Notice is given that the Annual General Meeting of the members of Pental Limited (Pental or Company) will be held at The Royce Hotel, 379 St Kilda Road, Melbourne, Victoria, at 11.00 am AEDT on Thursday 17 November 2016.

BUSINESS

FINANCIAL REPORT
To receive and consider the Annual Financial Statements, the Directors’ Report and Audit Report of the Company and its Controlled Entities for the 52 week period ended 26 June 2016.

The above documents are contained in the Annual Report. Shareholders who have elected to receive an electronic copy of the Annual Report can download a copy at Pental.com.au under the “Investors” tab in the “Reports” section. Shareholders who have elected to receive a hard copy of the Annual Report will receive one with this Notice of Meeting.

RESOLUTION 1 - ADOPTION OF REMUNERATION REPORT
To consider and, if thought fit, to pass the following non-binding resolution:

That the Remuneration Report contained in the Directors’ Report for the 52 week period ended 26 June 2016 be adopted.

Short Explanation
The Corporations Act requires listed companies to put to Shareholders at the Annual General Meeting a non-binding resolution concerning the Remuneration Report which is contained in the Directors’ Report section of the Annual Report.

Shareholders will be given an opportunity to ask questions concerning the Remuneration Report at the Annual General Meeting.

As stated, Resolution 1 is non-binding.

Voting Exclusion Statement
The Company will disregard any votes cast on the proposed resolution for adoption of the remuneration report by or on behalf of:

(a) a Key Management Personnel (KMP) named in the Remuneration Report; or
(b) a Closely Related Party of a KMP,

whether the votes are cast as a Shareholder, proxy or in any other capacity.

However, the Company will not disregard a vote cast by a KMP or Closely Related Party of a KMP if it is cast as a proxy and it is not cast on behalf of a KMP or a Closely Related Party of a KMP. If the proxy is the Chairman, and the proxy does not specify the way in which the proxy should vote, the Chairman intends to vote in favour of the resolution.
Important for Resolution 1

If you are KMP or a Closely Related Party of KMP (or are acting on behalf of any such person) and purport to cast a vote that will be disregarded by the Company (as indicated above), you may be liable for an offence for breach of voting restrictions that apply to you under the Corporations Act.

RESOLUTION 2 - RETIREMENT OF DIRECTORS BY ROTATION AND BY OPERATION OF THE CONSTITUTION

To consider, and if thought fit, to pass the following resolutions as ordinary resolutions:

2.1 That, having been elected during the year and retired pursuant to the Constitution of the Company, Kimberlee Wells be re-elected as a director.

2.2 That, having retired pursuant to the Constitution of the Company, Mel Sutton be re-elected as a director.

Short Explanation
The Company’s Constitution requires one third of the directors (other than the Managing Director) to retire at each Annual General Meeting, being the directors longest in office since being re-elected by Shareholders at the date of the Annual General Meeting. It also requires any director appointed during the year to retire at the first AGM held after their election. Ms Wells and Mr Sutton must therefore retire and have offered themselves for re-election.

Details of the Directors are contained in the Directors’ Report section of the Annual Report.

RESOLUTION 3 – APPROVAL TO EXERCISE OPTION OVER SHEPPARTON SITE

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

That, in accordance with ASX Listing Rule 10.1, Pental Products exercise of the Option granted by Bellera Holdings over the Shepparton Site on the terms and conditions outlined in the explanatory statement accompanying this Notice of Meeting is approved by Shareholders

Short Explanation
On 12 June 2013 Shareholders authorised Pental Products to sell the Shepparton Site to Bellera Holdings, an associate of a related party. Under the Contract of Sale approved by Shareholders Pental Products leased back the Shepparton Site. The Contract of Sale also contained the Option, under which Pental Products could re-acquire the Shepparton Site at a price set by an agreed formula. Listing Rule 10.1 requires Shareholder approval before the Option can be exercised, and the purpose of this resolution is to seek that approval.

Listing Rule 10.10.2 requires a report from an Independent Expert as to whether the transaction is fair and reasonable to ordinary shareholders whose votes are not excluded. Pental has obtained a report which is Attachment A to the Explanatory Statement. The Independent Expert has concluded that the transaction is FAIR AND REASONABLE to non associated Shareholders.

Shareholders should read the Independent Expert’s Report in full.

Capitlised terms are as set out in the Explanatory Statement.
Voting Exclusion Statement

The Company will disregard any votes cast by:

(a) Bellera Holdings; and
(b) any associate of Bellera Holdings.

However, Pental need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

By order of the Board:

Oliver Carton
Company secretary
Dated: 12 October 2016
NOTES

IMPORTANT: Shareholders are urged to direct their proxy how to vote by clearly marking the relevant box for each item on the proxy form.

1. A Member entitled to attend and vote at the Annual General Meeting has the right to appoint a person (who does not need to be a Member) as the Member's proxy to attend and vote at the meeting.

2. A Member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the Member appoints two proxies and the appointment does not specify the proportion or number of the Member’s votes each proxy may exercise, each proxy may exercise one half of the Member’s votes.

3. The proxy form must be signed by the Member or the Member’s attorney. Proxies given by corporations must be executed under seal or signed under the hand of a duly authorised officer or attorney.

4. To be valid, the enclosed proxy form and the power of attorney or other authority (if any) under which it is signed (or a certified copy of it) must be lodged:
   a) at the offices of the Share Registry – GPO Box 3993 Sydney NSW 2001;
   b) by faxing it to the Share Registry office on fax number (02) 9290 9655;
   c) online: www.votingonline.com.au/pentalagm2016;

   not later than 48 hours before the time for commencement of the meeting being 11.00 am AEDT on Tuesday 15 November 2016.

5. A proxy may decide whether to vote on any motion, except where the proxy is required by law, the ASX Listing Rules or the Constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed to vote on an item of business, the proxy may vote on that item only in accordance with the direction. If a proxy is not directed how to vote on an item of business, the proxy may vote as they think fit.

6. Amendments to the Corporations Act have been made recently which apply to proxy voting. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this meeting. Broadly, the changes mean that:
   (a) if proxy holders vote, they must cast all directed proxies as directed; and
   (b) any directed proxies which are not voted will automatically default to the Chairman of the meeting, who must vote as the proxies as directed.

7. A proxy form accompanies this Notice of Meeting.

8. The proxy form accompanying this Notice of Meeting contains detailed instructions regarding how to complete the proxy form if a Shareholder wishes to appoint the Chairman as his or her proxy. You should read those instructions carefully.

9. By appointing the Chairman of the meeting as your proxy in relation to Resolution 1 you expressly authorise the Chairman to vote in favour of Resolution 1 unless:
(a) you direct the Chairman to vote against or to abstain from voting on the resolution; or 
(b) you are a Member of the key management personnel of the Company and its 
subsidiaries, details of whose remuneration are included in the remuneration report for 
the 52 week period ended 26 June 2016 (KMP).

10. The Chairman of the meeting intends to exercise all available proxies by voting in favour of 
Resolutions 1, 2 and 3.

11. A person may attend the meeting under an appointment of corporate representative pursuant to 
section 250D of the Corporations Act or Power of Attorney only if a copy of that duly executed 
appointment or Power of Attorney is lodged with the Share Registry or produced prior to the 
commencement of the meeting.

12. The Company has determined that a person's entitlement to vote at the Annual General 
Meeting will, in accordance with the Corporations Act, be the entitlement of that person set 
out in the register of Shareholders as at 7:00 pm 15 November 2016. This means that any 
Shareholder registered at 7:00 pm on 15 November 2016 is entitled to attend and vote at the 
Annual General Meeting.

13. Shareholders or their attorneys wishing to vote in person should attend the Annual General 
Meeting.

14. Attorneys should bring with them the original or a certified copy of the power of attorney 
under which they have been authorised to attend and vote at the meeting, unless it had already 
been provided to the Share Registry.
EXPLANATORY STATEMENT

INTRODUCTION

The purpose of this Explanatory Statement is to provide Shareholders with an explanation of the business of the meeting and the Resolution proposed to be considered at the Annual General Meeting.

1  FINANCIAL STATEMENTS AND REPORT

At the Annual General Meeting, Shareholders will be given an opportunity to ask questions and comment on the Directors' Report, Financial Statements and Independent Auditor's Report for the 52 week period ended 26 June 2016.

Shareholders who have elected not to receive a hard copy of the Company's 2016 Annual Report can view or download a copy from the Company's website at www.Pental.com.au.

The Company's auditors will be present at the meeting and be available to answer questions as to the conduct of the audit and the auditor's report.

2  RESOLUTION 1 – REMUNERATION REPORT

In accordance with section 250R(2) of the Corporations Act, listed companies are required to put to Shareholders at the Annual General Meeting a non-binding resolution concerning the Remuneration Report which is contained in the Directors’ Report section of the Annual Report.

As stated the resolution is non binding however if at least 25% of the votes cast on the resolution at the Annual General Meeting are against adoption of the report, then there are the following consequences.

The Corporations Act was amended in June 2011 to introduce the “two-strikes” rule. The two strikes rule provides that if at least 25% of the votes cast (excluding KMP and their Closely Related Parties) on the adoption of the remuneration report at two consecutive AGMs are against adopting the remuneration report, members will have the opportunity to vote on a Spill Resolution.

A Spill Resolution is a resolution that a separate meeting be called where all Directors other than the Managing Director retire and can be re-elected.

The Directors recommend that all Shareholders vote in favour of the Remuneration Report.

As stated the Company will disregard any votes cast on the proposed resolution for adoption of the remuneration report by or on behalf of:

(a) a KMP; or

(a) a Closely Related Party of a KMP.
3 RESOLUTION 2 - RETIREMENT OF DIRECTORS BY ROTATION AND BY OPERATION OF THE CONSTITUTION

The Pental Constitution requires directors appointed during the year to retire and offer themselves for election at the first AGM following their appointment. The Constitution also requires one third of Directors, other than the Managing Director, to retire at each Annual General Meeting. Those directors are eligible to be elected by Shareholders. The rules applies this year to Ms Wells and Mr Sutton.

The details and experience of are set out in the Directors’ Report section of the Annual Report.

The Directors, other than Ms Wells and Mr Sutton, recommend that all Shareholders vote in favour of this resolution. The Chairman intends to vote open proxies in favour of it.

4. RESOLUTION 3 – APPROVAL TO EXERCISE OPTION OVER SHEPPARTON SITE

Background
On 12 June 2013, Shareholders approved the sale of the Shepparton Site from Pental Products to Bellera Holdings. The Contract of Sale approved by Shareholders included the leaseback to Pental Products of the site on terms set out below and the Option to repurchase the Shepparton Site for a formula based on the amount paid by Bellera Holdings plus capital improvements it had paid for.

The key terms of Pental Products’ lease over the Shepparton Site are as follows:

- the base annual rent payable by Pental Products is $650,000 per annum (plus GST and outgoings) and subject to annual CPI reviews. Annual rent for Financial Year 2016 was $674,882 and for Financial Year 2017 will be $686,355;
- the term of the lease is 10 years with an option of two further terms of five years each;
- Pental is a guarantor for Pental Products’ obligations under the lease and Pental Products must provide a bank guarantee as security for the performance of the lease in the amount of $162,500; and
- Pental Products may use the Shepparton Site as a factory, warehouse and/or office including the use and storage of toxic and acidic hazardous chemicals.

The Company entered into the Contract of Sale because a key term of its banking facility with ANZ was for the Company to use its best endeavours to enter into a sale contract, with a leaseback, for the Shepparton Site for a net amount of no less than $6 million by 31 May 2013, with settlement to occur on or before 30 June 2013. The net proceeds were to be applied to reduce the facility with ANZ.

The Contract of Sale required Shareholder approval because Bellera Holdings was and is a related company of Alan Johnstone, a then director and current major Shareholder of the Company. The Contract of Sale, including the leaseback and Option, was on arms length terms and therefore approval under the Corporations Act was not required, however under ASX listing rule 10.1 a listed company (or any of its child entities) must not acquire a substantial asset from, or dispose of a substantial asset to, specified persons or companies without the approval of shareholders at a general meeting.

An asset is treated as a substantial asset if its value or the value of the consideration for it, is 5% or more of the listed company's equity interests as set out in the latest financial statements given to ASX. A listed company's equity interests are the sum of paid up capital, reserves, and accumulated profits or losses, disregarding redeemable preference share capital and outside equity interests.

For personal use only
The Contract of Sale was therefore the sale of a substantial asset.

Pental commissioned an Independent Expert’s Report that concluded that the terms of the Contract of Sale were fair and reasonable to Shareholders as a whole.

**The Option**

As stated Pental Products and Pental have an option to buy the Shepparton Site from Bellera Holdings exercisable during the period from 1 July 2017 to 30 June 2019 at a price to be determined by reference to Bellera Holdings’ costs of acquisition plus the cost of any capital and other expenses incurred by Bellera Holdings in respect of the Shepparton Site, indexed to CPI. If approval is given Pental Products intend to exercise the Option on 1 July 2017. The estimated purchase price to exercise the Option at that date is calculated as follows:

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Price</td>
<td>6,000,000</td>
</tr>
<tr>
<td>Capital expenses and other costs incurred by Bellara Holdings</td>
<td>363,000</td>
</tr>
<tr>
<td>Estimated CPI increase at 1 July 2017</td>
<td>516,000</td>
</tr>
<tr>
<td>Estimated Option Exercise Price</td>
<td>6,879,000</td>
</tr>
</tbody>
</table>

There will also be stamp duty payable to the State Revenue Office on the exercise of the Option which is estimated at $378,000 using the above exercise price and current stamp duty rates, rounded. The estimated rounded up total cost of re-acquiring the Shepparton Property is therefore $7,257,000.

Approval is sought to exercise the Option, which is exercisable from 1 July 2017 until 30 June 2019. While Pental Products intends to exercise the Option at 1 July 2017, if for any reason that exercise is delayed, the above estimated Option exercise price will vary.

For the reasons given above the exercise of the Option is the acquisition of a substantial asset from a related party as the value of the consideration for the Option exceeds 5% of Pental's equity interests.

**Benefits of exercising the Option**

The key benefits of exercising the Option are as follows:

(a) On exercise of the Option, the lease to Bellera Holdings, and associated costs such as rental, are extinguished. For the current Financial Year, the lease rental is $686,355, and this amount is indexed over time. While this will have a material cash impact, the net profit after tax impact will be reduced by depreciation of the Shepparton Site. Pental will depreciate the Shepparton Site over a 25 year period in line with accepted accounting standards, and is likely to book a depreciation charge of approximately $236,000 in the FY18 period;

(b) Pental has no debt and is cash flow positive, and will use cash reserves not borrowings to exercise the Option. As at 30 June 2016, net cash was $12.3m. If the lease over the Shepparton Site is extinguished Pental saves the annual rent, which increases profitability. Pental also acquires an asset against which it could borrow if it required an increased debt facility in the future;

(c) A valuation of the Shepparton Site (which is included in the report from DMR Corporate attached to this explanatory statement) indicates that the value is higher than the estimate Option exercise price.
(d) Given the current interest rates payable on term deposits, the saving in rentals of $686,355 is considerably higher than any interest Pental would earn on investing the cash in a term deposit. Assuming Pental could earn 3.0% for a long-term term deposit of the purchase price, it would earn approximately $218,000 which would be subject to tax.

(e) As owner of the Shepparton Site, Pental can develop and improve the site as it determines with no reference to a third party (other than for any regulatory approvals);

(f) As owner of the Shepparton Site, there is no possibility of Pental Products being required to vacate the site against its will.

**Detriments of exercising the Option**
The key detriment of exercising the Option is reduction in cash to acquire an asset. Pental has a long term lease over the Shepparton Site can remain there for another approximately 17 years provided it complies with the terms of the lease.

Pental has no current earmarked use for excess cash following dividend payments, however in the future a use could arise such as an acquisition. Pental may have to borrow funds in that scenario.

**Regulatory requirements**
Whilst Mr Johnstone has resigned as a director, he remains a substantial shareholder and has a relevant interest in over 10% of Pental’s issued Shares. He and his related companies therefore remain specified persons for which approval is required under ASX listing rule 10.1 before the Option can be exercised.

Under ASX Listing Rule 10.10.2 Shareholders must be given an independent report by an independent expert. The report must state whether the Proposed Transaction is *fair and reasonable* to the Shareholders (except those who are precluded from voting at the General Meeting).

What is *fair and reasonable* must be judged by the independent expert in all the circumstances of the exercise of the Option. This requires taking into account the likely advantages to Shareholders if the exercise of the Option is approved and comparing them with the disadvantages to them if the exercise of the Option is not approved.

The independent directors appointed DMR Corporate for this purpose.

On the basis of the matters discussed its report, DMR Corporate has formed the opinion that the proposal is *fair and reasonable* to Shareholders (except those who are precluded from voting at the General Meeting).

Shareholders should read DMR Corporate's report in full. The report accompanies this explanatory statement in Attachment A.

**Recommendation**
Directors recommend encourage Shareholders to vote in favour of Resolution 3 set out in the accompanying notice of meeting to allow the exercise of the Option for the reasons set out above. In the view of Directors, the benefits of exercising the Option far outweigh the detriments of doing so.

The Directors also note the circumstances in which Mr Johnstone through his associated entity entered into the Contract of Sale. The Contract of Sale was a transaction that included the sale of the Shepparton Site, the lease back of that property and the Option, and all were priced in reference to a
requirement in the ANZ facility. Without the Contract of Sale, Pental would have breached the ANZ facility. The Directors again take this opportunity to thank Mr Johnstone for agreeing to enter into the Contract of Sale and Option, which at the time were important to the survival of the Company.

5. **GLOSSARY**

In this Explanatory Statement:

**ASX** means ASX Limited ACN 008 624 691 or the securities exchange operated by it as the context requires.

**Bellera Holdings** means Bellera Holdings Pty Ltd (ACN 006 535 360) as trustee for the Shepparton Properties Trust.

**Board** means the board of directors of the Company.

**Constitution** means the constitution of the Company.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director** means a director of the Company.

**DMR Corporate** means DMR Corporate Pty Ltd ACN 063 564 045.

**Listing Rules** means the listing rules of ASX.

**Notice of Meeting** means this notice of meeting and explanatory statement.

**Option** means the option to re-acquire the Shepparton Site described in section 4.

**Pental Products** means Pental Products Pty Ltd ACN 103 213 467.

**Share** means a fully paid ordinary share in the Company.

**Shareholder** or **Member** means a holder of at least one Share.

**Shepparton Site** means the properties located at 18 Drummond Road, 22 Drummond Road and 44-48 Drummond Road, Shepparton, Victoria.
ATTACHMENT A

Independent Expert’s Report from DMR Corporate

The Independent Expert has concluded that the transaction is **FAIR AND REASONABLE** to non associated Shareholders.
14 September 2016

The Directors
Pental Limited
Level 6, 390 St Kilda Road
Melbourne
Vic 3004

Dear Sirs,

Re: Independent Expert's Report

1. Introduction

Pental Limited (“Pental” or “the Company”) has requested DMR Corporate Pty Ltd (“DMR Corporate”) to prepare an independent expert’s report pursuant to Australian Securities Exchange (“ASX”) Listing Rule 10.1 (“Listing Rule 10.1”) in respect of the proposed purchase of land and buildings located in Shepparton from Bellera Holdings Pty Ltd as trustee for the Shepparton Properties Trust (“Bellera Holdings” or “the Landlord”), a company controlled by Mr. Alan Johnstone (“Johnstone”). Johnstone is a former director of Pental who retired on 19 November 2015 and through his related companies he holds more than 10% of Company’s issued capital.

Bellera Holdings acquired the Shepparton land and buildings (“Shepparton Properties”) from Pental in June 2013 as part of a corporate restructure negotiated with the Company’s bankers. The Sales Contract included a 10-year lease agreement (plus 2 further terms of 5 years each) that enabled Pental to continue to operate from the Shepparton Properties and also expand its manufacturing operations. The Sales Contract included an option to buy back the Shepparton Properties exercisable between 1 July 2017 and 30 June 2019. The acquisition price will be determined by reference to Bellera Holdings’ costs of acquisition ($6,363,000 including stamp duty) plus the cost of any capital expenses incurred in respect of the Shepparton Properties since acquisition, plus CPI indexation.

We understand that the directors are seeking shareholder approval at the 2016 annual general meeting in advance of 1 July 2017 buy back date so that the costs of a further general meeting next year are avoided.

Pental is one of Australia’s largest manufacturers of soaps and it distributes Pears, Country Life, Knight’s Castle, AIM toothpaste, White King, Janola, LUX, Softly premium wool wash, Huggie, Martha’s, Little Lucifer, Jiffy Firelighters and Sunlight.

The Shepparton Properties are located within the main industrial area of Shepparton just north east of the town centre. The properties comprise 7 main warehouse buildings across the site of some 4 hectares, having a total building area of 15,000 square metres with an extensive hardstand creating solid links between the buildings. The properties also provide good office accommodation across two levels, including ample staff amenities and excess land for future potential expansion opportunities. The properties are more specifically described as 18 Drummond Road, 22 Drummond Road and 44 – 48 Drummond Road, Shepparton.
2. The Proposed Transaction

The shareholders are being asked to vote on the following ordinary resolution:

“That, in accordance with ASX Listing Rule 10.1, Pental Products exercise the option granted by Bellera Holdings over the Shepparton site on the terms and conditions outlined in the explanatory statement accompanying this Notice of Meeting is approved by Shareholders.”

For the purposes of this report the above transaction is hereinafter referred to as the “Proposed Transaction”.

The Pental directors have requested DMR Corporate to independently assess whether the Proposed Transaction is fair and reasonable to non-associated shareholders. The independent expert’s report is to be prepared in accordance with the Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 111 – Content of expert reports – issued on 30 March 2011.

3. Summary Opinion

In our opinion, the Proposed Transaction set out in Section 2 above is fair and reasonable to non-associated shareholders.

Fairness

Our principal reasons for reaching the above opinion are:

• In Section 7.3 we concluded that the Shepparton Properties are valued at $7,200,000.

• In Section 8 we concluded that the Johnstone consideration offered for the Shepparton Properties is valued in a range of $6,873,000 to $6,904,000.

• In Section 9 we concluded that, as the value of the Shepparton Properties is greater than the value of the consideration offered, the Proposed Transaction is fair.

Reasonableness

We have also reviewed the other significant considerations referred to in Section 10 of this report and we consider that the Proposed Transaction is reasonable.

4. Structure of this Report

This report is divided into the following Sections:

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<th>Section</th>
<th>Page</th>
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<td>Purpose of the Report</td>
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<td>6</td>
<td>Pental - Key Information</td>
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<td>7</td>
<td>Assessment of the Value of the Shepparton Properties</td>
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<td>8</td>
<td>Assessment of the Value of the Consideration</td>
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<td>9</td>
<td>Assessment as to Fairness</td>
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<td>Other Significant Considerations</td>
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<td>11</td>
<td>Financial Services Guide</td>
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Appendix

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<tr>
<td>A</td>
<td>Sources of Information</td>
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<td>B</td>
<td>Declarations, Qualifications and Consents</td>
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</tbody>
</table>

Attachment

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<th>Attachment</th>
<th>Page</th>
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<tbody>
<tr>
<td>1</td>
<td>Opteon Valuation Report</td>
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</table>
5. Purpose of the Report

This report has been prepared to meet the following regulatory requirements:

• **ASX - Listing Rules 10.1 and 10.2**

Listing Rules 10.1 and 10.2 require a company obtain shareholder approval at a general meeting when the sale or acquisition of an asset, which has a value in excess of 5% of the shareholders funds as set out in the latest financial statements given to the ASX under the listing rules, is to be made to or from:

(i) a related party;

(ii) a subsidiary;

(iii) a substantial shareholder who is entitled to at least 10% of the voting securities, or a person who was a substantial shareholder entitled to at least 10% of the voting securities at any time in the 6 months before the transaction;

(iv) an associate of a person referred to in paragraphs (i), (ii) or (iii) above; or

(v) a person whose relationship to the entity or a person referred to above is such that, in the ASX’s opinion, the transaction should be approved by security holders.

As

• Johnstone was entitled to more than 10% of the voting securities of Pental during the past six months through his interests in Western Park Holdings Pty Ltd, Western Park Holdings Pty Ltd <Johnstone Family A/C> and PMSF Company Pty Ltd ATF Penfold Motors Burwood Super Fund; and

• the acquisition of the Shepparton Properties exceeds 5% of the shareholders’ funds of Pental as set out in the latest financial statements given to the ASX (5% of A$83,177,000 = A$4,158,850),

Listing Rule 10.1 will apply to the Proposed Transaction.

• **General**

The terms “fair” and “reasonable” are not defined in the Corporations Act 2001 (“the Act”), however guidance as to the meaning of these terms is provided by ASIC in Regulatory Guide 111. For the purpose of this report, we have defined them as follows:

**Fairness** - the Proposed Transaction is “fair” if the value of the Shepparton Properties being acquired is equal to or greater than the consideration being offered.

**Reasonableness** - the Proposed Transaction is “reasonable” if it is fair. It may also be “reasonable” if, despite not being “fair” but after considering other significant factors, we consider that the advantages of proceeding with the Proposed Transaction outweigh the disadvantages of proceeding.

In determining whether the Proposed Transaction is fair, we have:

• valued the Shepparton Properties;

• valued the consideration offered by Pental; and

• compared the value of the Shepparton Properties with the value of the consideration offered by Pental.
In determining whether the Proposed Transaction is reasonable we have analysed other significant factors, which shareholders should consider prior to accepting or rejecting the Proposed Transaction.

6. **Pental - Key Information**

6.1 **Pental's Directors**

The table below details Pental’s current Board of Directors.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Robinson</td>
<td>Non-Executive Chairman</td>
</tr>
<tr>
<td>Mel Sutton</td>
<td>Non-Executive Vice-Chairman</td>
</tr>
<tr>
<td>John Rishworth</td>
<td>Non-Executive Director</td>
</tr>
<tr>
<td>John Etherington</td>
<td>Non-Executive Director</td>
</tr>
<tr>
<td>Kimberlee Wells</td>
<td>Non-Executive Director</td>
</tr>
</tbody>
</table>

6.2 **Share Capital**

As at 7 September 2016 Pental had on issue 136,250,633 fully paid ordinary shares.

The 20 largest shareholders of Pental's ordinary shares as at that date were as follows:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Park Holdings Pty Ltd</td>
<td>21,171,039</td>
</tr>
<tr>
<td>Ace Property Holdings Pty Ltd</td>
<td>17,160,000</td>
</tr>
<tr>
<td>Citicorp Nominees Pty Limited</td>
<td>10,111,446</td>
</tr>
<tr>
<td>BNP Paribas Noms (NZ) Ltd &lt;DRP&gt;</td>
<td>8,130,002</td>
</tr>
<tr>
<td>Mr Garry George Johnson</td>
<td>6,670,739</td>
</tr>
<tr>
<td>HSBC Custody Nominees (Australia) Limited</td>
<td>6,194,518</td>
</tr>
<tr>
<td>Western Park Holdings Pty Ltd &lt;Johnstone Family A/C&gt;</td>
<td>6,020,580</td>
</tr>
<tr>
<td>J P Morgan Nominees Australia Limited</td>
<td>4,875,766</td>
</tr>
<tr>
<td>PJR Superannuation Pty Ltd &lt;PJR Superannuation Fund A/C&gt;</td>
<td>3,972,927</td>
</tr>
<tr>
<td>National Nominees Limited</td>
<td>3,781,306</td>
</tr>
<tr>
<td>Dallmount Custodians Pty Ltd</td>
<td>3,000,000</td>
</tr>
<tr>
<td>BNP Paribas Noms Pty Ltd &lt;DRP&gt;</td>
<td>2,956,185</td>
</tr>
<tr>
<td>Labelmakers Group Pty Ltd</td>
<td>2,666,668</td>
</tr>
<tr>
<td>P M S F Company Pty Limited &lt;Penfold MTR Burwood S/F A/C&gt;</td>
<td>2,657,431</td>
</tr>
<tr>
<td>Rathvale Pty Limited</td>
<td>1,832,759</td>
</tr>
<tr>
<td>Vanward Investments Limited</td>
<td>1,438,294</td>
</tr>
<tr>
<td>Dallmount Pty Ltd &lt;Labelmakers S/F A/C&gt;</td>
<td>1,204,761</td>
</tr>
<tr>
<td>HSBC Custody Nominees (Australia) Limited - A/C 3</td>
<td>881,374</td>
</tr>
<tr>
<td>Dixon Trust Pty Limited</td>
<td>855,000</td>
</tr>
<tr>
<td>Mrs Joy Dorothy Johnstone</td>
<td>834,092</td>
</tr>
<tr>
<td></td>
<td><strong>106,414,887</strong></td>
</tr>
</tbody>
</table>

Source: Pental share register as at 7 September 2016

As at 7 September 2016 the 20 largest shareholders held 78.1% of the issued capital.

During the 2015 financial year Pental converted all of its issued options to shares as an integral part of the capital reconstruction. At the date of this report there are no options on issue.
### 6.3 Financial Position

Pental’s audited net assets as at 30 June 2015 and 30 June 2016 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>11,040</td>
<td>12,335</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>24,118</td>
<td>23,582</td>
</tr>
<tr>
<td>Inventories</td>
<td>7,400</td>
<td>8,866</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>275</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>448</td>
<td>260</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>43,281</td>
<td>45,043</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>15,252</td>
<td>18,949</td>
</tr>
<tr>
<td>Goodwill</td>
<td>25,084</td>
<td>25,084</td>
</tr>
<tr>
<td>Other tangible assets</td>
<td>15,202</td>
<td>15,091</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>55,538</td>
<td>59,124</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>98,819</td>
<td>104,167</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>15,371</td>
<td>16,659</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>-</td>
<td>358</td>
</tr>
<tr>
<td>Current tax payables</td>
<td>42</td>
<td>2,275</td>
</tr>
<tr>
<td>Provisions</td>
<td>1,274</td>
<td>1,394</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>16,687</td>
<td>20,686</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>287</td>
<td>192</td>
</tr>
<tr>
<td>Provisions</td>
<td>111</td>
<td>112</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>398</td>
<td>304</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>17,085</td>
<td>20,990</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>81,734</td>
<td>83,177</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued capital</td>
<td>90,658</td>
<td>90,658</td>
</tr>
<tr>
<td>Reserves</td>
<td>193</td>
<td>(176)</td>
</tr>
<tr>
<td>Accumulated losses</td>
<td>(9,117)</td>
<td>(7,305)</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>81,734</td>
<td>83,177</td>
</tr>
</tbody>
</table>

Source: Pental’s 2016 Annual Report
## 6.4 Financial Performance

Pental’s audited Statements of Profit or Loss for the years ended 30 June 2015 and 30 June 2016 were as follows:

<table>
<thead>
<tr>
<th>Consolidated Statement of Profit or Loss</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Continuing Operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross sales revenue</td>
<td>111,150</td>
<td>109,980</td>
</tr>
<tr>
<td>Sales rebate and discounts</td>
<td>(29,987)</td>
<td>(30,747)</td>
</tr>
<tr>
<td>Net sales revenue</td>
<td>81,163</td>
<td>79,233</td>
</tr>
<tr>
<td>Other revenue and income</td>
<td>216</td>
<td>825</td>
</tr>
<tr>
<td>Changes in inventory of finished goods and work in progress</td>
<td>1,513</td>
<td>(1,416)</td>
</tr>
<tr>
<td>Raw materials, consumables used and utilities</td>
<td>(43,839)</td>
<td>(39,602)</td>
</tr>
<tr>
<td>Employee benefits expense (excluding termination benefits)</td>
<td>(11,588)</td>
<td>(12,667)</td>
</tr>
<tr>
<td>Depreciation and amortisation expense</td>
<td>(2,113)</td>
<td>(2,552)</td>
</tr>
<tr>
<td>Freight and distribution expense</td>
<td>(7,662)</td>
<td>(6,557)</td>
</tr>
<tr>
<td>Repairs and maintenance expense</td>
<td>(1,001)</td>
<td>(1,166)</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>(1,006)</td>
<td>(1,074)</td>
</tr>
<tr>
<td>Marketing expenses</td>
<td>(3,353)</td>
<td>(2,865)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(4,156)</td>
<td>(3,877)</td>
</tr>
<tr>
<td><strong>Significant Income and Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment of property, plant and equipment</td>
<td>(553)</td>
<td>-</td>
</tr>
<tr>
<td>Employee restructuring costs</td>
<td>(432)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Profit before interest and tax</strong></td>
<td>7,189</td>
<td>8,282</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(154)</td>
<td>(64)</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>7,035</td>
<td>8,218</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(1,948)</td>
<td>(2,590)</td>
</tr>
<tr>
<td><strong>Net profit for the year</strong></td>
<td>5,087</td>
<td>5,628</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that may be classified subsequently to profit and loss</td>
<td>430</td>
<td>(634)</td>
</tr>
<tr>
<td>Gain/(loss) on cash flow hedges taken to equity</td>
<td>129</td>
<td>190</td>
</tr>
<tr>
<td>Income tax relating to components of other comprehensive income</td>
<td>(444)</td>
<td></td>
</tr>
<tr>
<td><strong>Other comprehensive income for the year (net of tax)</strong></td>
<td>301</td>
<td>(444)</td>
</tr>
<tr>
<td><strong>Profit attributable to equity holders of the parent</strong></td>
<td>5,087</td>
<td>5,628</td>
</tr>
<tr>
<td><strong>Total comprehensive income attributable to equity holders of the parent</strong></td>
<td>5,388</td>
<td>5,184</td>
</tr>
</tbody>
</table>

Source: Pental’s 2016 Annual Report
6.5 Cash Flow Statements

Pental’s audited Statements of Cash Flow for the years ended 30 June 2015 and 30 June 2016 were as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>133,459</td>
<td>132,457</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(121,564)</td>
<td>(121,202)</td>
</tr>
<tr>
<td>Interest received</td>
<td>69</td>
<td>272</td>
</tr>
<tr>
<td>Interest and other costs of finance paid</td>
<td>(154)</td>
<td>(64)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>-</td>
<td>(204)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>11,810</td>
<td>11,259</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for plant and equipment</td>
<td>(3,805)</td>
<td>(5,898)</td>
</tr>
<tr>
<td>Payments for intangible assets</td>
<td>(333)</td>
<td>(250)</td>
</tr>
<tr>
<td><strong>Net cash provided/(used in) investing activities</strong></td>
<td>(4,138)</td>
<td>(6,148)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from share issues</td>
<td>6,688</td>
<td>-</td>
</tr>
<tr>
<td>Payment for share costs</td>
<td>(32)</td>
<td>-</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(3,313)</td>
<td>(3,816)</td>
</tr>
<tr>
<td><strong>Net cash provided by/(used in) financing activities</strong></td>
<td>3343</td>
<td>(3,816)</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash and cash equivalents</strong></td>
<td>11,015</td>
<td>1,295</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the financial year</td>
<td>25</td>
<td>11,040</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the financial year</strong></td>
<td>11,040</td>
<td>12,335</td>
</tr>
</tbody>
</table>

Source: Pental’s 2016 Annual Report

7. Assessment of the Value of the Shepparton Properties

7.1 Value Definition

DMR Corporate’s valuation of the Shepparton Properties being acquired from Bellera Holdings has been made on the basis of fair market value, defined as the price that could be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing but not anxious seller and a willing but not anxious buyer acting at arm’s length.

7.2 Independent Real Estate Valuation

We appointed Mr. David McKenzie, a Certified Practising Valuer and a director of Opteon (Goulburn North East Victoria) Pty Ltd (“Opteon”) to independently value the Shepparton Properties. We have reviewed the 25 August 2016 Opteon valuation and we have used the current market value as determined by Opteon as the value of the Shepparton Properties.

Opteon have defined market value in Section 15.0 as: “Market Value is the estimated amount for which an asset or liability should exchange on the Valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.
The Opteon valuation concluded that the current market value of the Shepparton Properties, subject to the proposed lease was $7,200,000. A copy of the Opteon Valuation Executive Summary is included as Attachment 1 to this report.

7.3 Conclusion

Based on the above we have valued the Shepparton Properties at $7,200,000.

8. Assessment of the Value of the Consideration

The consideration at the current date as per the formula specified in the Sales Contract/Lease Agreement is as follows:

(a) purchase price of the Shepparton Properties was $6,363,000 (including stamp duty);

(b) settlement date of 28 June 2013;

(c) Pental has an option to buy back the Shepparton Properties exercisable between 1 July 2017 and 30 June 2019 at a purchase price ($6,363,000), indexed by CPI (the CPI Index number (All Groups – Melbourne));

(d) the repurchase price is to be calculated in accordance with the following formula:

($6,363,000 + CE) X (CPIA/CPIB)

Where:

(i) CE means all capital expenditure incurred by the Landlord in respect of the premises (to the extent that such capital expenditure has not been reimbursed by the Tenant)

(ii) CPIB means the Consumer Price Index number (All groups – Melbourne) for the quarter immediately preceding the date of this lease; and

(iii) CPIA means Consumer Price Index number (All groups – Melbourne) for the quarter immediately preceding the date of the Notice to exercise the option.

We have been advised that there has been no capital expenditure spent by the Landlord that has not been reimbursed and the relevant CPI Indexes from March 2013 to June 2016 are as follows:
If the call option could have been exercised as at 1 July 2016 then the price would have been determined as follows:

\[(6,363,000 + CE \text{ of nil}) \times (108.6/102.4) = 6,748,260.\]

We cannot project the movements in the CPI indexes over the next 12 months however the annual increments have been stated in the above Table. In our opinion it is unlikely that the annual CPI movements over the 4 quarters to 30 June 2017 would exceed 2.5 however if the movements were 2.5 then the CPI index figure at 30 June 2017 would be 111.1. On this basis the purchase price would be determined as follows:

\[(6,363,000 + CE \text{ of nil}) \times (111.1/102.4) = 6,903,606.\]

If the annual CPI movements were 2.0 then the index figure at 30 June 2017 would be 110.6 and on this basis the purchase price would be determined as follows:

\[(6,363,000 + CE \text{ of nil}) \times (110.6/102.4) = 6,872,537.\]

On the basis of the above, we have concluded that the consideration payable is expected to be in a range of $6,873,000 to $6,904,000.

### 9. Assessment as to Fairness

#### 9.1 Definition

In Section 5 we defined fairness as follows:

> The Proposed Transaction is “fair” if the value of the Shepparton properties being bought is equal to or greater than the consideration being offered.

#### 9.2

In Section 7.3 above we valued the Shepparton properties at $7,200,000 and in Section 8 above we assessed the consideration to be paid in a range of $6,873,000 to $6,904,000.

As the current value of the Shepparton properties ($7,200,000) is greater that the consideration expected to be paid to acquire the properties ($6,873,000 to $6,904,000), we have concluded that the **Proposed Transaction is fair.**
10. Other Significant Considerations

Prior to deciding whether to approve or reject the Proposed Transaction the non-associated shareholders should also consider the following factors:

• In Section 9 above we concluded that the Proposed Transaction is fair. As the Proposed Transaction is fair it is also considered to be reasonable, however we consider that the Pental shareholders should also take into consideration the following matters if the Proposed Transaction proceeds:

  • As at 30 June 2016 Pental had cash and cash resources of $12,335,000 and throughout the 2015/2016 financial year Pental had an average of $8,600,000 on term deposit. These term deposits earned $272,000 in the financial year, which represents an average yield of 3.18% throughout the year.

  The interest rates have been falling throughout the last 12 months and the current term deposit rates are in a range of 1.62% (30 day) to 2.6% (12 months).

  Assuming that Pental could invest the acquisition cost of the Shepparton Properties plus stamp duty in a term deposit at say 3.0% it would generate $217,500 to $218,500 of interest. Given the fact that the current interest rates are well below this assumed 3% our calculations would appear to be conservative.

  The annual rental on the Shepparton premises is currently $686,355. If the Proposed Transaction is approved by the shareholders then Pental will exercise its option to repurchase the Shepparton Premises and this rental expense will be reduced to nil.

  Pental’s net gain in annual cash flows from implementing the Proposed Transaction will result additional cash inflows in a range of $467,800 to $468,800 in the 2017/2018 financial year, comprising of a reduction in rental, offset by a reduction in interest income.

  • The Proposed Transaction cannot be completed until 1 July 2017 and the current value of the Shepparton Properties at that time may be higher or lower than its current appraised value of $7,200,000.

  • If shareholders approve the Proposed Transaction and Pental exercises its option to acquire the Shepparton Properties, Pental will also incur associated acquisition costs, including stamp duty.

  • Following acquisition of the Shepparton Properties Pental will be significantly exposed to the future movement in property values in a regional Victorian centre.

After reviewing the results of our assessment of the fairness of the Proposed Transaction set out in Section 9 and after evaluating the other considerations set out above, we consider that the Proposed Transaction is fair and reasonable to the non-associated shareholders.

11. Financial Services Guide

11.1 Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.
11.2 DMR Corporate

DMR Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

11.3 Financial Services Offered by DMR Corporate

DMR Corporate prepares reports commissioned by a company or other entity (“Entity”). The reports prepared by DMR Corporate are provided by the Entity to its members.

All reports prepared by DMR Corporate include a description of the circumstances of the engagement and of DMR Corporate’s independence of the Entity commissioning the report and other parties to the transactions.

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

11.4 General Financial Product Advice

In the reports, DMR Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

11.5 Independence

At the date of this report, none of DMR Corporate, Derek M Ryan nor Mr Paul Lom has any material interest in the outcome of the Proposed Transaction, nor any relationship with Pental, Johnstone or any of his related entities.

Drafts of this report were provided to and discussed with executives of Pental and its advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology, valuations or conclusions that have been formed by DMR Corporate.

DMR Corporate and its related entities do not have any shareholding in or other relationship with Pental, Johnstone or any of his related entities, which could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

DMR Corporate had no part in the formulation of the Proposed Transaction. Its only role has been the preparation of this report.

DMR Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 March 2011.

11.6 Remuneration

DMR Corporate is entitled to receive a fee of approximately $12,000 for the preparation of this report, plus out of pocket expenses. With the exception of the above, DMR Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.
Except for the fees referred to above, neither DMR Corporate, nor any of its directors, employees or associated entities will receive any fees or other benefits, directly or indirectly, for or in connection with the provision of any report about, in respect of, or incorporated into the Entitlement Offer or any documents relating to the Entitlement Offer.

11.7 Complaints Process

As the holder of an Australian Financial Services Licence, DMR Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement DMR Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

DMR Corporate is also required to have a system for handling complaints from persons to whom DMR Corporate provides financial services. All complaints must be in writing and sent to DMR Corporate at the above address.

DMR Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

DMR Corporate Pty Ltd

Derek Ryan
Director

Paul Lom
Director
Sources of Information

- Pental’s annual financial statements for the years ended 30 June 2015 and 2016;
- Pental’s share register as at 7 September 2016;
- ASX announcements by Pental since 1 July 2015;
- Copy of the original contract of sale and lease agreement entered into by Pental and Bellera in June 2013;
- Opteon valuation of the Shepparton Properties as at 25 August 2016; and
- Discussions with the Chief Financial Officer of Pental and its legal advisers.
Declarations, Qualifications and Consents

1. Declarations

This report has been prepared at the request of the Directors of Pental pursuant to Chapter 10 of ASX listing rules. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards.

2. Qualifications

Mr Derek M Ryan and Mr Paul Lom, directors of DMR Corporate prepared this report. They have been responsible for the preparation of many expert reports and are involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Ryan has had over 40 years experience in the accounting profession and he is a Fellow of the Institute of Chartered Accountants in Australia and an accredited Business Valuation Specialist. He has been responsible for the preparation of many expert reports and is involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Lom is a Fellow of the Institute of Chartered Accountants in Australia, an accredited Business Valuation Specialist and a Registered Company Auditor with more than 35 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

3. Consent

DMR Corporate consents to the inclusion of this report in the form and context in which it is included in an ASX announcement or Notice of Meeting.
# VALUATION REPORT

## Pental Soaps. 18-22 & 44-48 Drummond Road

*Shepparton, Victoria 3630*

<table>
<thead>
<tr>
<th>Prepared For</th>
<th>DMR Corporate Pty Ltd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report Purpose</td>
<td>Independent Expert Report to Australian Stock Exchange</td>
</tr>
<tr>
<td>Valuation Date</td>
<td>25 August 2016</td>
</tr>
<tr>
<td>Our Reference</td>
<td>7314764</td>
</tr>
</tbody>
</table>
### 1.0 Executive Summary

#### 1.1 Instructions

<table>
<thead>
<tr>
<th><strong>Instructing Party</strong></th>
<th>Derek Ryan, Director, PKF Melbourne – DMR Corporate Pty Ltd, Level 12, 440 Collins Street Melbourne, VIC, 3000.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Client / Authorised Party</strong></td>
<td>Pental Limited</td>
</tr>
<tr>
<td><strong>Valuation Purpose</strong></td>
<td>The valuation is required to assess the current market value of the holding, subject to the current lease, to form part of an Independent Expert Report to the Australian Stock Exchange, in respect to a proposed related party transaction.</td>
</tr>
</tbody>
</table>

#### 1.2 Property Details

<table>
<thead>
<tr>
<th><strong>Property Address</strong></th>
<th>Pental Soaps. 18-22 &amp;, 44-48 Drummond Road, Shepparton, Victoria 3630</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Property Description</strong></td>
<td>The property comprises a substantial manufacturing and warehousing complex, on multiple titles, in a regional centre in northern Victoria.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Title Reference</strong></th>
<th><strong>Registered Proprietor</strong></th>
<th><strong>Title Area</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lot 1 Plan of Subdivision 415373 Volume 10632 Folio 833</td>
<td>Bellera Holdings Pty Ltd</td>
<td>1.658 ha</td>
</tr>
<tr>
<td>Lot 6 Plan of Subdivision 129792 Volume 9339 Folio 881</td>
<td>Bellera Holdings Pty Ltd</td>
<td>5,390 sqm</td>
</tr>
<tr>
<td>Lot 1 Plan of Subdivision 203518 Volume 9701 Folio 416</td>
<td>Bellera Holdings Pty Ltd</td>
<td>5,382 sqm</td>
</tr>
<tr>
<td>Lot 1 Title Plan 202639 Volume 9648 Folio 592</td>
<td>Bellera Holdings Pty Ltd</td>
<td>1.257 ha</td>
</tr>
<tr>
<td><strong>Total Site Area</strong></td>
<td><strong>3.99 ha</strong></td>
<td></td>
</tr>
</tbody>
</table>
Encumbrances

Volume 10632 Folio 833

- Mortgage AK541501A dated 21/8/2013 to the ANZ Banking Group Limited;
- Easement E-3 for power line purposes.

Volume 9339 Folio 881

- Mortgage AK541501A dated 21/8/2013, to the ANZ Banking Group Limited;

Volume 9701 Folio 416

- Mortgage AK541501A, dated 21/8/2013 to the ANZ Banking Group Limited;
- Easement E-2 for sewerage purposes, across the southwest corner.

Volume 9648 Folio 592


Building Area

16,898 sqm gross building area - total

Zoning

Industrial 1

1.3 Property Profile & Risk

Marketability

The marketability of the property is considered to be 'sound' if offered subject to lease.

Market Activity

Moderate for such large scale holdings in regional areas.

Recent Market Direction

Stable / slight strengthening

Market Volatility

Moderate

Transaction Volumes

Transaction volumes of high value established industrial property in Shepparton and regional Victoria generally are relatively low.

Stock Levels

Whilst Shepparton has historically been a relatively well traded regional city for large scale industrial property, the market for this class of property softened significantly after since the Global Financial Crisis, but has now generally stabilised.

Selling Period

Estimated 3-4 months, assuming proper marketing and a realistic asking price, subject to lease.

Likely Buyer Profile

Investor – subject to lease.

Other Factors

None apparent
The highest and best use of the site is clearly for ongoing manufacturing and warehousing, subject to suitable businesses being ‘in the market’ at the appropriate point of time. The site also has clear potential for separate sale of various combinations of the holding.

The highest and best use of the site is clearly for ongoing manufacturing and warehousing, subject to suitable businesses being ‘in the market’ at the appropriate point of time.

The site also has clear potential for separate sale of various combinations of the holding.

<table>
<thead>
<tr>
<th>Functionality</th>
<th>The vast majority of buildings on the site are well suited to their current usage, and retain a high degree of utility and functionality.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialisation</td>
<td>Non-specialised asset, but a substantial industrial asset for a regional centre.</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>Nil – essential repairs required</td>
</tr>
<tr>
<td>Acquisition / Resumption</td>
<td>Low</td>
</tr>
<tr>
<td>Other Factors</td>
<td>None apparent</td>
</tr>
<tr>
<td><strong>Occupancy Status</strong></td>
<td>Leased</td>
</tr>
<tr>
<td><strong>Lease Nature</strong></td>
<td>Fully documented</td>
</tr>
<tr>
<td><strong>Vacancy Levels</strong></td>
<td>0%</td>
</tr>
<tr>
<td><strong>Tenant Profile</strong></td>
<td>ASX Listed entity with long history on site</td>
</tr>
<tr>
<td><strong>Lease Maturity Profile</strong></td>
<td>Approximately 7 years remaining</td>
</tr>
<tr>
<td><strong>Leasing Demand</strong></td>
<td>Moderate</td>
</tr>
<tr>
<td><strong>Letting Period</strong></td>
<td>12-18 months</td>
</tr>
<tr>
<td><strong>Reletting</strong></td>
<td>Difficult on a single tenant basis</td>
</tr>
<tr>
<td><strong>Rental Profile</strong></td>
<td>In line with market</td>
</tr>
<tr>
<td><strong>Income Growth Prospects</strong></td>
<td>Limited to CPI</td>
</tr>
<tr>
<td><strong>Outgoings</strong></td>
<td>All by tenant</td>
</tr>
<tr>
<td><strong>Incentives</strong></td>
<td>None prevailing</td>
</tr>
<tr>
<td><strong>Major Tenant Security</strong></td>
<td>Strong</td>
</tr>
<tr>
<td><strong>Cash Flow Volatility</strong></td>
<td>Low</td>
</tr>
<tr>
<td><strong>Rental Concessions</strong></td>
<td>None</td>
</tr>
<tr>
<td><strong>Lease Renewals</strong></td>
<td>2 further terms of 5 years each</td>
</tr>
<tr>
<td><strong>Pre-Emptive Rights</strong></td>
<td>Call option granted to tenant</td>
</tr>
<tr>
<td><strong>Other Factors</strong></td>
<td>Moderate / High</td>
</tr>
</tbody>
</table>

For personal use only.
### 1.4 SWOT Analysis

**Strengths**
- Location within recognised industrial estate
- Quality construction standard
- Substantial complex
- Provision of on-site car parking
- Proximity to transport infrastructure
- Proximity to major arterial roads

**Weaknesses**
- Extended marketing period may be required in order to achieve a sale due to quantum of value in a regional centre
- Potential site contamination
- Limited number of prospective tenants ‘in one line’

**Opportunities**
- Further development (subject to Council approvals)
- Sale of separate titles.

**Threats**
- Default by future sitting tenant
- Tenant vacating premises at end of existing lease
- Potential lengthy vacancy period if premises were to become vacant
- Economic factors including interest rates
- Downturn in the property market and/or economic climate
- Inherent property risks (including insurable and un-insurable risks)

### 1.5 Mortgage Assumptions & Recommendations:

**Key Assumptions**
- The instructions and subsequent information supplied contain a full disclosure of all information that is relevant.

**Recommended Documents to Sight**
- None
1.6 Valuation Details

Key Valuation Outputs:

<table>
<thead>
<tr>
<th>Valuation Output</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Rent</td>
<td>$685,000 per annum, plus GST</td>
</tr>
<tr>
<td>Capitalisation Rate</td>
<td>9.5%</td>
</tr>
</tbody>
</table>

Market Value As Is:

| Market Value subject to Existing Lease: | $7,200,000                                   |

This valuation is exclusive of GST

<table>
<thead>
<tr>
<th>Interest Valued</th>
<th>Freehold subject to lease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Inspection</td>
<td>25 August 2016</td>
</tr>
<tr>
<td>Date of Valuation</td>
<td>25 August 2016</td>
</tr>
<tr>
<td>Currency of Valuation</td>
<td>90 days from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.</td>
</tr>
</tbody>
</table>

Signatories

David McKenzie
Director
AAPI Certified Practising Valuer, API
Accredited Specialist Water Valuer
API No.62435, NSW Registration No.
VAL3421
Inspecting Valuer
YOUR VOTE IS IMPORTANT
For your vote to be effective it must be recorded before 11.00 am AEDT on Tuesday 15 November 2016.

TO VOTE ONLINE


STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)

STEP 3: Enter your Voting Access Code (VAC):

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY
Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy
You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company’s securities registry or you may copy this form.

To appoint a second proxy you must:
(a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
(b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY
To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate
Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an “Appointment of Corporate Representative” prior to admission. An Appointment of Corporate Representative form can be obtained from the company’s securities registry.

STEP 3 SIGN THE FORM
The form must be signed as follows:
Individual: This form is to be signed by the securityholder.
Joint Holding: where the holding is in more than one name, all the securityholders should sign.
Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. Please indicate the office held by signing in the appropriate place.

STEP 4 LODGEMENT
Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by 11.00 am AEDT on Tuesday, 15 November 2016. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:


By Fax: + 61 2 9290 9655

By Mail:
Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

In Person Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting
If you wish to attend the meeting please bring this form with you to assist registration.
Your Address
This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of Pental Limited (Company) and entitled to attend and vote hereby appoint:

☐ the Chair of the Meeting (mark box)

OR if you are NOT appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at The Royce Hotel, 379 St Kilda Road, Melbourne, Victoria on Thursday, 17 November, 2016 at 11.00 am AEDT and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolution 1, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of this Resolution even though Resolution 1 is connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolution 1). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the ‘Against’ or ‘Abstain’ box opposite that resolution.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Adopion of Remuneration Report</th>
<th>For</th>
<th>Against</th>
<th>Abstain*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resolution 2</td>
<td>Re-election of Director – Kimberlee Wells</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Resolution 2.2</td>
<td>Re-election of Director – Mel Sutton</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Resolution 3</td>
<td>Approval to Exercise Option over Shepparton Site</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Contact Name……………………………………………....

Securityholder 2

Director

Contact Daytime Telephone…………………………………

Securityholder 3

Director / Company Secretary

Date / / 2016