

NATIONAL VINEYARD FUND OF AUSTRALIA LIMITED
ACN 091 539 678



TARGET'S STATEMENT

ACCEPT

the off-market takeover offer from
FOOD AND BEVERAGE AUSTRALIA LIMITED
("FABAL")

This Target's Statement has been issued in response to the off-market offer made
and
Bidder's Statement prepared by Food And Beverage Australia Limited (ACN 008 197 206)

Your Independent Directors unanimously recommend that you
ACCEPT the FABAL Offer in the absence of a Superior Proposal

This is an important document and requires your immediate attention.

You should read this document in its entirety.

If you are in doubt as to what you should do, please consult your legal, financial or other
professional adviser immediately.

KEY DATES

Date of this Target's Statement	5 May 2022
Opening of FABAL Offer	25 April 2022
Closing Date of Offer	5:00 pm ACST, 31 May 2022 (unless extended or withdrawn by FABAL in accordance with the Corporations Act)

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1. IMPORTANT INFORMATION

1.1 Nature of this document

This document is a Target's Statement issued by National Vineyard Fund of Australia Limited ("NVFAL") pursuant to Part 6.5 Division 3 of the Corporations Act in response to the off-market offer ("FABAL Offer") made by Food And Beverage Australia Limited ("FABAL") under its Bidder's Statement.

1.2 ASIC lodgement

This Target's Statement is dated 5 May 2022 and was lodged with the Australian Securities and Investments Commission ("ASIC") on 5 May 2022.

Neither ASIC nor any of its officers takes any responsibility for the content of this Target's Statement.

1.3 No account of personal circumstances

This Target's Statement does not take into account your individual investment objectives, financial situation or particular needs and does not contain personal advice. You should obtain independent financial, investment, legal and taxation advice before deciding whether to reject or accept the FABAL Offer.

1.4 Forward looking statements

This Target's Statement may contain forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to NVFAL as well as general economic conditions and conditions in the financial markets, many of which are outside the control of NVFAL and its Directors.

Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement and such deviations are both normal and to be expected. None of NVFAL, any of its Directors or officers, or any person named in this Target's Statement or involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, and you are cautioned not to place undue reliance on those statements.

To the extent that there are any forward-looking statements in this Target's Statement, such statements reflect views held only as at the date of this Target's Statement. NVFAL has no obligation to update or revise any statements to reflect any changes in expectations relevant to those statements or any change in events, conditions or circumstances on which those statements are based unless it is required to update or correct this Target's Statement under Division 4 of Part 6.5 of the Corporations Act.

1.5 Disclaimers

The information on FABAL and the Bidder's Statement in this Target's Statement has been obtained by NVFAL from the Bidder's Statement and other publicly available information, except where disclosed otherwise.

NVFAL and its Non-aligned Independent Directors are unable to verify the accuracy or completeness of the information on FABAL or the Bidder's Statement and do not make any representation or warranty, express or implied, as to the accuracy or completeness of that information.

Each of NVFAL, its Directors, officers and any person named in this Target's Statement, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement which has been included in this Target's Statement with the consent of that party.

1.6 Foreign Jurisdictions

The publication, distribution or release of this Target's Statement in a jurisdiction outside of Australia may be restricted in such other jurisdiction by law or regulation. Persons who come into possession of this Target's Statement in such jurisdiction should seek advice on and observe such laws and regulations.

This Target's Statement has been prepared in accordance with Australian law. The information contained in this Target's Statement may have been presented differently if this Target's Statement had been prepared in accordance with the laws and regulations of a jurisdiction outside of Australia.

1.7 Maps, Diagrams and Charts

Unless the contrary is stated, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement.

1.8 Privacy

Your information has been collected by NVFAL from the Register for the purpose of providing you with this Target's Statement. The information about you that NVFAL has collected includes your name, your contact details and information on your shareholding in NVFAL.

The Corporations Act requires that the name and address of shareholders be held in a public register. This information may be disclosed by NVFAL, on a confidential basis, to its related bodies corporate and external service providers and, if required, to regulators such as ASIC.

If you would like your information to be withheld by NVFAL, please contact FABAL Operations Pty Ltd, the share registry of NVFA4L, at 105 King William Street, Kent Town, South Australia, 5067 or call (08) 8132 5500 (callers in Australia) or +61 8 8132 5500 (callers outside Australia) between 9:00 am and 5:00 pm ACST if you require any assistance in this regard.

1.9 Defined terms

Certain capitalised terms used in this Target's Statement have defined meanings, as set out in Section 8 of this Target's Statement.

1.10 NVFAL Shareholder Information

NVFAL has a phone number which NVFAL Shareholders may call if they have any questions in relation to the FABAL Offer.

The telephone number for the information line is (08) 8132 5500 (callers in Australia) or +61 8 8132 5500 (callers outside Australia) between 9:00 am and 5:00 pm ACST.

Further information about the FABAL Offer can be attained from NVFAL's website at: www.nvfal.com.au.

1.11 Risks

You should note that there are risks associated with the Offer and with remaining as a NVFAL Shareholder if you reject the Offer.

Please refer to section 5.4 of this Target's Statement and section 7 of the Bidder's Statement for further information on these risks.

2. LETTER TO SHAREHOLDERS

5 May 2022

Dear Shareholder

OFF-MARKET BID BY FABAL

By now you will have received a Bidder's Statement from Food And Beverage Australia Limited. ("**FABAL**"). FABAL is seeking to acquire your NVFAL Shares and consolidate its ownership of NVFAL to 100%. FABAL wants all NVFAL shareholders to become shareholders of FABAL but is offering a Cash Consideration for those who do not wish to own FABAL Shares. You are not obliged to accept the Offer.

As you are aware, NVFAL holds vineyard and wine assets of over 500 hectares of premium vineyards located in 6 'cool climate' geographical indications ("GI"s) across South Australia, Victoria and Western Australia. It also has a 50% unit holding in the Belvidere Unit Trust, a 22% shareholding in Bantry Bay Equipment Company (the infrastructure owning entities) and a small ownership in Project Wine, our joint venture partner in winemaking.

FABAL Investments, a wholly owned subsidiary of FABAL, currently own 970,800 ordinary NVFAL Shares (or 43.12%). By way of a conditional off-market offer, FABAL is offering to acquire all of the NVFAL Shares it does not own.

The **Offer Consideration** is: -

- a. an exchange of 9 new fully paid ordinary shares in FABAL for each 10 NVFAL Shares that you own ("**Share Offer**"); or
- b. a cash consideration of \$10.00 for each NVFAL Share that you hold ("**Cash Offer**"); or
- c. if you prefer, a combination of the Share Offer and the Cash Offer.

The FABAL Offer, whether accepted by the Share Offer or the Cash Offer, is conditional upon FABAL acquiring 80% or more of all NVFAL Shares. At this level, it provides capital gains tax rollover relief to all NVFAL Shareholders accepting the Share Offer who are an Australian resident for income tax purposes and choose for the rollover to apply.

The Bidder's Statement, prepared by FABAL, provides information on the FABAL Offer for all your NVFAL Shares.

COMMITTEE OF INDEPENDENT DIRECTORS TO RESPOND TO THE FABAL OFFER

Following the making of the FABAL Offer, the NVFAL board established a committee of the non-aligned independent directors, comprising Brian Benger, David Haintz and Peter Audet (each an "**Independent Director**") to consider the FABAL Offer. Further, of the non-aligned independent directors, Brian Benger was appointed as Lead Director to work with the Independent Expert.

Bruce Spangler, the Chair, is an Independent Director but is also aligned with FABAL, as he is the Chair of FABAL.

As FABAL owns more than 30% of NVFAL, and Dim Georgiadis and Chris Day are directors of FABAL and of NVFAL, the Corporations Act requires the appointment of an expert (in this case the Independent Expert) to review the FABAL Offer and provide a report, that is required to be included in, or to accompany this Target's Statement, stating whether, in the expert's opinion, the takeover offers are fair and reasonable and give the reasons for the opinion.

The Independent Expert's Report is contained in Annexure A to this Target's Statement. The Independent Directors urge you to carefully consider this report.

Chris Day, who is a director and chief executive of both FABAL and NVFAL, did not participate in any way in the review of the FABAL Offer, other than sourcing the Independent Expert and checking reports for factual accuracy.

RELEVANT FINANCIAL INFORMATION

The Independent directors draw your attention to the following information

Item	Low (\$)	High (\$)	Amount (\$)
Net Asset Value per NVFAL Share per NVFAL's Accounts as at 31 December 2021			15.03
Last cash sale price			10.00
Value per NVFAL Share prior to the Offer (NAV and control basis)*			16.19
Value of Share Offer Consideration – MEL takeover not successful*			12.05
Value of Share Offer Consideration – MEL takeover successful*			12.12
Value of Cash Offer			10.00
Value of a FABAL Share following the Offer (NAV and control basis) - MEL takeover not successful*			18.07
Value of FABAL Share following the Offer (NAV and control basis) - MEL takeover successful*			18.18
Value of FABAL Offer consideration (NAV basis) - MEL takeover not successful			16.26
Value of FABAL Offer consideration (NAV basis) - MEL takeover successful			16.36

* as determined by the Independent Expert

OTHER REASONS TO ACCEPT THE OFFER

The **reasons** for the Independent Directors' recommendation to **ACCEPT** the FABAL Offer are set out in Section 3 and include that:

1. the Independent Expert has concluded that the Share Offer of 9 fully paid ordinary shares in FABAL for each 10 **NVFAL Shares** that you own is **not fair** but **reasonable**;

The Independent Expert's reasons for this conclusion are set out in Section 3. A copy of the Independent Expert's Report is set out in Annexure A to this Target's Statement. The Independent Directors urge you to carefully consider this report;
2. the Share Offer, in the Independent Directors' opinion, at a **premium of 7.8%** to NVFAL's NAV as at 31 December 2021, offers substantial value for your NVFAL Shares having regard to the size, scope and nature of the agribusiness and agri-tourism operations conducted by FABAL compared to that of the vineyard operations of NVFAL on a stand-alone basis;
3. the value of FABAL's Offer consideration (NAV basis) if the MEL takeover is not successful (\$16.26) and the value of FABAL's Offer consideration (NAV basis) if the MEL takeover is successful (\$16.36) is approximately equivalent to the value of an NVFAL Share (NAV basis) prior to the Offer (\$16.19) (premium of 0.43% and 1.05% respectively);
4. the Cash Offer, in the Independent Directors' opinion, at a discount of **33.5%** to NVFAL's NAV as at 31 December 2021, is a large discount but recognises the current environment faced by the wine industry, and is reasonable in these market conditions. Although the value per NVFAL Share prior to the Offer (NAV and going concern basis) is \$16.19, liquidating all the assets to generate cash would take quite some time and in the current volatile market the cash proceeds outcome could be quite uncertain. In comparison, the cash offer has both certainty and immediacy;
5. by accepting the Share Offer, you would have a diversification of risk away from a single wine grape market and into several related agribusiness and agri-tourism operations run by FABAL in addition to their vineyard management and wine businesses;
6. by accepting the Share Offer, NVFAL Shareholders gain exposure to increased access to seven premium cool climate wine regions in Australia, including the famous McLaren Vale and Barossa Valley, and reduced risk of total agricultural failure of one vineyard in one region;
7. as set out in its Bidder's Statement, FABAL has a well-developed strategic plan to become a leading owner of more vineyards in 12 or more premium cool climate GIs in Australia;

8. finally, the FABAL Cash Offer provides you with an opportunity to dispose of some or all of your NVFAL Shares in a single transaction for cash and liquidate your investment.

Given the general lack of liquidity in NVFAL Shares, the Offer provides an increased opportunity for NVFAL Shareholders to sell their investment in NVFAL.

NVFAL Shareholders should note that their investment in FABAL will still be illiquid when compared to shares in listed companies, however you would now own shares in a much larger company.

INDEPENDENT DIRECTORS' RECOMMENDATION

Each Independent Director, including the Lead Director, recommends that you ACCEPT either the FABAL Offer, either the Share Offer or the Cash Offer in the absence of a Competing Proposal or Superior Proposal.

All NVFAL Shareholders may choose to accept or reject the FABAL Offer, independent of the recommendation of and the conclusion reached by the Independent Directors.

Each NVFAL Shareholder may accept either the Cash Offer or Share Offer or a combination of each offer.

FABAL AND ASSOCIATES INTENTIONS

FABAL and its Associates collectively own 61.99% of the NVFAL Shares. Subsequent to receiving advice of the FABAL Offer, FABAL's Associates disclosed that, in the absence of a higher offer, they intend to ACCEPT either the Share Offer or Cash Offer from FABAL.

Each Director of NVFAL who has a relevant interest in NVFAL Shares, excluding the Lead Director who holds no shares, intends to ACCEPT either the Share Offer or Cash Offer from FABAL.

CONTEMPORANEOUS OFFER

FABAL has contemporaneously made an offer to acquire 100% of the shares in Marandoo Estate Limited ("**MEL**").

FABAL Investments, a wholly owned subsidiary of FABAL, currently owns 676,800 fully paid ordinary MEL Shares (or 24.27%) and 300,000 cumulative redeemable preference shares (or 100%) and by way of a conditional off-market offer, FABAL is offering to acquire all of the ordinary shares in MEL ("**MEL Shares**") it does not already own. Further details of the MEL Offer are set out in section 6.16.

CONCLUSION AND RECOMMENDATION

The Committee of Independent Directors, Brian Bengler, Peter Audet and David Haintz, recommend the FABAL Offer to all NVFAL Shareholders. This recommendation has been made taking into account the work of the Independent Expert and his finding.

We urge you to read this Target's Statement and the Bidder's Statement in their entirety including the Independent Expert's Report. Once read, you should consider the FABAL Offer, comprising either the Cash Offer or Share Offer, having regard to your own personal risk profile, investment strategy and tax position.

If required, you should also seek financial, legal, and/or taxation advice from your professional adviser on the action that you should take in relation to the FABAL Offer or the MEL Offer.



Brian Bengler
Lead Director



Bruce Spangler
Chairman

3. WHAT DO THE INDEPENDENT DIRECTORS RECOMMEND?

ACCEPT THE SHARE OFFER

OR

ACCEPT THE CASH OFFER

SHARE OFFER

The Independent Directors recommend to you that you **ACCEPT** the Share Offer by FABAL for the following reasons:

- The Independent Expert has concluded that the Share Offer of 9 fully paid ordinary shares in FABAL for 10 NVFAL Shares that you own is **not fair** but **reasonable**.

In reaching this opinion the Independent Expert analysed the valuation of the consideration as follows:

Item	MEL Takeover Not Successful Amount (\$)	MEL Takeover Successful – Amount (\$)
Assessed value of one FABAL share	13.38	13.47
Value of the Share Offer consideration per NVFAL Share (9:10)	12.05	12.12
Value of the Cash Offer consideration per NVFAL Share	10.00	10.00

Item	Amount (\$)
Value of an NVFAL Share prior to the Offer (control basis)	16.19
Value of Offer consideration	
Value of the Share Offer consideration – MEL takeover not successful	12.05
Value of the Share Offer consideration – MEL takeover successful	12.12
Value of Cash Offer consideration	10.00

- The Independent Expert noted that the table above shows that the value of a NVFAL Share prior to the Offer on a control basis is higher than the value of the Share Offer consideration. For this reason the Share Offer was not fair.
 - However, when assessing whether the Share Offer was **reasonable**, the Independent Expert's opinion is that the position of shareholders if the Share Offer is approved is more advantageous than the position if the Share Offer is not approved. Consequently, in the absence of any other relevant information and/or an alternative proposal the Independent Expert believed that the Share Offer is reasonable to Shareholders. Please refer to sections 2.5 and 14 (particularly 14.4 and 14.5) of the Independent Expert's Report for a summary of the respective advantages and disadvantages considered in relation to the Share Offer.
 - In conclusion, the Independent Expert considered that the Share Offer is not **fair** but **reasonable** to NVFAL Shareholders.
- The Share Offer by FABAL, in the Directors' opinion, at a **premium of 7.84%** to NVFAL's NAV as at 31 December 2021, offers substantial value for your NVFAL Shares having regard to the size, scope and nature of the FABAL operations conducted by FABAL compared to that of NVFAL.
 - By accepting the Share Offer by FABAL, you would obtain the benefit of further **diversification of geographic risk** from seven premium cool climate wine regions, including ownership of vineyards in the famous McLaren Vale.

It would also add further management income derived in relation to the Barossa Valley, McLaren Vale, Adelaide Hills, Tasmania and Margaret River GI's.

4. You will no longer be exposed solely to the risk of sales of grape only. Instead you will own shares in FABAL, a company with bottled wine operations, bulk wine operations and further vineyard operations backed by grape supply agreements from over 15 of the leading wine companies in Australia and in particular, Treasury Wine Estates, Pernod Ricard Winemakers, Accolade Wines Australia Limited and Fogarty Wines. This is considered a good diversification of customer risk for NVFAL Shareholders.
5. By accepting the Share Offer, you would have a further diversification of your operations based into the branded and bulk wine, chocolate and skincare industries and exposure to agri-tourism ventures including retail and accommodation in a more diversified manner.
6. As set out in the Bidder's Statement, FABAL has a well-developed strategic plan to become a leading owner of vineyards in 12 premium cool climate wine growing regions in Australia and more in New Zealand.

Benefits of a successful acquisition include:

- further diversification of GI risk and of climatic conditions affecting those GI or parts of the GIs. For example, climatic conditions in Margaret River are unlikely to affect McLaren Vale or Heathcote GIs in the same season.
 - savings on shared administration, finance audit and accounting costs;
 - improved economies of scale in purchasing;
 - improved strength when negotiating grape supply contracts;
 - improved career prospects for staff within the FABAL group will result in an ability to attract and retain better quality staff;
 - more efficient utilisation of equipment;
 - greater strength when negotiating water leases; and
 - the expected payment of franked dividends on an annual basis though always subject to the vagaries of the agribusiness, due to increased certainty as income would be derived from multiple vineyards in multiple regions.
7. The potential that FABAL will make further offers for wine and agri-tourism assets over the next few years and then ultimately list the enterprise on an approved stock exchange such as the Australian Stock Exchange Limited.

CASH OFFER

As an alternative to the Share Offer but, in the Independent Directors' view, not as attractive due to exiting the wine industry and forgoing future dividend streams, the Independent Directors recommend to you that you **ACCEPT** the Cash Offer from FABAL for the following reasons:

8. The Independent Expert has concluded that the FABAL Offer of \$10.00 per fully paid ordinary share that you own is **not fair** but **reasonable**.

In reaching this Opinion the Independent Expert made the following analysis:

Item	Amount (\$)
Value of an NVFAL Share prior to the Offer (control basis)	16.19
Value of Offer consideration	
Value of the Cash Offer consideration – MEL takeover not successful	12.05
Value of the Cash Offer consideration – MEL takeover successful	12.12
Value of Cash Offer consideration	10.00

- The Independent Expert noted that the table above shows that the value on an NVFAL Share prior to the Offer on a control basis is higher than the value of the Cash Offer consideration offered per share. For this reason the Cash Offer was not considered fair.
- However, when assessing whether the Cash Offer was **reasonable**, the Independent Expert's view is that by accepting the Cash Offer you will receive a definite amount of \$10.00 cash per NVFAL Share, whereas you are not guaranteed to realise this amount per share if you continue to hold your NVFAL Shares (though their value might also increase). Please refer to sections 2.5 and 14.6 and 14.7 of the Independent Expert's Report for a summary of the respective advantages and disadvantages considered in relation to the Cash Offer.

- In conclusion, the Independent Expert considered that the Cash Offer is not fair but reasonable to NVFAL Shareholders.

9. By accepting the Cash Offer you are receiving money and exiting the wine grape industry.

10. Finally, the FABAL Offer provides you with an opportunity to dispose of all of your NVFAL Shares in a single transaction. Given the general lack of liquidity in NVFAL Shares, the FABAL Offer may provide an increased opportunity for NVFAL Shareholders to sell their investment in NVFAL. NVFAL Shareholders should note that their investment in FABAL will still be illiquid when compared to shares in listed companies, however you would now own shares in a much larger company.

COMBINATION SHARE OFFER AND CASH OFFER

Shareholders should note that because the discount under the Cash Offer to the value of an NVFAL Share prior to the Offer (control basis) as assessed by the Independent Expert, is greater than the discount under the Share Offer Consideration (i.e. \$6.19 discount vs a discount of between \$4.07 and \$4.14 respectively), then to the extent that a Shareholder accepts the Cash Offer Consideration for some of their NVFAL Shares, the greater will be the total discount suffered compared against what they would have received had they accepted the Share Offer Consideration for all their NVFAL Shares.

SUMMARY

In the opinion of the Independent Expert, the Offer is not **fair** because the value of a NVFAL Share prior to the Offer on a controlling basis is greater than the value of consideration offered; being 0.9 FABAL Shares, on a minority basis. However, the Independent Expert considered the Offer to be **reasonable** because the advantages of the Offer to NVFAL Shareholders are greater than the disadvantages. The Independent Expert considered that if the Offer is successful then NVFAL Shareholders will benefit from a diversification of business operations, increased liquidity of shares and the absence of a superior proposal.

4. FREQUENTLY ASKED QUESTIONS

This section answers what the Independent Directors expect will be some of the more commonly asked questions about the FABAL Offer. It is not intended to address all relevant issues for NVFAL Shareholders. This section should be read together with the rest of this Target's Statement.

Question	Answer
What is a Bidder's Statement?	The documents sent to you by FABAL include a document called a Bidder's Statement. It contains information about the Cash Offer or Share Offer from FABAL.
What is a Target's Statement?	This document is a Target's Statement. It contains information prepared by NVFAL to help you determine whether to accept or reject the Cash Offer or Share Offer from FABAL.
Who is FABAL?	FABAL is a multifaceted wine, vineyard and agribusiness operator based in Adelaide South Australia. It also operates agri-tourism facilities in the wine regions where it operates and owns vineyards. FABAL Operations, a wholly owned subsidiary of FABAL, is the vineyard manager and operator of NVFAL, MEL and a significant number of other vineyards for family, institutional and other corporate owners. FABAL owns its own vineyard estates in the Barossa Valley and McLaren Vale. Further information about FABAL is set out in the Bidder's Statement.
What is the Share Offer by FABAL for my NVFAL Shares?	The Share Offer consideration is stated in the Bidder's Statement as 9.0 fully paid ordinary shares in FABAL for 10.0 NVFAL Share that you own, rounded up to the nearest whole number of FABAL Shares.
What is the Cash Offer by FABAL for my NVFAL Shares?	The Cash Offer consideration is stated in the Bidder's Statement at \$10.00 per share.
What do your Independent Directors recommend?	Each of your Independent Directors unanimously recommends that you ACCEPT the Share Offer or Cash Offer by FABAL (or a combination of both) for 100% of your NVFAL Shares. The reasons set out in Section 3.
What is the opinion of the Independent Expert on the Share Offer?	The opinion of the Independent Expert is that the Share Offer is not fair but reasonable to NVFAL Shareholders.
What is the opinion of the Independent Expert on the Cash Offer?	The opinion of the Independent Expert is that the Cash Offer is not fair but reasonable to NVFAL Shareholders.
Why has the Independent Expert concluded that the FABAL Offer is not fair?	The analysis of the Independent Expert is limited to certain guidelines – all of which are outlined in the Independent Expert's Report. The Independent Expert valued an NVFAL Share at \$16.19 per share on a net asset basis (low and high values were the same amount). In the Independent Expert's opinion, the Offer is not fair because the value of a NVFAL Share prior to the Offer on a controlling basis is greater than the value of consideration offered; being 0.9 FABAL Shares, on a minority basis.

Question	Answer
<p>Why has the Independent Expert concluded that the FABAL Offer is reasonable?</p>	<p>When assessing whether the FABAL Offer was reasonable, the Independent Expert concluded that the advantages of the FABAL Offer outweigh the disadvantages to NVFAL Shareholders because of the following:</p> <ul style="list-style-type: none"> • they are receiving an equitable allocation of shares in FABAL; • they are receiving shares in a significantly more diversified company; and • they are increasing their chances of obtaining liquidity for their shares. <p>There is potential for the FABAL Shares to be listed on an approved stock exchange in the future.</p>
<p>What choices do I have in respect of the FABAL Offer?</p>	<p>As an NVFAL Shareholder you have the following choices in respect of your NVFAL Shares:</p> <ol style="list-style-type: none"> (a) do nothing and continue to own your NVFAL Shares; or (b) accept the Share Offer transferring some or all of your NVFAL Shares to FABAL in exchange for the issue of the Offer Consideration while the FABAL Offer is open; (c) accept the Cash Offer and sell your NVFAL Shares to FABAL for the Cash Consideration <p>You should seek legal, financial and taxation advice from your professional adviser on the action that you should take in relation to the FABAL Offer.</p>
<p>Are there any tax issues?</p>	<p>You should carefully read the Bidder's Statement and consider the taxation consequences that may arise as a result of holding an ownership interest in FABAL.</p> <p>You should also seek your own professional taxation advice as to the tax implications applicable to you.</p>
<p>When do I have to make a decision?</p>	<p>To follow your Independent Directors' recommendation to accept the FABAL Offer, you must complete the Acceptance Form attached to the Bidder's Statement and return it to FABAL by 5:00 pm on the scheduled closing date of the FABAL Offer, 31 May 2022.</p> <p>If you wish to reject the FABAL Offer, do nothing in relation to any documents received from FABAL.</p>
<p>What if I have further questions?</p>	<p>You should seek legal, financial and taxation advice from your professional advisers.</p>
<p>If I accept the Share Offer can I subsequently withdraw my acceptance?</p>	<p>No, when you have accepted the Share Offer, you cannot subsequently withdraw your acceptance of the FABAL Offer. You will be required to transfer your NVFAL Shares to FABAL in exchange for newly issued FABAL Shares.</p>
<p>If I accept the Cash Offer can I subsequently withdraw my acceptance?</p>	<p>No, when you have accepted the Cash Offer, you cannot subsequently withdraw your acceptance of the FABAL Offer. You will be required to transfer your NVFAL Shares to FABAL in exchange for the payment of cash to you.</p>

Question	Answer
<p>What are the consequences of doing nothing in respect of the FABAL Offer?</p>	<p>If you do nothing in respect of the FABAL Offer, you will retain your NVFAL Shares and be unable to participate in the FABAL Offer after the date of the expiration of the FABAL Offer.</p> <p>You should only do nothing in relation to the FABAL Offer if you intend to reject the FABAL Offer.</p> <p>Should the FABAL Offer be successful in acquiring more than 80% but not 90%, not accepting the FABAL Offer may result in you being among a small group of individual NVFAL Shareholders.</p> <p>If those not accepting the FABAL Offer own less than 10%, FABAL will compulsorily acquire the balance of the Shares.</p>
<p>Can FABAL extend the date of expiration of the offer?</p>	<p>Yes, FABAL may at its sole discretion extend the date of expiration of its Offer in accordance with and pursuant to the Corporations Act.</p>
<p>What are the conditions of the FABAL Offer?</p>	<p>The FABAL Offer is conditional upon FABAL acquiring at least 80% of the issued share capital in NVFAL.</p> <p>The Independent Directors have been informed that approximately 61.99% of NVFAL Shareholders have declared their intention to ACCEPT the FABAL Offer, in the absence of a Superior or Competing Proposal.</p>
<p>Can FABAL withdraw its Offer?</p>	<p>Yes, but FABAL can only withdraw its Offer with the consent of ASIC.</p>
<p>Can FABAL vary its Offer?</p>	<p>Yes, FABAL can, at its sole discretion and in accordance with the Corporations Act, vary the Offer. Please note that no NVFAL Shareholder accepting the Offer will be disadvantaged if the terms of the Offer are varied.</p> <p>Please also note that FABAL has advised that it is not likely to vary the Offer.</p>
<p>Does the Share Offer represent an uplift in the value of your shares in NVFAL?</p>	<p>Based in the NVFAL financial statements as at 30 June 2021:</p> <ul style="list-style-type: none"> • the NAV for shares in NVFAL was \$15.52 each; and • the NAV for shares in FABAL was \$18.51 each, <p>but, pursuant to updated financial statements at 31 December 2021, issued approximately two months before the date of this Offer:</p> <ul style="list-style-type: none"> • the NAV for shares in NVFAL was \$15.03 each; and • the NAV for shares in FABAL was \$18.01 each.
<p>Does the Cash Offer represent an uplift in the recent share transactions in relation to your shares in NVFAL?</p>	<p>No, in particular, before 30 June 2021:</p> <ul style="list-style-type: none"> • shares in NVFAL had transacted at \$10.00 each; <p>and pursuant to a Cash Offer:</p> <ul style="list-style-type: none"> • shares in NVFAL will be purchased at \$10.00 each.

5. INFORMATION ABOUT NVFAL

NVFAL has been adequately described in the Bidder's Statement and the Independent Expert's Report. The NVFAL business was also reviewed in the Annual Report dated 29 September 2021 and again in the Interim Financial Statements dated 12 April 2022 and is reviewed on its website at www.nvfal.com.au.

5.1 NVFAL overview

NVFAL currently owns approximately 509 hectares of planted vineyards in six of Australia's premium GI's.

NVFAL has:

- been the owner of all land, infrastructure and plant and equipment;
- has the legal entitlement to 313 ML of Murray Darling water licences in Victoria and SA (compared to its aggregate annual requirement of 800 ML);
- had the direct right to operate a commercial vineyard business upon the land; and
- has sold the majority of fruit to over ten leading Australian wine companies, including Pernod Ricard Winemakers, Treasury Wine Estates and Accolade Wines Australia under short and medium-term arrangements.

5.2 Shareholding structure

NVFAL currently has 189 Shareholders holding a total of 2,249,993 ordinary NVFAL Shares. FABAL owns 43.12% of the ordinary shares in NVFAL and its directors and associates hold a further 12.67% of the ordinary shares. MEL is the owner of 6.20% of the ordinary shares in NVFAL.

5.3 Growth potential

The eight Estates owned by NVFAL in the six GIs are outlined in the Bidder's Statement and it will not be repeated here. All Estates owned by NVFAL are fully planted to premium wine grape varieties with the exception of Heathcote Ridge Estate (Heathcote) and Gardiner Well Estate (Clare Valley). Each of these Estates has further land capable of being developed into vineyards.

Given the limited unplanted area on the existing Estates, the prevailing viticultural and wine industry related market conditions (specifically the Chinese taxes that have been adversely affecting the Australian wine industry since the mid-2020s), the NVFAL Board does not believe that there is any realistic potential for significant growth for the foreseeable future.

However, the NVFAL Board is regularly advised by FABAL Operations of the potential to acquire other mature vineyards in the 10 GI's outlined in the NVFAL Strategic Plan.

NVFAL has only 20% debt and could acquire mature vineyards if the financial metrics were favourable. With recent high vineyard prices (prior to the impact of the Chinese tariffs), the financial metrics have not warranted NVFAL acquiring further vineyards.

5.4 Risks

As an existing NVFAL Shareholder, it is likely that you are generally aware that investments in all viticultural or wine-grape growing companies involve general risks associated with, amongst many other things, primary production and specific risks attendant with the day-to-day management of vineyards and associated viticultural practices.

We have seen the review by FABAL in the Bidder's Statement and generally agree with this assessment. We do not intend to repeat the general risks that are set out in that document.

5.5 Financial Statements

A summary of the NVFAL Balance Sheet and Income Statement (Profit and Loss Statement) for the year ending 30 June 2021 is provided on pages 12 and 14 of the Independent Expert's Report and a detailed Annual Report for the year ended 30 June 2021:

- can be accessed at: www.nvfal.com.au; or
- will be posted to you on request if you call 1-300-FABAL-1.

The Directors do not intend to repeat this information in this Target's Response.

These audited financial statements were released on 29 September 2021 and, together with the FABAL financial statements and annual reports, will give all NVFAL Shareholders valuable insight into the direction and operations of FABAL and NVFAL.

Please read the Chairman and Manager's report for detailed analysis of the current performance of NVFAL.

5.6 Dividends

The NVFAL Board paid a dividend of \$0.08 per NVFAL ordinary share for the year ended 30 June 2021 on 21 October 2021. It is the intention of directors to pay an annual dividend to all shareholders but this has only been possible in four of the last 10 years.

The NVFAL Board has also sought, where possible, to have dividends franked to 100%.

The policy of the NVFAL Board is to aim for 40 to 60% of Profit After Tax ("PAT") to be the basis of payment of dividends. From disclosures in the Bidder's Statement it appears that both the FABAL board and the NVFAL Board have a similar dividend policy that is dependent upon the cash flow and PAT in any year.

5.7 Debt Repayment

NVFAL has interest bearing liabilities at 30 June 2021 of \$7,518,078 and the commitment is to repay both loans and finance leases to National Australia Bank over the next 14 years.

The current policy of the NVFAL Board is to aim for 60% equity. The current equity ratio is 80%.

6. ADDITIONAL MATERIAL INFORMATION

6.1 Directors

The Directors as at the date of this Target's Statement are:

Name of Director	Role	Comment
Bruce Spangler (Chair)	Non-Executive Director Independent but Aligned	Also director of MEL and FABAL
Brian Bengier	Non-Executive Director Independent and Non-Aligned	Lead Director representing NVFAL in relation to the FABAL Offer
David Haintz	Non-Executive Director Independent and Non-Aligned	
Peter Audet	Non-Executive Director Independent and Non-Aligned	
Chris Day	Executive Director Non-Independent and Aligned	Also director of MEL and FABAL
Dim Georgiadis	Non-Executive Director Non-Independent and Aligned	Also director of FABAL

6.2 Recommendation of the Independent Directors

Each Independent Director desires to make and considers himself justified in making a recommendation to NVFAL Shareholders in relation to the FABAL Offer.

Each Independent, Non-Aligned Director has relied on their own recognisance, supported by the report by the Independent Expert, and has made a determination based upon this knowledge and the Independent Expert's Report. The Independent, Non-Aligned and Lead Director has no potential conflict and has independently provided his view in this Target's Statement.

The Lead Director recommends that NVFAL Shareholders accept the FABAL Offer for all of their NVFAL Shares for the reasons set out in Section 3 of this Target's Statement.

Each other Non-Aligned Director recommends that NVFAL Shareholders accept the FABAL Offer for all of their NVFAL Shares for the reasons set out in Section 3 of this Target's Statement.

Neither Chris Day nor Dim Georgiadis have participated in any discussions relating to or consideration of the FABAL Offer and do not make a recommendation on whether or not NVFAL Shareholders should accept the FABAL Offer, as they are not independent of FABAL. However, to the extent they directly or indirectly hold NVFAL Shares, they intend to ACCEPT the FABAL Offer

6.3 Position of the Independent Directors

If, at the closing date of the Offer, NVFAL is a controlled entity but is not a wholly owned subsidiary of FABAL, there will be minority NVFAL Shareholders.

In this event, FABAL has stated that no new directors will be appointed by it to the NVFAL Board as each of the current aligned Directors will continue to act in their current roles.

6.4 Directors' interests

Interests in NVFAL Shares

At the date of this Target's Statement, the Directors have relevant interests in the NVFAL securities shown below:

Director	Direct Interest	Indirect Interest
Bruce Spangler	• Nil	• 32,406
Brian Bengier	• Nil	• Nil
David Haintz	• Nil	• 10,465
Peter Audet	• Nil	• 939

Director	Direct Interest	Indirect Interest
Dim Georgiadis and associates	<ul style="list-style-type: none"> • Nil 	<ul style="list-style-type: none"> • 108,807 • Director of FABAL
Chris Day	<ul style="list-style-type: none"> • Nil 	<ul style="list-style-type: none"> • 124,998 • Director of FABAL

6.5 Dealings in NVFAL securities

There have been no dealings in NVFAL securities by any Directors or any of their Associates in the four (4) months prior to the date of this Target's Statement.

6.6 No agreements conditional on, or in connection with, the FABAL Offer

No agreement or arrangement has been made between any Director or with any Associate of the Director in connection with or conditional upon the outcome of the FABAL Offer.

6.7 No interest in contracts with FABAL

No Independent Director has any interest in any contract entered into by FABAL or any director, related body corporate or Associate of FABAL.

6.8 No agreement to receive any benefit from FABAL

No payment or other benefit has been given or is proposed to be given to any Director or to any Associate of a Director in connection with or conditional upon the outcome of the FABAL Offer.

6.9 Independent Directors' intentions

The Independent Directors who has an interest in NVFAL Shares intends to ACCEPT the FABAL Offer in relation to all of their NVFAL Shares.

6.10 Change to financial position since last financial report

NVFA4L audited financial statements for the year ended 30 June 2021 are available at www.nvfal.com.au.

Except as disclosed in this Target's Statement, the Directors do not know of any material change to the financial position of NVFA4L since 30 June 2021.

6.11 NVFAL Share price history

NVFAL operates an 'over the counter' share trading platform for shareholders. Approximately 2,000 shares have traded in the past 40 months to 30 April 2022 at \$10.00 per share.

6.12 Litigation

NVFAL is not a party to any, nor is it aware of any threatened or pending, litigation at the date of this Target's Statement.

6.13 Consents to statements included in Target's Statement

This Target's Statement contains statements which are made, or are based on statements which are made, in documents lodged by NVFAL with ASIC.

This Target's Statement contains statements made by, or statements stated in this Target's Statement to be based on statements made by, one or more of the Independent Directors. Each Independent Director has given, and has not withdrawn before the date of this Target's Statement, his consent to this inclusion of such statements in the form and context in which they appear.

The Independent Expert has given its consent to being named in this Target's Statement in the form and context in which that reference is made and has not withdrawn that consent before the date of this Target's Statement.

BDO Corporate Finance (SA) Pty Ltd has given its consent to being named in this Target's Statement in the form and context in which that reference is made and has not withdrawn that consent before the date of this Target's Statement.

MinterEllison has given its consent to being named in this Target's Statement in the form and context in which that reference is made and has not withdrawn that consent before the date of this Target's Statement.

6.14 Regulatory Modifications, Exemptions or Waivers

NVFAL has not been granted any modifications, exemptions or waivers by ASIC in connection with the FABAL Offer.

6.15 Other sources of information

You may wish to review information contained in the following other documents in deciding whether or not to accept the FABAL Offer:

- (a) FABAL financial statements and directors report for the year ended 30 June 2021;
- (b) FABAL interim financial statements and directors report for the period ended 31 December 2021;
- (c) NVFAL financial statements and directors report for the year ended 30 June 2021;
- (d) NVFAL interim financial statements and directors report for the period ended 31 December 2021;
- (e) the Independent Expert's Report;
- (f) information regarding NVFAL and the full suite of documents relating to the FABAL Offer which are available on the website, www.nvfal.com.au; and can be accessed as described in Section 5.5 above; and
- (g) the Bidder's Statement.

6.16 Contemporaneous Offer

FABAL has contemporaneously made a conditional off-market offer to acquire 100% of the MEL Shares it does not already own (**MEL Offer**).

FABAL Investments, a wholly owned subsidiary of FABAL, currently owns 676,800 MEL Shares (or 24.27%) and 300,000 MEL Preference Shares (comprising 100% of issued preference shares in MEL).

The MEL **Offer Consideration** is by either: -

- a. an exchange by it of 1 new fully paid ordinary share in FABAL for each 4 MEL Shares that are owned by MEL Shareholders ("Share Offer - MEL"); or
- b. a cash consideration of \$2.35 for each MEL Share that is held by MEL Shareholders ("Cash Offer - MEL").

The MEL Offer is conditional upon FABAL acquiring 90% or more of all MEL Shares.

The MEL Bidder's Statement, prepared by FABAL, provides information on the MEL Offer for all MEL Shares.

FABAL and its Associates collectively own 60.48% of the ordinary and preference shares in MEL.

Subsequent to receiving advice of the MEL Offer, the Associates have disclosed that, in the absence of a higher offer, they will ACCEPT the MEL Offer.

Each Director of MEL who has a relevant interest in MEL Shares, including the MEL Lead Director, intends to accept either the MEL Cash Offer or the MEL Share Offer.

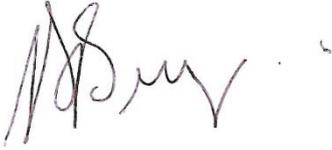
6.17 Tax Considerations

Your attention is directed to Part 8 of the Bidder's Statement – Australian Tax Considerations. Please read that Part carefully and seek your own independent advice about the tax consequences to you of accepting the Cash Offer in full, the Share Offer in full or a combination of the Cash offer and the Share Offer.

7. Approval of Target's Statement

This Target's Statement has been approved by a resolution passed by the Directors.

Signed for and on behalf of National Vineyard Fund of Australia Limited.

A handwritten signature in black ink, appearing to read 'Brian Bengert', with a small mark to the right.

Brian Bengert
Lead Director

8. DEFINITIONS AND INTERPRETATION

8.1 Definitions

In this Target's Statement:

ACST	Australian Central Standard Time.
ASIC	Australian Securities & Investments Commission.
Associate(s)	Has the meaning given to that term in Section 11 of the Corporations Act: If the primary person is a body corporate, its associates include: <ul style="list-style-type: none"> o directors and secretary o any related body corporate, and o any director or secretary of a related body corporate
Bantry Bay Equipment Co.	Bantry Bay Equipment Co. Pty Ltd (ACN:164-026-251) is a company that owns all the pumping and operating equipment for Bantry Bay Estate in Margaret River and is 21.76% owned by NVFAL.
Belvidere Unit Trust or BUT	Belvidere Unit Trust is a trust that is 50% owned by NVFAL and 50% by MEL. BUT owns all the buildings, pumping and operating equipment for Belvidere Estate.
Bidder's Statement	The bidder's statement prepared by FABAL, dated and lodged with ASIC on 11 April 2022 containing its offer to the shareholders of NVFAL to acquire all of their ordinary shares in that company.
Board	The board of directors of NVFAL.
Cash	Cash paid in Australian Dollars
Cash Consideration	\$10.00 per NVFAL Share, or the other price (if any) offered for a NVFAL Share under a variation of the Offer made in accordance with the Bidder's Statement
Cash Offer	The conditional off-market offer by FABAL to acquire NVFAL Shares for the cash price of \$10.00 per share made in the Bidder's Statement, or any subsequent offer that varies the price offered for a NVFAL Share
Committee of Independent Directors	A committee comprising of the non-aligned independent directors including Brian Benger, David Haintz and Peter Audet
Competing Proposal	Any offer, expression of interest, proposal, agreement, arrangement or transaction, which, if entered into or completed substantially in accordance with its terms, would mean a third party (either alone or together with one or more associates) would: <ul style="list-style-type: none"> (a) directly or indirectly acquire a relevant interest in, or have a right to acquire, a legal, beneficial, or economic interest in, or control of, 100% or more of the issued share capital of NVFAL (b) acquire Control of, or merge with, NVFAL (c) directly or indirectly acquire or become the holder of, or otherwise acquire or have a right to acquire, a legal, beneficial, or economic interest in, or control of, all or a material part of NVFAL's business or assets, or (d) otherwise directly or indirectly acquire or merge with NVFAL whether by way of acquisition bid, members' or creditors' scheme of arrangement, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement
Corporations Act	The <i>Corporations Act 2001</i> (Cth).

Director	includes, so far as it relates to FABAL, an officer (including, if so entitled, a manager) who acts in the position or capacity of a director.
Food And Beverage Australia Limited or FABAL	Food And Beverage Australia Limited (ACN 008 197 206) formerly known as "The FABAL Group Pty Ltd"
FABAL Group	The group of companies in respect of which FABAL is the ultimate parent.
FABAL Investments	FABAL Investments Pty Ltd (ACN 008 045 074), a 100% subsidiary of FABAL, in its capacity as trustee of The Peradel Properties Unit Trust FABAL Investments also has three subsidiaries in VRE BV, VRE MV and FAM.
FABAL Offer or Offer	means the conditional off-market offer by FABAL to acquire NVFAL Shares as described in the Bidder's Statement and includes a reference to that offer as varied in accordance with the Corporations Act.
FABAL Operations or FABAL Ops	FABAL Operations Pty Ltd (ACN 080 796 710), a 100% subsidiary of FABAL, and the technical, leasing, employer and administrative manager for certain entities within the FABAL Group as well as certain other managed entities, some of which are described in the Bidder's Statement. FABAL Ops also has two subsidiaries in FABAL Vineyards Pty Ltd (ACN 610 784 033) and FABAL Equipment Pty Ltd (ACN 080 156 449)
GI	A Geographical Indication, the registration of the Australian wine regions administered by the Australian Grape and Wine Authority.
GST	The goods and services tax imposed under the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Independent Expert	BDO Corporate Finance (SA) Pty Ltd, an independent expert engaged by the Independent Directors of NVFAL to review the Offer.
Independent Expert's Report	The report prepared by the Independent Expert, a copy of which is contained in Annexure A to this Target's Statement.
Insolvency Event	Any of the events set out in section 652C(2) of the Corporations Act (notwithstanding that the FABAL Offer is an off-market bid).
Lead Director	Brian Bengler, the director of NVFAL and not a director of FABAL, appointed to review and respond to the FABAL Offer and work with the Independent Expert.
Marandoo Estate Limited or MEL	Marandoo Estate Limited (ACN 007 587 751).
MEL Bidder's Statement	The bidder's statement dated 11 April 2022 issued by FABAL containing its offer to the shareholders of MEL to acquire all of their ordinary shares in that company.
MEL Preference Shares	Fully paid cumulative redeemable preference shares in MEL
MEL Offer	means the takeover offer by FABAL for MEL, details of which are set out in section 6.16
MEL Shares	Fully paid ordinary shares in MEL
MEL Shareholders	Where the context requires or admits, a person who is registered in MEL's register of members as the holder of MEL Shares as at the Offer Date
National Vineyard Fund of Australia Limited or NVFAL	National Vineyard Fund of Australia Limited (ACN 091 539 678).
Net Asset Value or NAV	Is the value of net assets from the balance sheet of any company divided by the fully diluted number of shares on issue at the balance date.
NVFAL	means National Vineyard Fund of Australia Limited .
NVFAL BID	The Bid Implementation Deed entered into between FABAL and NVFAL on or about 30 September 2021 pursuant to which they agreed on the terms and implementation of the FABAL Offer
NVFAL Shares	means fully paid ordinary shares in NVFAL.

Offer Date	25 April 2022.
Offer Period	The period commencing on the Offer Date and ending on 31 May 2022 or such later date to which the Offer has or might have been extended in accordance with Section 5.2 of the Bidder's Statement.
Offer Consideration	The Cash to be paid pursuant to the Cash Offer, or FABAL Shares to be issued in exchange for NVFAL Shares pursuant to the Share Offer, as described in the Bidder's Statement.
OTC	An over-the-counter share scheme as facilitated by FABAL Operations: <ul style="list-style-type: none"> (i) for the sale and purchase of Company Shares (ii) for the sale and purchase of MEL Shares, or (iii) for the sale and purchase of NVFAL Shares.
Record Date	1 April 2022, being the date set by FABAL under Subsection 633(2) of the Corporations Act for the purposes of establishing the people to whom the Bidder's Statement will be sent under items 6 and 12 of the table in Subsection 633(1) of the Corporations Act.
Register	The register of NVFAL Shareholders maintained by NVFAL in accordance with the Corporations Act.
Share Offer	The conditional off-market offer by FABAL to acquire 10 NVFAL Shares in exchange for 9 Company Share as made in the Bidder's Statement, or any variation thereof made after the initial Offer.
Share Consideration	9 Company Share for every 10 NVFAL Shares, or the other number of Company Shares (if any) offered for a NVFAL Share under a variation of the Offer made in accordance with the Bidder's Statement
Superior Proposal	<p>A bona fide Competing Proposal:</p> <ul style="list-style-type: none"> (a) of the kind referred to in any of clauses (a) – (d) of the definition of Competing Proposal (b) not resulting from a breach by NVFAL of its obligations under the NVFAL BID <p>that the independent board committee of NVFAL, acting in good faith, determines:</p> <ul style="list-style-type: none"> I. is reasonably capable of being valued and completed within a reasonable timeframe in accordance with its terms, and II. would, if completed substantially in accordance with its terms, be (or is likely to become) more favourable to NVFAL Shareholders (as a whole) than the Offer (if applicable, as amended or varied following application of a Matching NVFAL Proposal <p>in each case taking into account all terms and conditions and other aspects of the Competing Proposal (including, but not limited to, timing considerations, any conditions precedent, the value and type of consideration, the level of certainty as to the funding required for the Competing Proposal, the identity, reputation and financial condition of the proponent and other matters affecting the probability of the Competing Proposal being completed and the outcome for NVFAL Shareholders) and of the FABAL Offer</p>
Target's Statement	means this Target's Statement, being the statement that NVFAL is required to provide to NVFAL Shareholders under the Corporations Act which will include a report from an Independent Expert on the fairness and reasonableness of the FABAL Offer
VRE Barossa Valley or VRE BV	Vineyard Road Estate Pty Ltd (ACN 613 053 964), a 100% subsidiary of FABAL Investments.
VRE McLaren Vale or VRE MV	VRE McLaren Vale Pty Ltd (ACN 632 951 136), a subsidiary of VRE BV.

8.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

- a. headings are inserted for convenience only and do not affect the interpretation of this Target's Statement;
- b. a reference in this Target Statement to dollars, \$ or cents means Australian currency notwithstanding that the consideration payable pursuant to the Bidder's Statement may be payable (wholly or in part) in fully paid ordinary Company Shares;
- c. a reference in this Target Statement to any law, legislation or legislative provision includes any statutory modification, amendment or re-enactment, and any subordinate legislation or regulations issued pursuant to that legislation or legislative provision;
- d. where a specific term is given a meaning in the Corporations Act, that term will have that meaning in this Target Statement;
- e. a reference to a section, clause, part, schedule or attachment is a reference to a section, clause, part, schedule or attachment of or to this Target's Statement, or as applicable, the Bidder's Statement;
- f. an expression importing a natural person includes any company, trust, partnership, joint venture, association, body corporate or governmental agency;
- g. where a word or phrase is given a defined meaning, another part of speech or other grammatical form in respect of that word or phrase has a corresponding meaning;
- h. a word which denotes the singular also denotes the plural, a word which denotes the plural also denotes the singular, and a reference to any gender also denotes the other genders;
- i. a reference to the word 'include' or 'including' is to be construed without limitation, and
- j. any schedules and attachments form part of this Target Statement.

9. CORPORATE DIRECTORY

Target

National Vineyard Fund of Australia Limited (ACN 091 539 678)
105 King William Street, Kent Town, South Australia, 5067

Bidder

Food And Beverage Australia Limited (ACN 008 197 206)
105 King William Street, Kent Town, South Australia, 5067

Administrative and Technical Manager

FABAL Operations Pty. Ltd. (ACN 080 796 710)
105 King William Street, Kent Town, South Australia, 5067

Legal Advisers

Minter Ellison
25 Grenfell Street, Adelaide, South Australia, 5000

Taxation Advisers

Perks Chartered Accountants
180 Greenhill Road, Parkside, South Australia, 5034

Share Registry

FABAL Operations Pty. Ltd. (ACN 080 796 710)
105 King William Street, Kent Town, South Australia, 5067

10. ANNEXURE A – INDEPENDENT EXPERT'S REPORT



**NATIONAL VINEYARD FUND OF
AUSTRALIA LIMITED**
Independent Expert's Report

4 May 2022



FINANCIAL SERVICES GUIDE

Dated: 4 May 2022

This Financial Services Guide ('FSG') helps you decide whether to use any of the financial services offered by BDO Corporate Finance (SA) Pty Ltd ('BDO Corporate Finance, we, us, our').

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 259983
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide general advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us \$25,000 for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

REFERRALS

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

ASSOCIATIONS AND RELATIONSHIPS

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

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

COMPLAINTS RESOLUTION

Internal Complaints Resolution Process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance, Level 7, 420 King William Street, Adelaide SA 5000, or by telephone or email, using the contact details at the top of this FSG.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint in writing within 24 hours or if that timeline cannot be met, then as soon as practicable and investigate the issues raised. As soon as practical, and not more than **30 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

If a complaint relating to general advice to a retail client is made and the complainant is dissatisfied with the outcome of the above process, or our determination, the complainant has the right to refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of AFCA (Member Number 11839).

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3
MELBOURNE VIC 3001
Toll free: 1800 931 678
Email: info@afca.org

COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - cf.ecp@bdo.com.au.

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The Directors
National Vineyard Fund of Australia Limited
105 King William Street
KENT TOWN SA 5067

4 May 2022

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 30 November 2021, National Vineyard of Australia Limited ('NVFAL' or 'the Company') received a conditional off-market takeover bid from Food and Beverage Australia Limited ('FABAL'). The offer comprises a Cash Offer and a Share Offer, being

- Cash Offer: \$10.00 in cash for each NVFAL Share;
- Share Offer: 9 fully paid FABAL Shares for every 10 NVFAL Shares;

Or a combination of both the Cash Offer and the Share Offer in the event that the Cash Offer and the Share Offer are partially accepted ('the Offer').

The Offer is conditional upon FABAL acquiring a relevant interest in 80% or more of the total issued share capital in NVFAL. If FABAL (together with its associated entities) acquires a Relevant Interest in 90% or more of the NVFAL shares, FABAL will be entitled to compulsorily acquire any outstanding NVFAL shares. FABAL has indicated that it intends to proceed with the compulsory acquisition, if entitled to do so.

At the same time as making this Offer, FABAL is also offering to acquire all the issued shares in Marandoo Estate Limited ('MEL') by way of an off-market takeover offer.

The Offer relates to all NVFAL Shares that are recorded on the Register on the Record Date. The effective date of the Offer is 25 April 2022.

2. Summary and opinion

2.1 Purpose of the report

The directors of NVFAL have requested that BDO Corporate Finance (SA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Offer is fair and reasonable to the shareholders of NVFAL other than FABAL ('Shareholders').

Our Report is prepared pursuant to section 640 of the Corporations Act 2001 Cth ('Corporations Act' or 'the Act') as FABAL and NVFAL share three common directors, and is to be included in the Target's Statement for NVFAL in order to assist the Shareholders in their decision whether to accept the Offer.

2.2 Approach

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

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

- How the value of a NVFAL share prior to the Offer on a control basis compares to the Offer consideration:
 - the value of the Share Offer, thus the value of a FABAL share following the Offer;
 - the Cash Offer
- The likelihood of a superior offer being available to NVFAL;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Offer; and
- The position of Shareholders should the Offer not be successful.

2.3 Opinion

We have considered the terms of the Offer as outlined in the body of this report and have concluded that, in the absence of an alternate offer, the Offer is not fair but reasonable to Shareholders.

In our opinion, the Offer is not fair because the value of a NVFAL share prior the Offer on a controlling basis is greater than the value of consideration offered.

However, we consider the Offer to be reasonable because the advantages of the Offer to Shareholders are greater than the disadvantages.

In particular we consider that if the Offer is successful Shareholders who accept the Share Offer will benefit from:

- Diversification of business operations;
- Increased liquidity of shares; and
- The absence of a superior proposal.

In particular, we consider that if the Offer is successful Shareholders who accept the Cash Offer will benefit from:

- Certainty of cash;
- Ability to reinvest proceeds in similar investment opportunities; and
- The absence of a superior proposal.

2.4 Fairness

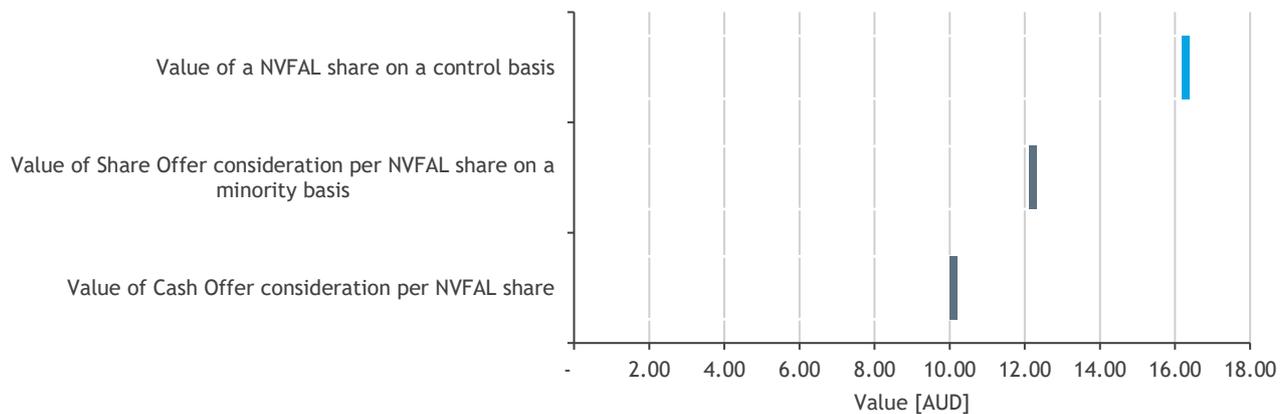
In Section 11 we determined the value of the Offer consideration per share compared to the value of a NVFAL share as detailed below.

	Ref	Value [AUD]
Value of a NVFAL share prior to the Offer (control basis)	10.2	16.19
Value of the Offer consideration		
Value of Share Offer consideration - MEL takeover unsuccessful	11.5	12.05
Value of Share Offer consideration - MEL takeover successful	11.5	12.12
Value of Cash Offer consideration	4	10.00

Source: BDO analysis

The above values are graphically presented below:

Valuation Summary



Fairness of the Share Offer

The above pricing indicates that, in the absence of any other relevant information, and an alternate offer, the Share Offer is not fair for Shareholders.

In our assessment of fairness we are required by RG111.31 to make a comparison between the value of the securities being offered, being 9 shares in FABAL (allowing for a minority discount), and the value of the target securities, being 10 NVFAL shares, assuming 100% of the securities are available for sale. This comparison reflects the fact that:

- The acquirer is obtaining or increasing control in the target; and
- The security holders of the target will be receiving scrip constituting minority interests in the acquirer.

In our assessment of the value range of a NVFAL share we have included a premium for control as required under RG111.11 (b), which we have determined to be within a range of 30% to 40%. In determining the value range of 0.9 shares in FABAL to be received as consideration, we have taken into account a minority interest discount, as required under RG111.31, which we determined to be within a range of 23% to 29%, with a midpoint of 26%.

Comparing the value of a NVFAL share on a minority basis with the consideration offered on a minority basis reduces the value, and results in the Share Offer being fair, if that approach was able to be adopted in our fairness assessment.

Fairness of the Cash Offer

The above pricing indicates that, in the absence of any other relevant information, and an alternate offer, the Cash Offer is not fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 14 of this report, in terms of both

- advantages and disadvantages of the Share Offer;
- advantages and disadvantages of the Cash Offer; and
- other considerations, including the position of Shareholders if the Offer does not proceed and the consequences of not accepting the Offer.

In our opinion, if the Offer is successful the position of Shareholders who accept the Offer is more advantageous than the position if the Offer is not accepted. Accordingly, in the absence of any other relevant information and/or an alternate proposal we believe that the Offer is reasonable for Shareholders.

Advantages and disadvantages of the Share Offer

The respective advantages and disadvantages considered for the Share Offer are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
14.4	Increased diversification of vineyards	14.5	The Offer is not fair
14.4	Increased diversification of business operations	14.5	The Offer is subject to conditions
14.4	Improved access to customers	14.5	NVFAL does not become a wholly owned subsidiary of FABAL
14.4	Increased liquidity of shares	14.5	No exposure to any future offers
14.4	Reduced reliance on sourcing water from third party licenses	14.5	No exposure to any potential future value of NVFAL
14.4	Increases further alignment of interests	14.5	Increased gearing
14.4	Improved financial position and synergy benefits		
14.4	Increased dividends		
14.4	Comparing the value of a NVFAL share on a minority basis with the consideration offered reduces the valuation, and results in the Share Offer being fair, if that approach was able to be adopted in our fairness assessment		
14.4	A superior proposal has not been received		

Advantages and disadvantages of the Cash Offer

The respective advantages and disadvantages considered for the Cash Offer are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
14.6	Certainty of Cash	14.7	The Offer is not fair
14.6	Opportunities for Shareholders to reinvest in similar investment opportunities	14.7	No exposure to potential upside of NFVAL
		14.7	Taxation implications
		14.7	The offer is subject to conditions
		14.7	No exposure to any future offers
		14.7	No exposure to any potential future value of NFVAL

Other considerations

Other key matters we have considered include:

Section	Description
14.1	Alternative offer
14.2	Practical level of control
14.3	Consequences of not accepting the Offer

3. Scope of the report

3.1 Purpose of the Report

FABAL has prepared a Bidder's Statement in accordance with section 636 of the Act. Under section 633 Item 10 of the Act, NVFAL is required to prepare a Target Statement in response to the Bidder's Statement.

Section 640 of the Act requires the Target Statement to include an independent expert's report to shareholders if:

- The bidder's voting power in the target is 30% or more; or
- The bidder and the target have a common director or directors.

At the date of our Report FABAL and NVFAL have three directors in common, Mr Bruce Spangler, Mr Christopher Day and Mr Dimitrios Georgiadis. Therefore, an independent expert's report is required for inclusion in the Target Statement. The Independent Directors of NVFAL have engaged BDO to satisfy this requirement.

3.2 Regulatory guidance

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

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism used to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Offer is a control transaction as defined by RG 111 and we have therefore assessed the Offer as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction it is inappropriate for the expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio interest as such the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

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

- A comparison between the value of a NVFAL share prior to the Offer on a control basis and the value of the consideration for each NVFAL share being acquired (fairness - see Section 13 'Is the Offer Fair?'); and

- An investigation into other significant factors to which Shareholders might give consideration after reference to the value derived above (reasonableness - see Section 14 'Is the Offer Reasonable?').

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

A Valuation Engagement is defined by APES 225 as follows:

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

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

4. Outline of the offer

On 30 November 2021, NVFAL received a conditional off-market takeover bid from FABAL. The Offer comprises a Cash Offer and a Share Offer, being

- Cash Offer: \$10.00 in cash for each NVFAL Share;
- Share Offer: 9 fully paid FABAL Shares for every 10 NVFAL Shares;

or a combination of both the Cash Offer and the Share Offer in the event that the Cash Offer and the Share Offer are partially accepted.

At the same time as making this Offer, FABAL is also offering to acquire all the issued shares in MEL by way of an off-market takeover offer.

4.1 Minimum acceptance condition

The Offer is subject to a minimum acceptance threshold condition that a sufficient number of NVFAL shareholders must accept the Offer to result in FABAL (together with its associated entities) having a Relevant Interest of 80% or more of NVFAL shares.

As set out in the Target's Statement, NVFAL shareholders representing 61.15% of NVFAL shares have declared their intention to accept the Offer. The threshold will therefore be achieved if, of the remaining NVFAL shareholders, at least 18.85% accept the Offer.

If FABAL (together with its associated entities) acquires at least a 90% interest in NVFAL, FABAL will be entitled to compulsorily acquire any outstanding NVFAL shares, under section 661A of the Corporations Act. FABAL has indicated that it intends to proceed with compulsory acquisition, if entitled to do so, under section 661A of the Corporations Act.

4.2 Capital structure of the Merged Entity following the Offer

The table below reflects the number of FABAL shares on issue assuming 100% acceptance of the Share Offer resulting in the takeover of NVFAL and MEL.

Number of shares	MEL takeover unsuccessful	MEL takeover successful
Number of NVFAL shares outstanding as at the date of our Report	2,249,993	2,249,993
Less: Number of NVFAL shares held by FABAL	(970,300)	(970,300)
Total number of NVFAL shares not owned by FABAL	1,279,693	1,279,693
New FABAL shares to be issued to MEL shareholders (1:4)	-	527,902
New FABAL shares to be issued to NVFAL shareholders (9:10)	1,151,724	1,151,724
Total number of FABAL shares on issue as at the date of our Report	1,210,000	1,210,000
Total number of FABAL shares on issue following the Offer	2,361,724	2,889,626

5. Profile of NVFAL

5.1 History

NVFAL was originally founded in 2000 and has progressively purchased and developed its 8 vineyards in South Australia, Western Australia and Victoria over the past 22 years. It has also jointly owned or leased vineyards over the life of its business in both South Australia and New South Wales.

NVFAL owns water licences and all of the land, infrastructure and plant and equipment used for the operations within the vineyards it currently owns and has operated as a single unlisted public company group with its own employees and equipment since 2011.

The directors and secretary of NVFAL are:

- Bruce Spangler, Non-Executive and Independent Chairman;
- Christopher Day, Director (and CEO of the FABAL Group as a whole);
- Brian Benger, Non-Executive Director;
- Dimitrios Georgiadis, Non-Executive Director;
- Peter Audet, Non-Executive Director;
- David Haintz, Non-Executive Director; and
- Chris Dundon, Company Secretary.

Current Vineyard Operations of NVFAL

NVFAL operates 509 planted hectares of vineyards in 8 estates located across various premium wine regions, which together produce over 14 varieties of premium red and white wine grapes. NVFAL's vineyards have developed a reputation for consistently growing premium cool climate wine grapes. The varieties grown on each NVFAL estate are regarded as being suitable in the context of the GI and climate applicable to the particular region in which the estate is located. NVFAL's vineyards are summarised in the table below.

Estate	GI (Region)	Area planted (ha)	State
Bantry Bay	Margaret River	29	Western Australia
Barossa Rise	Barossa Valley	24	South Australia
Moppa Springs	Barossa Valley	88	South Australia
Gardiner Well	Clare Valley	71	South Australia
Heathcote Ridge	Heathcote	99	Victoria
New Marandoo	Langhorne Creek	57	South Australia
New Belvidere	Langhorne Creek	80	South Australia
Padthaway Entrance	Padthaway	61	South Australia
Total		509	

The table below summarises the varietal composition on the estates.

Variety	
Shiraz	47%
Merlot	13%
Cabernet Sauvignon	13%
Pinot Noir	2%
Grenache	2%
Petit Verdot	1%
Montepuliano	1%
Dolcetto	1%
Mataro	1%
Total red varieties	81%
Riesling	8%
Sauvignon Blanc	6%
Pinot Gris	3%
Semillon	2%
Total white varieties	19%

The estates in which NVFAL is invested are all located within premium cool climate regions and are expected over the long-term to generate both income returns and capital appreciation. However, this is expected to be impacted by the fluctuations in the fortunes of the Australian Wine Industry, and in particular the fluctuations in the demand for wine and grapes from the various regions in which it operates.

A key issue facing NVFAL is that some of the vineyards planted with both red and white wine grape varieties are now over 22 years old, and some areas of the vineyard require continual replanting due to age, variety mix or disease. This will require an amount of capital investment in each year moving forward.

The water licences owned by NVFAL provide only a percentage of the water required for the Estates.

- (i) New Belvidere Estate - NVFAL currently holds 33ML of water entitlement compared to its annual requirement of approximately 240ML.
- (ii) New Marandoo Estate - NVFAL currently holds 172ML of water entitlement compared to its annual requirement of approximately 210ML.
- (iii) Gardiner Well Estate - NVFAL currently holds 0ML of water entitlement compared to its annual requirement of approximately 100ML.
- (iv) Heathcote Ridge Estate - NVFAL currently holds 108ML of water entitlement compared to its annual requirement of approximately 250ML.

Other Businesses of NVFAL

Project Wine Joint Venture

NVFAL is currently operating a bulk wine business in conjunction with Project Wine, which it commenced in 2009.

NVFAL currently owns 25,000 preference shares (or 2.7%) of the preference shares in Project Wine Pty Ltd.

Under their commercial arrangement, NVFAL provides to the Project Wine JV a quantity of grapes from New Marandoo Estate, New Belvidere Estate, Gardiner Well and Moppa Springs at no cash cost. Project Wine then uses its wine making expertise, its winery facility and its ingredients to process the wine grapes into a finished bulk wine product.

This arrangement benefits NVFAL by sharing both risk and reward in commercialising its grape crops.

The allocation of value to the wine produced through the Project Wine JV is attributed to the grape value and the processing value and has historically been approximately 70% to NVFAL and 30% to Project Wine. Depending upon who ultimately sells the wine - Project Wine or NVFAL - there will be a higher share of the profit paid to the selling party. The method and channels for the sale of the wine are mutually agreed between the Project Wine JV partners based on the prevailing market circumstances at the time.

The amount of NVFAL's wine grapes directed to the Project Wine JV varies each vintage and depends upon contractual obligations to other wine groups (as described in Section 1.1 (g)). The annual income from the Project Wine JV business varies each year, but it is generally expected to be between 3 to 5% of turnover.

Infrastructure

NVFAL and MEL jointly own a trust that owns vineyard facilities including dams, sheds and pumping works on the Belvidere Estate property, as well as a pipeline leading to Belvidere Estate. This trust is known as the Belvidere Unit Trust ("BUT") and is 50% owned by each of MEL and NVFAL.

Cellar Door Facility

In addition to the vineyard infrastructure, BUT also owns a cellar door facility at Langhorne Creek which it leases to FABAL Wines at a commercial rent. The revenue generated from the rental of the cellar door facility represents less than 0.1% of revenue.

Equipment Company

NVFAL jointly owns another company called BBV Equipment Co Pty Ltd ("BBVE") that owns vineyard infrastructure, including farming equipment, sheds and pumping works on the Bantry Bay Estate property, as well as all of the farming equipment required by the Bantry Bay Estate. BBVE is 22.4% owned by NVFAL, and the balance is held by the other owners of Bantry Bay Estate (the share of ownership is based upon the share of planting on the estate).

BBVE generates a commercial return by leasing its equipment and infrastructure to NVFAL and the other three owners of the Bantry Bay Estate vineyard, which is fully reinvested in new equipment.

5.2 Historical Statement of Financial Position - NVFAL

[AUD] in thousands	As at 30-Jun-18 Audited	As at 30-Jun-19 Audited	As at 30-Jun-20 Audited	As at 30-Jun-21 Audited
Current assets				
Cash and cash equivalents	606	2,016	422	101
Trade and other receivables	4,061	2,012	1,926	2,688
Inventory	413	469	569	732
Other current assets	93	155	472	130
Total current assets	5,173	4,651	3,389	3,652
Non-current assets				
Property, plant and equipment	29,485	40,163	42,960	43,006
Financial assets	980	1,030	1,030	1,730
Investments using the equity method	1,533	821	500	555
Goodwill	-	293	293	293
Intangible assets	5	4	3	3
Deferred tax asset	754	782	1,204	526
Total non-current assets	32,757	43,093	45,989	46,113
Total assets	37,930	47,744	49,378	49,765
Current liabilities				
Trade and other payables	365	708	670	526
Lease liabilities	71	105	130	165
Borrowings	-	643	656	169
Employee entitlements	162	183	165	245
Other current liabilities	50	-	-	-
Total current liabilities	649	1,638	1,620	1,105
Non-current liabilities				
Lease liabilities	118	149	144	264
Borrowings	5,508	7,192	7,019	6,920
Deferred tax liabilities	3,449	5,847	6,741	6,544
Total non-current liabilities	9,074	13,189	13,903	13,728
Total liabilities	9,723	14,827	15,523	14,834
Net assets	28,207	32,917	33,855	34,931
Equity				
Contributed equity	18,673	18,692	18,768	18,768
Reserves	10,225	15,930	18,434	19,503
Accumulated losses	(691)	(1,706)	(3,347)	(3,340)
Total equity	28,207	32,917	33,855	34,931

Source: NVFAL's audited financial report for the years ended 30 June 2021, 30 June 2020 and 30 June 2019.

Commentary on Historical Statement of Financial Position

The main asset of NVFAL is property, plant and equipment with a balance of \$42.6 million at 31 December 2021. The majority of this amount relates to its eight vineyards and the remaining balance consisting of plant and equipment, buildings and right-of-use assets. A breakdown of the value of NVFAL's vineyards are summarised in the table below. It is important to note that the vineyards were independently valued by Knight Frank in March 2022.

	Value [AUD]
Bantry Bay Estate	3,260,000
Barossa Rise Estate	3,940,000
Moppa Springs Estate	14,000,000
Gardiner Well Estate	5,120,000
Heathcote Ridge Estate	5,150,000
New Marandoo Estate	3,690,000
New Belvidere Estate	4,190,000
Padthaway Entrance Estate	4,120,000
Total value of vineyards as per Knight Frank	43,470,000

Source: independent valuation reports of NVFAL's vineyards dated March 2022 performed by Knight Frank

Financial assets include ordinary shares held in Barossa Infrastructure Limited and The Creeks Pipeline Company Pty Ltd, and preference shares held in Project Wine Pty Ltd. These shares are carried in the financial statements at cost, except for Barossa Infrastructure which is measured at fair value.

A breakdown of the value of NVFAL's financial assets is summarised in the table below.

Financial assets	Value [AUD]
Ordinary shares - Barossa Infrastructure Limited	1,675,000
Ordinary shares - The Creeks Pipeline Company Pty Ltd	5,000
Preference shares - Project Wine Pty Ltd	50,000
Total	1,730,000

Source: NVFAL's audited financial report for the year ended 30 June 2021

Investments using the equity method relate to NVFAL's 50 percent ownership of Belvidere Unit Trust and its 21.76 percent ownership of BBV Equipment Co Pty Ltd. Belvidere Unit Trust owns the vineyard facilities of the Belvidere Estate property. BBV Equipment Co. owns and supplies vineyard machinery to NVFAL at its Bantry Bay property.

NVFAL has a \$9,850,000 loan facility, \$50,000 overdraft facility and a \$750,000 equipment finance facility in place with the National Australia Bank Limited. Security provided over NVFAL's banking facilities is via first registered mortgage over the properties owned by the entity, a fixed and floating charge over NVFAL's assets, water rights and grape contracts. The loan facility expires on 28 February 2024. There are no covenants on the loan facility. As at 31 December 2021, \$8,234,356 and \$225,717 had been drawn down on NVFAL's loan and equipment finance facilities, respectively.

5.3 Historical Statement of Comprehensive Income - NVFAL

[AUD] in thousands	Year ended 30-Jun-18 Audited	Year ended 30-Jun-19 Audited	Year ended 30-Jun-20 Audited	Year ended 30-Jun-21 Audited
Revenue	4,506	6,174	4,406	6,763
Cost of sales	(384)	(300)	(193)	(287)
Gross profit	4,122	5,874	4,213	6,476
Other income	319	528	661	708
Total income	4,442	6,402	4,874	7,184
Employee benefits expense	(1,242)	(1,931)	(2,010)	(2,106)
Vineyard expenses	(1,300)	(2,115)	(2,104)	(1,887)
Administrative expenses	(978)	(1,406)	(1,483)	(1,479)
Total operating expenses	(3,519)	(5,452)	(5,597)	(5,471)
EBITDA	922	950	(723)	1,713
Share of associates using the equity method	(24)	12	(13)	8
Depreciation	(626)	(1,162)	(829)	(837)
Finance costs (net)	(346)	(493)	(462)	(223)
Profit/(loss) before income tax	(74)	(694)	(2,027)	661
Income tax benefit/(expense)	8	30	566	(667)
Profit/(loss) after income tax	(66)	(664)	(1,462)	(6)
Gain/(loss) on revaluation of assets (net of tax)	3,835	5,803	2,504	711
Total comprehensive income	3,769	5,139	1,042	705

Source: NVFAL's audited financial report for the years ended 30 June 2021, 30 June 2020 and 30 June 2019.

Commentary on Historical Statement of Comprehensive Income

Revenue increased by 53.5 percent during the 2020-21 financial year. This was due to favourable seasonal conditions across many regions which resulted in the total yield from all estates being 53 percent higher than the previous year's vintage, from 2,910 tonnes to 4,449 tonnes. Despite being higher than the 2020 vintage, the group's yield was 6 percent below budget as some regions experienced lower yields and/or lower grape prices. In the Langhorne Creek GI, where red wine grapes account for more than two-thirds of crop, grape pricing fell by between 30 to 40 percent as demand for red wine varieties declined (see section 8 - Industry Analysis).

Grape sales account for more than 95 percent of NVFAL's total revenue, with the balance being derived from the sale of bulk wine. With the exception of the most recent financial year, wine sales have been in decline over the past several years due to fewer grapes being allocated to NVFAL's strategic partner, Project Wine, as a result of poor vintages.

A historical breakdown of NVFAL's sales is summarised in the table below.

[AUD] in thousands	Year ended 30-Jun-18	Year ended 30-Jun-19	Year ended 30-Jun-20	Year ended 30-Jun-21
Grape sales	3,959	5,792	4,185	6,465
Wine sales	548	381	221	299
Total	4,506	6,174	4,406	6,763

Source: NVFAL's audited financial report for the years ended 30 June 2021, 30 June 2020 and 30 June 2019

Other income usually consists of recoveries, dividends received, gains/losses on disposing of plant and equipment, and other sundry income. During the 2020 and 2021 financial years, other income was boosted from government support programs such as Job Keeper and COVID-19 Cash Flow Boost. These schemes contributed approximately \$0.2 million during the past two financial years.

Operating expenses have remained flat during the past three years despite fluctuating levels of revenue. This is attributable to the large fixed costs incurred in operating vineyards.

5.4 Capital Structure - NVFAL

The share structure of NVFAL as at 24 March 2022 is outlined below:

	Number
Total ordinary shares on issue	2,249,993

Source: NVFAL's unaudited management accounts for the half-year ended 31 December 2021.

The ordinary shares held by the most significant shareholders as at 24 March 2022 are detailed below:

Name	No. of Ordinary Shares	% Issued shares
FABAL Investments Pty Ltd <Peradel Properties Unit Trust>	970,300	43.12%
Marandoo Estate Limited	139,535	6.20%
Guild Group Holdings Limited	128,060	5.69%
Hasbean Super Pty Ltd <The Bailey Super Fund>	84,320	3.75%
Trevor Michael Bailey	69,143	3.07%
Armalite Finance Pty Ltd <Reliability Plus Limited>	60,008	2.67%
Chris Day Nominees Pty Ltd <The Day Settlement Fund>	54,450	2.42%
X Investments Pty Ltd <Georgiadis Vineyard Trust>	49,750	2.21%
Georgiadis Super Pty Ltd <Georgiadis Superannuation Fund>	34,168	1.52%
Brucar Pty Ltd <Spangler Family Trust>	32,406	1.44%
Total Top 10	1,654,835	72.10%
Others	627,853	27.90%
Total ordinary shares on issue	2,249,993	100.0%

Source: NVFAL's share registry

Mr Dimitrios Georgiadis and associates hold 108,807 ordinary shares in NVFAL, equating to 4.84% of NVFAL's ordinary shares on issue.

5.5 Recently completed share transactions - NVFAL

The table below contains a record of recently completed transfers of shares in NVFAL.

Date	No. of shares	Price per share [AUD]
17-Nov-16	100,000	7.13
16-Mar-18	939	10.49
22-May-18	1,887	10.49
22-May-18	1,581	10.49
22-May-18	1,297	10.49
30-Nov-18	2,641	11.00
28-May-21	881	10.00
30-May-21	995	10.00
1-Jun-21	1,297	10.00
1-Jun-21	1,581	10.00

Source: NVFAL's OTC Register

6. Profile of FABAL

6.1 History

FABAL was founded in 1982. Its activities comprise a portfolio of diversified business operations participating in several industry segments, all under the umbrella of its core theme of agribusiness and agri-tourism. The key businesses are summarised in the table below.

Business area	FABAL interest
Vineyard management services	FABAL Operations Pty Ltd (FABAL Operations) 100% subsidiary of the Company
Wine production and sale	FABAL Wines Pty Ltd (FABAL Wines) 100% subsidiary of the Company
Financial investments	FABAL Investments Pty Ltd (FABAL Investments) as trustee for the Peradel Properties Unit Trust (PPUT) FABAL Investments Pty Ltd is a 100% subsidiary of the Company The Company is the sole unitholder of the Peradel Properties Unit Trust
Managed investments	Food Agribusiness & Beverages Australia Pty Ltd (formerly Food And Beverage Australia Pty Ltd) (FABAL F&B) 100% subsidiary of the Company
Advisory	FABAL Advisory Pty Ltd (FABAL Advisory) 100% subsidiary of the Company
Financing	Total Beverage Australia Pty Ltd (TBA) 100% subsidiary of the Company
Agri-tourism	The FABAL Group Joint Ventures Marandoo Estate Limited (MEL) 31.6% Managed Entity
Production and retail sale of artisan chocolates	Chocolate Ventures Australia Pty Ltd (CVA) 50% joint venture
Retail sale of natural skincare products	Natural Olive Oil Skincare Australia Pty Ltd (NOOSA) 50% joint venture
Water license investment	FABAL Agribusiness Management Pty Ltd (FAM) 100% subsidiary of the Company
Water investment and distribution	Marathon Water Pty Ltd (Marathon Water) 50% joint venture

The core business of FABAL is the vineyard management services provided by FABAL Operations. Over the last 26 years it has developed and managed vineyards across key wines regions in South Australia, New South Wales, Western Australia and Victoria. FABAL Operations currently manages more than 20 properties covering 1,500 hectares of planted vines.

FABAL Wines commenced making and selling wine in 1998. FABAL Wines does not own a winery but has a strategic alliance with Project Wine to make, mature and finish premium cool climate wines from its own vineyards and that of its associates. Since 2016, FABAL Wines has operated the Vineyard Road branded cellar door at Belvidere in the Langhorne Creek GI, and from 2019, the Vineyard Road cellar door at Tanunda in the Barossa Valley GI.

In 1985, FABAL Investments commenced investing in real estate in Perth and Adelaide. Since 1995, it has become the investment holding entity for FABAL and holds a diversified portfolio in listed Australian and US securities; unlisted shares in viticultural managed entities of FABAL, including MEL and NVFAL (Managed Entities); unlisted shares in several joint ventures, and; unlisted shares in vineyard owning entities. Through a wholly owned subsidiary of FABAL Investments, Vineyard Road Estate Pty Ltd (“VRE”), FABAL owns vineyard properties in Barossa Valley and McLaren Vale totalling 35 hectares. FABAL’s wholly-owned vineyards are summarised in the table below.

	GI (Region)	Area planted (ha)	State
Little Nemer Vineyard	McLaren Vale	22	South Australia
Vineyard Road Estate	Barossa Valley	13	South Australia
Total		35	

Running Managed Investment Schemes (MIS) was a core business of FABAL for over 20 years. This activity has been wound down over the past several years after the conversion and transition of nearly 20 MIS into the Managed Entities, including MEL, NVFAL, and their predecessors.

FABAL Advisory holds an AFSL, under which it has provided agribusiness advice to several domestic and international wholesale clients in relation to the wine, vineyard and other permanent planting markets. This is a non-core business of FABAL and is currently inactive.

In 1989, TBA commenced trading Australian listed shares and options. It subsequently became a lender to a small number of participants in the MIS. This business has been wound down since 2014 and is currently inactive.

The operation of the cellar doors, chocolate ventures, cafes and skincare in regional Australian tourism regions, mainly wine GI’s, form the basis of FABAL’s agri-tourism business.

Since 2019, FABAL has been involved in artisan chocolate operations through its 50% joint venture in Chocolate Ventures Australia Pty Ltd. The business was founded in the Barossa Valley GI in a state-of-the-art facility near Tanunda. FABAL operates four businesses at the Tanunda complex, including a retail artisan chocolate facility, a café, an ice-creamery, and a cellar door. FABAL also operates another chocolate retail shop in the Vineyard Road cellar door in Langhorne Creek.

Since 2016, FABAL has engaged in the retail sale of natural skincare products through its 50% joint venture with Vasse Virgin Pty Ltd, a 25-year-old natural olive oil skincare business founded in Western Australia. FABAL operates the SA businesses of Vasse Virgin located at Seppeltsfield in the Barossa Valley GI, and Belvidere in the Langhorne Creek GI within the Vineyard Road cellar door.

Since 2003, FABAL has invested in water licences to support its agribusiness operations through its wholly-owned subsidiary, FAM. FAM earns a return each year in exchange for leasing these water licences. Since 2008, FAM has also invested in water transportation pipelines through its 50% joint venture in Marathon Water, in partnership with CMV Farms Pty Ltd, a large Australian agri-business group. Marathon Water owns the water pipeline business between Wellington and the Langhorne Creek GI. Marathon Water leases transportation space in its pipeline to several customers, including MEL who is the most significant user.

6.2 Historical Statement of Financial Position - FABAL

[AUD] in thousands	As at 30-Jun-18 Unaudited	As at 30-Jun-19 Unaudited	As at 30-Jun-20 Unaudited	As at 30-Jun-21 Reviewed	As at 31-Dec-21 Audited
Current assets					
Cash and cash equivalents	372	1	456	164	276
Trade and other receivables	2,197	2,010	1,733	1,543	1,906
Inventory	455	1,936	1,619	1,368	1,603
Other current assets	190	86	58	78	81
Total current assets	3,214	4,034	3,865	3,153	3,866
Non-current assets					
Property, plant and equipment	264	1,819	2,595	5,046	5,836
Financial assets	18,111	21,860	2,228	2,794	3,055
Investments using the equity method	-	-	20,173	20,737	19,998
Intangible assets	273	84	-	-	-
Deferred tax asset	163	173	314	261	261
Total non-current assets	18,812	23,937	25,309	28,838	29,150
Total assets	22,027	27,970	29,174	31,990	33,016
Current liabilities					
Trade and other payables	1,699	2,832	1,499	1,115	892
Finance lease liability	33	-	147	197	383
Borrowings	391	66	370	211	321
Employee entitlements	508	500	538	661	805
Other current liabilities	-	168	73	24	121
Total current liabilities	2,630	3,566	2,628	2,208	2,522
Non-current liabilities					
Finance lease liability	9	10	440	443	1,042
Borrowings	242	2,438	2,150	3,021	3,510
Deferred tax liabilities	3,128	3,552	3,834	4,188	4,147
Total non-current liabilities	3,379	5,999	6,424	7,652	8,699
Total liabilities	6,009	9,565	9,052	9,860	11,222
Net assets	16,018	18,405	20,122	22,130	21,794
Equity					
Contributed equity	1,481	2,147	2,116	2,116	2,332
Reserves	7,543	10,055	11,358	12,367	12,230
Retained earnings	6,995	6,204	6,648	7,647	7,232
Total equity	16,018	18,405	20,122	22,130	21,794

Source: FABAL's audited financial statements for the half-year ended 31 December 2021, reviewed financial statements for the year ended 30 June 2021, and unaudited financial statements for the years ended 30 June 2020 and 30 June 2019.

Commentary on Historical Statement of Financial Position

FABAL primarily owns shares in unlisted companies. Its holdings include ordinary shares in NVFAL, MEL, Barossa Infrastructure Limited, Chocolate Ventures Australia Limited, National Vineyard Fund of Australia (No. 3) Limited, Marathon Water Pty Ltd, Kayinga Vineyard Limited, and Natural Olive Oil Skincare Australia Limited. FABAL also owns preference shares in Project Wine Pty Ltd and a portfolio of publicly-listed companies in Australia and the United States. These shares are classified in the statement of financial position as financial assets and investments in associates and joint ventures.

FABAL's financial assets are measured at fair value, except for its preference shares in Project Wine Pty Ltd which are carried at cost. It is important to note that prior to the 2019-20 financial year, investments in associates and joint ventures were classified as financial assets in the statement of financial position.

A breakdown of the value of FABAL's financial assets at 31 December 2021 is detailed in the table below.

Financial assets	[AUD] in thousands
Ordinary shares - Barossa Infrastructure Limited	1,530
Ordinary shares - National Vineyard Fund of Australia (No. 3) Limited	484
Ordinary shares - Kayinga Vineyard Limited	157
Ordinary shares held in ASX listed companies	649
Ordinary shares held in US listed companies	60
Preference shares - Project Wine Pty Ltd	175
Total	3,055

Source: FABAL's audited financial statements for the half-year ended 31 December 2021.

A breakdown of the value of FABAL's investments accounted for using the equity method at 31 December 2021 is included in the table below.

Entity	Economic ownership	[AUD] in thousands
National Vineyard Fund of Australia Limited	43.12%	15,064
Marandoo Estate Limited	31.63%	4,240
Chocolate Ventures Australia Pty Ltd	50.00%	279
Natural Olive Oil Skincare Australia Pty Ltd	50.00%	133
Marathon Water Pty Ltd	50.00%	282
Total		19,998

Source: FABAL's audited financial statements for the half-year ended 31 December 2021.

FABAL also owns two vineyards which were independently valued at \$4.39 million in March 2022. These are categorised under property, plant and equipment with the balance consisting of plant and equipment and right-of-use assets. A breakdown of the value of FABAL's property, plant and equipment is summarised in the table below.

Financial assets	[AUD] in thousands
Vineyard Road Estate - McLaren Vale	2,460
Vineyard Road Estate	1,930
Total value of vineyards as per Knight Frank	4,390
Less: apportionments	(328)
Total value of vineyards as per statement of financial position	4,062
Buildings	25
Plant and equipment	300
Right-of-use assets	1,449
Total property, plant and equipment	5,836

Source: FABAL's audited financial statements for the half-year ended 31 December 2021, BDO analysis

FABAL has a \$5,000,000 loan facility and a \$100,000 overdraft facility in place with the National Australia Bank Limited. Security provided over FABAL's banking facilities is via first registered mortgage over the properties owned by the entity, a fixed and floating charge over FABAL's assets, water rights and grape contracts. As at 31 December 2021, \$3,510,000 had been drawn down on FABAL's loan facility.

The lease liabilities consist of equipment financing arrangements with multiple financial institutions.

Net assets have compounded at an annualised rate at 11.8 percent over the past three years, predominantly due to the unrealised gains on the revaluation of FABAL's investments.

6.3 Historical Statement of Comprehensive Income - FABAL

[AUD] in thousands	Year ended 30-Jun-18 Unaudited	Year ended 30-Jun-19 Unaudited	Year ended 30-Jun-20 Unaudited	Year ended 30-Jun-21 Reviewed	6 months ended 31-Dec-21 Audited
Revenue	11,191	7,800	7,855	7,855	4,350
Cost of sales	(547)	(942)	(604)	(579)	(364)
Gross profit	10,644	6,858	7,252	7,276	3,986
Employee benefits expense	(2,163)	(4,375)	(3,749)	(4,333)	(2,728)
Administrative expenses	(5,173)	(1,454)	(1,477)	(1,146)	(731)
Other expenses	(2,520)	(1,278)	(1,552)	(1,639)	(742)
Other income	562	740	1,467	1,409	1,002
Total operating expenses	(9,293)	(6,367)	(5,311)	(5,708)	(3,198)
EBITDA	1,350	491	1,940	1,568	788
Share of associates using the equity method	-	-	(1,015)	313	(589)
Depreciation	(15)	(107)	(118)	(178)	(128)
Finance costs (net)	(123)	(131)	(140)	(108)	(52)
Profit/(loss) before income tax	1,212	253	667	1,594	18
Income tax expense/(benefit)	(377)	258	(116)	(419)	(5)
Profit/(loss) after income tax	835	512	550	1,175	14
Gain/(loss) on revaluation of assets (net of tax)	3,947	1,568	1,925	673	-
Total comprehensive income	4,781	2,080	2,475	1,848	14

Source: FABAL's audited financial statements for the half-year ended 31 December 2021, reviewed financial statements for the year ended 30 June 2021, and unaudited financial statements for the years ended 30 June 2020 and 30 June 2019.

Commentary on Historical Statement of Comprehensive Income

Revenue comprises mainly of recoveries, management fees, rental income, and wine and grape sales. During the past twelve months, revenue increased by 28.1 percent which was mainly driven by increases in management fees, rental income and wine sales. One-off items such as government grants (JobKeeper and COVID-19 Cash Flow Boost) and legal recoveries of outstanding fees and loans from historical agribusiness projects have also contributed to the increase in revenue during the past year.

Revenue in the 2017-18 financial year includes \$3.96 million of sales from agribusiness projects which ceased during that year. Excluding this amount, revenue has gradually been increasing over the past three years. Expenses were also higher in the 2017-18 year due to expenses associated with the agribusiness projects. Excluding those associated expenses, operating costs have increased at a slower pace than revenues which has resulted in EBITDA margins expanding over the past three years.

6.4 Capital Structure - FABAL

The share structure of FABAL as at 24 March 2022 is outlined below:

	Number
Total ordinary shares on issue	1,210,000

Source: FABAL's audited financial statements for the half-year ended 31 December 2021.

The top 10 shareholders are set out in the table below. This does not consider the impact of any changes in shareholding as a result of the Offer.

Name	No. of Ordinary Shares	% Issued shares
Georgiadis Super Pty Ltd <Georgiadis Super Fund>	285,000	23.55%
Armalite Finance Pty Ltd <Reliability Plus Limited>	260,000	21.49%
Chris Day Nominees Pty Ltd <The Day Settlement>	146,000	12.07%
19 North Street Pty Ltd <North Street Investment Trust>	90,000	7.44%
The ACCOMPLISH Group Pty Ltd	85,000	7.02%
OMG Australia Pty Ltd	81,000	6.69%
Raeleen Mary Day	46,846	3.87%
Beth Sexton	40,388	3.34%
Food and Beverage Australia Staff Superannuation Fund Pty Ltd	30,000	2.48%
Owned Made & Grown in Australia Pty Ltd <Sandy Day Family Trust>	20,300	1.68%
Total Top 10	1,084,534	89.63%
Others	125,466	10.37%
Total ordinary shares on issue	1,210,000	100.00%

Source: FABAL's share registry

7. Economic analysis

7.1 Global overview

Despite the spread of the Delta variant of COVID-19 through the middle of the year, the global economy continues to recover as increases in vaccination coverage in many countries have eased mandated restrictions and health concerns. It is expected that the GDP of many advanced economies will return to its pre-pandemic trend over the following year.

In China, where infection rates remain low, economic activity has already rebounded to pre-pandemic levels. However, growth has slowed of late due, in part because of efforts by the Chinese authorities to reduce leverage in the economy, most notably in the residential property sector. These restrictions have adversely impacted local residential construction and infrastructure investment and global steel production. As a consequence, iron ore prices have fallen by more than 50 percent from their peak in May 2021.

Strong global demand coupled with supply-chain constraints have resulted in consumer price inflation increasing to its highest rate in several years in a number of economies. Unemployment rates in many advanced economies have declined to pre-pandemic levels, underpinned by elevated job vacancies and low participation rates. Wages growth has increased in many of these countries where labour shortages are being reported. It is expected that most of these price increases will stabilise once supply catches up with demand, however, central banks in some advanced economies have already begun to increase their interest policy rates.

7.2 Australia

The Australian economy has bounced back strongly from the lockdowns associated with the outbreak of the Delta variant of COVID-19 in the second half of 2021. The labour market has likewise recovered quickly, with the unemployment rate declining to 4.2 percent.

Inflationary pressures have been elevated in many economies, including Australia. Headline and underlying inflation were both higher in the December quarter than expected. Inflation is expected to remain in the upper half of the inflation target rate of 2 to 3 percent.

Consumer spending recovered quickly following the end of last year's lockdowns and the fundamental drivers for consumption remain positive. Spending is being supported by a robust labour market and household finances.

The economy is expected to maintain its current positive outlook for the remainder of 2022.

Commodity prices

Commodity prices have risen, as market participants have brought forward their expectations for monetary policy tightening in the United States.

Equity prices in the resources sector increased by around 3 percent over 2021, with some volatility associated with moves in commodity prices, most notably iron ore. Energy stocks declined over the year, despite a rise in prices for oil, Coal and LNG.

Australian commodity prices may be impacted by a potential slowing in China's economy. This would reduce the demand for iron ore and other commodities, resulting in a decline in commodity prices.

Financial markets

Conditions in financial markets remain strong. Volatility has declined and there have been large raisings of both debt and equity. The prices of many assets have risen considerably despite the high level of uncertainty around the economic outlook. Bond yields have risen slightly from the end of 2021 but remain at historically low levels.

Interest rates

The RBA will be monitoring trends in housing borrowing carefully as it is important that lending standards are maintained due to rising housing prices and low interest rates.

The RBA will be holding the cash rate at 10 basis points until actual inflation is sustainably within the target range of 2 to 3 percent.

Australian dollar

The Australian dollar depreciated from early November 2021, reaching its lowest levels for the year in December. This depreciation was consistent with a decline in yields on shorter-term Australian government bonds relative to those of the United States. Although the Australian dollar subsequently appreciated a little, it has since returned to the lower end of its range over the past year amid a decline in equity prices and continued focus on withdrawal of policy stimulus in the United States.

Source: www.rba.gov.au Statement on Monetary Policy, February 2022.

8. Industry analysis

This section sets out a summary of the viticulture and wine production industries. The information presented in this section has been compiled from a range of publicly available sources. This summary is not intended to be a comprehensive analysis of these industries.

We recommend that NVFAL shareholders refer to the original source of information referred to in this section, and any other information they believe appropriate, for a more comprehensive analysis. This section should be referred to as a broad guide only.

8.1 Grape Growing Industry in Australia

Operators in the grape growing industry engage in the cultivation and harvesting of grapes. Grapes are generally used for winemaking or to be sold as table or dried grapes. Grape production is the largest fruit industry in Australia, with grapes commercially grown in every state and territory.

Growers of wine grapes generally supply grapes to winemakers under supply agreements and are compensated based on volume and quality. Table grapes are sold to wholesalers and retailers to be eaten fresh, whereas drying grapes are sold to food manufacturers for drying.

The industry is highly fragmented, comprising of more than 6,000 commercial grape growers in Australia. The majority of growers operate small family farms on less than 50 hectares, with approximately 70 percent being owner-operated. It is estimated that almost 98 percent of growers employ fewer than 20 people. Many of these growers do not cover their production costs since their vineyards are unable to achieve economies of scale.

Key external drivers

Demand for grapes is heavily influenced by wine producers, who are the largest customers of the industry, and, to a much lesser extent, supermarkets and grocery stores which purchase table and dried grapes. The highly fragmented nature of the industry and homogeneity of produce means that growers are price takers that are largely dependent on the major winemakers.

Wine grape prices have a significant impact on the revenue generated by industry operators. Higher grape prices lead to increased earnings per quantity of grapes, which boosts industry revenue. If the increase in prices exceeds the increase in any input costs this should also translate into higher profits earned by operators.

Grape prices, production yields and product quality are affected by the level of annual rainfall. Industry revenue is adversely impacted by dry conditions as this can reduce grape yields. However, growers in unaffected regions who benefit from a rise in prices due to the resulting supply shortages may partially offset this trend.

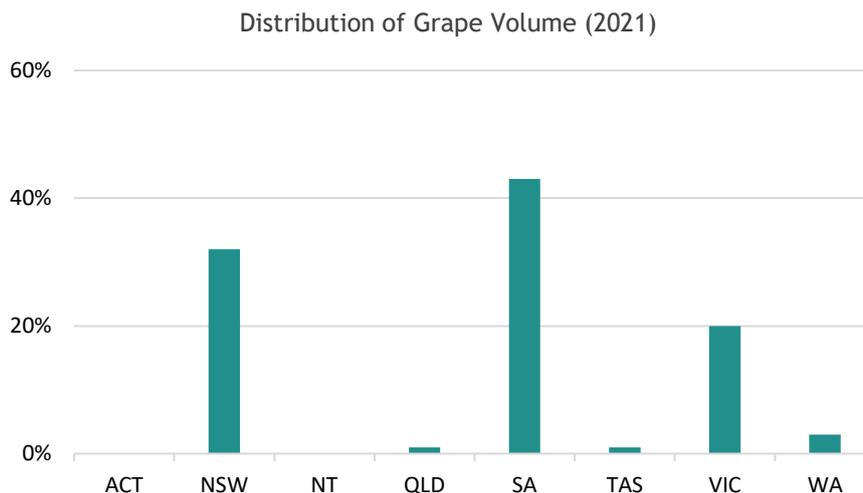
Fertiliser is a key input cost for grape growers and affects profit margins of local industry operators. Fertiliser is used to improve vine yields and increase grape production. The price of fertiliser tends to fluctuate due to the price volatility of inputs used to manufacture the product.

Grape growing trends

Harsh weather events and other external factors have resulted in the grape growing industry contracting by more than 3 percent annually over the past five years through 2020-21, to \$1.3 billion. Bushfires during the 2019-20 summer destroyed 3 percent of the nation's wine grape yield and drought conditions over most of the period have negatively impacted yields and raised irrigation costs for growers. The fall in output during this period was partially offset by increased Chinese demand for Australian wine, which helped boost prices for wine grapes.

In more recent times, tariffs imposed on Australian wine by the Chinese government in late 2020 has significantly reduced demand and prices for wine grapes, particularly red wine grapes which account for approximately 96 percent of Chinese exports. As a result, it is estimated that industry revenue declined by almost 12 percent in 2020-21.

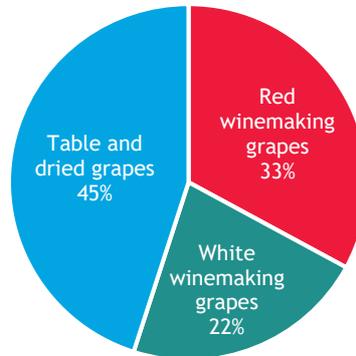
A disproportionate share of annual grape production occurs in southern Australia due to the suitable climatic conditions. South Australia is the largest grape-producing state, accounting for approximately 43 percent of industry production, with the majority of grapes being used for winemaking. It is estimated that Victoria and New South Wales also account for a combined 52 percent of production.



Source: IBIS World, Wine Australia, Australia Table Grape Association Inc.

Wine grapes represent more than 90 percent of the total volume of grape crop in Australia, however, due to higher prices obtained for table grapes, industry revenue is split more evenly with wine grapes accounting for less than 60 percent. The chart below illustrates the share of industry revenue by product category.

Segmentation of Industry Revenue (2021)



Source: IBIS World

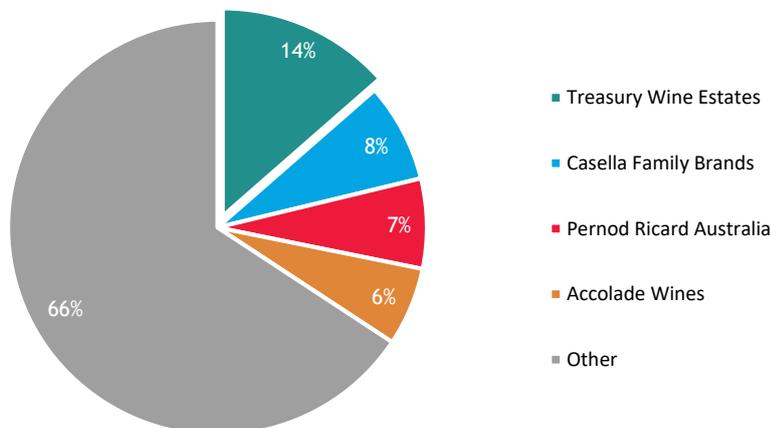
Unlike wine grapes, which are primarily sold to domestic winemakers, approximately 70 percent of table grapes are exported. Production revenue from table and dried grapes has increased considerably over the past five years due to export demand, particularly from Asia. This has resulted in new landholders investing in existing table grape properties as well as hectares of previously non-productive land being redeveloped into table grape vineyards, particularly in Victoria where table grapes are most commonly grown.

8.2 Wine Production Industry in Australia

Operators in the wine production industry make, bottle, distribute and market wine-based alcoholic beverages. Some wine producers may harvest their own grapes to be processed in-house or purchase grapes from third-party growers.

Wine production is a \$6.9 billion industry in Australia which is made up of several major winemakers and thousands of smaller wineries that typically specialise in niche wine varieties. The four largest wine producers account for more than one-third of industry revenue.

Share of Wine Production Industry Revenue (2021)



Source: IBIS World

Key external drivers

Demand for wine is influenced by trends in total alcohol consumption. Depending on the relative demand of wine compared to other alcoholic beverages, higher alcohol consumption will generally boost industry revenue.

The liquor retail channel and licensed establishments are key markets for winemakers with the industry particularly reliant on orders from retailers to generate revenue. Increased demand from these channels will boost wine sales.

Wine grapes are the industry’s largest purchase cost since they are the main input in producing wine. Higher prices for wine grapes will lead to increased purchase costs for winemakers and lower margins if these higher costs cannot be passed onto customers.

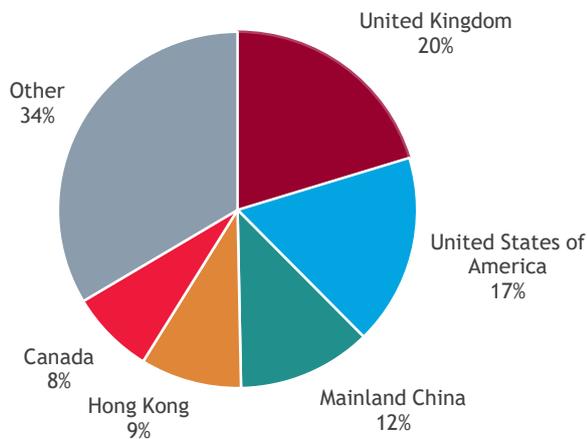
The price of the Australian dollar compared to the currencies of major trading partners affects the competitiveness of Australian wines in export markets. An appreciation of the Australian dollar will translate into higher prices of local wines in the export markets, reducing their price competitiveness and demand. Conversely, a depreciating Australian dollar will result in lower price of local wines in the export markets, increasing their price competitiveness and demand.

Wine production trends

International markets are an important source of revenue for the wine industry given that Australians consume less wine on a per capita basis relative to other major wine producing nations. Over much of the past five years, Australian wine exports have benefited from a weaker Australian dollar, free trade agreements, and rising discretionary incomes in China which increased demand for Australian wines in Asian markets.

However, over the past twelve months, revenue from exports, which account for approximately one-third of industry revenue, has decreased by 24 percent to less than \$2.3 billion in 2020-21. This was primarily due to a significant decline in exports to mainland China, following the imposition of anti-dumping duties on Australian wine. Other factors include inventory levels being the lowest in 10 years as a result of smaller vintages over the past few years and shipping delays linked to COVID-19.

Share of Australian Wine Exports (2021)



Source: Wine Australia



According to IBIS World, the wine production industry is forecast to grow by between three to four percent over the next five years, as exports are projected to benefit from continuing growth in demand from existing markets as well as the emergence of new markets. Sales are also expected to pick up from licensed establishments, which offers higher margins than the liquor retail channel, in the following year as COVID-19 restrictions are eased.

9. Valuation approach adopted

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

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

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

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

In our assessment of the Offer is fair for Shareholders, we have assessed the Offer as follows:

- A comparison between the value of NVFAL shares on a control basis prior to the Offer and the value of the consideration offered, being:
 - Cash Offer of \$10.00 for every 1 NVFAL share held
 - Share Offer of 9 FABAL shares (on a minority basis) for every 10 NVFAL shares held.

9.1 Valuation of NVFAL shares prior to the Offer

In our assessment of the value of NVFAL shares prior to the Offer we have chosen to employ the following methodologies:

- NAV on a going concern basis as our primary valuation methodology; and
- Capitalisation of future maintainable earnings as our secondary methodology.

We have chosen these methodologies for the following reasons:

- The assets of NVFAL can be identified and it is possible to determine the fair value of those identifiable assets with a reasonable degree of accuracy.
- NVFAL has relatively low maintainable earnings in comparison to the underlying assets, and therefore a FME approach may understate the value.
- The information that we have been provided to assist with our NAV in relation to the assets and liabilities of NVFAL includes the following:
 - The independent valuation advice prepared by Knight Frank for the vineyards owned by NVFAL. We have relied on the Knight Frank Reports when completing our NAV valuation of NVFAL; and
 - Audited statement of financial position for NVFAL as at 30 June 2021, which sets out information on the value of other assets and liabilities held by NVFAL.

Independent specialist valuations

In valuing the vineyard assets of NVFAL, FABAL and MEL as part of our NAV valuation, we have relied on the independent valuation performed by Knight Frank. We are satisfied with the valuation methodologies adopted by Knight Frank which we believe are in accordance with industry practice. A copy of the Knight Frank Reports are attached in Appendix 4.

9.2 Valuation of a FABAL share following the Offer

When assessing non-cash consideration in control transactions, RG 111.31 suggests that a comparison should be made between the value of the securities being offered (allowing for a minority discount) and the value of the target entity's securities, assuming 100% of the securities are available for sale. This comparison reflects the fact that:

- a) the acquirer is obtaining or increasing control of the target; and
- b) the security holders in the target will be receiving scrip constituting minority interests in the combined entity.

In our assessment of the value of a FABAL share following the Offer, we have adopted the NAV methodology.

We have chosen the NAV methodology for the following reasons:

- The assets of FABAL can be identified and it is possible to determine the fair value of those identifiable assets with a reasonable degree of accuracy.
- FABAL has relatively low maintainable earnings in comparison to the underlying assets, and therefore a FME approach will understate the value.

10. Value of NVFAL prior to the Offer

10.1 Net Asset Valuation of NVFAL

The value of NVFAL's net assets on a going concern basis is reflected in our valuation below:

[AUD] in thousands	Note	As at 30-Jun-21 Audited	Adjustments	Valuation
Current assets				
Cash and cash equivalents	1	101	300	401
Trade and other receivables	2	2,688	3,855	6,543
Inventory		732	-	732
Other current assets		130	-	130
Total current assets		3,652	4,155	7,807
Non-current assets				
Property, plant and equipment		43,006	-	43,006
Financial assets		1,730	-	1,730
Investments using the equity method		555	-	555
Goodwill		293	-	293
Intangible assets		3	-	3
Deferred tax asset	3	526	(500)	26
Total non-current assets		46,113	(500)	45,613
Total assets		49,765	3,655	53,420
Current liabilities				
Trade and other payables		526	-	526
Lease liabilities		165	-	165
Borrowings		169	-	169
Employee entitlements		245	-	245
Total current liabilities		1,105	-	1,105
Non-current liabilities				
Lease liabilities		264	-	264
Borrowings	4	6,920	2,155	9,075
Deferred tax liabilities		6,544	-	6,544
Total non-current liabilities		13,728	2,155	15,883
Total liabilities		14,834	2,155	16,989
Net assets		34,931	1,500	36,431
Number of shares on issue				2,249,993
Value per share controlling interest basis [AUD]				\$16.19

Source: NVFAL's audited financial report for the year ended 30 June 2021, unaudited management accounts for the period ended 31 March 2022, BDO analysis

The table above indicates the net asset value of an NVFAL share is \$16.19.

The following adjustments were made to the net assets of NVFAL as at 30 June 2021 in arriving at our valuation.

Note 1) Cash and cash equivalents

We have adjusted the cash position to reflect the actual cash position at 31 March 2022.

Note 2) Trade and other receivables

NVFAL's trade and other receivables increased by \$3.855 million in the nine month period ended 31 March 2022.

Note 3) Deferred tax asset

We have adjusted the deferred tax asset balance at 30 June 2021, decreasing the balance by \$500,000, being 25% of net profit before tax for the nine months ending 31 March 2022.

Note 4) Borrowings

\$2.16 million was drawdown on NVFAL's NAB loan facility in the nine month period ended 31 March 2022. The balance at 31 March 2022 was \$9.08 million.

10.2 Assessment of NVFAL

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

[AUD]	Low	High
Net asset value (Section 10.1)	16.19	16.19
FME methodology (Section 12.1)	-	1.31

Source: BDO analysis

We note the values obtained under the FME method are considerably lower than the values obtained from the NAV method. The difference between the values obtained under the FME method and the NAV method may be explained by NVFAL's most significant assets, being its vineyard assets, which produce low levels of income. As such, the net asset value is the most appropriate method to value NVFAL's shares.

After considering the valuation analysis derived from the net assets approach, we have concluded the value of a NVFAL share to be \$16.19.

11. Value of FABAL following the Offer

11.1 Value of FABAL following the Offer

	Note	MEL takeover unsuccessful	MEL takeover successful
Value of FABAL following the Offer	11.2 & 11.3	42,675,712	52,536,057
Divided by: Number of FABAL shares following the Offer	a	2,361,724	2,889,626
Value of a FABAL share following the Offer (control basis)		\$18.07	\$18.18
Discount for minority interest	b	26%	26%
Value of a FABAL share following the Offer (minority basis)		\$13.38	\$13.47

Source: BDO analysis

The table above indicates the net asset value of a FABAL share following the Offer is between \$13.38 and \$13.47.

The following adjustments were made to the net assets of FABAL following the Offer in arriving at our valuation

Note a) Number of shares following the Offer

We have adjusted the number of shares on issue to reflect the number of new FABAL shares to be issued, assuming full acceptance of the Offer.

Number of shares	MEL takeover unsuccessful	MEL takeover successful
Number of NVFAL shares on issue as at the date of our Report	2,249,993	2,249,993
Less: Number of NVFAL shares held by FABAL	(970,300)	(970,300)
Total number of NVFAL shares not owned by FABAL	1,279,693	1,279,693
New FABAL shares to be issued to MEL shareholders (1:4)	-	527,902
New FABAL shares to be issued to NVFAL shareholders (9:10)	1,151,724	1,151,724
Total number of FABAL shares on issue as at the date of our Report	1,210,000	1,210,000
Total number of FABAL shares on issue following the Offer	2,361,724	2,889,626

Source: BDO analysis

Note b) Minority discount

The net asset value of a FABAL share following the Offer is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operation and value of the company. Therefore, if the Offer is accepted, the current Shareholders of NVFAL may become minority interest shareholders in FABAL, meaning that Shareholders' individual holding will not be considered significant enough to have an individual influence in the operations and value of the Company.

Therefore we have adjusted our valuation of a FABAL share following the Offer to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control and is calculated using the formula $1 - [1 / (1 + \text{control premium})]$.

Control premium

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

There were 33 ASX-listed company transactions, for which the announced premium was in excess of 100%. We have removed these transactions because we consider it likely that the acquirer in these transactions would be paying for special value and/or synergies in excess of the standard premium for control. Whereas, the purpose of this analysis is to assess the premium that is likely to be paid for control, not specific strategic value to the acquirer.

We have summarised our findings below:

All ASX-Listed Companies

Year	Number of Transactions	Average Deal Value (AUDm)	Average Control Premium (%)
2021	9	715.30	28.60
2020	24	467.30	38.22
2019	42	3,235.53	31.96
2018	42	1,158.48	31.08
2017	29	973.71	37.91
2016	38	788.27	36.82
2015	34	828.14	34.10
2014	45	517.00	37.98
2013	36	138.78	33.37
2012	47	511.85	43.94
2011	63	953.85	35.75

Source: Bloomberg, BDO Analysis

The mean and the median of the entire data sets comprising control transactions from 2011 onwards for gold companies, general mining companies and all ASX-listed companies, are set out below:

Entire Data Set Metrics	All ASX-Listed Companies	
	Deal Value (AUDm)	Control Premium (%)
Mean	981.99	35.96
Median	126.86	31.57

Source: Bloomberg, BDO Analysis

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

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction; and
- Level of liquidity in the trade of the acquiree's securities.



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

The table above indicates that the long-term average control premium paid by acquirers all ASX-listed companies is approximately 35.96%. However, in assessing the transactions included in the table, we noted that the data appeared to be positively skewed.

In a population where the data is skewed, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the assessed period was approximately 31.57% for all ASX-listed companies.

Based on the above analysis, we consider an appropriate premium for control to be between 30% and 40%, with a midpoint of 35%.

11.2 Net Asset Valuation of FABAL - MEL takeover unsuccessful

The value of FABAL's net assets on a going concern basis, where the takeover of MEL does not proceed, is reflected in our valuation below:

[AUD] in thousands	Note	As at 31-Dec-21 Audited	Valuation
Current assets			
Cash and cash equivalents		276	276
Trade and other receivables		1,906	1,906
Inventory		1,603	1,603
Other current assets		81	81
Total current assets		3,866	3,866
Non-current assets			
Property, plant and equipment		5,836	5,836
Financial assets		3,055	3,055
Investments using the equity method	1	19,998	40,880
Deferred tax asset		261	261
Total non-current assets		29,150	50,032
Total assets		33,016	53,897
Current liabilities			
Trade and other payables		892	892
Finance lease liability		383	383
Borrowings		321	321
Employee entitlements		805	805
Other current liabilities		121	121
Total current liabilities		2,522	2,522
Non-current liabilities			
Finance lease liability		1,042	1,042
Borrowings		3,510	3,510
Deferred tax liability		4,147	4,147
Total non-current liabilities		8,699	8,699
Total liabilities		11,222	11,222
Net assets		21,794	42,676
Shares on issue			2,361,724
Value per share controlling interest basis [AUD]			\$18.07

Source: FABAL's audited financial statements for the half-year ended 31 December 2021, BDO analysis

The table above indicates the net asset value of a FABAL share is \$18.07.

The following adjustments were made to the net assets of FABAL as at 31 December 2021 in arriving at our valuation.

Note 1) Investments using the equity method

Investments using the equity method have been adjusted to reflect the value of the investments as 31 March 2022.

The table below details the value of FABAL's investments at 31 March 2022.

Investments using the equity method	[AUD] in thousands
Balance at 31 December 2021	19,998
Investments using equity method*	740
Value of 31.63% of MEL 31 December 2021	(4,240)
Value of 31.63% of MEL NAA valuation (976,800 @ \$3.09 Ref: Section 11.4)	3,018
Value of 43.12% of NVFAL 31 December 2021	(15,064)
Value of 100% of NVFAL NAA valuation (2,249,993 @ \$16.19 Ref: Section 10.1)	36,427
Balance at 31 March 2022	40,880

Note: *Chocolate Ventures Australia Pty Ltd, Natural Olive Oil Australia Pty Ltd, Marathon Water Pty Ltd.

Source: FABAL's audited financial statements for the half year ended 31 December 2021, BDO analysis.

11.3 Net Asset Valuation of FABAL - MEL takeover successful

The value of FABAL's net assets on a going concern, where the 100% takeover of MEL is completed, is reflected in our valuation below:

[AUD] in thousands	Note	As at 31-Dec-21 Audited	Valuation
Current assets			
Cash and cash equivalents		276	276
Trade and other receivables		1,906	1,906
Inventory		1,603	1,603
Other current assets		81	81
Total current assets		3,866	3,866
Non-current assets			
Property, plant and equipment		5,836	5,836
Financial assets		3,055	3,055
Investments using the equity method	1	19,998	50,740
Deferred tax asset		261	261
Total non-current assets		29,150	59,892
Total assets		33,016	63,758
Current liabilities			
Trade and other payables		892	892
Finance lease liability		383	383
Borrowings		321	321
Employee entitlements		805	805
Other current liabilities		121	121
Total current liabilities		2,522	2,522
Non-current liabilities			
Finance lease liability		1,042	1,042
Borrowings		3,510	3,510
Deferred tax liability		4,147	4,147
Total non-current assets		8,699	8,699
Total liabilities		11,222	11,222
Net assets		21,794	52,536
Shares on issue			2,889,626
Value per share controlling interest basis [AUD]			\$18.18

Source: FABAL's audited financial statements for the half-year ended 31 December 2021, BDO analysis

The table above indicates the net asset value of a FABAL share is \$18.18.

The following adjustments were made to the net assets of FABAL as at 31 December 2021 in arriving at our valuation.

Note 1) Investments using the equity method

Investments using the equity method have been adjusted to reflect the value of the investments at 31 March 2022.

The table below details the value of FABAL's investments at 31 March 2022.

Investments using the equity method	[AUD] in thousands
Balance at 31 December 2021	19,998
Investments using equity method*	740
Value of 31.63% of MEL 31 December 2021	(4,240)
Value of 100% of MEL NAA valuation (3,088,407 @ \$4.17 Ref: Section 11.4)	12,879
Value of 43.12% of NVFAL 31 December 2021	(15,064)
Value of 100% of NVFAL NAA valuation (2,249,993 @ \$16.19 Ref: Section 10.1)	36,427
Value at 31 March 2022	50,740

Note: *Chocolate Ventures Australia Pty Ltd, Natural Olive Oil Australia Pty Ltd, Marathon Water Pty Ltd.

Source: FABAL's audited financial statements for the half year ended 31 December 2021, BDO analysis.

11.4 Value of MEL

We have used the Net Asset Valuation approach to value MEL for use in assessing the value of FABAL. The value of MEL's net assets on a going concern basis is reflected in our valuation below:

[AUD] in thousands	Note	As at 30-Jun-21 Audited	Adjustment	Valuation
Current assets				
Cash and cash equivalents		109	-	109
Trade and other receivables	1	1,545	1,235	2,780
Inventory		549	-	549
Other current assets		74	-	74
Total current assets		2,276	1,235	3,511
Non-current assets				
Property, plant and equipment		18,330	-	18,330
Financial assets	2	2,228	(520)	1,708
Investments using the equity method		454	-	454
Intangible assets		0	-	0
Deferred tax asset		563	-	563
Total non-current assets		21,575	(520)	21,055
Total assets		23,852	715	24,566
Current liabilities				
Trade and other payables		361	-	361
Lease liabilities		93	-	93
Borrowings		-	-	-
Employee entitlements		250	-	250
Total current liabilities		704		704
Non-current liabilities				
Lease liabilities		165	-	165
Borrowings	3	6,515	1,235	7,750
Deferred tax liabilities		3,062	-	3,062
Total non-current liabilities		9,742	1,235	10,977
Total liabilities		10,446	1,235	11,681
Net assets		13,406	(520)	12,886
Shares on issue				3,088,407
Value per share controlling interest basis [AUD]				\$4.17

Source: MEL's audited financial report for the year ended 30 June 2021, management accounts for the period ended 31 March 2022, BDO analysis

The table above indicates the net asset value of a MEL share on a control basis is \$4.17.

The following adjustments were made to the net assets of MEL as at 30 June 2021 in arriving at our valuation.

Note 1) Trade and other receivables

MEL's trade and other receivables increased by \$1.235 million in the nine month period ended 31 March 2022.

Note 2) Financial assets

Financial assets have been adjusted to reflect the value of the 139,535 NVFAL shares at 31 March 2022. The table below details the value of MEL's financial assets at 31 March 2022.

Financial assets	[AUD] in thousands
Total financial assets at 30 June 2021	2,228
Value of NVFAL shares at 30 June 2021	(2,193)
Fair value of NVFAL shares at 31 March 2022 [minority basis] (\$11.99)	1,673
Total value at 31 March 2022	1,708

Source: MEL's audited financial report for the year ended 30 June 2021, management accounts for the period ended 31 March 2022, BDO analysis

Note 3) Borrowings

\$1.24 million was drawdown on MEL's NAB loan facility in the nine month period ended 31 March 2022. The balance at 31 March 2022 was \$7.75 million.

11.5 Valuation of the consideration

The consideration offered to NVFAL shareholders is 9 new FABAL shares for every 10 NVFAL shares held. As set out below, the value of consideration per 1 NVFAL share if the MEL takeover is unsuccessful is \$12.05 per share. The value of consideration per 1 NVFAL share if the MEL takeover is successful is \$12.12 per share.

[AUD]	Note	MEL takeover unsuccessful	MEL takeover successful
Assessed value of one FABAL share	11.1	13.38	13.47
Value of the Share Offer consideration per NVFAL share (9:10)		12.05	12.12
Value of the Cash Offer consideration per NVFAL share		10.00	10.00

Source: BDO analysis

12. Valuation Cross-Check - Future Maintainable Earnings

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

In calculating future maintainable earnings, the figure selected should represent what is currently sustainable. Any anticipated growth in earnings is accounted for via the capitalisation rate.

Normalised Earnings

Multiples of EBITDA are commonly used to value the whole business for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing a minority interest in a company as the investor has no control over the level of debt.

We have selected to analyse multiples of EBITDA because:

- Earnings multiples based on EBITDA are not affected by different financing structures which impact multiples of net profit after tax.
- The new Bearer Asset Standard requires the depreciation of the value allocated to vines and this is distorting the comparability of financial statements given the long lives of vines.

The objective of normalising earnings is to determine the underlying profitability expected to be maintained by NVFAL and the Proposed Merged Entity. When considering an appropriate level of future maintainable earnings, it is important to base the analysis on a maintainable level of earnings which includes adjustments for any non-recurring items or non-core business items as these items will not impact the future earnings of the business. Our adjustments are limited to those adjustments obvious from a review of the detailed financial statements and those provided by the management of NVFAL, MEL and FABAL.

Our EBITDA normalisation adjustments are set out below for NVFAL:

[AUD] in thousands	FY18	FY19	FY20	FY21
Revenue	4,506	6,174	4,406	6,763
Statutory EBITDA	922	950	(723)	1,713
Normalisation adjustments				
Add: loss on disposal of PP&E	-	-	5	-
Less: dividends	-	(1)	(3)	(3)
Less: government grants	-	-	(163)	(187)
Less: profit on disposal of PP&E	-	-	-	(0)
Less: profit on disposal of PP&E	-	-	-	(17)
Total adjustments	-	(1)	(160)	(207)
Normalised EBITDA	922	949	(884)	1,506

Source: BDO analysis

Our EBITDA normalisation adjustments are set out below for the Proposed Merged Entity:

	Most recent FY	Most recent FY	Most recent FY	Most recent FY
[AUD] in thousands	FY18	FY19	FY20	FY21
NVFAL	4,825	6,702	5,067	7,471
MEL	6,648	4,198	3,286	4,780
FABAL	11,753	8,540	8,130	10,412
Pro-forma revenue - Proposed Merged Entity	23,227	19,441	16,484	22,663
NVFAL	922	950	(723)	1,713
MEL	1,509	816	(67)	1,392
FABAL	1,350	491	1,940	1,568
Pro-forma statutory EBITDA - Proposed Merged Entity	3,782	2,257	1,150	4,673
Add: legal costs from historical agribusiness projects	-	-	75	-
Add: loss on disposal of PP&E	-	-	22	-
Add: stock variance	-	-	-	74
Less: dividends	(17)	(29)	(149)	(67)
Less: interest expense of lease liabilities	-	-	(10)	(20)
Less: depreciation expense on right-of-use assets	-	-	(51)	(103)
Less: government grants	-	-	(291)	(546)
Less: profit on disposal of PP&E	-	-	-	(5)
Less: profit on disposal of investments	-	-	-	(107)
Less: insurance recoveries	-	-	(122)	-
Less: advisory fees	-	-	(135)	-
Less: legal recoveries from historical agribusiness projects	-	-	-	(858)
Total adjustments	(17)	(29)	(660)	(1,632)
Normalised EBITDA - Proposed Merged Entity	3,765	2,228	490	3,041

Source: BDO analysis

Calculating Future Maintainable Earnings

In calculating future maintainable earnings, we have considered the historical levels of normalised EBITDA to determine an estimated future maintainable earnings position for NVFAL and the Proposed Merged Entity. The purpose of this is to derive a sustainable level of profitability that we consider to be achievable in the future.

After considering NVFAL's historic earnings we estimate a FME of \$1.0 million to \$1.3 million.

After considering the Proposed Merged Entity's historic pro-forma earnings we estimate that a future maintainable earnings figure of \$2.7 million to \$3.3 million.

Calculation and Application of an Earnings Multiple

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

- economic factors (e.g. economic growth, inflation, interest rates) affecting the market in which NVFAL and the Proposed Merged Entity operates;
- strategic attractions of NVFAL and the Proposed Merged Entity - its particular strengths and weaknesses, market position, strength of competition and barriers to entry;
- relationship with and dependence on key clients;
- stability and quality of earnings;
- the asset backing of the underlying business;
- dependence on suppliers, customers and key personnel;
- the future prospects for the operations of NVFAL and the Proposed Merged Entity;
- the structural and regulatory framework; and
- share market conditions.

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

Company Name	ASX code	Enterprise Value	Revenue [AUD] in millions	EBITDA [AUD] in millions	EV / EBITDA
Australian Agricultural Projects Ltd	ASX: AAP	15.4	3.3	1.3	12.1x
Australian Vintage Ltd	ASX: AVG	291.6	274.0	37.5	7.8x
Cobram Estate Olives Limited	ASX: CBO	959.7	140.3	69.1	13.9x
Costa Group Holdings Limited	ASX: CGC	1,873.8	1,165.0	202.0	9.3x
GrainCorp Limited	ASX: GNC	2,533.6	5,491.5	429.6	5.9x
Select Harvests Limited	ASX: SHV	1,120.7	228.6	58.1	19.3x
Treasury Wine Estates Limited	ASX: TWE	9,599.0	2,683.9	575.8	16.7x
Mean					12.1x

Source: CapitalIQ

The multiples included in the table above have been calculated using each companies most recently reported EBITDA. We have selected an earnings multiple of between 9.5x and 12.0x for NVFAL and the Proposed Merged Entity. Our key considerations in selecting appropriate earnings multiples to apply to our valuation of NVFAL and the Proposed Merged Entity are summarised below:

- The average EBITDA multiple of comparable listed companies is approximately 12.0x. On the basis that NVFAL and the Proposed Merged Entity are smaller and sell predominantly grapes, the appropriate multiple would generally be expected to be lower.
- NVFAL and to a lesser extent the Proposed Merged Entity has a relatively high degree of customer concentration risk as they are heavily dependent on a small number of customers for revenue. All things being equal, companies with a less diversified customer base trade on lower multiples.

- The selection of the multiple, within a broad range, does not impact our conclusion on the Offer.
- Offsetting these factors is the need to include a control premium as these are liquid minority multiples.

Control Premium

RG 111 suggests that when considering the value of a company's shares, the expert should consider a premium for control.

- An investor will typically pay an amount higher than the market value of the company to acquire control. We consider an appropriate control premium for NVFAL and the Proposed Merged Entity to be 30%.
- NVFAL and the Proposed Merged Entity are unlisted companies and are therefore less liquid and do not have the same level of access to capital markets relative to comparable ASX listed companies. Unlisted companies such as NVFAL and the Proposed Merged Entity therefore generally trade at a discount to listed comparables.
- NVFAL and the Proposed Merged Entity are smaller in size than the ASX listed comparable companies. We consider a size discount of 30% to be appropriate.
- We have adjusted the multiples with consideration for the following:
 - Control premium
 - Marketability discount
 - Size discount

Minority	Low	High
Multiples from comparables	9.5x	12.0x
Control premium	30%	30%
Marketability discount	30%	30%
Size discount	30%	30%
Multiple range	6.05x	7.64x

Source: BDO analysis

Based on the above analysis, we consider an EBITDA multiple range of 6.05x to 7.64x to be appropriate for NVFAL and the Proposed Merged Entity.

Summary of Future Maintainable Earnings Value

We consider that an appropriate multiple to apply to the EBITDA of NVFAL and the Proposed Merged Entity is between 6.05x and 7.64x. The application of this multiple results in the values shown below:

[AUD] in thousands	NVFAL		Proposed Merged Entity	
	Low	High	Low	High
FME	1,000	1,300	2,700	3,300
Multiple range	6.05x	7.64x	6.05x	7.64x
Enterprise value	6,050	9,932	16,335	25,212
Surplus assets	2,285	2,285	4,488	4,488
Net debt	(9,272)	(9,272)	(22,152)	(22,152)
Equity value (control basis)	-	2,945	-	7,549
Ordinary shares on issue (number)	2,249,993	2,249,993	1,210,000	1,210,000
Shares to be issued in consideration for MEL (number)	-	-	527,902	527,902
Shares to be issued in consideration for NVFAL (number)	-	-	1,151,724	1,151,724
Total ordinary shares on issue	2,249,993	2,249,993	2,889,626	2,889,626
Value attributable to ordinary shares (control basis) [AUD]	-	1.31	-	2.61
Discount for minority interest	26%	26%	26%	26%
Value attributed to ordinary shares (minority basis) [AUD]	-	0.97	-	1.93

Source: BDO analysis

The net debt position for NVFAL and the Proposed Merged Entity as at 31 March 2022 is set out in the table below:

[AUD] in thousands	NVFAL	Proposed Merged Entity
Cash and cash equivalents	401	786
Finance lease liabilities	(429)	(2,113)
Borrowings	(9,244)	(20,825)
Net debt	(9,272)	(22,152)

Source: BDO analysis

Surplus assets are assets owned by an entity that are not required to generate the earnings of its business. This could be investments, unused plant and equipment held for resale, or any other asset that is not required to run the operating business. It is necessary to ensure that any income from surplus assets is excluded from the business value.

In the case of both NVFAL and the Proposed Merged Entity, there are investments held in listed and unlisted entities which should be valued separately. We have included these investments in the table below.

[AUD] in thousands	NVFAL	Proposed Merged Entity
Financial assets	1,730	3,055
Investments held using the equity method	555	50,740
Less: 100% ownership of National Vineyard Fund of Australia Limited	-	(36,427)
Less: 100% ownership of Marandoo Estate Limited	-	(12,879)
Total surplus assets	2,285	4,488

Source: BDO analysis

Based on the preceding analysis we have determined the value of NVFAL’s ordinary shares on a control basis to be between nil and \$1.31 per share and nil and \$0.97 on an illiquid minority basis. We have also assessed the value of the Proposed Merged Entity to be between nil and \$2.61 per share on a control basis and nil and \$1.93 on a minority basis.

12.1 Assessment of NVFAL and the Proposed Merged Entity Value

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

[AUD]	NVFAL		Proposed Merged Entity	
	Low	High	Low	High
Net asset basis	16.19	16.19	18.18	18.18
FME methodology	-	1.31	-	2.61
Valuation per share (control basis)	16.19	16.19	18.18	18.18

Source: BDO analysis

We consider the value of NVFAL and the Proposed Merged Entity on a net assets approach to be more appropriate than the FME methodology due to NVFAL and the Proposed Merged Entity having large asset bases which produce low levels of income.

After considering the valuation analysis derived from the net assets approach, we have concluded the value of a NVFAL share to be \$16.19 on a control basis and \$11.99 on a minority basis. We have also concluded the value of a share in the Proposed Merged Entity to be \$18.18 and \$13.47 on a control and minority basis, respectively.

13. Is the Offer fair?

The value of the Offer consideration per share compared to the value of a NVFAL is shown below:

	Ref	Value [AUD]
Value of a NVFAL share prior to the Offer (control basis)	10.2	16.19
Value of the Offer consideration		
Value of Share Offer consideration - MEL takeover unsuccessful	11.5	12.05
Value of Share Offer consideration - MEL takeover successful	11.5	12.12
Value of Cash Offer consideration	4	10.00

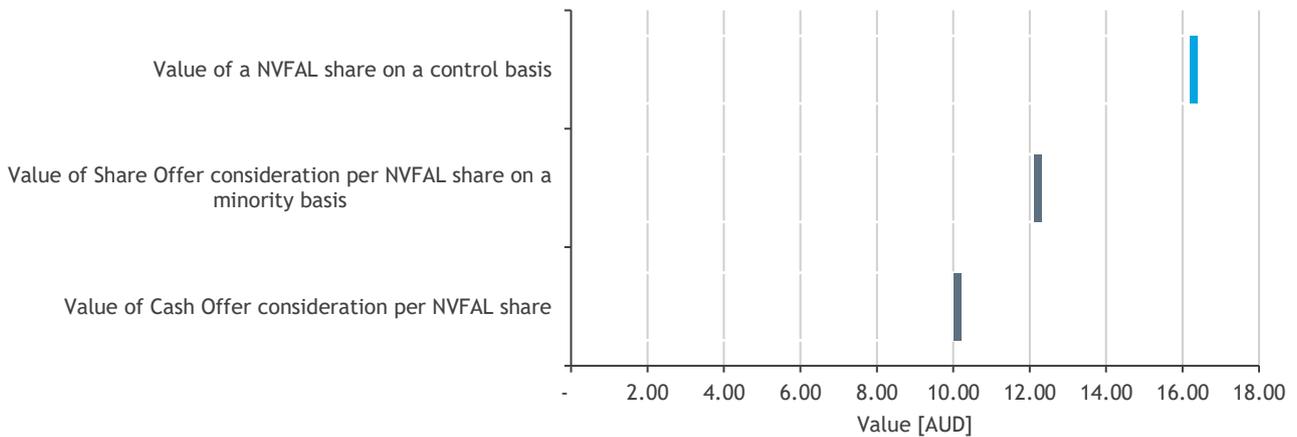
Source: BDO analysis

We note from the table above that the value prior to the Offer on a control basis is higher than the value following the Share Offer consideration offered per share. Therefore, we consider that the Offer is not fair.

We note from the table above that the value prior to the Offer on a control basis is higher than the value following the Cash Offer consideration offered per share. Therefore, we consider that the Offer is not fair.

The above values are graphically presented below.

Valuation Summary



14. Is the Offer reasonable?

14.1 Alternative proposal

We are unaware of any alternative proposal that might offer the Shareholders of MEL a premium over the value ascribed to, or resulting from, the Offer. However, if the Offer is successful and Shareholders accept the Offer it may reduce the likelihood of the Shareholders receiving a control premium in the future through a takeover offer of the Proposed Merged Entity.

14.2 Practical level of control

The Offer is subject to a minimum acceptance level of 80%. If the Offer is successful, and this condition is not waived, FABAL will hold between 80% and 100% of the issued capital of NVFAL.

NVFAL shareholders will hold a maximum of approximately 48.77% of the issued capital of FABAL (based on 100% acceptance)

If the Offer is successful then FABAL will acquire effective control of NVFAL. This would include the ability to control the assets, the strategic direction of the company, and the decision of when to pay dividends. The directors of the Proposed Merged Entity may not always act in the best interest of NVFAL's other shareholders, subject to compliance with relevant laws and regulations.

14.3 Consequences of not accepting the Offer

The minimum acceptance condition

The Offer is subject to a minimum acceptance condition of 80%. If 90% acceptance is reached, FABAL will be entitled under section 661A of the Corporations Act to compulsorily acquire any NVFAL shares not accepted under the Offer. FABAL has indicated in its Bidder's Statement that it intends to proceed with compulsory acquisition if the minimum acceptance is met.

If compulsory acquisition occurs, NVFAL Shareholders who do not accept the Offer will be paid the Cash Offer consideration of \$10.00, which is lower than the value of the Share Offer consideration determined in our Report.

14.4 Advantages of accepting the Share Offer

We have considered the following advantages when assessing whether the Share Offer is reasonable.

Advantage	Description
Increased diversification of vineyards	NVFAL currently has exposure to seven geographic locations, including the premium regions of Barossa Valley, Margaret River and Clare valley. If the Offer is accepted, the Proposed Merged Entity will also gain exposure to the premium region of McLaren Vale.
Increased diversification of business operations	NVFAL's current business operations include growing grapes, selling grapes and selling bulk wine. The success of its current operations are dependent on appropriate weather conditions. If the Offer is accepted, the Proposed Merged Entity will also gain exposure to: (i) management of over 20 vineyards; (ii) a water distribution business, and ownership of water licences and assets; (iii) the sale of branded wine under the Vineyard Road brand; (iv) the

Advantage	Description
	<p>production and operation of an artisan chocolate business, café and ice creamery in the Barossa Valley and Langhorne Creek, and; (v) the production and operation of a natural skincare business in the Barossa Valley and Langhorne Creek.</p>
<p>Improved access to customers</p>	<p>NVFAL has the ability to secure grape sale contracts as part of a large, diversified pool with a broad customer base.</p> <p>If the Offer is accepted, the Proposed Merged Entity will further benefit from their enhanced ability to secure grape sale contracts.</p>
<p>Increased liquidity of shares</p>	<p>The most recent over the counter transactions of NVFAL have been at \$10.00, representing 64.4% of NAV.</p> <p>The Cash Offer gives NVFAL shareholders an opportunity to dispose of their shares for consideration of \$10.00. NVFAL shareholders who accept the Share Offer may benefit from increased liquidity over-the-counter as a result of there potentially being more shareholders and shares outstanding in the Proposed Merged Entity.</p> <p>The directors of FABAL have also indicated that, subject to future business performance and macro-economic conditions at the relevant time, there is the potential to list shares on a reputable stock exchange.</p>
<p>Reduced reliance on sourcing water from third party licences</p>	<p>NVFAL is dependent on annual leasing of water for between 20-35% of requirements.</p> <p>If the Offer is accepted, the Proposed Merged Entity will own 50% of a water distribution business in Langhorne Creek in addition to owning its water licences and assets.</p>
<p>Increases alignment of Interests</p>	<p>FABAL Operations currently provides services to other managed entities in additional to NVFAL. This can potentially give rise to challenges in prioritising clients and create actual or perceived conflicts of interest. FABAL Group companies and Associates of FABAL currently hold 53.63% of the share capital of MEL.</p> <p>If the Offer is accepted, the pooling of assets in the Proposed Merged Entity will reduce prioritisation challenges and enhance the ability to leverage business operations.</p>
<p>Improved financial position and synergy benefits</p>	<p>If the Offer is accepted, the Proposed Merged Entity will have a stronger financial base to fund upgrades and maintenance of infrastructure assets. In addition, the Proposed Merged Entity will benefit from any synergy benefits achieved through the combined ownership.</p>
<p>Increased dividends</p>	<p>NVFAL has paid five dividends to its shareholders in the last 10 years.</p> <p>The Proposed Merged Entity intends to pay fully franked dividends on a semi-annual basis, subject to the requirements of the Corporations Act.,</p>

Advantage	Description
	business performance and industry conditions. FABAL has a 25-year track record of paying dividends to its shareholders.

Comparing the value of a NVFAL share on a minority basis with the consideration offered reduces the valuation, and results in the Share Offer being fair, if that approach was able to be adopted in our fairness assessment	If we compare the value of a NVFAL share on a minority basis with the value of the Share Offer consideration offered on a minority basis, it would reduce the values prior to the offer as set out below.
	Value [AUD]
	Value of a NVFAL share prior to the Offer (minority basis) 11.99
	Value of the Offer consideration
	Value of Share Offer consideration - MEL takeover unsuccessful 12.05
	Value of Share Offer consideration - MEL takeover successful 12.12

A superior offer has not been received	As at the date of this Report, the Directors advise that a superior proposal to the Offer has not been received by the Company.
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14.5 Disadvantages of accepting the Share Offer

If the Offer is accepted, in our opinion, the potential disadvantages to Shareholders accepting the Share Offer include those listed in the table below:

Disadvantage	Description
The Offer is not fair	As set out in section 13, the Share Offer is not fair.
The Offer is subject to conditions	The Offer is subject to a number of conditions including a minimum acceptance threshold and no material adverse changes (as defined in the Bidder's Statement). As a result, there is a risk that the Offer is accepted but does not complete.
NVFAL does not become a wholly owned subsidiary of FABAL	If at the conclusion of the Offer period, FABAL (together with its associates) have a relevant interest in 80% or more but less than 90% of NVFAL Shares, FABAL will not be entitled to compulsorily acquire the remaining NVFAL shares. In this event, NVFAL will become a controlled entity of the FABAL Group but will not be a wholly owned subsidiary of the FABAL Group, and there will be minority NVFAL shareholders who will remain as investors in NVFAL.
No exposure to any future offers	If the Offer is accepted and proceeds, NVFAL Shareholders will no longer be able to benefit from any superior future offers from FABAL or any other party. Notwithstanding, there is no guarantee that a future offer will be forthcoming.
Increased gearing	If the Offer is accepted, the Proposed Merged Entity would hold a significant level of debt. By comparison, NVFAL has limited debt. The increased level of debt increases the risk faced by equity investors if the value of the business falls.

14.6 Advantages of accepting the Cash Offer

We have considered the following advantages when assessing whether the Cash Offer is reasonable.

Advantage	Description
Certainty of Cash	If you accept the Offer you will receive cash of \$10.00 per NFVAL share which has a fixed value. If you continue to hold NFVAL securities, there is no guarantee of future performance and therefore the movements in the value of the shares may be positive or negative.
Opportunities for Shareholders to reinvest in similar investment opportunities	Shareholders that accept the Offer can reinvest the proceeds in similar investment opportunities.

14.7 Disadvantages of accepting the Cash Offer

If the Offer is accepted, in our opinion, the potential disadvantages to Shareholders accepting the Cash Offer include those listed in the table below:

Disadvantage	Description
The Offer is not fair	As set out in section 13, the Cash Offer is not fair.
No exposure to potential upside of NFVAL	Shareholders who accept the Offer will no longer own shares and therefore will not benefit from any potential future profits and capital growth.
Taxation implications	There may be tax consequences arising from accepting the Offer (or selling your securities on the ASX). NFVAL Shareholders should consult with their own independent taxation advisers regarding the taxation implications of accepting the Offer given their own particular circumstances.
The offer is subject to conditions	The Offer is subject to a number of conditions including a minimum acceptance threshold and no material adverse changes (as defined in the Bidder's Statement). As a result, there is a risk that the Offer is accepted but does not complete.
No exposure to any future offers	If the Offer is accepted and proceeds, NFVAL Shareholders will no longer be able to benefit from any superior future offers from FABAL or any other party. Notwithstanding, there is no guarantee that a future offer will be forthcoming.
No exposure to any potential future value of NFVAL	If the Offer is accepted and proceeds, Shareholders who receive cash consideration will not hold any shares in the Proposed Merged Entity. Accordingly, Shareholders will have no exposure to any potential upside in the value of the Proposed Merged Entity going forward.



15. Conclusion

We have considered the terms of the Offer as outlined in the body of this report and have concluded that the Share Offer is not fair but reasonable to the Shareholders of NVFAL.

We have considered the terms of the Offer as outlined in the body of this report and have concluded that the Cash Offer is not fair but reasonable to the Shareholders of NVFAL.

16. Sources of information

This report has been based on the following information:

- Bidder's Statement on or about the date of this report;
- Unaudited management accounts of NVFAL for the half-year ended 31 December 2021;
- Unaudited management accounts of NVFAL for the nine months ended 31 March 2022;
- Audited financial report of NVFAL for the years ended 30 June 2021, 30 June 2020, and 30 June 2019;
- Audited financial statements of FABAL for the half-year ended 31 December 2021;
- Reviewed financial report of FABAL for the year ended 30 June 2021;
- Unaudited financial report of FABAL for the years ended 30 June 2020 and 30 June 2019;
- Unaudited management accounts of FABAL for the nine months ended 31 March 2022;
- Unaudited management accounts of MEL for the half-year ended 31 December 2021;
- Unaudited management accounts of MEL for the nine months ended 31 March 2022;
- Audited financial report of MEL for the years ended 30 June 2021, 30 June 2020, and 30 June 2019;
- Audited financial report of Belvidere Unit Trust for the years ended 30 June 2021, 30 June 2020, and 30 June 2019;
- Audited financial report of Project Wines Pty Ltd for the years ended 30 June 2021, 30 June 2020, and 30 June 2019;
- Audited financial report of BBV Equipment Co. Pty Ltd for the years ended 30 June 2021 and 30 June 2020;
- Audited financial report of Chocolate Ventures Australia Pty Ltd for the years ended 30 June 2021, 30 June 2020 and 30 June 2019;
- Audited financial report of Marathon Water Pty Ltd for the years ended 30 June 2021, 30 June 2020 and 30 June 2019;
- Independent Valuation Report of MEL's vineyards dated March 2022 performed by Knight Frank;
- Independent Valuation Report of NVFAL's vineyards dated March 2022 performed by Knight Frank;
- Independent Valuation Report of FABAL's vineyards dated March 2022 performed by Knight Frank;
- Confidential grape sale and purchase agreements;
- Equipment finance lease agreements;
- ASIC Company Extract for National Vineyard Fund of Australia Limited dated 12 November 2021;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of NVFAL.

17. Independence

BDO Corporate Finance (SA) Pty Ltd is entitled to receive a fee of approximately \$25,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (SA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

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

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

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

The provision of our services is not considered a threat to our independence as auditors under Professional Statement APES 110 - Professional Independence. The services provided have no material impact on the financial report of NVFAL.

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

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18. Qualifications

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

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

The person specifically involved in preparing and reviewing this report is David Fechner of BDO Corporate Finance (SA) Pty Ltd. David has significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and was supported by other BDO staff.

David Fechner is a member of Chartered Accountants Australia and New Zealand and a Fellow of the Tax Institute of Australia. He has over thirty five years' experience working in professional accounting services being employed in many areas of accounting including tax, business services, corporate advisory, and forensic accounting services. David Fechner specialises in Business and Corporate Advisory services undertaking valuations of businesses for purposes of compliance (CGT, stamp duty, probate, finance,

etc.), mergers & acquisitions (business acquisitions, sales, mergers, partnership admissions/retirements, etc.) and expert reports (litigation support, IPO's, etc.). He has prepared over his tenure in excess of 150 valuation and expert reports. David Fechner is a member of ASIC's Professional Liaison Group and subscribes to the Forensic Accounting and Business Valuation Specialist Interest Group of Chartered Accountants Australia and New Zealand.

19. Disclaimers and consents

This report has been prepared at the request of NVFAL for inclusion in the Target's Statement which will be sent to all NVFAL Shareholders. NVFAL engaged BDO Corporate Finance (SA) Pty Ltd to prepare an independent expert's report to express an opinion as to whether or not the Proposed Transaction is fair and reasonable to the non-associated shareholders of NVFAL.

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

BDO Corporate Finance (SA) Pty Ltd takes no responsibility for the contents of the Target's Statement other than this report.

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

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

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

BDO Corporate Finance (SA) Pty Ltd has also considered and relied upon independent valuations for the vineyards held by NVFAL, MEL and FABAL.

The valuer engaged for the valuation of the vineyards, Knight Frank, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

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



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

Yours faithfully

BDO Corporate Finance (SA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'D. Fechner', with a large, sweeping flourish above the name.

David Fechner
Director

APPENDIX 1 - GLOSSARY OF TERMS

Reference	Definition
The Act	The Corporations Act 2001 Cth
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUD	Australian dollar
BDO	BDO Corporate Finance (SA) Pty Ltd
Cash Offer	FABAL proposes to merge with NVFAL via an off-market takeover for 100% of the fully paid ordinary shares in NVFAL that it does not already own, offering \$10.00 per NVFAL share
The Company	National Vineyard Fund of Australia Limited
Corporations Act	The Corporations Act 2001 Cth
COVID-19	Coronavirus disease 2019
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FABAL	Food and Beverage Australia Limited
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
MEL	Marandoo Estate Limited
NAV	Net Asset Value
NVFAL	National Vineyard Fund of Australia Limited
The Offer	FABAL proposes to merge with NVFAL via an off-market takeover for 100% of the fully paid ordinary shares in NVFAL that it does not already own, offering 9 new FABAL shares for every 10 NVFAL shares (Share Offer) or \$10.00 per NVFAL share (Cash Offer)
The Proposed Merged Entity	National Vineyard Fund of Australia Limited and Food and Beverage Australia Limited and Marandoo Estate Limited, assuming full acceptance of the Offers
QMP	Quoted market price
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)

Reference	Definition
Our Report	This Independent Expert's Report prepared by BDO
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Section 640	Section 640 of the Corporations Act
Share Offer	FABAL proposes to merge with NVFAL via an off-market takeover for 100% of the fully paid ordinary shares in NVFAL that it does not already own, offering 9 new FABAL shares for every 10 NVFAL shares
Shareholders	Shareholders of NVFAL other than FABAL and associates
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital

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The Directors
 BDO Corporate Finance (SA) Pty Ltd
 Level 7, BDO Centre
 420 King William St
 Adelaide SA 5000

APPENDIX 2 - VALUATION METHODOLOGIES

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

1 *Net asset value ('NAV')*

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

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

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

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

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

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

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

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

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

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

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

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

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

4 Discounted future cash flows ('DCF')

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

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

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

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

5 Market Based Assessment

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

APPENDIX 3 - COMPARABLE LISTED COMPANY ANALYSIS

Company name	Business description
Australian Agricultural Projects Ltd (ASX:AAP)	Australian Agricultural Projects Ltd operates and manages olive groves in Boort, Victoria. It produces and sells extra virgin olive oil.
Australian Vintage Ltd (ASX:AVG)	Australian Vintage Ltd, together with its subsidiaries, produces, packages, markets, and distributes wine in Australia, the United Kingdom, Europe, Asia, North America, and internationally. It also owns, operates, manages, and maintains vineyards; and provides packaged and bulk wines and grapes, as well as offers concentrate and winery processing services.
Cobram Estate Olives Limited (ASX:CBO)	Cobram Estate Olives Limited farms, produces, markets, and sells extra virgin olive oil. It also operates an olive tree nursery that wholesales and supplies olive trees; and engages in the planting, growing, and cultivating of olive trees to produce olive products.
Costa Group Holdings Limited (ASX:CGC)	Costa Group Holdings Limited produces, packs, and markets fruits and vegetables to food retailers. It operates through three segments: Produce, Costa Farms & Logistics, and International. The company offers mushrooms, raspberries, strawberries, blackberries, tomatoes, citrus, avocados, bananas, grapes, and other fruits. It also provides chilled logistics warehousing and services, as well as wholesale and marketing services. In addition, the company engages in licensing blueberry varieties in Australia, the Americas, China, Africa, and internationally; and berry farming activities in Morocco and China. As of June 23, 2021, it had approximately 5,000 planted hectares of farmland, 30 hectares of glasshouse facilities, and 3 mushroom growing facilities in Australia. The company also exports its products. Costa Group Holdings Limited was founded in 1888 and is based in Ravenhall, Australia.
GrainCorp Limited (ASX:GNC)	GrainCorp Limited operates as an agribusiness and processing company in Australasia, Asia, North America, Europe, the Middle East, North Africa, and internationally. It operates through two segments, Agribusiness and Processing. The company handles, markets, and trades in wheat, barley, sorghum, corn, oilseeds, pulses, organics, canola, and specialty commodities; handles, processes, stores, and transports grains and oilseeds; refines, bleaches, deodorizes, and blends edible fats and oil products; and crushes, processes, manufactures, and distributes edible oils.
Select Harvests Limited (ASX:SHV)	Select Harvests Limited engages in the processing, packaging, marketing, and distribution of edible nuts, dried fruits, seeds, muesli, and various natural health foods in Australia. It grows, processes, and sells almonds to the food industry from company owned and leased almond orchards, as well as holds a portfolio of approximately 9,262 hectares of almond orchards located in Victoria, NSW, and SA.
Treasury Wine Estates Limited (ASX:TWE)	Treasury Wine Estates Limited engages in viticulture and winemaking, marketing and distribution of wine across ANZ, AEMEA, and the Americas. The company's wine portfolio includes luxury, premium and commercial wine brands. The company owns and leases over 12,000 planted hectares of vineyards in ANZ, USA, Italy and France.



APPENDIX 4 - INDEPENDENT VALUATION REPORTS PREPARED BY KNIGHT FRANK

The complete Independent Valuation Reports prepared by Knight Frank can be accessed either in the Corporate Governance section of the FABAL website at fabal.com.au or in the Corporate Governance section of the NVFAL website at nvfal.com.au.