  

Independent Expert Report in regard to the proposed issue of convertible note to Australia New Zealand Resources Corporation Pty Ltd

Centrex Metals Limited
11 January 2021

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STRICTLY CONFIDENTIAL

The Independent Directors
Centrex Metals Limited
Level 6, 44 Waymouth Street
Adelaide SA 500

Dear Directors,

Re: Independent Expert Report in relation to the proposed issue of convertible note to Australia New Zealand Resources Corporation Pty Ltd

Peloton Corporate Pty Ltd has been engaged by Centrex Metals Ltd to prepare an Independent Expert Report in relation to the proposed issue of a convertible note to Australia New Zealand Resources Corporation Pty Ltd (or its associated nominee) for the provision of funding required to advance several exploration projects and general working capital.

The subscriber to the convertible note is an entity associated with Mr Graham Chrisp, a director, executive chairman and shareholder in Centrex.

Chapter 6 of the Corporations Act requires that an Independent Expert Report be presented to Centrex shareholders ahead of a shareholder meeting at which shareholders will vote on the proposed acquisition.

This Independent Expert Report has been prepared in accordance with the requirements of the Corporations Act and the associated regulatory guidance published by Australian Securities and Investment Commission. Details of the requirements of the Corporations Act and regulatory guidance are set out in the body of this report.

A summary of the opinion arrived at in our report is set out in below. We encourage all shareholders to read the report in its entirety and to seek advice regarding their personal financial position as the report has been written on the basis of generality of the aggregate shareholder group.

A statement of qualifications and declarations is set out in Appendix 3 to this report and a Financial Services Guide is set out in Appendix 4.

Yours sincerely

Michael Churchill	Phil Bayley	Jake Potter
Head of valuations	**Director**	**Senior Analyst**

1. Executive summary

Peloton Corporate Pty Ltd ["Peloton"] has been engaged by Centrex Metals Ltd ["Centrex" or "Company"] to provide an Independent Expert Report ["IER"] in relation to its proposed issue of a $1.0 million convertible note ["Note"] to Australia New Zealand Resources Corporation Pty Ltd ["ANZRC" or "Subscriber"], an associated entity of Centrex director Graham Chrisp [the "Proposed Transaction"].

The Note also attaches one free option per every converted share to acquire further shares in Centrex. The options have an exercise price of $0.05 and will expire on 31 December 2023 [the "Options"].

Centrex has recently undertaken a Non-Renounceable Rights issue of ordinary shares at a subscription price of $0.022 per share targeting a total raise of approximately $2.9 million at full subscription ["Rights Issue"]. At the close of issue, as reported to the ASX on 23 November 2020 and the subsequent Circular Resolution of Directors on 1 December 2020, there had been approximately $899,391 raised and therefore a shortfall amount of approximately $2.0 million (or a 69% shortfall).

The most recent studies undertaken by Centrex into the development of the key asset of the company, the Ardmore phosphate prospect ["Ardmore"], indicates that a total of A$100 million capital is required to advance the project to the point at which proof of concept production can commence. In the Prospectus issued to shareholders on 20 October 2020, Centrex had intended to allocate approximately 66%, or $1.9 million, of funds from the Rights Issue to Ardmore, for which funding is critical in progressing the mining of 25,000 tonnes or Centrex runs the risk of financial penalty or complete forfeiture of the project.

In anticipation of a shortfall from the Rights Issue, Centrex had undertaken a process of seeking to attract additional capital that could be raised quickly and at minimal cost. This process identified that ANZRC was the only willing party, and in the form of the proposed Note.

Peloton has relied on the latest information provided by Centrex and has confirmed that the information provided is reasonable and appropriate for the purposes of our analysis as at 11 January 2021 ["Valuation Date"]. The valuation reflects the information available at the date of this report.

The Convertible Securities Agreement ["CSA"] agreed between the parties governs the key terms of the Note including the total face value, interest rate, repayment provisions and conversion terms.

We have sought to benchmark, and therefore determine fairness based on the following in relation to the Note:

- whether the interest rate is considered a 'market' rate with consideration to the terms and credit risk of Centrex;
- whether the conversion terms, including the discount to current market price (if any), is considered to be at market (i.e. similar to that which can be expected to a non-related entity); and
- The values of the embedded convertible and Options upon issue.

We have also relied on information pertaining to similar convertible debt issues by other publicly listed and unlisted early-stage miners and explorers as a means of benchmarking the terms and conditions of the Note.

The results of our analysis is summarised below:

TABLE 1 SUMMARY OF ANALYSIS OF NOTE

(A$ as stated)	Low	High	Assessed
Interest rate on proposed Note	12.0%	12.0%	12.0%
Interest rates - similar instruments/entities			
Listed entities	8.0%	15.0%	11.5%
Unlisted entities	8.0%	12.0%	10.0%
Peloton preferred range	**8.0%**	**12.0%**	**12.0%**
Assessed interest rate premium/(discount)	4.0%	0.0%	0.0%
Value of options[1]			
Assessed value of embedded option (convertible)			$1,192,845
Assessed value of Options			$918,901
Total value of options			**$2,111,746**

Notes: (1) the valuation of options has been assessed on the basis of an issue date of 28 February 2021.
Source: Peloton analysis

Under the current terms of the Note, there are two potential pay-offs to the Subscriber:

1. repayment of principal and interest at the expiry of the term; and
2. conversion to equity at any time throughout the term.

The Note also permits partial conversion as outlined in the CSA, which stipulates:

> *"the conversion notice will specify whether the conversion amount comprises principal or interest or both, and if both principal and interest amounts are proposed to be converted, the amounts apportioned for each."*

Peloton's analysis has considered these payoffs independently of each other and has not considered the range of outcomes for partial conversion.

1.1 Summary of opinion

To assess the fairness of the Proposed Transaction we have considered the terms, including coupon rate and conversion price, of the Note with respect to a comparable set of convertible notes as issued by similar ASX-listed companies as Centrex.

The Note can either operate as a debt instrument, and is fully repayable upon maturity, or at the discretion of the Subscriber can be converted into shares in Centrex at the prescribed issue price of $0.022. If the Subscriber exercises in conversion option under the Note this will also give rise to the grant of Options over additional Centrex shares to the Subscriber on a 1:1 basis.

The analysis set out in the body of this report leads to the conclusion that the proposed coupon rate is fair.

Peloton's assessment of the embedded conversion option and the Options is that total value of $2.1 million is being provided to the Subscriber. This value represents approximately 21% of the market capitalisation of Centrex as at 11 January 2021 of $10.26 million which, in our opinion, is in excess of an appropriate market return for the Subscriber.

The excess market return arises from both the prescribed conversion price of the Note and the exercise price of the Options providing instantaneous 'in-the-money' value based on the 20-day volume weighted average price ["VWAP"] as at 11 January 2021, the time to maturity and assumed volatility of Centrex shares over the period.

As a result, Peloton's analysis concludes that the Proposed Transaction is not fair.

Peloton has also considered whether there are relevant reasonableness issues that might lead shareholders to conclude that the Note should be supported irrespective of it not being fair. Those issues include the following:

- Centrex has only one advanced asset with prospective revenue-generating ability, being its Ardmore prospect, which requires around A$100 million of capital including approximately A$69 million in construction costs;
- the market capitalisation of Centrex, which is approximately $10.26 million at the time of writing, has and will likely continue to be insufficient to attract the interest of buy-side research analysts and is well below the amount which would see Centrex securities added to the Materials Index of the Australian Stock Exchange ["ASX"], and therefore it currently lacks the liquidity required to secure the capital required to progress its projects;
- Centrex does not have any source of operating cashflow and therefore relies on capital injections, which have historically been via a term deposit held by Centrex, to fund exploration and development expenditure and other overhead costs. The current term deposit balance as at 30 June 2020 was approximately $1.4 million which, based on 2020 operating expenses, implies approximately seven months of funded working capital. If Centrex announced an inability to continue funding the Ardmore Project, it is likely that the share price will be impacted due to the market discounting the prospects of future profitability of Centrex and potentially risking impairment in the foreseeable future;
- the informal investigations by the Centrex board as to alternative sources of capital has not revealed any alternative offer of debt, equity or hybrid capital beyond that of the Rights Issue and Note;
- the shortfall arising from the Rights Issue indicates the level of support available from existing equity holders;
- the terms of the Note include a provision that terminates the CSA in the event that the Centrex VWAP falls below $0.022 per share. Absent any available alternative facility, the default remedy available to the Subscriber may precipitate an insolvency event;
- interests associated with Mr Graham Chrisp held approximately 30% of the issued capital of Centrex before issue of the Note. If the Note in its entirety (i.e. principal and interest) is converted to equity at maturity, Mr Chrisp's interest would increase to approximately 41%. If the Note was converted and the attaching Options exercised, that interest would increase to approximately 48% (assuming no other issue of shares). As the largest individual shareholder, Mr Chrisp is effectively a controlling shareholder. The potential conversion of the Note increases this level of control but does not, in Peloton's view, infer that a control premium should be considered in the pricing and terms of the Note.

On the basis of the above commentary, and despite Peloton's not fair assessment of the Note, it is likely the Proposed Transaction is reasonable.

2. Background

2.1 Overview of the Proposed Transaction

As announced to the ASX on 20 October 2020, Centrex undertook a 2 for 5 non-renounceable pro rata rights offer to eligible shareholders, which also attached one free option for every new share subscribed, seeking to raise up to approximately $2.9 million at $0.022 per share before issue costs.

It was anticipated that the majority of funds raised via the Rights Issue was to be deployed in accelerating the development of Centrex's Ardmore project — $1.9 million from the rights issue is required to progress the project to proof of concept by mining 25,000 tonnes or runs the risk of financial penalty or complete forfeiture of the project — as well as further exploration and investigation of the Oxley and Goulburn Projects.

Accordingly, to support the funding from the Rights Issue, and pursuant to clause 5.7 of the Right Issue Prospectus, Centrex is proposing to enter into a CSA with ANZRC (a Mr Graham Chrisp associated entity) for the issue of the Note.

As Mr Chrisp is an associated party of Centrex, the Corporations Act requires that shareholders approve the issue of convertible Note pursuant to the exemptions set out in Chapter 6 of the Act.

It is anticipated that a notice of meeting will be issued to shareholders in January 2021 ahead of an extraordinary general meeting (called specifically to consider the issue of the Note to an entity associated with Mr Chrisp) in late February 2021. An IER opining (pursuant to ASIC Regulatory Guide 111) on the fairness and reasonableness of the proposed issue of Note is therefore required to be provided to shareholders in the notice of meeting.

2.2 Use of funds

Centrex holds a 100% interest in several mineral projects at various development phases around Australia, these are:

- Ardmore — undeveloped high-grade phosphate rock deposit located south of Mt Isa in north-west Queensland;
- Oxley — 32km long shallow dipping and outcropping potash feldspar lava flow located in the Midwest of Western Australia; and
- Goulburn — base metals project located in the Lachlan Fold Belt in New South Wales.

Centrex intends to use the funds from the Note to support funding obtained via the Rights Issue in progressing the above project opportunities.

The remaining funds are intended to cover general working capital requirements of Centrex.

2.3 Key terms of the Note

The key terms of the Note are provided below:

- the Note matures on 31 December 2023, unless conversion is exercised sooner;
- the Note has a notional face value of $1.0 million;
- Centrex may not repay any portion of the face value prior to the maturity date;
- the Note carries a coupon rate of 12% per annum in respect of the amount outstanding, if not paid, then accrued and compounding on the first day of each calendar month;
- conversion price (and base price) of $0.022 per share;
- the total amount outstanding at any point in time is the outstanding face value of $1.0 million plus the addition of any accrued interest;
- the Subscriber at its sole discretion may advise in writing that the interest for the last calendar month may deem to be unpaid, in which case the interest will be capitalised and become part of and be treated as the amount outstanding;
- Centrex must have provided a registered security over the assets of the Company in a form satisfactory to the Subscriber and, at the sole cost of the Company, securing performance of the Company's obligations under the agreement;

- the Note is convertible at the election of the Subscriber on any date leading up to, and including, the maturity date into Centrex shares at the conversion price of $0.022. The Subscriber may specify the amount to be converted in the conversion notice;
- in the event that a conversion notice is issued prior to the maturity date the conversion amount shall be adjusted to include the aggregate amount of interest that would have been payable on the conversion amount of the Note through to the conversion date, if the conversion amount had not been converted, and the Company had made all payments of interest as they fell due;
- should there still be an amount outstanding at maturity Centrex shall pay an amount equal to the amount outstanding to the Subscriber or its nominee;
- if the Company makes a capital raising of more than $4.0 million within any period of three months, the Subscriber will thereafter have the right to require the Company to forthwith repay either part or all of the amount outstanding of the Note forthwith;
- if a change of control of the Company occurs at any time, the Subscriber will thereafter have the right to require the Company to forthwith repay either part or all of the amount outstanding of the Note forthwith;
- providing Centrex has fulfilled its obligations in registering a security interest over the assets of the Company, nothing in the CSA shall require the Company to make payments to the Subscriber where such payments would expose the Company to a lack of liquidity or to insolvency in which case the Subscriber shall be entitled to rely on a non-recourse basis on the security proposed to be provided;
- if the daily VWAP per share is less than the conversion price of $0.022 on any trading day during the term, the Subscriber may either terminate the CSA effective immediately or convert all or any part of the Note into shares at the current VWAP;
- if an event of default occurs which is not remedied, the Subscriber may: declare the amount outstanding and all other amounts payable to be immediately due and payable in immediately available funds; and/or exercise its conversion rights; and
- the Note is unlisted but can be assigned to any affiliate, bank or financial institution, any successor entity in connection with a merger or consolidation, and/or any acquirer of a substantial portion of the Subscriber's business and/or assets.

In addition to the security underpinning the Note, ANZRC will also be granted the Options should it choose to exercise conversion, which have the following terms:

- expiration date of the Options is 31 December 2023 unless exercised earlier;
- the Options will be issued for no cash consideration;
- the exercise price of each Option is $0.05;
- the Options are transferrable;
- the Options will not be listed on the ASX;
- should the Options be exercised, the fully paid ordinary shares issued to the Subscriber will rank pari passu with the then issued ordinary shares of Centrex; and
- option holders do not have any right to participate in new issues of securities in Centrex made to shareholders generally and are not eligible for any dividends unless the Options are exercised (and shares issued) prior to the record date of the dividend.

2.4 Summary of financial benefits to Mr Chrisp

Mr Graham Chrisp's associated entity is expected to receive a financial benefit from subscription to the Note which a summary is provided below:

- coupon payments equal to 12% per annum (or 1% monthly effective) of the amount outstanding to be capitalised every month (if not repaid by Centrex as incurred) — totalling approximately $402,959 on an accrued basis over the term; and
- total option value associated with the convertible security and Option of approximately $2.1 million, which is broken down as follows:
  - $1,192,845 for the convertible note embedded options; and
  - $918,901 for the Options.

The value of the Options has been calculated on the basis that it can be exercised at any time (assuming conversion into shares has occurred beforehand).

Peloton is aware of various other convertible note instruments issued by various early-stage companies with significant credit risk, including prospective miners, which have similar terms and conditions including coupon rates proximate to 12% per annum. For a more detailed discussion on comparable convertible note issues identified, refer to section 6.1.

Accordingly, Peloton has assessed the debt component of the Note to be of no intrinsic value to the Subscriber on the basis that the coupon rate is consistent with a market return for such instruments issued by companies of similar nature and creditworthiness to Centrex.

To arrive at the value for each of the embedded convertible option and free attaching Options, Peloton has applied the Black-Scholes option pricing model with a cross-check to the Binomial pricing model under the following assumptions:

TABLE 2 OPTION VALUATION ASSUMPTIONS

Component	Convertible	Options	Comment
Share price (report date)	$0.0277	$0.0277	20-day VWAP as at 11 January 2021
Exercise price	$0.0220	$0.0500	As per CSA
Term	2.8 years	2.8 years	Assumes 28-Feb-21 issue date.
Volatility	107.00%	107.00%	Last twelve-month volatility of Centrex share price
Risk-free rate	0.07%	0.07%	Government bond yields as per RBA
Dividends	nil	Nil	No expectation of Centrex to pay a dividend

Source: Convertible Securities Agreement, Capital IQ, RBA & Peloton analysis.

Therefore, the intrinsic value of the Note proposed to be issued to the Subscriber is equal to the value of the collective options (i.e. embedded convertible and Options) of $2.1 million.

2.5 Shareholders of Centrex

The top 10 shareholders of Centrex as at 11 January 2021, which includes the placement of 40,881,400 shares under the Rights Issue, are shown in the table below:

TABLE 3 CENTREX SHAREHOLDING REGISTER AS AT 11 JANUARY 2021

Rank	Holder	Shares	% holding
1	Dapop Pty Ltd ATF Chrisp CXM Trust	110,905,672	30.26%
2	Wisco International Resources Development & Investment Limited	40,399,599	11.02%
3	Batou Iron & Steel (Group) Company Limited	21,900,000	5.97%
4	HSBC Custody Nominees (Australia) Limited	14,800,000	4.04%
5	Miss Lay Hong Goh	14,685,245	4.01%
6	Hongmen Capital Holdings Pty Ltd	9,870,347	2.69%
7	Mr Melvin Boon Kher Poh	5,782,404	1.58%
8	KNT International Co Ltd	5,535,000	1.51%
9	Gerard Anderson Super Pty Ltd	3,990,000	1.09%
10	Mr Ewe Ghee Lim & Miss Charlene Yuling Lim	3,981,309	1.09%
Top 10 shareholders		**231,849,576**	**63.25%**
Remaining shareholders		134,717,181	36.75%
Total shareholders		**366,566,757**	**100.00%**

Source: Centrex Metals Limited.

As per the Company's 20 October 2020 Prospectus, interests associated with Mr Chrisp held 110,905,672 shares or about 34% of the issued capital before the Rights Issue. These interests have since declined to about 30% after placement of subscribed shares. Mr Chrisp does not currently hold any options over unissued shares.

Dapop Pty Ltd was precluded from taking up its entitlement in the Rights Issue to mitigate potential control effects arising from a substantial increase in its holding. However, Dapop Pty Ltd has the option, as disclosed in Clause 5.5 of the Rights Issue prospectus, to subscribe for a limited number of shortfall shares that ensures its voting power does not increase by more than 3%.

The next-largest holder of Centrex shares is Hong Kong-incorporated WISCO International Resources Development & Investment Co Ltd ["WISCO"] — a company associated with the former joint-venture partner Wuhan Iron & Steel Co in relation to the Port Spencer development. WISCO did not participate in the Rights Issue and currently holds approximately 11% of the issued Centrex capital as at 11 January 2021.

The table below provides the (hypothetical) top 10 shareholdings on the basis of:

- post conversion of the Note (principal and interest); and
- post conversion of the Note (principal and interest) and Options.

Both scenarios assume no further shares are issued from now to the maturity date of the Note.

TABLE 4 HYPOTHETICAL SHAREHOLDING REGISTER POST RIGHTS ISSUE AND NOTE

	Note conversion	% holding	Note & Option conversion	% holding
Dapop Pty Ltd ATF Chrisp CXM Trust	174,676,554	40.59%	238,447,436	48.26%
Wisco International Resources Development & Investment Limited	40,399,599	9.39%	40,399,599	8.18%
Batou Iron & Steel (Group) Company Limited	21,900,000	5.09%	21,900,000	4.43%
Hongmen Capital Holdings Pty Ltd	14,800,000	3.44%	14,800,000	3.00%
HSBC Custody Nominees (Australia) Limited	14,685,245	3.41%	14,685,245	2.97%
Miss Lay Hong Goh	9,870,347	2.29%	9,870,347	2.00%
Mr Melvin Boon Kher Poh	5,782,404	1.34%	5,782,404	1.17%
KNT International Co Ltd	5,535,000	1.29%	5,535,000	1.12%
Gerard Anderson Super Pty Ltd	3,990,000	0.93%	3,990,000	0.81%
JP Morgan Nominees Australia Pty Ltd	3,981,309	0.93%	3,981,309	0.81%
Top 10 shareholders	**295,620,458**	**68.70%**	**359,391,340**	**72.74%**
Remaining shareholders	134,717,181	31.30%	134,717,181	27.26%
Total shares on issue	**430,337,639**	**100.00%**	**494,108,521**	**100.00%**

Note: Additional shares to be held by ANZRC, a related party to Dapop Pty Ltd ATF Chrisp CXM Trust.
Source: Centrex Metals Limited website & Centrex Rights Issue Prospectus & Peloton analysis.

3. Purpose and scope

The directors of Centrex require Peloton to prepare an IER in relation to the Proposed Transaction that satisfies the requirements of Section 606 and Section 611 of the *Corporations Act 2001* (Cth) ["Corporations Act"].

3.1 Section 606 and Section 611 of the Corporations Act

Section 606 of the Corporations Act does not allow a person to acquire a relevant interest in shares such that they would control 20% or more of the voting shares in a company without making a takeover offer.

Section 611 provides an exemption to Section 606 if the acquisition is approved by a resolution of the shareholders at a general meeting called for that purpose.

Section 611 requires shareholders to be given all relevant information known to the person making the acquisition, their associates, or the company, which is material to the acquisition, prior to the general meeting taking place.

While Section 611 does not explicitly state that an expert's opinion is required in relation to such acquisitions, the *ASIC Regulatory Guide 74: Acquisitions Approved by Members* states that it is the company's directors' obligation to provide non-associated shareholders with full and proper disclosure to enable them to assess the merits of the proposal under which a person would acquire a substantial interest in the company, and to decide whether to agree by resolution to the Proposed Transaction.

3.2 Purpose of IER

The main purpose of the IER is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the Proposed Transaction.[1]

The IER is intended to provide Centrex shareholders with the requisite background to support an informed decision about the Proposed Transaction.

It is important to note that the IER addresses shareholders as a homogenous group; it does not consider an individual shareholder's personal financial circumstances.

The IER requires an assessment as to whether the proposal is fair and reasonable with reference to the ASIC Regulatory Guide 111.

The IER is required to address the following matters:

- whether or not the Proposed Transaction is fair and reasonable having regard to the best interests of shareholders; and
- reasons for forming the above opinion.

The IER must opine on whether the proposed transaction is 'fair and reasonable'. As per Section 640 of the Corporations Act and *ASIC Regulatory Guide 111 Content of expert reports* ["RG 111"], fair and reasonable establishes two distinct criteria in a control transaction:

a. is the offer 'fair'; and
b. is the offer 'reasonable'?

In addition to dealing with the above matters, this IER includes the following information and disclosures:

- particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between Peloton and any of the parties to the Proposed Transaction;

[1] ASIC Regulatory Guide 111, Content of Expert Reports, page 6, October 2007

- the nature of any fee, pecuniary interest, or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER;
- that we have relied on information provided by the Directors and management of the parties to the Proposed Transaction and that we have not carried out any form of audit or independent verification of the information provided; and
- that we have received representations from the Directors of the parties to the Proposed Transaction in relation to the completeness and accuracy of the information provided to us for the purpose of our report.

The IER follows the guidance provided by ASIC's regulatory guides and the valuation has been conducted in accordance with the requirements of APES 225 *Valuation Services* as issued by the Accounting Professional and Ethics Standards Board.

The Corporations Act does not define the expression fair and reasonable. However, guidance is provided in ASIC's regulatory guides which establish certain guidelines in respect of IERs required under the Corporations Act.

3.3 Fairness

RG 111.10 indicates that an offer is 'fair' if the value of the consideration is equal to or less than the value of the assets being acquired. The Proposed Transaction will be fair to the non-associated shareholders if the terms of the Note are considered to be market comparable to similar securities as issued by companies of similar nature and creditworthiness to Centrex, which also includes the value of the embedded options to the Note (if any) being reasonable.

3.4 Reasonable

RG 111.11 indicates that an offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the issue of the Note in the absence of other funding sources.

RG 111.12 sets out some of the factors that an expert might generally consider in assessing the reasonableness of an offer. Those factors are focussed on takeovers rather than issues of capital and Peloton has adopted the implied broad principles of those factors for the purpose of considering the reasonableness issues in this instance.

4. Other considerations

4.1 Valuation engagement

Accounting Professional & Ethical Standards 225 ["APES225"] issued by the Accounting Professional & Ethics Standards Board, states that a valuation engagement is an engagement to perform a valuation and provide a valuation report where the member is free to employ the valuation approaches, valuation methods and valuation procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the engagement available to the member at the time.

This report is a 'valuation engagement' in the terms of APES225.

4.2 Valuation date

The valuation date is 11 January 2021 being the date of this report which provides the most accurate and timely evaluation of the Proposed Transaction.

4.3 Definition of value

The basis of value adopted in this report is market value. Market value is defined by the IVSC as follows:

> *"Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*[2]

4.4 Limitations

Our opinion is based on the economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Our report is also based upon financial and other information provided by or on behalf of Centrex. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is in the best interests of the Centrex shareholders. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. None of these additional tasks have been undertaken.

An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of management of the Company. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation. Peloton has been provided with a representation letter that attests to the accuracy of management representations, financial and other information which Peloton has employed in forming its opinion.

All dollar amounts are shown in Australian dollars unless otherwise stated.

4.5 Team

Michael Churchill BCom Grad Dip FCPA SfFin AICD ATI

Michael's career includes over 30 years' valuation and corporate advisory experience. He has held CEO and Partner roles since 1997 in organisations such as accounting firm PwC, infrastructure manager CP2 and boutique adviser Value Adviser Associates.

Michael has been involved in the issue of independent expert reports for a wide range of capital raisings, restructures and takeovers for more than 30 years.

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[2] International Valuation Standards 2017, Para 30.1

Michael co-authored *Business Valuations Digest* and has authored numerous published articles relating to valuations, expert reports, public sector commercialisation and value management.

He was a member of the Tax Institute Disputes Resolution Committee in 2016 and is a former partner of PwC.

Phil Retter BAppSc (Hons) MAIG.

Phil is a geologist with over 30 years' professional experience in senior management roles with mining, consulting and financial services firms covering a wide range of commodities and mineral assets. This included 10 years as Manager of Corporate Services with Snowden Mining Industry Consultants where he was responsible for mineral asset valuations, due diligence reviews, technical audits and independent expert's reports on mineral assets located in Australia, Asia, Africa and South America for securities exchange listings (ASX, LSE and TSX), takeovers, mergers, acquisitions, insolvencies, taxation assessments and legal proceedings.

More recently Phil was a corporate finance director at a large Australian stockbroking firm and a director of two ASX-listed resource companies.

Michael was assisted by *Jake Potter*, Senior Analyst, who was responsible for client interactions, analysis and report drafting.

Jake has corporate advisory experience as an Analyst at a boutique advisory practice where he provided key support on various sell-side mandates and valuation engagements for clients including institutional investors, ASX-listed corporates, and government-owned entities.

Jake attended RMIT University where he completed a Bachelor of Commerce. Jake is also a level two candidate in the Chartered Financial Analyst program.

Quality assurance was completed by *Phil Bayley*, Director and Head of Economics.

Phil is an experienced commercial, economic and policy adviser, whose consulting work includes valuations and transactions advice, cost of capital analysis, and feasibility studies and economic impact studies. Phil has qualifications in economics, finance and management.

5. Profile of Centrex

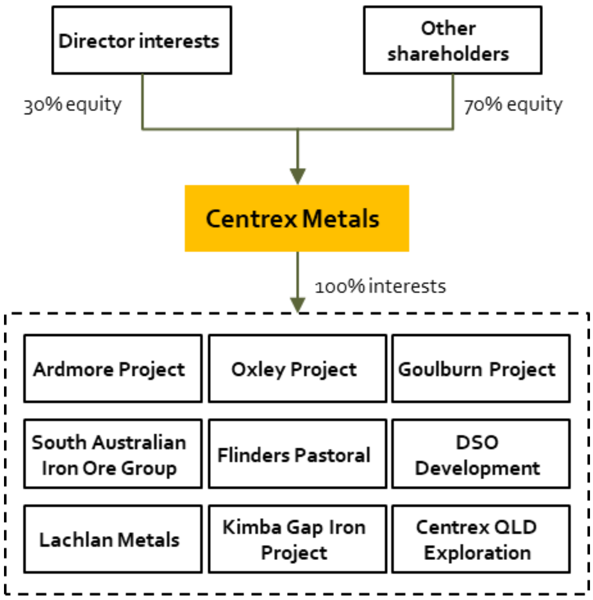
5.1 History and overview

Centrex is a fertiliser-focused project developer with the company's flagship Ardmore project encompassing a high-grade phosphate rock deposit in Queensland.

Centrex is also undertaking targeted phosphate rock exploration in Queensland and the Northern Territory to expand its phosphate resource base.

Centrex has also progressed the large-scale Oxley potassium nitrate mining-technology project in Western Australia and is seeking a project partner to advance to the next stage.

FIGURE 1 CENTREX BUSINESS STRUCTURE



5.2 Timeline of key events

Peloton has provided a summary of key events since Centrex listed on the ASX in 2006.

TABLE 5 KEY EVENT TIMELINE

Date	Announcement/event
2006	• Centrex lists on the ASX
2010	• Announces two joint venture agreements with Chinese steel companies Baotou Iron & Steel Company Limited and WISCO
2012	• Executes subsequent agreement with WISCO to design, build and operate the proposed Port Spencer precinct • Completed scoping study for Fusion Magnetite Iron Project • Port Spencer precinct granted South Australia Government approval
2013	• Executed joint venture agreement over Goulburn Project with Shandong 5th Geo-Mineral Prospecting Institute • South Australian Government declares "Major Project Status" for stage 2 of Port Spencer Precinct • Gundaroo (NSW) tenement application approved • Centrex secures additional Kimba Gap area from Arrium Mining and Materials • Granted third metals project in NSW at Woolgarlo
2014	• Centrex pays special dividend of $15.7 million or $0.05 per share • Submission of Kimba Gap mineral resource • Centrex receives two-year extension on development approval for Port Spencer Precinct
2015	• Centrex discovers new polymetallic prospect in NSW • Purchase of Oxley potash tenement from Sheffield Resources for A$2.5 million
2016	• Major potassium resource defined at Oxley tenement • WA and SA Governments award grants for Oxley research at UniSA • Winding up of Port Spencer and Eyre Iron joint venture — Centrex receives $2.2 million
2017	• Centrex signs development deal with Southern Cross Fertilisers Pty Ltd to purchase the Ardmore rock deposit • Mineral resource update and extension of the Ardmore Project
2018	• Centrex sells iron ore assets to local iron ore miner & steelmaker for $10 million royalty • Non-binding MOU signed for 300,000 tonnes of phosphate rock off-take from the Ardmore Project • First contract signed for 5,000 tonnes of concentrate trial shipment • Centrex secures major environmental approval for the Ardmore Project • Sale of Port Spencer land holding for $1.4 million
2019	• Optimised DFS at Ardmore delivers indicative net present value of $269 million — a 56% increase over original study • Sales contract executed with Ballance Agri-Nutrients for 5,000 wet tonnes from Ardmore • Sales contract executed with Ravensdown Limited for 5,000 wet tonnes from Ardmore
2020	• Issue of securities via rights issue

Source: Centrex ASX announcements

5.3 Major assets/tenements held

5.3.1 Ardmore

In February 2017, Centrex entered into a binding development deal with Southern Cross Fertilisers Pty Ltd, a wholly-owned subsidiary of Incitec Pivot Limited, for the Ardmore high-grade rock deposit in north west Queensland. By June 2017, the purchase was complete giving Centrex a 100% interest in the project and maiden mineral resource estimates and other studies were to commence.

Centrex completed a Definitive Feasibility Study ["DFS"] in 2018, which was then optimised in February 2019 increasing the project's net present value of $269 million which was due to resource upgrades and reduced pre-production capital costs.

A summary of the key details of the project are provided below:

- ungeared pre-tax net present value ["NPV"] over 10 years of $269 million and internal rate of return of 63%;
- total capital expenditure of A$69 million plus other costs taking the total cost to ~A$100 million;
- project payback period of 1.8 years;

- processing plant designed to produce up to 800,000 tonnes per annum of phosphate concentrate at 34–35% P_2O_5; and
- two 5,000 tonne shipment contracts have been signed with major fertiliser manufacturers in New Zealand.

TABLE 6 ARDMORE PROJECT RESOURCE TABLE

	Category	Million Tonne	P_2O_5 %
Mineral Resources[5]	Measured	3.3	29.8%
	Indicated	11.1	27.4%
	Inferred	1.7	26.8%
	Total	**16.2**	**27.8%**
Ore Reserves[1,6]	Probable	7.3	30.2%
	Proven	2.8	30.3%
	Total	**10.1**	**30.2%**

Source: Centrex Metals Limited

Peloton has reviewed the file note prepared by Dr. John Parker, a Non-Executive Director of Centrex and Member of Australian Institute of Geoscientists, which sets out the background of Ardmore and seeks to build-up a valuation based on prior transactions of similar tenements around the world.

In particular, Peloton sought to cross-check the implied dollar per tonne ($/t) of the transactions contained in the file note and is satisfied that the implied valuations applied to Ardmore are realistic, if not slightly conservative given the superior grade of the Ardmore deposit, its advanced status and location in Australia versus some of the more isolated African countries used in the comparables.

5.3.2 Oxley

The deal to acquire the Oxley potash tenement from Sheffield Resources Limited became unconditional in May 2015 and the purchase was made for cash consideration of $2.5 million.

Centrex intends to develop a direct process route to higher value potash fertiliser products such as potassium following discovery of a major potassium resource in March 2016, relevant metallurgical studies are currently underway for these developments.

Current inferred potassium resource of 155 million tonnes at 8.3% K_2O (potassium) over a single 3km section of the indicative 32km deposit.

Oxley is ideally located to infrastructure including port and rail transportation which makes it unique of its kind globally offering both scale and location.

5.3.3 Goulburn

Goulburn is Centrex's lesser-developed project acquired around 2010.

Initial drilling programs completed in early 2015 intersected a section of polymetallic sulphide and studies remain ongoing to prove up the resource.

5.4 Analysis of financial performance

The reported financial performance of Centrex for the three financial years ended 30 June 2018, 2019 and 2020 (audited) is provided in the table below:

TABLE 7 CENTREX METALS HISTORICAL PROFIT AND LOSS

(A$'000)	FY18 (audited)	FY19 (audited)	FY20 (audited)
Other income	60	43	50
Operating expenses	(1,656)	(2,366)	(1,448)
EBITDA	**(1,596)**	**(2,323)**	**(1,398)**
Depreciation expense	(13)	(20)	(14)
EBIT	**(1,609)**	**(2,343)**	**(1,412)**
Net interest income/(expense)	428	235	48
Profit before income tax	**(1,181)**	**(2,108)**	**(1,364)**
Income tax benefit/(expense)	116	-	-
Net profit	**(1,065)**	**(2,108)**	**(1,364)**

Source: Centrex Metals' annual reports

Peloton has removed the following items from Centrex's reported financials to reflect the core, on-going performance of the business:

- gain on asset disposals of $96,000 and $9,000 in 2018 and 2020, respectively (non-cash);
- expense relating to the write-off of exploration expenditure totalling $172,000 and $18.5 million in 2018 & 2020, respectively (non-cash); and
- reversal of previous land impairment charge of $724,000 in 2019.

Peloton notes that Centrex has not generated any income from core business activities apart from receipt of a $60,000 land option fee in 2018 relating to the Port Spencer precinct. The reported income in 2019 and 2020 includes bank interest and cash flow boost as part of the Australian Governments COVID-19 stimulus package.

A break-down of Centrex's operating expenses is provided in the table below:

TABLE 8 CENTREX METALS OPERATING COST BREAKDOWN

(A$'000)	FY18 (audited)	FY19 (audited)	FY20 (audited)
Office and administration expenses	(333)	(475)	(388)
Consultants and management expenses	(203)	(425)	(260)
Directors' fees	(332)	(347)	(197)
Employee benefit expense	(736)	(1,020)	(550)
Other expenses	(52)	(99)	(53)
Total operating expenses	**(1,656)**	**(2,366)**	**(1,448)**

Source: Centrex Metals' annual reports

Operating costs rose across the board in 2019, particularly consulting and employee expenses, as Centrex made a conscious effort to accelerate studies at its Ardmore Project, thereby increasing the requirement for human capital and associated expenses. The Rights Issue was largely intended to fund progress on some of the remaining activities required to take the Ardmore Project to the construction and production phases.

Director fees and administration cost fell in 2020 as a result of the retirement of most board members in 2019 and 2020 and reduced spending overall. Furthermore, Centrex directors had agreed revised remuneration of $35,000 per annum (excluding superannuation) for each Director in December 2019.

Peloton also notes that Centrex has only generated profits when it has either disposed of assets (e.g. 2011, 2012 and 2018) or received one-off income such as the legal settlement in 2017 relating to the Port Spencer joint venture wind-up.

5.5 Analysis of financial position

The financial position of Centrex as at 30 June 2018, 2019 and 2020 (all audited) is provided in the table below:

TABLE 9 CENTREX METALS HISTORICAL FINANCIAL POSITION

(A$'000)	FY18 (audited)	FY19 (audited)	FY20 (audited)
Cash and cash equivalents	3,694	1,268	437
Term deposits	10,397	4,015	1,377
Receivables and other assets	468	136	187
Deposits held as security	190	350	323
Exploration and evaluation expenditure	19,555	27,787	10,674
Land and buildings	628	-	-
Plant and equipment	26	23	12
Total assets	**34,958**	**33,579**	**13,010**
Trade and other payables	759	850	72
Employee benefits	548	218	89
Provision for rehabilitation	-	99	151
Total liabilities	**1,307**	**1,167**	**312**
Net assets	**33,651**	**32,412**	**12,698**

Source: Centrex Metals' annual reports

Observations of Centrex's key balance sheet items over the historical period is set out below:

- cash on hand at 30 June 2020 was approximately $437,000 and other liquid positions (i.e. term deposits) totalled $1.4 million;
- deposits held as security relate to a cash-backed bank guarantee facility of up to $350,000 in relation to its environmental bond for the Ardmore Project, of which approximately $323,000 was drawn at 30 June 2020. Since then, the Queensland Government has required this bond be increased to approximately $510,353 which has also resulted in the associated bank guarantee increasing to this amount;
- Centrex wrote-down over 60% ($18.5 million) of its capitalised exploration costs in FY20 of which $13.2 million was related to recoverability of the carrying amounts of its ongoing projects with the balance being accounted for tenements relinquished during the year; and
- the carrying value of land and buildings fell to nil in FY19 as Centrex disposed of its land parcel at Port Spencer following the wind-up of a joint venture at the site.

Peloton also makes the following observations in relation to the financial position of Centrex:

- since the 30 June 2020 balance sheet, a total of $899,391 has been subscribed for new equity pursuant to the Rights Issue and an earlier $280,000 pursuant to a private placement;
- Centrex has an annual minimum commitment to exploration expenditure pursuant to the respective exploration licenses of approximately $922,000 as set out in note 15 to the 30 June 2020 financial statements; and
- in the prospectus issued on 20 October 2020, Centrex flagged an expectation of expending up to $2.35 million on development expenditure associated with the Ardmore, Oxley and Goulburn projects over the course of FY21 as shown in the excerpt below:

FIGURE 1 PURPOSE OF THE OFFERS

Funds available on completion of Rights Issue	Full Subscription	50% of Full Subscription
Funds proposed to be raised under the Rights Issue	$2,866,031	$1,433,015
Use of Funds	**Amount ($)**	
Progressing the Ardmore Phosphate Project	$1,900,000	$950,000
Material testing and studies for the Oxley Potash Project	$200,000	$80,000
Exploration and drilling at the Goulburn Gold/Base Metal Project	$250,000	$125,000
General working capital	$476,031	238,015
Estimated costs of the Offer	$40,000	40,000
Total	**$2,866,031**	**$1,433,015**

Source: Centrex's Rights Issue Prospectus (page 9)

More information on Centrex's schedule of capitalised costs, and subsequent impairment, related to exploration and evaluation activities is provided in the table below:

TABLE 10 CENTREX METALS CAPITALISED EXPLORATION EXPENDITURE

(A$'000)	FY18 (audited)	FY19 (audited)	FY20 (audited)
Ardmore Phosphate	11,070	19,113	20,289
Northern Territory Phosphate	-	16	21
Goulburn Zinc	2,052	2,083	2,136
Oxley Potassium Nitrate	6,433	6,575	6,694
Joint venture assets	172	-	-
Exploration expenditure capitalised	**19,727**	**27,787**	**29,140**
Impairment of assets	(172)	-	(18,466)
Total exploration expenditure capitalised	**19,555**	**27,787**	**10,674**

Source: Centrex Metals' annual reports

Centrex's assets are subject to annual impairment testing as required by reporting entities. Peloton is of the view that the due to its annual impairment test, the assets held by Centrex — specifically the value of its tenements and capitalised exploration expenditure — should reflect a value that is close to its fair market values.

The total impairment charge in 2018 was associated with the wind-up of the joint venture at Port Spencer and subsequent write-down of those assets.

It is evident from the rapid increase in capitalised costs that the focus of Centrex has been in the development of its Ardmore Project, particularly in financial year 2019 when over $8.0 million of costs were capitalised.

The Ardmore Project was also the subject for the bulk of the impairment charge in financial year 2020 accounting for $9.6 million (or 52% of total charge). Goulburn and Oxley recorded $2.1 million and $1.5 million, respectively in impairment costs during the year.

5.6 Analysis of cash flow

The cash flow of Centrex as at 30 June 2018, 2019 and 2020 is summarised in the table below:

TABLE 11 CENTREX METALS HISTORICAL CASH FLOW

(A$'000)	FY18 (audited)	FY19 (audited)	FY20 (audited)
Income received	60	12	50
Payments to suppliers and employees	(693)	(2,186)	(2,313)
Research and development tax incentive received	-	116	-
Net cash used in operating activities	**(633)**	**(2,058)**	**(2,263)**
Expenditure on mining tenements	(5,615)	(8,258)	(1,302)
Interest received	450	297	63
Acquisition of property plant and equipment	(25)	(15)	(3)
Proceeds on disposal of assets	96	1,350	9
Other	-	35	-
Cash transferred (to)/from term deposits	7,739	6,383	2,638
Cash transferred (to)/from security deposits	(190)	(160)	27
Net cash used in investing activities	**2,455**	**(368)**	**1,432**
Net increase/(decrease) in cash	1,822	(2,426)	(831)
Opening cash balance	1,872	3,694	1,268
Closing cash balance	**3,694**	**1,268**	**437**

Source: Centrex Metals' annual reports

In relation to Centrex's historical cash flows, Peloton notes the following:

- given its development/exploration activities, Centrex has been operating cash flow negative since its listing on the ASX;
- the proceeds from disposal of assets of $1.35 million received in financial year 2019 was in relation to Centrex's divestment from its land parcel at Port Spencer;
- the annual transfers from term deposits, which is mirrored by the rapid decline in the term deposit asset item in TABLE 9, has been a means of self-funding exploration/development activities. This activity seems to have subsisted since 2012 when Centrex held a term deposit asset at 30 June 2012 of $64.8 million, supported further by the very limited number of equity raisings as compared to similar mineral exploration businesses.

5.7 Capital structure

Centrex is a publicly listed company trading on the ASX.

As at the Valuation Date, Centrex had a market capitalisation of $10.63 million and the total expanded capital of Centrex, after placement of the 40,881,400 shares via the Rights Issue, comprised 366,566,757 fully paid ordinary shares.

Centrex also had 40,881,400 options outstanding (being the 1:1 issue via the Rights Issue) as at the Valuation Date.

There were also 1,310,000 performance rights outstanding as at 30 June 2020 and which had subsequently expired on 26 August 2020.

Centrex did not hold any debt at the Valuation Date.

Of the total shares on issue, Director ownership accounts for approximately 30% of the total ordinary shares on issue in Centrex — 100% of which are accounted for by Mr Graham Chrisp.

The top 10 shareholders, and their respective holdings as at 11 January 2021, are set out in TABLE 3.

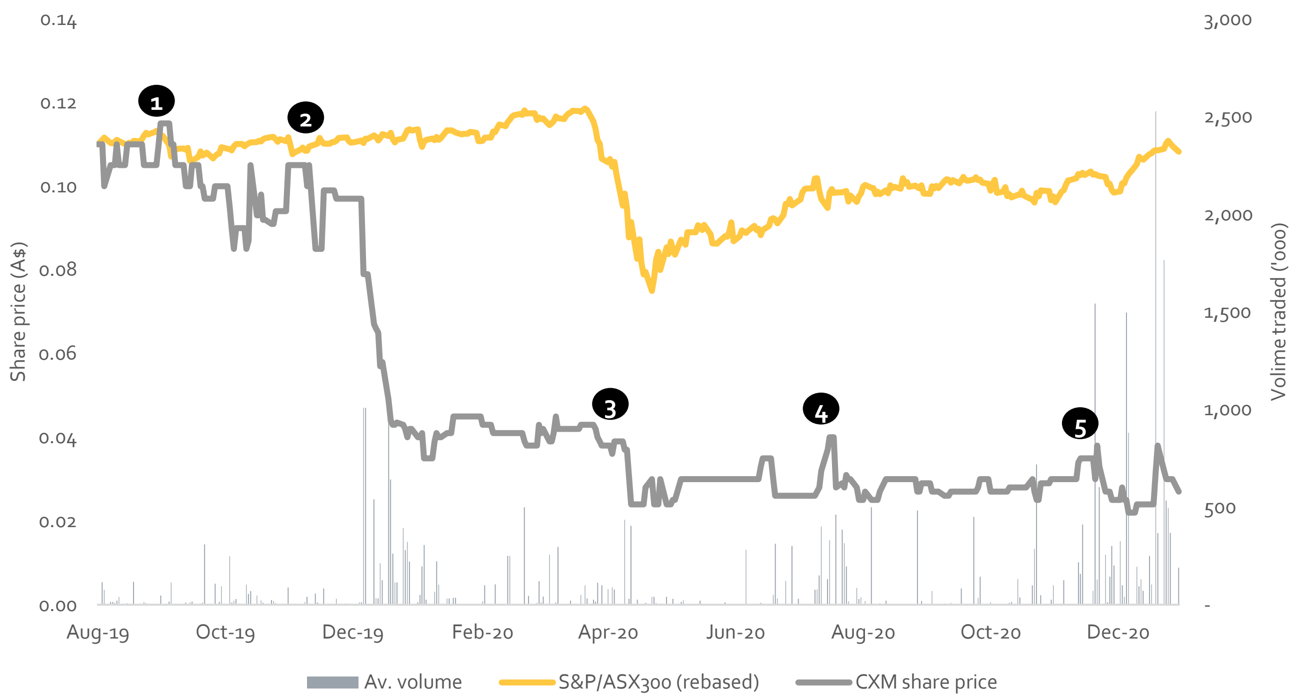
5.7.1 Share price movements

FIGURE 2 below provides the trading history of Centrex from 1 July 2019 to 11 January 2021, together with the historical daily volumes, and associated commentary on key events throughout the period.

Peloton has used the ASX300 Index as a benchmark comparison which has been rebased to Centrex's opening share price on 1 July 2019 to provide a more meaningful comparison.

It is worth noting that the share price (and associated volume traded) spike in mid-November 2020 was unprecedented and unexplained, resulting in Centrex making an announcement in response to the ASX price query on 19 November 2020.

FIGURE 2 CENTREX METALS SHARE PRICE MOVEMENT



Source: Capital IQ

TABLE 12 MAJOR EVENTS AFFECTING HISTORICAL SHARE PRICE MOVEMENTS

Serial	Event	Date	Description
1	2019 annual report	17 September 2019	Release of annual report which may have had some speculative traders riding key information release.
2	Company update	7 November 2019	Funding solution for the Ardmore Project not yet found and start-up operations will be deferred.
3	COVID-19 conditions	Circa March 2020	Worsening economic and health conditions associated with the spread of COVID-19 impacts global equity markets.
4	Company update	29 June 2020	Further difficulties identifying funding providers for Ardmore, which have been exacerbated by COVID-19.
5	Non-renounceable issue	20 October 2020	Centrex announces a 2:5 non-renounceable right issue raising up to $2.9 million. Potential dilutive impact drives share price down.

Source: Centrex ASX announcements

5.7.2 Share liquidity

High-level analysis of the trading in Centrex's shares to 11 January 2021 is outlined in the table below:

TABLE 13 CENTREX SHARE MARKET LIQUIDITY

Financial year	Days traded	Average price ($)	Average volume (m)	Shares traded as % of total shares (monthly)
30-Jun-17	148.00	0.0648	0.1200	3.91%
30-Jun-18	182.00	0.1024	0.1635	4.81%
30-Jun-19	169.00	0.1146	0.1017	4.46%
30-Jun-20	149.00	0.0601	0.1163	3.93%
11-Jan-21	74.00	0.0280	0.2998	3.66%

Source: Capital IQ & Peloton analysis

The table above provides several metrics of trading liquidity in Centrex's shares, including:

- days traded — based on the number of days in each respective financial year that shares in Centrex traded on the ASX;
- average price — average price of Centrex shares over the financial year, not conditioned on volume;
- average volume — average daily volume in Centrex shares over the financial year (or year to date in the case of FY21); and
- shares traded as a percentage of total shares — percentage of the monthly shares traded as a proportion of the total shares on issue for that period.

The two points of interest in this data relate to the first and last points outlined above, the former demonstrates that shares in Centrex trade, on average, 65% of the days in a given trading year (assuming 250 trading days); whereas the latter suggests, on average, that only circa 4% of the total shares outstanding will trade on the ASX in a given month.

It is worth noting, as referenced in the Centrex 2020 annual report (page 54), at 27 September 2020 there were 1,171 shareholders of which 608 of these held less than a marketable parcel of shares.

On the basis of the above discussion, Peloton considers Centrex's shares to have a low/modest level of liquidity, with a majority of the registry holding small share parcels (i.e. up to 10,000 shares) and the likelihood that, if larger shareholders wanted to sell down their holdings, they would have difficulty doing so in a timely manner, if at all.

6. Assessment of the Proposed Transaction

A convertible note provides the holder with a future right (not an obligation) to exchange the face value amount of the debt (and in some cases, the any accrued interest) for shares in the issuing company at a prescribed conversion price. There is, however, no certainty that the note holders will exercise their rights to convert the principal into shares and equally no certainty as to when this may occur.

With respect to the Proposed Transaction, the Subscriber has the right to convert the face value of the Note, whether in full or part thereof, subject to meeting specified conditions as outlined in Section 2.3 of this report.

It is an accepted understanding that a rational investor, acting at arms-length and not under any duress whatsoever, would only exercise its conversion rights if the prescribed conversion price was less than the current day's share price of the issuing company. Therefore, it stands to reason that for the Note to be converted into Centrex shares, the daily trading price of Centrex would have to be at, or preferably above, the $0.022 per share conversion price.

As of the time of writing this report, Peloton is unable to predict when, and indeed if, the Note will be converted by ANZRC nor can it predict what the prevailing share price of Centrex will be at that unknown date. As a consequence, Peloton has used the date of this report as the relevant date in evaluation of the Proposed Transaction together with the known facts about the Note as being more relevant to Centrex shareholders.

Peloton has also considered the market capitalisation-implied per share value (with adjustments for controlling interests) and also the net asset value per share (which are said to be at market value) to benchmark the proposed conversion premium/discount of the Note at $0.022 per share.

6.1 Benchmarking to market sources

Peloton understands that Centrex considered a range of funding options, in anticipation of a shortfall arising from the Rights Issue, prior to arriving at the Note being the most efficient approach.

Centrex has confirmed that no party to the CSA was compelled to accept the proposed terms under any position of duress.

To benchmark the terms associated with the Note, we have sought to identify other comparable convertible notes issued by companies listed on the ASX at similar development stages to Centrex. While the terms cannot be identically matched among issues, particularly the idiosyncratic risk profiles associated with each specific issuer, we consider the comparable note issues to give a reasonable indication of the fairness of the coupon rate and conversion price associated with the Note.

The key terms of the comparable convertible notes are summarised in the table below:

TABLE 14 COMPARABLE CONVERTIBLE NOTE ISSUES

Company	Maturity	Face value	Coupon	Conversion price	Premium/ (discount) to pre-announcement share price	Premium/ (discount) to pre-announcement 20-day VWAP
Adavale Resources Limited	3.4 years	1,000,000	8%	0.0500	354.55%	328.45%
AuKing Mining Limited	0.2 years	150,000	10%	25% discount to 20-day VWAP	n/a	n/a
Bass Metals Limited	2.0 years	4,000,000	15%	0.0080	0.00%	(7.62%)
Golden Cross Resources	n/a	100,000	12%	n/a	n/a	n/a
Aus Tin Mining Limited	3.3 years	135,000	15%	0.0009	(10.00%)	(23.08%)
Northern Minerals Limited	1.2 years	7,500,000	10%	0.1000	40.85%	35.50%
Orion Gold NL	2.0 years	8,000,000	12%	0.0260	62.50%	36.77%
Peloton gold-mining client	2.5 years	3,825,550	12%	0.2000	n/a	n/a

Source: Company announcements on ASX & Peloton analysis

With reference to the data in the table above, the comparable notes identified had an average conversion price that was at a premium to the issuing company's pre-announcement share price of 52% (ignoring Adavale Resources), with one convertible note offered at a discount of 10% and the Bass Metals Limited note convertible at the prevailing share price.

Applying the 20-trading day VWAP instead of the previous day's closing price results in a decrease to the observed average premium to approximately 36% (again excluding Adavale Resources Limited), and two convertible securities being issued at an average discount of about 15%.

In comparison, Centrex's Note is convertible at an exercise price of $0.022 per share implying a ~22% discount to the 20-trading day VWAP of $0.0281 as at 11 January 2021. Peloton considers that any discount of the conversion price over the 20-day VWAP is to the benefit of the Subscriber.

Another key term of the Note for comparison to the observed convertible notes is the coupon rate. As shown in TABLE 14 above, the interest rates range from 8% to 15%. The comparable securities also range in maturity from as short as three months up to three years.

Consequently, the comparison of the above securities to the Note proposed by Centrex indicates that the coupon rate of 12% per annum is within the range, and is therefore consistent with, coupon rates of those convertible notes issued by broadly similar companies on the ASX.

6.2 Total potential payoffs to ANZRC

Peloton's summary of the likely payoffs of the Note to the Subscriber is outlined below:

- coupon payments equal to 12% per annum (or 1% monthly effective) of the amount outstanding to be capitalised every month (if not repaid by Centrex as incurred) — totalling approximately $402,959 on an accrued basis over the term;
- option value associated with the conversion rights of the Note of approximately $1,192,845 which has been calculated using the Black-Scholes option pricing model and cross-checked to the Binomial option pricing model, an assumed volatility of 107%, strike price of $0.022 per share and 20-day VWAP of $0.0277 per share; and
- present value of the attaching Options of $918,901, again based on the Black-Scholes model, with similar assumptions save for the new strike price of $0.05 per share as set out in the CSA.

The CSA provides the opportunity for Centrex to repay the interest portion as it is incurred, however Peloton's view is that, in the absence of further funding, it is likely that the interest will not be paid as due given the ongoing development costs, and will therefore be accrued in each month to the maturity date. The compounding effect of interest-on-interest is expected to create a further ~$63,000 future obligation for Centrex, however this should be viewed against having been relieved of a monthly cash outflow which could in turn be directed to greater value-add workstreams for Centrex.

As the coupon rate on the Note is considered to be at market based on similar convertible note issues, Peloton considers the intrinsic value of the debt portion (i.e. principal and interest only) to be nil. In the event the coupon rate was deemed to be higher (lower) than the observed market coupon rate then the intrinsic value of the debt would likely be more (less) valuable to the Subscriber.

Peloton has employed the 20-day VWAP as at the Valuation Date to hypothesise the potential payoff value of the Note in the absence of, and subsequent ability to, determine the prevailing share price of Centrex shares at the time of conversion (if at all).

A summary of the potential payoff is set out in the table below (assuming the Note is held over the entire term):

TABLE 15 POTENTIAL PAYOFFS FROM THE NOTE

(A$ as stated)	
Held to maturity, interest accrued and principal & interest converted	
Principal amount	$1,000,000
Accrued interest	$402,959
Total Note obligation at maturity	**$1,402,959**
Number of shares received on conversion (principal & interest)	63,770,882
20-day VWAP as at 11/1/2021	0.0277
Valuation of converted shares at 20-day VWAP	1,768,367
Value of Options at issue[1]	$918,901
Value and proceeds from conversion of Note	**$2,687,267**
Number of shares received (principal & interest)	63,770,882
20-day VWAP as at 11/1/2021	0.0277
Valuation of converted shares at 20-day VWAP	1,768,367
Value of Options at exercise[2]	n/a
Value and proceeds from conversion of Note & exercise of Options	**$1,768,367**

Note: (1) The value of the Options reflects the value at issue of the Notes given the parameters set out in TABLE 2. (2) If the current VWAP was representative of the future share price of Centrex at maturity of the Options it is unlikely that the Subscriber would exercise the Options.
Source: CSA, Capital IQ & Peloton analysis.

6.3 Consideration of fairness

Peloton is satisfied that the coupon rate attached to the Note is broadly consistent with market terms, based on the observed comparable convertible note issues of ASX-listed companies at a similar development stage to Centrex.

To evaluate the implied conversion discount associated with the Note, we have attempted to assess the 'market' value of a share in Centrex based on the following approaches:

- current share price plus control premium; and
- net asset value per share.

Peloton has adopted a range of market prices (based on a VWAP of varying durations) to eliminate the potential issues of the stock being oversold following the announcement of the Rights Issue and more recently, the unprecedented increase in share price observed on 19 November 2020 (which resulted in Centrex submitting a response to the ASX price query on 19 November 2020).

Given the recent impairment review of the value of Centrex assets and resultant write-downs, Peloton's view is that the 30 June 2020 reported net assets provide a reasonable representation to the likely market value of those assets (on a going concern basis).

Peloton has assessed the share price of Centrex shares at 11 January 2021 on a last closing price, 5- and 20-day VWAP basis and presented this in the table below:

TABLE 16 TRADE VWAP OF CENTREX SHARES (AS AT 11 JANUARY 2021)

(A$ as stated)	Last close	5-day VWAP	20-day VWAP
Share price	0.0280	0.0287	0.0277

Source: Capital IQ

Based on the above table we consider a share price between $0.0277 and $0.0287 to reflect the likely market value of Centrex's shares, on a minority basis, as at the Valuation Date.

The observed trading prices are based on trading in a minority parcel of shares (i.e. non-control). It is therefore necessary to add a control premium to the share price in order to arrive at a controlling position. Control premiums are typically in the range of 20-40%, however this varies depending on the nature of the industry and individual circumstances whereby an element of strategic is also reflected. Peloton has applied a range of control premiums of 25% to 35%.

Applying these control premiums to the assessed value of a share in Centrex on a minority position derives a per share value on a control basis of between $0.0347 and $0.0388, with a mid-point of $0.0367 per share.

The second approach taken to calculate the value of a share in Centrex is a consideration of the net assets as at 30 June 2020, of which has been subject to its annual audit and therefore reasonable to assume they are reported close to market value.

As shown in TABLE 9, the net assets of Centrex were reported at $12.7 million as at 30 June 2020 which, after applying the total shares on issue at that time of 325,685,357, derives a net asset value of $0.039 per share.

Peloton has taken an average of the two valuation approaches as its assessed per share value of Centrex on a 100% controlling basis. Consequently, our estimated per share value on a controlling basis is approximately $0.0378.

The implied discount of the conversion price over the assessed market value per share is approximately 42%. When compared to the comparable convertible notes shown in TABLE 14, it is somewhat proximate, albeit still considerably higher, to the Aus Tin Mining Limited convertible note issue with a discount to 20-day VWAP (after also including a 30% control premium) of 31%.

TABLE 17 VALUATION COMPARISON TO CONVERSION PRICE

(A$ as stated)	Low	High	Mid-point
Per share valuation			
Assessed share price as at 11/1/2021	$0.0277	$0.0287	$0.0282
Control premium	25%	35%	30%
Value per share (control)	**$0.0347**	**$0.0388**	**$0.0367**
Shares on issue as at 11/1/2021	366,566,757	366,566,757	366,566,757
Total equity value (control)	**$12,706,120**	**$14,207,578**	**$13,447,868**
Net asset valuation			
Net asset value as at 30 June 2020			**$12,698,000**
Shares on issue as at 30 June 2020			325,685,357
Implied net asset per share			**$0.0390**
Summary			
Mid-point estimated via per share valuation			$0.0367
Mid-point estimated via net asset valuation			$0.0390
Peloton estimated per share value			**$0.0378**
Conversion price of Note			$0.0220
Implied discount over assessed market price			(42%)

Source: Capital IQ, Centrex financial statements & Peloton analysis.

6.4 Opinion

The following section sets out our evaluation of the fairness and reasonableness of the Proposed Transaction.

6.4.1 Assessment of fairness

To assess the fairness of the Proposed Transaction we have considered the terms, including coupon rate and conversion price, of the Note in light of a comparable set of convertible notes issued by ASX-listed companies at similar development phases to Centrex. We have also cross-checked to the implied conversion premium/discount to an assessment of Centrex's market value.

The Proposed Transaction results in $1.0 million of capital being made available to Centrex in the form of the Note.

As noted earlier, the Note can either operate as a debt instrument, and is fully repayable upon maturity, or at the discretion of the Subscriber can be converted into shares in Centrex at the prescribed issue price of $0.022. In the event of the latter, a conversion into Centrex shares will also result in the grant of Options over additional Centrex shares to the Subscriber.

The analysis set out in the body of this report leads to the conclusion that the proposed coupon rate is fair, which has been benchmarked against other convertible notes as issued by similar publicly listed business to Centrex.

Peloton's assessment of the valuation of the embedded conversion option and the value of the grant of Options is that the total value of $2.1 million is conferred on the Subscriber. This value represents approximately 21% of the market capitalisation of Centrex as at 11 January 2021 of $10.26 million which, in our opinion, is in excess of an appropriate market return for the Subscriber.

The excess market return awarded via the embedded options arises from both the prescribed conversion price of the Note and the exercise price of the Options providing instantaneous 'in-the-money' value based on current 20-day VWAP, time to maturity and volatility assumptions employed in the option valuation model.

On this basis, Peloton considers that the Proposed Transaction is not fair.

6.4.2 Assessment of reasonableness

In accordance with RG111.12, if an offer is considered to be fair it is also considered reasonable. However, an offer may also be considered reasonable, if despite not being considered fair, the expert considers that there are sufficient reasons for the relevant security holders to accept the offer, in the absence of a superior proposal.

A number of potential issues are generally considered when determining reasonableness. These issues broadly comprise:

- the likely consequences for Centrex shareholders should the Proposed Transaction be accepted;
- the likely consequences for Centrex shareholders should the Proposed Transaction not be accepted; and
- the likelihood for, and ability of the Centrex Board to obtain, another funding proposal that is on more favourable terms as compared to the Proposed Transaction from the perspective of the Centrex shareholders.

With consideration to the above points, and the following reasons, Peloton considers that the Proposed Transaction is reasonable.

The Proposed Transaction provides Centrex with a level of certainty in its ability to continue firming up the business case of the Ardmore Project

The funding which had been sought from the Rights Issue, and in light of the shortfall, the proposed Note, is critical in the continuing to develop a sound business case for the Ardmore Project, which in turn is required to attract external capital at the project level to fund the estimated A$69 million construction cost.

Peloton understands that the Centrex Board had previously considered a level of debt funding in relation to the acquisition of Oxley (2015) and then Ardmore (2017). However, debt funding at the Ardmore project level would have been problematic due to the acquisition agreement with the project vendor, which included security provisions with the vendor being first mortgagee and its unwillingness to relinquish this position without payment of a substantial fee.

Nonetheless when Centrex did eventually seek to engage with the external investment community, initially with two Australian-based stockbrokers in 2018 and again in 2019, it was understood these advisors were unable to generate sufficient appetite from within their investor networks to launch an equity raising on the basis of:

- no cornerstone or strategic investor was evident at the company or Ardmore Project level;
- lack of trading liquidity in the stock;
- the major shareholder must commit to support the equity raising;
- depressed equity markets;
- unknown motive and potential overhang issues from Baotou and WISCO; and
- limited understanding of the phosphate industry as a 'niche' commodity.

Centrex Directors were also conscious of the disparity between the Ardmore Project net present value of $269 million as indicated by the feasibility study and prevailing market capitalisation of Centrex.

In 2019, Centrex engaged with a New York-based boutique investment bank to assist with introductions across the North American and London capital markets. It had been agreed with this party that an equity raising would be undertaken in conjunction with a strategic investor being secured.

From this process, two investment groups (equity fund and debt fund) were explored with conversations with the debt fund advancing to a term sheet, but these subsequently fell away as Centrex could not secure a supporting equity raise at the time.

Centrex made further efforts in 2020 but have been somewhat restricted due to the onset of COVID-19 in March 2020. Despite these efforts, the counterparties to the sales contracts have not allowed any extension of time to complete the required 25,000 tonnes of mining at Ardmore as stipulated in these agreements.

If the Proposed Transaction is not approved, there is substantial risk that Centrex will not have sufficient funds to continue developing the Ardmore Project into an investable opportunity. Furthermore, if the initial mining phase at Ardmore cannot be completed in the allocated time then Centrex will either be liable for a $2.0 million penalty or must forfeit the project.

The Note is considered the most favourable and time efficient option relative to other alternatives identified as part of a strategic review

As discussed earlier, Centrex had considered a range of funding options prior to arriving at the Note as the preferred approach.

Peloton also understands that the previous management of Centrex had recommended borrowing ~$3.5 million from an independent investment firm in late 2019 where the interest rate (including other costs) approached 20%. This debt facility was not taken up by Centrex.

Therefore, we are not aware of any alternative funding proposals which may present more favourable terms to the Centrex shareholders in the near-term.

The Proposed Transaction was arranged with consideration to the Rights Issue and expected funding shortfall

As has been noted earlier in this report, Centrex has not been required to secure external funding (e.g. share placements) to the extent that would be expected from other publicly-listed explorer/early-stage miner companies as it has access to a sizable term deposit made available in cash.

However, this funding strategy was always unsustainable given Centrex is a pre-revenue company with ongoing cash development costs for the Ardmore project ($1.2 million spent in FY20) and lack of internally-generated profits that could otherwise continually replenish cash reserves.

In October 2020 and leading up to the Rights Issue, Centrex was able to place 10 million shares at $0.028 through a private placement raising $280,000, and subsequently placed ~11 million shares at $0.022 per share (with free attaching options) under the Rights Issue.

It is also understood that Centrex pursued a formalised underwriting facility for the Rights Issue without success, suggesting limited broker and investor interest within the market for early-stage phosphate explorers without a firmed (and presumably income-generating) project.

As a result, the Proposed Transaction was structured as a quasi-underwriting for the Rights Issue for which Centrex shareholders have first rights in taking up their pro rata allocation and any shortfall shares. Consequently, the Note is considered critical to support the funding requirements of Centrex given the insufficient shareholder interest from the Rights Issue to date, particularly as all other funding options have been depleted.

The current size of Centrex does not provide the opportunity for broad investor exposure via market index participation and therefore may not be considered by index-driven investors

The market capitalisation of Centrex, which is approximately $10.26 million at the time of writing, has and will likely continue to be insufficient to attract the interest of buy-side research analysts and is well below the amount which would see Centrex securities added to the Materials Index of the ASX.

It is therefore likely that Centrex will not be provided adequate exposure to a broader investor base that could be sought for further funding requirements.

The Subscriber's shareholding in Centrex will only ever increase should the rights to convert be exercised into shares in Centrex

The issue of additional shares in Centrex will only ever occur if the Subscriber exercises its conversion rights. Peloton understands that, if ANZRC exercises its conversion rights in full, its total shareholding in Centrex (with its associate Dapop Pty Ltd) will increase to approximately 41% assuming no other shares are issued in the interim.

Given that the Subscriber already holds approximately 30% of the issued shares in Centrex, it is likely to already have a significant interest in the future success of Centrex. Nevertheless, increasing the shareholding to 41% is unlikely to present an opportunity to exert a greater amount of influence than what is already held and currently afforded by its current 30% interest.

If the Proposed Transaction is not approved by shareholders, the share price of Centrex may be adversely affected

Centrex does not have any source of operating cashflow and therefore relies on capital injections, which have historically been via a term deposit held by Centrex, to fund exploration and development expenditure and other overhead costs. The current term deposit balance as at 30 June 2020 was approximately $1.4 million which, based on 2020 operating expenses, implies approximately seven months of funded working capital.

The inability for Centrex to access other immediate funding sources, which are at equal or more favourable terms than the Note, suggests the market's view is that Centrex does not have the ability to fully fund its internal and project-related capital requirements and may therefore be at risk of being a going-concern.

If Centrex announced an inability to continue funding the Ardmore Project — which would be result of rejecting the Proposed Transaction — it is likely that the share price will be impacted due to the market discounting the prospects of future profitability of Centrex and potentially risking further impairment in the foreseeable future.

Accordingly, dilution through the Note issuance and Options conversion may be preferable to existing shareholders.

Peloton has also considered the potential disadvantages to Centrex shareholders should the Proposed Transaction be approved. However, we note that the potential benefits supporting our view on reasonableness is likely to outweigh these potential disadvantages. A summary of the potential disadvantages includes:

- the conversion price of $0.022 per share for the embedded conversion option offers instantaneous in-the-money value to the Subscriber given the prevailing market price of Centrex shares as of the time of writing;

- the exercise price of $0.05 per share for the attaching free Options upon conversion also offers instantaneous in-the-money value to the Subscriber based on the other assumptions employed in the option valuation model — including time to maturity and share price volatility;
- existing shareholders' interests will be diluted upon potential conversion of the Note and potential exercise of the Options;
- the Note considers a 'base price' of $0.022 per share whereby a downward breach of this price triggers either a termination of the Note (and cash repayment) or conversion at the prevailing VWAP;
- the Note may be assigned and/or transferred without the consent, albeit written notice must be provided, from Centrex; and
- there is no opportunity for other Centrex shareholders to participate in the Proposed Transaction.

7. General advice only

This report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of the shareholders of Centrex. The decision to accept or reject the Proposed Transaction is a matter for individual shareholders. Shareholders of Centrex should consider the advice in the context of their own circumstances and preferences. Shareholders of Centrex who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their own professional adviser.

Peloton has prepared a Financial Services Guide in accordance with the Corporations Act. This is included in Appendix 4 to this report.

Our opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Appendix 1 — Glossary

Term	Definition
Act	Section 606 and Section 611 of the Corporations Act 2001 (Cth)
ANZRC	Australia New Zealand Resources Corporation Pty Ltd
APES225	APES225 Valuation Services
Ardmore	Ardmore phosphate prospect
ASX	Australian Securities Exchange
Centrex	Centrex Metals Limited
Company	Centrex Metals Limited
CSA	Convertible Securities Agreement
DFS	Definitive Feasibility Study
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
IER	Independent Expert Report
IVSC	International Valuation Standards Council
Note	$1.0 million convertible note with a conversion price of $0.022
NPV	Net present value
Options	Attaching free option per every converted share with an exercise price of $0.05
Peloton	Peloton Corporate Pty Ltd
Proposed Transaction	Issue of $1.0 million in convertible Note to Australia New Zealand Resources Corporation Pty Ltd
RG 111	Regulatory Guide 111 *Content of expert reports*
Rights Issue	Non-Renounceable Rights issue of ordinary shares at a subscription price of $0.022 per share targeting a total raise of approximately $2.9 million
Subscriber	Australia New Zealand Resources Corporation Pty Ltd
Valuation Date	11 January 2021
VWAP	Volume weighted average price

Appendix 2 — Sources of information

1. Discussions with directors of Centrex Limited including:
    a. Mr Graham Chrisp
    b. Mr John Parker
    c. Mr John Santich
    d. Mr Peter Cox
2. Centrex Metals Limited 2018 Annual Report
3. Centrex Metals Limited 2019 Annual Report
4. Centrex Metals Limited 2020 Annual Report
5. Centrex Metals Limited ASX announcements
6. 2009717 File Note – Ardmore market value
7. Appendix 2A – Application for quotation of securities dated 23 November 2020
8. Draft Convertible Securities Agreement between Centrex Metals Limited and Australia New Zealand Resources Corporation Pty Ltd
9. Centrex Metals Limited Prospectus
10. Adavale Resources announcement dated 4 September 2020
11. AUKing Mining Limited announcement dated 6 July 2020
12. Aus Tin Mining Limited convertible note terms sheet
13. Bass Metals Limited Capital Raising Presentation dated June 2019
14. Orion Gold announcement dated 7 February 2017
15. Golden Cross Resources Limited 2020 Annual Report
16. Reserve Bank of Australia
17. Capital IQ

Appendix 3 — Statement of qualifications and declarations

Peloton Corporate is qualified to provide this report. It is a corporate authorised representative of Capital Value Securities Pty Ltd, which holds an Australian Financial Services Licence under the Act. The Peloton Corporate personnel responsible for this report have not provided financial advice to Centrex in relation to the proposed acquisition.
Prior to accepting this engagement, Peloton Corporate considered its independence with respect to Centrex with reference to ASIC Regulatory Guide 112: *Independence of experts*. In our opinion, we are independent of Centrex.

This report has been prepared specifically for the Centrex's shareholders. Neither Peloton Corporate nor any member or employee thereof undertakes responsibility to any person, other than Centrex shareholders, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report Peloton Corporate has relied upon and considered information believed after due inquiry to be reliable and accurate. Peloton Corporate has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. Peloton Corporate has evaluated the information provided to it by Centrex, its advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially miss-stated or would not afford reasonable grounds upon which to base this report. Peloton Corporate does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose. The information we have had regard to in the preparation of this report is set out in Appendix 2 — Sources of Information.

The information provided to Peloton Corporate has been evaluated through analysis, enquiry and review to the extent it considered necessary for the purposes of forming an opinion. Peloton Corporate does not warrant that its enquiries have identified or verified all the matters that a formal audit or due diligence may disclose. Accordingly, this report and the opinions contained in it should be considered more in the nature of a commercial and financial review rather than a comprehensive audit or due diligence.

Centrex has provided an indemnity to Peloton Corporate for any claims arising out of any miss-statement or omission in any material or information provided to it in the preparation of this report.

This report should be read in its entirety to ensure that no isolated statements, analyses or other factors are construed out of context. The preparation of an opinion is a complex process and subject to professional judgement. The overall opinion is not to partial analysis or summary.

Peloton Corporate provided a redacted draft copy of this report to the independent directors and management of Centrex for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of Peloton Corporate alone. Changes made to this report as a result of this review by the independent directors and management of Centrex have not changed the methodology or conclusions reached by Peloton Corporate.

Peloton Corporate will receive a professional fee based on time spent in the preparation of this report, estimated at $15,000 (exclusive of GST). This fee is not contingent on the outcome of the proposed acquisition. Peloton Corporate will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

Mr Michael Churchill, Head of Valuations, has assumed overall responsibility for this report. He has over 30 years' experience in providing valuation advice and has professional qualifications appropriate to the advice being offered. Michael holds a Bachelor of Commerce, post graduate Diploma in Financial Analysis and Investment and is a Fellow of CPA Australia, a Senior Fellow of Finsia, a member of the Tax Institute and of the Institute of Company Directors.

In the preparation of this report Peloton Corporate has had regard to relevant Regulatory Guides issued by ASIC. It is not intended that the report should be used for any other purpose than to be sent to the Shareholders of Centrex. In particular, it is not intended that this report should be used for any other purpose other than as an expression of its opinion as to whether or not the Proposed Share Acquisition is in the best interest of the Centrex's non-participating shareholders.

This report conforms to the requirements of APES 225 "Valuation Services".

The financial forecasts considered in the preparation of this report reflect the judgement of directors and management of Centrex based on present circumstances, as to both the most likely set of conditions and the course of action it is most likely to take. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period will almost always differ from the forecast and such differences may be material. To the extent that our conclusions are based on forecasts, we express no opinion on the achievability of those forecasts.

Peloton Corporate consents to the issue of this report in the form and context in which it accompanies the Notice of Meeting to be sent to the shareholders of Centrex.

Appendix 4 — Financial services guide

Peloton Corporate Pty Ltd ABN 15 633 105 558 ("Peloton Corporate" or "we" or "us" or "our" as appropriate) provides general advice in relation securities to retail clients as an authorised representative of Capital Value Securities Pty Ltd ABN 46 123 674 886 ("CVS" or "licensee") AFSL No 311705.

Financial Service Guide

In the above circumstances we are required to issue you, as a retail client, with a Financial Services Guide [FSG].

This FSG is designed to help retail clients make a decision as to their use of our general security advice.

This FSG includes information about:

1. Who we are and how we and the licensee can be contacted
2. The services we are authorised to provide under the licensee's Australian Financial Services Licence
3. Remuneration that we, the licensee and any associates receive in connection with our general advice
4. The licensee's complaints handling procedures and how you may access them.

The licensee has authorised this FSG.

Financial services we are authorised to provide

We hold Authorised Representative number 342572 authorising us to provide general security advice on behalf of the licensee.

General advice

We provide general advice, not personal advice because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing general advice. These fees will be agreed with, and paid by, the person who engages us. Fees will be agreed on either a fixed fee or time cost basis. Clients may request particulars within a reasonable time after receiving this Guide (and before any financial service is given).

Except for the fees referred to above, neither Peloton Corporate, CVS nor any of their directors, employees or related entities receive any pecuniary benefit or other benefit directly or indirectly for or in connection with the provision of financial product advice.

Referrals

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

Associations and relationships

From time to time, we may provide professional services to financial product issuers in the ordinary course of our business.

Complaints resolution

Internal complaints resolution process

As a representative of an Australian Financial Services Licence holder, Peloton Corporate is required to have a system for handling complaints from retail clients to whom it and its representatives provide financial product advice. All complaints must be in writing, addressed to: The Complaints Officer, Peloton Corporate Pty Ltd, Level 40, 140 William St, Melbourne Vic 3000 or by email to sgeorgaras@peloton.group.

When Peloton Corporate receives a written complaint it will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practicable and not more than 45 days after receiving the written complaint, it will advise the complainant in writing of its determination.

Referral to External Dispute Resolution Proposed Acquisition

A complainant not satisfied with the outcome of the above process, or the licensee's determination, has the right to refer the matter to the Financial Ombudsman Service Ltd ["FOS"]. FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available from the FOS website www.fos.org.au or by contacting them directly at: Financial Ombudsman Service Ltd. GPO Box 3, Melbourne Victoria 3001 or Toll free 1300 78 08 08 or by facsimile (03) 9613 6399.