

Blackwell Global Holdings Limited

Appraisal Report

In Respect of the Proposed Capitalisation of \$500,000 of Bonds Issued to Blackwell Global Group Limited

September 2021

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1. Introduction

1.1 Background

Blackwell Global Holdings Limited (**BGI** or the **Company**) is a New Zealand incorporated financial services company. The Company was previously called New Zealand Finance Holdings Limited and NZF Group Limited.

On 18 January 2021, BGI announced that it had decided to wind down its finance company operation and explore alternative business opportunities via a potential reverse takeover transaction.

BGI's shares are listed on the main equities securities market (the **NZX Main Board**) operated by NZX Limited (**NZX**) with a market capitalisation of approximately \$2.5 million as at 10 September 2021. Its audited total equity as at 31 March 2021 was approximately \$0.2 million.

A profile of BGI is set out in section 3.

1.2 Bond Capitalisation

On 4 July 2017, BGI and Blackwell Global Group Limited (**BGGL**) entered into a Secured Bonds Subscription Agreement and a Convertible Note Subscription Agreement (the **Agreements**) under which BGI agreed to issue to BGGL (and BGGL agreed to subscribe for) bonds having an aggregate principal amount of \$6.0 million (the **BGGL Bonds**).

There are currently \$2.5 million of BGGL Bonds that remain outstanding.

BGI announced on 23 June 2021 that its independent directors had agreed with BGGL that:

- BGGL will, subject to shareholder approval, capitalise \$0.5 million of the BGGL Bonds into 71,428,571 new ordinary shares in BGI at an issue price of \$0.007 per share (the **Bond Capitalisation**) and
- BGI will redeem \$1.0 million of the BGGL Bonds for cash and shall pay that sum to BGGL (the **Bond Redemption**). The Bond Redemption was completed on 13 August 2021.

Following the completion of the Bond Capitalisation and the Bond Redemption, there will be \$1.0 million of BGGL Bonds outstanding, which will be repaid by BGI in accordance with their terms.

1.3 Blackwell Global Group Limited

BGGL is the Company's largest shareholder, holding 311,501,199 ordinary shares. This represents 62.01% of the Company's total shares on issue.

BGGL is a company incorporated and registered under the laws of the Cayman Islands. Its registered office is at Grand Cayman, Cayman Islands.

We are advised that BGGL is a holding investment company that owns several financial services subsidiaries that engage in the business of issuing derivatives.

Blackwell Global Investments Limited is a registered New Zealand Financial Service Provider (FSP 3061) that offers an online trading platform (BGGL Trader), investment products and research services to a group of private high-net-worth individuals. It is also licensed and regulated by the Cyprus Securities and Exchange Commission (Licence No 159/11).

BGGL is ultimately controlled by Kaw Sing (Michael) Chai, who is BGI's second largest shareholder and a non-executive director of the Company. Mr Chai holds 55,871,667 ordinary shares in BGI, representing 11.12% of the Company's total shares on issue.

We understand that Mr Chai is the founder and chief executive officer of BGGL and has more than a decade of foreign exchange and derivatives trading experience.

We refer to BGGL and Mr Chai as the **BGGL Associates**. Collectively, the BGGL Associates hold 367,372,866 ordinary shares, representing 73.13% of the Company's shares on issue.

1.4 Shareholding Levels Post the Bond Capitalisation

The Company's shareholders not associated with BGGL (the **Non-associated Shareholders**) currently collectively hold 134,957,622 ordinary shares, representing 26.87% of the Company's shares on issue.

If the Bond Capitalisation is approved by the Non-associated Shareholders, BGI will have 573,759,059 ordinary shares on issue following the Bond Capitalisation:

- the Non-associated Shareholders will collectively hold 23.52% of the shares on issue
- BGGL's control of voting rights in BGI will increase from 62.01% to 66.74% and the BGGL Associates' control of voting rights will increase from 73.13% to 76.48%.

BGI Shareholding Post the Bond Capitalisation					
	Current		Bond Capitalisation	Post Bond Capitalisation	
	No. of Shares	%	No. of Shares	No. of Shares	%
BGGL	311,501,199	62.01%	71,428,571	382,929,770	66.74%
Mr Chai	55,871,667	11.12%	-	55,871,667	9.74%
BGGL Associates	367,372,866	73.13%	71,428,571	438,801,437	76.48%
Non-associated Shareholders	134,957,622	26.87%	-	134,957,622	23.52%
Total	502,330,488	100.00%	71,428,571	573,759,059	100.00%

1.5 Annual Meeting

BGI is holding its annual meeting of shareholders on 28 September 2021, where the Company will seek shareholder approval of an ordinary resolution in respect of the Bond Capitalisation (resolution 3 - the **Bond Capitalisation Resolution**).

An ordinary resolution is passed by a simple majority of the votes cast.

BGGL and its Associated Persons (as defined in the NZX Listing Rules (the **Listing Rules**)) are not permitted to vote on the Bond Capitalisation Resolution.

Mr Chai is an Associated Person of BGGL and therefore is not permitted to vote on the Bond Capitalisation Resolution.

The Company's shareholders will also vote at the annual meeting on ordinary resolutions in respect of:

- the re-election of Say Chan (James) Law as a director (resolution 1)
- the remuneration of the Company's auditors (resolution 2).

1.6 Summary of Opinion

Our evaluation of the fairness of the Bond Capitalisation as required under the Listing Rules is set out in section 2.

In our opinion, after having regard to all relevant factors, the terms and conditions of the Bond Capitalisation are fair to the Non-associated Shareholders.

1.7 Regulatory Requirements

NZX Listing Rules

Listing Rule 5.2.1 stipulates that an Issuer must not enter into a Material Transaction if a Related Party is a party to the Material Transaction or to one of a related series of transactions of which the Material Transaction forms part unless the Material Transaction is approved by way of an ordinary resolution from shareholders not associated with the Related Party.

The Bond Capitalisation is a Material Transaction as it has an aggregate value in excess of 10% of the Average Market Capitalisation of BGI.

BGGL is a Related Party of the Company as it holds 62.01% of the Company's shares.

Listing Rule 7.8.8 (b) requires an Appraisal Report to be prepared where a meeting will consider a resolution required by Listing Rule 5.2.1.

Listing Rule 4.1.1 stipulates that an Issuer must only issue Equity Securities with approval by ordinary resolution in accordance with Listing Rule 4.2.1.

BGGL is an Associated Person of Mr Chai.

Listing Rule 7.8.5 (b) requires an Appraisal Report to be prepared where a meeting will consider a resolution in respect of the issue of Financial Products (ie the Bond Capitalisation) as required by Listing Rule 7.8.4 and more than 50% of the Financial Products to be issued are intended or likely to be acquired by Directors or Associated Persons of Directors (ie Mr Chai).

Takeovers Code

BGGL is permitted to increase its control of voting rights in BGI by 4.73% from 62.01% to 66.74% without the need for shareholder approval under the Takeovers Code (the **Code**) by utilising the *creep provisions* under Rule 7(e) of the Code. The *creep provisions* enable entities that hold more than 50% and less than 90% of the voting securities in a code company to buy up to a further 5% of the code company's shares per annum without the need for shareholder approval.

1.8 Purpose of the Report

The Company's directors not associated with BGGL, being Craig Alexander, Sean Joyce and San Chan (James) Law (the **Non-associated Directors**) have engaged Simmons Corporate Finance to prepare an Appraisal Report on the fairness of the Bond Capitalisation in accordance with the Listing Rules.

Simmons Corporate Finance was approved by NZX Regulation Limited (**NZ RegCo**) on 30 June 2021 to prepare the Appraisal Report.

Simmons Corporate Finance issues this Appraisal Report to the Non-associated Directors for the benefit of the Non-associated Shareholders to assist them in forming their own opinion on whether to vote for or against the Bond Capitalisation Resolution.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the fairness of the Bond Capitalisation in relation to each shareholder. This report on the fairness of the Bond Capitalisation is therefore necessarily general in nature.

The Appraisal Report is not to be used for any other purpose without our prior written consent.

2. Evaluation of the Fairness of the Bond Capitalisation

2.1 Basis of Evaluation

Listing Rule 7.10.2 requires an Appraisal Report to consider whether the terms and conditions of the Bond Capitalisation are *fair* to the Company's shareholders.

There is no legal definition of the term *fair* in either the Listing Rules or in any statute dealing with securities or commercial law in New Zealand.

In our opinion, the Bond Capitalisation will be fair to the Non-associated Shareholders if:

- they are likely to be at least no worse off if the Bond Capitalisation proceeds than if it does not. In other words, we consider that the Bond Capitalisation will be fair if there is no value transfer from the Non-associated Shareholders to the BGGL Associates, and
- the terms and conditions of the Bond Capitalisation are in line with market terms and conditions.

We have evaluated the fairness of the Bond Capitalisation by reference to:

- the rationale for the Bond Capitalisation
- the fairness of the terms of the Bond Capitalisation
- the impact of the Bond Capitalisation on BGI's financial position
- the impact of the Bond Capitalisation on the control of BGI
- the dilutionary impact of the Bond Capitalisation
- the impact of the Bond Capitalisation on BGI's share price
- the benefits and disadvantages to the Non-associated Shareholders of the Bond Capitalisation
- the benefits and disadvantages to BGGL of the Bond Capitalisation
- the implications if the Bond Capitalisation Resolution is not approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

2.2 Evaluation of the Fairness of the Bond Capitalisation

In our opinion, after having regard to all relevant factors, the terms and conditions of the Bond Capitalisation are fair to the Non-associated Shareholders.

The basis for our opinion is set out in detail in sections 2.3 to 2.13.

In summary, the key factors leading to our opinion are:

- the rationale for the Bond Capitalisation is sound. It will convert \$0.5 million of debt into equity, strengthening the Company's financial position
- the terms of the Bond Capitalisation are fair. The issue price of \$0.007 per share under the Bond Capitalisation (the **Bond Capitalisation Issue Price**) is fair to the Non-associated Shareholders as it approximates BGI's recent volume weighted average share price (**VWAP**) up to the announcement of the Bond Capitalisation and therefore will not be value dilutionary to the Non-associated Shareholders
- the Bond Capitalisation will have a positive impact on the Company's financial position, converting \$0.5 million of debt into equity and increasing BGI's net assets per share
- the Bond Capitalisation will not increase the BGGL Associates' level of control over the Company to any significant degree
- the dilutionary impact of the Bond Capitalisation on the Non-associated Shareholders will result in their proportionate shareholdings in the Company reducing by 12.4%
- the Bond Capitalisation is unlikely to have any significant impact on BGI's share price as the Bond Capitalisation Issue Price is in line with the Company's current share price
- the Bond Capitalisation will have no impact on the liquidity of BGI's shares as the number of shares held by the Non-associated Shareholders will not change
- the Bond Capitalisation will not change the risk profile of BGI
- the attraction of BGI as a takeover target is unlikely to change
- the implication of the Bond Capitalisation Resolution not being approved by the Non-associated Shareholders is that the Bond Capitalisation will not proceed and therefore the Company will need to repay the \$0.5 million of BGGL Bonds when they mature, thus depleting the Company's cash reserves.

2.3 Rationale for the Bond Capitalisation

Reverse Takeover Transaction

BGI announced on 18 January 2021 that the Company's board of directors (the **Board**) decided to wind down the Company's finance company operations given that it was unable to raise sufficient funding to grow and develop a meaningful finance company operation.

The Board has implemented a number of strategies to reduce the outgoings of the Company, including the disestablishment of the roles of chief executive officer and chief operating officer. Both executives left the employment of the Company in February 2021.

The Board is actively looking to identify a suitable business opportunity to invest in and / or acquire through a reverse takeover transaction. We are advised by the Board that it has held discussions with several potential acquisition targets, but none of those discussions have developed into a tangible transaction to date.

In conjunction with the reverse takeover transaction, the Company would seek to raise additional growth capital to assist in funding the future growth of the business.

The Board is focusing on business opportunities that satisfy one or more of the following investment criteria:

- the business has excellent personnel and management
- the business operates in an attractive and positive business sector
- the business has a robust business model
- the business has solid historical earnings or alternatively has a sound business platform from which to implement its business plan and generate strong earnings in the future
- the business owns proprietary intellectual property
- the business has potential to grow organically, via acquisition or through the further investment in capital plant
- the business has the potential to scale internally
- the business would benefit from being able to raise additional capital on the market
- the business is likely to generate superior returns for the Company and its existing shareholders.

Bond Capitalisation and Bond Redemption

As part of the reverse takeover transaction process, the Board wishes to strengthen BGI's financial position and capital structure via the Bond Capitalisation and the Bond Redemption.

The Non-associated Directors consider that the Bond Capitalisation will improve BGI's financial position by converting \$0.5 million of debt into equity, alleviating the obligation to repay \$0.5 million of BGGL Bonds when they mature in 2022. The conversion will be at the Bond Capitalisation Issue Price of \$0.007 per share, thereby improving the Company's net assets per share.

Conclusion

In our opinion, the rationale for the Bond Capitalisation is sound. It will convert \$0.5 million of debt into equity, preserving the Company's cash reserves and strengthening BGI's financial position.

2.4 Terms of the Bond Capitalisation

Bond Capitalisation Issue Price

The Bond Capitalisation involves the allotment of 71,428,571 new ordinary fully paid shares to BGGL at the Bond Capitalisation Issue Price of \$0.007 per share.

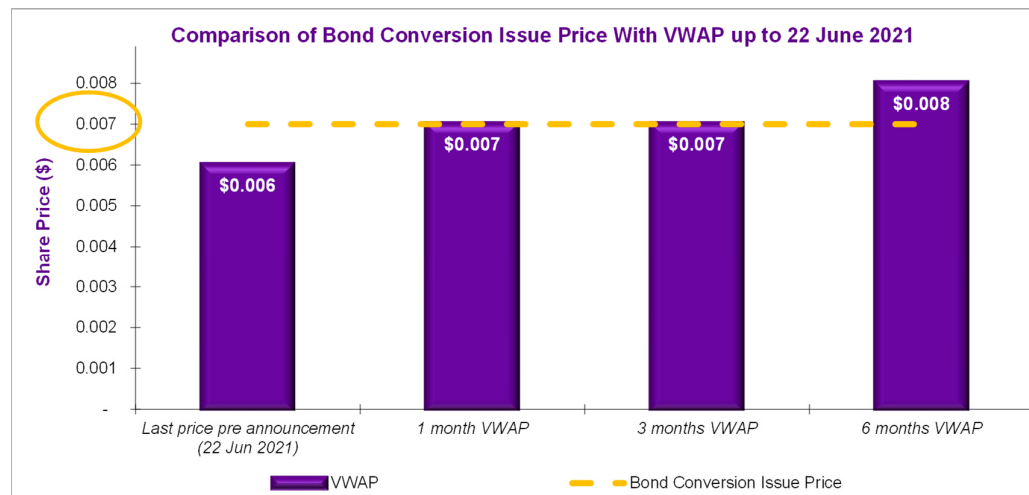
We have assessed the reasonableness of the Bond Capitalisation Issue Price by reference to:

- the prices at which the Company's shares have recently traded on the NZX Main Board prior to the announcement of the Bond Capitalisation
- the prices at which the Company has recently issued shares
- the asset backing of the shares.

Recent Share Trading Prices

A summary of BGI's daily closing share price and monthly volumes of shares traded since 3 January 2020 is set out in section 3.8.

The Bond Capitalisation Issue Price of \$0.007 per share is broadly in line with the recent trading prices for BGI's shares over the past 6 months up to the announcement of the Bond Capitalisation on 23 June 2021.



Source: NZX Company Research

The Bond Capitalisation Issue Price per share represents:

- a 17% premium to the Company's share price immediately prior to the announcement of the Bond Capitalisation on 23 June 2021 of \$0.006
- the same price as the one month VWAP up to 22 June 2021 of \$0.007
- the same price as the 3 months VWAP up to 22 June 2021 of \$0.007
- a discount of 13% to the 6 months VWAP up to 22 June 2021 of \$0.008.

Recent Share Issues

An analysis of BGI's recent significant equity raisings is set out below.

BGI Recent Share Issues				
Date	Type of Issue	No. of Shares	Issue Price (\$)	Equity Raised (\$000)
7 Jul 2017	Private placement	313,872,866	\$0.008	2,511
28 Jan 2020	Conversion of convertible notes	62,500,000	\$0.008	500

The 2 most recent share issues were one and a half and 4 years ago respectively. They were both at \$0.008 per share, which is marginally higher than the Bond Capitalisation Issue Price. The issue prices were in line with the prevailing share trading prices at the respective dates of the share issues.

Net Assets per Share

BGI's total equity amounted to \$190,764 as at 31 March 2021, equating to net assets of \$0.0004 per share.

Conclusion

We consider the recent market prices to be the best basis for assessing the reasonableness of the Bond Capitalisation Issue Price. Accordingly, we are of the view that the issue price of \$0.007 per share is fair to the Non-associated Shareholders as it is broadly in line with BGI's VWAP measured between one month and 6 months.

2.5 Impact on Financial Position

A summary of BGI's recent financial position is set out in section 3.6.

For illustrative purposes, the table below shows BGI's financial position assuming the Bond Capitalisation occurred on 31 March 2021.

Illustrative Financial Impact of the Bond Capitalisation			
	As at 31 Mar 21 \$000	Bond Capitalisation \$000	Post Bond Capitalisation \$000
Current assets	2,639	-	2,639
Non current assets	81	-	81
Total assets	2,720	-	2,720
Current liabilities	(205)	-	(205)
Non current liabilities	(2,324)	500	(1,824)
Total liabilities	(2,529)	500	(2,029)
Total equity	191	500	691
No. of shares (000)	502,330	71,429	573,759
Net assets per share	\$0.0004	\$0.0070	\$0.0012

Source: BGI 2021 annual report

The illustrative financial position shows that following the Bond Capitalisation, BGI's total equity would increase by \$0.5 million from approximately \$0.2 million to approximately \$0.7 million and the Company's borrowings would reduce by \$0.5 million.

Net assets per share would increase by 217% from \$0.0004 to \$0.0012 per share (due to the Bond Capitalisation Issue Price being \$0.007 per share).

2.6 Impact on Control

Share Capital and Shareholders

BGI currently has 502,330,488 fully paid ordinary shares on issue held by 471 Non-associated Shareholders. The names, number of shares and percentage holding of the Company's 10 largest shareholders as at 3 September 2021 are set out in section 3.4.

Shareholding Levels Post the Bond Capitalisation

If the Bond Capitalisation is approved, BGI will have 573,759,059 ordinary shares on issue.

BGI Shareholding Post the Bond Capitalisation					
	Current		Bond Capitalisation	Post Bond Capitalisation	
	No. of Shares	%	No. of Shares	No. of Shares	%
BGGL	311,501,199	62.01%	71,428,571	382,929,770	66.74%
Mr Chai	55,871,667	11.12%	-	55,871,667	9.74%
BGGL Associates	367,372,866	73.13%	71,428,571	438,801,437	76.48%
Non-associated Shareholders	134,957,622	26.87%	-	134,957,622	23.52%
Total	502,330,488	100.00%	71,428,571	573,759,059	100.00%

Shareholding Voting

The Bond Capitalisation will result in BGGL increasing its shareholding level by 4.73% from 62.01% to 66.74% and the BGGL Associates' increasing their control of voting rights from 73.13% to 76.48%.

The BGGL Associates will be able to collectively determine the outcome of any special resolutions (which require the approval of 75% of the votes cast by shareholders) and the outcome of any ordinary resolutions (which require the approval of more than 50% of the votes cast by shareholders), subject always to applicable voting restrictions under the Listing Rules and the Companies Act 1993 (the **Co's Act**).

The BGGL Associates are most likely able to currently singlehandedly determine the outcome of any special resolutions and ordinary resolution with their 73.13% collective shareholding. This is because a number of shareholders in listed companies tend not to vote on resolutions and hence the relative weight of each shareholding increases.

Accordingly, we are of the view that the Bond Capitalisation will not increase the BGGL Associates' ability to influence the outcome of shareholding voting to any significant degree.

Board of Directors

As set out in section 3.3, the Company currently has 5 directors, of whom 2 (Mr Chai and his alternate Mr Chua) are deemed to be associates of BGGL.

We are advised by the Non-associated Directors that the Bond Capitalisation will not change the composition of the Board.

Operations

We are advised by the Non-associated Directors that the BGGL Associates' influence over BGI's operations is predominantly through their Board representation and that the Bond Capitalisation will not change the BGGL Associates' level of influence over the Company's operations.

Protection for Minority Shareholders

While the BGGL Associates will have a degree of control over BGI, they cannot act in an oppressive manner against minority shareholders. The Co's Act, the Listing Rules and the Code provide a level of protection to minority shareholders. Furthermore, any transactions between BGI and any shareholder holding 10% or more of the Company's shares will need to satisfy the requirements of the Listing Rules with respect to transactions with related parties.

2.7 Dilutionary Impact

The Bond Capitalisation will result in the Non-associated Shareholders' shareholdings in the Company being diluted by 12.4%.

While the dilutionary impact is relatively significant, we are of the view that the Non-associated Shareholders' main focus should be on whether there is any dilutionary impact on the value of their respective shareholdings rather than on their level of voting rights. As stated in section 2.4, we are of the view that the terms of the Bond Capitalisation are fair to the Non-associated Shareholders from a financial point of view and therefore do not dilute the value of their respective shareholdings.

2.8 Impact on Share Price and Liquidity

Share Price

A summary of BGI's daily closing share price and daily volume of shares traded from 3 January 2020 to 10 September 2021 is set out in section 3.8.

The Bond Capitalisation Issue Price is \$0.007 per share. This price represents:

- a 17% premium to the Company's share price immediately prior to the announcement of the Bond Capitalisation on 23 June 2021 of \$0.007
- the same price as one month VWAP up to 22 June 2021 of \$0.007
- the same price as the 3 months VWAP up to 22 June 2021 of \$0.007.

Since the announcement of the Bond Capitalisation, the Company's shares have traded between \$0.005 and \$0.006 at a VWAP of \$0.006 up to 10 September 2021.

In our view, the Bond Capitalisation is unlikely to have any significant impact on the Company's share price as the Bond Capitalisation Issue Price is at, or close to, the prevailing market price.

Liquidity

The analysis in section 3.8 shows that BGI's shares are relatively thinly traded on the NZX Main Board. 11.2% of the Company's shares were traded in the year up to 10 September 2021.

The Bond Capitalisation will not improve the liquidity of the Company's shares as the number of shares held by the Non-associated Shareholders will not change.

2.9 Main Advantage to the Non-associated Shareholders of the Bond Capitalisation

The Bond Capitalisation will convert \$0.5 million of debt to equity, preserving the Company's cash reserves and strengthening BGI's financial position.

2.10 Main Disadvantage to the Non-associated Shareholders of the Bond Capitalisation

The main disadvantage to the Non-associated Shareholders of the Bond Capitalisation is that the issue of new ordinary shares under the Bond Capitalisation will dilute their interests in the Company by 12.4%. This will reduce their collective shareholding from 26.87% at present to 23.52%.

In our view, the positive aspects of the conversion of \$0.5 million of debt to equity outweighs the dilutionary impact of the Bond Capitalisation.

2.11 Other Issues for the Non-associated Shareholders to Consider

Benefits to BGI of BGGL as a Cornerstone Shareholder

The Bond Capitalisation will reinforce BGGL's position as an important cornerstone strategic investor in the Company, signalling its commitment to the future prospects of BGI.

No Change in Business Risk

The Bond Capitalisation will have no impact on the business risks faced by the Company.

Likelihood of a Takeover Offer Unlikely to Change

In our view, irrespective of whether the BGGL Associates hold 73.13% or 76.48% of the Company's shares, it is unlikely to change the attraction of BGI as a takeover target to the BGGL Associates or to other parties:

- as stated in section 2.6, the Bond Capitalisation will not change the BGGL Associates' level of control over the Company to any significant degree and therefore the BGGL Associates' inclination to make a takeover offer (or not) is unlikely to change
- any bidder looking to fully or partially take over the Company would need to ensure that the BGGL Associates would accept its offer, irrespective of whether the BGGL Associates held 73.13% or 76.48% of the Company's shares.

Following the Bond Capitalisation, the BGGL Associates will not be able to increase the level of their shareholdings unless they comply with the provisions of the Code and the Listing Rules. They will generally only be able to acquire more shares in the Company if:

- they make a full or partial takeover offer
- the acquisition is approved by way of an ordinary resolution of the Company's shareholders excluding the BGGL Associates
- the Company makes an allotment of shares which is approved by way of an ordinary resolution of the Company's shareholders excluding the BGGL Associates
- the Company undertakes a share buyback that is approved by the Company's shareholders and the BGGL Associates do not accept the offer of the buyback.

BGGL will be able to acquire up to a further 5% of BGI shares per annum utilising the *creep provisions* under Rule 7(e) of the Code, commencing 12 months after the Bond Capitalisation.

2.12 Likelihood of the Bond Capitalisation Resolution Being Approved

The Bond Capitalisation Resolution is an ordinary resolution, passed by a simple majority of the votes cast.

BGGL and Kaw Sing (Michael) Chai are not permitted to vote on the Bond Capitalisation Resolution. Therefore shareholders holding 26.87% of the shares will determine the outcome of the Bond Capitalisation Resolution (assuming they all vote).

The 8 largest Non-associated Shareholders collectively hold 18.86% of the Company's shares. This represents 70.18% of the voting rights that are able to be voted on the Bond Capitalisation Resolution. Accordingly, their votes will determine the outcome of whether the resolution will be approved.

One of the Non-associated Directors is San Chan (James) Law, who holds 3.84% of the Company's shares. This represents 14.29% of the voting rights that are able to be voted on the Bond Capitalisation Resolution.

2.13 Implications if the Bond Capitalisation Resolution is not Approved

If the Bond Capitalisation Resolution is not approved, then the Bond Capitalisation will not proceed. BGI will remain liable to repay the \$0.5 million of BGGL Bonds in 2022 according to the original timeline as contemplated in the Agreements.

BGI had approximately \$2.0 million of cash and cash equivalents as at 31 March 2021. \$1.0 million is earmarked for the Bond Redemption (which was completed on 13 August 2021), leaving the Company with approximately \$1.0 million of cash and cash equivalents. If a further \$0.5 million needs to be applied to repaying the BGGL Bonds that are subject to the Bond Conversion, then the Company may not have sufficient funds to efficiently undertake a reverse takeover transaction without first seeking to raise additional capital from third parties.

2.14 Voting For or Against the Bond Capitalisation Resolution

Voting for or against the Bond Capitalisation Resolution is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Non-associated Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

3. Profile of Blackwell Global Holdings Limited

3.1 Background

The Company was incorporated on 22 January 2004 as New Zealand Finance Holdings Limited. It changed its name to NZF Group Limited on 31 March 2008 and to Blackwell Global Holdings Limited on 7 July 2017.

BGI's shares were listed on the NZX Main Board on 6 October 2004. The Company was the holding company for wholly owned subsidiaries New Zealand Finance Limited (which was established in 1997) and New Zealand Mortgage Finance Limited (**NZMF**) (which was acquired in 2004).

The impact of the financial crisis that occurred in 2007 on the New Zealand capital markets and within the New Zealand finance company sector was catastrophic, leading to the Board deciding in 2010 that the best course of action for the Company was for it to dispose of its principal business assets to realise what proceeds it could from the sale of those assets.

By 1 April 2014, the Company had sold all of its trading subsidiaries and jointly controlled entities.

On 21 May 2015, the Board resolved that the Company be placed into voluntary administration (**VA**). The principal objective of the VA process was to facilitate the distribution of the Company's funds to noteholders in a timely and cost effective manner.

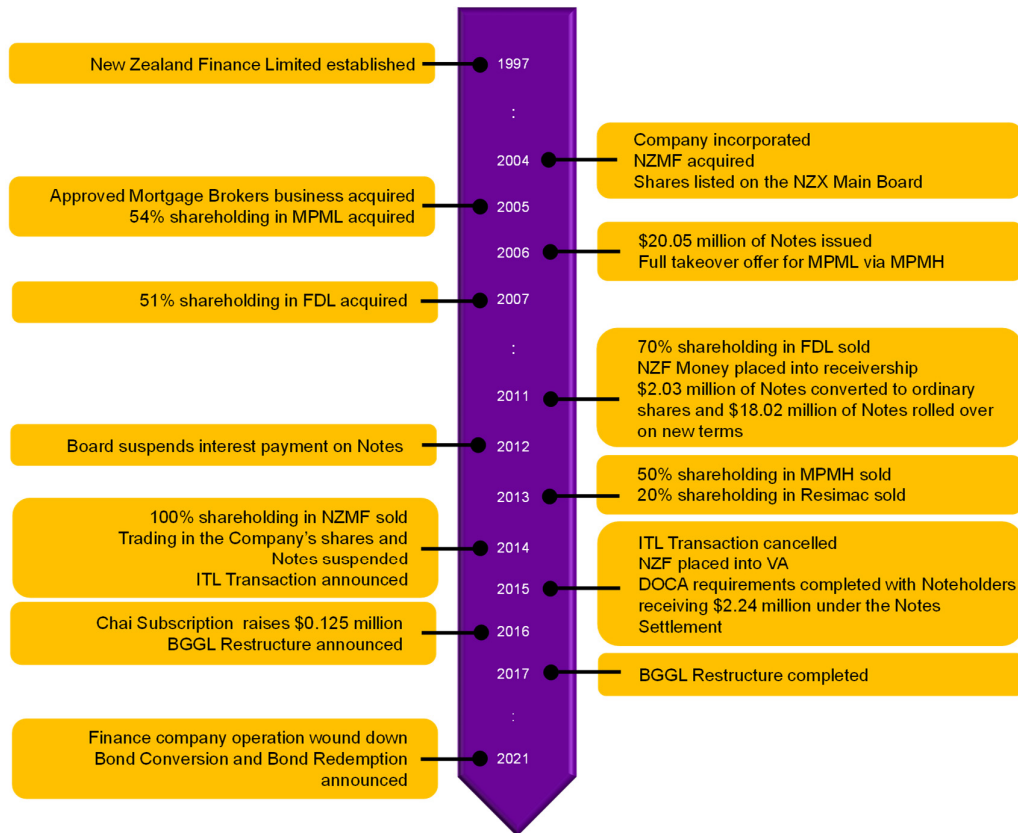
On 15 June 2015, BGI's creditors resolved that the Company execute the Deed of Company Arrangement (the **DOCA**), which resulted in a full and final settlement payment to noteholders on 26 June 2015. The DOCA was terminated on 3 July 2015.

On 15 November 2016, the Company announced it had entered into an implementation deed with BGGL whereby BGI would allot new ordinary shares and issue convertible notes and the BGGL Bonds to BGGL to implement an operational and capital restructure of the Company (the **BGGL Restructure**).

The BGGL Restructure was completed on 7 July 2017 following shareholder approval.

On 18 January 2021, the Board announced that it had decided to wind down the Company's finance company operation and to reduce costs in order to give BGI additional time to explore alternative business opportunities via a potential reverse takeover transaction.

The Company's key events are summarised below.



3.2 Nature of Operations

The Company has operated as a financial services company since the BGGL Restructure in 2017.

On 18 January 2021, the Board announced that it had decided to wind down the Company's finance company operation. The roles of chief executive officer and chief operating officer were disestablished in February 2021.

The Board is now actively looking to identify a suitable business opportunity to invest in and / or acquire through a reverse takeover transaction.

3.3 Directors

The directors of BGI are:

- Craig Alexander, independent non-executive director
- Kaw Sing (Michael) Chai, non-executive director
- Kim Chan (Steve) Chua, alternate non-executive director for Mr Chai
- Sean Joyce, independent non-executive chair
- Say Chan (James) Law, non-executive director.

3.4 Capital Structure and Shareholders

BGI currently has 502,330,488 fully paid ordinary shares on issue held by 471 shareholders.

The names, number of shares and percentage holding of the Company's 10 largest shareholders as at 3 September 2021 are set out below.

10 Largest Shareholders		
BGI Shareholder	No. of Shares	%
BGGL	311,501,199	62.01%
Kaw Sing (Michael) Chai	55,871,667	11.12%
New Zealand Depository Nominee Limited (NZDN)	32,004,046	6.37%
Say Chan (James) Law	19,290,000	3.84%
Pat O'Connor	17,010,002	3.39%
Lynton Campbell, Dennis Graham and Mark Thornton	9,095,514	1.81%
Barbara Brown	7,834,488	1.56%
Annette Early	4,010,000	0.80%
Fiona Lyons, Kim Lyons and K&F Lyons Trustees Limited	3,001,915	0.60%
Minhua Chen	2,562,461	0.51%
Subtotal	462,181,292	92.01%
Others (461 shareholders)	40,149,196	7.99%
Total	502,330,488	100.00%

Source: NZX Company Research

BGI currently has 3 shareholders with shareholdings greater than 5%:

- BGGL (62.01%)
- Mr Chai (11.12%) is associated with BGGL
- NZDN (6.35%) is a central securities depository. NZDN has not filed a substantial product holder notice.

3.5 Financial Performance

A summary of BGI's recent financial performance is set out below.

Summary of BGI Financial Performance				
	Year to 31 Mar 18 (Audited) \$000	Year to 31 Mar 19 (Audited) \$000	Year to 31 Mar 20 (Audited) \$000	Year to 31 Mar 21 (Audited) \$000
Interest and fee income	77	822	436	135
Other income	82	432	157	113
Total income	159	1,254	593	248
Operating expenses	(911)	(1,839)	(1,258)	(1,028)
Loss for the year	(752)	(585)	(665)	(780)

Source: BGI annual reports

The Company's income is sourced from interest income from loan receivables, loan fee income and interest income from term deposits and bank accounts.

Operating expenses consist mainly of directors' fees, employees' expenses, interest expense and administrative expenses.

Interest income from the loan receivables and the employees' expenses have now ceased following the wind down of the Company's finance company operations.

3.6 Financial Position

A summary of BGI's recent financial position is set out below.

Summary of BGI Financial Position				
	As at 31 Mar 18 (Audited) \$000	As at 31 Mar 19 (Audited) \$000	As at 31 Mar 20 (Audited) \$000	As at 31 Mar 21 (Audited) \$000
Cash and cash equivalents	801	1,513	1,806	1,987
Prepayments and other receivables	10	27	16	8
Loan receivables	3,259	5,377	1,549	644
Current assets	4,070	6,917	3,371	2,639
Prepayments and other receivables	75	75	75	75
Property, plant and equipment	2	4	10	6
Non current assets	77	79	85	81
Total assets	4,147	6,996	3,456	2,720
Trade and other payables	(137)	(103)	(83)	(59)
Accruals, provisions and other liabilities	(134)	(104)	(171)	(102)
Borrowings	-	(2,956)	(44)	(44)
Current liabilities	(271)	(3,163)	(298)	(205)
Borrowings (non current)	(2,342)	(2,858)	(2,468)	(2,324)
Total liabilities	(2,613)	(6,021)	(2,766)	(2,529)
Total equity	1,534	975	690	191
Net assets per share	\$0.0035	\$0.0022	\$0.0014	\$0.0004

Source: BGI annual reports

BGI's main assets are cash and cash equivalents and loan receivables:

- the cash and cash equivalents are held with New Zealand trading banks
- the loan receivable of approximately \$0.6 million as at 31 March 2021 consisted of one loan, secured by a first mortgage over residential property. The loan has been repaid subsequent to balance date.

Trade and other payables consist mainly of accrued operating expenses and non-resident withholding tax.

Borrowings of approximately \$2.4 million as at 31 March 2021 represented the BGGL Bonds, stated at their net present value at balance date.

3.7 Cash Flows

A summary of BGI's recent cash flows is set out below.

Summary of BGI Cash Flows				
	Year to 31 Mar 18 (Audited) \$000	Year to 31 Mar 19 (Audited) \$000	Year to 31 Mar 20 (Audited) \$000	Year to 31 Mar 21 (Audited) \$000
Net cash inflow / (outflow) from operating activities	(4,075)	(2,688)	3,208	182
Net cash outflow from investing activities	(3)	-	(11)	(1)
Net cash received from / (used in) financing activities	4,721	3,400	(2,904)	-
Net decrease in cash held	643	712	293	181
Opening cash balance	158	801	1,513	1,806
Closing cash balance	801	1,513	1,806	1,987

Source: BGI annual reports

Financing activities cash flows in the 2018 financial year consisted of:

- \$2.0 million received from the issue of BGGL Bonds
- \$0.5 million received from the issue of convertible notes to BGGL
- \$2.2m received from the issue of 313,872,866 ordinary shares at \$0.008 per share.

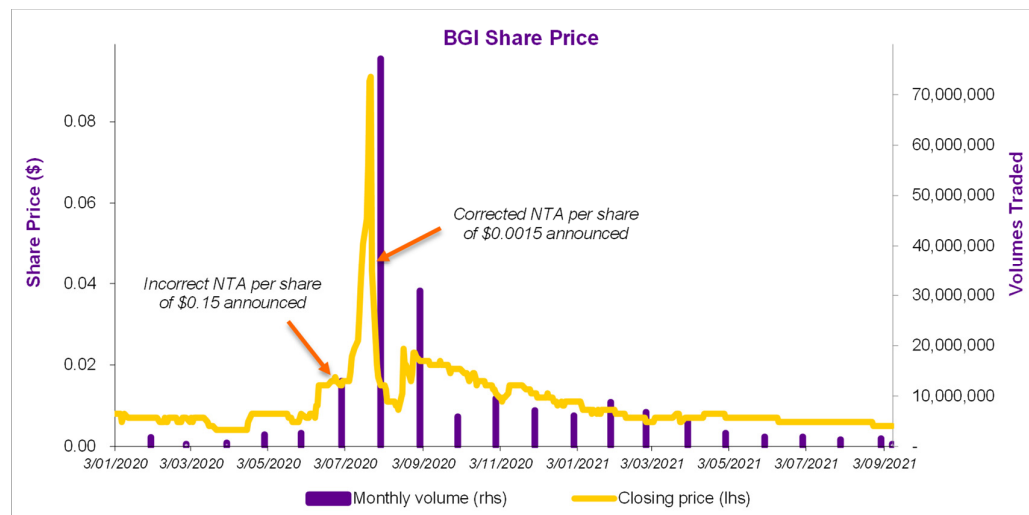
Financing activities cash flows in the 2019 financial year consisted of:

- \$0.5 million received from the issue of BGGL Bonds
- \$2.9 million received from a short term special purpose lending arrangement.

Financing activities cash flows in the 2020 financial year consisted mainly of the repayment of the \$2.9 million short term special purpose lending arrangement.

3.8 Share Price History

Set out below is a summary of BGI's daily closing share price and daily volumes traded from 3 January 2020 to 10 September 2021.



Source: NZX Company Research

During the period, BGI's shares traded between \$0.004 and \$0.091 at a VWAP of \$0.025.

On 25 June 2020, BGI incorrectly stated that its net tangible assets (NTA) per share was \$0.15 when announcing its results for the 2020 financial year. The correct figure was \$0.0015, which was announced to the market on 23 July 2020.

On 22 June 2021, BGI was confidentially advised by NZ RegCo that following its investigation, NZ RegCo concluded that the Company's actions in entering an incorrect figure for its NTA in the NZX results form and market announcement platform were in breach of Listing Rules 3.5.1 and 3.26.1. NZ RegCo has stated to BGI that the matter will be referred to the NZ Markets Disciplinary Tribunal to seek a number of sanctions. The sanctions and estimated costs are detailed on page 35 (note 32) of BGI's 2021 annual report.

Trading in the Company's shares is relatively thin. An analysis of VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) up to 10 September 2021 is set out below.

Share Trading up to 10 September 2021					
Period	Low (\$)	High (\$)	VWAP (\$)	Volume Traded (000)	Liquidity
1 month	0.005	0.006	0.005	1,747	0.3%
3 months	0.005	0.006	0.006	4,475	0.9%
6 months	0.005	0.008	0.007	13,559	2.7%
12 months	0.005	0.021	0.011	56,452	11.2%

Source: NZX Company Research

4. Sources of Information, Reliance on Information, Disclaimer and Indemnity

4.1 Sources of Information

The statements and opinions expressed in this report are based on the following main sources of information:

- the draft notice of annual meeting
- the Agreements
- the BGI annual reports for the years ended 31 March, 2018 and 2021
- data in respect of BGI from NZX Company Research and S&P Capital IQ.

During the course of preparing this report, we have had discussions with and / or received information from the Non-associated Directors and BGI's legal advisers.

The Non-associated Directors has confirmed that we have been provided for the purpose of this Appraisal Report with all information relevant to the Bond Capitalisation that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is needed for the purpose of preparing this Appraisal Report.

In our opinion, the information to be provided by BGI to the Non-associated Shareholders is sufficient to enable the Non-associated Directors and the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the Bond Capitalisation.

4.2 Reliance on Information

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by BGI and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of BGI. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

4.3 Disclaimer

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of BGI will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of BGI and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit, provided that this shall not absolve Simmons Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update this report.

We have had no involvement in the preparation of the notice of annual meeting issued by BGI and have not verified or approved the contents of the notice of annual meeting. We do not accept any responsibility for the contents of the notice of annual meeting except for this report.

4.4 Indemnity

BGI has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. BGI has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Simmons Corporate Finance shall reimburse such costs.

5. Qualifications and Expertise, Independence, Declarations and Consents

5.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), INFINTZ (Cert).

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

5.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with BGI or BGGL or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the Bond Capitalisation.

Simmons Corporate Finance has not had any part in the formulation of the Bond Capitalisation or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the voting in respect of the Bond Capitalisation Resolution. We will receive no other benefit from the preparation of this report.

5.3 Declarations

An advance draft of this report was provided to the Non-associated Directors for its comments as to the factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

5.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the notice of annual meeting to be sent to the Non-associated Shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.



Peter Simmons
Director

Simmons Corporate Finance Limited
13 September 2021