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BIG UN LIMITED

(Subject to deed of company arrangement)

VALUE OF SHARES ON GOING CONCERN AND LIQUIDATION BASIS

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE
14 JUNE 2019



14 June 2019

Big Un Limited (subject to Deed of Company Arrangement)
c/- Mr Neil Cussen
Deloitte Financial Advisory Pty Limited
Eclipse Tower, 60 Station Street
Parramatta NSW 2150

Dear Neil,

Independent Expert's Report for Big Un Limited

1. Introduction

Big Un Limited ("**Big Un**") was established as a gold mining company formerly known as Republic Gold Limited. In December 2014 the company completed a takeover offer of video marketing company Big Review TV Limited ("**BRTV**") after which it changed its name to Big Un Limited and became a holding company focussed on the BRTV business.

On 21 May 2018 BRTV was placed into voluntary administration as a result of continued operating losses. The creditors of BRTV resolved that BRTV should be wound up and on 7 November 2018 appointed the former administrators as liquidators. Primarily as a result of BRTV's circumstances, Big Un was unable to obtain sufficient funding to meet its obligations leading to the appointment of Neil Robert Cussen and Matthew James Donnelly as administrators ("**Administrators**") on 24 August 2018.

On 14 November 2018 the Administrators received a proposal from WOW World Digital Pty Ltd ("**WOW World**") seeking to acquire 80% of the shares in Big Un (transferred from each shareholder on a pro-rata basis) in exchange for a payment of \$350,000 to be transferred into a deed fund. On 15 January 2019 the Administrators executed a deed of company arrangement ("**DOCA**") to implement WOW World's proposal.

On behalf of Big Un, the Administrators have requested Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**") to prepare an Independent Expert's Report ("**IER**") assessing the value of Big Un shares on both a going concern and a liquidation basis.

Further information regarding the DOCA is set out in Section 1 of our detailed report.

2. Purpose of the report

This report is required to assist the Australian Securities and Investments Commission ("**ASIC**") and the Federal Court of Australia ("**Court**") in their consideration of whether to grant the necessary approvals for the Administrators to complete the DOCA and transfer 80% of the shares in Big Un to WOW World. ASIC has requested an assessment of the value of Big Un shares on a going concern basis and a liquidation basis.

Further information regarding the purpose of this report is provided in Section 2 of our detailed report.

3. Assessed value – going concern basis

For the going concern valuation, fair market value is defined as:

The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

We have assessed the going concern value of Big Un's shares using a sum of the parts approach which aggregates the values of the various assets held by Big Un and deducts the outstanding liabilities. We have adopted this approach as Big Un no longer has any operating businesses in its wholly controlled group. The going concern valuation assumes that Big Un's financial difficulties do not exist and that sufficient funding is available for it to pursue its activities in an orderly manner.

The following table summarises our going concern valuation of Big Un:

Table 1: Going Concern Value of Big Un

\$'000	Low	High
GST refund	134	134
Shares in:		
- Realworld	-	150
- Bellr	20	50
- Wayfarer	-	50
- Non-trading subsidiaries	-	-
Content license	-	750
Total liabilities	(4,543)	(4,543)
Deficit	(4,389)	(3,409)
Assessed value	-	-

Source: Leadenhall analysis

The principal asset of Big Un is a license to use video content that was created by BRTV prior to that company going into administration and a related technology platform. The valuation of the license is uncertain. However, we consider it unlikely that its fair market value is greater than \$750,000 after considering the following key factors;

- ◆ BRTV was unable to trade at a profit while it was exploiting the content.
- ◆ BRTV's liquidator was unable to trade at a break even despite reducing headcount.
- ◆ The DOCA effectively values the license at no more than \$750,000 and the Administrators have not received any alternative offers or proposals for the license other than the DOCA, despite the public nature of this process.

Further details of our valuation of Big Un on a going concern basis are provided in Section 5 of our detailed report.

4. Assessed value – liquidation basis

For the liquidation valuation, liquidation value is defined as:

The net amount that would be realized if the business is terminated and the assets are sold piecemeal.

In assessing the liquidation value of Big Un shares we take account of the financial difficulties faced by the company. Our approach to this has been to assume a distressed sale of the main assets of Big Un, leading to lower values being realised for those assets.

The following table sets out our liquidation value of Big Un.

Table 2: Liquidation Value of Big Un

\$'000	Low	High
GST refund	134	134
Shares in:		
- Realworld	-	135
- Bellr	16	45
- Wayfarer	-	45
- Non-trading subsidiaries	-	-
Content license	-	-
Recoveries available to liquidator	-	658
Total liabilities	(4,543)	(4,543)
Liquidation costs	(440)	(440)
Deficit	(4,393)	(3,526)
Assessed value	-	-

Source: Leadenhall analysis

The principal differences from the going concern value are:

- ◆ No value has been attributed to the license as it is not transferable and therefore only has value within Big Un on a going concern basis.
- ◆ The value of investments has been reduced by 10% to 20% to reflect a shorter selling period.
- ◆ We have included amounts for recoveries available to a liquidator (such as unfair preferences) and the costs of liquidation, based on the Administrators' estimates.

Further details of our valuation of Big Un on a liquidation basis are provided in Section 6 of our detailed report.

5. Opinion

In our opinion, the value of the shares in Big Un is nil on each basis considered. This opinion should be read in conjunction with our detailed report which sets out our scope, analysis and findings in more detail.

Yours faithfully



Richard Norris
Director



Andrew Steere
Director

*Note: All amounts stated in this report are in Australian dollars unless otherwise stated.
Tables in this report may not add due to rounding.*

LEADENHALL CORPORATE ADVISORY PTY LTD

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Adelaide SA 5001
Email: office@leadenhall.com.au

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Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Website: www.afca.org.au
Email: info@afca.org.au
Telephone: 1800 931 678 (free call)

Leadenhall's AFCA membership number is 12224

14 June 2019

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1 SUMMARY OF DOCA

1.1 Background

Big Un was established as a gold mining company formerly known as Republic Gold Limited. However, mixed results from its gold mining exploration led the board to consider new opportunities for the company. This led to the company making a successful takeover offer for video marketing company BRTV. In conjunction with the acquisition of BRTV, Republic Gold changed its name to Big Un Limited and raised \$3.0 million to pursue BRTV's business.

BRTV's business involved the sale and production of promotional videos predominantly for small businesses. The business model relied on funding from First Class Securities Pty Limited ("**FCS**") to finance client invoices. The package was sold to clients on a no risk basis and many clients declined to pay for the videos once they were completed. This led to significant cash burn for the business. As a result of these issues, FCS sought to restructure their arrangements with BRTV. However, negotiations broke down leading to the appointment of Anthony Elkerton and Cameron Gray as administrators of BRTV on 21 May 2018.

Following the difficulties facing BRTV, Big Un was unable to secure sufficient funding to meet its own obligations. Thus, on 24 August 2018 the Administrators were appointed. On 14 November 2018 the Administrators received a proposal for a deed of company arrangement from Wow World (a company controlled by a number of directors and shareholders of Big Un currently holding a combined 25% of the shares outstanding). The Administrators required clarification of a number of matters in the original proposal, thus entered into negotiations with WOW World.

On 12 December 2018 the Administrators received a revised proposal from WOW World in relation to the DOCA. The DOCA was then approved by creditors on 20 December 2018 and executed on 15 January 2019.

1.2 DOCA and creditors trust

Under the terms of the DOCA a deed fund will be established comprising a \$350,000 payment from WOW World and any GST refund received. Any claims against directors, officers, professional advisers and other third parties will be assigned to a creditors trust. All other assets of Big Un will not be part of the deed fund and will therefore not be available to creditors.

The DOCA requires 80% of each shareholder's shares in Big Un to be transferred to WOW World. This represents a 55% increase in the combined shareholding of WOW World and its associates, which currently hold 25%.

WOW World is also to provide a \$250,000 indemnity to the Administrators. This is in addition to the \$350,000 to be transferred to the deed fund.

1.3 Conditions

The key conditions that need to be met for the DOCA to proceed are:

- ◆ ASIC granting the required relief to allow the transfer of shares to WOW World
- ◆ Approval from the Court on terms that are satisfactory to the Administrators and WOW World

2 SCOPE

2.1 Purpose of the report

ASIC relief

In order for the DOCA to proceed the Administrators need to obtain approval from ASIC for relief from the takeovers provisions contained in Chapter 6 of the Corporations Act 2001 (Cth) (“Act”). In order to assist it in considering the application for relief, ASIC has requested the Administrators obtain “*an independent expert’s report in accordance with ASIC Regulatory Guides 111 and 112 and which opines on whether there is any residual equity value remaining in Big Un shares on both a going concern and liquidation value basis.*”

Court approval

Pursuant to section 444GA(3) of the Act, the Court may only approve a transfer of shares by the administrator of a deed of company arrangement if it is satisfied that the proposed share transfer will not ‘*unfairly prejudice the interests of members of the company*’. The transfer of shares under the DOCA will not unfairly prejudice Big Un’s shareholders if its shares have no value. We understand that the Administrators therefore intend to tender this report to the Court as evidence in support of their section 444GA application.

We have read the Expert Evidence Practice Note and agree to be bound by it. The opinions stated in this report are based wholly, or substantially on specialised knowledge arising from training, study and experience in the field of business valuation. We have made all inquiries which we believe are appropriate and no relevant matters of significance have, to our knowledge, been withheld from the Court.

2.2 Basis of evaluation

Regulatory Guide 111: Content of Expert Reports (“RG111”) issued by ASIC provides guidance on the preparation of experts’ reports. RG111 requires experts to analyse control transactions on a basis consistent with a takeover bid regardless of the legal mechanism adopted for the transaction. Further, RG111.11 requires the assessment of a takeover to be made assuming the acquisition of a 100% interest in the target company. We consider the DOCA to be a control transaction and have therefore assessed the value of Big Un shares on a control basis.

For the going concern valuation we have assessed the value of a Big Un share at fair market value, which is defined by the International Glossary of Business Valuation Terms as:

The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm’s length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

While there is no explicit definition of value in RG111, this definition of fair market value is consistent with basis of value described at RG111.11 and common market practice.

For the liquidation valuation we have assessed the liquidation value of a Big Un share, which is defined by the International Glossary of Business Valuation Terms as:

The net amount that would be realized if the business is terminated and the assets are sold piecemeal.

The International Glossary of Business Valuation Terms notes that a liquidation can be either “orderly” or “forced.” Given Big Un’s financial situation we have assumed a forced liquidation.

Special value is defined as the amount a specific purchaser is willing to pay in excess of fair market value. A specific purchaser may be willing to pay a premium over fair market value as a result of potential economies of scale, reduction in competition or other synergies they may enjoy arising from the acquisition of the asset. However, to the extent a pool of hypothetical purchasers could all achieve the same level of synergies the value of those synergies may be included in fair market value. Special value is typically not considered in forming an opinion on the fair market value of an asset. Our valuation of Big Un does not include any special value.

3 PROFILE OF BIG UN

3.1 History

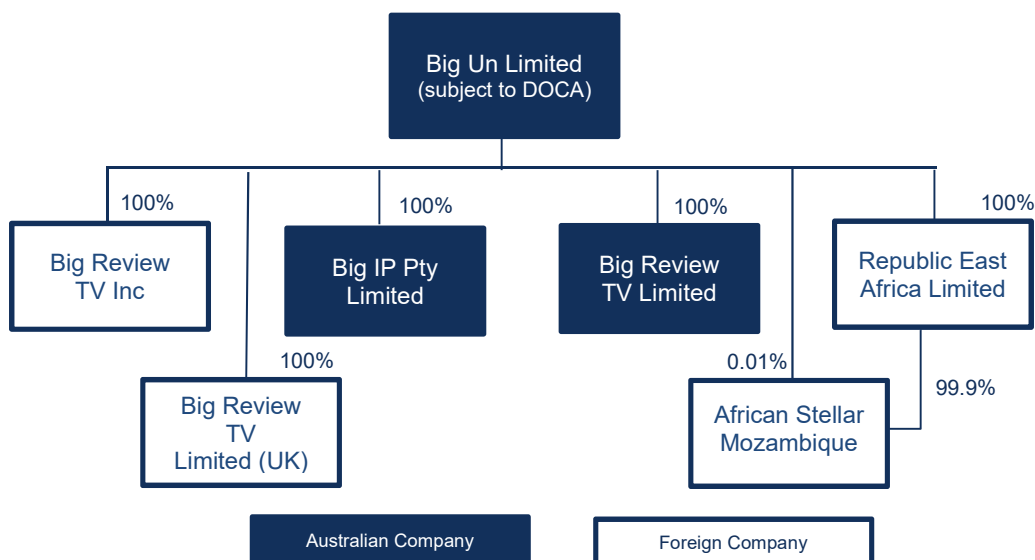
A brief history of Big Un is set out in the table below:

Year	Event
2003	Republic Gold was incorporated to pursue African gold mining projects.
2004	Republic Gold listed on the ASX.
2013	BRTV was founded.
2014	BRTV was acquired by Republic Gold in a reverse takeover transaction, including raising \$3 million of additional capital. Republic Gold was renamed Big Un.
2016	Big Un purchased BHA Media, a subsidiary of the Intermedia Group. This was subsequently sold back to Intermedia.
2017	In late 2017, there were suspicions raised concerning Big Un's financial reporting and related party transactions.
2018	In February 2018 trading in Big Un's shares was suspended pending a response to enquiries from the ASX. In August 2018 the Administrators were appointed.

3.2 Group structure

The Big Un group is summarised in the following figure:

Figure 1: Big Un Group Structure



BRTV

Prior to its insolvency, BRTV was the main trading entity in the Big Un group. BRTV sold subscription-based video marketing services to small-to-medium sized enterprises. The content of the videos allowed customers to promote their business through Big Un's video review platform. BRTV's main revenue-generation activities included:

- ◆ Producing video content and uploading it to the Big Review TV platform
- ◆ Licensing video content via subscription fees
- ◆ Producing online TV shows
- ◆ Selling content and advertising slots

As a result of ongoing financial difficulties, the company now has liquidators appointed.

Big IP Pty Limited

Big IP has no active operations. However, it holds three patents as follows:

- ◆ Methods and systems for preparing promotional videos
- ◆ A system method, computer program and data signal for conducting an electronic search of a database
- ◆ A system, method, computer program and data signal for the provision of a database of information for lead generation purposes

These patents were used within the Big Un Group.

Big Review TV Inc. (United States of America)

Big Review TV Inc. was incorporated in the United States of America in January 2015. It was intended to operate similarly to BRTV. However, all operations in the United States of America were ceased before any progress was made to establish a business.

Big Review TV Ltd (United Kingdom)

Big Review TV Ltd was incorporated in the United Kingdom in July 2015. It has not been operational to date.

Republic East Africa Limited (Hong Kong)

Republic East Africa Limited was incorporated in Hong Kong. It has no operations and holds a 99.9% shareholding in African Stellar Mozambique Limitada.

African Stellar Mozambique Limitada (Mozambique)

African Stellar Mozambique Limitada holds a number of permits and licenses in relation to mining activities in Mozambique. Many of the permits and licenses have expired and there is no ongoing activity within the company.

3.3 Investments

As well as the group companies shown above, Big Un has several investments in private companies as described below:

Bellr Pty Limited

In January 2018 Big Un acquired 62,500 shares in Bellr Pty Limited ("**Bellr**") for \$50,000 (formerly Shoutback! Pty Limited). This represents a 4.94% holding. Bellr offers a promotions app for entertainment venues such as bars and clubs.

Realworld Advertising Holdings Pty Limited

In 2015 Big Un acquired 37,500 shares Realworld Advertising Holdings Pty Limited ("**Realworld**") which operates a location-based advertising business known as Site Tour. This currently represents a holding of less than 5%. The investment was acquired for \$150,000.

Wayfarer Media Pty Limited

Wayfarer Media Pty Limited ("**Wayfarer**") is a production company which specialises in creative factual entertainment. Wayfarer was formed in 2017 through a joint venture between IF Media Pty Limited ("**IFM**") (51% shareholding) and Big Un Limited (49% shareholding). BRTV's role within the joint venture was to produce the video content and the role of IFM was to market the videos produced.

Wayfarer produced a series of eight travel documentaries named *Wayfarer Series One* which aired on Sky News Business Channel in early 2018. In September 2018 Wayfarer licensed the rights to Wayfarer Series one to international documentary distribution company Flame Media Pty Ltd ("**Flame**") for a three-year term. To date Wayfarer has received no royalties from this arrangement.

We also understand that Sky News Business Channel has indicated its interest in Wayfarer series two.

3.4 Video content license

On 30 June 2018 AS Capital Ventures ("**ASCV**") acquired the rights to the promotional videos that were produced by BRTV for its clients (content library) from BRTV's administrators. On the same date, ASCV entered a license agreement with Big Un over the content library and related technology platform. The agreement grants Big Un an exclusive, royalty free, non-transferable, perpetual license to use the content library within Australia for the purpose of servicing Australian domiciled businesses.

3.5 Financial performance

The financial year ("FY") for Big Un is a twelve-month period ending 30 June. The audited consolidated statements of financial performance for FY16, FY17 and the first half of FY18 are set out below.

Table 3: Consolidated Statement of Financial Performance of Big Un

\$'000	FY16	FY17	Dec-17
Revenue			
Consolidated Revenue	2,643	13,973	3,191
Total revenue	2,643	13,973	3,191
Cost of Services	(3,133)	(10,139)	(5,070)
Expenses			
Employee benefit expense	(2,226)	(2,360)	(3,973)
Consultant and other contractor expenses	(2,411)	(2,656)	(2,758)
Travel expenses	(437)	(576)	(854)
Communications expenses	(87)	(95)	(62)
Provision for non-recovery of aged receivables	(75)	(126)	49
Net loss of financial liabilities at fair value	-	-	(8,284)
Impairment of goodwill	-	-	(6,300)
Provision for GST receivable	-	-	(1,454)
Other share based payment	-	-	(18,739)
Production costs - Foreign Operations	(383)	-	-
Finance costs	-	-	(5,193)
Other expenses from ordinary activities	(1,438)	(1,941)	(2,143)
Total operating expenses	(7,058)	(7,754)	(49,711)
EBITDA	(7,548)	(3,920)	(51,589)
Depreciation and amortisation	(247)	(305)	(207)
EBIT	(7,795)	(4,225)	(51,796)
Interest expense	(3)	(14)	(32)
Profit before tax	(7,798)	(4,239)	(51,828)
Income tax expense	-	-	(421)
Net profit after tax	(7,798)	(4,239)	(52,249)

Source: Big Un annual reports

In relation to the consolidated financial performance of Big Un set out above, we note the following:

- ◆ Revenue for FY16 and FY17 is before the requirements of AASB 15 were adopted and is therefore considerably higher than it would have been had the same accounting principles been adopted as those used in the first half of FY18.
- ◆ Big Un recorded significant losses in all periods.
- ◆ Sales revenue in FY17 was \$14.0 million. However, this was restated down to \$4.2 million in the half year accounts to 31 December 2017 following the adoption of AASB 15. This re-statement led to a loss for the year of \$17.3 million.
- ◆ The other share-based payment in the first half of FY18 reflects the difference between the value of shares issued and the value of goods or services received. This includes shares issued to FCS as part of the agreement between the companies.

3.6 Financial position

The audited consolidated statements of financial position as at 30 June 2016, 30 June 2017 and 31 December 2017 are set out in the table below.

Table 4: Consolidated Statement of Financial Position of Big Un

\$'000	Jun-16	Jun-17	Dec-17
Current assets			
Cash and cash equivalents	3,847	919	11,500
Other financial assets	-	8,281	19,859
Trade and other receivables	366	593	1,511
R&D Tax Incentive Receivable	340	887	815
Prepaid finance charges	-	2,887	8,949
Deferred tax assets	-	421	-
Total current assets	4,553	13,989	42,635
Non-current assets			
Property, plant and equipment	112	98	213
Intangibles	634	580	2,638
Goodwill on acquisition of subsidiaries	-	1,288	-
Other financial assets	195	200	355
Total non-current assets	941	2,166	3,206
Total assets	5,494	16,155	45,842
Current liabilities			
Trade and other payables	1,855	3,049	8,780
Contingent consideration	-	3,555	12,640
Borrowings	-	18,694	52,386
Deferred Revenue	1,686	-	-
Provisions	-	34	15
Employee Benefits	-	392	375
Finance lease payable	7	1	-
Total current liabilities	3,548	25,726	74,196
Non-current liabilities			
Finance lease payable	1	-	-
Total non-current liabilities	1	-	-
Total liabilities	3,548	25,726	74,196
Net assets	1,946	(9,571)	(28,354)

Source: Big Un annual reports

In relation to the consolidated financial position of Big Un set out above, we note the following:

- ◆ The table above shows the restated balances as at 30 June 2017 following the adoption of AASB15.
- ◆ Other financial assets relates to advances provided by FCS held in a Trust Account controlled by FCS.
- ◆ Prepaid finance charges relates to amounts paid to FCS for funding Big Un's clients. These amounts were being amortised over a 12-month period.
- ◆ The ongoing losses of Big Un were funded by borrowings, leading to a significant deficit in net assets as at 31 December 2017.

- ◆ As a result of the administration of Big Un and liquidation of BRTV the consolidated historical financial position is of limited relevance. We have therefore presented the current unconsolidated financial position below.

Table 5: Unconsolidated Statement of Financial Position of Big Un

\$'000	May-19
Assets	
GST refund	134
Shares in:	
- Realworld	150
- Bellr	50
- Wayfarer	50
Total assets	384
Administrators costs	544
Unsecured creditors	3,999
Total liabilities	4,543
Deficit	(4,393)

Source: Administrators

In relation to the financial position of Big Un set out above, we note the following:

- ◆ The GST refund has been received by the Administrators.
- ◆ The various investments are shown at historical cost.
- ◆ Administrators costs do not include future costs to be incurred in relation to either completing the DOCA or undertaking a liquidation.
- ◆ There is a significant deficit in assets.

4 VALUATION METHODOLOGY

4.1 Available valuation methodologies

To estimate the fair market value of Big Un we have considered common market practice and the valuation methodologies recommended in RG 111. There are a number of methods that can be used to value a business including:

- ◆ The discounted cash flow method
- ◆ The capitalisation of earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

Each of these methods is appropriate in certain circumstances and often more than one approach is applied. The choice of methods depends on several factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and the availability of the required information. A detailed description of these methods and when they are appropriate is provided in Appendix 2.

4.2 Selected methodology

In selecting an appropriate methodology to assess the value of Big Un we have considered:

- ◆ Big Un has no ongoing operating business (other than small holdings in other companies) thus the discounted cash flow and capitalisation of earnings methods are not appropriate.
- ◆ As Big Un holds various unrelated investments, a sum of the parts (or net assets) approach is appropriate.
- ◆ Big Un's shares have not traded for some time, thus an analysis of trading is not appropriate.
- ◆ We are not aware of any suitable rules of thumb in the circumstances.

We have therefore adopted a sum of the parts approach to assessing the value of Big Un on both a going concern and liquidation basis.

5 VALUATION OF BIG UN – GOING CONCERN

5.1 Approach

While we are assessing the value of Big Un on a going concern basis, it no longer has any ongoing business operations. We have therefore assessed the value of Big Un shares using a sum of the parts approach which requires an aggregation of the values of its assets less its outstanding liabilities. In the going concern scenario we have assumed that there is time for an orderly sale of the assets of Big Un.

5.2 Summary

We set out below our assessment of the fair market value of Big Un on a going concern basis:

Table 6: Going Concern Value of Big Un

\$'000	Low	High
GST refund	134	134
Shares in:		
- Realworld	-	150
- Bellr	20	50
- Wayfarer	-	50
- Non-trading subsidiaries	-	-
Content license	-	750
Total liabilities	(4,543)	(4,543)
Deficit	(4,389)	(3,409)
Assessed value	-	-

Source: Administrators and Leadenhall analysis

Based on the analysis set out above we have assessed the value of a Big Un share to be nil on a going concern basis.

5.3 GST refund

The Administrator has recovered \$133,502 in relation to a GST refund for Big Un.

5.4 Liabilities

Total liabilities are as set out in Table 5. The main component of this item is unsecured creditors of \$4.0 million as provided to us by the Administrators. The Administrators have not concluded their procedures in validating this amount, thus there is a possibility the final amount will differ from the amount presented in this report. Based on our discussions with the Administrators, we understand they are confident that any change in the amount of unsecured creditors as a result of their validation process is highly unlikely to be sufficiently large to change our conclusion on the value of Big Un shares as set out in this report.

5.5 Realworld Advertising

Background

In 2015 Big Un acquired 37,500 shares (representing less than 5% of the outstanding shares) in Realworld for \$150,000. Realworld is a holding company, which own 100% of an operating subsidiary, Realworld Advertising Pty Limited.

Business

We have requested meetings with the management of Realworld but have not received a response. We are therefore unable to provide a commentary on the Realworld business.

Financial results

We have been provided with Realworld's annual report for the year ended 30 June 2018. We have also requested, but not been provided, recent management accounts for Realworld. Due to the size of Big Un's stake, this lack of access to further information is not uncommon. We have not disclosed the information available to us concerning Realworld's financial performance and position due to the commercially sensitive nature of this information.

Based on the 2018 annual report we note the Realworld was operating at a loss for 2018 and operated at loss in 2017 before allowing for a tax refund.

Valuation

Due to the persistent losses and lack of available projections, a capitalisation of earnings or discounted cash flow approach is not appropriate. As Realworld has positive net assets, a net asset approach is possible. The net asset value of Big Un's interest in Realworld is less than \$10,000 on a consolidated basis. We understand that the Administrators offered to sell Big Un's 37,500 shares for \$4.00 each (\$150,000 in total) to other shareholders of Realworld but this offer has not been taken up by any shareholders.

Based on this information we have adopted a valuation of \$nil to \$150,000 for Big Un's shares in Realworld, with the high end reflecting the offer put to shareholders by the Administrator that was not taken up. No reasonable alternative assessment of the value of Realworld would alter our opinion on the value of Big Un shares on a going concern basis.

5.6 Bellr

Background

In January 2018 Big Un acquired 62,500 shares (representing 5% of the outstanding shares) in Bellr for \$100,000 in cash. This currently represents a 4.94% holding in Bellr due to subsequent share issues by Bellr.

Business

Bellr has developed an app which offers hospitality venues the ability to manage promotions digitally. Initially, Bellr's business was predicated on the relationship with Big Un and operated under the name Shoutback! Accordingly, Bellr's product was engineered to be video related. The app has been downloaded by approximately 3,000 end users.

Bellr management believes that Big Un's problems caused a setback for Bellr including reputational damage through association. As a result, Bellr has changed its name and is now seeking to monetise its software assets by white labelling its offering as a live promotions platform directly to branded businesses.

Financial results

We have not disclosed Bellr's financial performance and position due to the commercially sensitive nature of this information. However, based on quarterly management accounts, Bellr has been operating at a small loss since the investment by Big Un.

Valuation

Due to the persistent losses and lack of long-term projections, a capitalisation of earnings or discounted cash flow approach is not appropriate. A net asset approach is possible and is considered below. We understand that the Administrators received an offer from Bellr's to buy back Big Un's Bellr shares for \$20,000, although the offer is no longer capable of acceptance by the Administrators.

In undertaking a net asset approach, we consider the key asset of Bellr to be its software platform. In assessing the value of the platform, it is important to reflect a significant amount of time invested by the founders of Bellr for which no remuneration was received. However, even if this time is allowed for, a net asset approach yields a slightly lower value than the buy-back offer.

Based on this information we have adopted a valuation of \$20,000 to \$50,000 for Big Un's shares in Bellr. The low end is based on the offer made to the Administrators, with the high end reflecting the historical cost of the shares. No reasonable alternative assessment of Bellr's value would alter our opinion on the value of Big Un shares on a going concern basis.

5.7 Wayfarer

Background

In 2017 Big Un invested \$50,000 into Wayfarer, giving it a 49% ownership. The other 51% is held by IFM. Wayfarer has a 100% owned US based subsidiary which was set up to pursue opportunities in the US.

Business

Wayfarer's business model is based on selling video content to hotels and other clients in the travel sector. Once the content has been produced clients are given a copy to use for their own purposes and Wayfarer retains the rights to use the content for its website and its travel documentaries.

Initially IFM was finding the clients while BRTV was responsible for producing the content. Since BRTV entered financial difficulties Wayfarer has been using contractors for the production side of the business.

Wayfarer used the content it has developed to produce the first season of a travel documentary which was aired on Sky News Business Channel. The rights to this first season have since been licensed to Flame, providing potential royalties to Wayfarer from this arrangement. To date no royalties have been received although we understand Flame is currently negotiating with one party to take the Wayfarer series which would lead to a small amount of royalties for Wayfarer if successful. Flame also has a handful of earlier stage prospects considering the show.

Wayfarer is currently working on content for *Wayfarer Season 2* which Sky News has expressed interest in.

Financial results

We have not disclosed Wayfarer's financial performance and position due to the commercially sensitive nature of this information. However, based on monthly management accounts, Wayfarer has been operating at a small loss since its establishment and currently has a deficit in net assets. At present there is no formal business plan although we understand a plan is currently in the process of being developed. At a high-level, management is expecting Wayfarer to be breakeven by 2020.

Valuation

Due to the persistent losses and lack of long-term projections, a capitalisation of earnings or discounted cash flow approach is not appropriate. Further, due to the negative net assets, an asset-based approach would yield a nil value. Also, Wayfarer has limited intellectual property other than the Wayfarer name, thus there would be limited cost to IFM in using an alternative vehicle for to pursue this concept.

As a result of these considerations we have assessed the value of Big Un's shares in Wayfarer at between \$nil (reflecting the deficit in net assets) and \$50,000 reflecting the initial investment by Big Un. No reasonable alternative assessment of Wayrafer's value would alter our opinion on the value of Big Un shares on a going concern basis.

5.8 BRTV and other non-trading subsidiaries

DW Advisory has been appointed as liquidator of BRTV. The liquidator does not currently anticipate any dividend to priority or unsecured creditors. On this basis, we consider it highly improbable that any value will be realised for Big Un's shares in BRTV, which we have therefore assessed as having a nil value.

We do not consider any of Big Un's other non-trading subsidiaries has a material value.

5.9 Content license

Big Un has an exclusive, royalty free, non-transferable, perpetual license to use the video content created by BRTV within Australia. There are a number of factors which indicate this license may have no value:

- ◆ BRTV was unable to trade at a profit during the period it was using the video content in its business. In fact the costs of production exceeded the revenue generated from the video content. If the content is not able to be monetised through positive cashflows we consider that it has a zero value.
- ◆ During the administration of BRTV the administrator was also unable to trade the business using the video content at a profit, despite reducing headcount.
- ◆ The revenues shown by BRTV from its use of the video content were significantly over-stated based on updated accounting requirements.
- ◆ The cash flows generated by BRTV were predominantly from a financing arrangement and not from end customers of the video content. Most end customers ultimately did not agree to pay for the content created.
- ◆ We have been advised that the technology offers something similar to a YouTube channel, which can easily be replicated.

However, the following factors suggest the license may have a positive value:

- ◆ The DOCA effectively values the license at \$750,000, less any value attributed to Big Un's other investments, its GST refund and its significant tax losses.¹
- ◆ The liquidator of BRTV sold certain IP assets under an IP sale agreement, including the video content library, to ASCV in 2018 for \$42.0 million, set off against the secured debt owing by BRTV to ASCV. As BRTV was in administration at this time, the value of the debt was uncertain and was likely considerably less than \$42.0 million. Given the passage of time, the value now is likely to be lower still. This transaction was for worldwide rights, whereas the license only covers Australia. Given the passage of time, restricted rights of the license and limited value of the debt forgiven by ASCV, we consider this provides a broad cross check on the value of the license.

For the purpose of assessing the value of Big Un shares, we have adopted a range of \$nil to \$750,000 for the license. We consider the upper end of this range likely to be above the fair market value of the license as we understand the Administrators have not received any other offers or expressions of interest other than the DOCA, which values the license at no more than this.

5.10 Third party claims

The Administrators have identified various potential third claims that may be available to Big Un. There is significant doubt about whether the claims add any value to Big Un shares due to:

- ◆ The claims may be shareholder claims and not company claims.
- ◆ The quantum of the potential claims has not yet been ascertained.
- ◆ The likelihood of the claims being successfully pursued is a matter of legal opinion which has not yet been addressed.
- ◆ To realise any value for the claims it is likely that additional external funding would be required. This funding may not be forthcoming.

Further, it is relevant to note that any value the claims may have is not relevant to the assessment of the DOCA because current Big Un shareholders would retain their proportionate interest in the claims should the DOCA proceed.

¹ Calculated as the sum of the \$350,000 to be contributed to the deed fund and \$250,000 indemnity to the Administrators, divided by 80% to reflect the interest in Big Un to be transferred under the DOCA.

5.11 Tax losses

We have not attributed any value to Big Un's significant tax losses. This is on the basis that no taxable income is likely to be generated based on our assessed value of Big Un on a going concern basis.

5.12 Contingent liabilities

We have not included any value for contingent liabilities of Big Un such as claims from the liquidator of BRTV. Quantification of any such liabilities is highly uncertain and could only increase the deficit to Big Un shareholders and thus would not change our conclusion on the value of Big Un shares.

5.13 Premium for control

A premium for control can be defined as an amount or a percentage by which the pro-rata value of a controlling interest exceeds the pro-rata value of a non-controlling interest in a business enterprise, to reflect the power of control. The requirement for an explicit valuation adjustment for a control premium depends on the valuation methodology and approach adopted. This valuation is based on the net assets approach, which is premised on the ability to control the assets of an entity and therefore incorporates any relevant premium for control. Thus, no further adjustment is required.

6 VALUATION OF BIG UN – LIQUIDATION

Our liquidation valuation of Big Un aggregates the amount that could be realised if its assets were sold in a reasonably short time frame and its liabilities settled.

We set out below our assessment of the fair market value of Big Un on a liquidation basis:

Table 7: Liquidation Value of Big Un

\$'000	Low	High
GST refund	134	134
Shares in:		
- Realworld	-	135
- Bellr	16	45
- Wayfarer	-	45
- Non-trading subsidiaries	-	-
Content license	-	-
Recoveries available to liquidator	-	658
Total liabilities	(4,543)	(4,543)
Liquidation costs	(440)	(440)
Deficit	(4,393)	(3,526)
Assessed value	-	-

Source: Administrators and Leadenhall analysis

The differences from the going concern valuation are as follows:

- ◆ We have assumed a discount of 10% to 20% for the realisation of Big Un's investments over a shorter time frame. We note the limited pool of potential buyers for these investments has been reflected in the going concern valuation thus the additional discount required is moderate.
- ◆ Big Un's license over the video content library and associated technology is not transferable and thus has no value in a liquidation scenario.
- ◆ The Administrators have identified potential claims for unfair preferences, unreasonable director related transactions and insolvent trading that could be pursued in a liquidation. We have adopted the Administrators' estimates for these claims.
- ◆ We have also adopted the Administrators' estimated costs for completing a liquidation.

Based on the analysis set out above we have assessed the value of a Big Un share to be nil on a liquidation basis.

APPENDIX 1: GLOSSARY

Term	Meaning
Act	Corporations Act 2001 (Cth)
Administrators	Neil Robert Cussen and Matthew James Donnelly
AFCA	Australian Financial Complaints Authority
ASCV	AS Capital Ventures
ASIC	Australian Securities and Investments Commission
Bellr	Bellr Pty Limited
Big Un	Big Un Limited (subject to deed of company arrangement)
BRTV	Big Review TV Limited
Court	Federal Court of Australia
DOCA	Deed of company arrangement
FCS	First Class Securities Pty Limited
Flame	Flame Media Pty Ltd
FSG	Financial Services Guide
FY	Financial year
IER	Independent Expert's Report
IFM	IF Media Pty Limited
Leadenhall	Leadenhall Corporate Advisory Pty Ltd
Realworld	Realworld Advertising Holdings Pty Limited
RG111	Regulatory Guide 111: Content of Expert Reports
Wayfarer	Wayfarer Media Pty Limited
WOW World	WOW World Digital Pty Ltd

APPENDIX 2: VALUATION METHODOLOGIES

In preparing this report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- ◆ The discounted cash flow method
- ◆ The capitalisation of earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

The selection of an appropriate valuation method to estimate fair market value should be guided by the actual practices adopted by potential acquirers of the company involved.

Discounted Cash Flow Method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- ◆ A forecast of expected future cash flows
- ◆ An appropriate discount rate

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- ◆ Early stage companies or projects
- ◆ Limited life assets such as a mine or toll concession
- ◆ Companies where significant growth is expected in future cash flows
- ◆ Projects with volatile earnings

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if:

- ◆ Reliable forecasts of cash flow are not available and cannot be determined
- ◆ There is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business

Capitalisation of Earnings Method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- ◆ A level of future maintainable earnings
- ◆ An appropriate capitalisation rate or multiple

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBITA - in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business.

EBIT - whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company.

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources. Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. It is also possible to build a multiple from first principles.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- ◆ There are no suitable listed company or transaction benchmarks for comparison
- ◆ The asset has a limited life
- ◆ Future earnings or cash flows are expected to be volatile
- ◆ There are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets

Asset Based Methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- ◆ Orderly realisation
- ◆ Liquidation value
- ◆ Net assets on a going concern basis
- ◆ Replacement cost
- ◆ Reproduction cost

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

The asset / cost approach is generally used when the value of the business' assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- ◆ An enterprise is loss making and is not expected to become profitable in the foreseeable future
- ◆ Assets are employed profitably but earn less than the cost of capital
- ◆ A significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments)
- ◆ It is relatively easy to enter the industry (for example, small machine shops and retail establishments)

Asset based methods are not appropriate if:

- ◆ The ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets
- ◆ A business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets

Analysis of Share Trading

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

Industry Specific Rules of Thumb

Industry specific rules of thumb are used in certain industries. These methods typically involve a multiple of an operating figure such as eyeballs for internet businesses, numbers of beds for hotels etc. These methods are typically fairly crude and are therefore usually only appropriate as a cross-check to a valuation determined using an alternative method.

APPENDIX 3: DISCLOSURES

Responsibility and purpose

This report has been prepared for Big Un for the purpose of assessing the fair market value of a Big Un share on a going concern and a liquidation basis. Leadenhall expressly disclaims any liability, whether for our negligence or otherwise, if the report is used for any other purpose or by any other person.

Reliance on information

In preparing this report we relied on the information provided to us by the Administrators being complete and accurate and we have assumed it has been prepared in accordance with applicable Accounting Standards and relevant national and state legislation. We have not performed an audit, review or financial due diligence on the information provided. Drafts of our report were issued to the Administrators for confirmation of factual accuracy.

Market conditions

Leadenhall's opinion is based on prevailing market, economic and other conditions as at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon the conclusion reached in this report. As a valuation is based upon expectations of future results it involves significant judgement. Although we consider the assumptions used and the conclusions reached in this report are reasonable, other parties may have alternative expectations of the future, which may result in different valuation conclusions. The conclusions reached by other parties may be outside Leadenhall's preferred range.

Indemnities

In recognition that Leadenhall may rely on information provided by the Administrators and their colleagues, Big Un has agreed that it will not make any claim against Leadenhall to recover any loss or damage which it may suffer as a result of that reliance and that it will indemnify Leadenhall against any liability that arises out of Leadenhall's reliance on the information provided by the Administrators and their colleagues or the failure by the Administrators and their colleagues to provide Leadenhall with any material information relating to this report.

Qualifications

The personnel of Leadenhall principally involved in the preparation of this report were Richard Norris, BA (Hons), FCA, M.App.Fin. and Andrew Steere, CA, B.Bus, M.Comm., Grad Dip.App.Fin. Each has many years of experience in providing business valuation advice.

This report has been prepared in accordance with "APES 225 – Valuation Services" issued by the Accounting Professional & Ethical Standards Board and is a valuation engagement in accordance with that standard.

Independence

Leadenhall has acted independently of the Administrators. Compensation payable to Leadenhall is not contingent on the conclusion, content or future use of this report.