses, which resulted in a substantial restructure. Results for the half year to 31 December 2008 included impairment charges and write downs totalling $62.1 million, including:

- Impairment of intangible assets, including goodwill in connection with prior acquisitions of $47.2 million;
- Impairment of plant and equipment of $1.5 million;
- Provisioning for bad and doubtful debts of $6.4 million;
- Provisioning for inventory obsolescence and write downs of $3.2 million;
- Other items associated with restructuring the businesses of $3.8 million included in corporate overheads and equipment hire and leasing for Diesel Test prior to winding down the business.

7.5.3 Included in the loss for HY2009 are costs associated with the rationalisation and winding down of the following businesses:

- Emissions Testing Group: Emission Services and Diesel Test
- LP Gas Group: LPGas1 and Dual LPG
- AlloAir Group: AlloAir Systems and Allomak Technology Holdings

7.5.4 A cost restructure also resulted in approximately 42 full time equivalent staff being terminated and other head office expenses being significantly reduced in the half year to 31 December 2008.

7.5.5 Segment results (gross profit/(loss) for each division) and reconciliation to net profit before tax for the above financial periods are as follows:

	HY Dec 08	FY2008	FY2007
	$'000	$'000	$'000
Distribution	(1,940)	5,932	(325)
Manufacturing	(53,979)	4,189	4,989
Business Services	-	3,524	1,654
Corporate expenses	(10,760)	(5,440)	(1,850)
	(66,679)	8,205	4,468

7.5.6 Set out below is the Unaudited Actual and Normalised Profit and Loss Statements of AMA for the year ended 30 June 2009 (FY2009).

	FY2009	**FY2009**
	$'000	$'000
	Actual	Normalised
Revenue	72,541	45,738
COGS - Materials	35,017	18,524
COGS - Labour	5,689	2,823
COGS - Other	2,913	1,827
Gross Profit	28,922	22,564
Gross Profit %	40%	49%
Employment expenses	18,899	12,548
Accounting and audit	703	571
Communications	530	268
Consultants	1,653	1,023
Legal costs	392	74
Marketing	1,315	385
Research and development	1,721	111
Travel and motor vehicle	1,412	629
Occupancy costs	3,673	2,412
Other expenses	14,330	1,032
Total Expense	44,628	19,053
EBITDA	(15,706)	**3,511**
Depreciation and amortisation	47,688	754
EBIT	(63,394)	2,757
Net Interest Expense	2,669	2,605
Net profit/(loss) before tax	(66,063)	152

7.5.7 Normalised FY2009 results have been adjusted to add-back expenses associated with restructuring the company and to exclude results from discontinued operations. The normalisation adjustments for FY2009 total $66.215 million, being the difference between $66.063 million net loss and $0.152 million net profit, including the following:

- $62.1 million in impairment charges and write-downs recorded in the December 2008 half-year report as detailed in Section 7.5.2 above;
- $6.933 million in non-recurring expenses in the six months to 30 June 2009, relating predominantly to the wind-down and disposal of discontinued operations;
- $4.885 million in net trading losses incurred by discontinued operations;
- $0.064 million interest expense added back;
- $7.767 million in other income added back, being a revaluation of interest free debt (Refer to Section 9.4 for details regarding the valuation of interest-free debt).

7.5.8 AMA believes that earnings for FY2010 and beyond will be improved on historical results achieved to date due to the restructuring of the company and the disposal or wind-down of unprofitable businesses.

7.5.9 However, AMA management does not consider it appropriate to publish forecasts at this stage given the company is still in the process of restructuring.

7.5.10 Set out below is the Reviewed Balance Sheet of AMA as at 31 December 2008 and the Pro forma Balance Sheet as at 30 June 2009, incorporating the issue of shares as part of the proposed Transaction.

ALLOMAK LIMITED			
BALANCE SHEET			
	31 December 2008 Actual ‘000	**30 June 2009 Actual** ‘000	**30 June 2009 Pro forma** ‘000
CURRENT ASSETS			
Cash and cash equivalents	1,290	365	365
Trade and other receivables	9,455	8,932	8,932
Inventories	8,677	4,808	4,808
Current tax asset	-	657	657
Other	550	403	403
	19,972	15,165	15,165
NON-CURRENT ASSETS			
Property, plant & equipment	5,129	3,144	3,144
Intangibles	32,638	31,549	31,549
	37,767	34,693	34,693
TOTAL ASSETS	57,739	49,858	49,858
CURRENT LIABILITIES			
Trade and other payables	23,382	15,413	10,360
Borrowings (1)	33,249	1,836	1,836
Current tax liabilities	1,535	-	-
Provisions	4,610	3,644	3,644
	62,776	20,893	15,840
NON CURRENT LIABILITIES			
Trade and other payables	-	5,329	5,329
Borrowings (1)	595	28,093	28,093
Provisions	2,760	852	852
	3,355	34,274	34,274
TOTAL LIABILITIES	66,131	55,167	50,114
NET ASSETS	(8,392)	(5,309)	(256)
EQUITY			
Contributed equity	57,715	57,897	62,950
Reserves	47	47	47
Accumulated losses	(66,154)	(63,253)	(63,253)
TOTAL EQUITY	(8,392)	(5,309)	(256)

1) Borrowings represent commercial bank bills, of which $12 million has been reclassified as interest free debt, as detailed in Section 6.8, and revalued down by $6,968,245 to $5,031,755. Refer to Section 9.4 for details regarding the valuation of interest-free debt.

7.5.11 The December 2008 half-year report was prepared on a going concern basis notwithstanding that the consolidated entity incurred a loss for the half year of $68.2 million, of which more than $47 million related to the impairment of goodwill and intangible assets. This has resulted in a net liability position at 31 December 2008 of $8.4 million and gave rise to significant uncertainty regarding the ability of the company to continue as a going concern and pay its debts as and when they fall due, and to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the December 2008 half year report. The Auditors Review Report included in the December 2008 half-year report included a significant uncertainty paragraph regarding going concern.

7.5.12 The 30 June 2009 balance sheet included above has not yet been subject to an audit and may differ to the final audited balance sheet lodged by the company in its 2009 Annual Report.

7.5.13 The pro forma balance sheet at 30 June 2009 includes the proposed Transaction with the Vendors, with the following adjustments to the actual balance sheet at 30 June 2009:

- Increase in share capital by $5.053 million; and
- Reduction in payables by $5.053 million, being debt owed to the Vendors to be capitalised.

8. VALUATION METHODOLOGIES

8.1 Selection of Methodology

8.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to AMA shares.

8.1.2 In assessing the value of AMA we have considered a range of valuation methods. ASIC Regulatory Guide 111 *Content of Expert Reports* states that in valuing a company the expert should consider the following commonly used valuation methodologies:

- Capitalisation of Future Maintainable Earnings: the value of trading operations based on the capitalisation of future maintainable earnings, plus the estimated realisable value of any surplus assets;
- Market Value of Shares: the quoted price for listed securities in a liquid and active market;
- Discounted Cash Flow: the net present value of future cash flows, plus the estimated realisable value of any surplus assets;
- Realisation of Assets: the amount that would be available for distribution to security holders on an orderly realisation of assets;
- Comparable Market Transactions: the identification of comparable sale transactions for a similar industry company to that being valued.

We consider each of these valuation methodologies below.

8.1.3 Capitalisation of Future Maintainable Earnings

Under the earnings based valuation method, the value of the business is determined by capitalising the estimated future maintainable earnings of the business at an appropriate capitalisation rate or multiplier of earnings. The multiple is a coefficient, representing the risk that the business may not achieve projected earnings.

The capitalisation of earnings or future maintainable profits is the most frequently used method of valuing an ongoing and established business. This method of valuation is used in the majority of business valuations where there is a history of earnings, the business is established and is capable of having an almost infinite life. Under this methodology, a valuation is assessed by determining expected future earnings and capitalising the earnings at an appropriate earnings multiple, representing the required investor return.

When using this methodology, HCC will assess the expected "future" earnings the business will generate. The earnings multiple used to value a business reflects the risk of investing in the business and the investor's required return on the investment. Many businesses or companies are valued or compared on reported price earnings ratios, which examines the value based upon a multiple of net profit after tax. EBITDA (earnings before interest, tax, depreciation and amortisation), EBITA (earnings before interest, tax and amortisation) or EBIT (earnings before interest and tax) or some other earnings substitute can also be used in determining a valuation for a company.

EBITDA, EBITA and EBIT multiples are common to value whole businesses and remove the effect of, or inconsistencies of, gearing, which is often a business decision of the owner. EBITDA and EBITA multiples are preferable where amortisation of goodwill and depreciation can significantly distort earnings results of similar businesses.

This approach may be an appropriate method for the valuation of AMA as the continuing businesses of AMA have some historical earnings on which a valuation can be based.

8.1.4 *Market Value of Shares as Quoted on the ASX*

This method involves the valuation of an entity based on its actively traded equities, which represent the market capitalisation of the share capital of the entity, in a liquid and knowledgeable market.

Any assessment of the market value of the quoted equities needs to consider the following:

- The liquidity of the quoted equity based on the volume and frequency of trading;
- The number of 'unusual' and/or 'abnormal' trades that occur; and
- The timing and level of dissemination of information to the market.

If a quoted ordinary equity is traded in an active, liquid and knowledgeable market, then the market price of the quoted ordinary equity should represent the 'fair' market value of the quoted ordinary equity.

A premium may also need to be applied to the value of the quoted ordinary equity to determine the value of the equity holding in the circumstances where a party is acquiring or increasing a controlling equity position.

We consider that adopting a market value of shares methodology to determine an indicative value of AMA is appropriate as it reflects publicly available information on the company and therefore we believe it is a reliable reflection of the current value of AMA. Although the AMA shares have been suspended from trading since 16 April 2009, this method is still valid as a secondary valuation methodology, and allows a comparison to the primary method we have deemed to be appropriate, being the capitalisation of future maintainable earnings.

8.1.5 *Discounted Cash Flow – Net Present Value*

Discounted cash flow valuations involve calculating the value of a business on the basis of the net cash flow that will be generated from the business over its life. The cash flows are discounted to reflect the risk involved with achieving the forecast cash flows.

Although technically the most theoretically correct method to value a business, discounted cash flow methodology is usually very susceptible to changes in business inputs and assumptions, making it the most difficult to apply in valuing a business.

Although the discounted cash flow approach relies on the availability of long-term cash flow forecasts, it is particularly suited to situations where cash flows are not stable or where significant cash outflows will be incurred prior to cash inflows being earned.

The use of the discounted cash flow method has not been used for AMA, as Management has not prepared long-term forecast cash flows based on sufficiently reliable and verifiable assumptions on which a valuation can be based.

8.1.6 Realisation of Assets

The asset approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value of the entity.

This approach is generally not appropriate where assets are employed productively and are earning more than the cost of capital.

As AMA is predominantly a revenue based business, the book value of the assets may not be representative of the inherent value of the businesses and accordingly this method is not appropriate.

8.1.7 *Comparable Market Transactions*

This methodology involves the identification of comparable sale transactions for a similar industry company to that being valued.

We have not selected this method as our primary valuation method due to the lack of comparable market transactions available as a basis for valuing AMA. We did consider the limited information on recent market transactions involving comparable companies in our determination of an appropriate earnings multiples in valuing AMA, as detailed in Appendix III.

We are not aware of any alternative offers or transactions for the acquisition of the shares in AMA.

8.2 Premium for Control

8.2.1 When considering transactions involving a substantial equity holding of a company, it is appropriate to address whether a premium for control should attach to the transaction. A premium for control is the difference between the price for each share that a buyer would be prepared to pay to obtain a controlling interest in a company and the price per share that would be required to purchase a share that does not carry with it a controlling interest. In most cases, the value of a controlling interest in the shares in a company significantly exceeds the listed market value of the shares. This reflects the fact that:

a) the owner of a controlling interest in the shares in a company obtains control over all free cash flows of the company being acquired, which they would otherwise be unable to do as a minority shareholder;

b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds;

c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company.

8.2.2 Our experience suggests that the premium for control (over and above the market price of the Company's shares) ranges, on average, between 20% and 35%. However, the appropriate premium for control depends on the specific circumstances and, in particular, the level of synergy benefits able to be extracted by potential acquirers and the degree of confidence about the level and achievability of potential synergies and their timing.

8.2.3 The premium for control paid in takeovers is observable but caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. It is inappropriate to apply an average premium of 20-35% without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through a raising.

8.2.4 A shareholder or group of associated shareholders are deemed to influence a company when they have control of more than 20 percent of the issued shares in a company. At this time a premium for control should normally be considered.

8.2.5 A premium for control is relevant to the Transaction, as it will result in Mr Gloss Pty Limited (an entity controlled by Mr Ray Malone, a director of the Company) acquiring a relevant interest of up to 33.9% of the voting shares in the Company (on an undiluted basis).

8.2.6 For the reasons detailed above, we have determined that the change in the level of ownership is sufficient in the proposed transaction to require a premium for control to be included when valuing the AMA shares.

8.2.7 As detailed above, although a premium for control ranges, on average, between 20% and 35%, we have applied a premium for control of 25% to the value of AMA shares based on the following:

a) Mr Gloss Pty Limited will not obtain full control of AMA and shareholders will still have an opportunity to obtain a premium on any subsequent increase in control by Mr Gloss Pty Limited or alternatively a sell-down by them to another party.
b) AMA is in the process of restructuring and recapitalising its business after significant losses made in the current financial year and future profits and cash flows are dependent upon the success of these plans.
c) AMA does not have a material amount of surplus cash or other assets for a controlling shareholder to obtain control over.
d) AMA is currently in a difficult financial position with concerns about its viability and the normal advantages of a takeover would not be immediately available.

We have however applied a 25% premium for control to account for the advantages that will accrue to Mr Gloss Pty Limited if the company maintains net profits going forward.

9 VALUE OF AMA

9.1 Selected Methodologies

9.1.1 We have selected capitalisation of earnings and market value of shares as the primary and secondary valuation methodologies for AMA as detailed in section 8.

9.1.2 In forming an opinion on the valuation methodologies and relevant earnings multiples selected for AMA, HCC has considered the following:

- The historical and future maintainable profits of the company;
- The current revenue being derived by the continuing businesses;
- The industry in which the company operates;
- The period of time for which the businesses of AMA have been operating;
- Competition in the market in which AMA operates;
- Information provided and discussions undertaken with management regarding future operations of the company.

9.1.3 *Financial information relied upon in applying selected valuation methods*

We have reviewed the audited financial accounts for the two years (FY2007 and FY2008) and unaudited management accounts for FY2009. Ultimately, the Management of AMA are responsible for the preparation and presentation of the financial information provided. The purpose of our review is to establish that the financial information used is not materially misstated. This review does not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

9.2 Capitalisation of Future Maintainable Earnings

Future Maintainable Earnings

9.2.1 Future maintainable earnings ("FME") represent the level of maintainable earnings that the existing operations could reasonably be expected to generate. We have selected EBITDA as an appropriate measure of the FME of AMA as earnings multiples based on EBITDA remove the effect of different gearing or financing structures, effective tax rates and depreciation policies as compared to multiples based on net profit after tax ("NPAT").

9.2.2 We have estimated FME of AMA for the purpose of this valuation to be $3.511 million, being the Normalised EBITDA for FY2009. These results have been adjusted to normalise the effects of restructuring which occurred in this period and exclude results of discontinued operations as detailed in Section 7.5.

9.2.3 We have not considered earnings from years prior to 2009 as the company has changed its business to an extent that earlier years are not representative of the current size, composition and operations of the company.

9.2.4 We are unable to rely on forecasts to assess future maintainable earnings, as AMA management does not consider it appropriate to publish forecasts at this stage given the company is still in the process of restructuring.

Earnings Multiple

9.2.5 We have considered the trading multiples observed in the market for comparable companies to attribute a value to AMA. After reviewing the financial and non-financial information gathered on AMA, and our assessment concerning profit multiples for the business, HCC has chosen to apply an earnings multiple of **4.5 – 5 times EBITDA**. The multiple chosen for the business has been based on the following:

- AMA is an established business in the automotive industry with a market capitalisation prior to the suspension of share trading of $3 million.
- Current trading multiples for similar listed companies range from 2.01 to 7.82 times EBITDA, with a mean average EBITDA multiple of 5.41 times, as detailed at Appendix III ‘Comparable Market Data’. The companies included in this analysis represent businesses that operate in a similar market to AMA, or who are most likely to be affected by discretionary spending levels similar to AMA. The EBITDA multiple range applied to AMA is within the range of EBITDA multiples of the companies included in the comparable market analysis.
- Historical EBITDA multiples achieved in comparable equity transactions range from 4.24 to 9.17 times EBITDA as detailed in Appendix III ‘Comparable Market Data’. These were minority interest stakes and therefore did not include any premium for control. We note the higher multiples were paid during 2007, which represented a different market environment to the one currently being experienced. The last identified transaction was the issue of a minority stake of $14.2 million in GUD Holdings Ltd in May 2009 at an EBITDA multiple of 4.24 times, which is comparable with the multiple applied to AMA.

9.2.6 The following table sets out the enterprise value of AMA based on the FME of **$3.511 million,** selected earnings multiple range of **4.5 – 5 times EBITDA**, and premium for control of 25%, as detailed above:

	Low	**High**
Future maintainable earnings ($‘000)	3,511	3,511
EBITDA Multiple	4.5	5.0
Enterprise Value of AMA ($‘000)	**15,800**	**17,555**
Premium for Control	25%	25%
Enterprise Value of AMA Including premium for control ($‘000)	**19,749**	**21,944**

Surplus Asset and Debt

9.2.7 A valuation undertaken by capitalising EBITDA gives the aggregate fair market value or ‘enterprise value’ of the company on an ungeared basis. In order to obtain a value for the equity, an adjustment must be made to incorporate the value of surplus assets and deduct the value of net interest bearing debt.

9.2.8 Based on a review of cash flows and the planned restructuring of debt facilities, AMA has debt totalling $33,658,000.

9.2.9 AMA advised they have no other assets or liabilities that are surplus to its main operating activities.

Equity Value

9.2.10 The adjustment for surplus assets and surplus debt and the resulting equity value per AMA share is shown in the following table:

	Low	**High**
Enterprise Value of AMA ($'000)	**19,749**	**21,944**
Less: Surplus Debt ($'000)	(33,658)	(33,658)
Equity Value Range ($'000)	(13,909)	(11,714)
Total outstanding shares ('000) *	143,599	143,599
Equity value per share	**($0.097)**	**($0.082)**

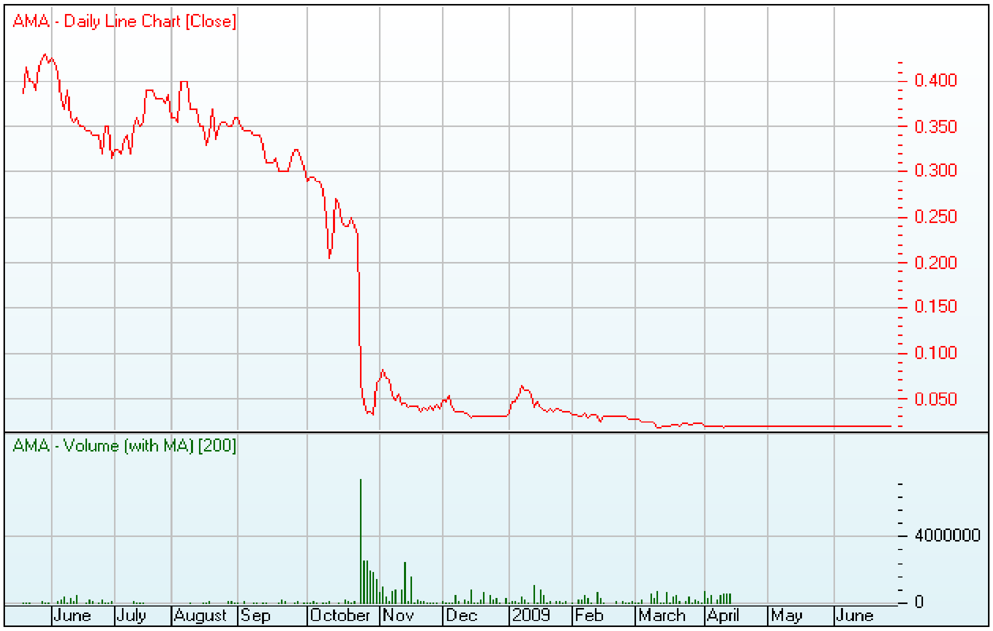
* excludes shares issued to the Vendors prior to the General Meeting, which form part of our assessment of the Transaction.

9.2.11 In our opinion the valuation of AMA shares under the capitalisation of earnings approach, and adjustments for surplus asset and debt, is a negative value of between -$0.097 and -$0.082, with a midpoint value of -$0.089.

9.3 Market Value of Shares

9.3.1 In our opinion the value of AMA for the purpose of the Transaction should also be examined on the basis of the current market value of the shares listed on the ASX. The market value of the shares listed on the ASX reflects all publicly available information on the company and therefore we believe it is a reliable reflection of the current value of the Company.

9.3.2 Following is a graph of the trading of AMA shares over the last twelve months:



9.3.3 On 16 April 2009 AMA requested a trading suspension while the company finalised a recapitalisation plan with its bankers and the Vendors. In the month of trading in April 2009, prior to the announcement of 16 April 2009, AMA shares traded in the range of $0.017 to $0.023, with a volume weighted average price ("VWAP") of $0.019.

9.3.4 The table below sets out the movement of AMA share prices and trading up to and including 15 April 2009:

	High $	Low $	VWAP (1)	Volume
Apr-09	0.023	0.017	0.019	4,237,765
Mar-09	0.028	0.018	0.021	5,314,795
3 months	0.036	0.017	0.023	13,135,802
6 months	0.090	0.017	0.036	33,656,671
10 months from 1/7	0.400	0.017	0.067	56,975,802

(1) The VWAP was calculated using the total value of all transactions divided by the total trading volume in the time period considered.

9.3.5 We conclude that the value of the AMA shares under the market value approach for the purpose of this report is in the range of $0.017 to $0.023, with a midpoint of $0.020 per share, which is comparable to the VWAP in the two months prior to the suspension of trading on 16 April 2009. This reflects all information on the company's financial position, which has not changed significantly in this time period, except for the effect of the restructure.

9.3.6 Inclusive of a 25% premium for control, the value of shares under the market value approach for the purpose of this report is in the range of $0.021 to $0.029 with a midpoint of $0.025 per share.

9.4 Conclusion on the Value of AMA Shares and Transaction Cost

9.4.1 In our opinion the value of the AMA shares for the purpose of this report is as follows:

Summary of Value Assessments:	***Low***	***High***	***Average***
Market value of shares	$0.021	$0.029	$0.025 (VWAP)
Capitalisation of earnings method	($0.097)	($0.082)	($0.089) (midpoint)

9.4.2 We therefore will use the higher value provided by the market value of shares approach to determine a value for the AMA shares, as the capitalisation of earnings approach adjusted for surplus assets and debt provided a negative value for the AMA shares.

9.4.3 Based on the above valuation of AMA shares, the total value of cash and shares being paid to the Vendors is as follows:

Summary of Value Assessments:	***Low***	***High***	***Average***
Vendors Share Entitlement	126,312,500	126,312,500	126,312,500
Value per share	$0.021	$0.029	$0.025
Value of Shares	2,684,141	3,631,484	3,157,813
Cash Payment for Debt	4,802,500	4,802,500	4,802,500
Total value of shares and cash	**7,486,641**	**8,433,984**	**7,960,313**

Adjustment for interest-free debt

9.4.4 The cash consideration being paid to the Vendors of $4,802,500 is interest-free over a 5-year period. An adjustment is required to account for the time value of the debt, or the interest saved by AMA during this period.

9.4.5 If the Transaction is approved, the terms of AMA's Facility Agreement with its banker will result in the reclassification of $12 million in debt as interest-free, payable over 10 years, with an with an option to forego $6 million in debt at any time by paying down the debt by $6 million. An adjustment is required to account for the time value of the debt, or the interest saved by AMA over the 10-year interest-free period of the facility.

9.4.6 We have calculated a WACC of **8.75%** as being appropriate to apply to the discounted cash flow valuation of interest-free debt, as detailed in Appendix IV.

9.4.7 Applying the WACC of 8.75% to the $4,802,500 to be paid by AMA over the 5-year period to the Vendors equates to a present value of $4,003,980. Therefore there is a deemed interest saving of $798,520.

9.4.8 Applying the WACC of 8.75% to the $12 million debt to be paid by AMA in 10 years time equates to a present value of $5,031,755. Therefore there is a deemed interest saving of $6,968,245.

9.4.9 The total cost of the Transaction to AMA is therefore:

Summary of Value Assessments:	***Low***	***High***	***Average***
Shares and cash to the Vendors	7,486,641	8,433,984	7,960,313
Interest saving on Vendor debt	(798,520)	(798,520)	(798,520)
Interest saving on Facility Agreement	(6,968,245)	(6,968,245)	(6,968,245)
Total cost of Transaction to AMA	**(280,124)**	**667,219**	**193,548**

9.5 Value of Consideration paid by the Vendors

9.5.1 The deemed value of the AMA shares being issued to the Vendors is $0.04 per share. Based on 126,312,500 shares being issued, the total deemed value of shares to be issued to Vendors totals $5,052,500. Cash consideration is also being paid of $4,802,500.

9.5.2 The total consideration under the Transaction (being the debt owing by AMA to the Vendors being repaid in shares and cash) is **$9,855,000**, comprising the following:

Value of Share Entitlement	$5,052,500 (1)
Debt to be repaid in Cash	$4,802,500
Total value of Consideration	**$9,855,000**

(1) 126,312,500 shares issued at $0.04 per share

10 ADVANTAGES & DISADVANTAGES OF THE PROPOSAL

10.1 Approach to assessing Fairness and Reasonableness

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Non-Associated Shareholders if the Transaction proceeds.

10.2 Advantages of the Transaction

10.2.1 The Transaction will settle all AMA's (and their respective subsidiaries) obligations and liabilities to the Vendors.

10.2.2 The Transaction will result in a net reduction in debt of approximately $5.05 million resulting from the capitalisation of debt owing to the Vendors and allow most of the balance of the outstanding purchase consideration to be turned into long-term debt. The Transaction will result in interest bearing debt being reduced by approximately $21.85 million ($12 million in interest-free bank debt and $4.8 million in interest-free Vendor debt and $5.05 million in capitalised Vendor debt);

10.2.3 The Transaction will allow AMA to rectify a breach of covenants with its bankers with a new long-term loan facility. The facility involves the reclassification of $12 million of debt as interest-free, payable over 10 years, with an option to forego $6 million in debt at any time by paying down the debt by $6 million.

10.2.4 The Transaction will provide incentive for the Vendors to work for the benefit of all AMA shareholders for the medium to longer term as they have a vested interest in the success of the Company over the next 5 years.

10.2.5 The Vendors agreed to have their shares issued at $0.04 per share, which is a premium of more than 110% over the last closing share price of AMA, and a higher price than what was previously accepted by the Vendors i.e. Mr Gloss' contract stated a VWAP of $0.037 per share.

10.2.6 The terms of the Vendor Agreements and the new bank facilities are favourable to AMA and provide a good opportunity for future profitability.

10.2.7 Recent management and business restructuring has given the Company the best possible opportunity to capitalise on the proposed restructuring with the Vendors and bankers.

10.2.8 If the Transaction does not occur AMA may become insolvent due to its inability to pay its debts and would not be able to continue to operate as a going concern.

10.3 Disadvantages of the Transaction

10.3.1 The transaction will result in the dilution of current shareholders ownership percentages, although AMA Directors advise the arrangement creates the minimum possible dilution for existing shareholders.

11 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

11.1 Fairness

For the Transaction to be fair, the Transaction consideration must be equal to or greater than the cost of the Transaction to AMA.

Based on the analysis contained in Section 9.4 of this report, the total cost of the Transaction to AMA is between **$(280,124)** and **$667,219**, with a midpoint value of **$193,548.**

The total consideration under the Transaction (being the debt owing by AMA to the Vendors being repaid in shares and cash) is **$9,855,000**.

Therefore, as the Transaction consideration is higher than the cost of the Transaction to AMA, in our opinion the Transaction is fair.

11.2 Reasonableness

For the Transaction to be reasonable, the shareholders must obtain an overall benefit if the Transaction proceeds.

Based upon our evaluation of the fair value of AMA before and after the Transaction takes place, the Non-Associated Shareholders should receive an increase in the fair value of their shares if the Transaction proceeds.

The Transaction will:

- settle all AMA's (and their respective subsidiaries) obligations and liabilities to the Vendors;
- result in a net reduction in debt of approximately $5.05 million resulting from the capitalisation of debt owing to the Vendors and allow most of the balance of the outstanding purchase consideration to be turned into long-term debt. The Transaction will result in interest bearing debt being reduced by approximately $21.85 million;
- allow AMA to rectify a breach of covenants with its bankers with a new long-term loan facility, with covenants consistent with the projected performance of the restructured businesses. The facility involves the reclassification of $12 million of debt as interest-free, payable over 10 years, with an option to forego $6 million in debt at any time by paying down the debt by $6 million.
- provide incentive for the Vendors to work for the benefit of all AMA shareholders for the medium to longer term as they have a vested interest in the success of the Company over the next 5 years.

If the Transaction does not occur AMA may become insolvent due to its inability to pay its debts and would not be able to continue to operate as a going concern.

Accordingly, in our opinion, having considered the advantages of the Transaction and the alternatives of not proceeding with the Transaction, in our opinion the Non-Associated Shareholders of AMA should benefit if the Transaction proceeds and therefore, in our opinion, the Transaction is reasonable.

11.3 General

- Appendix I – Details the Sources of Information that were reviewed and relied on in preparing this report;
- Appendix II – Details the Qualifications and experience of HCC and of the persons involved in preparing this report which also contains declarations that form part of, and should be read in conjunction with the report;
- Appendix III – Comparable Market Data
- Appendix IV – Weighted Average Cost Of Capital
- Appendix V – Financial Services Guide

Yours faithfully
Hall Chadwick Corporate (NSW) Limited

DREW TOWNSEND

DAVID KENNEY

APPENDIX I - SOURCES OF INFORMATION

- Allomak Limited Notice of General Meeting;
- Allomak Limited Explanatory Memorandum;
- Allomak Limited Audited Financial Report for the year ended 30 June 2007;
- Allomak Limited Audited Financial Report for the year ended 30 June 2008;
- Allomak Limited Reviewed Financial Report for the half year ended 31 December, 2008;
- Allomak Limited Unaudited Management Accounts for the year ended 30 June 2009;
- Deeds of Amendment and Release between AMA and the Vendors;
- Facility Agreement with AMA's bankers;
- AMA Company registry details;
- AMA share trading history provided by ASX;
- Regulatory Guide 111 'Content of Expert Reports';
- Regulatory Guide 112 'Independence of Expert's Reports';
- Regulatory Guide 170 "Prospective Financial Information Checklist";
- APES 225 'Valuation Services'.

APPENDIX II - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement HCC determined its independence with respect to AMA with reference to ASIC Regulatory Guide 112 (RG 112) entitled "Independence of Expert's Reports". HCC considers that it meets the requirements of RG 112 and that it is independent of AMA.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with AMA, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend and Mr David Kenney, directors of Hall Chadwick Corporate (NSW) Limited, who are registered company auditors, have prepared this report. Neither they nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of this Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the proposed transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors and management of AMA for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors and management of AMA have not changed the methodology or conclusions reached by HCC.

Reliance on Information

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by AMA as well as other parties, through enquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report.

Our procedures and enquiries do not include verification work, nor constitute an audit in accordance with Australian Auditing Standards (AUS), nor a review in accordance with ASRE 2410 applicable to review engagements. HCC does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

AMA has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by AMA to HCC in preparation of this report.

Qualifications

Hall Chadwick Corporate (NSW) Limited ("HCC") carries on business at Level 29, St Martin's Tower, 31 Market Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients by providing Independent Expert Reports. HCC's representatives are therefore qualified to provide this report.

Consent and Disclaimers

The preparation of this report has been undertaken at the request of the Directors of AMA. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to AMA shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC's opinion as to whether or not the Proposed Transaction is fair and reasonable. HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to AMA shareholders.

Shareholders should read all documents issued by AMA that consider the proposed Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these documents, with the exception of our report.

HCC its officers, representatives, employees and agents disclaim all liability (except for any liability which by law cannot be excluded), for any error, inaccuracy in, or omission from the information contained in the documents issued by AMA or any loss or damage suffered by any person directly or indirectly through reliance on this information.

This report has been prepared specifically for the unassociated shareholders of AMA. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than an unassociated shareholder of AMA, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit in accordance with Australian Auditing Standards (AUS), nor do they constitute a review in accordance with ASRE 2410 applicable to review engagements.

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to its date.

APPENDIX III – COMPARABLE MARKET DATA

Market Trading Multiples

The share market valuation of similar listed companies provides evidence in assessing appropriate earnings multiples for AMA.

Detailed below is the current EBITDA trading multiples and market capitalisations for some companies comparable to AMA, or who are most likely to be affected by similar market conditions to AMA *(1)*:

Company	*ASX Code*	*Market Capitalisation ($ millions)*	*FY08 EBITDA Multiple(times)*
ARB Corporation Limited	ARP	266	7.82
Berklee Limited	BER	4	5.30
Coventry Group Limited	CYG	44	2.43
GUD Holdings Ltd	GUD	508	7.15
Super Cheap Auto Group Ltd	SUL	480	7.74
Supply Network Limited	SNL	6	2.01
Mean Average (2)			**5.41**

(1) Data and analysis provided through Comsec and other publicly available information on the respective companies as at 6 August 2009.

(2) Mean average EBITDA multiple has been calculated as a straight average of EBITDA multiples of all comparable companies listed in above table. No weighting has been made based on market capitalisation of companies.

Details of the listed companies that operate in a similar market to AMA, or who are most likely to be affected by discretionary spending levels similar to AMA are included below.

ARB Corporation Limited manufactures, distributes and sells four-wheel drive vehicle accessories in Australia and internationally. ARB provides accessories for most new large 4WD models and also for medium-sized 4WDs and utility trucks/pickups. ARB is a direct competitor of AMA's ECB division.

Berklee Limited is a manufacturer and distributor of automotive mufflers and exhaust systems in Australia. From its manufacturing plant in Wendouree, near Ballarat, Victoria, product is despatched to the company's wholly-owned Undacar Parts distribution branches, in each capital city and Albury. The company also exports automotive parts to manufacturers in the Middle East and Asia Markets.

Coventry Group Limited is a distributor of automotive parts, industrial products and gaskets. The Group has 3 business units that include: distribution of industrial products; distribution of automotive parts and accessories and manufacture of automotive and industrial gaskets. Coventry is a direct competitor of AMA's auto and electronic accessories distribution division.

GUD Holdings Limited, through its subsidiaries, engages in the manufacture, distribution, and sale of consumer, automotive, water, and security products principally in Australia and New Zealand. Between July and October 2007 GUD issued shares to the approximate value of $36.7

million at an equivalent EBITDA multiple range between 8.14 and 9.02 times. In May 2009 GUD issued further shares of $14.2 million at an equivalent EBITDA multiple of 4.24 times.

Super Cheap Auto Group Limited operates as a retailer of automotive and leisure products in Australia and New Zealand. It offers motor vehicle spare parts and accessories, including batteries, car care products, exteriors, lighting and electrical equipment, oil and additives, outdoor products, paint and panels, performance products, seat covers and interiors, sound and vision products, and spare parts and tools. In October 2007 Super Cheap issued shares to the approximate value of $23.7 million at an equivalent EBITDA multiple of 9.17 times. Super Cheap Auto is both a customer and competitor of AMA's auto and electronic accessories distribution division.

Supply Network Limited provides after market parts to the road and transport industry. The Group is structured through two subsidiaries: Multispares Limited and Globac Limited. The company operates in Australia and New Zealand.

APPENDIX IV - WEIGHTED AVERAGE COST OF CAPITAL

The Weighted Average Cost of Capital ["WACC"] is the rate (expressed as a percentage) that a company is expected to pay to debt holders (cost of debt) and shareholders (cost of equity) to finance its assets.

WACC is the minimum return that a company must earn on its existing asset base to satisfy its owners and other providers of capital. WACC is calculated after taking into account the relative weights of each component of the capital structure – debt and equity.

Inputs into the Weighted Average Cost of Capital
The Weighted Average Cost of Capital can be expressed in the following form:

$$\mathbf{c = (E/K)y + (D/K)*d*(1-t_c)}$$

Where:

$K = D+E$
$y = t_r + t_pB$

and

c = weighted average cost of capital
d = required or expected rate of return on borrowings before tax
t_r = risk free rate
t_p = risk premium rate
B = Beta
t_c = corporate tax rate
D = total debt
E = total equity
K = total capital invested in the going concern

These inputs are discussed below.

<u>Nominal Risk Free Interest Rate (t_r)</u>

The nominal risk free interest rate is the rate of return capable of being achieved on an investment that is considered free of risk. The return earned on such an investment only compensates the investor for forgoing consumption whilst funds are invested, inclusive of the loss of purchasing power over this period.

Yields on Commonwealth Bonds are often used as surrogates for the nominal risk free interest rate. When applying a nominal risk free interest rate it is optimal to match the term of the Commonwealth Bond to the timing of the cash flow to be discounted.

The 10 year Commonwealth Treasury Bond rate as at 30 June 2009 was 5.52%. Hall Chadwick Corporate has applied a nominal risk free interest rate of 5.52% throughout these calculations.

<u>Risk Premium Rate (t_p)</u>

This premium is in effect the reward sought by investors for accepting a higher level of risk associated with the market in general. It compensates the investor for accepting market-wide risk which cannot be eliminated through diversification, e.g. interest rate exposure.

The risk premium rate (or market risk premium) is added to the nominal risk free rate to arrive at the required rate of return for a diversified 'market' portfolio.

In determining an appropriate Risk Premium we have researched risk premiums applied in the last several years in the Australian corporate marketplace. In particular we have relied upon research published and entitled "Market Risk Premium" A Review Paper.

For the purpose of these calculations, Hall Chadwick Corporate has selected a market risk premium of 7%, which is consistent with assets of this type based on our prior experience and other published analyses of the market.

Equity Beta (B)

The equity beta is a standardised measure of an asset's exposure to market-wide risk. It is determined by measuring an individual asset's covariance with the diversified "market" portfolio. A beta of 1 indicates that the individual assets expected returns move in line with those of the market portfolio in response to a change in market-wide conditions. A beta of greater than 1 indicates the asset is considered more volatile than the market portfolio, while a beta of less than 1 indicates less volatility than the market portfolio.

For the purpose of these calculations, a beta of 2 has been selected. This is the published Beta for AMA.

Corporate Tax Rate

The current corporate tax rate in Australia is 30%. The calculation of the WACC includes an adjustment for the tax effect of the cash flows. Due to the company's overall significant tax loss position and the capital nature of the cash outflows we are discounting we have excluded the tax rate from our calculations.

Debt(D)/Equity(E)

As we are valuing only debt, and the June 2009 management accounts of Allomak show a deficiency of capital, we have applied a 100% weighting to debt (D) in determining the discount rate applicable to the valuation.

Required Return on Borrowings before tax (d)

We have determined a cost of debt for Allomak of 8.75%. In assessing the required return on borrowings before tax we have utilized the Westpac commercial interest rate margin agreed to for Allomak of 3.25% plus the current 10-year Government Bond rate of 5.5%.

Conclusion

After reviewing the data available and the appropriate inputs into the WACC calculation, HCC has determined a discount rate of 8.75% is appropriate to apply to the discounted cash flow valuation of debt.

APPENDIX V - FINANCIAL SERVICES GUIDE

Hall Chadwick Corporate (NSW) Limited ("HCC") carries on business at Level 29, St Martin's Tower, 31 Market Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients.

The Corporations Act 2001 requires HCC to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which accompanies a Notice of Meeting provided to members by the company or other entity for which HCC prepares the Report.

HCC does not accept instructions from retail clients. HCC provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. HCC does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, HCC's client is the Entity to which it provides the Report. HCC receives its remuneration from the Entity. In respect of the Report for Allomak Limited ("AMA") in relation to the proposed issue of shares to the Vendors, HCC will receive a fee for its services on a time cost basis estimated to be $25,000, excluding GST.

No related body corporate of HCC, or any of the directors or employees of HCC or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Report.

HCC is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission. The following information in relation to the independence of HCC is stated in Appendix II of the AMA Report:

"Hall Chadwick Corporate (NSW) Limited ("HCC") has a license to prepare reports under the Corporations Act and its representatives are qualified to provide this report. Prior to accepting this engagement HCC determined its independence with respect to AMA with reference to ASIC Regulatory Guide 112 (RG 112) entitled "Independence of Expert's Reports". HCC considers that it meets the requirements of RG 112 and that it is independent of AMA.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with AMA, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend and Mr David Kenney, directors of Hall Chadwick Corporate (NSW) Limited, who are registered company auditors, have prepared this report. Neither they nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of the Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the proposed transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be *regarded as being capable of affecting our ability to give an unbiased opinion under this engagement."*

HCC has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, membership number 11442.

HCC is only responsible for the Report and this FSG. Complaints or questions about the Notice of Meeting and Explanatory Memorandum prepared and issued by AMA should not be directed to HCC who is not responsible for these documents. HCC will not respond in any way that might involve any provision of financial product advice to any retail investor.