

# Big River

## Prospectus

The Offer is fully underwritten.  
Lead Manager and Underwriter



**TAYLOR COLLISON**

**3 April 2017**

For the issue of 11,643,836 shares at an issue price of \$1.46 to raise \$17,000,000.  
Big River Industries Limited ACN 609 901 377

The Offer is fully underwritten.  
Lead Manager and Underwriter



TAYLOR COLLISON

This Prospectus is an important document. You should read it carefully. It is important that you consider the risk factors (see Section 6) before deciding on your course of action as these could affect Big River Industries Limited's (Company) financial performance.

# Important Information

## Lodgement

This Prospectus is dated 3 April 2017 and a copy of this Prospectus was lodged with ASIC on that date. It is a replacement prospectus which replaced the prospectus dated 24 March 2017 and lodged with ASIC on that date (**Original Prospectus**).

This Prospectus differs from the Original Prospectus. The changes include more prominent information in Section 1 about the fees paid to Anacacia Capital, a footnote to Figure 3.6 to provide clarity about the proportion of the wood supplied by the Forestry Corporation of NSW to the Company relative to the total log volume and total raw materials volume used in the manufacturing process of Big River, and a change to Figure 3.7.2 to correct the length of the relationship with Supplier 3.

The lodgement of a replacement prospectus has also required certain references to the date of the Prospectus to be amended to refer to the "date of the Original Prospectus" and to reflect the fact that an application has been lodged with ASX for admission of the Company to the official list of the ASX and for quotation of its shares on the ASX. A definition for "Original Prospectus" has also been included in the Glossary in Section 12.

There are no further changes to this Prospectus.

## Application for Listing

The Company has lodged an application with ASX for admission of the Company to the official list of ASX and quotation of all Shares (including New Shares issued pursuant to this Prospectus) on ASX.

None of ASX, ASIC or their officers take any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

## Expiry Date

No New Shares will be issued on the basis of this Prospectus after its expiry date, being the date 13 months after the date of this Prospectus. New Shares offered pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus.

## Exposure Period

The Corporations Act prohibits the Company from processing the Applications received until after the Exposure Period. The Exposure Period is the 7 day period after lodgement of the Original Prospectus with ASIC and may be extended by ASIC by up to a further 7 days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants

prior to the raising of funds. That examination may result in the identification of deficiencies in this Prospectus, in which case any Application received may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

## Foreign Jurisdictions – Restrictions on Distribution

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register the New Shares or otherwise permit an offering of the New Shares in any jurisdiction outside Australia. The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser. The distribution of this Prospectus outside Australia may be restricted by law. If you come into possession of this Prospectus, you should observe any such restrictions and seek your own advice on such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. This Prospectus may not be released or distributed in the United States.

The Shares (including the New Shares) have not been, and will not be, registered under the US Securities Act 1933, as amended, (**US Securities Act**) or the securities law of any state of the United States, and may not be offered or sold directly or indirectly in the United States, other than under an applicable exemption under federal or state law.

## Representations

No person is authorised to give any information or make any representations in connection with the Offer other than as contained in this Prospectus. Any information or representation in connection with the Offer not contained in this Prospectus is not, and may not be relied on as having been, authorised by the Directors of the Company or any other person involved in the preparation of the Prospectus or the making of the Offer.

## Important Information

### Disclaimer & Forward Looking Statements

You should rely only on information contained in this Prospectus. Except as required by law, and only to the extent so required, neither the Company nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

This Prospectus contains forward-looking statements which are statements that may be identified by words such as “may”, “could”, “believes”, “estimates”, “expects”, “intends” and other similar words that involve risks and uncertainties. Certain statements, beliefs and opinions contained in this Prospectus, particularly those regarding the possible or assumed future financial or other performance of the Company, industry growth or other trend projections are or may be forward-looking statements. In addition, consistent with customary market practice in securities offerings in Australia, Forecast Financial Information has been prepared and included in this Prospectus in Section 4. These statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the date of this Prospectus, are expected to take place (including the key assumptions set out in Section 4).

The Forecast Financial Information and the forward-looking statements should therefore be read in conjunction with, and are qualified by reference to, Section 4 and other information in this Prospectus. The Directors and the Lead Manager and Underwriter cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether the new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law.

This Prospectus, including the industry overview in Section 2, uses market data, industry forecasts and projections. The Company has obtained significant portions of this information from market research and commentary by third parties. There is no assurance that any of the forecasts or forward information contained in the reports, surveys and research of such third parties that are referred to in this Prospectus will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the key risk factors in Section 6.

### Past Performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

### Not Investment Advice

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation and particular needs (including financial and tax issues) of any prospective investor. Cooling-off rights do not apply to an investment in New Shares offered under this Prospectus. This means that, in most circumstances, you cannot withdraw your application once it has been accepted.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, in considering the prospects of the Company, you should consider the best estimate assumptions underlying the Forecast Financial Information (and the sensitivities associated with that information also set out in Section 4), together with the risk factors that could affect the Company's business, financial condition and results of operations. Some of the key risk factors that should be considered by prospective investors are set out in Section 6. You should carefully consider these risks in light of your investment objectives, financial situation and particular needs (including financial and taxation issues). There may be risk factors in addition to these that should be considered in light of your personal circumstances. If you have any queries in connection with this Prospectus or in relation to an investment in the Company, you should seek professional advice from your financial adviser, accountant, stockbroker, lawyer or other independent professional adviser before deciding whether to invest in the New Shares.

### Disclosing Entity

Once admitted to the official list of ASX, the Company will be a disclosing entity for the purposes of the Corporations Act and as such will be subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Refer to Section 7.10.8 for further information.

### Electronic Prospectus

During the Exposure Period, this Prospectus will be made available to Australian residents, without the Application Forms, at the Company's website: [bigrivergroup.com.au](http://bigrivergroup.com.au). The website and its contents

## Important Information

do not form part of this Prospectus and are not to be interpreted as part of, nor incorporated into, this Prospectus. Persons who receive the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

The Offer to which the electronic Prospectus relates is only available to persons receiving the electronic Prospectus in Australia. Persons having received a copy of this Prospectus in its electronic form in Australia may obtain a paper copy of the Prospectus (including any supplementary document and the Application Form) (free of charge) during the life of this Prospectus by contacting the Company.

### Financial Information

Section 4 sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation of that Financial Information.

The Historical Financial Information has been prepared on both an actual and pro forma basis (as described in Section 4) and has been presented in accordance with the recognition and measurement principles of Australian Accounting Standards (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB).

The Prospectus also includes Forecast Financial Information based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information is consistent with the basis of preparation and presentation for the Historical Financial Information (as defined in Section 4). The Forecast Financial Information included in this Prospectus is presented on both a statutory and pro forma basis and is unaudited.

The Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Section 4.

Unless otherwise stated or implied, all pro forma data in this Prospectus gives effect to the pro forma adjustments referred to in Section 4.

All financial amounts contained in this Prospectus are expressed in Australian currency unless otherwise stated. Any discrepancies between totals and sums of components in tables, figures and diagrams contained in this Prospectus are due to rounding.

### Non-IFRS Financial Information

Readers should be aware that certain financial data included in this Prospectus is 'non-IFRS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. The Company believes this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of the Company. The non-IFRS financial information does not have standardised meanings prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternate to other financial information determined in accordance with Australian Accounting Standards. Readers are cautioned, therefore, not to place undue reliance on any non-IFRS financial information or ratios included in this Prospectus.

### Financial Periods

All references to FY2015, FY2016, FY2017 and FY2018 appearing in this Prospectus are to the financial years ended or ending (as relevant) 30 June of the applicable year, unless otherwise indicated. All references to H1 FY2016 or H1 FY2017 appearing in this Prospectus are to the six month periods ended or ending (as relevant) on 31 December within the applicable financial year, unless otherwise indicated (e.g. H1 FY2017 relates to the six month period to 31 December 2016).

### Investigating Accountant's Report on the Financial Information and Financial Services Guide

The provider of the Investigating Accountant's Report on the Financial Information has provided Australian Retail Investors with a financial services guide in relation to its independent review under the Corporations Act. The Investigating Accountant's Report and accompanying financial services guide are provided in Section 5.

### Prospectus Availability

A hard copy of the Prospectus is available free of charge during the Offer Period to any person in Australia by calling the Share Registry, Link Market Services Limited, on +61 1300 847 879 (toll free if calling within Australia) between 9.00am to 5.00pm (Sydney time) Monday to Friday (business days only) during the Offer Period.

This Prospectus is also available to Australian resident investors in electronic form at the Company's website: [bigrivergroup.com.au](http://bigrivergroup.com.au). The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website within

## Important Information

Australia. Hard copy and electronic versions of this Prospectus are generally not available to persons in other jurisdictions.

### Applications

Applications for New Shares may only be made during the Offer Period on the Application Form included in, or accompanying, this Prospectus in its hard copy form, or in its electronic form which must be downloaded in its entirety from the Company's website at [bigrivergroup.com.au](http://bigrivergroup.com.au), together with an electronic copy of this Prospectus. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is included in, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus. Refer to Section 8 for further information.

The Company intends for the Shares to be quoted on ASX initially on a deferred settlement basis. To the extent permitted by law, each of the Company, the Share Registry, and the Lead Manager and Underwriter disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Big River Offer Information Line, by a broker or otherwise.

### Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are, or on Completion of the Offer will be, owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

### Privacy

By completing an Application, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage Applications. The Company and the Share Registry on their behalf, collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. If you do not provide the information

requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Once you become a security holder of the Company, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the securities held) to be included in the Share register. In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by members of the public. The information must continue to be included in the Share register even if you cease to be a security holder of the Company.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

- ▶ the Share Registry for ongoing administration of the Share register;
- ▶ the Lead Manager and Underwriter in order to assess your Application;
- ▶ printers and other companies for the purpose of preparation and distribution of documents and for handling mail;
- ▶ market research companies for the purpose of analysing the Shareholder base; and
- ▶ legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

The Company's agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

You may request access to your personal information held by or on behalf of the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry. The Company will aim to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

## Important Information

### Company website

Any references to documents included on the Company's website at [bigrivergroup.com.au](http://bigrivergroup.com.au) are provided for convenience only, and none of the documents or other information available on the Company's website, or any other website referred to in the sources contained in this Prospectus, is incorporated in this Prospectus by reference.

### Defined terms and Glossary

Defined terms and abbreviations used in this Prospectus, unless specified otherwise, are defined in the Glossary at Section 12.

Unless otherwise stated or implied, references to times in this Prospectus are to the time in Sydney, Australia.

Unless otherwise stated or implied, references to dates or years are calendar year references.

### Questions

If you have any questions about this Prospectus or how to apply for New Shares, you should seek advice from your stockbroker, solicitor, accountant, financial advisor or other independent professional advisor. Instructions on how to apply for New Shares are set out in Section 8 of this Prospectus and on the back of each Application Form. Alternatively, please contact the Share Registry, Link Market Services Limited, on +61 1300 847 879 (toll free if calling within Australia) between 9.00am to 5.00pm (Sydney time) Monday to Friday (business days only).





**This document is important and  
should be read in its entirety.**



Key Offer Statistics and Important Dates	<b>8</b>
Chairman's Letter	<b>10</b>
1 Investment Overview	<b>11</b>
2 Industry Background	<b>27</b>
3 Business Overview	<b>45</b>
4 Financial Information	<b>61</b>
5 Investigating Accountant's Report	<b>93</b>
6 Risk Factors	<b>101</b>
7 Board, Senior Management & Corporate Governance	<b>107</b>
8 Details of the Offer	<b>123</b>
9 Additional Information	<b>133</b>
10 Significant Accounting Policies	<b>149</b>
11 Authorisation by Directors	<b>155</b>
12 Glossary	<b>157</b>
13 Corporate Directory	<b>161</b>
Application Form	<b>163</b>

**Note**

Capitalised terms used in this Prospectus are defined in the Glossary (Section 12).

## Big River Prospectus

# Key Offer Statistics and Important Dates

Key Dates	Date
Lodgement of the Original Prospectus with ASIC	24 March 2017
Lodgement of this Prospectus with ASIC	3 April 2017
Opening date of the Offer	3 April 2017
Closing date of the Offer	18 April 2017
Settlement of the Offer	3 May 2017
Allotment of New Shares	4 May 2017
Expected dispatch of Shareholder holding statements	5 May 2017
Shares expected to commence trading on ASX	8 May 2017

## Dates May Change

The above dates are subject to change and are indicative only. The Company reserves the right to vary the dates and times of the Offer, including to close the Offer early, extend the Offer or accept late Applications, without notifying any recipient of this Prospectus or any Applicants, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. Applicants are encouraged to submit their Applications as early as possible after the Offer opens.

## Key Offer Statistics

Number of existing Shares on issue as at the date of this Prospectus	38.6m
Offer price	\$1.46
Total number of New Shares available under the Offer	11.6m
Total proceeds from the issue of New Shares under the Offer (before costs)	\$17.0m
Total number of Shares held by the Existing Shareholders on Completion of the Offer	38.6m
Total number of Shares to be issued to the ATBS Vendor on Completion of the Offer	2.4m
Total number of Shares on issue on Completion of the Offer	52.6m
Free float	22.1%
Indicative market capitalisation	\$76.8m
Pro forma net debt	\$6.4m
Enterprise value	\$83.2m
Enterprise value / pro forma FY2018 forecast EBITDA	6.5x
Offer Price / pro forma FY2018 forecast NPAT per Share	11.1x
Implied forecast dividend yield for FY2018 dividend (based on the midpoint of the Company's dividend policy)	5.4%

## Key Offer Statistics and Important Dates

### How to Invest

Applications for New Shares can only be made by completing and lodging an Application Form. Instructions on how to apply for Shares are set out in Section 8 and on the back of the Application Form.

### Questions

Please contact the Share Registry, Link Market Services Limited, on +61 1300 847 879 (toll free if calling within Australia) from 9.00am to 5.00pm (Sydney time) Monday to Friday (business days only), if you have any questions about the Application Form.

If you are in any doubt as to what to do in relation to the Offer, you should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Company.



# Chairman's Letter

Dear Investor,

On behalf of the Company's Directors, I am pleased to invite you to become a Shareholder of Big River Industries Limited (the **Company**), the ultimate parent company of Big River Group Pty Ltd (the operating subsidiary) and Big River Group Holdings Pty Ltd, which together with the Company comprise the Big River group (**Big River** or **Group**).

With an operating history of approximately 100 years, Big River Group Pty Ltd has established itself as a diverse manufacturer and distributor of timber and building products. Big River is an integrated Australian timber products business that operates across the full continuum from procurement of log raw materials through to sale of finished products to end users.

Big River sells product directly to professional builders, formworkers, construction companies and building contractors that service the residential, commercial, civil and infrastructure construction markets and is:

- ▶ a major manufacturer of softwood and hardwood formply and structural plywood products in Australia;
- ▶ a major seller of consumable formwork products in Australia; and
- ▶ a national merchant of timber and associated building products.

Reflecting its longstanding presence in the marketplace, strong service culture and technical expertise, customer loyalty is something Big River prides itself on. Many of Big River's top 20 customers have traded with Big River for more than 25 years.

The Company is raising \$17 million through the issue of 11.6 million New Shares at a price of \$1.46 per New Share pursuant to the Offer. The Offer is fully underwritten by Taylor Collison Limited. The proceeds from the Offer will be used:

- ▶ to reduce corporate debt;
- ▶ to assist in the funding of future strategic acquisitions; and
- ▶ to pursue various internal initiatives to promote operational efficiencies and organic earnings growth.

I would like to highlight the fact that none of the Existing Shareholders are selling any shares in the Offer. In fact, the Existing Shareholders have entered into voluntary escrow arrangements, reflecting their support of the Offer and Big River's prospects.

The Offer will close at 5:00pm (Sydney time) on 18 April 2017, unless varied by the Board. The Company expects to issue and allot all New Shares on 4 May 2017.

If the Company's application for listing is accepted by ASX, it is anticipated that the Company will be listed on ASX on or about 8 May 2017.

This Prospectus contains detailed information about the Offer and the financial performance and position, operations, management team and future plans of Big River. **Section 6 includes a description of the key risks associated with an investment in Big River and this should be read in detail.** I encourage you to read the Prospectus carefully and in its entirety before making your investment decision and if required consult with your stockbroker, solicitor, accountant or other independent professional adviser.

On behalf of the Directors, I invite you to consider this opportunity to invest in the Company and look forward to welcoming you as a Shareholder.

Yours sincerely,



**Greg Laurie**

Chairman, Big River Industries Limited

# Investment Overview

# Investment Overview

The information in this Section 1 is a summary only. It should be read in conjunction with the information set out in the remainder of this Prospectus.

## 1.1 Background

Topic	Summary	For more information
<p><b>What is Big River?</b></p>	<p>With an operating history of approximately 100 years, Big River Group Pty Ltd (the <b>Operating Company</b>) has established itself as a diverse manufacturer and distributor of timber and building products. The Operating Company was incorporated in 1920 by the Pidcock family, and it has established itself as a major distributor in Australia of its own in-house manufactured and branded timber products and a range of associated building products sourced from domestic and international original manufacturers and suppliers.</p> <p>Big River is an integrated Australian timber products business that operates across the full continuum of procurement of raw materials through to sale of finished products to end users. Big River is:</p> <ul style="list-style-type: none"> <li>▶ a major manufacturer of softwood and hardwood formply and structural plywood products in Australia;</li> <li>▶ a major seller of consumable formwork products in Australia; and</li> <li>▶ a national merchant of timber and associated building products to local trade, medium sized and enterprise sized companies.</li> </ul> <p>Big River's customer base is made up of professional builders, formworkers, construction companies and building contractors that operate in the residential, commercial, civil and infrastructure construction markets.</p> <p>In early 2016, private equity firm Anacacia Capital (through entities nominated by it) and the Pantheon Entities invested and acquired a controlling interest in the Big River business. In connection with this investment, Big River Group Holdings Pty Ltd and the Company were incorporated and, together with the Operating Company, comprise the Big River group (<b>Big River or Group</b>)<sup>1</sup>. Anacacia Capital will receive \$960,000 (plus GST) from the Company for services provided to the Company to assist with the proposed Offer, as disclosed in Sections 7.11 and 9.12.</p>	<p><b>Section 3</b></p>
<p><b>Why is the Offer being conducted?</b></p>	<p>The Offer is being conducted to:</p> <ul style="list-style-type: none"> <li>▶ provide capital to fund the Company's domestic acquisition strategy;</li> <li>▶ provide the Company with access to the capital markets to improve capital management flexibility, including the ability to issue scrip to partly-fund acquisitions;</li> <li>▶ provide the Company with the benefits of an increased public profile that arise from being a listed entity;</li> <li>▶ provide Existing Shareholders with an opportunity to realise their investment in the Company; and</li> <li>▶ provide a liquid market for Shares and an opportunity for others to invest in the Company.</li> </ul>	<p><b>Section 8.7</b></p>

1. The transaction was executed with shareholders investing equity of \$38 million (consistent with the statutory balance sheet as at 31 December 2016 disclosed in Figure 4.9.1).

## Investment Overview

Topic	Summary	For more information																																																													
What are the expected benefits of the Offer?	The Offer will provide the Company with greater flexibility to implement its acquisition strategy and other growth initiatives by improving its access to capital, both debt and equity.	Section 8.11																																																													
Who are Big River's substantial shareholders and what will their interests be in Big River on Completion of the Offer?	<p>The existing Major Shareholders in the Company are Anacacia and the Pantheon Entities.</p> <p>The interests of the Major Shareholders on Completion of the Offer are set out below:</p> <table border="1"> <thead> <tr> <th>Major Shareholders</th> <th>Number of Shareholders</th> <th>Shares in the Company on Completion of the Offer</th> <th>Shares in the Company subject to escrow arrangements</th> </tr> </thead> <tbody> <tr> <td>Anacacia</td> <td>1</td> <td>18,000,001</td> <td>18,000,001</td> </tr> <tr> <td>Pantheon Entities</td> <td>5</td> <td>18,000,000</td> <td>18,000,000</td> </tr> <tr> <td><b>Total</b></td> <td><b>6</b></td> <td><b>36,000,001</b></td> <td><b>36,000,001</b></td> </tr> </tbody> </table>	Major Shareholders	Number of Shareholders	Shares in the Company on Completion of the Offer	Shares in the Company subject to escrow arrangements	Anacacia	1	18,000,001	18,000,001	Pantheon Entities	5	18,000,000	18,000,000	<b>Total</b>	<b>6</b>	<b>36,000,001</b>	<b>36,000,001</b>	Section 9.9																																													
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<b>Total</b>	<b>6</b>	<b>36,000,001</b>	<b>36,000,001</b>																																																												
What is the historical and forecast financial performance of the Company?	<p>A summary of the pro-forma historical and pro-forma forecast income statements of the Group is set out below:</p> <table border="1"> <thead> <tr> <th rowspan="2">Financial Information Summary</th> <th colspan="2">Pro forma Historical</th> <th colspan="2">Pro forma Forecast</th> <th>Statutory Forecast</th> </tr> <tr> <th>FY2015</th> <th>FY2016</th> <th>FY2017</th> <th>FY2018</th> <th>FY2017</th> </tr> </thead> <tbody> <tr> <td>\$'000</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Sales revenue</td> <td>171,866</td> <td>195,187</td> <td>201,036</td> <td>207,323</td> <td>177,693</td> </tr> <tr> <td>EBITDA</td> <td>11,068</td> <td>11,256</td> <td>11,441</td> <td>12,804</td> <td>7,595</td> </tr> <tr> <td>EBIT</td> <td>8,733</td> <td>9,009</td> <td>9,117</td> <td>10,412</td> <td>5,663</td> </tr> <tr> <td>NPAT</td> <td>5,723</td> <td>5,916</td> <td>5,992</td> <td>6,898</td> <td>3,206</td> </tr> </tbody> </table> <p>A summary of the statutory historical income statements of the Group is set out below:</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Statutory Historical</th> </tr> <tr> <th>FY2015</th> <th>FY2016</th> </tr> </thead> <tbody> <tr> <td>\$'000</td> <td></td> <td></td> </tr> <tr> <td>Sales revenue</td> <td>149,673</td> <td>171,463</td> </tr> <tr> <td>EBITDA</td> <td>20,122</td> <td>5,010</td> </tr> <tr> <td>EBIT</td> <td>18,327</td> <td>3,241</td> </tr> <tr> <td>NPAT</td> <td>12,026 <sup>2</sup></td> <td>1,409</td> </tr> </tbody> </table>	Financial Information Summary	Pro forma Historical		Pro forma Forecast		Statutory Forecast	FY2015	FY2016	FY2017	FY2018	FY2017	\$'000						Sales revenue	171,866	195,187	201,036	207,323	177,693	EBITDA	11,068	11,256	11,441	12,804	7,595	EBIT	8,733	9,009	9,117	10,412	5,663	NPAT	5,723	5,916	5,992	6,898	3,206		Statutory Historical		FY2015	FY2016	\$'000			Sales revenue	149,673	171,463	EBITDA	20,122	5,010	EBIT	18,327	3,241	NPAT	12,026 <sup>2</sup>	1,409	Section 4
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2. This includes net insurance proceeds (after asset-write offs) before income tax of \$10.3m. See Section 4.5.

## Investment Overview

Topic	Summary	For more information																															
<p><b>What is the pro forma financial position at 31 December 2016?</b></p>	<p>A summary of the pro forma consolidated balance sheet of the Group as at 31 December 2016 is set out below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Total Assets</td> <td style="text-align: right;">\$88.9 million</td> </tr> <tr> <td>Total Liabilities</td> <td style="text-align: right;">(\$34.3 million)</td> </tr> <tr> <td>Net Assets</td> <td style="text-align: right;">\$54.6 million</td> </tr> </table>	Total Assets	\$88.9 million	Total Liabilities	(\$34.3 million)	Net Assets	\$54.6 million	<p><b>Section 4</b></p>																									
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<p><b>What will be the capital structure of the Company on quotation of its Shares on ASX?</b></p>	<p>The details of the expected capital structure and ownership of the Company on quotation of its Shares on ASX are set out below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="text-align: left;">Shareholders</th> <th colspan="2" style="text-align: center;">Shares in the Company on Completion of the Offer</th> <th style="text-align: center;">Shares in the Company subject to escrow arrangements</th> </tr> <tr> <th style="text-align: center;">Number of Shares</th> <th style="text-align: center;">% of total Shares on issue</th> <th style="text-align: center;">Number of Shares</th> </tr> </thead> <tbody> <tr> <td>Anacacia</td> <td style="text-align: right;">18,000,001</td> <td style="text-align: right;">34.2%</td> <td style="text-align: right;">18,000,001</td> </tr> <tr> <td>Pantheon Entities</td> <td style="text-align: right;">18,000,000</td> <td style="text-align: right;">34.2%</td> <td style="text-align: right;">18,000,000</td> </tr> <tr> <td>Other Existing Shareholders</td> <td style="text-align: right;">2,550,910</td> <td style="text-align: right;">4.9%</td> <td style="text-align: right;">2,550,910</td> </tr> <tr> <td>ATBS Vendor <sup>3</sup></td> <td style="text-align: right;">2,397,260</td> <td style="text-align: right;">4.6%</td> <td style="text-align: right;">2,397,260</td> </tr> <tr> <td>New shareholders pursuant to the Offer</td> <td style="text-align: right;">1,643,836</td> <td style="text-align: right;">22.1%</td> <td style="text-align: right;">0</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>52,592,007</b></td> <td style="text-align: right;"><b>100%</b></td> <td style="text-align: right;"><b>40,948,171</b></td> </tr> </tbody> </table> <p>Based on the above figures, the Company's free float at the time of Listing will be not less than 20%.</p>	Shareholders	Shares in the Company on Completion of the Offer		Shares in the Company subject to escrow arrangements	Number of Shares	% of total Shares on issue	Number of Shares	Anacacia	18,000,001	34.2%	18,000,001	Pantheon Entities	18,000,000	34.2%	18,000,000	Other Existing Shareholders	2,550,910	4.9%	2,550,910	ATBS Vendor <sup>3</sup>	2,397,260	4.6%	2,397,260	New shareholders pursuant to the Offer	1,643,836	22.1%	0	<b>Total</b>	<b>52,592,007</b>	<b>100%</b>	<b>40,948,171</b>	<p><b>Section 8.8</b></p>
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3. Refer to Section 9.6.1 for details about the ATBS transaction.



## Investment Overview

### 1.2 Key features of Big River's business model

Topic	Summary	For more information
What is the Big River product offering?	<p>Big River is:</p> <ul style="list-style-type: none"> <li>▶ a major manufacturer of softwood and hardwood formply and structural plywood products in Australia;</li> <li>▶ a major seller of consumable formwork products in Australia; and</li> <li>▶ a national merchant of timber and associated building products.</li> </ul> <p>Big River is a manufacturer of hardwood engineered flooring in Australia and has the ability to produce a combination of hardwood and softwood plywood products in Australia.</p>	Section 8.11
What is Big River's target market and industry?	Big River sells building material products to professional builders, formworkers, construction companies and building contractors servicing the residential, commercial, civil and infrastructure sectors.	Section 3
How does Big River intend to conduct its business?	<p>The firm manufactures timber and steel products from two sites. Big River will continue to sell these products and a range of associated building products procured from third parties through its national distribution network. Big River has built a large diversified customer base of over 2,700 individual customer accounts, including professional builders, formworkers, construction companies and building contractors.</p> <p>Big River sells building material products to professional builders, formworkers, construction companies and building contractors servicing the residential, commercial, civil and infrastructure sectors.</p>	Section 3.8
What is Big River's strategy?	The Company's vision is to strengthen Big River's position as a major manufacturer, seller of timber and reseller of other building products to the trade segment of the Australian building products market by leveraging its strong brand, high quality low cost manufacturing base, extensive sales and distribution network and established relationships to supply a comprehensive range of high quality timber and building products.	Section 3.8
How does Big River propose to achieve its objectives?	<p>Management has identified a broad range of growth opportunities to leverage Big River's existing core strengths including:</p> <ul style="list-style-type: none"> <li>▶ <b>Acquisition opportunities</b> – Management has identified a number of attractive merger and bolt-on acquisition opportunities, including the two acquisitions referred to in Section 9.6;</li> <li>▶ <b>New manufacturing initiatives</b> – Big River recently added a new steel roll forming line to increase sales volumes into the Victorian market. Big River has approved capital expenditure for new lathe and dryer assets at Grafton that could generate significant raw material savings and support an expanded product range. The project will commence in Q4 FY2017 and is forecast to be funded out of operating cash flow. The project is expected to be completed by the end of calendar year 2017;</li> </ul>	Sections 3.9 and 3.10

## Investment Overview

Topic	Summary	For more information
How does Big River propose to achieve its objectives?	<ul style="list-style-type: none"> <li>▶ <b>Expanding sales channels</b> – Big River struck a new supply agreement in late 2015 with a major national retailer for the supply of hardwood flooring products. The contract generated solid first year sales of approximately \$750,000 in FY2016 and management believes there is scope for sales volume under this agreement to grow in FY2017 and FY2018. The Company believes this agreement could broaden further Big River’s exposure to the residential alterations and additions market; and</li> <li>▶ <b>Expanding product range</b> – Management has identified a number of new trade products that are strong fits for Big River’s traded products range. Obtaining access to new products would enable the Group to generate additional sales through its distribution centre network.</li> </ul>	Sections 3.9 and 3.10
How does Big River expect to fund its operations?	Big River is a profitable group and generates positive operating cash flow in the ordinary course of its business. The Group has an available debt facility of \$34 million which is expected to be drawn to \$8 million following completion of the Offer. Big River will employ access to debt and equity capital to optimise its operating cash flow and to fund its acquisition and organic growth strategies.	Section 3

### 1.3 Key Strengths

Topic	Summary	For more information
What are the key strengths of the business?	<p>Big River’s key strengths include:</p> <ul style="list-style-type: none"> <li>▶ <b>A strong brand</b> – Big River has operated within the Australian timber and related building products industry for approximately 100 years, establishing a brand that is associated with reliability and quality. Big River has built a large diversified customer base of over 2,700 individual customer accounts ranging from small builders and contractors to large international construction companies which operate across the residential, commercial, civil and infrastructure construction market segments;</li> <li>▶ <b>A vertically integrated business model</b> – Big River has a business model of manufacturing capability coupled with a national distribution network. In addition, Big River provides customers with the security of a full support network and technical expertise at every stage of the product lifecycle;</li> <li>▶ <b>Strategically located manufacturing facilities and distribution network</b> – Big River’s manufacturing facilities at Grafton and Wagga Wagga are strategically located near high quality hardwood and softwood resources, respectively, and are ideally positioned to service the East Coast of Australia. Big River has a national sales, marketing and service offering comprised of 12<sup>4</sup> sales and distribution centres which cover all major capital cities;</li> </ul>	Section 3

4. This includes one site acquired pursuant to the acquisition described in Section 9.6.1 and one site to be acquired pursuant to the acquisition described in Section 9.6.2.

## Investment Overview

Topic	Summary	For more information
What are the key strengths of the business?	<ul style="list-style-type: none"> <li>▶ <b>A highly experienced management team</b> – Big River has a talented and stable management team with many years' experience in the industry. Senior team members have significant product, sales and leadership experience and have been with the Group for an average of 14 years;</li> <li>▶ <b>A track record of value-adding acquisitions</b> – Big River has successfully completed and integrated 3 acquisitions over the last 10 years which have contributed significantly to the successful growth of the Company. Big River has also recently completed the acquisition described in Section 9.6.1 and is expecting to complete the acquisition described in Section 9.6.2 on 31 March 2017;</li> <li>▶ <b>Secure, long term wood supply contracts</b> – Big River has wood supply agreements with the State Government of NSW which provide access to 98,000 tonnes of logs per annum in the Grafton and Hume regions. The Company acknowledges that these agreements provide Big River with certainty of supply of high quality logs and raw materials in its manufacturing processes and considers these agreements would be difficult to replicate; and</li> <li>▶ <b>Aligned senior management</b> – 17 members of the Group's senior management team have collectively acquired (through persons or entities nominated by them) 2,550,910 Shares in the Company. This represents approximately 4.9% of the Shares on issue after the Offer is completed. These Shares will be subject to the escrow provisions discussed in Section 8.12, which the Company believes will align the Group's management team with the Company's other shareholders in seeking long term sustainable growth in shareholder value.</li> </ul>	Section 3

### 1.4 Summary of key risks

There are a number of risks associated with an investment in the Company that may affect its financial performance, financial position, cash flows, distributions, growth prospects and share price. The following table is a summary of the specific key risks that the Company is exposed to. Further details about these and other general risks associated with an investment in the Company are set out in Section 6.

Topic	Summary	For more information
General conditions in the construction industry	<p>Big River's business is dependent on the activity levels in the residential, commercial, civil and infrastructure construction industry (comprising both new builds and additions and alterations) in Australia. The industry is cyclical and is highly sensitive to a broad range of economic and other factors that are beyond Big River's control.</p> <p>These factors include:</p> <ul style="list-style-type: none"> <li>▶ general economic and market conditions;</li> <li>▶ housing demand from population growth, household formation and other demographic trends which, in turn, drives new builds and additions and alterations;</li> </ul>	Section 6.1(a)

## Investment Overview

Topic	Summary	For more information
General conditions in the construction industry	<ul style="list-style-type: none"> <li>▶ commercial leasing market conditions and commercial site vacancy levels;</li> <li>▶ Government plans for infrastructure investment;</li> <li>▶ house prices;</li> <li>▶ prevailing interest rates;</li> <li>▶ inflation or deflation;</li> <li>▶ Government or Reserve Bank policies (for example, lending restrictions tied to loan to value ratios or tax deductibility of investment loans);</li> <li>▶ State and local Government policies relating to land release and residential housing construction, or programmes or regulations relating to energy efficiency; and</li> <li>▶ business and consumer confidence generally, including the confidence of potential homebuyers in particular.</li> </ul>	Section 6.1(a)
Ability to attract and retain team members	<p>Big River's success is dependent upon its ability to attract and retain key team members, including key management as detailed in this Prospectus. The key management team have extensive experience in and knowledge of the Australian building materials industry and of Big River's business. The loss of key management and other team members and the inability to recruit suitable replacements or additional personnel may adversely affect Big River's future financial performance. Mitigating this risk, 17 members of the senior management team purchased (through persons or entities nominated by them) Shares in the Company in 2016 and 2017 and will own (through these nominees) approximately 4.9% of the Company when the Offer is complete.</p>	Section 6.1(g)
Disruption to production	<p>Due to the high fixed-cost nature of the building materials industry, interruptions in production capabilities at Big River's Wagga Wagga and Grafton sites or in its logistics supply chain may have a material adverse effect on the productivity and results of Big River's operations during the affected period. Big River's manufacturing processes and related services are dependent upon critical pieces of equipment. This equipment may, on occasion, be out of service as a result of industrial action or unrest, unanticipated failures, accidents or force majeure events. In addition, there is a risk that equipment or production facilities may be damaged or destroyed by such events. Similarly, disruptions in Big River's logistics supply chain could impact continuity of supply, which may have an adverse effect on its business, financial condition or results of operation.</p>	Section 6.1(c)
Health and safety	<p>Due to the nature of Big River's industry, there is a risk of accidents or unsafe operations. Notwithstanding the preventative measures which the Company or the Group (or any sub-contractor) has taken or may take, there can be no assurance that accidents or unsafe operations will not occur and damage the environment and/or injure Big River's own personnel or third parties. Such events may result in additional costs and fines, and may jeopardize Big River's reputation and credibility.</p>	Section 6.1(f)

## Investment Overview

Topic	Summary	For more information
<b>Product liability exposure</b>	Big River may, from time to time, experience manufacturing defects leading to claims relating to its products and services. Defects in Big River's products could be difficult or costly to correct, cause significant customer relations and business reputation problems, harm its financial results and result in damage to or claims by its customers. Any such claim could also result in increased challenges in obtaining insurance on comparatively reasonable terms.	<b>Section 6.1(e)</b>
<b>Industrial disputes</b>	A proportion of Big River's operational employees and sub-contractors are members of trade unions, and Big River has experienced union action and industrial disputation in the past. If any material disputes were to arise, this could disrupt Big River's operations and adversely impact its financial performance. There has been no time lost to industrial disputes over the last 10 years.	<b>Section 6.1(j)</b>
<b>New technologies / industry change</b>	Industries in which Big River competes, including building products and construction materials, may be subject to disruptive change from new technologies. If the Group is not able to develop or access new technologies and anticipate or respond to disruptions in the markets in which it competes, the Group may suffer a decrease in the demand for its goods and services. This may have a material adverse effect on results of its operations, financial condition and business.	<b>Section 6.1(k)</b>
<b>Supplier and buyer agent relationships</b>	Big River has a number of long standing supplier and buying agent relationships. These relationships are often governed by individual purchase orders and invoices and are based upon many years of mutually beneficial trade. The key risks associated with these relationships are that the purchasing arrangements can be changed without incurring significant penalties, the supplier may cease trading, price levels may change, production difficulties or delays may occur and orders may be unable to be shipped in the required timeframes. If any of these events occur and the Group is unable to make acceptable alternative arrangements, the Group may incur stock shortages, a reduction in sales and a loss of market share which may adversely affect its future financial performance.	<b>Section 6.1(b)</b>
<b>Loss of customers or contracts</b>	Big River must maintain and support its existing customer relationships to ensure they continue into the future. A loss of customers or contracts could lead to a decline in revenue and resulting deterioration in the financial performance of Big River. Big River has longstanding log supply contracts. An interruption or failure to renew these contracts would have a materially negative impact to the Group's manufacturing operations.  Big River has longstanding log supply contracts. An interruption or failure to renew these contracts would have a materially negative impact to the Group's manufacturing operations.	<b>Section 6.1(d)</b>

## Investment Overview

Topic	Summary	For more information
<b>Growth strategies</b>	Big River has a number of strategies to support future growth and earnings, as described in Sections 3.9 and 3.10. There is a risk that the implementation of these strategies will be subject to delays or cost overruns and there is no guarantee that these strategies will generate the full benefits anticipated or result in future sales and earnings growth. Furthermore, the implementation of these growth strategies may lead to changes to Big River's business or the customer experience which may result in unintended adverse consequences if such changes affect customer preferences.	<b>Section 6.1(i)</b>
<b>Currency fluctuations</b>	Big River competes against imported product and purchases some product from offshore suppliers. Currency fluctuations could improve the attractiveness of competing imported product or change the cost of product procurement. Future fluctuations in exchange rates may affect the future profitability of Big River.	<b>Section 6.1(l)</b>
<b>Increase in competition</b>	The building materials market is highly competitive. The actions of an existing competitor or the introduction of a new competitor in the building materials market may make it difficult for the Company and the Group to grow its revenue which, in turn, may have an adverse effect on its profitability.	<b>Section 6.1(m)</b>
<b>Finance risks</b>	While the Company believes it will have sufficient funds after Completion of the Offer to meet all of its growth and capital requirements for the near term, the Company may seek to exploit opportunities such as further acquisitions that may require it to raise additional capital from equity or debt sources. The success of these strategies may be adversely impacted if access to debt and capital markets is not available.	<b>Section 6.1(n)</b>
<b>Other general risks</b>	Please refer to Section 6.3.	<b>Section 6.3</b>

### 1.5 Directors and Key Employees

Topic	Summary	For more information
<b>Who are the Directors of the Company?</b>	Big River has an experienced Board with significant commercial, financial and listed company experience: <ul style="list-style-type: none"> <li>▶ <b>Greg Laurie</b> (Independent Non-Executive Chairman)</li> <li>▶ <b>Jim Bindon</b> (Managing Director)</li> <li>▶ <b>Martin Kaplan</b> (Non-Executive Director)</li> <li>▶ <b>Malcolm Jackman</b> (Independent Non-Executive Director)</li> </ul>	<b>Section 7.1</b>

## Investment Overview

### 1.6 Interests and Benefits of Directors

Topic	Summary	For more information															
What are the Director shareholdings?	<p>The following Directors are expected to hold a direct or indirect interest in the following approximate shareholdings on Completion of the Offer:</p> <p><b>Table A</b></p> <table border="1"> <thead> <tr> <th>Director (including associates)</th> <th>Number of Shares</th> <th>% of total Shares on issue</th> </tr> </thead> <tbody> <tr> <td>Greg Laurie <sup>5</sup></td> <td>27,397</td> <td>0.05%</td> </tr> <tr> <td>Jim Bindon <sup>6</sup></td> <td>400,000</td> <td>0.76%</td> </tr> <tr> <td>Martin Kaplan <sup>7</sup></td> <td>0</td> <td>0.00%</td> </tr> <tr> <td>Malcolm Jackman <sup>8</sup></td> <td>68,493</td> <td>0.13%</td> </tr> </tbody> </table>	Director (including associates)	Number of Shares	% of total Shares on issue	Greg Laurie <sup>5</sup>	27,397	0.05%	Jim Bindon <sup>6</sup>	400,000	0.76%	Martin Kaplan <sup>7</sup>	0	0.00%	Malcolm Jackman <sup>8</sup>	68,493	0.13%	Section 7.6.1
Director (including associates)	Number of Shares	% of total Shares on issue															
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Martin Kaplan <sup>7</sup>	0	0.00%															
Malcolm Jackman <sup>8</sup>	68,493	0.13%															
Will the Directors receive any remuneration and share options as part of this transaction?	<p>The remuneration and share options the Directors (whether directly or through their nominees) will receive as part of this transaction are set out in the table below:</p> <table border="1"> <thead> <tr> <th>Director (including associates)</th> <th>Remuneration (inc. superannuation) per annum</th> <th>Options</th> </tr> </thead> <tbody> <tr> <td>Greg Laurie</td> <td>\$100,000</td> <td>0</td> </tr> <tr> <td>Jim Bindon</td> <td>\$0</td> <td>0</td> </tr> <tr> <td>Martin Kaplan</td> <td>\$70,000*</td> <td>0</td> </tr> <tr> <td>Malcolm Jackman</td> <td>\$65,000</td> <td>0</td> </tr> </tbody> </table> <p>* Martin Kaplan has agreed to waive his directors' fees until 31 March 2019.</p>	Director (including associates)	Remuneration (inc. superannuation) per annum	Options	Greg Laurie	\$100,000	0	Jim Bindon	\$0	0	Martin Kaplan	\$70,000*	0	Malcolm Jackman	\$65,000	0	Sections 7.6.1 and 7.6.2
Director (including associates)	Remuneration (inc. superannuation) per annum	Options															
Greg Laurie	\$100,000	0															
Jim Bindon	\$0	0															
Martin Kaplan	\$70,000*	0															
Malcolm Jackman	\$65,000	0															

- Greg Laurie's Shares will be held by Greg Laurie Nominees Pty Ltd as trustee for The Laurie Family Super Fund.
- A portion of Jim Bindon's Shares are held by Bindon Super Pty Ltd as trustee for Bindon Super Fund and the remainder are held by his spouse as trustee for the Bindon Family Trust.
- Martin Kaplan is a member of the M&S Kaplan Super Fund which is an investor in the Anacacia Staff Investment Trust II, which in turn is an investor in the Major Shareholder, Anacacia. Martin is also an Investment Director of Anacacia Capital, which manages the Major Shareholders' interests in the Company. Anacacia will continue to be the registered holder of 18,000,001 Shares (amounting to 34.2% of the enlarged share capital) of the Company following the Offer. However, as at the Prospectus Date, Martin Kaplan does not have a relevant interest in those Shares for the purposes of the Corporations Act.
- Malcolm Jackman's Shares will be held by Ward FT Pty Ltd as trustee for KJM Trust. Malcolm Jackman's spouse is also an investor in the Major Shareholder, Anacacia. Malcolm is also on the Anacacia Capital Business Advisory Council. Anacacia will continue to be the registered holder of 18,000,001 Shares (amounting to 34.2% of the enlarged share capital) of the Company following the Offer. However, as at the Prospectus Date, neither Malcolm Jackman nor his spouse has a relevant interest in those Shares for the purposes of the Corporations Act.

## Investment Overview

Topic	Summary	For more information						
<p><b>What escrow arrangements will be in place as at Completion of the Offer?</b></p>	<p>Prior to listing, the escrow requirements for the Existing Shareholders and the ATBS Vendor will be confirmed with ASX, and the Company will announce details of what (if any) restrictions are applied before official quotation on ASX commences.</p> <p>None of the New Shares to be issued pursuant to the Offer will be subject to escrow.</p> <p>All of the Shares held by the Existing Shareholders (excluding the Major Shareholders) and the ATBS Vendor will be subject to voluntary escrow arrangements restricting the disposal of those Shares for the period from Listing to close of business on 31 December 2018.</p> <p>All of the Shares held by the Major Shareholders will be subject to voluntary escrow arrangements restricting the disposal of those Shares for the period from Listing to after close of business on the day the Company's audited financial results for FY2018 are released to the market, subject to a portion of the escrowed Shares held by the Major Shareholders being released early in the following circumstances:</p> <table border="1" data-bbox="427 1021 1193 1659"> <thead> <tr> <th data-bbox="437 1021 632 1137">Securities held by the Major Shareholders to be released from escrow</th> <th data-bbox="667 1120 951 1142">Escrow release conditions</th> </tr> </thead> <tbody> <tr> <td data-bbox="437 1218 632 1335"> <p><b>25% of Shares held by the Major Shareholders at Completion of the Offer</b></p> </td> <td data-bbox="667 1160 1177 1361"> <p>(a) The Company's audited financial results for the year ended 30 June 2017 (<b>FY2017</b>) are released to the market; and</p> <p>(b) the volume-weighted average price in any 15 trading days from and including the day of the release of those financial results exceeds the Offer Price by more than 10%.</p> </td> </tr> <tr> <td data-bbox="437 1473 632 1590"> <p><b>25% of Shares held by the Major Shareholders at Completion of the Offer</b></p> </td> <td data-bbox="667 1415 1177 1617"> <p>(c) The Company's reviewed financial results for the half year ended 31 December 2017 (<b>H1 FY2018</b>) are released to the market; and</p> <p>(d) the volume-weighted average price in any 15 trading days from and including the release of those financial results exceeds the Offer Price by more than 20%.</p> </td> </tr> </tbody> </table>	Securities held by the Major Shareholders to be released from escrow	Escrow release conditions	<p><b>25% of Shares held by the Major Shareholders at Completion of the Offer</b></p>	<p>(a) The Company's audited financial results for the year ended 30 June 2017 (<b>FY2017</b>) are released to the market; and</p> <p>(b) the volume-weighted average price in any 15 trading days from and including the day of the release of those financial results exceeds the Offer Price by more than 10%.</p>	<p><b>25% of Shares held by the Major Shareholders at Completion of the Offer</b></p>	<p>(c) The Company's reviewed financial results for the half year ended 31 December 2017 (<b>H1 FY2018</b>) are released to the market; and</p> <p>(d) the volume-weighted average price in any 15 trading days from and including the release of those financial results exceeds the Offer Price by more than 20%.</p>	<p><b>Section 8.12</b></p>
Securities held by the Major Shareholders to be released from escrow	Escrow release conditions							
<p><b>25% of Shares held by the Major Shareholders at Completion of the Offer</b></p>	<p>(a) The Company's audited financial results for the year ended 30 June 2017 (<b>FY2017</b>) are released to the market; and</p> <p>(b) the volume-weighted average price in any 15 trading days from and including the day of the release of those financial results exceeds the Offer Price by more than 10%.</p>							
<p><b>25% of Shares held by the Major Shareholders at Completion of the Offer</b></p>	<p>(c) The Company's reviewed financial results for the half year ended 31 December 2017 (<b>H1 FY2018</b>) are released to the market; and</p> <p>(d) the volume-weighted average price in any 15 trading days from and including the release of those financial results exceeds the Offer Price by more than 20%.</p>							
<p><b>What Corporate Governance Policies does the Company have in place?</b></p>	<p>A summary of the Corporate Governance policies adopted by the Company are set out in Section 7.10.</p>	<p><b>Section 7.10</b></p>						



## Investment Overview

### 1.7 Summary of the Offer and the proposed use of funds raised

Topic	Summary	For more information
What is the Offer?	The Company is undertaking a public offer of 11.6 million New Shares. The New Shares are being offered at an issue price of \$1.46 per New Share.	Section 8
How is the Offer structured?	The Offer comprises: <ul style="list-style-type: none"> <li>▶ the Institutional Offer; and</li> <li>▶ the Broker Firm Offer.</li> </ul>	Sections 8.3, 8.4 and 8.5
Will the Company be adequately funded after Completion of the Offer?	The Directors are satisfied that, on Completion of the Offer, the Company will have sufficient working capital to carry out its stated objectives. The Group's finance facilities are expected to include \$26 million of undrawn debt facilities available to the Group at the Completion of the Offer.	Sections 4.11, 5 and 8.7
What rights and liabilities attach to the Shares being offered?	All New Shares issued under the Offer will rank equally in all respects with existing Shares on issue. The rights attaching to New Shares are described in Section 9.3.	Section 9.3
Will the Shares be quoted on ASX?	The Company has applied to ASX for official quotation of all Shares on ASX under the ticker "BRI".	Section 8.6
Is the Offer underwritten?	Yes, the Offer is underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement.	Section 8.14
What is the allocation policy applicable to the Offer?	The allocation of Shares will be determined by the Underwriter in consultation with the Company, having regard to the following factors: <ul style="list-style-type: none"> <li>▶ desire to foster a stable, long-term Share register;</li> <li>▶ desire for a liquid and informed trading market for the Shares;</li> <li>▶ overall level of demand for Shares under the Offer; and</li> <li>▶ any other factors that the Underwriter or the Company considers appropriate.</li> </ul> <p>Allocations of Shares may only be secured through the Institutional Offer or the Broker Firm Offer.</p>	Sections 8.4.6 and 8.5.2
What is the minimum application under the Offer?	Applications under the Broker Firm Offer must be for a minimum of 1,400 Shares and in multiples of 200 Shares thereafter.	Section 8.4
When will I know if my application has been successful?	A holding statement confirming your allocation under the Offer will be sent to you if your Application is successful.	Section 8.17

## Investment Overview

<b>Topic</b>	<b>Summary</b>	<b>For more information</b>
<b>Is there any brokerage, commission or stamp duty payable by Applicants?</b>	No brokerage, commission or stamp duty is payable by Applicants on acquisitions of Shares under the Offer.	<b>Section 8.16</b>
<b>What are the tax implications of investing in the Shares?</b>	The tax consequences of any investment in Shares will depend on your personal circumstances. Prospective investors should obtain their own tax advice before deciding to invest.	
<b>What is the Company's dividend policy?</b>	The Company's dividend policy is to pay out between 50-70% of the Group's net profit after tax as dividends, subject to available profits and the financial position of the Company. An interim dividend is expected to be payable annually in March, with a final dividend payable annually in September. These dividends are currently expected to be fully franked for Australian tax purposes and the Company is expected to have \$18 million in franking credits available at Completion of the Offer.	<b>Section 8.13</b>
<b>How do I apply for New Shares?</b>	If you wish to apply for New Shares under the Offer, please complete the Application Form in accordance with the instructions set out in that form.  Applicants under the Broker Firm Offer should complete and lodge the Broker Firm Offer Application Form with their Broker. Applicants should contact their Broker for instructions on how to complete the Application Form and make the Application Payment. See Section 8.4.2 for details.  All Applications (including Application Payments) must be made by 5.00pm (Sydney time) on 18 April 2017. The Company reserves the right to vary the Closing Date, subject to the Corporations Act and ASX Listing Rules.	<b>Section 8.4.2</b>
<b>Can the Offer be withdrawn?</b>	The Company reserves the right not to proceed with the Offer at any time before the issue and transfer of Shares to successful Applicants.  If the Offer does not proceed, Application monies will be refunded. No interest will be paid on any Application monies refunded as a result of the withdrawal of the Offer.	<b>Section 8.21</b>
<b>Where can I find more information?</b>	Questions relating to Applications for Shares can be directed to the Share Registry, Link Market Services Limited, on +61 1300 847 879 (toll free if calling within Australia).	

You should read this Prospectus carefully and in its entirety, including Section 6, before deciding whether to apply for New Shares. If you are in doubt as to the course you should follow, you should consult your licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser.

## Investment Overview

### 1.8 Proposed use of funds raised under the Offer

<b>Use of proceeds</b>	<b>Estimated spend</b>	<b>% of funds raised</b>
Repayment of debt <sup>9</sup>	\$12,847,000	75.6%
Working capital	\$1,552,000	9.1%
Costs of the Offer	\$2,601,000	15.3%
<b>Total Funds raised</b>	<b>\$17,000,000</b>	<b>100%</b>

The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of sales success, operational and development activities, regulatory developments, and market and general economic conditions. In light of this, the Board reserves its right to alter the way the funds are applied.

The Board is satisfied that upon Completion of the Offer, the Company will have sufficient working capital to meet its stated objectives.

The use of further equity funding, including share placements, will be considered by the Board where it is appropriate to accelerate a specific project, transaction or expansion.

9. See Section 4.10 for unused banking facilities.



# Industry Background

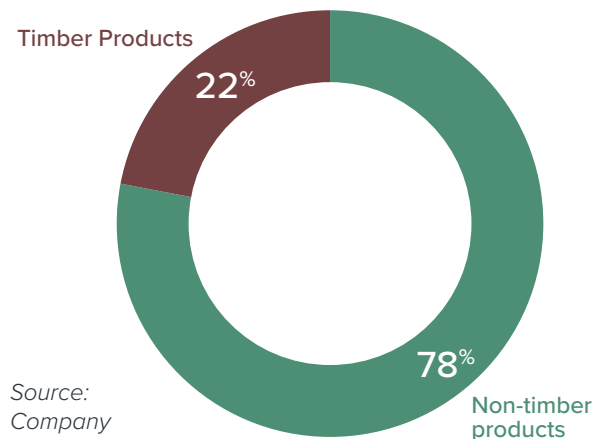
# Industry Background

This Section 2 provides background information on the sectors in which Big River operates.

## 2.1 Introduction

The Australian building products market is estimated to be worth approximately \$45 billion in sales per annum. Timber products account for approximately 22% of total building product sales. Sales of building products typically stream through two distribution channels – trade and retail. Big River is a trade distributor of its own in-house manufactured and branded timber products and a range of associated building supplies sourced from leading domestic and international original manufacturers and suppliers.

**FIGURE 2.1**  
**AUSTRALIAN BUILDING PRODUCTS MARKET –**  
**ESTIMATED ANNUAL TURNOVER BY PRODUCT CATEGORY (%)**



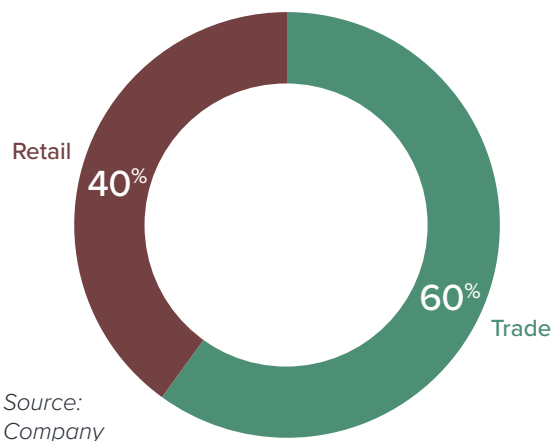
### 2.1.1 Retail and Trade Distribution

The retail segment of the Australian building products market accounts for approximately 40% of total market turnover. The primary customers in this market segment are households that purchase building supplies as part of the do-it-yourself home improvement renovations and repair market. Significant players in this segment include the “big box” format stores of Bunnings, Mitre 10 and Home Timber and Hardware. Big River does not focus on this retail segment.

The trade segment of the Australian building products market accounts for approximately 60% of total market turnover. The primary customers in this market segment are professional builders and building companies. These customers may have credit accounts with their suppliers with defined terms of trade, make frequent purchases and make purchases of significant size. Trade buyers can range from individual tradespeople and small, private companies to major builders and large engineering and construction companies, but irrespective of size, trade buyers typically purchase product from the same network of manufacturers and distributors. Trade buyers typically procure their materials from a supply network completely distinct from the retail market segment. As opposed to the retail market segment which contains significant big box store operators, the trade distribution marketplace is highly fragmented, mainly made up of relatively small, private operators and without any clear national market leaders across all markets. Big River focuses on this trade segment.

## Industry Background

**FIGURE 2.1.1**  
**AUSTRALIAN BUILDING PRODUCTS MARKET – ESTIMATED ANNUAL REVENUE BY SEGMENT (%)**



## 2.2 Manufactured Timber Products

Timber products are one of the largest product categories within the Australian building products market, representing approximately 22% of total turnover. This is equivalent to around \$10 billion of turnover per annum. Domestically manufactured product accounts for the majority of the segment revenue, and may be sourced from sustainably managed plantations and native regrowth forests. Primary processing activities typically involve transforming logs into a range of products using sawing, veneering and chipping processes followed by secondary processing activities that typically convert those products into finished products. Finished products have a variety of applications and are used extensively in the building and construction industry for their structural and decorative qualities. Manufactured timber products represented approximately 33% of Big River's historical statutory revenue in FY2016.

**FIGURE 2.2.1**  
**BIG RIVER VENEER PRODUCTION LINE**



## Industry Background

Domestically manufactured timber products generally fall into five main categories:

- 1. Hardwood** – hardwood is a high strength and high value key material in the building and construction industry used across a range of structural and decorative applications including as bearers, joists, lintels, roof beams, posts, flooring and decking;
- 2. Structural Timber** – structural timber is generally lengths of sawn timber and is a key material in the building and construction industry used in a range of structural and decorative functions including as studs, wall plates, noggins and rafters;
- 3. Plywood** – plywood is fabricated through the assembly of multiple wood veneers bonded together to produce flat sheets. Each veneer is layered perpendicular to the preceding layer, improving strength and reducing shrinkage in the final product. Plywood is a key material in the building and construction industry used as formwork and for a range of exterior and interior functions;
- 4. Laminated Veneer Lumber (“LVL”)** – LVL is also fabricated through the assembly of multiple wood veneers bonded together to produce flat sheets. However, unlike plywood, the grains of the veneer are aligned in same direction. This makes LVL stronger, straighter and more uniform than solid timber and overcomes some of timber’s natural limitations such as strength-reducing knots. LVL is a key material in the building and construction industry used in a range of structural functions including as beams, lintels, purlins, truss chords and formwork; and
- 5. Panels** – panels are typically an engineered wood product that comes in the form of medium density fibreboard and particle board. Both types of panels are manufactured through breaking down softwood residues into wood fibres that are then pressed together to produce flat boards. Panels are a key material in the building and construction industry across a range of structural and decorative applications including as substrates and surfacing for kitchens, benchtops, shelving, cupboards, walls and flooring.

Big River is a manufacturer of plywood and hardwood products and is a distributor of timber products across all five of the major product categories. There are several other major manufacturers that fabricate various products, as shown in the table below.

**FIGURE 2.2.2**  
**KEY MANUFACTURERS OF TIMBER PRODUCTS**

Company	Plywood	LVL	Structural Timber	Panels	Hardwood
Big River	✓				✓
Boral			✓		✓
Borg Manufacturing				✓	
Carter Holt Harvey	✓	✓	✓	✓	
D&R Henderson			✓	✓	
Hyne Timber			✓		
Laminex				✓	
Wesbeam		✓			

Source: Company

Note: Figure 2.2.2 is indicative only.



## Industry Background

### 2.3 Formwork Supply

Formwork is the use of support structures and moulds to create formations into which concrete is poured. It is widely used in the construction of multi-level concrete structures across the residential, commercial, civil and infrastructure market segments. If handled appropriately, formwork can be reused. Big River is a major seller of timber and steel formwork and it represented approximately 47% of Big River's historical statutory revenue in FY2016.

The formwork consumables segment is comprised of five main product categories:

- ▶ **Formply** – formply sheets are used in temporary or permanent moulds into which concrete is poured for both vertical and horizontal concrete formations;
- ▶ **LVL** – LVL is a high-strength engineered wood product beam used in a variety of applications for supporting formply in the structural formation for concrete pouring;
- ▶ **Wall Systems** – wall systems include permanent formwork systems employed across a range of uses, including the construction of basement walls, internal and external walls and retaining walls. This product is largely used as an alternate to brick and blockwork;
- ▶ **Steel Deckform** – steel deckforms are permanent metal tray formwork products used in concrete slab construction when superior reinforcement qualities are required. Concrete is poured into the steel forms which are left in situ after the concrete has set; and
- ▶ **Hire Services** – there are many companies that hire out a range of formwork products as part of a comprehensive services package.

Big River is a major manufacturer and distributor of a wide range of formwork across the major product categories. Big River does not provide hire services. There are several other major formwork manufacturers and distributors, as shown in the table below.

**FIGURE 2.3**  
**KEY MANUFACTURERS AND DISTRIBUTORS OF FORMWORK PRODUCTS**

Company	Formply	LVL	Wall Systems	Steel Deckform	Hire Services
Big River	✓	✓	✓	✓	
Acrow	✓	✓			✓
CSR			✓		
Lysaght				✓	
RMD	✓	✓			✓
Stramit				✓	

Source: Company

Note: Figure 2.3 is indicative only.

## Industry Background

### 2.4 Building Supplies Distribution

Building supplies distribution includes the supply of hardware and building supplies to both the retail and trade market segments. Bunnings, Mitre 10 and Home Timber and Hardware are examples of retail focused operations. The trade segment is highly fragmented, and there are few large players. Big River is a national trade distributor of timber and building products to professional builders, formworkers, construction companies and building contractors. Building supplies distribution accounted for approximately 53% of Big River's historical statutory revenue in FY2016. Some of the major building supplies distributors are shown below.

**FIGURE 2.4**  
**KEY DISTRIBUTORS OF TIMBER AND BUILDING PRODUCTS**

Company	Description
<b>Big River</b>	Manufacturer and distributor of timber and building products to the trade market segment with two manufacturing sites and 12 <sup>10</sup> distribution sites.
<b>Bowens</b>	Supplier of timber and building supplies to the trade segment and DIY customers with a network of about 14 stores and several prefabrication outlets. Bowens is a privately owned business.
<b>Bunnings Warehouse</b>	Australia's largest "big-box" hardware retailer and home improvement company with a network of over 250 stores and about 30 trade centres. Bunnings is a subsidiary of Wesfarmers (ASX:WES)
<b>Dahlsens</b>	Trade focused hardware supplier with about 30 outlets including truss and frame plants. Dahlsens is based predominantly in Victoria, but also has assets in QLD and NSW. Dahlsens is a privately owned business.
<b>Home Timber and Hardware</b>	Supplier of timber and hardware products to the trade segment and DIY customers across a national network of around 250 bannered stores. HTH was recently acquired by Mitre 10 (Metcash).
<b>Mitre 10</b>	Australian home improvement and hardware wholesaler and retailer, with a network of over 350-400 bannered stores. Mitre 10 is a subsidiary of Metcash (ASX:MTS).

Source: Company websites

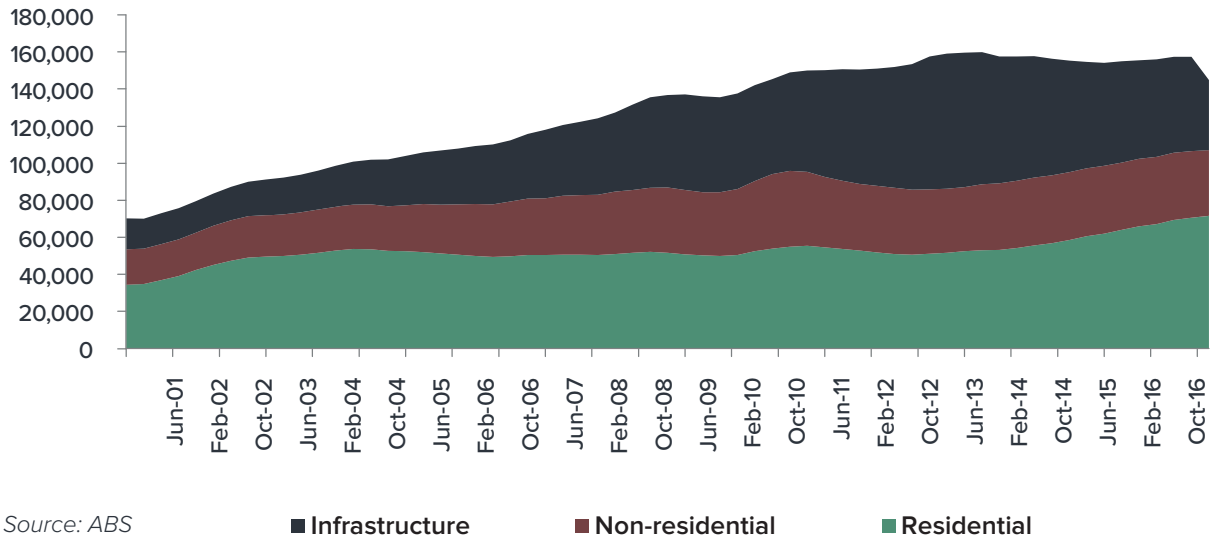
### 2.5 Industry Drivers

Activity in the residential, commercial, industrial and infrastructure construction sectors are the primary drivers of demand for building materials in Australia, including timber and associated building supplies. The quarterly value of work done across the residential, non-residential and infrastructure construction sectors grew at a compound average growth rate of 4.8% from June 2001 to December 2016. Historically, volatility in one construction sector has been offset by unrelated trends in another construction sector, resulting in a relatively stable long term growth profile. Trends in each of these construction sectors will drive demand for specific products.

10. This includes one site acquired pursuant to the acquisition described in Section 9.6.1 and one site to be acquired pursuant to the acquisition described in Section 9.6.2.

## Industry Background

**FIGURE 2.5**  
**QUARTERLY AUSTRALIAN VALUE OF WORK DONE,**  
**TRAILING FOUR QUARTERS, JUN 2001 TO DEC 2016 (\$M)**



Source: ABS

■ Infrastructure

■ Non-residential

■ Residential

### 2.5.1 Residential Construction Activity

Residential construction activity is made up of detached housing and other dwellings (primarily apartments). These activities have varying timber and building product requirements. Detached houses often need volumes of structural timber, flooring and external cladding, and in some cases, formwork. Other dwellings often use formwork products, doors and mouldings and decorative flooring. Residential approvals and commencements are key indicators of residential construction activity and are highly correlated with sales of timber and building products.

#### PROJECT MY80, 55 STOREY APARTMENT TOWER, MELBOURNE

Source: Company



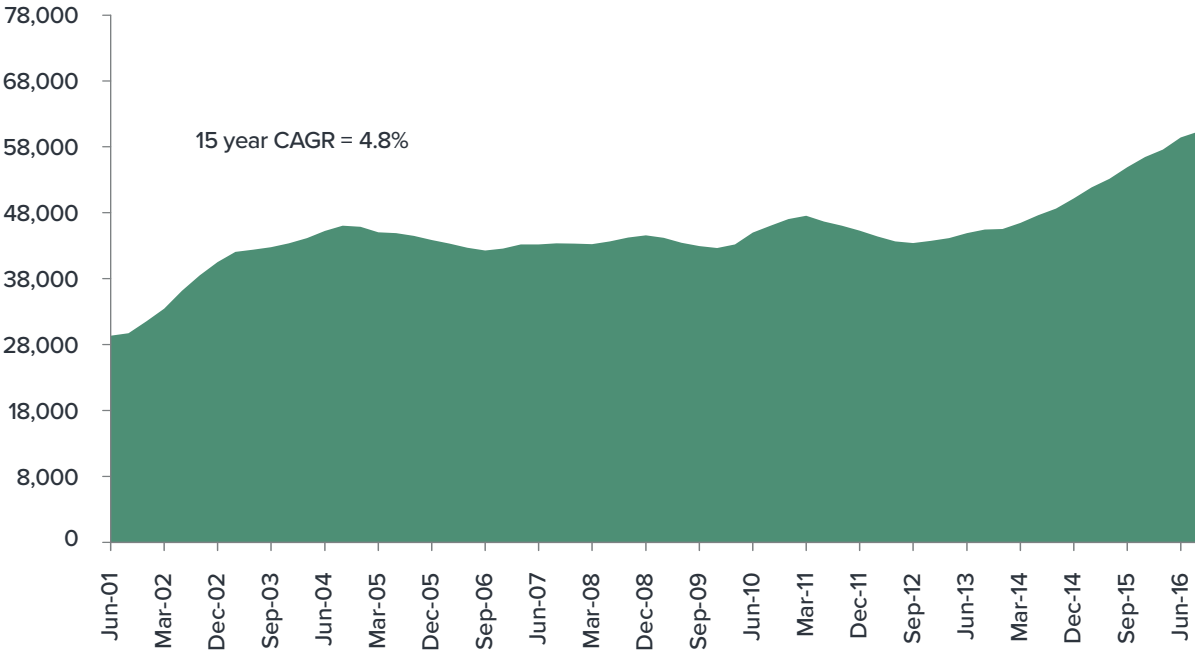
## Industry Background

### 2.5.1.1 Historic Activity

Residential construction activity has been strong for the past several years following a relatively flat period from 2003 to 2012. Total quarterly activity in residential construction shows a 4.8% compound annual growth rate over the past 15 years. The primary drivers of residential construction activity include:

- ▶ ongoing population growth supporting housing demand;
- ▶ low interest rates driven by favourable monetary policy reducing borrowing costs; and
- ▶ State and Federal Government policy initiatives designed to address the housing shortage, improve housing affordability and stimulate housing activity.

**FIGURE 2.5.11**  
**VALUE OF AUSTRALIAN QUARTERLY RESIDENTIAL WORK DONE, TRAILING FOUR**  
**QUARTERS, JUN 2001 TO SEP 2016 (\$M)**



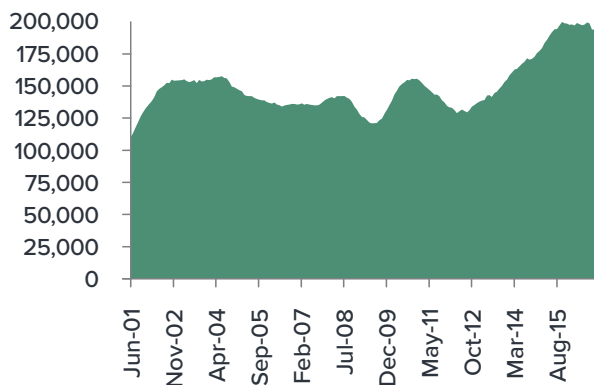
Source: ABS

### 2.5.1.2 Approvals and value of work commenced

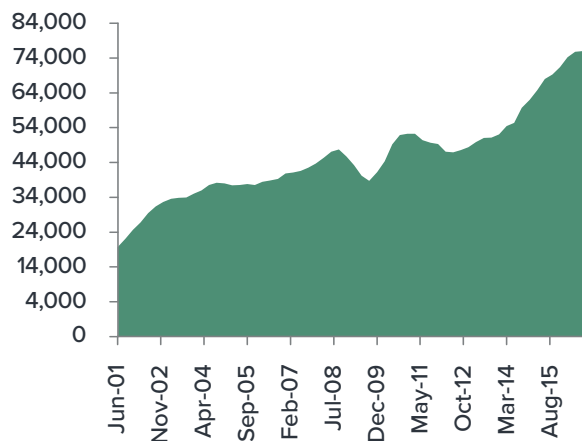
Approvals and value of work commenced underpin future demand for building materials, including timber and associated products. Australian dwelling approvals are currently at a high level relative to the past 15 years. Similarly, the value of work commenced is at the high end of its historic range.

## Industry Background

**FIGURE 2.5.1.2**  
**AUSTRALIAN DWELLING APPROVALS, TRAILING TWELVE MONTHS, JUN 2001 TO DEC 2016**

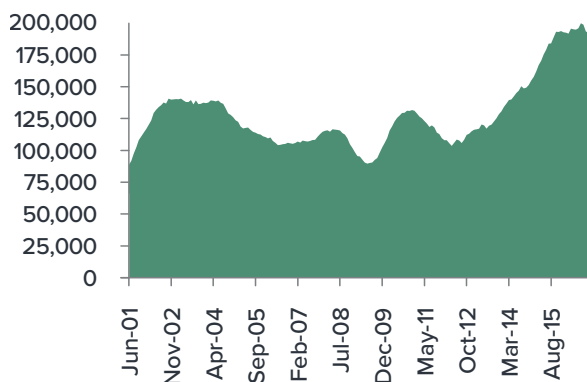


**FIGURE 2.5.1.3**  
**VALUE OF AUSTRALIAN QUARTERLY RESIDENTIAL WORK COMMENCED, TRAILING FOUR QUARTERS, JUN 2001 TO SEP 2016 (\$M)**

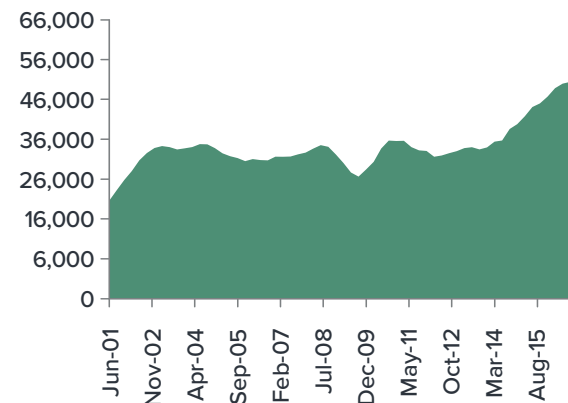


Big River's business is concentrated on Australia's east coast – specifically, NSW, QLD and VIC. The collective dwelling approvals and work commenced figures of these three states mirror the national trends, at or around 15 year highs.

**FIGURE 2.5.1.4**  
**NSW, VIC AND QLD DWELLING APPROVALS, TRAILING TWELVE MONTHS, JUN 2001 TO DEC 2016 (\$M)**



**FIGURE 2.5.1.5**  
**VALUE OF NSW, VIC AND QLD QUARTERLY RESIDENTIAL WORK COMMENCED, TRAILING FOUR QUARTERS, JUN 2001 TO SEP 2016 (\$M)**



Source: ABS

## Industry Background

### 2.5.2 Non-Residential Construction Activity

Non-residential construction activity includes commercial, industrial, social and institutional facilities. This can be in the form of retail spaces and shopping centres, office buildings, hotels, factories and warehouses, as well as education, aged care, health and entertainment and recreational facilities. Common timber and building products across this space include formwork, structural timber, flooring and external cladding.

#### **PROJECT** **FIONA STANLEY HOSPITAL, PERTH**



*Source: Company*

**Industry Background**

**PROJECT  
PACIFIC FAIR SHOPPING CENTRE EXPANSION, GOLD COAST**



Source: Company

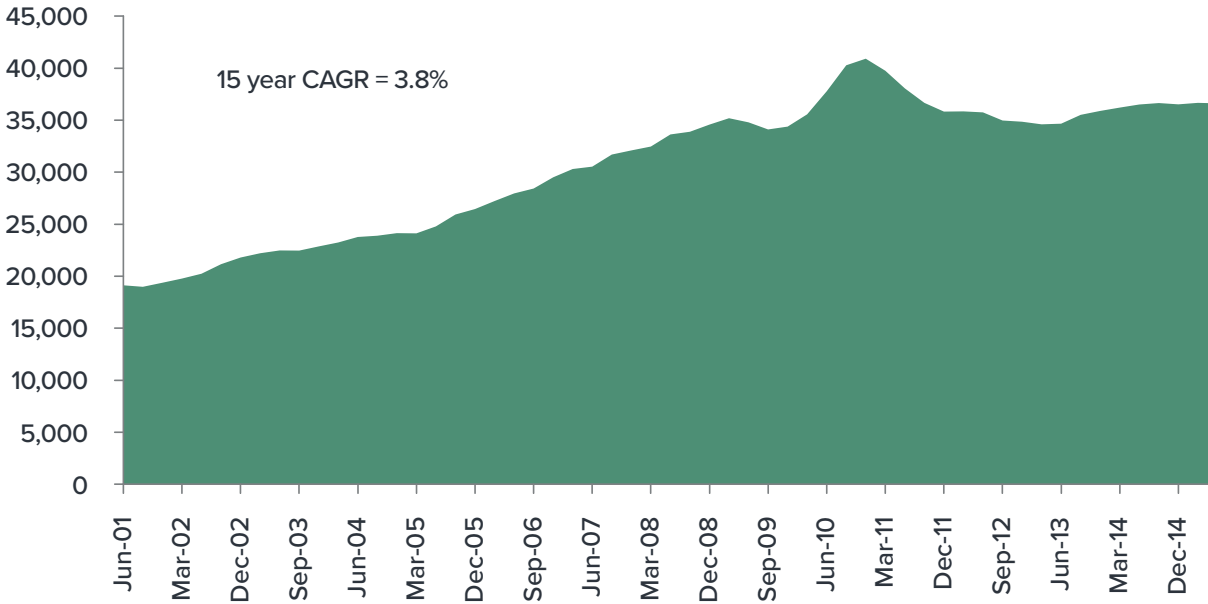
## Industry Background

### 2.5.2.1 Historic activity

Non-residential construction activity has remained relatively subdued over the past decade compared with residential construction. While the quarterly value of non-residential work done shows a 3.8% compound annual growth rate from June 2001 to September 2016, most of those gains were in the early and mid 2000s. Drivers of non-residential construction include:

- ▶ general economic activity;
- ▶ retailer health;
- ▶ commercial and industrial rental yields; and
- ▶ government investment in social infrastructure such as schools and health care facilities.

**FIGURE 2.5.2.1**  
**VALUE OF AUSTRALIAN QUARTERLY NON-RESIDENTIAL WORK DONE, TRAILING FOUR**  
**QUARTERS, JUN 2001 TO SEP 2016 (\$M)**



Source: ABS

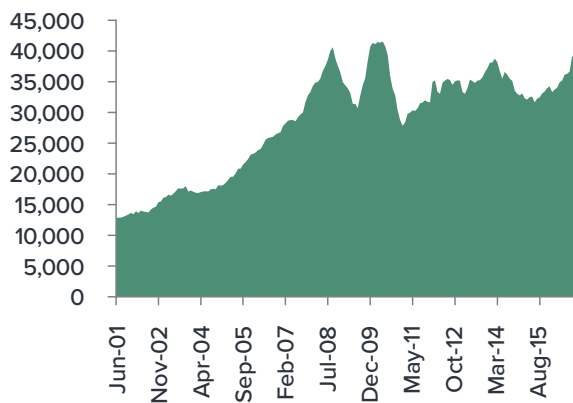


## Industry Background

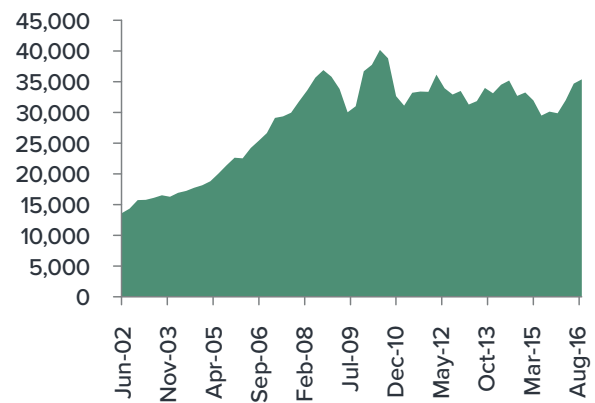
### 2.5.2.2 Approvals and value of work commenced

Australian non-residential approvals and value of work commenced has remained relatively stable over the eight years since 2008.

**FIGURE 2.5.2.2**  
**VALUE OF AUSTRALIAN NON-RESIDENTIAL BUILDING APPROVALS, TRAILING TWELVE MONTHS, JUN 2001 TO DEC 2016 (\$M)**



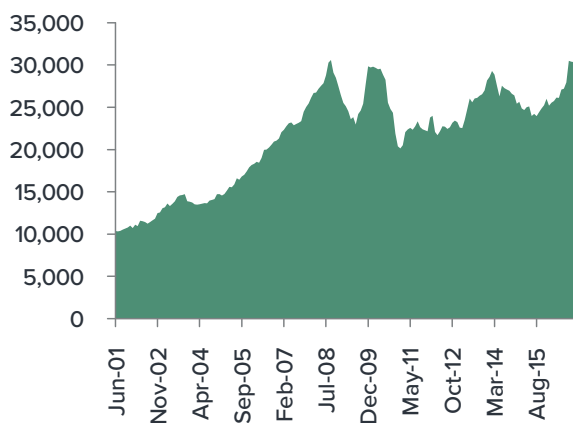
**FIGURE 2.5.2.3**  
**VALE OF AUSTRALIAN QUARTERLY NON-RESIDENTIAL WORK COMMENCED, TRAILING FOUR QUARTERS, JUN 2002 TO SEP 2016 (\$M)**



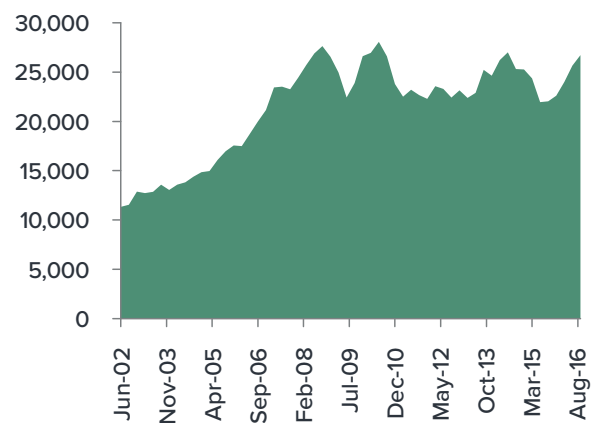
Source: ABS

Non-residential approvals and work commenced in the east coast states of Australia reflect the same trends as the national figures.

**FIGURE 2.5.2.4**  
**VALUE OF NSW, VIC AND QLD NON-RESIDENTIAL BUILDING APPROVALS, TRAILING TWELVE MONTHS, JUN 2001 TO DEC 2016 (\$M)**



**FIGURE 2.5.2.5**  
**VALUE OF NSW, VIC AND QLD QUARTERLY NON-RESIDENTIAL WORK COMMENCED, TRAILING FOUR QUARTERS, JUN 2002 TO DEC 2016 (\$M)**



Source: ABS

**Industry Background**

**2.5.3 Infrastructure Construction Activity**

Infrastructure construction activity includes the construction of large scale civil infrastructure projects such as roads, bridges, airports, tunnels, railroads, water and ports. Typical uses of timber and building products used on these sites include all formwork products for the placement of concrete, specialty plywood products for use in platforms, safety barriers and walkways as well as a range of building products for use around site sheds, temporary offices and amenities.

**PROJECT  
PERTH RAILWAY STATION UPGRADE - PERTH CITY LINK DEVELOPMENT**



Source: Company

**PROJECT  
TIMBER BRIDGE REPLACEMENT, MACKAY QUEENSLAND**



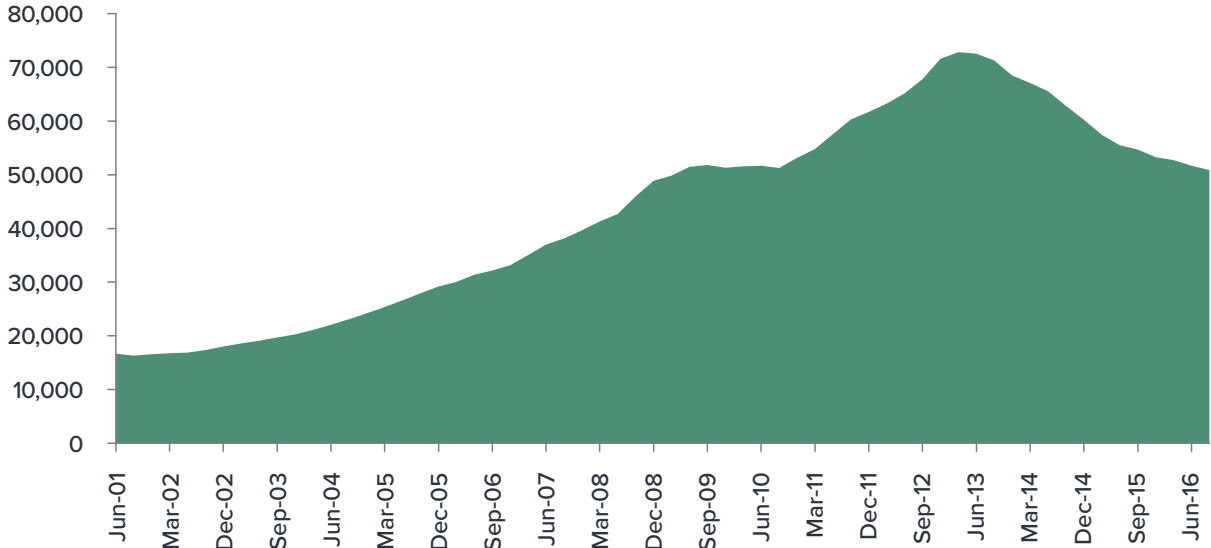
Source: Company

## Industry Background

### 2.5.3.1 Historical activity

In January 2017, the Australian Government released an Infrastructure Priority List documenting a range of road, rail, port, telecommunications, water and utility requirements. Each of the state governments have identified additional infrastructure investments. Spending on infrastructure has grown substantially over the past 20 years, although waned since 2012 reflecting, in part, the decline in spending on resource related projects. However, as some of the larger resource related investments took capital and labour away from other infrastructure investment, significant infrastructure investment needs have been identified by state and federal governments.

**FIGURE 2.5.3.1**  
**VALUE OF AUSTRALIAN QUARTERLY INFRASTRUCTURE WORK DONE,**  
**TRAILING FOUR QUARTERS, JUN 2001 TO SEP 2016 (\$M)**

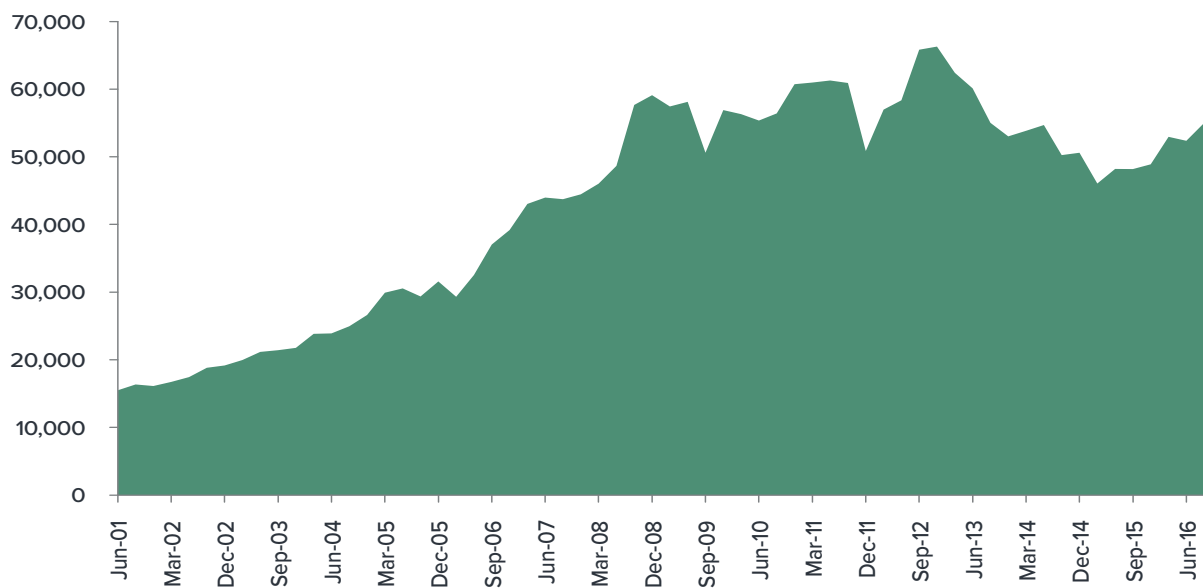


## Industry Background

### 2.5.3.2 Approvals and value of work commenced

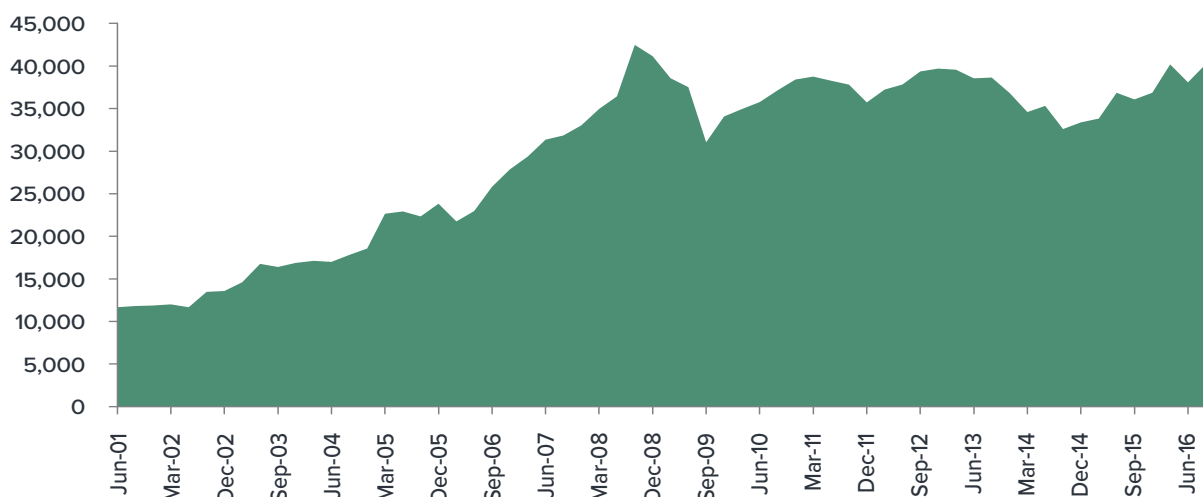
Australian work commenced in the infrastructure sector has been relatively stable since 2008. Activity has increased since 2014 as the slowdown in the resource sector freed up labour capital for the federal and state governments to reinvigorate infrastructure investment.

**FIGURE 2.5.3.2**  
**VALUE OF AUSTRALIAN QUARTERLY INFRASTRUCTURE WORK COMMENCED, TRAILING FOUR QUARTERS, JUN 2001 TO SEP 2016 (\$M)**



The value of infrastructure work commenced in the Eastern states has lower peak to trough variance from 2008-2016 than the national figure. This reflects the impact on the national figures of heavy investment in Western Australia from 2008-2012 and the subsequent decline.

**FIGURE 2.5.3.3**  
**VALUE OF QUARTERLY INFRASTRUCTURE WORK COMMENCED IN NSW, VIC AND QLD, TRAILING FOUR QUARTERS, JUN 2001 TO SEP 2016 (\$M)**



Source: ABS

## Industry Background

### 2.6 Key Trends in Australian Building Products Market

There are a number of key trends within the Australian building products market which are expected to create opportunities for manufacturers and distributors of timber and building products such as Big River.

#### 2.6.1 Growth in Lightweight Building Products

In recent years there has been a significant increase in the amount of lightweight building products used in the construction of new houses and alterations and additions activity rather than traditional brick veneer structures. Compared to traditional brick veneer structures, lightweight building products are typically more cost effective to transport and store, more efficient and safer to install and have greater sustainability benefits in terms of both embodied energy and insulation qualities. As a distributor of key lightweight building products including structural timber and cladding, Big River is well positioned to benefit from this trend.

#### 2.6.2 Growth in High Density, Multi-Residential Dwellings

There is an increasing demand for high density, multi-residential dwellings due to changing demographics including baby-boomers seeking to downsize their dwellings, increasing unaffordability of detached housing for first home buyers and growing demand for dwellings in close proximity to transport hubs and central business districts. This has resulted in steady growth in construction of multi-residential dwellings such as apartments and townhouses which have a requirement for building products suitable for high density applications. Formwork products are used extensively in the construction of high density, multi-residential buildings. As a supplier of a range of formwork products which are required in the construction of high density dwellings, Big River is well positioned to benefit from this trend.

This focus on sustainable building has also seen the emergence of multi-storey timber structures, in both residential and commercial applications. This follows trends seen in Europe and North America and, as a major manufacturer and distributor of timber products, bodes well for Big River in the future.

#### 2.6.3 Increasing Focus on Sustainability

There is an increasing focus on sustainability and the use of environmentally friendly products in existing buildings and the construction of new buildings. Australian timber products may be sourced from sustainably managed plantations and native regrowth forests and can be recycled. The production of timber products uses less energy than most other building materials, in turn resulting in fewer emissions into the atmosphere. Furthermore, timber products have higher carbon absorption rates throughout their product lifecycle compared to building products made from steel, concrete or aluminium and can store up 15 times the amount of carbon dioxide released during their manufacture. As a leading supplier of timber products, Big River is well placed to benefit from this trend.

#### 2.6.4 Imports

As has occurred in many industries, imports now appear to fill a considerable component of the supply chain for various building supplies. Price differentials remain between imported and domestic manufactured products but, as plywood and formply is often not a significant cost to a construction job, the Company is of the opinion that these savings often do not outweigh the health and safety risks associated with choosing a potentially inferior product. However, while Big River maintains key manufacturing assets, it has increased its use of imported products from China in particular, complementing its strong historical position with New Zealand imports. This dual sourcing strategy positions Big River favourably to respond to continuously evolving market trends.

## Industry Background

### **PROJECT** **TOWNHOUSE PROJECT, BRISBANE**



# Business Overview

# Business Overview

## 3.1 Introduction

With an operating history of approximately 100 years, Big River has established itself as a diverse manufacturer and distributor of timber and building products. Big River is an integrated Australian timber products business that operates across the full continuum from procurement of raw materials through to sale of finished products to end users. Big River is:

- ▶ a major manufacturer of softwood and hardwood formply and structural plywood products in Australia;
- ▶ a major seller of consumable formwork products in Australia; and
- ▶ a national merchant of timber and associated building products to local trade, medium sized and enterprise sized companies.

Big River's products are sold to professional builders, formworkers, construction companies and building contractors that operate in the residential, non-residential and infrastructure markets. Big River has sales and distribution offices in each of the mainland Australian states<sup>11</sup> and two manufacturing sites in New South Wales. Big River's brand is recognised nationally and is supported by an extensive sales and customer support team.

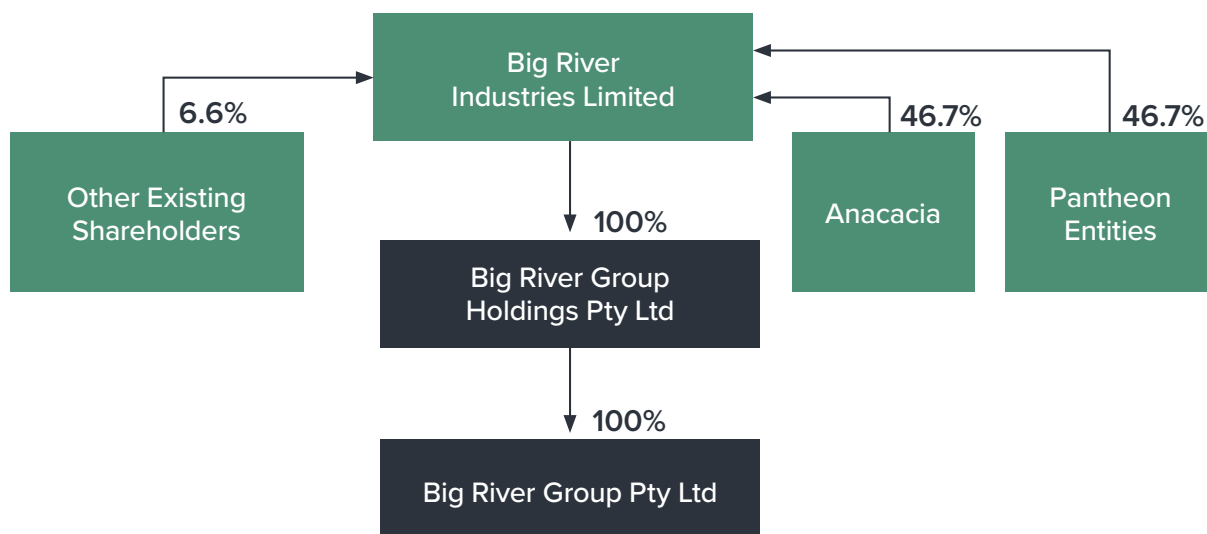
Big River's vertically integrated business enables it to maintain supply of competitively priced, high quality products to its customers through a strong culture of cost and quality control. Big River's sales force is also trained and equipped to provide customers with technical expertise and after sales service.

Big River generated pro forma revenue of \$195.2 million and EBITDA of \$11.3 million in FY2016. Big River has a large and diversified customer base with more than 2,700 customer accounts. In FY2016, the top 10 customers represented approximately 16% of revenue. Reflecting its longstanding presence in the marketplace, strong service culture and technical expertise, customer loyalty is something Big River prides itself on. Many of Big River's top 20 customers have traded with Big River for more than 25 years.

## 3.2 Group Structure

The Group's shareholding and corporate structure as at the date of this Prospectus (prior to Listing) is outlined in the following diagram.

**FIGURE 3.2**  
**BIG RIVER GROUP CORPORATE STRUCTURE**



11. Big River runs sales territories in the Northern Territory and Tasmania from its Brisbane and Melbourne offices, respectively.



## Business Overview

### 3.3 Group History

Major milestones in Big River's history are detailed in the following table.

**FIGURE 3.3**  
**SIGNIFICANT MILESTONES FOR BIG RIVER**

Year	Milestones
1920	▶ Commenced sawmilling operations in northern NSW
1947	▶ Installed first peeling lathe for the processing of high grade marine veneers
1960	▶ Grafton Junction Hill site established ▶ Installed new lathes and dryers for the processing of high grade timbers
1983	▶ Installed first plywood pressing assets for processing veneer into finished plywood (formply)
1985-1992	▶ Established sales territory and sales and distribution centres in Brisbane, Melbourne and Sydney
1992-1997	▶ Commenced exports of formply into South East Asia
1998	▶ Installed first engineered flooring line at Grafton
2000	▶ Expanded strategically into the distribution of complementary building products in all branches
2002-2003	▶ Established Perth and Townsville sales territories and sales and distribution businesses
2005	▶ Installed flooring pre-finishing plant at Grafton
2006	▶ Acquired Stacks Building Supplies to establish Sunshine Coast sales and distribution businesses
2007	▶ Acquired Ausply, a plywood manufacturing and trading business based at Wagga Wagga ▶ Secured access to larger volumes of pine resources in the Hume region ▶ Awarded first prize in the fourth generation and over category of the NSW and ACT Family Business of the Year Awards
2008	▶ Acquired Cukuna Sales to establish sales territory and sale and distribution business in Illawarra
2009	▶ Installed first Armourdeck steel roll-forming line at Grafton ▶ Installed cogeneration electricity plant at Grafton
2009-2013	▶ Conducted \$17 million upgrade of Wagga Wagga manufacturing facility
2010	▶ Established Adelaide sales territory and sales and distribution business ▶ Acquired Dale and Meyers Townsville branch and merged with existing Big River Townsville branch
2013	▶ Installed second Armourdeck steel roll-forming line at Grafton ▶ Developed specialty bridgeply product for civil infrastructure applications
2014	▶ Established toll manufacturing arrangement with Chinese flooring manufacturer ▶ Grafton fire and manufacturing restructure resulted in transfer of production to Wagga Wagga
2015	▶ Installed new spindleless lathe at Grafton to replace assets lost in fire ▶ Reconfigured Grafton site to be a niche manufacturer of high value specialty products ▶ Reconfigured Wagga Wagga site to be a high volume manufacturer of plywood products ▶ Developed agreement for the supply of premium engineered flooring products to Harvey Norman
2016	▶ Installed 3rd steel roll forming line at Wagga manufacturing facility ▶ Sale of Big River to Anacacia, Pantheon Entities and the management group
2017	▶ Acquisition of Adelaide Timber & Building Supplies to expand South Australian exposure ▶ Proposed acquisition of Sabdia Mitre 10, to access the western growth corridor in South-East QLD ▶ IPO

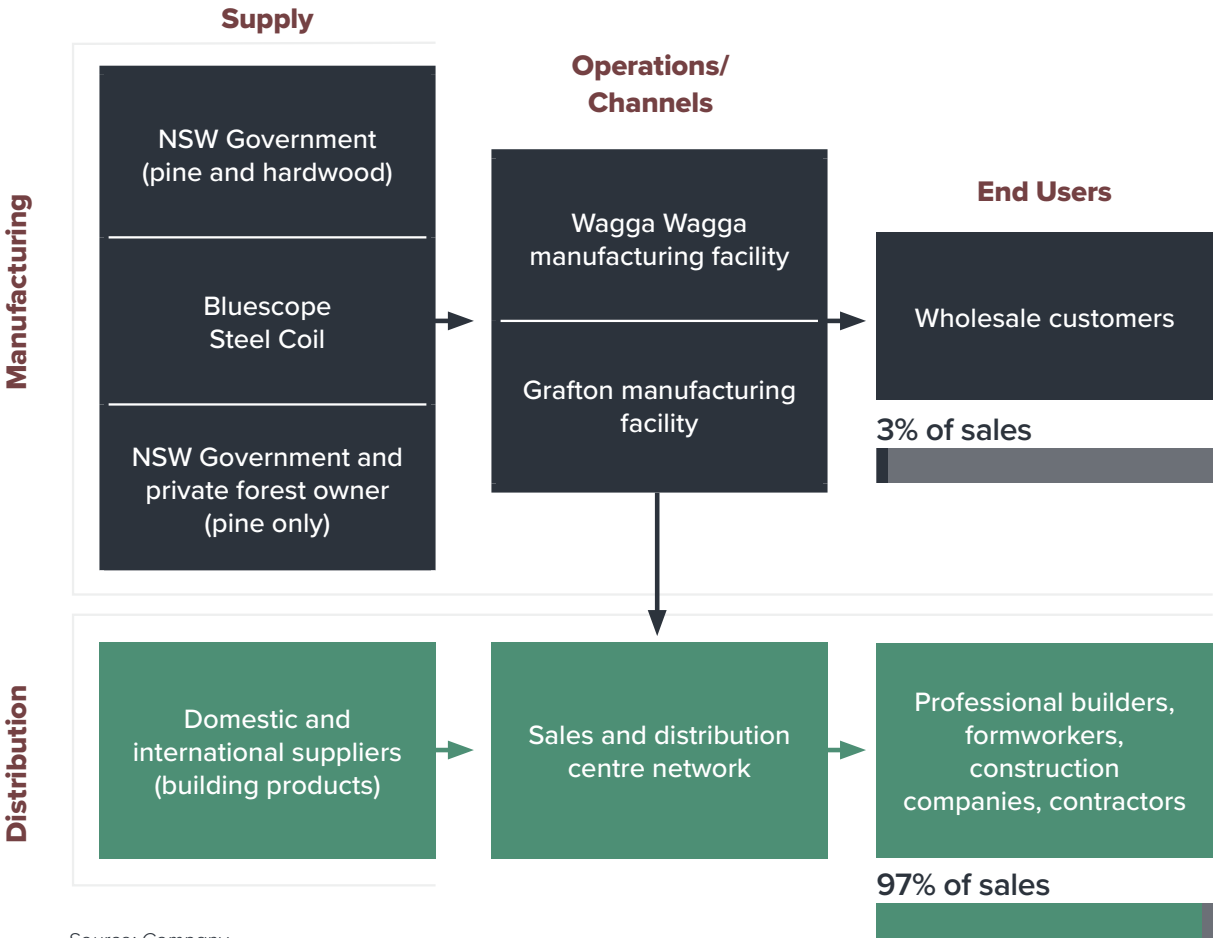
Source: Company

**Business Overview**

**3.4 Sources of Revenue**

Big River generates revenue from the sale of timber and building products through its national network of trade stores. The products are sourced from Big River's own timber product manufacturing facilities and from leading domestic and international building product original manufacturers.

**FIGURE 3.4.1  
BIG RIVER OPERATIONS AND MARKET CHANNELS**

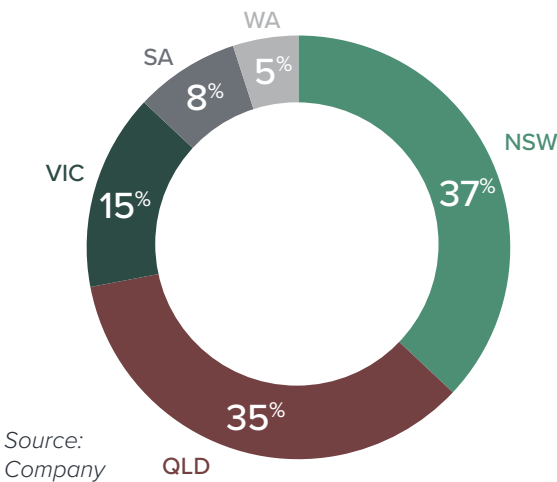


Source: Company

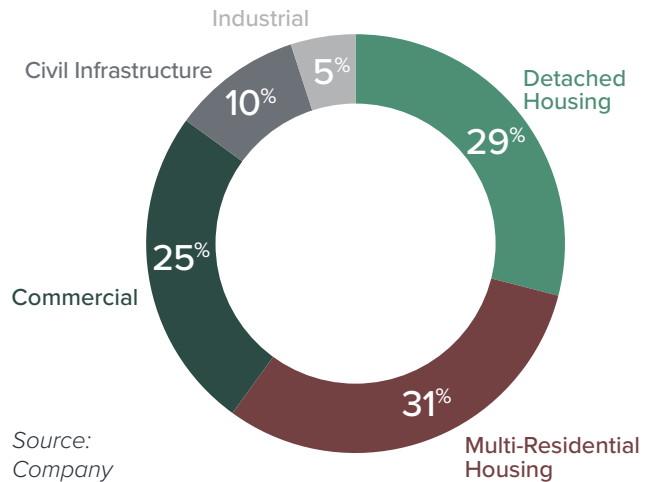
## Business Overview

Wholesale sales constituted 3% of statutory revenue in FY2016. The east coast states (NSW, QLD and VIC) accounted for over 87% of Big River's pro forma revenue in FY2016. Residential property was the largest market segment, accounting for approximately 60% of historical pro forma revenue in FY2016 although this proportion varies from year to year.

**FIGURE 3.4.2**  
**PRO FORMA REVENUE BY STATE, FY2016**

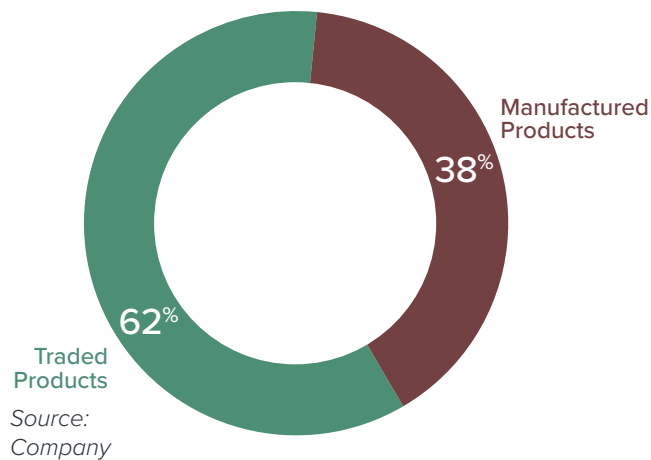


**FIGURE 3.4.3**  
**PRO FORMA REVENUE BY MARKET SEGMENT, FY2016**



In FY2016, in-house manufactured products represented 38% of historical statutory revenue and third party manufactured traded products represented 62% of historical statutory revenue.

**FIGURE 3.4.4**  
**BIG RIVER REVENUE BY MANUFACTURING SOURCE, FY2016**



## Business Overview

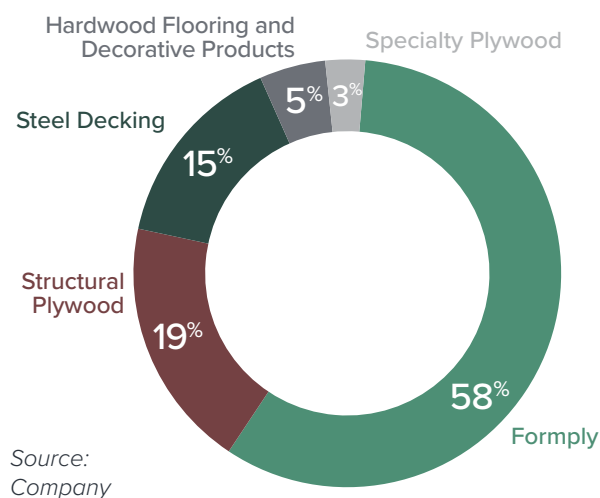
### 3.4.1 Revenue from Manufactured Products

Big River owns and operates two manufacturing facilities in Wagga Wagga, NSW and Grafton, NSW. Big River's manufacturing capability is principally in the manufacture of softwood and hardwood formply and structural plywood products. The two sites are located near high quality hardwood and softwood resources. Big River also manufactures a wide range of steel decking, flooring and specialty plywood products. In addition to its own factories, Big River has an arrangement with a Chinese manufacturer that processes a small volume of Big River supplied timber into an engineered hardwood flooring product. This arrangement has no volume commitments (to either party) and is only for sales into Australia.

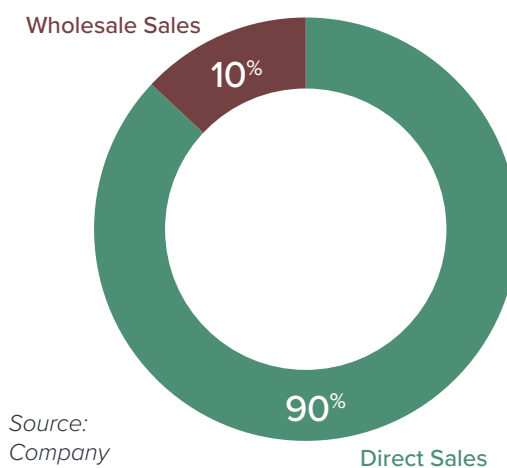
In FY2016, Big River generated \$65 million of historical statutory revenue from the sale of manufactured products. Approximately 90% of this revenue was sold through Big River's sales and distribution trade store network. The remaining 10% was sold to third party wholesalers.

Big River's largest manufactured product by revenue is formply, accounting for 58% of manufactured product revenue in FY2016. Structural plywood and steel decking are the next largest product categories, representing 19% and 15% of manufactured product revenues in FY2016, respectively.

**FIGURE 3.4.1.1**  
**MANUFACTURED PRODUCT REVENUE BY CATEGORY, FY2016**



**FIGURE 3.4.1.2**  
**MANUFACTURED PRODUCT REVENUE BY CHANNEL, FY2016**



Big River recognises the commercial necessity for ongoing product innovation to remain competitive. Accordingly, Big River maintains a pipeline of new products under development under the direction of a full time employee. As an outcome of its approach, Big River has successfully introduced to market a number of new products, including most recently 'anti-slip' plywoods and bridgeply products.

### 3.4.2 Revenue from Traded Products

Through its national network of trade distribution centres, Big River sells a wide range of building products complementary to its manufactured products that are sourced from leading domestic and international original manufacturers. In FY2016, Big River generated historical statutory revenue of \$106 million from the sale of traded products, which equates to 62% of revenue.

## Business Overview

An overview of the major traded products is below:

**FIGURE 3.4.2  
MAJOR TRADED PRODUCT CATEGORIES**

Product categories	Sales (%)	Product types
Formwork LVL	28%	Formwork beams, concrete edgeform and LVL scaffold plank
Structural pine timber	21%	Structural pine framing, treated pine, pine dunnage and landscape pine products
Fibre cement sheeting	9%	Cladding and structural fibre cement products
Residential LVL	8%	Structural LVL beams including I joists
Structural hardwood and decking	8%	Structural hardwood posts, decking, marine timbers and green industrial hardwood products
Other flooring and timber mouldings	6%	Oak flooring, T&G flooring, flooring accessories and various timber mouldings
Other formwork products	5%	Wall form products, shoring equipment, Oregon beams and formwork accessories
Other panel products	5%	Imported plywood, particleboard and MDF
Trade hardware and other products	10%	Fasteners, nails, insulation, adhesives, roofing, tools and other products

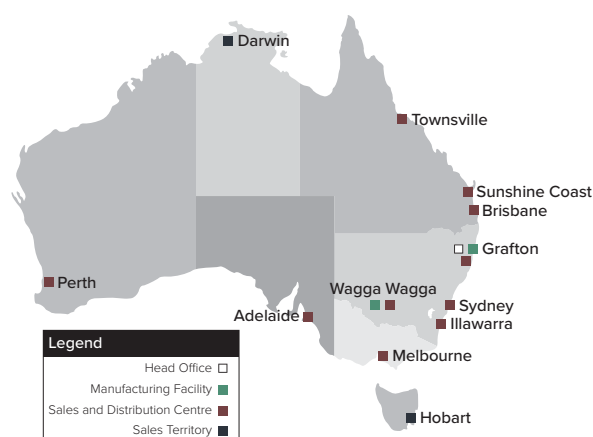
Source: Company

### 3.5 Manufacturing, Sales and Distribution Network

Big River conducts its operations from 12<sup>12</sup> sites around Australia. Big River's manufacturing sites are strategically located in Wagga Wagga, NSW and Grafton, NSW near hardwood and softwood resources and ideally positioned to service the Australian east coast states. Big River also runs 12<sup>13</sup> trade distribution offices (including trade distribution offices at the two primary manufacturing sites), covering the major construction markets. Big River runs sales territories in the Northern Territory and Tasmania from its Brisbane and Melbourne offices, respectively.

Big River owns each of its manufacturing sites but leases its sales and distribution sites. Big River owns the manufacturing sites because of their strategic proximity to their respective raw material sources. Big River prefers to lease the sales and distribution sites because it provides flexibility to periodically shift sites according to territory growth and regional trends.

**FIGURE 3.5  
MANUFACTURING FACILITIES AND TRADE DISTRIBUTION OFFICES**



Source: Company<sup>14</sup>

12. 13. This includes one site acquired pursuant to the acquisition described in Section 9.6.1 and one site to be acquired pursuant to the acquisition described in Section 9.6.2.

14. This includes two separate sites in Brisbane. See Section 3.5.3 below.

## Business Overview

### 3.5.1 Junction Hill, Grafton Manufacturing Facilities

Big River established its first manufacturing facility in Grafton in 1960 to manufacture plywood products. Big River acquired a second Grafton site in 1998 to manufacture bridgeply and high value specialty plywood products.

Prior to 2008, Big River produced its core plywood products in Grafton. Some of this production was shifted to Wagga Wagga in FY2013 following a major site upgrade. Further production capacity was shifted to Wagga Wagga in late 2014 following a fire at the primary Grafton site that damaged some equipment causing a temporary suspension of production at Grafton.

Since 2015, the Grafton sites have focused on the production of high value hardwood, structural plywood, formply, flooring, architectural panels, steel decking and bridgeply products. These products are typically shorter run, lower volume products manufactured to explicit client specifications for particular jobs. The Grafton manufacturing facilities have a production capacity of over 20,000m<sup>3</sup> of plywood per annum based on current product mix, although current management projections reflect a production rate of approximately 10,000m<sup>3</sup> of plywood in FY2017.

The primary property is located at 61 Trenayr Road, Junction Hill and serves as Big River's head office, primary Grafton manufacturing facility and the Grafton sales and distribution centre. The site is an industrial holding of 86,369m<sup>2</sup> with an industrial warehouse space of 11,058m<sup>2</sup>. The property is valued at \$2.55 million based on a May 2016 third party valuation.

The second property is located at 309 Trenayr Road, Junction Hill and serves as Big River's specialty plywood fabrication facility. The site is an industrial holding of 20,000m<sup>2</sup> with an industrial warehouse space of 720m<sup>2</sup>. Big River has DA approval to sub-divide the unused land component of this site. The carrying value is \$0.14 million.

### 3.5.2 Forest Hill, Wagga Wagga Manufacturing Facilities

Big River acquired its Wagga Wagga manufacturing site in 2007 through Big River's acquisition of Ausply. In addition to the operations themselves, the acquisition provided the Company with a strategic presence in the Hume region, which is a material pine growing region.

The property is located at 128 Elizabeth Avenue, Forest Hill and serves as Big River's softwood plywood manufacturing facility and the Wagga Wagga sales and distribution centre. The site is an industrial holding of 31,080m<sup>2</sup> with an industrial warehouse space of 10,165m<sup>2</sup>. The property is valued at \$2.9 million based on a May 2016 third party valuation.

Big River started a \$17.0 million site upgrade in FY2009, bringing in new technology and equipment to increase capacity and to significantly improve productivity. Since completion of the upgrades in FY2013, the Wagga Wagga site has become Big River's main site for the production of high volume, low cost formply and plywood products. The Wagga Wagga site has capacity of over 40,000m<sup>3</sup> of plywood per annum. Current management projections included in Section 4 reflect a production rate of approximately 32,000m<sup>3</sup> of plywood in FY2017.

### 3.5.3 Trade Distribution Sites

Big River leases ten sites for its sales and distribution centres.

## Business Overview

**FIGURE 3.5.3**  
**SUMMARY OF LEASED PROPERTIES**

Property	State	Lease expiry date	Lease option terms (years)	Leased site area (m <sup>2</sup> )
Meadowbrook, Brisbane	QLD	15/06/2023	1 x 5	11,210
Kiama, Illawarra	NSW	28/09/2019	2 x 3	5,374
Braeside, Melbourne	VIC	14/12/2017	Nil	8,508
Welshpool, Perth	WA	30/10/2020	1 x 3	5,300
Warana, Sunshine Coast	QLD	15/01/2018	2 x 3	6,000
Mt Druitt, Sydney	NSW	20/05/2017	1 x 5	13,500
Garbutt, Townsville	QLD	8/10/2019	1 x 5	14,640
Garbutt, Townsville	QLD	31/03/2020	Nil	8,094
Edinburgh North, Adelaide <sup>15</sup>	SA	31/12/2019	1 x 5	16,137
Hillcrest, Brisbane <sup>16</sup>	QLD	01/04/2020	2 x 2	4,057

Source: Company

### 3.6 Long-Term Wood Supply Agreements

Big River has three separate long-term wood supply agreements on foot with the State Government of NSW. Total contracted volume of pine and hardwood logs available to Big River under these contracts is 98,000 tonnes per annum, with further access to parcel sale volumes from both private and Crown Land sources. The Hume region, located near the Wagga Wagga manufacturing facility, is a prime source of high quality softwood logs. The Grafton region is known for its high quality hardwood logs. All of the contract counterparties are accredited under the Australian Forestry Standards which in turn are certified by the international Programme for Endorsement of Forest Certification.

An overview of Big River's major wood supply agreements is provided below.

15. This lease is being assigned to Big River in connection with the acquisition described in Section 9.6.1.

16. This lease does not currently exist. Big River will enter into a lease for this property in connection with the acquisition described in Section 9.6.2. The acquisition is expected to complete on 31 March 2017 and the lease term will commence the day after completion, which is expected to be 1 April 2017. The lease will be for a term of 3 years, ending on 1 April 2020.

## Business Overview

**FIGURE 3.6**  
**SUMMARY OF WOOD SUPPLY AGREEMENTS**

Counterparty	Wood Type	Contracted supply volume (tonnes pa) <sup>17</sup>	Contract renegotiation date	Length of relationship (years)
<b>Grafton</b>				
Forestry Corporation of NSW (previously Forestry Commission of NSW t/as Forests NSW)	Pine	29,200	2019	30+
Forestry Corporation of NSW (previously Forestry Commission of NSW t/as Forests NSW)	Hardwood	17,000	2023	30+
<b>Wagga Wagga</b>				
Forestry Corporation of NSW (previously Forestry Commission of NSW t/as Forests NSW)	Pine	52,000 <sup>++</sup>	2019	30+

Source: Company

<sup>++</sup>Options exist over additional supplies, currently sourced under parcel sales structure

## 3.7 Major Customers and Suppliers

### 3.7.1 Major Customers

Big River has a large and diversified customer base with more than 2,700 customer accounts that vary from local builders and contractors to international construction companies servicing the residential, non-residential and infrastructure construction markets. Approximately 97% of Big River's total pro forma revenue (both manufactured and traded products) is through the company owned sales and distribution trade store network. The remaining 3% of total pro forma revenue is sold to third party wholesalers.

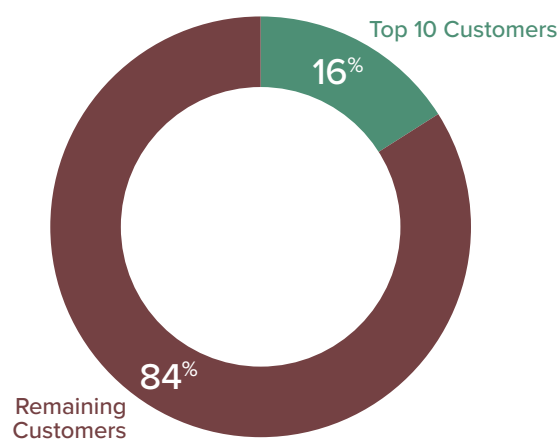
Big River's customer counterparty risk is diversified as various customers operate in various market segments and no single customer exceeds 1.8% of pro forma revenue (with the exception of Rivergum Homes Pty Limited, with which a formal supply agreement has been entered into by the Operating Company in connection with the ATBS acquisition referred to in Section 9.6.1). Big River's ten largest customers collectively accounted for 16% of pro forma revenue in FY2016. Many of Big River's top 20 customers have traded with Big River for more than 25 years.

17. The total contracted supply volume with Forestry Corporation of NSW noted in this Figure 3.6 represents approximately 90% of the total log volume consumed in the manufacturing process of Big River. By way of context, the volumes noted in this Figure 3.6 represent approximately 27.5% of the total raw materials volume used in the manufacturing process of Big River (with the remaining approximate 72.5% of total raw materials including imported veneer, resin, phenolic impregnated overlay paper, steel coil, and a range of other minor raw materials used in the plywood, engineered flooring and Armourdeck steel decking manufacturing processes).



## Business Overview

**FIGURE 3.7.1.1**  
**PRO FORMA CUSTOMER CONCENTRATION, FY2016**



An overview of Big River's ten largest customers by FY2016 pro forma revenue is provided below.

**FIGURE 3.7.1.2**  
**TOP TEN CUSTOMERS BY PRO FORMA REVENUE, FY2016**

Customer	Description	Revenue (A\$000s)	Revenue (%)	Length of relationship
Customer 1	Residential	\$11,233	5.8%	> 15 years
Customer 2	Formwork	\$3,622	1.9%	> 20 years
Customer 3	Formwork	\$3,179	1.6%	> 30 years
Customer 4	Industrial	\$2,241	1.1%	> 25 years
Customer 5	Formwork	\$2,101	1.1%	> 25 years
Customer 6	Formwork	\$2,063	1.1%	> 15 years
Customer 7	Formwork	\$2,045	1.0%	> 15 years
Customer 8	Formwork	\$1,819	0.9%	> 25 years
Customer 9	Formwork	\$1,780	0.9%	> 10 years
Customer 10	Formwork	\$1,766	0.9%	> 20 years
<b>Top 10 Customers</b>		<b>\$31,849</b>	<b>16.3%</b>	
<b>Remaining Customers</b>		<b>\$163,338</b>	<b>83.7%</b>	
<b>Total</b>		<b>\$195,187</b>	<b>100.0%</b>	

Source: Company

## Business Overview

### 3.7.2 Major Suppliers

Big River suppliers include raw material suppliers (domestic log suppliers) and large domestic and international building product manufacturers. Big River's largest supplier represented approximately 18% of purchases in FY2016. Big River's ten largest suppliers represented approximately 51% of purchases in FY2016.

An overview of Big River's ten largest suppliers in FY2016 is provided below.

**FIGURE 3.7.2**  
**TOP TEN SUPPLIERS BY PURCHASE VOLUME, FY2016**

Supplier	Products	Purchases (A\$000s)	Proportion of total purchases (%)	Length of relationship
Supplier 1	Building Products	\$25,124	18.0%	> 20 years
Supplier 2	Building Products	\$8,564	6.1%	> 30 years
Supplier 3	Raw Materials	\$8,128	5.8%	> 30 years
Supplier 4	Raw Materials	\$6,766	4.8%	8 years
Supplier 5	Building Products	\$5,150	3.7%	> 15 years
Supplier 6	Building Products	\$4,178	3.0%	> 20 years
Supplier 7	Raw Materials	\$4,022	2.9%	10 years
Supplier 8	Building Products	\$2,953	2.1%	6 years
Supplier 9	Building Products	\$2,940	2.1%	> 15 years
Supplier 10	Building Products	\$2,848	2.0%	10 years
<b>Top 10 Suppliers</b>		<b>\$70,673</b>	<b>50.5%</b>	
<b>Remaining Suppliers</b>		<b>\$68,884</b>	<b>49.5%</b>	
<b>Total</b>		<b>\$139,557</b>	<b>100.0%</b>	

Source: Company

## Business Overview

### 3.8 Strategy

Since its founding approximately 100 years ago, Big River has evolved from a timber processor into a diversified manufacturer and distributor of timber and building products. Over the past sixteen years, Big River's strategy and execution has been overseen by a partially independent Board of Directors, reflecting the founding family's reduced role in day-to-day operations. The Board has assisted management to grow operations, expand the sales and distribution network, acquire the Wagga Wagga manufacturing site and diversify Big River's exposure to the residential, non-residential and infrastructure construction markets.

Over the past six years, Big River has re-oriented its manufacturing processes so that the focus of the Wagga Wagga facility is now on high volume, low cost production of softwood plywood and the focus of the Grafton facility is on low volume, specialty products production. These moves have resulted in efficiency gains across the manufacturing processes and improved distribution flexibility. In addition, the sales and distribution footprint was expanded via organic and acquisitive means adding new territories and enhancing capital city coverage.

Big River believes it can expand its market position as a major manufacturer and distributor of timber and building products to the trade segment of the Australian building products market. Employing its existing high quality / high service value proposition, its strong sales and distribution capability and supportive customer base, Big River plans further growth via geographic expansion and product range extension.

Big River's strategy is based on the themes below.

**FIGURE 3.8**  
**BIG RIVER KEY STRATEGIC THEMES**

<b>Comprehensive product range</b>	<ul style="list-style-type: none"> <li>▶ Focus product development on core timber product range in order to maintain reputation for quality and reliability</li> <li>▶ Leverage vertically integrated business model with manufacturing, sales and distribution capabilities and access to hardwood and softwood log resources</li> <li>▶ Supply complementary products to provide customers with a "one stop shop"</li> </ul>
<b>Low cost competitive position</b>	<ul style="list-style-type: none"> <li>▶ Continue to operate the Wagga Wagga manufacturing facility as a high volume, low cost producer and the Grafton manufacturing facility as a high value, specialty producer</li> <li>▶ Execute on initiatives in place to continue to improve manufacturing efficiencies</li> <li>▶ Pursue further initiatives in place to increase production volumes and utilise excess manufacturing capacity to reduce costs on a cubic metre basis</li> <li>▶ Continue to increase strategic offshore product sourcing arrangements to broaden range and reduce costs</li> </ul>
<b>Customer focus</b>	<ul style="list-style-type: none"> <li>▶ Continue to focus on the trade segment of the Australian building products market</li> <li>▶ Further develop direct end-user relationships and improve high service delivery offering</li> <li>▶ Position Big River as a "one stop shop" for timber and building products</li> </ul>
<b>Growth opportunities</b>	<ul style="list-style-type: none"> <li>▶ Pursue growth opportunities, including acquisitions and organic growth opportunities described below, which leverage Big River's core strengths and competencies, including local manufacturing facilities, strong brand, longstanding relationships with key customers, deep understanding of the industry and its sales and distribution capabilities</li> <li>▶ Augment Big River's sales and distribution network by introducing new sales territories both organically and via acquisitions</li> </ul>
<b>Financial</b>	<ul style="list-style-type: none"> <li>▶ Continue to grow market share and sales while maintaining attractive margins</li> </ul>

Source: Company

## Business Overview

### 3.9 Acquisition Growth Opportunities

The Australian building products trade distribution marketplace is highly fragmented. Some segments such as plumbing supplies have witnessed some consolidation (by Reece Plumbing and Tradelink in this instance), but other sectors, including timber products, continue to operate in a splintered competitive environment. The timber trade distribution market has around 2,000 operators around Australia. Big River believes there is strong opportunity to pursue an acquisition strategy and expand its geographic presence and product range.

Big River has approached over 20 parties in the past twelve months to investigate potential appetite for sale. Almost all of these approaches have been to privately owned businesses. A common theme appears to be the absence of a defined succession plan with ageing founders. Many of these approaches have been cold calls. However Big River is also a member of a national buying group with 32 members, providing a large source of relatively known parties.

Big River's primary acquisition targets are established trade distribution businesses that offer expansion of Big River's geographic footprint and that can market Big River's manufactured products. Big River also seeks trade distributors that sell complementary products to its existing customer base. For instance, Big River sells a considerable volume of timber and steel formwork product. Big River's customers also procure steel and mesh, but currently from other suppliers. Big River perceives the opportunity to expand its product offering to existing clients.

The Company believes completing the Offer and listing on ASX will increase Big River's industry profile and open up new acquisition opportunities. The listing should also improve the Company's access to capital, both debt and equity. With enhanced equity and liquidity after the Offer, the Company can offer scrip to prospective vendors where the issue of such scrip is value accretive, improving its transaction structuring flexibility.

### 3.10 Organic Growth Opportunities

In addition to acquisition driven growth, Big River has identified a number of operational initiatives that could support organic earnings growth.

- ▶ **1. New manufacturing initiatives** – Big River recently added a new steel roll forming line to increase sales volumes into the Victorian market. Big River has approved capital expenditure for new lathe and dryer assets at Grafton that could generate significant raw material savings and support an expanded product range. This project is expected to be completed by the end of 2017. Big River is also increasing its specialty plywood manufacturing capability.
- ▶ **2. Expanding sales channels** – Big River entered into a new supply agreement in late 2015 with a major national retailer for the supply of hardwood flooring products. The contract generated solid first year sales of approximately \$750,000 in FY2016 and management believes there is scope for sales volume under this agreement to grow in FY2017 and FY2018. Big River believes this agreement could broaden further its exposure to the residential alterations and additions market.
- ▶ **3. Expanding product range** – Management has entered into discussions with a number of new trade products suppliers where there are strong fits for Big River's traded products range. Obtaining access to new products would enable Big River to generate additional sales across the distribution sales and distribution site network. Big River recently acquired access to a new product, Maxiwall, through the acquisition described in Section 9.6.1. Sales from Maxiwall have been included in the ATBS sales forecasts and Big River may in the future look to distribute Maxiwall through other Big River branches.

### 3.11 Freight and Logistics

Big River runs an outsourced freight and logistics operation and does not own or operate any freighting or trucking assets. For moving goods between Big River's manufacturing and sales and distribution centres, Big River uses local trucking contractors. For short distance freight, Big River uses a range of smaller, privately owned freight companies. Big River typically seeks to pass through short distance freight costs to end customers, subject to competitive pressure.

Big River monitors over 150 freight trips per month between its manufacturing and sales distribution sites and a further 800 trips from distribution centres to job sites. Management actively monitors and benchmarks the key metrics associated with this aspect of its operations.

## Business Overview

### 3.12 Employees

As at 31 December 2016, Big River had 267 FTE employees. An additional 20 FTE staff in Adelaide and 11 in Brisbane will join the Group following completion of the acquisitions described in Section 9.6.

The table below shows Big River's FTE employees by function and location as at 31 December 2016.

**FIGURE 3.12**  
**EMPLOYEE PROFILE**

Branch	Manufacturing	Sales and distribution centres	Head office	Total
Head office	-	-	12	12
Grafton	50	-	-	50
Wagga Wagga	104	-	-	104
Adelaide	-	1	-	1
Brisbane	-	18	-	18
Illawarra	-	15	-	15
Melbourne	-	16	-	16
Perth	-	7	-	7
Sunshine Coast	-	18	-	18
Sydney	-	21	-	21
Townsville	-	5	-	5
<b>Total</b>	<b>154</b>	<b>101</b>	<b>12</b>	<b>267</b>

Source: Company

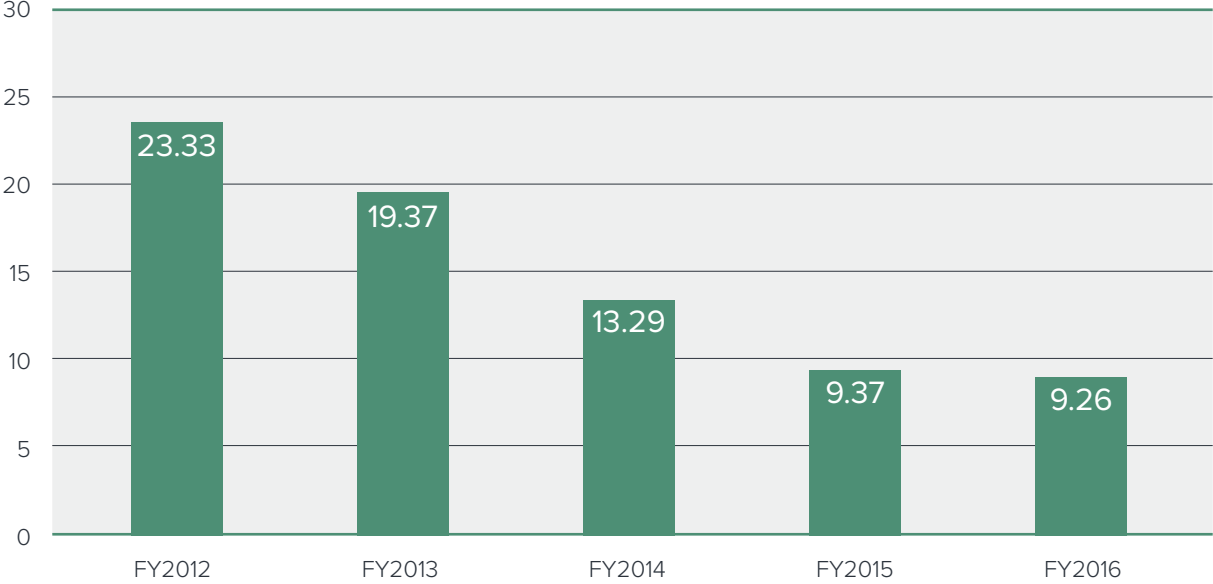
++ The acquisitions in Adelaide (20) and Brisbane (11), will add a further 31 FTE staff to the Group numbers

### 3.13 Workplace Health and Safety

Consistent with industry best practice, Big River takes the safety and health of its staff and customers very seriously through a "zero harm" safety culture and implementation of a comprehensive OH&S policy. Big River's OH&S performance has improved substantially over the past five years, reflecting management's emphasis on fostering a proactive and preventative risk management / "zero harm" culture. The outcome of these measures is that several of the sales and distribution centres have been Lost Time Injury (LTI) free for a number of years. In FY2016, Big River's LTI Frequency Rate was 9.26 (down from 9.37 in FY2015) and 0.019% hours lost (down from 0.041% in FY2015), equivalent to less than one lost hour per employee per year.

**Business Overview**

**FIGURE 3.13**  
**LOST TIME INJURY FREQUENCY RATE<sup>18</sup>, FY2012 TO FY2016**



Source: Company

18. The number of lost time injuries occurring in a workplace per 1 million man-hours worked.

# Financial Information

# Financial Information

## 4.1 Introduction

Financial information for Big River Industries Limited (**the Company**) contained in this Section 4 is set out below for the historical financial years ended 30 June 2015 (**FY2015**) and 30 June 2016 (**FY2016**) as well as for the half years ended 31 December 2015 (**H1 FY2016**) and 31 December 2016 (**H1 FY2017**), together with the forecast financial years ending 30 June 2017 (**FY2017**) and 30 June 2018 (**FY2018**).

This section contains a summary of the statutory historical financial information, pro forma historical financial information and forecast financial information of Big River as defined below.

The statutory historical financial information comprises the:

- (a) Statutory historical consolidated statements of profit or loss and other comprehensive income for FY2015, FY2016, H1 FY2016 and H1 FY2017 (**Statutory Historical Income Statements**);
- (b) Statutory historical consolidated cash flows for FY2015, FY2016, H1 FY2016 and H1 FY2017 (**Statutory Historical Cash Flows**); and
- (c) Statutory historical consolidated statement of financial position as at 31 December 2016 (**Statutory Historical Balance Sheet**),

(the "**Statutory Historical Financial Information**").

The pro forma historical financial information comprises the:

- (a) Pro forma historical consolidated statements of profit or loss and other comprehensive income for FY2015, FY2016, H1 FY2016 and H1 FY2017 (**Pro forma Historical Income Statements**);
- (b) Pro forma historical consolidated cash flows for FY2015, FY2016, H1 FY2016 and H1 FY2017 (**Pro forma Historical Cash Flows**); and
- (c) Pro forma historical consolidated statement of financial position as at 31 December 2016 (**Pro forma Historical Balance Sheet**),

(the "**Pro forma Historical Financial Information**").

The forecast financial information comprises the:

- (a) Pro forma forecast consolidated statement of profit or loss and other comprehensive income (**Pro forma Forecast Income Statement**), and the Pro forma forecast consolidated cash flows (**Pro forma Forecast Cash Flows**) for FY2017 and FY2018 (**together, the Pro forma Forecast Financial Information**); and
- (b) Statutory forecast consolidated statement of profit or loss and other comprehensive income (**Statutory Forecast Income Statement**), and the Statutory forecast consolidated cash flows (**Statutory Forecast Cash Flows**) for FY2017 and FY2018 (**together, the Statutory Forecast Financial Information**),

(the "**Forecast Financial Information**").

The Pro Forma Historical Financial Information together with the Forecast Financial Information forms the "Financial Information".

The Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Fundraising and/or Prospective Financial Information, by Deloitte Corporate Finance Pty Limited (the Investigating Accountant) whose Investigating Accountant's Report is contained in Section 5. Investors should note the scope and limitations of the report. Also summarised in this section are:

- (a) the basis of preparation and presentation of the Financial Information (Section 4.2);
- (b) key financial and operating metrics (Section 4.4);
- (c) commentary on the liquidity of, and the sources of capital available to the Company (Sections 4.10 and 4.11);



## Financial Information

- (d) Management's discussion and analysis of the Pro forma Historical Income Statements and Pro forma Historical Cash Flows (Section 4.12);
- (e) the Directors' assumptions underlying the Forecast Financial Information (Section 4.13);
- (f) Management's discussion and analysis of the Forecast Financial Information (Section 4.13);
- (g) the analysis of the sensitivity of FY2017 and FY2018 pro forma forecast EBITDA to changes in key assumptions (Section 4.14).

The information in this Section 4 should be read in conjunction with the risk factors set out in Section 6 and other information contained in this Prospectus.

All amounts disclosed in the tables are presented in Australian dollars and unless otherwise noted, are rounded to the nearest \$1,000. Rounding of figures provided in the Financial Information may result in some immaterial differences between the sum of components and the totals outlined within tables and percentage calculation.

### 4.2 Basis of Preparation and Presentation of the Financial Information

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of the Company, together with its forecast financial performance and cash flows. The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of the Australian Accounting Standards, which are consistent with the International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board. The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The significant accounting policies adopted in the preparation of the Financial Information are set out in Section 10 and have been consistently applied throughout the financial periods presented in this Prospectus.

#### 4.2.1 Changes in Big River's corporate structure impacting the Financial Information

Big River Group Pty Ltd (the Operating Company) has operated as the primary trading entity of Big River since 1920 and its financial statements record the financial results attributable to the operations of Big River.

Big River Group Holdings Pty Ltd was incorporated by the previous family shareholders as a holding company although this entity has never traded, other than to record transactions with shareholders. Big River Group Holdings Pty Ltd holds 100% of the shares in the Operating Company.

In order to facilitate the acquisition and management buyout of the Operating Company by the Existing Shareholders in 2016, a new holding company, Big River Industries Pty Ltd, subsequently converted to the public company Big River Industries Limited (the Company), was incorporated on 18 December 2015. The Company completed the acquisition of Big River Group Holdings Pty Ltd and the Operating Company (through Big River Group Holdings) on 19 February 2016. This transaction was determined to be a business combination in accordance with Australian Accounting Standard (AAS) 3 Business Combinations, with the Company identified as the acquirer. The Company's first set of consolidated financial statements was prepared for the period from the date of incorporation to 30 June 2016, including the results of Big River from 19 February 2016.

As explained in detail below, the Financial Information presented in this section is therefore sourced from the historical financial statements of the Operating Company up until the date of its acquisition by the Company and from the historical financial statements of the Company for the period from that date through to 30 June 2016 and for the half-year ended 31 December 2016.

## Financial Information

### 4.2.2 Treatment of acquisitions in the Historical and Forecast Financial Information

On 1 March 2017 the Operating Company completed the acquisition of the business and trading assets of Adelaide Timber and Building Supplies (ATBS), a business located in Adelaide, SA. The purchase price was \$7.5 million which comprised cash of \$4.0 million and shares in the Company to be issued as part of the Offer to the value of \$3.5 million. The Operating Company has signed a business purchase deed to acquire the business and trading assets (which primarily comprise inventory and plant and equipment) of Sabdia Mitre 10 (Sabdia), a business located in Brisbane, QLD. The acquisition is expected to complete on 31 March 2017. The agreed purchase price is \$1.25m payable in cash at completion.

The financial results of ATBS and Sabdia have been extracted from the accounting records and financial statements prepared by the vendors of each of the businesses and are unaudited. The financial results of each of the businesses are included in the Pro forma Financial Information as if the businesses had been acquired prior to 1 July 2014, and in the Statutory Forecast Financial Information from the date that control was established. The FY2017 statutory forecast income statement assumes ATBS and Sabdia were acquired on 1 March 2017 and 31 March 2017 respectively.

### 4.2.3 Preparation of the Statutory and Pro forma Historical Financial Information

Due to the acquisition of Big River Group Holdings Pty Ltd by the Company on 19 February 2016, the Statutory Historical Financial Information has been extracted from the following sources in order to consistently present the financial statements of the operating entity (as described in Section 4.2.1) for FY2015, FY2016, H1 FY2016 and H1 FY2017:

- (a) the consolidated special purpose financial statements of the Operating Company for FY2015 and FY2016 from 1 July 2015 to 19 February 2016 (when it was acquired by the Company);
- (b) the consolidated special purpose financial statements of the Company for the period from 19 February 2016 (when it acquired the Operating Company (through Big River Group Holdings Pty Ltd)) to 30 June 2016; and
- (c) the consolidated financial statements of the Company for the half-year ending 31 December 2016.

The financial statements for the Operating Company for FY2015 and FY2016, and the financial statements for the Company for the period ending 30 June 2016, were audited by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards who issued an unmodified audit opinion.

The financial statements of the Company for the half-year ending 31 December 2016 have been reviewed by Deloitte Touche Tohmatsu who issued an unqualified review conclusion. A separate set of financial statements for the half-year ending 31 December 2015 have not been prepared.

There were no financial statements produced for Big River Group Holdings Pty Ltd on the basis it does not trade.

The Pro forma Historical Financial Information has been prepared for the purpose of this Prospectus and has been derived from the Statutory Historical Financial Information to illustrate the net income, assets, liabilities and cash flows of the consolidated group adjusted for certain pro forma amounts.

The pro forma historical balance sheet in Section 4.9 sets out the pro forma effect of the acquisitions of ATBS and Sabdia on the balance sheet of the Group as at 31 December 2016.

The Pro forma Historical Financial Information has been presented on a comparable basis to the Forecast Financial Information and has been adjusted to reflect the impact of:

- (a) incremental costs of being a publicly listed entity;
- (b) the impact of the Offer including capital raised and offer costs, and the capital structure in place following the IPO;
- (c) the impact of the acquisitions referred to in 4.2.2;
- (d) eliminating certain non-operating items such as an insurance claim and the impact of discontinued operations;
- (e) the debt profile under the terms of the facility immediately following Completion of the Offer; and
- (f) the income tax effect of the above pro forma adjustments and to record historical tax expense as if the post-Offer structure were in place from 1 July 2014.

Investors should note that past results are not a guarantee of future performance.

## Financial Information

### 4.2.4 Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared by the Company based on an assessment of present economic and operating conditions and on a number of assumptions, including the general assumptions and the Directors' best estimate specific assumptions set out in Section 4.13.

The Directors have prepared the Forecast Financial Information with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned to not place undue reliance on the Forecast Financial Information.

This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on Big River's actual financial performance or financial position. Investors are advised to review the assumptions set out in Sections 4.13 in conjunction with the sensitivity analysis set out in Section 4.14, the risk factors set out in Section 6 and other information set out in this Prospectus.

The Pro forma Forecast Income Statement and the Pro forma Forecast Cash Flows for Big River have been derived from the Statutory Forecast Income Statements and the Statutory Forecast Cash Flow statements after adjusting for pro forma adjustments to reflect the Group's operations following Completion of the Offer as set out in Sections 4.3 and 4.7.

The Pro forma Forecast Income Statements, which are set out in Section 4.3, differ from the Statutory Forecast Income Statements because the Pro forma Forecast Income Statements reflect the full year effect of the operating and equity structure that will be in place on Completion of the Offer, but exclude costs directly attributable to the Offer and other non-operating items and include a full 12 months' trading of the acquisitions referred to in Section 4.2.2. Refer to Section 4.5 for reconciliations between the Statutory and Pro forma Forecast Income Statements.

The Directors have no intention to update or revise the Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

### 4.2.5 Non-IFRS financial measures

The Company uses certain measures to manage and report on its business that are neither recognised under AAS, nor under International Financial Reporting Standards (IFRS). These measures are collectively referred to as non-IFRS financial measures. These non-IFRS financial measures do not have a prescribed definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities. These should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS. Although Big River believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of the business, investors are cautioned not to place undue reliance on any non-IFRS financial measures included in the Prospectus.

In the disclosures in this Prospectus, Big River uses the following non-IFRS financial measures:

- (a) Capital expenditure: includes investment in property, plant and equipment including leasehold improvements.
- (b) EBITDA: earnings before interest, tax, depreciation and amortisation.
- (c) EBIT: earnings before interest and tax.
- (d) Underlying NPAT: net profit after tax attributable to shareholders, before significant, non-recurring items.
- (e) Working capital: trade and other receivables, plus inventories and other current assets, less trade and other payables.

## Financial Information

### 4.3 Pro forma Historical Income Statements, Pro forma Forecast Income Statements and Statutory Forecast Income Statement

Set out below in Figure 4.3.1 is a summary of the Group's pro forma historical income statements for FY2015, FY2016, the pro forma forecast income statement for FY2017, FY2018 and the statutory forecast income statement for FY2017.

**FIGURE 4.3.1**  
**SUMMARY OF PRO FORMA HISTORICAL INCOME STATEMENTS, PRO FORMA FORECAST INCOME STATEMENTS AND STATUTORY FORECAST INCOME STATEMENT**

\$'000	Notes	Pro forma Historical <sup>1</sup>		Pro forma Forecast <sup>2</sup>		Statutory Forecast
		FY2015	FY2016	FY2017	FY2018	FY2017
<b>Sales revenue</b>	<b>3</b>	<b>171,866</b>	<b>195,187</b>	<b>201,036</b>	<b>207,323</b>	<b>177,693</b>
Gross profit	4	51,338	55,630	59,564	59,210	55,588
Other income		226	112	18	-	-
Selling and distribution expenses	5	(4,705)	(5,832)	(6,654)	(6,092)	(6,770)
Employment expenses	6	(24,642)	(26,829)	(28,084)	(26,669)	(26,283)
Occupancy expenses	7	(6,683)	(6,801)	(7,618)	(7,709)	(7,239)
General & administration expenses	8	(4,466)	(5,024)	(5,785)	(5,936)	(7,701)
Operating expenses		(40,496)	(44,486)	(48,141)	(46,406)	(47,993)
<b>EBITDA</b>	<b>9</b>	<b>11,068</b>	<b>11,256</b>	<b>11,441</b>	<b>12,804</b>	<b>7,595</b>
Depreciation & amortisation	10	(2,335)	(2,247)	(2,324)	(2,392)	(1,932)
<b>EBIT</b>	<b>9</b>	<b>8,733</b>	<b>9,009</b>	<b>9,117</b>	<b>10,412</b>	<b>5,663</b>
Interest expenses	11	(557)	(557)	(557)	(557)	(1,008)
<b>Profit before tax</b>		<b>8,176</b>	<b>8,452</b>	<b>8,560</b>	<b>9,855</b>	<b>4,655</b>
Income tax expense	12	(2,453)	(2,536)	(2,568)	(2,957)	(1,449)
<b>NPAT</b>		<b>5,723</b>	<b>5,916</b>	<b>5,992</b>	<b>6,898</b>	<b>3,206</b>

1. The Pro forma Historical Income Statements are reconciled to the Statutory Historical Income Statements in Section 4.5. There are no differences between the FY2018 pro forma income statement and the FY2018 statutory income statement.
2. The Pro forma Forecast income statements are reconciled to the Statutory Forecast Income Statements in Section 4.5.
3. Revenue represents the sales of products from the Group's distribution network and manufacturing facilities. Revenue is recorded net of discounts.
4. Gross profit reflects the profit realised from the sale of products net of their cost of sales, which comprises raw materials, work in progress and finished goods, net of supplier rebates.
5. Selling and distribution expenses relate to the costs of promotional campaigns and the costs of distributing finished goods from the manufacturing plant to the Group's distribution outlets and to its customers.
6. Employment expenses include all staffing related expenses including wages and salaries, payroll tax, workers compensation and superannuation payments.
7. Occupancy expenses include repairs and maintenance at the manufacturing sites and rental costs for the any leased premises.

## Financial Information

8. General and administration expenses relate to the costs of the business infrastructure including insurance, debt collection costs, vehicle expenses and travel expenses. Expenses also include incremental costs that the Company will expect to incur as a publicly listed entity (as set out in the pro forma adjustments in Section 4.5) such as additional directors' fees, directors' and officers' insurance costs, ASX listing fees, share registry costs, additional audit and legal compliance costs and the costs of holding an Annual General Meeting.
9. Refer to Section 4.2.5 for definitions of EBIT and EBITDA.
10. Depreciation and amortisation includes pro forma amortisation expense related to an intangible customer relationship asset acquired from the acquisition of Adelaide Timber and Building Supplies.
11. Interest expenses included in the Historical Financial Information have been adjusted to reflect the debt profile and interest applicable under the terms of the facility immediately following Completion of the Offer.
12. Income tax expense included in the Historical Financial Information has been adjusted to reflect the assumption of an effective corporate tax rate of 30.0% applied to the pro forma profit before tax.

Set out in Figure 4.3.2 is a summary of the pro forma historical income statements for H1 FY2016 and H1 FY2017.

**FIGURE 4.3.2**  
**SUMMARY OF PRO FORMA HISTORICAL INCOME STATEMENTS FOR**  
**H1 FY2016 AND H1 FY2017**

\$'000	Notes	Pro forma Historical <sup>1</sup>	
		H1 FY2016	H1 FY2017
<b>Sales revenue</b>	3	<b>100,687</b>	<b>101,338</b>
Gross profit	4	28,956	29,602
Other income		-	18
Selling and distribution expenses	5	(2,984)	(3,220)
Employment expenses	6	(13,515)	(14,063)
Occupancy expenses	7	(3,808)	(3,663)
General & administration expenses	8	(2,390)	(2,571)
Operating expenses		(22,697)	(23,517)
<b>EBITDA</b>	9	<b>6,259</b>	<b>6,103</b>
Depreciation & amortisation	10	(1,117)	(1,169)
<b>EBIT</b>	9	<b>5,142</b>	<b>4,934</b>
Interest expenses	11	(279)	(279)
<b>Profit before tax</b>		<b>4,863</b>	<b>4,655</b>
Income tax expense	12	(1,459)	(1,397)
<b>NPAT</b>		<b>3,404</b>	<b>3,258</b>

Notes: Refer to Figure 4.3.1 for the notes relating to this figure.

## Financial Information

### 4.4 Key Financial and Operating Metrics

Figure 4.4.1 is a summary of Big River's key pro forma historical financial and operating metrics for FY2015, FY2016 and the key pro forma and statutory forecast financial and operating metrics for FY2017 and FY2018.

**FIGURE 4.4.1**  
**SUMMARY OF KEY PRO FORMA FULL YEAR HISTORICAL AND FORECAST FINANCIAL AND OPERATING METRICS**

\$'000	Notes	Pro forma Historical		Pro forma Forecast		Statutory Forecast
		FY2015	FY2016	FY2017	FY2018	FY2017
No. of outlets (manufacturing & distribution)	1	12	12	12	12	12
Total revenue growth %		4.7%	13.6%	3.0%	3.1%	4.1%
Gross profit margin (% of Sales)	2	29.9%	28.5%	29.6%	28.6%	31.3%
Operating expenses (% of Sales)	2	23.6%	22.8%	23.9%	22.4%	27.0%
EBITDA (% of Sales)	2	6.4%	5.8%	5.7%	6.2%	4.3%
EBIT (% of Sales)	2	5.1%	4.6%	4.5%	5.0%	3.2%

1. The Group operates out of 10 distribution outlets (including distribution outlets at the 2 manufacturing plants) and 2 manufacturing plants. This will increase to 12 distribution outlets with the addition of 2 new outlets in February and March 2017 as outlined in Section 4.2.2.
2. Operating metric percentages of sales have been calculated by reference to pro forma historical, pro forma forecast and statutory forecast sales in the respective years.

## Financial Information

### 4.5 Reconciliation of Statutory and Pro Forma Historical and Forecast Income Statements

In presenting the Pro forma Historical Income Statements included in this section, certain adjustments to the audited statutory income statements have been made to exclude the impact of certain non-recurring items. These pro forma adjustments are summarised below in Figure 4.5.1 for the Historical Income Statements for FY2015, FY2016 and the Forecast Income Statements for FY2017.

As the Company became the controlling parent of the Operating Company on 19 February 2016, the Pro forma Historical Financial Information has been reconciled to the Operating Company's audited and reviewed results for the historical full years FY2015, FY2016 and half-year ended 31 December 2016 at the revenue, EBITDA and NPAT lines.

**FIGURE 4.5.1**  
**RECONCILIATION OF STATUTORY AND PRO FORMA HISTORICAL AND FORECAST INCOME STATEMENTS**

\$'000	Notes	Historical		Forecast	
		FY2015	FY2016	FY2017	FY2018
<b>Statutory sales revenue</b>		<b>149,673</b>	<b>171,463</b>	<b>177,693</b>	<b>207,323</b>
Acquisitions	1	23,498	24,528	23,343	-
Discontinued operation	2	(1,305)	(804)	-	-
<b>Pro forma sales revenue</b>		<b>171,866</b>	<b>195,187</b>	<b>201,036</b>	<b>207,323</b>

**FIGURE 4.5.1**  
**RECONCILIATION OF STATUTORY AND PRO FORMA HISTORICAL AND FORECAST INCOME STATEMENTS**

\$'000	Notes	Historical		Forecast	
		FY2015	FY2016	FY2017	FY2018
<b>Statutory EBITDA</b>		<b>20,122</b>	<b>5,010</b>	<b>7,595</b>	<b>12,804</b>
Acquisitions	1	1,403	1,438	1,547	-
Discontinued operation	2	220	1,033	-	-
Insurance claim	3	(10,267)	-	-	-
Costs related to the sale of Big River	4	-	4,185	-	-
Related party costs	5	-	-	480	-
Incremental public company costs	6	(410)	(410)	(306)	-
IPO expenses	7	-	-	2,125	-
<b>Pro forma EBITDA</b>		<b>11,068</b>	<b>11,256</b>	<b>11,441</b>	<b>12,804</b>

## Financial Information

**FIGURE 4.5.1 CONTINUES**  
**RECONCILIATION OF STATUTORY AND PRO FORMA HISTORICAL AND FORECAST**  
**INCOME STATEMENTS**

\$'000	Notes	Historical		Forecast	
		FY2015	FY2016	FY2017	FY2018
<b>Statutory NPAT</b>		<b>12,026</b>	<b>1,409</b>	<b>3,206</b>	<b>6,898</b>
Acquisitions	1	806	846	1,270	-
Discontinued operation	2	278	1,148	-	-
Insurance claim	3	(10,267)	-	-	-
Costs related to the sale of Big River	4	-	4,185	-	-
Related party costs	5	-	-	480	-
Incremental public company costs	6	(410)	(410)	(306)	-
IPO expenses	7	-	-	2,125	-
Interest expense	8	689	74	336	-
Income tax effect	9	2,601	(1,336)	(1,119)	-
<b>Pro forma NPAT</b>		<b>5,723</b>	<b>5,916</b>	<b>5,992</b>	<b>6,898</b>

- As noted in Section 4.2.2, the Operating Company has acquired the business assets of Adelaide Timber and Building Supplies, and expects to acquire Sabdia Mitre 10 on 31 March 2017. The Pro forma Financial Information includes the impact of a full year's operation of these businesses, whilst the Statutory Forecast Income Statement only includes the period subsequent to Big River controlling the acquired businesses.
- Big River previously operated a truss manufacturing plant in Townsville. This plant was closed in April 2016.
- In November 2014, a fire occurred at the manufacturing plant located in Grafton, NSW. Big River was covered by a comprehensive insurance policy. The adjustment eliminates the net insurance proceeds (after asset write-offs) before income tax. The ongoing profit from operations was not materially impacted by the fire as the company was able to meet market demand by shifting production to the plant in Wagga Wagga, NSW as well as replacing some of the damaged assets at Grafton, NSW.
- Costs incurred by the Operating Company during the sale process to the Company.
- Anacacia Capital Pty Ltd (manager of the Major Shareholders' interests in the Company) was paid a quarterly management fee by Big River of \$120,000, which will cease from Completion of the Offer.
- An adjustment has been made to include the Group's estimate of the incremental annual costs that would be incurred as a listed public company. These incremental costs include additional director fees, listing fees, share registry fees, incremental audit fees, annual general meeting costs and annual report costs.
- Total one-off expenses directly attributable to the Offer are estimated at \$2.6 million (including tax), of which \$2.1 million has been expensed directly to the income statement in FY2017 and the remainder capitalised and offset against equity.
- The adjustment reflects the difference between the statutory interest expense and pro forma interest expense.
- Cumulative income tax effect on all the adjustments that have been made between the Statutory and Pro forma accounts.



## Financial Information

In addition, set out in Figure 4.5.2 below is a summary of the pro forma historical income statement adjustments for H1 FY2016 and H1 FY2017.

**FIGURE 4.5.2  
RECONCILIATION OF PRO FORMA HISTORICAL INCOME STATEMENTS  
FOR H1 FY2016 AND H1 FY2017**

\$'000	Notes	Historical	
		H1 FY2016	H1 FY2017
<b>Statutory sales revenue</b>		<b>89,735</b>	<b>85,858</b>
Acquisitions	1	11,569	15,480
Discontinued operation	2	(617)	-
<b>Pro forma sales</b>		<b>100,687</b>	<b>101,338</b>

\$'000	Notes	Historical	
		H1 FY2016	H1 FY2017
<b>Statutory EBITDA</b>		<b>5,468</b>	<b>4,959</b>
Acquisitions	1	590	989
Discontinued operation	2	149	-
Costs related to the sale of Big River	4	276	-
Related party costs	5	-	360
Incremental public company costs	6	(225)	(205)
<b>Pro forma EBITDA</b>		<b>6,259</b>	<b>6,103</b>

## Financial Information

**FIGURE 4.5.2 CONTINUED**  
**RECONCILIATION OF PRO FORMA HISTORICAL INCOME STATEMENTS**  
**FOR H1 FY2016 AND H1 FY2017**

\$'000	Notes	Historical	
		H1 FY2016	H1 FY2017
<b>Statutory NPAT</b>		<b>3,090</b>	<b>2,515</b>
Acquisitions	1	118	517
Discontinued operation	2	176	-
Costs related to the sale of Big River	4	276	-
Related party costs	5	-	360
Incremental public company costs	6	(225)	(205)
Interest expense	8	97	375
Income tax effect	9	(128)	(304)
<b>Pro forma NPAT</b>		<b>3,404</b>	<b>3,258</b>

Notes: Refer to Figure 4.5.1 for the notes relating to this figure.

## Financial Information

### 4.6 Statutory Historical Income Statements

Set out in Figure 4.6.1 is a summary of the Statutory Historical Income Statements for Big River for FY2015, FY2016, H1 FY2016 and H1 FY2017 which has been extracted from the statutory financial statements of the Operating Company and the Company. Refer to Section 10 of this Prospectus for Big River's statutory accounting policy notes.

**FIGURE 4.6.1**  
**STATUTORY HISTORICAL INCOME STATEMENTS**

\$'000	Statutory Historical			
	FY2015 <sup>1</sup>	FY2016 <sup>2</sup>	H1 FY2016 <sup>3</sup>	H1 FY2017 <sup>4</sup>
<b>Sales revenue</b>	<b>149,673</b>	<b>171,463</b>	<b>89,735</b>	<b>85,858</b>
Gross profit	48,009	51,579	27,202	26,949
Other income	10,494	112	-	18
Selling and distribution expenses	(4,987)	(6,087)	(3,148)	(3,303)
Employment expenses	(23,057)	(25,031)	(12,651)	(12,934)
Occupancy expenses	(6,457)	(7,208)	(3,686)	(3,422)
General & administration expenses	(3,880)	(8,355)	(2,249)	(2,349)
Operating expenses	(38,381)	(46,681)	(21,734)	(22,008)
<b>EBITDA</b>	<b>20,122</b>	<b>5,010</b>	<b>5,468</b>	<b>4,959</b>
Depreciation & amortisation	(1,795)	(1,769)	(855)	(880)
<b>EBIT</b>	<b>18,327</b>	<b>3,241</b>	<b>4,613</b>	<b>4,079</b>
Interest expenses	(1,246)	(631)	(192)	(470)
<b>Profit before tax</b>	<b>17,081</b>	<b>2,610</b>	<b>4,421</b>	<b>3,609</b>
Income tax expense	(5,055)	(1,201)	(1,331)	(1,094)
<b>NPAT</b>	<b>12,026</b>	<b>1,409</b>	<b>3,090</b>	<b>2,515</b>

1. The statutory income statement was extracted from the FY2015 audited financial statements of the Operating Company.
2. The statutory income statement was compiled by aggregating the FY2016 income statement of the Operating Company from 1 July 2016 up to the date prior to acquisition by the Company on 19 February 2016 and the income statement of the Company from 19 February 2016 to 30 June 2016. The aggregation of the income statements represent a full year financial results of the ultimate operating entity. The Operating Company and the Company part year income statements were extracted from the FY2016 audited financial statements. Further details on the change in corporate structure is provided in Section 4.2.1.
3. The H1 FY2016 income statement was extracted from the audited FY2016 financial statements of the Operating Company.
4. The H1 FY2017 income statement was extracted from the H1 FY2017 financial statements reviewed by Deloitte Touche Tohmatsu who issued an unqualified review conclusion.

## Financial Information

### 4.7 Pro Forma Historical, Pro Forma Forecast and Statutory Forecast Cash Flows

Set out in Figure 4.7.1 is a summary of the Pro forma Historical Cash Flows for FY2015, FY2016 and the Pro forma Forecast Cash Flows for FY2017, FY2018 and the Statutory Forecast Cash Flows for FY2017.

**FIGURE 4.7.1  
HISTORICAL AND FORECAST CASH FLOW STATEMENTS**

\$'000	Notes	Pro forma Historical		Pro forma Forecast		Statutory Forecast
		FY2015	FY2016	FY2017	FY2018	FY2017
<b>EBITDA</b>		<b>11,068</b>	<b>11,256</b>	<b>11,441</b>	<b>12,804</b>	<b>7,595</b>
Change in working capital		(1,811)	(149)	(1,663)	(1,151)	(2,185)
<b>Operating cash flow</b>		<b>9,257</b>	<b>11,107</b>	<b>9,778</b>	<b>11,653</b>	<b>5,410</b>
<i>Operating cash flow conversion</i>	1	84%	99%	85%	91%	71%
Finance costs		(557)	(557)	(557)	(557)	(1,008)
Income tax paid		(2,453)	(2,536)	(2,568)	(2,782)	(2,351)
<b>Pro forma operating cash flow</b>		<b>6,247</b>	<b>8,014</b>	<b>6,653</b>	<b>8,314</b>	<b>2,051</b>
Net capital expenditure	2	(1,340)	(1,964)	(1,253)	(1,857)	(1,213)
<b>Net operating cash flow after capital expenditure</b>		<b>4,907</b>	<b>6,050</b>	<b>5,400</b>	<b>6,457</b>	<b>838</b>
Proceeds from offer	3	-	-	-	-	17,000
Offer costs	3	-	-	-	-	(2,601)
Repayment of bank debt	3	-	-	-	-	(12,847)
<b>Net cash flow</b>						<b>2,390</b>

1. Operating cash flow conversion is calculated as operating cash flow divided by EBITDA.
2. Relates to assets such as plant and equipment at the manufacturing plants, motor vehicles and information technology.
3. Proceeds from the Offer are expected to be \$17 million, out of which Offer Costs amounting to \$2.6 million will be paid and a further \$12.8m will be utilised to repay bank borrowings.

Set out in Figure 4.7.2 below is a summary of the Pro forma Historical Cash Flows for the half-years ended 31 December 2015 and 31 December 2016.

## Financial Information

**FIGURE 4.7.2**  
**PRO FORMA HISTORICAL CASH FLOW STATEMENTS FOR H1 FY2016 AND H1 FY2017**

\$'000	Notes	Pro forma Historical	
		H1 FY2016	H1 FY2017
<b>EBITDA</b>		<b>6,259</b>	<b>6,103</b>
Non-cash items		-	(16)
Change in working capital		(1,839)	(633)
<b>Operating cash flow</b>		<b>4,421</b>	<b>5,454</b>
<i>Operating cash flow conversion</i>	1	71%	89%
Finance costs		(279)	(279)
Income tax paid		(1,459)	(1,397)
<b>Pro forma operating cash flow</b>		<b>2,683</b>	<b>3,778</b>
Net Capital expenditure	2	(1,074)	(582)
<b>Net operating cash flow after capital expenditure</b>		<b>1,609</b>	<b>3,196</b>

Notes: Refer to Figure 4.7.1 for the notes relating to this figure.

### 4.8 Reconciliation of Statutory and Pro forma Historical and Forecast Cashflow Statements

Figure 4.8.1 sets out the adjustments that have been made to the Statutory Historical Cash Flows for FY2015 and FY2016 and the Forecast Cash Flows for FY2017 and FY2018 to eliminate certain items which do not relate to the operations of the Group subsequent to the completion of the Offer.

## Financial Information

**FIGURE 4.8.1**  
**PRO FORMA ADJUSTMENTS TO THE STATUTORY HISTORICAL CASH FLOWS FOR**  
**FY2015, FY2016 AND THE PRO FORMA FORECAST STATUTORY CASH FLOWS FOR**  
**FY2017 and FY2018**

\$'000	Notes	Historical		Forecast	
		FY2015	FY2016	FY2017	FY2018
<b>Statutory operating cash flow</b>		<b>20,926</b>	<b>(680)</b>	<b>2,051</b>	<b>8,314</b>
Acquisitions	1	1,162	1,184	2,184	-
Discontinued operation	2	221	1,034	-	-
Insurance claim	3	(15,381)	-	-	-
Costs related to the sale of Big River	4	-	4,185	-	-
Related party costs	5	-	-	480	-
Incremental public company costs	6	(410)	(410)	(306)	-
IPO expenses	7	-	-	2,125	-
Interest expense	8	689	74	336	-
Income tax effect	9	(960)	2,627	(217)	-
<b>Pro forma operating cash flow</b>		<b>6,247</b>	<b>8,014</b>	<b>6,653</b>	<b>8,314</b>

Notes: Refer to Figure 4.5.1 for the notes relating to this figure.

Note 3: The insurance proceeds in Figure 4.8.1 differ to the net insurance proceeds in Figure 4.5.1 because the latter is net of non-cash expense asset write-downs.

Figure 4.8.2 sets out the adjustments that have been made to the Statutory Historical Cash Flows for H1 FY2016 and H1 FY2017 to eliminate certain non-recurring items.

## Financial Information

**FIGURE 4.8.2**  
**PRO FORMA ADJUSTMENTS TO THE STATUTORY OPERATING CASH FLOWS FOR**  
**H1 FY2016 and H1 FY2017**

\$'000	Notes	Pro forma Historical	
		H1 FY2016	H1 FY2017
<b>Statutory operating cash</b>		<b>(1,245)</b>	<b>3,562</b>
Discontinued Operation	2	149	-
Costs related to the sale of Big River	4	276	-
Related party costs	5	-	360
Incremental public company costs	6	(225)	(205)
Interest expense	8	97	375
Income tax effect	9	3,631	(314)
<b>Pro forma operating cash flow</b>		<b>2,683</b>	<b>3,778</b>

Notes: Refer to Figure 4.5.1 for the notes relating to this figure.

### 4.9 Pro forma Historical Consolidated Balance Sheet

Figure 4.9.1 below presents the audited balance sheet of the Company as at 31 December 2016 adjusted to reflect the impact of the Offer as if it had taken place as at 31 December 2016.

The post-Offer Pro forma Historical Consolidated Balance Sheet is provided for illustrative purposes and is not represented as being indicative of Big River's view of its potential future financial position.

## Financial Information

**FIGURE 4.9.1**  
**PRO FORMA HISTORICAL BALANCE SHEET AS AT 31 DECEMBER 2016**

	Statutory	ATBS <sup>1</sup>	Sabdia Mitre 10 <sup>2</sup>	Shareholder Related Transactions <sup>3</sup>	Impact of Offer <sup>4</sup>	Pro forma
<b>Current Assets</b>						
Cash and cash equivalents	9	-	-	-	1,552	1,561
Trade and other receivables	28,944	-	-	-	-	28,944
Inventories	19,423	1,700	1,080	-	-	22,203
Other current assets	1,574	-	-	-	-	1,574
<b>Total Current Assets</b>	<b>49,950</b>	<b>1,700</b>	<b>1,080</b>	<b>-</b>	<b>1,552</b>	<b>54,282</b>
<b>Non-current Assets</b>						
Property, plant and equipment	24,553	121	170	-	-	24,844
Deferred tax assets <sup>5</sup>	1,432	-	-	-	745	2,177
Intangible assets - customer relationship	-	1,584	-	-	-	1,584
Intangible assets - goodwill	943	5,070	-	-	-	6,013
<b>Total non-current Assets</b>	<b>26,928</b>	<b>6,775</b>	<b>170</b>	<b>-</b>	<b>745</b>	<b>34,618</b>
<b>Total assets</b>	<b>76,878</b>	<b>8,475</b>	<b>1,250</b>	<b>-</b>	<b>2,297</b>	<b>88,900</b>
<b>Current liabilities</b>						
Trade and other payables	21,512	500	-	-	-	22,012
Borrowings	3,239	-	-	(100)	(2,347)	792
Current tax liabilities	641	-	-	-	(36)	605
Deferred tax liabilities <sup>5</sup>	-	158	-	-	-	158
Provisions	2,602	-	-	-	-	2,602
<b>Total current liabilities</b>	<b>27,994</b>	<b>658</b>	<b>-</b>	<b>(100)</b>	<b>(2,383)</b>	<b>26,169</b>
<b>Non-current liabilities</b>						
Borrowings	12,442	4,000	1,250	-	(10,500)	7,192
Deferred tax liabilities <sup>5</sup>	-	317	-	-	-	317
Provisions	573	-	-	-	-	573
<b>Total non-current liabilities</b>	<b>13,015</b>	<b>4,317</b>	<b>1,250</b>	<b>-</b>	<b>(10,500)</b>	<b>8,082</b>
<b>Total liabilities</b>	<b>41,009</b>	<b>4,975</b>	<b>1,250</b>	<b>(100)</b>	<b>(12,883)</b>	<b>34,251</b>
<b>Net assets</b>	<b>35,869</b>	<b>3,500</b>	<b>-</b>	<b>100</b>	<b>15,180</b>	<b>54,649</b>
<b>Equity</b>						
Issued capital	38,460	3,500	-	100	16,667	58,727
Retained earnings	(2,591)	-	-	-	(1,487)	(4,078)
<b>Total equity</b>	<b>35,869</b>	<b>3,500</b>	<b>-</b>	<b>100</b>	<b>15,180</b>	<b>54,649</b>



## Financial Information

- On 1 March 2017 the Operating Company completed the acquisition of the business assets of Adelaide Timber and Building Supplies, a business located in Adelaide, SA. The purchase price was \$7.5 million comprising stock, plant and equipment and was paid via a drawdown of the Company's acquisition debt facility of \$4.0 million and shares of \$3.5 million to be issued at the date of the Offer and at the Offer price. An intangible asset has been recognised at the date of acquisition relating to a customer relationship and which will be amortised over a three year period. The assets have been recognised at provisional fair values. Factors contributing to goodwill include future earnings potential, the geographic market the business operates in and access to the customer base already in place.
- The Operating Company has executed a binding business purchase deed to acquire the business assets of Sabdia Mitre 10, a business located in Brisbane, QLD. The purchase price is \$1.25 million which includes stock, plant and equipment and is payable in cash. The acquisition is expected to complete by 31 March 2017.
- On 13 February 2017, the Company issued 90,910 shares to a new member of the senior management team at an issue price of \$1.10 per share.
- Cash and Equity increase reflecting the equity raised through proceeds of the Offer of \$17.0 million less \$2.6 million costs of the Offer. The costs of the Offer, before tax effects (see note 5), have been apportioned between equity (\$0.5m) and the income statement (\$2.1m) on the basis of those incremental costs directly attributable to the costs of the Offer (equity) and those which are not otherwise incremental and directly attributable to issuing new shares (income statement). The proceeds of the offer will primarily be used to repay bank debt.
- Deferred tax asset adjustment represents the recognition of deferred tax assets that arise as a result of the payment of IPO costs by the Group on Completion of the Offer (\$0.7 million). The deferred tax liability relates to the identified intangible asset recognised on the acquisition of Adelaide Timber and Building Supplies (refer to Note 1 above).

### 4.10 Indebtedness and capitalisation

**FIGURE 4.10.1**  
**PRO FORMA HISTORICAL INDEBTEDNESS AS AT 31 DECEMBER 2016 ON A STATUTORY (BEFORE THE OFFER) AND PRO FORMA (AFTER THE OFFER) BASIS**

\$'000	Notes	Before the offer and acquisitions	After the offer and acquisitions
Cash	1	(9)	(1,561)
Trade finance and overdraft	2	947	-
Asset finance facility	3	2,734	2,734
Bill facility	4	12,000	5,250
<b>Total net indebtedness</b>		<b>15,672</b>	<b>6,423</b>
<b>Total capitalisation</b>	<b>5</b>	<b>35,869</b>	<b>54,649</b>

- Cash and cash equivalents as shown in Figure 4.91.
- Trade finance and overdraft relates to working capital facilities provided to the Group.
- Asset finance relates to borrowings made to fund the purchase of various vehicles, plant and equipment.
- Term borrowings relates to a debt facility that amortises by \$0.5m on a quarterly basis commencing May 2017, however it is anticipated that this debt will be repaid on completion of the Offer although the facility will be maintained. The cash component of the purchase of Adelaide Timber and Building Supplies and Sabdia Mitre 10 are funded through the acquisition facility in Figure 4.10.2 below.
- Total capitalisation includes contributed equity and retained earnings.

## Financial Information

**FIGURE 4.10.2**  
**CURRENT BANKING FACILITIES**

\$'000	Notes	National Australia Bank <sup>2</sup>	ANZ Bank <sup>3</sup>
Trade finance & overdraft facility		6,200	-
Asset finance facility		3,000	1,000
Bill facility		12,000	-
Acquisition facility	1	11,000	-
Other facility amounts		800	-
<b>Total banking facilities</b>		<b>33,000</b>	<b>1,000</b>

1. The acquisition facility is provided by the National Australia Bank Limited (NAB) to assist the Group fund acquisition opportunities.
2. The NAB facilities are secured by a fixed and floating charge over the assets of the Group.
3. The ANZ Bank asset finance facility is secured over the assets funded by the ANZ Bank under this facility.

### 4.11 Liquidity and Capital Sources

Following Completion, the Company's principal sources of funds will be cash flow from operations, cash held at Completion of the Offer, the bill facility and the trade finance and overdraft facility as outlined in Figure 4.10.2 with the acquisition facility earmarked for growth opportunities.

The Company expects that it will have sufficient cash flow from operations to meet its business needs during the forecast period and will have sufficient working capital to carry out its stated objectives.

### 4.12 Management Discussion and Analysis of Pro Forma Historical Income Statements and Pro Forma Historical Cash Flow

Management discussion and analysis: Pro forma Consolidated FY2015 Income Statement compared to Pro forma Consolidated FY2016 Income Statement

## Financial Information

**FIGURE 4.12.1**  
**SUMMARY PRO FORMA INCOME STATEMENT FY2015 COMPARED TO FY2016**

\$'000	Pro forma Historical		
	FY2015	FY2016	Change
<b>Sales revenue</b>	<b>171,866</b>	<b>195,187</b>	<b>13.6%</b>
Gross profit	51,338	55,630	8.4%
Other income	226	112	-50.4%
Selling and distribution expenses	(4,705)	(5,832)	24.0%
Employment expenses	(24,642)	(26,829)	8.9%
Occupancy expenses	(6,683)	(6,801)	1.8%
General & administrative expenses	(4,466)	(5,024)	12.5%
Operating expenses	(40,496)	(44,486)	9.9%
<b>EBITDA</b>	<b>11,068</b>	<b>11,256</b>	<b>1.7%</b>
EBITDA margin (% of sales)	6.4%	5.8%	(67) bps
<b>EBIT</b>	<b>8,733</b>	<b>9,009</b>	<b>3.2%</b>
EBIT margin (% of sales)	5.1%	4.6%	(47) bps

### Sales & Gross Profit

Sales across the Group grew 13.6% due to increases in sales in all of the Group geographic areas except Perth. Building products grew strongest in South East Queensland and Sydney. Sydney also had a 16% increase in sales of Formwork products.

Gross profit grew 8.4% but declined as a percentage of sales mainly due to changes in product mix.

### Expenses

Whilst revenue grew 13.6%, growth in operating expenses was contained to an increase of 9.9%. Selling and distribution expenses increased 24.0% due to greater activity levels and lower recovery of delivery freight charges from customers. Employment expenses grew 8.9% due mainly to increased overtime and use of contract labour as a result of the increased volume at both a distribution and manufacturing level. General and administration expenses increased 12.5% due to an unrecoverable bad debt in Melbourne from an uninsured customer.

### EBITDA

Whilst some branches achieved a significant improvement in operating result, a poor result from the Melbourne branch (given the restructuring activity) and a drop in the Perth market brought the overall EBITDA back to levels similar to FY2015.

## Financial Information

**FIGURE 4.12.2**  
**SUMMARY PRO FORMA CASH FLOW STATEMENT FY2015 COMPARED TO FY2016**

\$'000	Pro forma Historical	
	FY2015	FY2016
<b>EBITDA</b>	<b>11,068</b>	<b>11,256</b>
Change in working capital	(1,811)	(149)
Operating cash flow	<b>9,257</b>	<b>11,107</b>
<i>Operating cash flow conversion</i>	84%	99%
Finance costs	(557)	(557)
Income tax paid	(2,453)	(2,536)
<b>Pro forma operating cash flow</b>	<b>6,247</b>	<b>8,014</b>
Net capital expenditure	(1,340)	(1,964)
<b>Net operating cash flow after capital expenditure</b>	<b>4,907</b>	<b>6,050</b>

### Change in Working Capital

Due to a focus on working capital management, there was only a small increase in working capital from FY2015 to FY2016 despite the 13.6% increase in sales.

### Capital Expenditure

Capital expenditure returned to a more normal level in FY2016 after lower than normal capital expenditure in FY2015.

## 4.13 Forecast Financial Information

The basis of preparation for the Forecast Financial Information is detailed in this Section 4.13. Section 4.13.1 includes the Directors' best estimate general assumptions adopted in preparing the Forecast Financial Information Period. In addition to these general assumptions, assumptions specific to the Forecast are detailed in Section 4.13.2.

### 4.13.1 General assumptions

The following general assumptions are relevant to the Forecast Financial Information:

- there are no material changes in the competitive and operating environment in which Big River operates;
- there are no significant deviations from current market expectations of economic and market conditions under which Big River operates;
- there are no material changes in government legislation, tax legislation, regulatory requirements or government policy that will have a material impact on the financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures of Big River;
- there are no changes in applicable AAS, IFRS, other mandatory professional reporting requirements or the Corporations Act which could have a material impact on Big River's reported financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures for FY2017 and FY2018;

## Financial Information

- (e) there are no material employee relations disputes or other disturbances, contingent liabilities or legal claims that arise or that are settled to the detriment of Big River;
- (f) there are no material changes in key personnel, including key management personnel. It is also assumed that Big River will maintain its ability to recruit and retain the personnel required to support future growth;
- (g) there are no material changes to Big River's corporate and funding structure;
- (h) there are no significant disruptions to the continuity of operations of the Company or other material changes in the business; there are no material amendments to any material contract, agreement or arrangement relating to the Company's business or intellectual property;
- (i) none of the risks listed in Section 6 has a material adverse impact on the operations of the Company; and
- (j) the Offer proceeds are received in accordance with the timetable set out in the Key dates section of this Prospectus

### 4.13.2 Specific material assumptions affecting the Forecast Financial Information and management discussion

The Forecast Financial Information is based on various specific assumptions, of which the key assumptions are set out below. The assumptions below are a summary only and do not represent all factors that will affect the Company's forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. The assumptions apply to FY2018 and H2 FY2017.

#### Sales

The H2 FY2017 and FY2018 forecast sales have been based on prior period sales volumes adjusted for expected market movements, market share growth and specific items identified by management on a branch by branch basis and at a product group level.

The forecast revenue at each distribution centre has been corroborated against market intelligence on construction projects in close geographic proximity to each distribution centre. If required, adjustments have been made to the forecast revenue at each distribution centre having regard to the pipeline of upcoming construction projects.

Total pro forma revenue is forecast to increase by \$5.8m (3.0%) and \$6.3m (3.1%) in FY2017 and FY2018 respectively.

- (a) Revenue generated by the Company is largely forecast to remain flat in FY2017 as actual performance during H1 FY2017 combined with an assessment of pipeline opportunities suggests small decreases at some distribution centres (Melbourne and Brisbane) which will be offset by robust demand at the Sydney distribution centre.
- (b) Revenue growth in FY18 is largely expected to be realised from the formwork, flooring and building product groups, particularly in Melbourne and Brisbane distribution centres.
- (c) Geographically, FY2018 pro forma revenue is expected to grow in all states with the exception of NSW which is forecast to decline marginally. The percentage change in FY2018 revenue by distribution centre is in the range of a decline of 1% to an increase of 9%.
- (d) The forecast revenue assumes one of the company's major manufactured formply products will be partially replaced by imported formply products. The company now offers customers a choice between a higher priced manufactured formply and lower priced imported formply.
- (e) The acquisitions of ATBS and Sabdia taken together are expected to contribute \$30.6 million to revenue in FY2017 and \$32.9 million to revenue in FY2018, representing year on year growth of approximately 7.5%.

## Financial Information

### Gross Profit

The FY2017 and FY2018 forecast gross profit margins have been based on prior period gross profit margins adjusted for expected market movements and specific items identified by management on a branch by branch basis and at a product group level and taking into account supplier rebates. Gross profit margins at the distribution centres are impacted by product mix and the level of competition specific to each geographic location.

Gross profit margin at a manufacturing level is after raw materials only and all other manufacturing expenses are included in operating expenses. The manufacturing costs of sales are impacted by the cost and recovery rates of raw materials. Recovery rates represent the percentage of product output as a percentage of product input processed through machinery. When raw materials (untreated logs) are processed, there is an unavoidable level of wastage. The manufacturing gross margins assume recovery rates of log and veneer which are consistent with recent actual historical recovery rates.

The FY2018 gross profit margin is expected to be 28.6% relative to 29.6% in FY2017. The decrease in gross profit margin is due to the company's planned strategy to increase sales of select imported products which attract a lower price point than manufactured products. The decrease in gross profit margin is more than offset by an increase in EBIT margin percentages attributable to lower manufacturing employment costs from producing lower volumes of select manufactured products.

### Operating Expenses

Key assumptions underlying operating expenses in the Forecast period include:

(a) Employment expenses

- ▶ Salaries and wages include a 3% increase in FY2018 at the distribution level and increases as per the EBA at a manufacturing level.
- ▶ Direct manufacturing employment costs have been forecast based on the forecast volume throughput at each facility.
- ▶ Indirect salaries and wages have been forecast based on existing staff head count and assumed new hires required to fill position vacancies and deliver increased revenue.
- ▶ Payroll tax as per various State Payroll Tax rates.
- ▶ Superannuation at 9.5%
- ▶ Workers compensation based on the Group's current experience rating by state.

(b) Occupancy expenses

- ▶ Rental increase as per the appropriate leases
- ▶ Fixed components of utility expenses have been based on recent historical costs and variable components of utility expenses have been based on forecast volume throughput at each manufacturing facility.
- ▶ Repairs and maintenance are based on recent historical costs.

(c) General and administration expenses

- ▶ Bad debts and collection costs have been provided for at 0.7% and are a provision only based on past experience and are not reflective of known bad debts.
- ▶ Insurances have been forecast at expected premium levels based on current policies or expected changes upon renewal.
- ▶ Other variable manufacturing costs have been forecast based on the forecast volume throughput at each facility.
- ▶ Fixed costs have been based on recent actual historical expenses, adjusted for specific factors such as inflation and / or changes in supply agreements.

## Financial Information

### Finance Costs

The Forecast Financial Information is based on the following assumptions:

- (a) An average interest rate of 7.0%
- (b) Pro forma net debt at Completion of the Offer of \$6.4 million

### Income tax

Income tax is based on an effective tax rate of 30%, reflecting the current corporate tax rate in Australia, with an allowance for permanent differences arising from non-deductible expenses.

### 4.13.3 Management discussion and analysis of Forecast Financial Information

**FIGURE 4.13.3.1**  
**PRO FORMA INCOME STATEMENT – FY2016 COMPARED TO FY2017**

	<b>Pro forma Historical</b>	<b>Pro forma Forecast</b>	
<b>\$'000</b>	<b>FY2016</b>	<b>FY2017</b>	<b>Change</b>
<b>Sales revenue</b>	<b>195,187</b>	<b>201,036</b>	<b>3.0%</b>
Gross profit	55,630	59,564	7.1%
Other income	112	18	-83.9%
Selling and distribution expenses	(5,832)	(6,654)	14.1%
Employment expenses	(26,829)	(28,084)	4.7%
Occupancy expenses	(6,801)	(7,618)	12.0%
General & administrative expenses	(5,024)	(5,785)	15.1%
Operating expenses	(44,486)	(48,141)	8.2%
<b>EBITDA</b>	<b>11,256</b>	<b>11,441</b>	<b>1.6%</b>
EBITDA margin (% of sales)	5.8%	5.7%	(8) bps
<b>EBIT</b>	<b>9,009</b>	<b>9,117</b>	<b>1.2%</b>
EBIT margin (% of sales)	4.6%	4.5%	(8) bps

### Sales and Gross Profit

Sales are expected to grow 3.0% on the back of 13.6% sales growth in FY2016. Big River entered into a new supply agreement in FY2016 with a major national retailer for the supply of hardwood flooring products which is continuing to provide incremental sales in FY2017. Building products are expected to continue to provide growth in FY2017. Moderate sales growth is expected in most regions except Townsville and Perth. It is expected that the decline in sales in Perth should bottom-out towards the end of FY2017.

Gross profit is expected to grow 7.1% reflecting increases in rebates and growth in niche manufactured products.

## Financial Information

### Expenses

Selling and distribution expenses are expected to increase 14.1% due to higher net cartage costs and an increased marketing spend. Employment expenses are expected to grow 4.7% due to increased throughput volumes. Occupancy costs increased in FY2017 due to higher than usual repairs and maintenance at the factories combined with an increase in utility costs.

### EBITDA

As a result of these movements, it is expected EBITDA for FY2017 will show a modest 1.6% increase on FY2016.

**FIGURE 4.13.3.2**  
**SUMMARY PRO FORMA CASH FLOW STATEMENT FY2016 COMPARED TO FY2017**

\$'000	Pro forma	
	Historical	Forecast
	FY2016	FY2017
<b>EBITDA</b>	<b>11,256</b>	<b>11,441</b>
Change in working capital	(149)	(1,663)
<b>Operating cash flow</b>	<b>11,107</b>	<b>9,778</b>
<i>Operating cash flow conversion</i>	99%	85%
Finance costs	(557)	(557)
Income tax paid	(2,536)	(2,568)
<b>Pro forma operating cash flow</b>	<b>8,014</b>	<b>6,653</b>
Net capital expenditure	(1,964)	(1,253)
<b>Net operating cash flow after capital expenditure</b>	<b>6,050</b>	<b>5,400</b>

### Change in Working Capital

It is expected working capital in FY2017 will increase \$1.7 million over FY2016 due mainly to an expanded product range as well as an increasing volume of imported products.

### Capital Expenditure

Capital expenditure in FY2017 is expected to be a modest \$1.3 million due to a smaller number of projects than normal.



## Financial Information

**FIGURE 4.13.3.3**  
**PRO FORMA INCOME STATEMENT – H1 FY2016 COMPARED TO H1 FY2017**

\$'000	Pro forma Historical <sup>1</sup>		
	H1 FY2016	H1 FY2017	Change
<b>Sales revenue</b>	<b>100,687</b>	<b>101,338</b>	<b>0.6%</b>
Gross profit	28,956	29,602	2.2%
Other income	-	18	0.0%
Selling and distribution expenses	(2,984)	(3,220)	7.9%
Employment expenses	(13,515)	(14,063)	4.1%
Occupancy expenses	(3,808)	(3,663)	-3.8%
General & administrative expenses	(2,390)	(2,571)	7.6%
Operating expenses	(22,697)	(23,517)	3.6%
<b>EBITDA</b>	<b>6,259</b>	<b>6,103</b>	<b>-2.5%</b>
EBITDA margin (% of sales)	6.2%	6.0%	(19) bps
<b>EBIT</b>	<b>5,142</b>	<b>4,934</b>	<b>-4.0%</b>
EBIT margin (% of sales)	5.1%	4.9%	(24) bps

### Sales and Gross Profit

Overall sales increased by 0.6% in H1 FY2017 over H1 FY2016. A reduction in sales at Perth and Townsville were offset by gains in other branches. Sales of hardwood flooring products increased 40% on the back of a supply agreement with a major national retailer that commenced in FY2016. Sales of building products remained steady on the back of strong FY2016 results.

Whilst sales only grew 0.6% gross profit was up 2.2% on H1 FY2016.

### Expenses

Selling and distribution expenses increased 7.9% due to higher net cartage costs and an increased marketing spend. Employment expenses grew 4.1% due to annual wage increases and additional staff at Wagga Wagga. General and administration expenses grew 7.6% with overall operating expenses up 3.6% on H1 FY2016.

### EBITDA

As a result of these movements, EBITDA for H1 FY2017 saw a modest decline of 2.5% on H1 FY2016.

## Financial Information

**FIGURE 4.13.3.4**  
**SUMMARY PRO FORMA CASH FLOW STATEMENT H1 FY2016 COMPARED TO H1 FY2017**

\$'000	Notes	Pro forma Historical	
		H1 FY2016	H1 FY2017
<b>EBITDA</b>		<b>6,259</b>	<b>6,103</b>
Change in working capital		(1,839)	(649)
<b>Operating cash flow</b>		<b>4,421</b>	<b>5,454</b>
Operating cash flow conversion		71%	89%
Finance costs		(279)	(279)
Income tax paid		(1,459)	(1,397)
<b>Pro forma operating cash flow</b>		<b>2,683</b>	<b>3,778</b>
Net Capital expenditure		(1,074)	(582)
<b>Net operating cash flow after capital expenditure</b>		<b>1,609</b>	<b>3,196</b>
Pro forma operating cash flow / EBITDA		43%	62%

### Change in Working Capital

Higher stock levels are maintained at the end of each half year to allow for programmed maintenance at the Wagga Wagga and Grafton manufacturing sites. In addition, the growth in working capital in H1 FY2016 over H1 FY2017 was mainly due to increased stock lines to support additional volume in imported products.

### Capital Expenditure

Capital expenditure in H1 FY2017 was mainly maintenance expenditure, whereas capital expenditure in H1 FY2016 included the installation of a new lathe at Grafton, work commencing on the installation of a steel rolling line at Wagga Wagga, along with an extension to the Wagga Wagga workshop.

## Financial Information

### 4.13.4 Management discussion and analysis of Forecast Financial Information

**FIGURE 4.13.4.1**  
**PRO FORMA INCOME STATEMENT – FY2017 COMPARED TO FY2018**

\$'000	Pro forma Forecast		
	FY2017	FY2018	Change
<b>Sales revenue</b>	<b>201,036</b>	<b>207,323</b>	<b>3.1%</b>
Gross profit	59,564	59,210	-0.6%
Other income	18	-	-100.0%
Selling and distribution expenses	(6,654)	(6,092)	-8.4%
Employment expenses	(28,084)	(26,669)	-5.0%
Occupancy expenses	(7,618)	(7,709)	1.2%
General & administrative expenses	(5,785)	(5,936)	2.6%
Operating expenses	(48,141)	(46,406)	-3.6%
<b>EBITDA</b>	<b>11,441</b>	<b>12,804</b>	<b>11.9%</b>
EBITDA margin (% of sales)	5.7%	6.2%	48 bps
<b>EBIT</b>	<b>9,117</b>	<b>10,412</b>	<b>14.2%</b>
EBIT margin (% of sales)	4.5%	5.0%	49 bps

#### Sales and Gross Profit

Sales are expected to grow at a steady 3.1% in FY2018. Building products are expected to continue to provide growth in FY2018. Moderate sales growth is expected in all regions including Townsville and Perth. A 9% increase is expected in Melbourne following a recent restructure of an underperforming branch.

Gross margin is expected to decline 0.6% primarily due to switching a percentage of manufactured product to imported product to be more competitive at lower price points for certain commodity items. This lower margin is offset by corresponding savings in operating expenses.

Additionally, a benefit of approximately \$0.4 million is expected to be realised in FY2018 from improved supplier rebate arrangements.

#### Expenses

Operating expenses are expected to decline 3.6% due to the manufacturing shift referred to above.

#### EBITDA

It is expected EBITDA for FY2018 will grow 11.9% from FY2017. This will result from the initiatives referred to above and the manufacturing efficiencies from capital expenditure projects referred to in Figure 4.13.4.2 below.

## Financial Information

**FIGURE 4.13.4.2**  
**SUMMARY PRO FORMA CASH FLOW STATEMENT FY2017 COMPARED TO FY2018**

\$'000	Pro forma Forecast	
	FY2017	FY2018
<b>EBITDA</b>	<b>11,441</b>	<b>12,804</b>
Change in working capital	(1,663)	(1,151)
<b>Operating cash flow</b>	<b>9,778</b>	<b>11,653</b>
<i>Operating cash flow conversion</i>	85%	85%
Finance costs	(557)	(557)
Income tax paid	(2,568)	(2,782)
<b>Pro forma operating cash flow</b>	<b>6,653</b>	<b>6,653</b>
Net capital expenditure	(1,253)	(1,857)
<b>Net operating cash flow after capital expenditure</b>	<b>5,400</b>	<b>6,457</b>

### Change in Working Capital

It is expected working capital will increase \$1.2 million over FY2018 due mainly to forecast business growth and an expanding product range.

### Capital Expenditure

Capital expenditure is increasing in FY2018 with a number of projects forecast that are expected to reduce manufacturing costs and enable additional products to be sold into the market. The potential benefits associated with the projects are expected to be realised beyond FY2018.

## 4.14 Sensitivity Analysis

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Group, the Directors and Management. These estimates are also based on assumptions with respect to future business decisions which are subject to change.

Set out below is a summary of the EBITDA impact on the Forecast Financial Information of changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in the other assumptions and assumes a half-year impact for FY2017 and a full year impact for FY2018. In practice, changes in assumptions may offset each other or be additive and it is likely that the Group's Management would respond to any adverse changes in one item to seek to reduce the net effect on the Group's EBITDA and cash flow. For the purpose of the analysis below, the effect of the changes in key assumptions on the FY2017 pro forma forecast EBITDA of \$11.4 million and on the FY2018 pro forma forecast EBITDA of \$12.8 million is set out in Figure 4.14.1 below.

## Financial Information

**FIGURE 4.14.1**  
**SENSITIVITY ANALYSIS ON PRO FORMA FORECAST EBITDA FOR**  
**FY2017 AND FY2018**

Sensitivity Analysis - Assumption	Notes	Increase/ (Decrease)	FY2017 EBITDA Impact \$'000		FY2018 EBITDA Impact \$'000	
Change in revenue		1.0% / (1.0)%	137	(137)	293	(293)
Change in gross profit margin		10 bps / (10) bps	92	(92)	194	(194)
Change in AUD/USD exchange rate (imported finished products)	1	1.0 cent / (1.0) cent	28	(28)	171	(171)
Change in AUD/USD exchange rate (raw materials linked to USD)	2	1.0 cent / (1.0) cent	74	(74)	123	(123)
Change in manufacturing output (p.a.)		1.0% / (1.0)%	101	(101)	173	(173)

1. The Group imports certain finished products from Asia that are paid for in United States dollars.
2. The cost of certain raw materials used in manufacturing processes is linked to United States dollars even though contractual arrangements require payment in Australian dollars.



# Investigating Accountant's Report

The Directors  
Big River Industries Limited  
61 Trenayr Road  
Junction Hill  
NSW 2460

24 March 2017

Dear Directors

## INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE

### Introduction

This report has been prepared at the request of the directors of Big River Industries Limited (ACN 609 901 377) (the Company) (the Directors) for inclusion in the prospectus to be issued by the Company (the Prospectus) in respect of the initial public offering of fully paid ordinary shares in the Company (the Offer) and listing of the Company on the Australian Securities Exchange.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 for the issue of this report.

Capitalised terms used in this report have the same meaning as defined in the glossary of the Prospectus.

### Scope

#### *Statutory Historical Financial Information*

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the:

- Statutory historical consolidated statements of profit or loss and other comprehensive income for the financial years ended 30 June 2015 and 30 June 2016 and the half-years ended 31 December 2015 and 31 December 2016;
- Statutory historical consolidated statement of financial position as at 31 December 2016; and
- Statutory historical consolidated operating cash flows for the financial years ended 30 June 2015 and 30 June 2016 and the half-years ended 31 December 2015 and 31 December 2016,

as set out in Figures 4.6.1, 4.9.1, 4.8.1 and 4.8.2 respectively of the Prospectus (together, the Statutory Historical Financial Information).

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The Statutory Historical Financial Information has been extracted from:

- the consolidated special purpose financial statements of the Big River Group Pty Ltd for FY2015 and FY2016 from 1 July 2015 to 19 February 2016 (when it was acquired by the Company);
- the consolidated special purpose financial statements of the Company for the period from 19 February 2016 (when it acquired Big River Group Pty Ltd (through Big River Group Holdings Pty Ltd)) to 30 June 2016; and

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Member of Deloitte Touche Tohmatsu Limited



- the consolidated financial statements of the Company for the half-year ending 31 December 2016.

The financial statements for Big River Group Pty Ltd for FY2015 and FY2016, and the financial statements for the Company for the period ended 30 June 2016, were audited by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards who issued an unmodified audit opinion. The financial statements of the Company for the half-year ending 31 December 2016 have been reviewed by Deloitte Touche Tohmatsu who issued an unqualified review conclusion.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

### ***Pro forma Historical Financial Information***

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the:

- Pro forma historical consolidated statements of profit or loss and other comprehensive income for the financial years ended 30 June 2015 and 30 June 2016 and the half-years ended 31 December 2015 and 31 December 2016;
- Pro forma historical consolidated statement of financial position as at 31 December 2016; and
- Pro forma historical consolidated operating cash flows for the years ended 30 June 2015 and 30 June 2016 and the half-years ended 31 December 2015 and 31 December 2016

as set out in Figures 4.3.1, 4.3.2, 4.9.1, 4.7.1 and 4.7.2 respectively of the Prospectus (together, the Pro forma Historical Financial Information).

The Pro forma Historical Financial Information has been derived from the Statutory Historical Financial Information, after adjusting for the effects of pro forma adjustments described in Figures 4.5.1, 4.5.2, 4.8.1, 4.8.2 and 4.9.1 of the Prospectus respectively (the Pro forma Adjustments).

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Historical Financial Information and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, or cash flows.

### ***Forecast Financial Information***

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the:

- Statutory forecast consolidated statement of profit or loss and other comprehensive income and the Statutory forecast consolidated net operating cash flow available for distribution of the Company for the financial years ending 30 June 2017 and 30 June 2018 as set out in Figure 4.3.1 and Figure 4.7.1 of the Prospectus (the Statutory Forecast Financial Information). The Directors' best estimate assumptions underlying the Statutory Forecast Financial Information are described in Section 4.13.1 and 4.13.2 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and
- Pro forma forecast consolidated statement of profit or loss and other comprehensive income and the Pro forma forecast consolidated net operating cash flow of the Company for the financial years ending 30 June 2017 and 30 June 2018 as set out in Figure 4.3.1 and Figure 4.7.1 of the Prospectus respectively (the Pro forma Forecast Financial Information). The Pro forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the Pro forma Adjustments described in Figures 4.5.1 and 4.8.1 of the Prospectus. An audit/review has not been conducted on the source from which the

unadjusted financial information was prepared. The stated basis of preparation used in the preparation of the Pro forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred prior to 1 July 2016. Due to its nature the Pro forma Forecast Financial Information does not represent the Company's actual prospective financial performance and/ or cash flows for the financial years ending 30 June 2017 and 30 June 2018,

(together, the Forecast Financial Information).

The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the financial years ending 30 June 2017 and 30 June 2018. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variations may be material.

The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take, and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. We do not express any opinion on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in Section 6 of the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks and sensitivities set out in Section 6 and Section 4.14 of the Prospectus.

The sensitivity analysis set out in Section 4.14 of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

## **Directors' Responsibility**

The Directors are responsible for:

- the preparation and presentation of the Statutory Historical Financial Information and the Pro forma Historical Financial Information, including the selection and determination of the Pro forma Adjustments made to the Statutory Historical Financial Information and included in the Pro forma Historical Financial Information;
- the preparation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the Pro forma Adjustments made to the Statutory Forecast Financial Information and included in the Pro forma Forecast Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Historical Financial Information, the Pro forma Historical Financial Information and the Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

## **Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, the Pro forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Australian Standard on Assurance Engagements (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

### ***Statutory Historical Financial Information***

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of Statutory Historical Financial Information from the audited financial statements of Big River Group Pty Ltd for the financial year ended 30 June 2015 and of the Company for the financial year ended 30 June 2016 as well as the reviewed financial statements of the Company for the half-year ended 31 December 2016;
- analytical procedures on the Statutory Historical Financial Information;
- a consistency check of the application of the stated basis of preparation, as described in the Prospectus, to the Statutory Historical Financial Information;
- a review of the work papers, accounting records and other documents of the Company and its auditors; and
- enquiry of the Directors, management and others in relation to the Statutory Historical Financial Information.

### ***Pro forma Historical Financial Information***

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of Statutory Historical Financial Information from the audited financial statements of Big River Group Pty Ltd for the financial year ended and 30 June 2015 and of the Company for the year ended 30 June 2016 as well as the reviewed financial statements of the Company for the half-year ended 31 December 2016;
- consideration of the appropriateness of the Pro forma Adjustments described in Sections 4.5, 4.8 and 4.9 of the Prospectus;
- enquiry of the Directors, management, personnel and advisors of the Company;
- the performance of analytical procedures applied to the Pro forma Historical Financial Information;
- a review of work papers, accounting records and other documents of the Company and its auditors; and
- a review of the accounting policies for consistency of application.

## ***Forecast Financial Information***

- enquiries, including discussions with management and Directors of the factors considered in determining the assumptions;
- analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecast Financial Information;
- review of the accounting policies adopted and used in the preparation of the Forecast Financial Information; and
- consideration of the Pro forma Adjustments applied to the Statutory Forecast Financial Information in preparing the Pro forma Forecast Financial Information.

## **Conclusions**

### ***Statutory Historical Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2 of the Prospectus.

### ***Pro forma Historical Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 4.2 of the Prospectus.

### ***Statutory Forecast Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- (i) the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information;
- (ii) in all material respects, the Statutory Forecast Financial Information:
  - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.13 of the Prospectus;
  - b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards; and
- (iii) the Statutory Forecast Financial Information itself is unreasonable.

### ***Pro forma Forecast Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- (i) the Directors' best estimate assumptions used in the preparation of the Pro forma Forecast Financial Information do not provide reasonable grounds for the Pro forma Forecast Financial Information;
- (ii) in all material respects, the Pro forma Forecast Financial Information:
  - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.13 of the Prospectus;
  - b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in

Australian Accounting Standards, applied to the Statutory Forecast Financial Information and the Pro forma Adjustments as if those adjustments had occurred prior to 1 July 2016; and

(iii) the Pro forma Forecast Financial Information itself is unreasonable.

## Restrictions on Use

Without modifying our conclusions, we draw attention to Section 4.2.3 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

## Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

## Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Company.

Yours faithfully

**DELOITTE CORPORATE FINANCE PTY LIMITED**



## David Hagger

Authorised Representative of  
Deloitte Corporate Finance Pty Limited  
(AFSL Number 241457)  
AR Number 461001

## Financial Services Guide

### What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited (DCF), which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

### What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

### Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

### How are we and all employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

### Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu. We and other entities related to Deloitte Touche Tohmatsu:

- do not have any formal associations or relationships with any entities that are issuers of financial products
- may provide professional services to issuers of financial products in the ordinary course of business.

### What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer	Financial Ombudsman Service
PO Box N250	GPO Box 3
Grosvenor Place	Melbourne VIC 3001
Sydney NSW 1220	<a href="mailto:info@fos.org.au">info@fos.org.au</a>
<a href="mailto:complaints@deloitte.com.au">complaints@deloitte.com.au</a>	<a href="http://www.fos.org.au">www.fos.org.au</a>
Fax: +61 2 9255 8434	Tel: 1800 367 287
	Fax: +61 3 9613 6399

### What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte Corporate Finance Pty Limited, ABN 19 003 883 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited

# Risk Factors

# Risk Factors

There are certain risks generally associated with investing in shares of publicly listed companies, some of which are set out in Section 6.3. In addition, there are a number of specific risks concerning the Company, the Group and the New Shares being offered which investors should be aware of, which are set out in Sections 6.1 and 6.2. The following is not an exhaustive summary but identifies the areas the Board regards as the major risks specific to an investment in the Company.

If any of the events or developments described below occur, Big River's business, financial condition or investment performance could be adversely affected. In that case, the market price of the securities could decline, and you could lose all or part of your investment. While Big River and the Board have put in place various corporate governance, compliance and risk management systems (see Section 7.10 for details) to mitigate risks, neither the Company nor the Board can guarantee that these safeguards and systems will be effective. Some risks are outside the control of the Company and the Board, and cannot be mitigated.

Before applying for New Shares, you should carefully consider and satisfy yourself that you have a sufficient understanding of the risks described in this section and elsewhere in this Prospectus, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus you should seek your own professional advice in relation to the risks associated with an investment in the Company and should make your own assessment as to investing in the Company.

## 6.1 Risks specific to Big River

### (a) Exposure to the construction industry

Big River's business is highly dependent on the activity levels in the residential, non-residential and infrastructure construction industry (comprising both new builds and additions and alterations) in Australia. The industry is cyclical and is highly sensitive to a broad range of economic and other factors that are beyond Big River's control. These factors include:

- ▶ general economic and market conditions;
- ▶ housing demand from population growth, household formation and other demographic trends which, in turn, drives new builds and additions and alterations;
- ▶ commercial leasing market conditions and commercial site vacancy levels;
- ▶ Government plans for infrastructure investment;
- ▶ house prices;

- ▶ prevailing interest rates;
- ▶ inflation or deflation;
- ▶ Government or Reserve Bank policies (for example, lending restrictions tied to loan to value ratios or tax deductibility of investment loans);
- ▶ State and local Government policies relating to residential housing construction, land release or programmes or regulations relating to energy efficiency;
- ▶ changes in consumer spending;
- ▶ personal income tax rates;
- ▶ employment levels and job and personal income growth; and
- ▶ business and consumer confidence generally, including the confidence of potential homebuyers in particular.

Big River's business will continue to be affected by the level of construction activity in Australia. Lower levels of construction activity, including as a result of any negative trends in any of the factors referred to above, could lead to a significant reduction in demand for the Group's products and services. This could reduce Big River's revenues and profits.

### (b) Supplier and buyer agent relationships

Big River has a number of long standing supplier and buying agent relationships. These relationships are often governed by individual purchase orders and invoices and are based upon many years of mutually beneficial trade. The key risks associated with these relationships are that the purchasing arrangements can be changed without incurring significant penalties, the supplier may cease trading, price levels may change, production difficulties or delays may occur and orders may be unable to be shipped in the required timeframes. If any of these risks occur and the Group is unable to make acceptable alternative arrangements, the Group may incur stock shortages, a reduction in sales and a loss of market share which may adversely affect the future financial performance of the Company and the Group.

### (c) Disruption to production

Due to the high fixed-cost nature of the building material industry, interruptions in production capabilities at Big River's Wagga Wagga and Grafton facilities or in its logistics supply chain may have a material adverse effect on the productivity



## Risk Factors

and results of Big River's operations during the affected period. The Group's manufacturing processes and related services are dependent upon critical pieces of equipment. This equipment may, on occasion be out of service as a result of industrial action or unrest, unanticipated failures, accidents or force majeure events. In addition, there is a risk that equipment or production facilities may be damaged or destroyed by such events. Similarly, disruptions in Big River's logistics chain would impact continuity of supply, which may have an adverse effect on its business, financial condition or results of operation.

**(d) Loss of customers or contracts**

Big River must maintain and support its existing customer relationships to ensure they continue into the future. A loss of customers or contracts could lead to a decline in revenue and resulting deterioration in the financial performance of Big River.

Big River has longstanding log supply contracts. An interruption or failure to renew these contracts would have a materially negative impact to the Group's manufacturing operations.

**(e) Product liability exposure**

Big River may, from time to time, experience manufacturing defects or other claims relating to its products and services. Defects in the Group's products could be difficult or costly to correct, cause significant customer relations and business reputation problems, harm its financial results and result in damage to or claims by its customers. Any such claim could also result in increased challenges on obtaining insurance on comparatively reasonable terms.

**(f) Health and safety**

Due to the nature of Big River's industry, there is a risk of accidents or unsafe operations. Notwithstanding the preventative measures which the Group (or any sub-contractor) has taken or may take, there can be no assurance that accidents (for example in production or logistics) or unsafe operations will not occur and damage the environment and/or injure the Group's own personnel or third parties. Such events may result in additional costs and fines, and may jeopardize Big River's reputation and credibility.

**(g) Key personnel**

The Company's success is dependent upon the Group's ability to attract and retain key team members, including key management as detailed in this Prospectus. The key management have extensive experience in and knowledge of the Australian building materials industry and of Big River's business. The loss of key management and other team members and the inability to recruit suitable replacements or additional personnel may adversely affect Big River's future financial performance. Mitigating this risk, 17 members of the senior management team purchased (through persons or entities nominated by them) shares in the Company in 2016 and 2017 and will own (through these nominees) approximately 4% of the Company when the Offer is complete.

**(h) Brand maintenance**

Big River believes the reputation of its products and brands is key to its success. The Group's reputation and the value of its brands may be damaged as a result of negative customer or end-user experiences due to poor product performance or product failures, adverse media coverage or other publicity (in relation to such matters as manufacturing defects, product recalls, warranty issues or product liability litigation), or disputes with customers, suppliers, landlords or employees. Erosion of Big River's reputation as a result of one or a combination of these factors may reduce demand for its products, diminish the value of its brands, or adversely impact relationships with key customers, suppliers or employees. This in turn may adversely impact Big River's net sales and profitability.

**(i) Growth strategies**

The Company has a number of strategies to support future growth and earnings. There is a risk that the implementation of these strategies will be subject to delays or cost overruns and there is no guarantee that these strategies will generate the full benefits anticipated or result in future sales and earnings growth. Furthermore, the implementation of these growth strategies may lead to changes to Big River's business or the customer experience which may result in unintended adverse consequences if such changes affect customer preferences.

## Risk Factors

### (j) Industrial disputes

A proportion of Big River's operational employees and sub-contractors are members of trade unions, and Big River has experienced union action and industrial disputation in the past. If any material disputes were to arise, this could disrupt Big River's operations and adversely impact its financial performance. There has been no time lost to industrial disputes over the last 10 years.

### (k) New technology / industrial change

Industries in which Big River competes, including building products and construction materials, may be subject to disruptive change from new technologies. If the Group is not able to develop or access new technologies and anticipate or respond to disruptions in the markets in which it competes, the Group may suffer a decrease in the demand for its goods and services. This may have a material adverse effect on results of its operations, financial condition and business.

### (l) Currency fluctuations

Big River competes against imported product and purchases some product from offshore suppliers. Currency fluctuations could improve the attractiveness of competing imported product or increase the cost of product procurement. Future fluctuations in exchange rates may affect the future profitability of Big River.

### (m) Increase in competition

The building materials market is highly competitive. The actions of an existing competitor or the introduction of a new competitor in the building materials market may make it difficult for the Group to grow its revenue which, in turn, may have an adverse effect on its profitability.

### (n) Finance risks

While the Company believes it will have sufficient funds after Completion of the Offer to meet all of its growth and capital requirements for the near term, the Company may seek to exploit opportunities of a kind that will require it to raise additional capital from equity or debt sources. There can be no assurance that the Company will be able to raise such capital on favourable terms or at all. If the Company is unable to obtain such additional capital, it may be required to reduce the scope of its anticipated activities, which could adversely affect its business, financial condition and operating results.

It is possible that an unforeseen circumstance or event may cause covenants in favour of the Group's lenders to be breached. Any breach in the debt covenants may result in a lender enforcing its security over the relevant assets. A breach in covenants may result in the need to sell the assets at an earlier time to enable a repayment of a facility. Such a sale may be at a price lower than the optimal sale price. There are a number of other consequences as a result of any default which are not individually outlined in this Prospectus.

### (o) Environmental risk

Environmental risk in the sales & distribution sites is regarded as minimal, as no dangerous goods are marketed for sale and no manufacturing activities are undertaken at these sites.

While the manufacturing sites do not perform any kind of timber treatment or preservation (which requires specific licensing), the sites do involve large equipment and machinery that require hydraulic oil and various commonly used maintenance products. The Company considers that this creates minimal environmental risk given these functions occur predominantly in enclosed warehouses. However, any issues that may arise could involve clean-up, residual testing and or remediation work.

### (p) Natural phenomena

Events may occur within or outside Australia that could impact upon the Australian economy, the operations of the Company and the Group and the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Big River's products and its ability to conduct its business.

## 6.2 Risks specific to the security offered

### (a) Dilution risk

In the future, the Company may elect to issue Shares or engage in capital raisings to facilitate employee share plans, fund acquisitions, or undertake other strategic initiatives. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders at the time may be diluted as a result of such issues of Shares and capital raisings.

## Risk Factors

### (b) Distributions may vary

The ability of the Company to pay dividends is dependent upon Big River having the available cash and retained profits.

## 6.3 General risk factors

### (a) General equity market risks

There can be no certainty that following listing, an active market in the Shares will develop. In addition, Shares may trade on ASX at a discount or premium to the Offer Price. The price at which Shares trade on ASX may be affected by a number of factors, including the financial and operating performance of the Company and the Group and external factors over which the Company and its Directors have no control.

These external factors include actual, expected and perceived general economic conditions, changes in government policy or regulation, significant events such as natural disasters or acts of terrorism, investor attitudes, changes in taxation, movements in interest rates, movements in stock markets, and general conditions in the markets in which the Group will operate.

In addition, investors should consider the historical volatility of Australian and overseas share markets.

### (b) Trading and liquidity in Shares

There is no guarantee that there will be an active market in Shares listed on ASX. There may be few potential buyers and sellers of Shares at any point in time which will impact upon Share liquidity. This may increase the volatility of the market price of the Shares. This may also impact upon the ability of the Shareholders to be able to sell their Shares at a price that is more or less than that paid by the Shareholder.

### (c) Economic conditions

There is a risk that any change or movement in economic or market conditions may have an effect on the returns and values of the Company's investment. This may have a negative impact on the Company's Share price. The performance of the Share price may be impacted by changing economic or property market conditions. These changes may include movements in interest rates, exchange rates, securities, markets, inflation, consumer spending, employment and the performance of localised economies at a domestic level as well as an international level.

### (d) Insurance

Although the Group will hold insurance over certain assets of Big River, the extent of any insurance coverage will be limited to the terms and conditions of the insurance policy. Any losses that are incurred by Big River due to uninsured risks may have an adverse effect on the performance of Big River. Any increase in insurance premiums to mitigate an identified risk may also have a negative impact on Big River's performance. An increase in insurance premiums may arise from a claim being made by Big River for any significant loss. Any failure on the part of Big River or companies providing insurance may adversely affect the capacity of Big River to make a claim to recover losses under its policy. All insurance policies of Big River have a minimum excess.

### (e) Litigation

Whilst Big River is not presently engaged in any material litigation or disputes, it is possible that Big River may become involved in disputes or potential litigation. While the extent of any possible disputes and litigation cannot be ascertained at this time, it is possible that any disputes or litigation may be costly and may adversely affect the income of Big River or the value of its assets.

### (f) Legal and regulatory matters

There is a risk that any changes in law, regulation or government policy affecting the operation of Big River (which may or may not be enforced retrospectively) will have an impact on the performance of Big River. This may include changes to the tax system.

### (g) Tax

There is a risk that taxation treatment of companies in general could change. Any change in the general treatment of companies for taxation purposes may impact on investors' returns. There is also a risk that the taxation treatment of Big River in particular may change, which could in turn impact on the treatment of dividends for income tax purposes and the taxation treatment of capital gains to Shareholders.

### (h) Forward looking statements

There can be no guarantee that the assumptions and contingencies on which the forward looking statements, opinions and estimates are based will ultimately prove to be valid or accurate.



# Board, Senior Management and Corporate Governance

# Board, Senior Management and Corporate Governance

This Section 7 sets out the details of the composition of the Board and senior management of the Company.

## 7.1 Board Members

The Board of Directors of the Company will comprise the following Directors:

### GREG LAURIE

#### Independent Non-Executive Chairman

Greg has been the Non-Executive Chairman of the Company since March 2017, having formerly served as an independent non-executive director of the Operating Company from September 2006 to February 2016 when the Operating Company was acquired by the Major Shareholders. Greg is also currently an independent non-executive director of Nick Scali Limited, Bradken Limited and Shriro Holdings Limited. He is the Chairman of the Audit & Risk Committee of Nick Scali Limited and Bradken Limited, as well as the Chairman of the Audit, Risk & Compliance Committee and the Remuneration & Nomination Committee of Shriro Holdings Limited. Greg was formerly a non-executive director of Repco Limited.

Greg holds a Bachelor of Commerce from UNSW and has completed an Advanced Management Programme at the University of Pittsburgh. Greg is a Fellow of the Australian Institute of Company Directors.

### JAMES (JIM) BINDON

#### Managing Director and Chief Executive Officer

Jim joined Big River in January 2001 and has been Chief Executive Officer and Managing Director since 2005. Jim has been a director of the Operating Company since July 2005 and a director of Big River Group Holdings Pty Ltd and the Company since February 2016. Prior to his current role as Chief Executive Officer and Managing Director, Jim was the Chief Financial Officer and Company Secretary from 2001 to 2005. Since working for Big River, Jim has developed and led the Group's strategy to transform Big River from a manufacturing focused business to a diversified provider of timber and building products. Prior to working at Big River, Jim held the position of Business Manager of Sugar and Horticulture at Incitec, where he was responsible for segment profitability, strategy and marketing.

Jim holds a Bachelor of Agricultural Economics (Honours) from the University of New England and a Masters of Business Administration from the University of Queensland. Jim is a member of the Australian Institute of Company Directors.

### MARTIN KAPLAN

#### Non-Executive Director and Chairman of the Audit and Risk Committee

Martin has been a Non-Executive Director of the Company since November 2015 and a director of the Operating Company and Big River Group Holdings Pty Ltd since February 2016. Martin is currently an Investment Director of Anacacia Capital Pty Ltd, the management company of the Major Shareholder Anacacia. Martin holds a Bachelor of Commerce degree from the University of Cape Town and is a Chartered Accountant (South Africa & Canada).

### MALCOLM JACKMAN

#### Independent Non-Executive Director and Chairman of the Nomination and Remuneration Committee

Malcolm has been an independent Non-Executive Director of the Company since February 2016. Malcolm has also been a director of the Operating Company and Big River Group Holdings Pty Ltd since February 2016. Malcolm is a member of the Anacacia Capital Business Advisory Council. Malcolm is also currently the Chief Executive Officer of SAFECOM (South Australian Fire & Emergency Services Commission) where he is employed in a full time capacity. Malcolm was formerly a non-executive director of Rubicor Group Limited and Subzero Group Limited. He was also formerly a Managing Director of Elders Limited and Coates Hire Limited.

Malcolm has a Bachelor of Science in Pure Mathematics and a Bachelor of Commerce in Accounting from Auckland University. He is a fellow of the Australian Institute of Directors and a recipient of the Centenary of Federation Medal.

The Board has considered the Company's immediate requirements as it transitions to an ASX listed company and is satisfied the composition of the Board reflects an appropriate range of independence, skills and experience for the Company at the time of Listing. The Company intends to appoint a further independent, Non-Executive Director post-Listing who will bring suitable complementary skills and experience to the Board.

Each of the Directors has indicated that they are able to devote sufficient time to their duties as a Director of the Company.

## Board, Senior Management and Corporate Governance

### 7.2 Senior Executive Management

#### JIM BINDON

##### Managing Director and Chief Executive Officer

Refer to Section 7.1 above.

#### DEAN HENDERSON

##### General Manager of Sales and Marketing

Dean joined Big River in July 2005 as General Manager of Sales and Marketing. Prior to working for Big River, Dean was an Executive General Manager at Wattyl, where he was responsible for the market performance and profitability of the company's Architectural and Decorative Division. Prior to this, Dean spent 10 years at Polaroid, where he held several positions including General Manager in Australia and India and Marketing Manager in Europe.

Dean holds a Bachelor of Business from the NSW Institute of Technology.

#### STEVE PARKS

##### Chief Financial Officer (and co-Company Secretary)

Steve joined Big River in July 2008 as Chief Financial Officer. Prior to working for Big River, Steve was the Chief Financial Officer and General Manager at WDS International, where he was responsible for controlling operating performance and leading finance and administration functions including forecasting, cash management, treasury, payroll, information technology, general administration and warehouse operations. Prior to this role, Steve worked as Financial Controller for a number of Australasian companies including Brazil, Strathfield Group, Sunshades Eyewear and Noel Leeming.

Steve holds a Bachelor of Commerce from the University of Canterbury and is a member of the Australian Institute of Company Directors. Steve is a qualified accountant and is a Fellow of the Institute of Public Accountants.

#### JASON BLANCH

##### General Manager, Grafton

Jason joined Big River in November 1984 and has been General Manager of the Grafton site since July 2009. Jason commenced employment at Big River as a trade apprentice and held a number of positions prior to being appointed as General Manager, Grafton, including holding responsibility for both the Grafton workshop and the entire engineering function for 10 years, as well as the Grafton flooring division. Jason has led all major installation projects at the Grafton site over the last 15 years, including two steel roll-forming line installations and the development of the cogeneration plant.

#### CRAIG DORWARD

##### General Manager, Wagga Wagga

Craig joined Big River in July 2013 as General Manager of the Wagga Wagga manufacturing facility. Prior to joining Big River, Craig was the New South Wales Operations Manager at Viridian Glass Australia, where he was responsible for restructuring and reorganising all operations in NSW to deliver efficient, profitable and sustainable operational capabilities for the business. Prior to this, Craig held a number of positions in both Australia and China at CSR Building Products including Operations Manager and Production Manager for Bradford Insulation (Australia), Project Manager for Guangzhou Rockwool (China) and Project Engineer for CSR Roofing.

Craig holds a Masters of Business Administration from the University of New England and is a qualified electrician.

#### DAVE NICOL

##### Occupational Health and Safety Manager and Human Resources Manager

Dave Nicol joined Big River in August 2005 and has been Occupational Health and Safety Manager and Human Resources Manager since July 2010. Prior to this role, Dave worked in safety management at the Grafton manufacturing facility. Prior to working for Big River, Dave ran his own private industrial paints and safety business for eight years. Dave also has experience in sales, primarily within the agriculture and industrial chemicals sectors.

Dave holds a Certificate IV in Business (Frontline Management) from NSW TAFE, a Certificate IV in Work Health and Safety from HS Business School and a Diploma of Work Health and Safety from HS Business School. Dave has recently completed his studies for a Graduate Certificate in Management from the Australian Institute of Management.

### 7.3 Shareholdings of senior management

In February 2016, 16 members of the Group's senior management team collectively acquired (through persons or entities nominated by them) 2,460,000 Shares in the Company. In February 2017, an additional member of the Group's senior management team acquired 90,910 Shares in the Company, bringing the total management-controlled Shares to 2,550,910. This represents approximately 4.9% of the Shares on issue after the Offer is completed. These Shares will be subject to the escrow provisions as discussed in Section 8.12 of this Prospectus.

## Board, Senior Management and Corporate Governance

### 7.4 Company Secretaries

#### STEVE PARKS

##### Company Secretary

Refer to Section 7.2 above.

#### LEANNE RALPH

##### Company Secretary

Leanne is a company secretary of the Company, joining the Company with over 15 years of experience in providing company secretary and corporate governance services. Leanne is also the founder and director of Boardworx, a corporate governance and compliance services firm. Leanne is company secretary of several other Australian listed companies.

Leanne holds a Bachelor of Business and a graduate diploma in Applied Corporate Governance. She is a member of the Governance Institute of Australia and their Corporate and Legal Issues Committee, and a Graduate member of the Australian Institute of Company Directors.

### 7.6 Directors' Interests

Except as set out below or elsewhere in this Prospectus, no Director (whether individually or in consequence of that persons association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

- ▶ the formation or promotion of the Company; or
- ▶ any property acquired or proposed to be acquired by the Company in connection with the Company's formation.

In addition, except as set out below or elsewhere in this Prospectus, no benefits of any kind (whether in cash, Shares or otherwise) have been paid or agreed to be paid to any Director to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or the promotion of the Company.

### 7.5 Affiliated Directors

Except as set out below, no Director is a nominee or representative of a substantial shareholder.

		Shareholding of the substantial Shareholder			
		As at the date of this Prospectus <sup>19</sup>		After Completion of the Offer	
Director	Shareholder with which the Director is affiliated	Number of Shares	% of total Shares on issue	Number of Shares	% of Shares on issue
Martin Kaplan	Anacacia <sup>20</sup>	18,000,001	46.7%	18,000,001	34.2%

19. Shares include both Ordinary Shares and Preference Shares. All Preference Shares will be converted to Ordinary Shares on a one-to-one basis at a time determined by the Board once the Company's Listing application has been approved by the ASX subject only to customary conditions which the Board is satisfied will be complied with.

20. Martin Kaplan is not a director of or otherwise affiliated with the Pantheon Entities and will not have a relevant interest in the Shares held by the Pantheon Entities.



## Board, Senior Management and Corporate Governance

### 7.6.1 Interest in securities

Director (including associates)	Shares <sup>21</sup> as at the date of this Prospectus		Shares after Completion of the Offer	
	Number of Shares	% of total Shares on issue	Number of Shares	% of total Shares on issue
<b>Greg Laurie<sup>22</sup></b>	0	0.00%	27,397	0.05%
<b>Jim Bindon<sup>23</sup></b>	400,000	1.04%	400,000	0.76%
<b>Martin Kaplan<sup>24</sup></b>	0	0.00%	0	0.00%
<b>Malcolm Jackman<sup>25</sup></b>	0	0.00%	68,493	0.13%

21. Shares include both Ordinary Shares and Preference Shares. All Preference Shares will be converted to Ordinary Shares on a one-to-one basis prior to a time determined by the Board once the Company's Listing application has been approved by the ASX subject only to customary conditions which the Board is satisfied will be complied with.

22. Greg Laurie's Shares will be held by Greg Laurie Nominees Pty Ltd as trustee for The Laurie Family Super Fund.

23. A portion of Jim Bindon's Shares are held by Bindon Super Pty Ltd as trustee for Bindon Super Fund and the remainder are held by his spouse as trustee for the Bindon Family Trust.

24. Martin Kaplan is a member of the M&S Kaplan Super Fund which is an investor in the Anacacia Staff Investment Trust II, which in turn is an investor in the Major Shareholder, Anacacia. Martin is also an Investment Director of Anacacia Capital which manages the Major Shareholders' interests in the Company. Anacacia will continue to be the registered holder of 18,000,001 Shares (amounting to 34.2% of the enlarged share capital) of the Company following the Offer. However, as at the Prospectus Date, Martin Kaplan does not have a relevant interest in those Shares for the purposes of the Corporations Act.

25. Malcolm Jackman's Shares will be held by Ward FT Pty Ltd as trustee for KJM Trust. Malcolm Jackman's spouse is also an investor in the Major Shareholder, Anacacia. Malcolm is also on the Anacacia Capital Business Advisory Council. Anacacia will continue to be the registered holder of 18,000,001 Shares (amounting to 34.2% of the enlarged share capital) of the Company following the

Director (including associates)	Options as at the date of this Prospectus		Options after Completion of the Offer	
	Number	% of total Options on issue	Number	% of total Options on issue
<b>Jim Bindon<sup>26</sup></b>	200,000	14.13%	200,000	14.13%

The Directors (and their associates) are entitled to apply for New Shares in the Offer. Nothing in this Prospectus will be taken to preclude Directors, officers, employees or advisers of the Company, from applying for New Shares on the same terms and conditions as Offered pursuant to this Prospectus.

26. Jim Bindon's Options are held by Bindon Super Pty Ltd as trustee for Bindon Super Fund.

## Board, Senior Management and Corporate Governance

### 7.6.2 Remuneration

Non-Executive Directors' fees are determined within an aggregate Non-Executive Directors' fee pool limit. For FY2017 and in respect of each financial year thereafter and until otherwise determined by a resolution of Shareholders, the maximum aggregate remuneration payable by the Company to all Non-Executive Directors of the Company for their services as Directors including their services on a Board committee or sub-committee and including superannuation is limited to \$500,000 per annum (in total).

Annual Non-Executive Directors' fees currently agreed to be paid by the Company are \$100,000 to the Chairman Greg Laurie, and \$55,000 to each of Martin Kaplan and Malcolm Jackman. In addition, the Chairman of the Audit and Risk Committee will be paid an additional \$15,000 annually and the Chairman of the Nomination and Remuneration Committee will be paid an additional \$10,000 annually. However, Martin Kaplan has agreed to waive his Directors' fees (including any committee fee to which he is entitled) until 31 March 2019.

In addition, each of the Non-Executive Directors may be invited to participate in one or more incentive plans as the Company may adopt from time to time. At the date of this Prospectus, no such incentive plan exists.

### 7.6.3 Deeds of indemnity, insurance and access for Directors

The Company has entered into deeds of indemnity, insurance and access with each Director which contain rights of access to certain records of the Company on certain conditions for a period of seven years after the Director ceases to act as officer, director, secretary, public officer or authorised representative of the Company or a related body corporate of the Company (**capacity**). This seven year period can be extended where a claim arises within the seven year period.

Pursuant to the Constitution, the Company may indemnify Directors and officers, past and present, against liabilities that arise from their position as a Director or officer allowed under law. Under each deed of indemnity, insurance and access, the Company indemnifies each Director to the maximum extent permitted by law against any liability incurred by the Director arising out of or in connection with the Director acting in any capacity, as well as legal costs incurred by the Director in investigating or defending any claim against the Director or in responding to or appearing before a court or tribunal which arises out of the Director acting in any capacity.

The indemnity does not apply in respect of (a) a liability owed to the Company or a related body corporate

of the Company, (b) a liability for a pecuniary penalty order under section 1317G of the Corporations Act or compensation order under section 1317H of the Corporations Act, (c) a liability owed to someone other than the Company or a related body corporate of the Company arising out of conduct involving a lack of good faith, (d) a liability for legal costs incurred in defending or resisting proceedings in which the Director is found to have a liability for which the Director could not be indemnified for one of the reasons identified in (a) to (c), (e) a liability for legal costs incurred in defending or resisting criminal proceedings where the verdict is guilty, (f) a liability for legal costs incurred in defending or resisting proceedings brought by ASIC or a liquidator if the grounds for the court order being sought are found to have been established, or (g) a liability for legal costs incurred in connection with an unsuccessful application for relief under the Corporations Act.

Pursuant to the Constitution, the Company may arrange and maintain directors' and officers' insurance for its Directors and officers to the extent permitted by law. Under each deed of indemnity, insurance and access, the Company must use its best endeavours to maintain insurance for each Director against any claims during each Director's period of office and for a period of seven years after a Director ceases to act in any capacity. This seven year period can be extended where a claim arises within the seven year period.

## 7.7 Executive Remuneration

Big River's remuneration and reward framework has two components:

- (a) fixed remuneration comprising salary, statutory superannuation and other benefits; and
- (b) variable at risk incentives, currently comprising short term incentives in the form of a cash based reward payable annually, subject to the achievement of hurdles set or approved by the Board.

Executive remuneration will be reviewed annually by the Remuneration and Nomination Committee, who will make recommendations to the Board. External advisors will be engaged to assist the Committee where appropriate.

The Company has no long term incentive (**LTI**) plan in place at present. However, the Directors consider that the long-term interests of the senior executives are presently aligned with those of shareholders as these executives, including the Chief Executive Officer and the Chief Financial Officer, are (through persons or entities nominated by them) and will remain existing shareholders and option holders. Furthermore, the

## Board, Senior Management and Corporate Governance

shares and options held by those nominees of the executives will be subject to escrow arrangements, as disclosed in Section 8.12. It is the intention of the Directors to consider the introduction of an LTI plan during the twelve months after listing on ASX, taking advice from independent advisors.

### JIM BINDON

#### Managing Director and Chief Executive Officer

Jim Bindon is the Managing Director and Chief Executive Officer of Big River. Jim's current remuneration is a total fixed employment cost (TFEC) of \$355,349, including statutory superannuation contributions. Jim may also become eligible to receive an annual short term incentive (STI) which for FY2017 is a payment of up to 35% of his TFEC, subject to achievement of certain financial hurdles, principally relating to EBITDA performance and the achievement of other business objectives.

Either Jim or the Operating Company may terminate Jim's employment contract by giving 6 months' written notice to the other party. Jim's employment may also be terminated immediately by the Operating Company if Jim (a) is totally and permanently disabled or otherwise unable to work for the Operating Company for a period exceeding 3 months, (b) is found guilty of fraud or dishonesty, or serious or wilful misconduct, (c) is grossly negligent in the performance of his duties, (d) becomes bankrupt or suspends payment or compounds with or assigns his estate for the benefit of his creditors, (e) is disqualified from being a director of a company, or (f) commits a crime or other civil wrong which, in the reasonable opinion of the Operating Company, may seriously impact on the ability of Jim to perform his duties or is likely to significantly damage the reputation or business of the Operating Company or an associated entity.

### STEVE PARKS

#### Chief Financial Officer and co-Company Secretary

Steve Parks is the Chief Financial Officer and a co-Company Secretary of Big River. Steve's current remuneration is a TFEC of \$262,961, including statutory superannuation contributions. Steve may also be eligible to receive an annual STI, which for FY2017 is a payment of up to 25% of his TFEC, subject to the achievement of certain financial hurdles, principally relating to EBITDA performance and the achievement of other business objectives.

Steve may terminate his employment contract by giving 1 months' written notice to the Operating Company. The Operating Company may terminate Steve's employment contract by giving 4 months' written notice to Steve.

Steve's employment may also be terminated immediately by the Operating Company if Steve (a) is totally and permanently disabled or otherwise unable to work for the Operating Company for a period exceeding 3 months, (b) is found guilty of fraud or dishonesty, or serious or wilful misconduct, (c) is grossly negligent in the performance of his duties, (d) becomes bankrupt or suspends payment or compounds with or assigns his estate for the benefit of his creditors, (e) is disqualified from being a director of a company, or (f) commits a crime or other civil wrong, which in the reasonable opinion of the Operating Company, may seriously impact on the ability of Steve to perform his duties or is likely to significantly damage the reputation or business of the Operating Company or an associated entity.

#### Other senior executive management personnel

Each of Big River's senior executive management team is employed under individual executive services agreements. These establish:

- (a) total compensation including a base salary and an annual incentive bonus, subject to the Board's absolute discretion;
- (b) variable notice and termination provisions;
- (c) confidentiality provisions;
- (d) leave entitlements; and
- (e) restraint provisions.

### 7.8 Legal or disciplinary action

There are no legal or disciplinary actions against a Director (or against companies that the person was a director of at the relevant time) that are less than ten years old and are relevant to the role to be undertaken and to the decision to invest in the Company.

### 7.9 Insolvent companies

Malcolm Jackman was the non-executive Chairman of Subzero Group Limited, a mining services business, when it was placed in receivership and administration in February 2016. Ten subsidiaries of Subzero Group Limited were also placed into receivership. Malcolm was not a Director of any of the subsidiaries.

At a meeting on 3 March 2017, the creditors of Subzero Group Limited resolved to enter into a varied Deed of Company Arrangement.

The Board is of the view that Malcolm's previous position on the board of Subzero Group Limited will not affect his ability to serve on the Board of the Company.

# Board, Senior Management and Corporate Governance

## 7.10 Corporate Governance

This Section 7.10 explains how the Board will oversee the management of the Company's business. The Board is responsible for the overall corporate governance of the Company. The Board is responsible for, and has the authority to determine, all matters relating to strategic direction, policies, practices, management goals and the operations of the Company.

The Company has in place corporate governance practices which are formally embodied in corporate governance policies and codes adopted by the Board (**Policies**). The aim of the Policies is to ensure that the Company is effectively directed and managed, risks are identified, monitored and assessed, and appropriate disclosures are made.

The ASX Corporate Governance Council has developed and released corporate governance principles and recommendations for Australian listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations (**ASX Recommendations**).

The recommendations are not prescriptions, but guidelines. In preparing the Policies, the Directors considered the ASX Recommendations. As at the date of Listing, the Company will have complied with all of the ASX Recommendations except as set out below.

### ASX Recommendations

### Summary of position of Company

#### Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Board has not, at this time, adopted a board skills matrix. However, the Company will seek to have directors with an appropriate range of skills, experience and expertise and an understanding of and competence to deal with current and emerging issues of the business. In addition, the Company's succession plans are designed to maintain an appropriate balance of skills, experience and expertise on the Board.

## Board, Senior Management and Corporate Governance

### ASX Recommendations

#### Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

### Summary of position of Company

Due to the current structure and composition of the Board, the Company is unable to fully comply with Recommendation 2.4.

The Board currently consists of 2 non-independent Directors and 2 independent Directors. Although the independent Directors will not comprise the majority of the Board at Listing, the Board intends to recruit an additional person as a third independent Director soon after Listing so that a majority of the Board will be comprised of independent Directors. Once this occurs, the Company will comply with Recommendation 2.4. The Company considers this approach reasonable as at no time will non-independent Directors comprise a majority of the Board. The Chairman of the Board, who is an independent, Non-Executive Director, also has a casting vote at Board meetings.

#### Recommendation 4.1

The board of a listed entity should:

- (a) have an audit committee which:
- (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
  - (ii) is chaired by an independent director, who is not the chair of the board, and disclose:
    - (iii) the charter of the committee;
    - (iv) the relevant qualifications and experience of the members of the committee; and
    - (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Audit and Risk Committee is to be initially comprised of 3 Non-Executive Directors, 2 of whom are independent Directors and one of whom is a non-independent Non-Executive Director. As the independent Directors on the committee are also the Chairman of the Board and the Chairman of the Nomination and Remuneration Committee respectively, the non-independent Non-Executive Director will initially be appointed to temporarily chair the Audit and Risk Committee until a third independent Director is appointed by the Board after Listing. That third independent Director will be appointed as both a member and the chair of the Audit and Risk Committee. Once this occurs, the Company will comply with Recommendation 4.1(a)(i)-(ii).

## Board, Senior Management and Corporate Governance

### ASX Recommendations

#### Recommendation 7.1

The board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:
  - (i) has at least three members, a majority of whom are independent directors; and
  - (ii) is chaired by an independent director, and disclose:
    - (iii) the charter of the committee;
    - (iv) the members of the committee; and
    - (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

### Summary of position of Company

The Audit and Risk Committee will have the composition outlined at Recommendation 4.1 above at Listing. The composition of this committee will change after Listing, as described at Recommendation 4.1 above. Once this occurs, the Company will comply with Recommendation 7.1(a)(i)-(ii).

Under the ASX Listing Rules, the Company will be required to provide a Corporate Governance Statement on its website or in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where the Company does not follow an ASX Recommendation, it must identify the ASX Recommendation that has not been followed and give reasons for not following it. Except as set out above, the Board does not anticipate that the Company will depart from the ASX Recommendations, however, it may do so in the future if it considers that such a departure would be reasonable.

## Board, Senior Management and Corporate Governance

### 7.10.1 Independence of Directors

The Board will regularly review the independence of each Director in light of interests disclosed to the Board at least annually at or around the time that the Board considers candidates for election to the Board. The Board Charter sets out guidelines for the purpose of determining independence of Directors in accordance with the ASX Recommendations and has adopted a definition of independence that is largely based on that set out in the ASX Recommendations. The Board will consider whether there are interests, positions, associations or relationships that might interfere, or might reasonably be seen to interfere, with the Director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders generally.

The Board considers that Greg Laurie and Malcolm Jackman are each able to fulfil the role of independent Non-Executive Directors for the purpose of the ASX Recommendations. See Section 7.12 for details of the Board's assessment of their respective independence.

Given the guidelines adopted by the Company regarding the independence of Directors, having considered the substantial shareholding of a party that is associated with Martin Kaplan (being Anacacia), and given Jim Bindon's ongoing executive position with Big River, neither Martin nor Jim are considered by the Board to be independent.

Accordingly, as at Listing, the Board will consist of two Non-Executive and independent Directors and two non-independent Directors. Following Listing, the Board intends to continue to strengthen the composition of the Board by the appointment of at least one additional independent Director.

### 7.10.2 Board Charter

The Board has adopted a Board Charter which sets out the responsibilities of the Board in greater detail, including the following responsibilities:

- ▶ contributing to and approving management development of corporate strategy and setting performance objectives;
- ▶ appointing the chairperson (and potentially any deputy chairperson);
- ▶ appointing and when necessary replacing the chief executive officer;
- ▶ approving the appointment and when necessary replacement of other senior executives of the Company;

- ▶ monitoring management's implementation of the Company's strategic objectives and its performance generally and overseeing actions;
- ▶ through the chairperson, overseeing the role of the company secretaries;
- ▶ approving operating budgets, major capital expenditure and acquisitions and divestments;
- ▶ overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit and the approval of dividends;
- ▶ monitoring capital management;
- ▶ overseeing the Company's process for making timely and balanced disclosure of all material information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- ▶ ensuring that the Company has in place an appropriate risk management framework and setting the risk appetite within which the Board expects management to operate;
- ▶ approving the Company's remuneration framework; and
- ▶ monitoring the effectiveness of the Company's governance practices.

The Board Charter provides for the Board to delegate specific matters to the chief executive officer, who has the authority to sub-delegate to the senior management team, or to committees established by the Board.

Under the Board Charter, each Director's performance is assessed when standing for re-election. The Board (excluding the chairperson), will conduct the review of the chairperson.

### 7.10.3 Board Committees

In order to better manage its responsibilities, the Board has established an Audit and Risk Committee and a Nomination and Remuneration Committee. Each committee has adopted a charter approved by the Board, setting out its responsibilities. Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements and the skills and experience of individual Directors.

## Board, Senior Management and Corporate Governance

The committees will initially be comprised of:

- ▶ Audit and Risk Management Committee: comprising Malcolm Jackman and Greg Laurie, both being independent, Non-Executive Directors and Martin Kaplan, being a Non-Executive Director. Martin Kaplan will act as Chairperson of this committee until such time as an additional independent, Non-Executive Director is appointed to the Board and this committee to act as Chairperson; and
- ▶ Nomination and Remuneration Committee: comprising Malcolm Jackman and Greg Laurie, both being independent, Non-Executive Directors, and Martin Kaplan, being a Non-Executive Director. Malcolm Jackman will act as Chairperson of this committee.

### 7.10.4 Audit and Risk Committee

The purpose of the Audit and Risk Committee is to assist the Board in fulfilling its accounting, auditing and financial reporting responsibilities by overseeing the integrity of financial reporting and financial statements, the independence and competence of external auditors, the effectiveness of the Company's risk management system and internal controls and systems and procedures for compliance with applicable legal and regulatory requirements.

The role and responsibilities, composition, structure and membership requirements of the Audit and Risk Committee are documented in an Audit and Risk Committee Charter approved by the Board and include:

- ▶ overseeing the preparation of financial reports and reviewing the results of external audits of these reports;
- ▶ reviewing and making recommendations in relation to the adequacy and accuracy of the Company's corporate reporting processes;
- ▶ assessing solvency and the going concern assumption;
- ▶ making recommendations to the Board on the appointment and remuneration of the external auditor;
- ▶ periodically assessing the performance of the external auditor and reviewing the external auditor's independence;

- ▶ preparing and regularly reviewing a risk profile which describes the material risks facing the Company including financial and non-financial matters;
- ▶ ensuring that the Company has an effective risk management system;
- ▶ assessing and ensuring that there are internal controls for determining and managing key risk areas;
- ▶ conducting investigations of breaches or potential breaches of any internal controls and incidents, particularly in relation to accounts and financial reporting;
- ▶ meeting periodically with key management, external auditors and compliance staff to understand the Company's control environment;
- ▶ ensuring that the Company has appropriate internal audit systems and controls in place; and
- ▶ reviewing and monitoring the propriety of related party transactions.

The Audit and Risk Committee will be comprised of at least three members, all of whom are non-executive directors and a majority of whom are independent directors. The Audit and Risk Committee will be chaired by an independent director who is not the chair of the Board. Due to the current structure and composition of the Board, the Company will be unable to fully comply with this at Listing. See the table in Section 7.10 for further details.

The Audit and Risk Committee will meet at least twice per year. The Chief Executive Officer and Chief Financial Officer are expected to attend each scheduled meeting of the committee and a standing invitation will be issued to the external auditors. The committee chairperson may also invite directors who are not members of the committee, other senior managers and external advisors to attend meetings of the committee. The chairperson of the committee, or delegate, will report to the Board after each Committee meeting.

### 7.10.5 Nomination and Remuneration Committee

The Nomination and Remuneration Committee has two key functions. The purpose of the nomination function is to assist and advise the Board on succession planning for the Board and senior executives, the processes to evaluate performance of directors, Board committees and the Board, and the recruitment, appointment and



## Board, Senior Management and Corporate Governance

re-election of directors to ensure that the Board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of the Company as a whole. The purpose of the remuneration function is to assist and advise the Board on remuneration policies and practices for the Board, the Chief Executive Officer, the Chief Financial Officer, senior executives and other persons whose activities, individually or collectively, affect the financial soundness of the Company.

The role and responsibilities, composition, structure and membership requirements of the Nomination and Remuneration Committee are documented in a Nomination and Remuneration Committee Charter approved by the Board and include:

- ▶ identifying and making recommendations regarding the necessary and desirable competencies of directors;
- ▶ developing and reviewing the process for the selection, appointment and re-election of directors;
- ▶ identifying and making recommendations to the Board for the appointment of new Board candidates, having regard to their skills, experience and expertise;
- ▶ co-ordinating with the Board to ensure that the Company meets its commitment to becoming a diverse and inclusive workplace;
- ▶ developing and reviewing induction procedures for new appointees to the Board and continuing education measures for directors;
- ▶ overseeing the development and implementation of a process for the evaluation of the performance the Board, Board committees, and directors individually;
- ▶ assisting the Board in assessing the independence of each non-executive director;
- ▶ reviewing Board and senior executive succession plans and processes, including for the chief executive officer and other senior executive positions and being conscious of each director's tenure, to maintain an appropriate balance of skills, experience, expertise and diversity;
- ▶ reviewing the performance of the chairperson and reporting the results of the evaluation to the Board;

- ▶ developing, reviewing and making recommendations to the Board on the Company's remuneration for senior executives, incentive compensation and superannuation arrangements; and
- ▶ considering and approving the Remuneration Report for inclusion in the Annual Financial Statements.
- ▶ The Nomination and Remuneration Committee will be comprised of at least three members, a majority of whom are independent directors. The Nomination and Remuneration Committee will be chaired by an independent director.

### 7.10.6 Code of Conduct

The Board has approved a Code of Conduct to guide compliance with legal and other obligations to the Company's stakeholders. The Code of Conduct sets out the values, commitments, ethical standards and policies of the Company and outlines the standards of conduct expected of the Company's Directors, officers, employees, contractors, consultants, other persons that act on behalf of the Company, and associates of the Company.

The Code of Conduct deals with the following principal areas:

- ▶ conflicts of interest;
- ▶ opportunities, benefits and ownership of work;
- ▶ anti-bribery and gifts;
- ▶ dealings with politicians and government officials;
- ▶ confidentiality;
- ▶ privacy;
- ▶ fair dealing;
- ▶ discrimination, bullying, harassment and vilification;
- ▶ health and safety;
- ▶ protection of and use of the Company's assets and property;
- ▶ compliance with laws and regulations;
- ▶ responsibility to shareholders and the financial community;
- ▶ insider trading; and
- ▶ whistleblower protection.

## Board, Senior Management and Corporate Governance

### 7.10.7 Trading Policy

The Company has adopted a Trading Policy for Directors, senior executives and employees of the Company.

The policy requires Directors and key management personnel to obtain approval prior to dealing in the Company's securities. The policy also sets certain prohibited periods around the time of the release of the Company's financial results and AGM, during which staff members covered by the policy may not trade in the Company's securities. The policy also requires that Directors and employees of the Company in possession of price sensitive information must not at any time deal in securities of the Company, or advise or suggest another person do so, or communicate the price sensitive information to a person who may deal in securities of the Company. The policy prohibits Directors and key management personnel from engaging in short term dealing in securities of the Company, and prohibits Directors and employees from taking out margin loans over their holdings in the Company's securities. The Trading Policy clearly identifies those individuals who are restricted from trading and the relevant laws relating to insider trading.

### 7.10.8 Disclosure and Communication Policy

The Company has adopted a Disclosure and Communication Policy which sets out its commitment to promoting investor confidence and the rights of shareholders by complying with the continuous disclosure obligations imposed by law, ensuring that all shareholders have equal and timely access to material information concerning the Company and communicating effectively with shareholders. As a publicly listed company, the Company has obligations under the Corporations Act and the ASX Listing Rules to keep the market fully informed of all information which a reasonable person would expect to have a material effect on the price or value of the Company's securities. Information will be communicated to Shareholders through announcements to ASX, half-yearly and yearly financial reports, an annual report, at the AGM and the Company's website: [bigrivergroup.com.au](http://bigrivergroup.com.au).

The company secretaries have been appointed as the persons primarily responsible for managing the Board's external communications with ASX.

### 7.10.9 Diversity Policy

The Company has adopted a Diversity Policy which sets out its commitment to diversity and inclusion in the workplace. The Diversity Policy provides for the Board to adopt measurable objectives to assist the Company to achieve gender diversity and to review the Company's progress in meeting these objectives and the effectiveness of these objectives each year. The Nomination and Remuneration Committee may recommend such measurable objectives to the Board in light of the Company's general selection policy for directors, officers and employees.

Under the policy, the Company states that, as a principle, it will not tolerate discrimination, harassment, bullying, victimisation or vilification. The Nomination and Remuneration Committee will report to the Board on the effectiveness of the Company's diversity objectives each year. This report will include a review of the relative proportions of men and women at all levels in the organisation.

The Company's Policies and charters can be reviewed on the Company's website.

## Board, Senior Management and Corporate Governance

### 7.11 Interests and benefits

Except as set out below or elsewhere in this Prospectus, no Director, proposed Director, advisor named in the Prospectus, promoter or underwriter holds an interest in or has received, or has agreed to receive, any fees or benefits in connection with the formation or promotion of the body, or the Offer.

Name	Nature of interest, fee or benefit	Amount of interest, fee or benefit
Taylor Collison	Fee for services provided in connection with the Offer	A management fee (plus GST) equal to 1.5% of the gross proceeds raised in the Offer  An underwriting fee of 1.5% of the gross proceeds raised in the Offer.  Plus expenses
Deloitte Corporate Finance	Fee for services provided in connection with the Offer	\$395,000 (plus GST) plus expenses
Thomson Geer	Fee for services provided in connection with the Offer	\$110,000 to \$140,000 (plus GST) plus disbursements
Anacacia Capital	<b>Fee for support services provided to the Company to assist with the proposed Offer</b>	<b>\$960,000 (plus GST) capped and payable and contingent upon the successful Completion of the Offer before the end of 2017</b>

### 7.12 Independent Directors

#### GREG LAURIE

##### Independent Director

Greg was an independent non-executive director of the Operating Company from October 2006 to February 2016, being a period of 9 years and 4 months, immediately prior to the purchase of Big River by the present Major Shareholders. Greg also held redeemable preference shares in the Operating Company, which were redeemed upon his resignation in February 2016. Notwithstanding Greg's previous tenure and interest in securities of the Operating Company, the Board considers Greg to be independent as the composition of the Board of the Company is materially different to the composition of the board of the Operating Company during Greg's previous tenure.

Furthermore, although many of the senior executives from Greg's previous tenure continue to occupy executive positions with Big River, Greg does not have any close relationships with any of the executives that may compromise his independence from management. The Board therefore considers that Greg is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially

interfere with, the independent exercise of his judgement.

#### MALCOLM JACKMAN

##### Independent Director

Malcolm is a member of the Anacacia Capital Business Advisory Council. Notwithstanding this association with the Major Shareholder Anacacia, the Board considers Malcolm to be independent as he does not control Anacacia's shareholding in the Company and consequently does not have a relevant interest in those Shares under the Corporations Act. Malcolm is also a Non-Executive Director of the Operating Company and Big River Group Holdings Pty Ltd. Notwithstanding these positions, the Board considers Malcolm to be independent as he is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgement.



# Details of the Offer

# Details of the Offer

## 8.1 Important Dates

	<b>Date</b>
Lodgement of Original Prospectus with ASIC	<b>24 March 2017</b>
Lodgement of this Prospectus with ASIC	<b>3 April 2017</b>
Opening date of the Offer	<b>3 April 2017</b>
Closing date of the Offer	<b>18 April 2017</b>
Allotment of New Shares	<b>4 May 2017</b>
Expected dispatch of Shareholder holding statements	<b>5 May 2017</b>
Shares expected to commence trading on ASX	<b>8 May 2017</b>

### Dates may change

The above dates are subject to change and are indicative only. The Company reserves the right to vary the dates and times of the Offer, including to close the Offer early, extend the Offer or accept late Applications, without notifying any recipient of this Prospectus or any Applicants, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. Applicants are encouraged to submit their Applications as early as possible after the Offer opens.

## 8.2 Initial public offering

The Company is undertaking an initial public offering of 11.6 million New Shares to investors in Australia at an Offer Price of \$1.46 per New Share. The maximum amount which may be raised under the Offer is \$17,000,000, before expenses. A breakdown of the expected costs of the Offer is set out under Section 9.12. The net proceeds of the Offer will be used to provide working capital to fund the ongoing operations and future growth of the Company (see Section 8.7 for further information in this regard). The implementation of the Offer will also enable the Company to increase its spread of Shareholders.

## 8.3 Structure of the Offer

The Offer comprises:

- ▶ the Broker Firm Offer, which is open to Australian resident investors who are not Institutional Investors and who have received a firm allocation of Shares from a Broker (see Section 8.4); and
- ▶ the Institutional Offer, which is an invitation to bid for Shares made to Institutional Investors in Australia (see Section 8.5), and

No general public offer of Shares will be made under the Offer. The allocation of Shares between the Broker Firm Offer and the Institutional Offer was determined by the Lead Manager in consultation with the Company, having regard to the allocation policy described in Sections 8.4.6 and 8.5.2.

## 8.4 Broker Firm Offer

### 8.4.1 Who can apply

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia and are not located in the United States. If you have been offered a firm allocation by a Broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

### 8.4.2 How to apply

Applications for Shares may only be made on a Broker Firm Offer Application Form attached to or accompanying a hard copy of this Prospectus. If you are an Applicant applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received an invitation to participate. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Broker Firm Offer Application Form.

By making an Application, you declare that you were given access to this Prospectus (including any supplementary or replacement prospectus), together with a Broker Firm Offer Application Form.

## Details of the Offer

The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum Application under the Broker Firm Offer is 1,400 Shares and in multiples of 200 Shares thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. The Company and the Lead Manager reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person or reject or scale back any Applications in the Broker Firm Offer. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer Application procedures or requirements, in its discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Broker Firm Offer Application Form and Application Payment with their Broker in accordance with the Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Broker Firm Offer Application Forms to the Share Registry. The Broker Firm Offer opens on Monday 3 April 2017 and is expected to close on Tuesday 18 April 2017. The Company and the Lead Manager may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

### 8.4.3 How to pay

Applicants under the Broker Firm Offer must make their Application Payments in accordance with instructions received from their Broker.

### 8.4.4 Application payments

Application Payments will be held on trust for Applicants until the issue of Shares to successful Applicants. Application Payments will be refunded if the Offer is withdrawn or cancelled, or ASX does not grant permission for Shares to be quoted within three months after the date of this Prospectus. No interest will be payable on refunded amounts.

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser dollar amount of Shares than the amount applied

for, will receive a refund of all or part of their Application Payments, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares applied for. Cheque(s) or bank draft(s) must be in Australian dollars and drawn on an Australian branch of a financial institution, must be crossed 'Not Negotiable' and must be made payable in accordance with the directions of the Broker from whom you received a firm allocation.

Applicants should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s) or bank draft(s). If the amount of your cheque(s) or bank draft(s) for Application Payments (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on your Broker Firm Offer Application Form, you may be taken to have applied for such lower dollar amount of Shares as for which your cleared Application Payments will pay (and to have specified that amount on your Broker Firm Offer Application Form), or your Application may be rejected.

### 8.4.5 Acceptance of applications

An Application in the Broker Firm Offer is an offer by an Applicant to the Company to acquire Shares in the dollar amount specified in the Broker Firm Offer Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Broker Firm Offer Application Form. At the time of making an Application, an Applicant will not know the precise number of Shares they will be allocated. To the extent permitted by law, an Application is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Broker Firm Offer Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to successful Applicants conditional on Completion of the Offer.

### 8.4.6 Broker Firm Offer allocation policy

The allocation of firm stock to Brokers will be determined by agreement between the Lead Manager and Underwriter and the Company.

Shares that are allocated to Brokers for allocation to their Australian resident clients will be issued to the Applicants nominated by those Brokers. It will be a matter for each Broker as to how it allocates Shares among their retail clients, and it (and not the Company or the Lead Manager) will be responsible for ensuring

## Details of the Offer

### 8.5 Institutional Offer

#### 8.5.1 Invitations to bid

The Institutional Offer consists of an invitation prior to or after the Prospectus Date to certain Institutional Investors in Australia to apply for Shares under this Prospectus. Application procedures for Institutional Investors have been, or will be, advised to the Institutional Investors by the Lead Manager.

#### 8.5.2 Institutional Offer allocation policy

The allocation of Shares among bidders in the Institutional Offer will be determined by the Company in agreement with the Lead Manager and Underwriter. The Company and the Lead Manager and Underwriter have absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

The allocation policy will also be influenced by, but not constrained by, the following factors:

- ▶ number of Shares bid for by particular bidders;
- ▶ the timing of receipt of bids;
- ▶ the desire to establish a wide spread of institutional Shareholders;
- ▶ the size and type of funds under the management of particular bidders;
- ▶ the likelihood that particular bidders will be long-term Shareholders;
- ▶ an assessment of any credit risk presented by the bidding Institutional Investor having regard to the amount of its bid; and
- ▶ any other factors that the Company and the Lead Manager considers appropriate, in their absolute discretion.

### 8.6 The Offer is conditional – Application for admission to the official list of ASX

The Offer set out in this Prospectus is conditional on permission being granted for the quotation of the New Shares on ASX and the minimum subscription being achieved.

The Company has lodged an application with ASX for admission of the Company to the official list of ASX and quotation of all Shares (including New Shares issued pursuant to this Prospectus) on ASX.

If the Company's application for listing is accepted by ASX, it is anticipated that the Company will be listed on ASX on or about 8 May 2017.

It is the responsibility of the Applicants to check their allocation of New Shares prior to trading.

No issue of New Shares will be made until permission is granted for quotation of the New Shares on ASX. If the New Shares are not admitted for quotation within 3 months after the date of this Prospectus or if any of the other conditions precedent to the Offer are not met, no funds will be raised pursuant to this Prospectus. Therefore, the Offer will not proceed, no New Shares will be issued pursuant to the Offer and Applications received for New Shares may need to be dealt with in accordance with section 724 of the Corporations Act.

### 8.7 Purpose of Offer and application of proceeds

The funds raised will be applied first towards meeting the expenses of the Offer, which are expected to be approximately \$2.6 million (including GST). A breakdown of the expected costs of the Offer is set out under Section 9.12.

The net proceeds of the Offer are expected to be \$14.4 million after expenses.

In satisfaction of the specific requirements of ASX Listing Rule 1.3.2(b) regarding the indicative future application of cash expected to be available to the Company following Completion of the Offer, the sources and uses of funds relating to the Offer are as follows:

Use of Proceeds	Estimated Spend	% of funds raised
Repayment of debt <sup>27</sup>	\$12,847,000	75.6%
Working capital	\$1,552,000	9.1%
Offer costs	\$2,601,000	15.3%
<b>Total Funds raised</b>	<b>\$17,000,000</b>	<b>100.0%</b>

#### Note

This table assumes the Offer is fully subscribed. If the Offer is under-subscribed then the amount/s set out under "Estimated spend" and "% of funds raised" will reduce accordingly.

27. See Section 4.10 for unused banking facilities.



## Details of the Offer

The use of funds set out above represents the Company's current intentions based on the Company's current plans and current business conditions. The amounts and timing of actual expenditure may vary and will depend on various factors. The Company believes that the net proceeds of the Offer together with revenue generated by the business of the Company's will enable the Company to have sufficient working capital to carry out its business objectives as described in this Prospectus. As illustrated in Section 4, at the time of Listing, the Company will have at least \$1.5 million in working capital available after:

- (a) taking into account the Company's budgeted revenue for the first full financial year that ends after Listing; and
- (b) allowing for the first full financial year's budgeted administration costs and the cost of acquiring any assets referred to in this Prospectus (to the extent that those costs will be met out of working capital).

### 8.8 Shareholders and Shareholders Agreement

Details of the ownership of Shares as at the date of this Prospectus, and of the expected ownership of the Shares at the Completion of the Offer, are shown in the table below:

### 8.9 Relationship between Major

Shareholders	Shares <sup>28</sup> as at the date of this Prospectus		Shares after Completion of the Offer	
	Number of Shares	% of total Shares on issue	Number of Shares	% of total Shares on issue
Anacacia	18,000,001	46.7%	18,000,001	34.2%
Pantheon Entities	18,000,000	46.7%	18,000,000	34.2%
Other Existing Shareholders	2,550,910	6.6%	2,550,910	4.9%
ATBS Vendor	0	0	2,397,260	4.6%
New shareholders pursuant to the Offer	0	0	11,643,836	22.1%
<b>Total</b>	<b>38,550,911</b>	<b>100%</b>	<b>52,592,007</b>	<b>100%</b>

The Existing Shareholders and the Company were party to a Subscription and Shareholders Deed, which contained customary provisions regarding the management and operation of the Company, and the respective rights of the Existing Shareholders as between each other. The Company and the Existing Shareholders have entered into a Deed of Termination in respect of the Subscription and Shareholders Deed, pursuant to which the Subscription and Shareholders Deed has been terminated in its entirety, such termination to take effect at a time determined by the Board once the Company's Listing application has been approved by ASX.

28. Shares include both Ordinary Shares and Preference Shares. All Preference Shares will be converted to Ordinary Shares on a one-to-one basis at a time determined by the Board once the Listing application has been approved by the ASX subject only to customary conditions which the Board is satisfied will be complied with.

## Details of the Offer

### Shareholders

Anacacia, the Pantheon Entities and Anacacia Capital have entered into an arrangement whereby the investment committee of Anacacia Capital effectively controls the voting rights and decisions about any future sell-down of both Anacacia's and the Pantheon Entities' Shares in the Company.

### 8.10 Control implications of the Offer

Anacacia and the Pantheon Entities are expected to hold a total of approximately 68.4% of the Shares on issue on Completion of the Offer. Given the investment committee of Anacacia Capital's control over the voting and disposal of Anacacia's Shares and the Pantheon Entities' Shares, Anacacia Capital will have the ability to control the Company post-Listing.

### 8.11 Expected benefits of the Offer

The Offer is expected to generate future opportunities for the development of Big River, including:

- ▶ stronger balance sheet;
- ▶ liquidity;
- ▶ greater capacity for acquisitions; and
- ▶ management capacity to buy stock to share in the future risks and rewards.

Certain of these benefits may be generated quickly while others may be achieved over a longer time span.

### 8.12 Escrow

#### 8.12.1 Compulsory escrow

The Company is not presently aware of what, if any, restriction obligations will be imposed on existing Shareholders, and will not know the extent of escrow of existing Shares until determined by ASX.

Restriction periods are usually up to two years from listing for shares that were issued to or are held by related parties (principally directors and their associates), or one year from the issue of such shares if not issued to or held by related parties.

Prior to Listing, the escrow requirements for the existing Shareholders will be confirmed with ASX and the Company will announce details of what, if any, restrictions are applied before official quotation on ASX commences.

#### 8.12.2 Voluntary escrow

Regardless of any compulsory escrow, each Existing Shareholder (including the Major Shareholders) and the ATBS Vendor has agreed to enter into voluntary escrow arrangements restricting the disposal of any interest in, or the granting of any security over, any of the Shares held by them on Completion of the Offer.

Under the terms of the voluntary escrow arrangements:

- (a) all Shares held by the Existing Shareholders (excluding the Major Shareholders) and the ATBS Vendor may not be sold or encumbered in the period from the date of Listing until close of business on 31 December 2018. From close of business on 31 December 2018, all remaining Shares held by the Existing Shareholders (excluding the Major Shareholders) and the ATBS Vendor will cease to be subject to escrow restrictions; and
- (b) all Shares held by the Major Shareholders may not be sold or encumbered in the period from the date of Listing until close of business on the day the Company's audited financial results for FY2018 are released to the market, subject to a portion of the escrowed shares held by Major Shareholders being released early on the following basis:

## Details of the Offer

### Securities held by the Major Shareholders to be released from escrow

#### 25% of Shares held by the Major Shareholders at Completion of the Offer

#### 25% of Shares held by the Major Shareholders at Completion of the Offer

### Escrow release conditions

- |  |   |
|--|---|
|  | (a) The Company's audited financial results for FY2017 have been released to the market; and  |
|  | (b) the volume-weighted average price in any 15 trading days from and including the day of the release of those financial results exceeds the Offer Price by more than 10%. |
|  | (a) The Company's reviewed financial results for H1 FY2018 have been released to the market; and  |
|  | (b) the volume-weighted average price in any 15 trading days from and including the release of those financial results exceeds the Offer Price by more than 20%.            |

After the close of business on the day the Company's audited financial results for FY2018 are released to the market, all remaining Shares held by the Major Shareholders will cease to be subject to escrow restrictions.

However, all of the Existing Shareholders (including the Major Shareholders and the members of the senior management team) and the ATBS Vendor may be released early from escrow to enable an Existing Shareholder or the ATBS Vendor to accept an offer under a full or proportional takeover bid in relation to their Shares provided holders of not less than 50% of the Shares not subject to the restrictions then on issue have accepted the takeover offer and the escrowed Shares will be returned to escrow if the takeover bid does not become unconditional. The Existing Shareholders and the ATBS Vendor may also be released early from escrow to enable the Shares of an Existing Shareholder or the ATBS Vendor to be transferred or cancelled as part of a merger by way of compromise or arrangement under Part 5.1 of the Corporations Act, provided that the escrowed Shares are returned to escrow if the merger by way of compromise or arrangement does not take effect.

Additionally, each Existing Shareholder and the ATBS Vendor is entitled to:

- ▶ transfer any or all of its escrowed Shares to an associate controlled by the Existing Shareholder or the ATBS Vendor (provided the associate has agreed to be bound by the restrictions that apply to the Existing Shareholder or the ATBS Vendor); and
- ▶ deal with any or all of its escrowed Shares if required by law to do so.

The ATBS Vendor's escrowed Shares may also be released from escrow before 31 December 2018 in the following circumstances, subject to any restraints or restrictions imposed by the ASX or ASIC:

- ▶ where the Operating Company has made a claim against the ATBS Vendor under the ATBS Agreement and the amount recovered from the ATBS Vendor (whether by damages or otherwise) is greater than the payment made to the ATBS Vendor on completion (being approximately \$3,800,000.00), the ATBS Vendor may sell, transfer or dispose of such number of the ATBS escrowed Shares as is required to satisfy the remaining amount of any claim by the Operating Company; or
- ▶ where the Rivergum Homes Group is party to a bona-fide transaction with a third party and a condition of the transaction is that Rivergum Homes Group must not hold any interest in the ATBS escrowed Shares, the ATBS Vendor may sell, transfer or dispose of those escrowed Shares.

The undertakings given by the Existing Shareholders and the ATBS Vendor to the Company may give the Company a "relevant interest" in these Shares for the purposes of the Corporations Act. However, the Company has obtained a modification from ASIC so that the takeovers provisions of the Corporations Act will not apply to the relevant interest that the Company would otherwise acquire in the Existing Shareholders'

## Details of the Offer

escrowed Shares by reason of the voluntary escrow arrangements in relation to those Shares. See Section 9.8 for further information.

For the avoidance of doubt, none of the New Shares to be issued pursuant to the Offer will be subject to escrow.

### 8.13 Dividend Policy and Forecast Distribution

In determining whether to declare dividends, the Directors will have regard to Big River's earnings, overall financial condition, the outlook for the industry, the taxation position of Big River, future funding requirements, capital management initiatives, the level of franking credits available and other factors the Directors may consider relevant.

Subject to forecasts being achieved and other relevant factors, it is the current intention of the Board to declare a dividend in respect of the half year ending 30 June 2017, payable in September 2017, based upon an expected payout ratio of between 50% and 70% of underlying NPAT for the half year ending 30 June 2017. It is expected that the dividend will be fully franked. The Company is expected to have \$18.0 million in franking credits available at Completion of the Offer.

Beyond the 2017 financial year, it is the Director's intention to target a payout ratio of between 50% and 70% of statutory NPAT depending on the factors outlined above. However, should value accretive, strategic growth, acquisition or investment opportunities arise it may result in a payout ratio in the future that is less than this target. Subject to all of the above factors, it is expected that an interim dividend would be paid in March and a final dividend in September of each year.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. Please read the Forecast Financial Information in conjunction with the assumptions underlying its preparation as set out in Section 4 and the risk factors set out in Section 6. Investors who are not tax residents of Australia and who acquire Shares may be subject to Australian withholding tax on dividends or other distributions paid in respect of the Shares. Prospective investors who are not tax residents of Australia should consult with their own tax advisors regarding the application of the Australian withholding or other taxes to their particular situations as well as any additional tax consequences resulting from purchasing, holding or disposing of the Shares.

### 8.14 Underwriter

The Offer will be managed by Taylor Collison Limited as Underwriter under the Underwriting Agreement. The Company and the Underwriter have entered into the Underwriting Agreement. Details of the Underwriting Agreement, including the termination provisions and the fees payable, are set out in Section 9.5.1.

### 8.15 Issue of New Shares

Conditional on the matters referred to in Section 8.6 of this Prospectus, the Company expects to issue the New Shares in accordance with the indicative timetable set out in Section 8.1.

The New Shares, from the time they are issued, will be fully paid Shares and will rank equally with existing Shares. Full details of the rights attaching to the New Shares are contained in the Corporations Act and the Company's Constitution. A summary of the Company's Constitution is set out in Section 9.3.

No Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus.

### 8.16 Brokerage and handling Fees

No brokerage or handling fees will be paid in respect of Applications made.

### 8.17 CHES

The Company will apply to participate in the Securities Clearing House Electronic Subregister System (**CHES**), and will maintain an electronic CHES sub-register and an electronic issuer sponsored sub-register. Accordingly, the Company will not issue Share certificates to successful Applicants but, as soon as practicable after allocation, successful Applicants will receive a holding statement that sets out the number of Shares that have been allocated to them pursuant to this Prospectus. The holding statement will also set out each successful Applicant's unique "Holder Identification Number" in the case of a holding on the CHES sub-register, or "Securityholder Reference Number" in the case of a holding on the Company's issuer sponsored sub-register.

Shareholders will be provided with periodic Holding Statements showing any changes in their holdings of Shares. Shareholders may request a Holding Statement at any time (although an administration fee may be charged for these additional statements). It is the responsibility of Shareholders to determine their holding prior to trading in any Shares.

## Details of the Offer

### 8.18 Foreign selling restrictions

#### 8.18.1 General

The Offer is being made in Australia only. This Prospectus does not constitute an offer in any place which, or to any person whom, it would not be lawful to make such an offer.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus in such jurisdictions should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the New Shares or the Offer, or otherwise to permit a public offering of the New Shares, in any jurisdiction outside Australia.

#### 8.18.2 Beneficial holders

The foreign selling restrictions under the Offer apply to the underlying beneficial holder. Applicants applying on behalf of persons whose registered address is not in Australia are responsible for ensuring that applying for New Shares does not breach securities laws in the relevant overseas jurisdictions. Applicants who are nominees, trustees or custodians are advised to seek independent advice as to how they should proceed.

The Company is not required to determine whether or not any Applicant is acting as a nominee or the identity or residence of any beneficial interest holder applying for New Shares. If any nominee or custodian is acting on behalf of a foreign person, that nominee or custodian, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Offer is compatible with applicable foreign laws.

#### 8.18.3 United States of America securities law requirements

The Shares (including the New Shares) have not been, and will not be, registered under the US Securities Act 1933 (US Securities Act) and may not be offered or sold in the United States of America, or to, or for the account or benefit of, "US Persons" (as defined in Rule 902 under the US Securities Act) except under an available exemption from registration under the US Securities Act. The Shares (including the New Shares) may only be resold or transferred in the United States of America, or to, or for the account or benefit of, US Persons if registered under the US Securities Act or pursuant to an exemption from registration under the US Securities Act and in compliance with state securities laws. The

Company is under no obligation and has no intention to register any of the Shares (including the New Shares) in the United States of America.

#### 8.19 Professional advice

If you are in any doubt as to whether to accept the Offer, please consult your licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser. The Directors do not consider it appropriate to give Shareholders or investors advice regarding the taxation consequences of subscribing for New Shares under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders or investors. As a result, Shareholders and investors should consult their professional tax adviser in connection with any aspect of the Offer and/or applying for New Shares under this Prospectus.

#### 8.20 Disputes

The Board may settle, in any manner it thinks fit, any disputes or anomalies which may arise in connection with or by reason of the operation of the Offer, whether generally or in relation to any Shareholder, investor, Applicant or Application. The decision of the Board will be conclusive and binding on all persons to whom the determination relates.

#### 8.21 Change to the Terms of the Offer

The Company reserves the right to waive strict compliance with or vary any provision of the Terms of the Offer, or to vary, suspend or terminate the Offer at any time without notice. If the Offer does not proceed, Application Payments will be refunded. No interest will be paid on any Application monies refunded as a result of the withdrawal or termination of the Offer.

Failure to notify Shareholders or investors of changes to, suspension or termination of the Offer or the Terms of the Offer will not invalidate the change, suspension or termination.

The Company reserves the right to issue no New Shares or fewer New Shares than an Applicant applies for under the Offer if the Board believes the issue of those New Shares would contravene an ASIC Class Order, requirements or policies, any law or any ASX Listing Rule.

## Details of the Offer

### 8.22 Electronic Prospectus

The Prospectus is available on-line at the Company's website: [bigrivergroup.com.au](http://bigrivergroup.com.au)

### 8.23 Privacy disclosure

The Company collects information in relation to each Applicant as provided on an Application Form (**Information**) for the purposes of processing the Application Form and, should the Application be successful, to administer the Applicant's security holding in the Company (**Purposes**).

The Company may use the Information for the Purposes and the Company may disclose the Information for the Purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, and to ASX, ASIC and other regulatory authorities.

The Information may also be used and disclosed to persons inspecting the Share Register, including bidders for your securities in the context of takeovers, licensed securities dealers, mail houses, and regulatory bodies including the Australian Taxation Office.

You may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Shareholder register will be accessible by members of the public.

### 8.24 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the laws applicable in New South Wales and each Applicant and bidder submits to the non-exclusive jurisdiction of the courts of New South Wales.

# Additional Information

# Additional Information

## 9.1 Corporate status

The Company was incorporated in Australia under the Corporations Act on 18 December 2015 as a proprietary company limited by shares. The Company converted to a public company limited by shares on 24 February 2017.

## 9.2 Tax status

The Company will be taxed as an Australian tax resident public company for the purpose of Australian income tax law.

## 9.3 Company's Constitution and rights attaching to New Shares

The Company's Constitution is of the kind usually adopted by a public company, with certain provisions taking effect once (and for so long as) the Company is listed on ASX.

A summary of the rights attaching to Shares under the Constitution is set out below. This summary is qualified by the full terms of the Constitution (copies of the Constitution may be inspected at the registered office of the Company during normal business hours by appointment with the Company secretary) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders.

Shares issued under this Offer will rank equally in all respects with all other Shares on issue.

The rights attaching to Shares are derived through a combination of statute, the Constitution, common law and other applicable legislation. The following is a broad summary (though not an exhaustive or definitive statement) of the rights which are attached to Shares.

<b>(a)</b>	General	Subject to the Constitution and the terms of issue of a Share, attached to each Share is the right to receive notice of, attend and vote at all meetings of Shareholders, to receive dividends, and in a winding up to participate equally in the distribution of assets of the Company subject only to the amounts unpaid on any Share.
<b>(b)</b>	Voting	Subject to the Constitution, and the Corporations Act, the ASX Listing Rules, ASX Settlement Rules and the rules of the Clearing and Settlement Facility (if applicable) ( <b>relevant law</b> ) and to any rights or restrictions attaching to any class of Shares, at a general meeting each Shareholder present in person or by proxy, attorney or other representative is entitled to one vote on a show of hands. Upon a poll, every Shareholder present in person or by proxy, attorney or other representative is entitled to one vote for each fully paid Share that the Shareholder holds.
<b>(c)</b>	General meetings and notices	<p>Each Shareholder is entitled to receive notice of and to be present, to vote and to speak at a general meeting of the Company. Further, each Shareholder is entitled to receive all notices, accounts and other documents required to be furnished to Shareholders under the Constitution or the Corporations Act.</p> <p>Shareholders may request or call and arrange to hold a general meeting in accordance with the Corporations Act.</p> <p>The quorum for a meeting of Shareholders is two Shareholders entitled to vote at the meeting.</p>
<b>(d)</b>	Dividends and share plans	There is no entitlement to a dividend other than that determined by Directors from time to time. The Shares issued under the Offer will rank equally with all other issued Shares at listing for the purposes of participation in any dividend paid out of profits of the Company.
<b>(e)</b>	Issue of Shares	Subject to the Constitution, the relevant law and any special rights conferred on Shareholders of classes of Shares, the Company may issue Shares and grant options over issued or unissued Shares on any terms, with any rights or restrictions attached to the Shares, at any time and for any consideration the Directors decide.



## Additional Information

<b>(f)</b>	Transfer of Shares	<p>Subject to the Constitution and the relevant law, Shares are freely transferable. A shareholder may transfer a share:</p> <ul style="list-style-type: none"> <li>▶ in accordance with the relevant law if the transfer is a proper ASTC transfer;</li> <li>▶ otherwise, by an instrument of transfer lodged with the Company; or</li> <li>▶ by any other method of transferring securities recognised by the Corporations Act 2001 and ASX (if the Company is listed) and approved by the Directors.</li> </ul>
<b>(g)</b>	Proportional takeover provisions	<p>If the Company is admitted to the official list of ASX or if the Company is an unlisted public company with more than 50 Shareholders, the registration of a transfer of Shares which would give effect to a proportional takeover bid is prohibited unless and until an approving resolution approving the proportional takeover bid is passed. The proportional takeover provisions of the Constitution will cease to have effect on the third anniversary of the adoption of the Constitution, unless renewed.</p>
<b>(h)</b>	Winding up	<p>Subject to any special rights attaching to Shares, if the Company is wound up the liquidator in a winding up may, with the sanction of a special resolution of the Shareholders, divide the assets of the Company among the Shareholders and/or vest any or all of the Company's assets in a trustee on trusts for the benefit of the contributories.</p>
<b>(i)</b>	Liability of Shareholders	<p>As all existing Shares on issue are fully paid, and the New Shares to be issued pursuant to this Prospectus will be fully paid, Shareholders will not be subject to any further call for money by the Directors and therefore Shares will not become liable to forfeiture.</p>
<b>(j)</b>	Variation of rights	<p>The rights attaching to the Shares in a class of shares may, unless their terms of issue state otherwise, only be varied, modified or cancelled with the prior written consent of at least 75% of the holders of votes in that class or by a special resolution of the holders of shares in that class at a meeting of those holders.</p>
<b>(k)</b>	Directors	<p>The minimum number of Directors is three and the maximum is twelve unless the Company in a general meeting determines otherwise. A Director is not required to hold any Shares. The following Directors automatically retire (unless re-elected) at the end of each annual general meeting:</p> <ul style="list-style-type: none"> <li>▶ any Director appointed to fill a casual vacancy since the last annual general meeting; and</li> <li>▶ any Director (not counting the managing Director) for whom this would be the third annual general meeting since their last appointment or three years since their last appointment (whichever is the longer).</li> </ul>
<b>(l)</b>	Decisions of Directors	<p>The quorum for a meeting of Directors is two Directors. Questions arising at a meeting of Directors are decided by a majority of votes cast by Directors entitled to vote on the resolution. The Chairman has a casting vote.</p>
<b>(m)</b>	Alteration to the Constitution	<p>The Constitution can only be amended by a special resolution passed by at least 75% of Shareholders present and voting at a general meeting. At least 21 days' notice (if the Company is not listed) or 28 days' notice (if the Company is listed) of the meeting at which the special resolution is proposed must be given.</p>

## Additional Information

### 9.4 Litigation

As at the date of the Prospectus, to the knowledge of the Directors, there is no litigation current or threatened by or against the Company which is likely to have a material adverse impact on the business or financial position of the Company. The Directors are not presently aware of any circumstances likely to give rise to any of the above.

### 9.5 Material contracts

Set out below is a brief summary of certain contracts which have been entered into by the Group. These are important contracts for Big River and have accordingly been identified as relevant information of which an investor in the Company should be aware.

The Directors consider that the material contracts described below are those which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of an investment in the Company under the Offer.

#### 9.5.1 Underwriting Agreement

The Offer has been underwritten by the Lead Manager and Underwriter pursuant to an Underwriting Agreement between the Company and the Lead Manager and Underwriter. Under the Underwriting Agreement, the Lead Manager and Underwriter has agreed to manage and underwrite the Offer.

### GENERAL

The Offer is fully underwritten by the Lead Manager and Underwriter (for the purposes of this Section 9.5.1, the **Lead Manager**) pursuant to an underwriting agreement dated 24 March 2017 between the Lead Manager and the Company (**Underwriting Agreement**). Under the Underwriting Agreement, the Lead Manager has agreed to manage and underwrite the Offer.

For the purposes of this Section 9.5.1, **Offer Documents** means any documents issued or published by, or on behalf of, the Company in respect of the Offer, including:

- (a) this Prospectus (including any supplementary prospectus) and any Application Form;
- (b) the pathfinder prospectus (**Pathfinder**) for the Offer and any document which supplements or replaces the Pathfinder (including any addendum to the Pathfinder);
- (c) any cover email including an appropriate

cautionary legend sent to eligible Institutional Investors with a link to or attaching the Pathfinder;

- (d) any written materials that are presented or provided to prospective investors (including any roadshow presentations and/or ASX announcement(s) used by or on behalf of the Company to conduct the Offer); and
- (e) any advertising or publicity documents, notices or reports.

### COMMISSIONS, FEES AND EXPENSES

Subject to the Lead Manager satisfying its underwriting obligations under the Underwriting Agreement, the Company has agreed to pay the Lead Manager a management fee (**Base Fee**) equal to 1.5% of the gross Offer proceeds (**Gross Proceeds**) and an underwriting fee (**Underwriting Fee**) equal to 1.5% of the Gross Proceeds. The Lead Manager will be entitled to deduct the Base Fee and the Underwriting Fee directly from the Gross Proceeds on the date of Completion of the Offer (**Settlement Date**).

In addition to the fees described above, the Company has agreed to pay or reimburse the Lead Manager for the reasonable costs and expenses properly incurred by the Lead Manager in relation to the Offer.

### TERMINATION EVENTS

The Lead Manager may at any time terminate the Underwriting Agreement, without cost or liability to itself, by notice to the Company if any of the following events occurs before 2.00pm on the Settlement Date:

- (a) there is an omission from the Prospectus or any Supplementary Prospectus of material required by the Corporations Act to be included;
- (b) an Offer Document contains a statement which is untrue, inaccurate, misleading or deceptive or likely to mislead or deceive (whether by inclusion or omission);
- (c) the Company lodges a Supplementary Prospectus that has not been approved by the Lead Manager;
- (d) a Supplementary Prospectus is required to be lodged with ASIC under the Corporations Act and the Company fails to lodge that Supplementary Prospectus within the required time;

## Additional Information

- (e) the Offer Documents include any forecast, expression of opinion, belief, intention or expectation which is not, in all material respects, made after due and careful consideration in good faith and based on reasonable assumptions (including having regard to ASIC Regulatory Guide 170), taken as a whole; or any financial forecast that appears in an Offer Document is or becomes incapable of being met or is unlikely to be met in the projected time;
- (f) at any time, the S&P/ASX 200 Index falls to a level that is 90% or less of the level as at 5.00pm on the business day immediately preceding the date of the Underwriting Agreement and is at or below that level for at least 2 consecutive business days;
- (g) any of the following notifications are made in respect of the Offer:
  - (I) ASIC issuing an order (including an interim order) under section 739 of the Corporations Act;
  - (II) ASIC holding a hearing under section 739(2) of the Corporations Act;
  - (III) an application being made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or this Prospectus;
  - (IV) any person giving a notice under section 733(3) of the Corporations Act or any person who has previously consented to the inclusion of its name in any Offer Document withdraws that consent; or
  - (V) any person (other than the Lead Manager) giving a notice to the Company under section 730 of the Corporations Act;
- (h) the Company or any material Group member becomes insolvent, or an act occurs or an omission is made which may result in the Company or a material Group member becoming insolvent;
- (i) the Company any of its respective directors or officers (as those terms are defined in the Corporations Act) are engaging in, or have engaged, in any fraudulent conduct or activity whether or not in connection with the Offer;
- (j) the Company withdraws this Prospectus or the Offer, any invitations to apply for New Shares under this Prospectus or all or any part of the Offer or indicates that it does not intend to proceed with the Offer or any part of it;
- (k) the Company does not provide the opening certificate (**Opening Certificate**) or closing certificates (**Closing Certificate**) required under the Underwriting Agreement to be delivered by the Company to the Lead Manager, as and when required by the Underwriting Agreement;
- (l) any event specified in the timetable for the Offer (**Timetable**) is delayed by more than one business day without the prior written approval of the Lead Manager;
- (m) the Company is prevented from allotting or issuing the New Shares within the time required by the Timetable, the Offer Documents, the ASX Listing Rules, the ASX Settlement Operating Rules or by any other applicable laws, under an order of a court of competent jurisdiction or a governmental agency;
- (n) except as disclosed in the Pathfinder and the Prospectus, the Company:
  - (I) alters the issued capital of the Company or any other Group member; or
  - (II) disposes or attempts to dispose of a substantial part (directly or indirectly) of the business or property of the Company or a Group member,without the prior written consent of the Lead Manager;
- (o) there is a material adverse change, or any development involving a likely material adverse change, in the condition, financial or otherwise, or in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company, including any material adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company from those respectively disclosed in the Offer Documents;

## Additional Information

- (p) if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company to perform its obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Offer Documents, other than due to the Lead Manager's failure to satisfy the spread requirements set out in Chapter 1 of the ASX Listing Rules;
- (q) there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency, which makes it illegal for the Lead Manager to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer;
- (r) any of the following occur:
- (I) a director or proposed director named in the Pathfinder and this Prospectus, or the Managing Director/Chief Executive Officer or Chief Financial Officer of the Company, is charged with an indictable offence;
  - (II) any governmental agency charges or commences any court proceedings or public action against the Company or any of its directors in their capacity as a director of the Company or announces that it intends to take action; or
  - (III) any director of the Company is disqualified from managing a corporation under Part 2D.6;
- (s) the Constitution is varied without the prior written consent of the Lead Manager; and
- (t) any of the escrow agreements entered into in connection with the Offer  
**(Restriction Agreements):**
- (I) are terminated;
  - (II) are not, or cease to be, valid, binding and enforceable in accordance with their terms;
  - (III) are varied without the prior written consent of the Lead Manager; or
  - (IV) are not performed in accordance with their terms.
- In addition, the Lead Manager may at any time by notice given to the Company immediately, without cost or liability to itself, terminate the Underwriting Agreement if any of the following events occurs before 2.00pm on the Settlement Date and in the reasonable opinion of the Lead Manager after reasonable prior consultation with the Company, the event: (a) has had or is likely to have a material adverse effect on (i) the outcome, settlement or marketing of the Offer; (ii) the ability of the Lead Manager to market, promote or settle the Offer; (iii) the likely price at which the New Shares will trade on ASX; or (iv) the willingness of investors to subscribe for the New Shares; or (b) has given or is likely to give rise to a contravention by the Lead Manager or its affiliates of, or the Lead Manager or its affiliates being involved in a contravention of, the Corporations Act or any other applicable law:
- (u) there occurs a new circumstance that arises after this Prospectus or any other Offer Document is lodged, that would have been required to be included in this Prospectus or Offer Document if it had arisen before the initial distribution or lodgement (as applicable);
- (v) any information supplied by or on behalf of the Company to the Lead Manager in connection with the Company or the Offer is inaccurate, incomplete, false, misleading or deceptive (including by omission);
- (w) any of the following occurs:
- (I) any adverse effect on the financial markets of Australia, New Zealand, France, Germany, Hong Kong, Japan, the United States of America or the United Kingdom or in foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries;
  - (II) a general moratorium on commercial banking activities in Australia, New Zealand, Hong Kong, the United Kingdom or the United States of America is declared by the relevant central banking authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; or

## Additional Information

- (III) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material manner for at least one day trading day on which that exchange is open for trading;
  - (x) a representation or warranty contained in the Underwriting Agreement on the part of the Company is breached, becomes not true or correct or is not performed;
  - (y) a statement in the Opening Certificate or Closing Certificates furnished by the Company to the Lead Manager is untrue, incorrect or misleading or deceptive (including by way of omission);
  - (z) the DDC Report or verification material or any other information supplied by or on behalf of the Company to the Lead Manager in relation to the Group or the Offer is (or is likely to), or becomes (or becomes likely to be), inaccurate or false or misleading or deceptive or likely to mislead or deceive, including by way of omission;
  - (aa) the Company, before Completion, commits, is involved in or acquiesces in any activity which breaches any of the following matters:
    - (I) the Corporations Act or any other law to which the Company is subject or any order of any Government Agency that is binding on it;
    - (II) the ASX Listing Rules (except where compliance has been waived, or as modified, by ASX);
    - (III) its constitution or other constituent documents;
    - (IV) any legally binding requirement of ASIC or ASX; or
    - (V) any other undertaking or instrument or authorisation binding on it;
  - (bb) the Company fails to comply with its obligations under the Underwriting Agreement;
  - (cc) a change in the Managing Director/Chief Executive Officer or Chief Financial Officer of the Company occurs, or the Chief Executive Officer or Chief Financial Officer vacates his/her office without the written consent of the Lead Manager;
  - (dd) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a new law, or the Government of Australia, or any State or Territory of Australia, the Reserve Bank of Australia, or any Minister or other Government Agency of Australia or any State or Territory of Australia, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);
  - (ee) hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving Australia; or
  - (ff) any of the following occurs:
    - (I) the commencement of legal proceedings against the Company or any other Group Member;
    - (II) any regulatory body (including a governmental authority) commences any investigation, claim, inquiry, proceedings or public action against the Company any Group Member; or
    - (III) a governmental agency withdraws, revokes or amends in an adverse manner any authorisation, licence or other approval necessary to the conduct of the Company's business.
- In the event the Lead Manager terminates its obligations under the Underwriting Agreement, the Lead Manager will be immediately relieved of its obligations under the Underwriting Agreement, but the termination of its obligations under the Underwriting Agreement will not limit or prevent the exercise of any other rights or remedies which any of the parties may otherwise have under the Underwriting Agreement.
- If any of the following events has occurred or occurs at any time, the Company may terminate the Underwriting Agreement without cost or liability by notice to the Lead Manager:
- (a) the Lead Manager defaults on any of its obligations under the Underwriting Agreement; or
  - (b) the Company withdraws a Prospectus or the Offer.

## Additional Information

In the event the Company terminates its obligations under the Underwriting Agreement, the Company will be immediately relieved of its obligations under the Underwriting Agreement including any obligation to pay to the Lead Manager any fees which as at the date of the termination are not yet accrued, but the termination of its obligations under the Underwriting Agreement will not limit or prevent the exercise of any other rights or remedies which any of the parties may otherwise have under the Underwriting Agreement.

### CONDITIONS, WARRANTIES, UNDERTAKING AND OTHER TERMS

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Lead Manager as well as common conditions precedent, including the receipt by the Lead Manager of the final, signed due diligence committee report and ASX indicating that it will grant permission for quotation of Shares on ASX.

The representations and warranties given by the Company relate to matters such as conduct of the Company, power and authorisations, information provided by the Company, information in this Prospectus and compliance with laws and the ASX Listing Rules. The Company also provides additional representations and warranties in connection with the business and affairs of the Company, including in relation to historical financial performance, litigation and eligibility for listing.

The Company's undertakings include that it will not, until 90 days after the Completion of the Offer, issue (or agree to issue) or indicate in any way that it may or will issue any Shares or securities without the prior written consent of the Lead Manager. This undertaking is subject to certain exceptions, such as any issue made pursuant to an employee share, option or incentive plan or any proposed transaction which has been fully and fairly disclosed in this Prospectus.

### INDEMNITY

Subject to certain exclusions relating to, among other things, fraud, misconduct, wilful default or negligence of any indemnified party, the Company agrees to keep the Lead Manager and its representatives indemnified from losses suffered by them in connection with the Offer or the appointment of the Lead Manager pursuant to the Underwriting Agreement.

### 9.5.2 Wood supply agreements with the Forestry Corporation of NSW BACKGROUND

The Operating Company has entered into a number of supply agreements with The Forestry Corporation of NSW (previously Forestry Commission of NSW t/ as Forests NSW) (FCNSW). FCNSW is a material supplier of timber to the Operating Company. The Operating Company and FCNSW have entered into separate timber supply agreements for the supply of softwood timber from the Snowy region (Wagga TSA), softwood timber from the Northern region (Grafton TSA) and hardwood timber from the North East, Mid North Coast, Hunter and South Coast regions (North Coast WSA). A summary of the material terms of each wood supply agreement is set out below.

### TERM AND TERMINATION

The Wagga TSA and Grafton TSA have both been agreed for 10 year terms expiring in June 2019, and may be extended by the parties in accordance with the respective agreements. FCNSW may terminate the Wagga TSA or the Grafton TSA if the Operating Company (a) suffers an insolvency event, (b) commits a specified material breach of the agreement and fails to remedy the breach within 30 days of notice from FCNSW (specified material breach includes failing to take delivery of the agreed quantities of timber, failing to make payments in accordance with the agreement or failing to provide security as required by FCNSW), or (c) is in material breach of the agreement other than a specified material breach and fails to remedy the breach within a reasonable period after receiving notice of the breach. The Operating Company may terminate the Wagga TSA or the Grafton TSA if FCNSW commits a material breach of the agreement and fails to remedy the breach within a reasonable period after receiving notice of the breach. Either party may terminate the agreement if a force majeure event continues for 12 months.

The North Coast WSA has been agreed for a term of 19 years and 6 months, expiring in December 2023. Either party may terminate the North Coast WSA by notice in writing if the other party is in material breach of the agreement and is issued a show cause notice by the non-breaching party and fails to show reasonable cause why the non-breaching party should not exercise its right of termination. FCNSW may also terminate the agreement by notice in writing if the Operating Company becomes insolvent.

## Additional Information

### PURCHASES

The Wagga TSA and Grafton TSA consist of terms requiring the Operating Company to purchase a certain amount of timber each year from FCNSW, which FCNSW may review. If the Operating Company purchases less than an agreed minimum amount of timber in any year, the Operating Company is liable to pay FCNSW an amount equal to the price payable for the shortfall between the minimum amount and the amount of timber actually purchased. The Operating Company must pay invoices issued to it by the last day of the month in which the invoice was issued. All prices are subject to annual review by FCNSW in accordance with the mechanisms agreed in the respective agreements. The Grafton TSA is currently operating under Force Majeure conditions following a fire at Grafton in November 2014. Logs are still being accessed by the Operating Company under the Grafton TSA; however certain provisions of the Grafton TSA, including the take or pay clauses, have been waived until 31 October 2017 while the Group continues to invest in alternate manufacturing equipment and processes. The parties have committed in good faith to seek to negotiate a mutually beneficial and appropriate replacement of the Grafton TSA between them before 31 October 2017 to reflect current circumstances and their respective commercial and practically achievable objectives.

The North Coast WSA consists of terms requiring the Operating Company to purchase timber provided by FCNSW that conforms with specifications and requirements agreed between the parties. The Operating Company must pay invoices issued to it by the later of 14 days after the date of issue or the last day of the calendar month in which the invoice was issued. All prices are to be varied in accordance with the mechanisms agreed in the North Coast WSA.

### REPRESENTATIONS AND WARRANTIES

The Operating Company gives various representations and warranties under the Wagga TSA, the Grafton TSA and the North Coast WSA. These relate to (amongst others) the following items:

- (a) complying with the provisions of the *Forestry Act 1916* (NSW) (which has been repealed and replaced with the *Forestry Act 2012* (NSW));
- (b) complying with the code of procedure set out in the respective agreements as amended from time to time;
- (c) providing and maintaining security for the performance of its obligations under the respective agreements in a form approved by FCNSW and in an amount determined by FCNSW;
- (d) (in the Wagga TSA and Grafton TSA only) complying with the conditions of licences issued to it under the *Forestry Act 1916* (NSW) (which has been repealed and replaced with the *Forestry Act 2012* (NSW)); and
- (e) (in the Wagga TSA and Grafton TSA only) providing an electronic log scanning measuring system to measure the diameter of timber delivered by FCNSW.

### LIABILITIES AND INDEMNITIES

The Operating Company will indemnify FCNSW for any claim, action, liability or cost suffered by FCNSW in respect of any personal injury or death of any FCNSW employee, contractor or any other person arising as a direct result of the negligence of the Operating Company in performing the Wagga TSA or the Grafton TSA respectively. The Operating Company must maintain public liability insurance as approved by FCNSW in an amount not less than \$10,000,000 for each and every occurrence and not limited in the aggregate for any one period of claim. The Operating Company's liability is not limited under the Wagga TSA or the Grafton TSA.

### CONFIDENTIALITY

Each of the Wagga TSA, the Grafton TSA and the North Coast WSA contains standard confidentiality provisions prohibiting disclosure of the contents or terms of the respective agreements unless required by law.

### CHANGE IN CONTROL AND ASSIGNMENT

The Operating Company may not assign its rights and responsibilities under the Wagga TSA or the Grafton TSA without the prior written consent of FCNSW, which will be triggered if the Operating Company enters into a change of control transaction.

The Operating Company may not assign its rights under the North Coast WSA without the prior written consent of the Minister, which will be triggered if a Group Company enters into a change of control transaction. All debts due must be paid before the assignment can be approved. The Minister may impose conditions on the application for assignment and the parties will be required to execute a further agreement on the same terms incorporating the obligation on the Operating Company to comply with any conditions imposed by the Minister.

As the Offer will not result in a change of control of any Group Company, no such assignment is required.

## Additional Information

### GOVERNING LAW

Each of the wood supply agreements are governed by the laws of the state of New South Wales.

### 9.5.3 Banking facilities

The Company has entered into a facility agreement with National Australia Bank Limited (**NAB**) (**NAB Acquisition Facility Agreement**). The NAB Acquisition Facility Agreement provides for an amortising term loan facility in an amount not exceeding \$23,000,000, \$11,000,000 of which can be used by the Company to fund the costs of acquisitions by Big River of any business or securities or assets where certain conditions imposed by NAB are met. The Group Companies have entered into an accession deed with NAB, agreeing to become additional guarantors under the NAB Acquisition Facility Agreement.

The Operating Company has entered into facility agreements with NAB for a trade finance facility not exceeding \$6,000,000 and an asset finance facility not exceeding \$3,000,000, under which both the Company and Big River Group Holdings have agreed to be guarantors (which together with the NAB Acquisition Facility Agreement are referred to as the **NAB Facility Agreements**).

The Operating Company has also entered into a facility agreement with Australia and New Zealand Banking Group Limited (**ANZ**) (**ANZ Facility Agreement**). The ANZ Facility Agreement provides for an asset finance facility in an amount not exceeding \$1,000,000 to assist with leasing and hire purchase requirements.

The NAB Facility Agreements and ANZ Facility Agreement contain certain undertakings. A breach of these undertakings will constitute an 'Event of Default' under the respective agreements, giving NAB or ANZ (as applicable) the right to declare the total principal outstanding and all interest, fees and other money payable to NAB or ANZ (as applicable) to be immediately due and payable and to cancel the facilities provided under the respective agreements. The NAB Acquisition Facility Agreement also includes financial undertakings to maintain certain financial ratios at the levels set out in the agreement which are tested at the end of each calendar year quarter. The Company expects that it will remain in compliance with these financial undertakings through to the period ending 30 June 2018.

### 9.5.4 Deed of Cross Guarantee

Each Group Company has entered into a deed of cross guarantee (in the form required by ASIC). Under the deed of cross guarantee, each Group Company has agreed to guarantee the obligations of each other Group Company to pay in full any debt which is owed to their creditors in the winding up of a Group Company.

### 9.5.5 Contract summaries

Summaries of contracts set out in this Prospectus (including the summaries of the Underwriting Agreement in Section 9.5.1 and the acquisition agreements in Section 9.6), are included for the information of potential investors but do not purport to be complete and are qualified by the text of the contracts themselves.

## 9.6 Acquisitions

The Operating Company has recently entered into two binding agreements to acquire the businesses identified below. The agreements have been entered into to further the Group's objective of expanding the Group through acquisitions.

### 9.6.1 Adelaide Timber and Building Supplies

The Operating Company entered into a binding agreement (the **ATBS Agreement**) with Said Building Products Group Pty Ltd (the **ATBS Vendor**) to purchase the business of supplying first and second fix timber and Maxiwall known as "Adelaide Timber and Building Supplies" or "ATBS" conducted by the ATBS Vendor. The acquisition was undertaken to increase Big River's exposure in the South Australian market and, in particular, the residential building market within South Australia.

The pro forma contribution of this acquisition to the consolidated financial performance of the Group is included in the Consolidated Income Statement set out in Figure 4.3.1 in Section 4.3. Completion of the ATBS acquisition occurred on 1 March 2017.

The Operating Company paid the ATBS Vendor \$3,800,000 in cash at completion, subject to certain adjustments. The Operating Company also agreed to pay a contingent amount of \$200,000, payable upon achieving an agreed EBITDA target. As further consideration for the ATBS business, the Operating Company has also agreed to issue Shares to the ATBS Vendor with a total value of \$3,500,000 (at the same issue price as the New



## Additional Information

Shares the subject of the Offer) simultaneously with Listing. If Listing has not occurred, or is agreed by the parties in writing will not occur, by 30 June 2017, the Operating Company has agreed to instead pay an amount of \$2,200,000 to the ATBS Vendor in cash plus two contingent amounts of \$275,000 each, payable upon achieving agreed profit targets.

Any Shares issued to the ATBS Vendor pursuant to the ATBS Agreement will be escrowed on the terms set out in Section 8.12. It is anticipated that the ATBS Vendor will hold approximately 4.6% of the total Shares on issue immediately after Listing.

### 9.6.1.1 Supply Agreement with Rivergum Homes Group

Simultaneously with completion of the ATBS acquisition, the Operating Company entered into a binding supply agreement (**Rivergum Supply Agreement**) with Rivergum Homes Pty Ltd (**Rivergum**) (a related entity of the ATBS Vendor) under which Rivergum has agreed that the Operating Company will be the exclusive supplier of certain agreed timber and building products for prices agreed between the parties for use in dwellings Rivergum constructs for retail and projects in South Australia, where such products are suitable.

Revenue from the Rivergum Supply Agreement is forecast to contribute approximately 7% of the consolidated sales revenue of the Group.

Under the terms of the Rivergum Supply Agreement, Rivergum has agreed that it, and its related bodies corporate, will not acquire goods which are the same or similar to the agreed products from any third party. Rivergum has also agreed to invite the Operating Company to provide a quote for any other products that are not covered under the exclusive supply agreement but which the Operating Company supplies before acquiring such other products from a third party.

The Rivergum Supply Agreement is for an initial term of three years and contains an option for the Operating Company to extend the term for a further period of three years unless Rivergum notifies the Operating Company prior to the end of the term that it does not wish to continue the agreement.

### 9.6.2. Sabdia's Mitre 10

The Operating Company has entered into a binding agreement with Rosebond Pty Ltd to purchase the assets and trading business (being predominantly stock) of Sabdia's Mitre 10 business in Hillcrest, Queensland. The acquisition is being undertaken to increase Big River's exposure in the western corridor of South East Queensland. The acquisition is anticipated to complete on 31 March 2017.

The pro forma contribution of this acquisition to the consolidated financial performance of the Group is included in the Consolidated Income Statement set out in Figure 4.3.1 in Section 4.3.

The Operating Company will pay the seller \$1,250,000 at completion, subject to adjustments for stock fluctuations and other adjustments agreed in the sale agreement.

Completion of the acquisition is subject to several conditions, including the Operating Company being satisfied with the outcome of its due diligence and obtaining Board approval, the Operating Company entering into a lease for premises owned by the seller on terms acceptable to it, and there being no material change to the business or assets. The sale agreement may be terminated if the conditions are not satisfied or waived by 31 March 2017.

## Additional Information

### 9.7 Options

The Company has granted 1,415,455 Options to senior managers of the Company (through persons or entities nominated by them).

The Options will remain on issue following listing of the Company (unless exercised earlier). The Options will not be listed.

The expiry dates and exercise price of the Options are set out below:

Number of Options	Expiry Date	Exercise price
1,370,000	19 February 2021 <sup>29</sup>	\$2.00
45,455	13 February 2022 <sup>30</sup>	\$2.20

The Options are governed by the terms of option deeds (as amended pursuant to deeds of amendment to comply with the ASX Listing Rules) that are on the same or substantially similar terms. The terms of issue of the Options are summarised below.

#### EXERCISE

Under the option deeds, the Options may be exercised for the exercise price specified on grant of the Option (as set out in the table above). The Options may only be exercised before the expiry date (as set out in the table above). The Options may be exercised by delivering a signed exercise notice and an amount equal to the exercise price multiplied by the number of Options being exercised to the address of the Company's solicitors. On exercise, the holder will be issued one ordinary share for each Option exercised.

- (d) if a drag along notice or tag along notice is issued by a shareholder of the Company pursuant to the subscription and shareholders deed of the Company (noting this subscription and shareholders deed will terminate on the date the Company is admitted to listing on ASX and the share capital of the Company is granted official quotation to ASX).

#### LAPSE

The Options lapse automatically:

- (a) if the senior management executive who nominated the optionholder ceases to be employed by the Company;
- (b) at the end of the designated exercise period for the Options, unless extended in accordance with the option deeds;
- (c) if the optionholder ceases to be a holder of ordinary shares in the Company; or

#### TRANSFER/DEALING

The optionholder cannot dispose, encumber or otherwise deal with its Options without the prior written approval of the Board.

### 9.8 ASIC relief

The Company has obtained a modification from ASIC so that the takeovers provisions of the Corporations Act will not apply to the relevant interests that the Company would otherwise acquire in the Existing Shareholders' escrowed Shares by reason of the voluntary escrow arrangements in relation to those Shares described in Section 8.12.

29. Expiry date to be extended by a further five years if a liquidity event (being an IPO, asset sale, share sale or similar event) in respect of the Company has not occurred by 19 February 2021.

30. Expiry date to be extended by a further five years if a liquidity event (being an IPO, asset sale, share sale or similar event) in respect of the Company has not occurred by 13 February 2022.

## Additional Information

### 9.9 Existing Holders

The table below sets out the interests of the top 20 shareholders as at the date of this Prospectus. The table does not reflect any Shares which the relevant Shareholders may subscribe for under the Offer. All Preference Shares will be converted to Ordinary Shares on a one-to-one basis upon the Company's Listing application being approved by the ASX (subject only to customary conditions). For the avoidance of doubt, the New Shares to be issued under the Offer will be fully paid Shares and will rank equally with existing Shares (including the converted preference shares).

No.	Shareholder	Shares held at the date of this Prospectus		Proportion of total issued Shares at the date of this Prospectus
		Class of Shares	Number of Shares	
1	Anacacia Partnership II, LP	PRF	18,000,000	46.69%
		ORD	1	
2	Pantheon Global Co-Investment Opportunities Fund II, LP	PRF	8,020,000	20.80%
3	Pantheon International PLC	PRF	4,420,000	11.47%
4	Pantheon Global Co-Investment Opportunities Fund III, LP	PRF	4,020,000	10.43%
5	Pantheon Multi Strategy Co-Investment Program 2014	PRF	970,000	2.52%
6	Pantheon Asia Fund VI LP	PRF	570,000	1.48%
7	Dean Joseph Henderson and Teresa Yolanda Henderson as trustee for The Henderson Superannuation Fund (ABN 89 116 120 755)	ORD	125,000	0.65%
		PRF	125,000	
8	Bindon Super Pty Ltd (ACN 602 495 483) as trustee for Bindon Super Fund (ABN 72 424 712 044)	ORD	200,000	0.52%
9	Megan Anne Bindon as trustee for Bindon Family Trust (ABN 96 369 960 218)	PRF	200,000	0.52%
10	Veskey Pty Ltd (ACN 147 121 828) as trustee for Veskey Super Fund (ABN 64 575 962 941)	ORD	100,000	0.52%
		PRF	100,000	
11	James Hiatt and Bree Hiatt as trustee for The J & B Hiatt Superannuation Fund (ABN 87 833 998 615)	ORD	160,000	0.42%
12	Craig Andrew Dorward and Katrina Louise Dorward as trustee for Dorward Family Super Fund (ABN 59 987 995 927)	ORD	150,000	0.39%
13	David McFeeter and Mary N Baker as trustee for McFeeter Superannuation Fund (ABN 71 429 343 263)	ORD	100,000	0.36%
		PRF	40,000	

## Additional Information

No.	Shareholder	Shares held at the date of this Prospectus		Proportion of total issued Shares at the date of this Prospectus
		Class of Shares	Number of Shares	
14	KL Knox Family Superannuation Pty Ltd (ACN 609 893 585) as trustee for KL Knox Superannuation Fund (ABN 20 582 404 619)	ORD	100,000	0.26%
15	DK08 Investments Pty Ltd as trustee for DK 08 Superannuation Fund	ORD	100,000	0.26%
16	Sixteenonine Holdings Pty Ltd as trustee or Sixteenonine Investments Superannuation Fund	ORD	100,000	0.26%
17	J & J Blanch Super Fund Pty Ltd as trustee for Jason and Jennifer Blanch Super Fund (ABN 94 790 823 573)	PRF	100,000	0.26%
18	Brian Relph	PRF	100,000	0.26%
19	Francis Cox and Caroline D'Mellow as trustee for The Purdie Superannuation Fund (ABN 25 473 283 828)	PRF	75,000	0.26%
		ORD	25,000	
20	Melissa Karen O'Loan	ORD	60,000	0.26%
		PRF	40,000	
21	Ostemere Pty Ltd (ACN 609 704 305) as trustee for DA Nicol Superannuation Fund (ABN 79 676 607 242)	ORD	50,000	0.26%
		PRF	50,000	
22	Hunter-Lindsay Group Pty Ltd (ACN 065 686 508) as trustee for the McGonagle Superannuation Fund (ABN 98 475 891 023)	ORD	50,000	0.26%
		PRF	50,000	
23	Baker Five Pty Ltd (ACN 610 563 525) as trustee for Baker Family Superannuation Fund	ORD	50,000	0.26%
		PRF	50,000	

## Additional Information

### 9.10 Interests of named persons

Set out below are the benefits that have been or have been agreed to be given to any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus (together, Prescribed Persons).

Except as set out below or elsewhere in this Prospectus, no Prescribed Person holds, or during the last 2 years has held, any interests in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with the Company's formation or the promotion, or the Offer; or
- (c) the Offer.

In addition, except as set out below or elsewhere in this Prospectus, no benefit of any kind, (whether in cash, Shares or otherwise) have been paid or agreed to be paid to a Prescribed Person in connection with the preparation or distribution of the Prospectus for services rendered by that person in connection with the formation or promotion of the Company, or the Offer.

Deloitte Corporate Finance Pty Limited has prepared the Investigating Accountant's Report in Section 5 of this Prospectus and undertaken financial due diligence services in relation to the Offer and is to receive fees amounting to approximately \$434,000 including GST and disbursements.

Thomson Geer has acted as the Australian legal advisers to the Company for the purposes of the Offer. For this work, Thomson Geer is to receive fees amounting to approximately \$154,000 including GST and disbursements.

Taylor Collison has acted as the Lead Manager and Underwriter for the Offer. It is to receive fees under the terms of the mandate amounting to 3.0% of the total gross proceeds of the Offer but excluding disbursements.

### 9.11 Consents

Each of the parties named in the table below in this Section 9.11 has consented to being named in this Prospectus in the form and context in which it is named and has not withdrawn such consent prior to the lodgement of this Prospectus with ASX:

Capacity in relation to the Company	Consenting party
Legal adviser	Thomson Geer
Investigating Accountant	Deloitte Corporate Finance Pty Limited
Auditor	Deloitte Touche Tohmatsu
Share registry	Link Market Services Limited
Lead Manager and Underwriter of the Offer	Taylor Collison

To the maximum extent permitted by law, each of the parties named in this Section 9.11 expressly disclaims all liabilities in respect of, makes no representations with regard to, and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

## Additional Information

### 9.12 Expenses of the Offer

All expenses connected with the Offer are being borne by the Company.

Based on the Offer being fully subscribed, the estimated costs of the Offer, which have been paid or are payable by the Company are as follows:

<b>Expenses of the Offer</b>	<b>Amount excluding GST (\$)</b>
Legal fees	\$140,000
Investigating Accountant's Report and financial due diligence	\$395,455
Lead Manager and Underwriter fees	\$550,000
<b>Anacacia fees for assistance with the Offer</b>	<b>\$960,000</b>
ASX Listing fees	\$135,000
Prospectus preparation and printing	\$20,000
Other miscellaneous costs	\$164,090
<b>TOTAL (excluding GST)</b>	<b>\$2,364,545</b>
Plus GST	\$236,455
<b>TOTAL (including GST)</b>	<b>\$2,601,000</b>

### 9.13 Supplementary information

A supplementary prospectus will be issued if the Company becomes aware of any of the following between the issue of this Prospectus and the date the Shares are quoted:

- (a) a material statement in this Prospectus is misleading or deceptive;
- (b) there is a material omission from this Prospectus;
- (c) there has been a significant change affecting a matter included in this Prospectus; or
- (d) a significant new circumstance has arisen and it would have been required to be included in this Prospectus.

### 9.14 Documents available for inspection

Copies of the following documents are available for inspection during normal office hours free of charge at the registered office of the Company for a period of not less than 12 months from the date of this Prospectus:

- (a) each Director's consent for the lodgement of this Prospectus;
- (b) the Constitution; and
- (c) the consents referred to in Section 9.11 of this Prospectus.

# Significant Accounting Policies

# Significant Accounting Policies

## Big River Industries Limited Accounting Policies

The Financial Information presented in this Prospectus has been prepared on an accruals basis and is based on historical costs. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. Principles of Consolidation

### Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of entities controlled by Big River Industries Limited at the end of the reporting period. Control is achieved when the Company (1) has power over the investee; (2) is exposed, or has rights, to variable returns from its involvement with the investee; and (3) has the ability to use its power to affect its returns.

Where controlled entities have entered or left the group during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all intra-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

### Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### Income Tax

The Group is a tax-consolidated group under Australian taxation law, of which Big River Industries Limited is the head entity. As a result, members in the group are subject to income tax through their membership of the tax-consolidated group. The consolidated current and deferred tax amounts for the tax-consolidated group are allocated to the head entity of the tax-consolidated group. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts.

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income.

Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside the profit and loss when the tax relates to items that are recognised outside the profit and loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, and branches, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation



## Significant Accounting Policies

and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

### Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Property, plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

### Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

▶ Class of Fixed Asset	Depreciation Rate
▶ Buildings	25 to 40 years
▶ Plant and equipment	5 to 25 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised.

### Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

## Significant Accounting Policies

### Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

### Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### Financial Instruments

#### Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are recognised as expenses in profit or loss immediately.

#### Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries as being subject to the requirements of Accounting Standards specifically applicable to financial instruments. Accordingly, such interests are accounted for on a cost basis.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

### Financial Liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

### Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for

## Significant Accounting Policies

such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

### Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### Revenue and Other Income

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. All revenue is stated net of the amount of goods and services tax.

### Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

### Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period.

The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

### Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

### Key Estimates

#### Impairment – Goodwill

For the purpose of impairment testing, goodwill has been allocated to the operating segment, being the lowest level at which it is monitored for internal management purposes. Goodwill is tested for impairment annually and whenever there is an indication of impairment. There were no indicators of impairment of goodwill at 31 December 2016 and no impairment test has been performed at this date.

#### Impairment – Manufacturing, property, plant and equipment

The Group assesses for indicators of impairment of manufacturing property, plant and equipment at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. The recoverable amount of property, plant and equipment has been determined based on a value in use model. There were no indicators of impairment of manufacturing property, plant and equipment as at 31 December 2016.

## Significant Accounting Policies

### Key judgements

#### Provision for impairment of receivables

Given the nature and volume of the Company's debtors, the provision for impairment of receivables is considered a key judgement. The provision for doubtful debts is based on certain debtors' balance outstanding, contingent upon the length of time payments are in arrears, and insured debts. By adopting this policy, the directors have determined that no further provision is necessary in respect of the current period. Bad debts are written off in the year in which their collectability is determined to be unlikely and after all avenues of recovery have been exhausted based on normal commercial decisions.

# Authorisation by Directors



# Authorisation by Directors

The Directors state that they have made all reasonable enquires and on that basis have reasonable grounds to believe that any statement made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in the Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with ASIC, or the Directors knowledge, before any issue of New Shares pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is authorised by each of the Directors of the Company, pursuant to a resolution of the Board.

Signed for and on behalf of:  
Big River Industries Limited



**By Greg Laurie**  
Chairman

# Glossary



# Glossary

In this Prospectus, unless the context or subject matter otherwise requires:

<b>Anacacia</b>	Anacacia Partnership II, LP (ILP0000100).
<b>Anacacia Capital</b>	Anacacia Capital Pty Limited (ACN 123 237 114).
<b>Applicant</b>	A person who returns an Application.
<b>Application</b>	An application for New Shares under the Offer.
<b>Application Form</b>	The entitlement and acceptance form attached to this Prospectus.
<b>Application Payment</b>	The payment of the Offer Price under the Offer submitted by an Applicant for the purposes of making an Application.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited (ACN 008 624 691) or the stock exchange which it operates, as the context requires.
<b>ASX Listing Rules</b>	The official Listing Rules of ASX.
<b>ASX Recommendations</b>	Corporate governance principles and recommendations released by the ASX Corporate Governance Council.
<b>ATBS Agreement</b>	The agreement with the ATBS Vendor to purchase the business of supplying first and second fix timber and Maxiwall known as “Adelaide Timber and Building Supplies” or “ATBS” conducted by the ATBS Vendor as described in Section 9.6.1.
<b>ATBS Vendor</b>	Said Building Products Group Pty Ltd, being the vendor of the ATBS Agreement as described in Section 9.6.1.
<b>Big River or Group</b>	The Company and the Group Companies.
<b>Board</b>	The board of Directors.
<b>Broker</b>	A participating organisation of ASX.
<b>Broker Firm Offer</b>	The offer of New Shares to Brokers appointed by the Lead Manager for allocation to their private clients resident in Australia that are either retail investors or sophisticated non-institutional clients of the Broker, provided that the offer of New Shares under the Broker Firm Offer may not be made in the United States or to or for the account or benefit of any person in the United States..
<b>Closing Date</b>	5.00pm (Sydney time) on 18 April 2017 (unless varied).
<b>Company</b>	Big River Industries Limited (ABN 72 609 901 377).
<b>Completion of the Offer</b>	Allocation and issue of all of the New Shares by the Company in accordance with the Offer.
<b>Constitution</b>	The constitution of the Company.
<b>Corporations Act</b>	Corporations Act 2001 (Cth) as amended from time to time.
<b>Directors</b>	The directors of the Company.
<b>Existing Shareholders</b>	All of the shareholders of the Company as at the date of this Prospectus.



## Glossary

<b>Exposure Period</b>	The period during which the Company cannot accept Applications as described in section 727(3) of the Corporations Act.
<b>Group Company</b>	Any one of the Operating Company or Big River Group Holdings Pty Ltd (ABN 84 609 939 139).
<b>GST</b>	Has the meaning given to that term in A New Tax System (Goods and Services Tax) Act 1999 (Cth) and includes goods and services tax.
<b>Institutional Offer</b>	The offer of New Shares to institutional investors in Australia.
<b>Investigating Accountant</b>	Deloitte Corporate Finance Pty Limited.
<b>Lead Manager and Underwriter</b>	Taylor Collison Limited.
<b>Listing</b>	Admission of the Company to the official list of ASX and quotation of all Shares (including New Shares issued pursuant to this Prospectus) on ASX.
<b>Major Shareholders</b>	Anacacia and the Pantheon Entities.
<b>New Shares</b>	The Shares offered under the Offer as set out in this Prospectus.
<b>Offer</b>	The Broker Firm Offer and the Institutional Offer, subject to and on the Terms of the Offer.
<b>Offer Price</b>	The subscription price per New Share under the Offer (ie. \$1.46 per New Share).
<b>Original Prospectus</b>	The original prospectus lodged by the Company with ASIC on 24 March 2017.
<b>Operating Company</b>	Big River Group Pty Ltd (ABN 72 000 009 754).
<b>Options</b>	Options to subscribe for Ordinary Shares.
<b>Ordinary Shares</b>	Ordinary shares in the capital of the Company.
<b>Pantheon Entities</b>	Pantheon Global Co-Investment Opportunities Fund II, LP, Pantheon International PLC, Pantheon Global Co-Investment Opportunities Fund III, LP, Pantheon Multi Strategy Co-Investment Program 2014 and Pantheon Asia Fund VI LP.
<b>Policies</b>	Corporate governance policies and codes adopted by the Board.
<b>Preference Shares</b>	Series A preference shares in the capital of the Company as at the date of this Prospectus that will be converted to Ordinary Shares on a one-to-one basis at a time determined by the Board once the Company's Listing application has been approved by ASX subject only to customary conditions which the Board is satisfied will be complied with.
<b>Prospectus</b>	This replacement prospectus which replaces the Original Prospectus.
<b>Share Registry</b>	Link Market Services Limited.
<b>Shareholder</b>	Holder of Shares.
<b>Shares</b>	Ordinary Shares and Preference Shares (until such time as the Preference Shares are converted into Ordinary Shares at which point they will fall within the definition of Ordinary Shares and are not to be counted twice) in the capital of the Company.
<b>Terms of the Offer</b>	The terms and conditions set out in this Prospectus, including any modifications made by the Company.
<b>Underwriting Agreement</b>	The agreement between the Company and the Underwriter under which the Underwriter has agreed to manage and underwrite the Offer.



# Corporate Directory

# Corporate Directory

<b>Board Members</b> Greg Laurie Jim Bindon Martin Kaplan Malcolm Jackman	<b>Auditor to the Company</b> Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000
<b>Company Secretaries</b> Leanne Ralph Stephen Parks	<b>Legal Adviser to the Company</b> Thomson Geer Level 25, 1 O'Connell Street Sydney NSW 2000
<b>Registered Office</b> Trenayr Road Junction Hill NSW 2460	<b>Investigating Accountant</b> Deloitte Corporate Finance Grosvenor Place 225 George Street Sydney NSW 2000
<b>Share Registry</b> Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000	<b>ASX Code</b> "BRI"
<b>Lead Manager and Underwriter</b> Taylor Collison Level 10, 167 Macquarie Street Sydney, New South Wales 2000	<b>Website</b> <a href="http://bigrivergroup.com.au">bigrivergroup.com.au</a>
<b>Enquiries</b> +61 1300 847 879 (toll free if calling within Australia) between 900am to 5.00pm (Sydney time) Monday to Friday (business days only)	



# Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Big River Industries Limited ("BRI") Shares. Further details about the Shares are contained in the Prospectus dated 3 April 2017 issued by Big River Industries Limited. The Prospectus will expire on 3 May 2018. While the Prospectus is current, Big River Industries Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 1,400 Shares and thereafter in multiples of 200 shares. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Big River Industries Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Big River Industries Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Big River Industries Limited's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
- If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

## CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
<b>Individual</b> Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
<b>Company</b> Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
<b>Joint Holdings</b> Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
<b>Trusts</b> Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
<b>Deceased Estates</b> Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
<b>Minor (a person under the age of 18 years)</b> Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
<b>Partnerships</b> Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
<b>Long Names</b>	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
<b>Clubs/Unincorporated Bodies/Business Names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation Funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.



## Prospectus

For the issue of 11,643,836 shares at an issue price of \$1.46 to raise \$17,000,000.  
**Big River Industries Limited** ACN 609 901 377