



**HRL Holdings Limited**

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## **ASX Announcement**

**20 October 2017**

### **Notice of Annual General Meeting and Director Retirement**

Please find attached HRL's 2017 Notice of Annual General Meeting and Voting Form.

The meeting will be held on 23 November 2017 commencing at 9.30am (Brisbane time) at HopgoodGanim Lawyers, Level 7 Waterfront Place, 1 Eagle Street, Brisbane.

The Company has been advised that Dr Mark Elliott has decided to retire as a Director of the Company at the conclusion of the 2017 AGM.

Chairman of HRL Mr Kevin Maloney commented on the decision by Dr Elliott to retire as follows: "Mark Elliott was the founding Managing Director when the Company listed, as a geothermal exploration company, on ASX in 2007. He was, as Executive Chairman at the time, pivotal in the Company's change of activities with the acquisition, in September 2014, of the Octief environmental consulting and hazardous materials analytical laboratory business. He has served as a valuable non-executive Director for the past three years and his contribution has been greatly appreciated by the Board."

On Behalf of the Board

**Paul Marshall**  
**Company Secretary**  
**HRL Holdings Ltd**

HRL Holdings Limited ACN 120 896 371

Notice of Annual General Meeting and Explanatory  
Memorandum

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Date of Meeting: 23 November 2017

Time of Meeting: 9.30am (Brisbane time)

Place of Meeting: HopgoodGanim Lawyers, Level 7, Waterfront Place, 1 Eagle  
Street, Brisbane Qld 4000

# Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Shareholders of **HRL Holdings Limited ACN 120 896 371 (Company)** will be held at HopgoodGanim Lawyers, Level 7 Waterfront Place, 1 Eagle Street, Brisbane Qld 4000, on Thursday 23 November 2017 at 9.30am (Brisbane time).

Terms used in this Notice of Meeting are defined in Section 8 of the accompanying Explanatory Memorandum.

## Agenda

### Ordinary business

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#### Financial Reports

To receive and consider the Company's Annual Report comprising the Directors' Report and Auditor's Report, Directors' Declaration, Statement of Financial Performance, Balance Sheet, Statement of Cashflows and notes to and forming part of the accounts for the Company and its controlled entities for the financial year ended 30 June 2017.

#### 1. Resolution 1 - Remuneration Report

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To consider and, if thought fit, pass the following Resolution as an advisory Resolution:

*"That, the Remuneration Report for the year ended 30 June 2017 (as set out in the Directors' Report) is adopted."*

#### Voting

The vote on this Resolution 1 is advisory only and does not bind the Directors or the Company.

#### Voting Restriction pursuant to Section 250R(4) of the Corporations Act

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report; and
- (b) a Closely Related Party of such a member.

However, the above persons may cast a vote on Resolution 1 if:

- (a) the person does so as a proxy; and
- (b) the vote is not cast on behalf of a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report or a Closely Related Party of such a member; and
- (c) either
  - (1) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
  - (2) the voter is the chair of the meeting and the appointment of the chair as proxy:
    - (A) does not specify the way the proxy is to vote on the resolution; and
    - (B) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

#### Voting Intentions of Chair

Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the Resolutions the subject of this Meeting, including Resolution 1, subject to compliance with the Corporations Act. Further details, in relation to the ability of the Chairman to vote on undirected proxies are set out in the accompanying Explanatory Memorandum.

# Notice of Annual General Meeting

## 2. Resolution 2 – Re-election of Mr John Taylor as a Director

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To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*“That Mr John Taylor, who retires by rotation in accordance with Rule 38.1 of the Company’s Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.”*

## 3. Resolution 3 – Approval to issue Shares pursuant to Capital Raising

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To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

*“That, subject to the passing of Resolution 4, pursuant to Listing Rule 7.1 and for all other purposes, approval is given for the Company to carry out the Capital Raising and issue and allot 176,500,000 Shares at an issue price of \$0.085 on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice”*

### **Voting exclusion statement**

The Company will disregard any votes cast on Resolution 3, by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associates of such persons unless the vote is cast:

- (a) by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form); or
- (b) by the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

## 4. Resolution 4 – Approval of the issue of the Share Consideration to the Analytica Vendors

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To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

*“That, subject to the passing of Resolution 3, for the purposes of Listing Rule 7.1 of the ASX Listing Rules and for all other purposes, the Company be authorised to issue that number of fully paid ordinary shares calculated in accordance with the formula set out in the Explanatory Memorandum accompanying this Notice of Meeting to the Analytica Vendors in the proportions set out in the Explanatory Memorandum pursuant to the terms of a Share Sale Agreement between the Company and the Analytica Vendors entered into on 16 October 2017 (SSA).”*

# Notice of Annual General Meeting

**Notes:**

Further details regarding the SSA are set out in the accompanying Explanatory Memorandum which the Directors recommend Shareholders read in full before making any decision in relation to Resolution 4.

**Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by:

- the Analytica Vendors and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of the ordinary securities, if Resolution 4 is passed; and
- any associate of any the persons who might obtain a benefit, except a benefit solely in the capacity of a holder of the ordinary securities, if Resolution 4 is passed.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

**Special Business**

Nil

**General business**

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

Shareholders are advised that an online voting facility is available. Login to the Link website ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)) using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote.

**BY ORDER OF THE BOARD**

Paul Marshall  
Company Secretary  
20 October 2017

# Explanatory Memorandum

## 1. Introduction

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This Explanatory Memorandum is provided to Shareholders of **HRL Holdings Limited ACN 120 896 371 (Company)** to explain the resolutions to be put to Shareholders at the Annual General Meeting to be held at the offices of HopgoodGanim Lawyers, Level 7, Waterfront Place, 1 Eagle Street, Brisbane Qld 4000, on Thursday 23 November 2017 at 9.30am (Brisbane time).

The Directors recommend that Shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Memorandum are defined in Section 8.

## 2. Consider the Company's Annual Financial Report

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The Company's Annual Financial Report comprising the Directors' Report and Auditor's Report, Directors' Declaration, Statement of Financial Performance, Balance Sheet, Statement of Cashflows and notes to and forming part of the accounts for the Company and its controlled entities for the financial year ended 30 June 2017 were released to ASX Limited on 21 August 2017.

The Company's Annual Report is placed before the Shareholders for discussion.

No voting is required for this item.

## 3. Resolution 1 - Remuneration Report

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### 3.1 Remuneration Report

In accordance with Section 250R of the Corporations Act, the Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding advisory Resolution.

The Remuneration Report is set out in the Directors' Report section of the Annual Financial Report for the period ending 30 June 2017.

The Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive Directors and senior executives of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the most highly remunerated senior executives of the Company; and
- details and explains any performance conditions applicable to the remuneration of executive Directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

### 3.2 Recommendation

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report.

A vote on this Resolution is advisory only and does not bind the Directors or the Company.

# Explanatory Memorandum

## 3.3 Voting restrictions on Key Management Personnel and their Closely Related Parties and their proxies

Members of the Key Management Personnel (**KMP**) and their Closely Related Parties (**CRP**) (**Restricted Voters**) and proxies of Restricted Voters are restricted from voting on a resolution which is connected directly or indirectly with the remuneration of a member of the Key Management Personnel (**Voting Restriction**).

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The Voting Restriction applies to Resolution 1. However, it does not apply where:

- (a) the member of the Key Management Personnel is appointed in writing (by a Shareholder who is not a Restricted Voter) as a proxy where the appointment specifies the way the proxy is to vote on the resolution; or
- (b) the Chairperson is appointed in writing (by a Shareholder who is not a Restricted Voter) as a proxy where the appointment does not specify the way the proxy is to vote on the resolution and expressly authorises the Chairperson to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Shareholders should be aware that any undirected proxies given to the Chairperson will be cast by the Chairperson and counted in favour of the resolutions the subject of this Meeting (including Resolution 1) subject to compliance with the Corporations Act.

The Proxy Form attached to this Notice has been prepared on this basis.

## 4. Resolution 2 – Election of Mr John Taylor as Director

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Rule 38.1 of the Company's Constitution and ASX Listing Rule 14.4 requires that at each AGM, one-third of the Directors in office (excluding directors appointed to fill casual vacancies or a Managing Director) must stand for re-election, with Directors required to retire based upon length of tenure. Rule 38.6 of the Company's Constitution requires that a Director shall not continue in office for a period in excess of three (3) consecutive years or until the third annual general meeting following her/his appointment, whichever is the longer, without submitting himself for re-election.

Mr John Taylor was appointed as a director of the Company on 24 November 2014 at the 2014 AGM. Mr Taylor retires in accordance with the Company's Constitution and Listing Rule 14.4 and, being eligible, offers himself for re-election as a Director.

### **Mr Taylor's qualifications and experience**

*Non-Executive Director LLB, Grad Dip ACG*

Mr Taylor is the founding partner of Taylors Solicitors, Mackay, a Senior Counsellor of the Queensland Law Society and has over 30 years' experience in commercial and property transactions and litigation.

John Taylor was, from 2006 and 2010, a director of ASX listed The MAC Services Group Limited, where he was Chair of the Remuneration and Nomination Committee and a member of the Audit and Risk Management Committee. He is also a former Chair of the Mackay Port Authority and a Board member of Tourism Mackay and Mackay Regional Economic Bureau.

He has not been a Director of any other Australian listed company in the last three years.

The Directors (with Mr Taylor abstaining) recommend that you vote in favour of this Ordinary Resolution.

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In addition to Mr Taylor retiring and offering himself for re-election, Dr Mark Elliott has advised the Company that he intends to retire at the Meeting, but will not offer himself for re-election.

## 5. The Analytica Transaction

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Resolutions 3 and 4 relate to the Analytica Transaction. Accordingly, the Company provides the following information relating to the Analytica Transaction to its shareholders.

### 5.1 Background to the Analytica Transaction

As announced on Tuesday 17 October 2017, the Company entered into a formal share sale agreement dated 16 October 2017 (**SSA**) to acquire all of the shares on issue in Analytica Laboratories Limited (**Analytica**), from the Analytica Vendors (**Analytica Transaction**).

Under the SSA, in consideration for all of the shares on issue in Analytica (**Analytica Shares**), HRL will provide the following consideration:

- (a) NZD \$13,300,000 cash on completion of the Analytica Transaction;
- (b) NZD \$5,700,000 HRL shares on completion of the Analytica Transaction; and
- (c) Up to NZD \$11,000,000 cash earn-out, based on financial performance of Analytica and tenure of the Analytica Vendors.

The initial cash component of the consideration payable on completion will be funded by way of the Placement and the SPP. The SPP will be undertaken in accordance with Listing Rule 7.2. Exception 15 and Listing Rule 10.12, Exception 8, and will therefore not require Shareholder approval.

Resolution 3 seeks Shareholder approval for the Placement (Capital Raising) and Resolution 4 seeks Shareholder approval for the issue of the Share Consideration.

Pursuant to the SSA, the Share Consideration will be subject to voluntary escrow for the period of 2 years from the date of the issue and allotment. Entry into a Voluntary Restriction Deed with each of the Analytica Vendors is required to be entered into before completion of the SSA.

Whilst the Company is aware that the potential appointment by the Analytica Vendors of a director to the board of the Company could give rise to an argument that the SSA requires shareholder approval under the related party provisions in Part 2E Corporations Act, the SSA is the product of a very lengthy and detailed "arms length" negotiation process. Accordingly, after careful consideration, the Company does not consider that approval of shareholders pursuant to s218 of the Corporations Act is required

### 5.2 Key elements of the Analytica Transaction

On 16 October 2017, HRL Holdings Limited (**HRL** or the **Company**), through its wholly owned New Zealand subsidiary HRL Holdings NZ Limited (**HRL NZ**) entered into a Share Sale Agreement with the shareholders of Analytica Laboratories Limited (**Analytica**) to acquire all the issued capital in Analytica.

In consideration for 100% of the share capital of Analytica, HRL will pay a maximum purchase price of NZD \$30,000,000 to the Analytica Vendors.

The purchase price is broken down as follows:

- (a) NZD \$13,300,000 cash on completion of the Analytica Transaction;



# Explanatory Memorandum

- (b) NZD \$5,700,000 HRL shares on completion of the Analytica Transaction. These shares will be subject to a 2 year escrow period; and
- (c) Up to NZD \$11,000,000 cash earn-out, based on financial performance of Analytica and tenure of the Analytica Vendors.

The earn-out consideration is based on the Analytica business achieving a target earnings before interest and taxes (**EBITDA**) for the 12 months after settlement. The Analytica Vendors will receive a 6.0x multiple on each NZD \$1 of EBITDA greater than NZD \$3,000,000, up to a maximum earnout consideration of NZD \$11,000,000.

If achieved, the earn-out consideration will be paid in two tranches:

- (d) 50% after 12 months following settlement; and
- (e) 50% in 12 equal monthly instalments thereafter.

Payment of the earn-out consideration is also contingent on the Analytica Vendors' continuing service with Analytica. The Analytica Vendors will remain employed with Analytica for a minimum period of two years after acquisition. In the event where the Analytica Vendors' employment is terminated prior to completing one year of service, no earn-out consideration is payable. If the Analytica Vendors' employment is terminated after one year but before the minimum two-year period, the earn-out consideration will be reduced proportionately to the length of time not employed. The service condition applies individually to each vendor.

Completion of the Analytica Transaction is conditional on a number of events including:

- (f) HRL receiving finance for payment of the purchase price;
- (g) HRL receiving shareholder approval for the Analytica Transaction;
- (h) Analytica having a minimum working capital position of NZD \$350,000 as at the date of completion; and
- (i) Other conditions which are standard for a transaction of this nature.

Analytica have reserved the right to appoint a Director to the Board of HRL during the earnout period.

## 5.3 Rationale of the Analytica Transaction

HRL has identified the following key strategic reasons to acquire Analytica:

- o *Market leaders* - Analytica are market leaders in their innovation and approach to laboratory testing
- o *Expansion of industry verticals* - HRL has been actively looking to enter the high value environmental and food/agricultural testing markets
- o *Platform for expansion* – Opportunity for Analytica's capability can be extended across HRL network of laboratories and increase capability
- o *First mover advantage* - Interest in subsidiary CAIQTest Pacific provides platform for servicing the food export industry – specifically the dairy markets
- o *High margins* – laboratories have relatively fixed operating costs so volumes above a break-even level are highly accretive to profitability which provides a very favourable operating environment for incumbents.

# Explanatory Memorandum

- *Brand name* – building on a trusted brand name in the industry that can be relied upon for accurate results and strong customer service is very important given the critical nature of the services provide.
- *National accounts* – already aligned with major partners
- *Investment in equipment and technology* – Analytica have invested in the latest equipment and technology allowing the company to have more rapid turnaround times at a lower cost to customers.
- *Reputation* - Current directors are highly respected operators across industry, academia and government.

## 5.4 About Analytica

### (a) Summary

Analytica is an analytical chemistry laboratory business based in Hamilton New Zealand, specialising in mass spectroscopy analysis to the milk, honey and environmental markets. Founded in 2011, Analytica’s goal was to build a chemistry laboratory that would disrupt the market through innovative laboratory services.

Analytica’s key points of difference over competitors are their:

- Ability to innovate through large scale and automated testing solutions for customer challenges;
- Rapid response to method development for emerging areas of concern; and
- A true customer first focus.

In the six years since inception, Analytica has grown to become recognised market leaders and innovators across a range of analytical testing markets.

### (b) Services

Analytica services include:

Testing Market	Services
Dairy/Milk	<ul style="list-style-type: none"> <li>➤ QAC &amp; Detergent Residues in Milk and Dairy Products</li> <li>➤ Aflatoxin M1 in Milk and Dairy Products</li> </ul>
Honey	<ul style="list-style-type: none"> <li>➤ Manuka "3-in-1"</li> <li>➤ Leptosperin</li> <li>➤ Tutin (individual or composite)</li> <li>➤ C4 Sugars</li> <li>➤ Colour and Conductivity</li> <li>➤ Heavy Metals</li> <li>➤ DHA in Manuka Nectar</li> <li>➤ DHA, Leptosperin and Sugar in Manuka Nectar</li> <li>➤ Residues</li> </ul>
Methamphetamine and Drugs of Abuse	<ul style="list-style-type: none"> <li>➤ Individual sample analysis</li> <li>➤ Lab composite analysis</li> <li>➤ Field composite analysis</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>➤ Hydrocarbons</li> <li>➤ Residues of agrichemicals and other industrial pollutants</li> </ul>

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Testing Market	Services
	<ul style="list-style-type: none"> <li>➤ Heavy metals and trace elements</li> <li>➤ Nutrients</li> <li>➤ General soil &amp; water chemistry</li> <li>➤ Water quality</li> </ul>
Timber	<ul style="list-style-type: none"> <li>➤ Preservatives in treated timber samples and prepared sample extracts</li> <li>➤ Cu, Cr, As, and B analysis of extracts</li> </ul>
A1/A2 Phenotyping	<ul style="list-style-type: none"> <li>➤ A2 beta casein protein</li> </ul>
Contract research and custom testing	<ul style="list-style-type: none"> <li>➤ One-off or finite life projects, usually for R&amp;D purposes</li> </ul>

## (c) Key Management and Staff

Analytica is led by its 3 directors and shareholders. Dr Terry Cooney founded the company in 2011 with Dr Terry Braggins and Mr Steve Howse joining shortly thereafter as executive directors and equity partners.

Dr Terry Cooney  
*MSc (Massey) and PhD (Auckland) – Biochemistry*

Dr Cooney was a founding shareholder and General Manager at Hill Laboratories in Hamilton (NZ) from 1989 – 2007, growing the business from 16 to over 200 staff. Dr Cooney's focus was on analytical testing of Agricultural, environmental, and food analysis.

Dr Cooney has acted as a technical adviser in a variety of roles including:

- 2008 - DNA testing in the NZ dairy cattle breeding industry
- 2011 - PSA disease control in the NZ kiwifruit industry
- 2016 – member of methamphetamine standards committee
- Australasian auditor for ISO 17025
- IANZ 2.70 technical expert in chromatography and mass spectroscopy.

Dr Terry Braggins  
*BSc (Massey) and PhD (Waikato) – Analytical Chemistry*

Dr Braggins is nationally and internationally recognised as an expert in honey research and analysis.

Dr Braggins has over 30 years' experience in R&D organisations:

- 1972 – 82: Massey University,
- 1982 – 87: MAFTech;
- 1987 – 2000: Meat Industry Research Inst,
- 2000 – 03: AgResearch

# Explanatory Memorandum

Prior to joining Analytica, Dr Braggins business leadership and technical adviser roles included:

- 2003 – 07: Hill Laboratories – Manager of food testing, company Director
- 2007 – 08: Sensortec – Managing Director, sensors for measuring milk composition.
- 2008 - current DNA testing in the NZ dairy cattle breeding industry

Dr Braggins is a NZ auditor for ISO 17025, and an IANZ 2.70 technical expert in chromatography and mass spectroscopy.

Mr Steve Howse  
*B Agr Sci Honours (Massey)*

Mr Howse has over 20 years' experience in science and agribusiness leadership in NZ:

- 1992 – 2007: LIC – dairy animal recording, breeding, and genetics
- 2007 - 2013: Hill Laboratories – General Manager of NZ's largest private analytical testing company with >300 staff
- 2013 – 2014: Nuchev – start up Australian company farming and manufacturing products from dairy goats.

Mr Howse has acted as a director for the following entities:

- 2011 – 2014: Synlait – dairy farming and dairy manufacturing.
- 2014 – (current): Wintec – NZ tertiary education organisation – Deputy Chair, appointed by the NZ government.

## Staffing

Analytica's leadership is provided by the 3 executive directors, supported by a senior team of 5 staff (operations, technical, support services and quality). Analytica has approximately 70 staff who are predominantly laboratory based operational or technical roles. There is a small support services team.

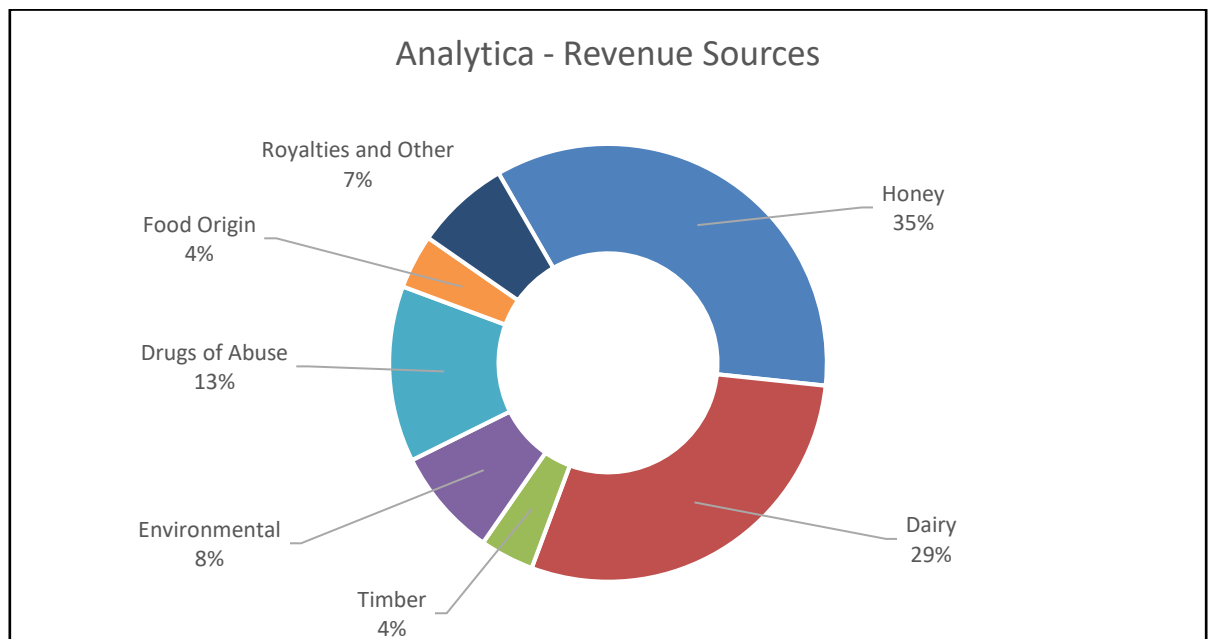
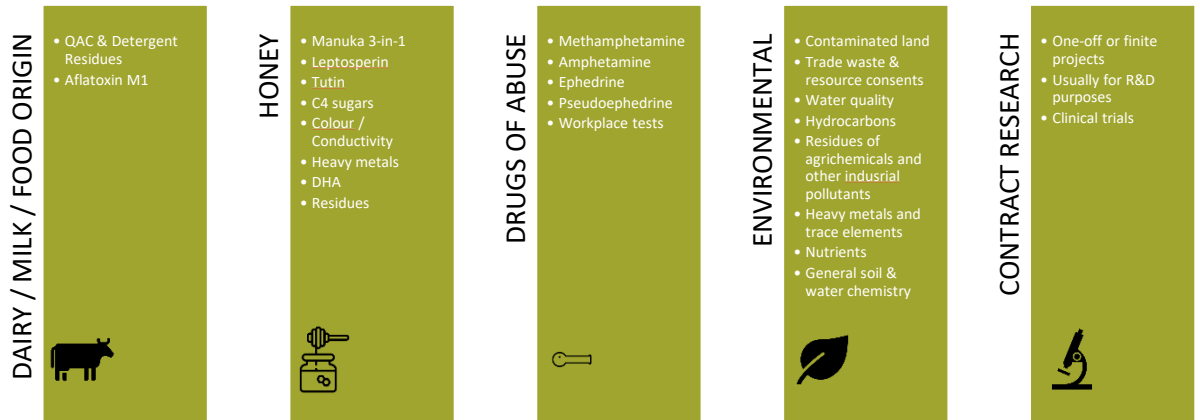
Analytica staff are ethnically diverse and gender balanced.

The company has seen substantial growth in staff numbers in the last 3 years, from 15-20 people in late 2014 to now more than 70.

# Explanatory Memorandum

## (d) Key Markets

Analytica's Markets and Revenue Sources:



# Explanatory Memorandum

## Honey

The honey testing market is predominantly built around manuka honey grading (given its high value) and the Ministry for Primary Industries (MPI) regulatory requirement to test honey for the toxin Tutin which is widely found in honey from around New Zealand.

Honey is a mass market with some larger producers, but no single dominant player. Some large honey processors have their own laboratory in-house and use an external lab only for overflow or tests they are not accredited for. Most producers however are reliant on an external lab for their testing needs.

Analytica have the dominant share of the New Zealand honey testing market. Analytica gained this position through investing in equipment and systems that drastically increased the throughput and turnaround times of tests, whilst at the same time reducing prices.

## Dairy

The dairy testing market consists of residue testing in liquid milk and manufactured dairy products. Analytica's primary focus is on the liquid milk market.

Liquid milk testing of dairy products is dominated by MilkTestNZ, a Limited Partnership dairy co-operative. Over 97% of New Zealand dairy farm supplier samples are tested at MilkTestNZ. MilkTestNZ testing scope includes milk products and residue testing which are performed by Analytica through a strategic alliance.

Analytica also provide testing of liquid milk and manufactured products to identify the A2 beta casein protein.

## Drugs of Abuse

The Drugs of Abuse laboratory service line is currently focussed on analysis of surface wipe samples for methamphetamine and related compounds including amphetamine, ephedrine, and pseudoephedrine.

The service was launched in early 2016, and saw significant growth commence following accreditation in mid-2016. HRL's wholly owned subsidiary, Precise Consulting & Laboratory Limited, has been using Analytica exclusively for its laboratory testing of methamphetamine surface wipe samples.

Analytica's largest customers have been those with significant work volumes from New Zealand's public housing providers and insurance companies, supported by growth in volumes from testing company's focused on the domestic private housing markets.

Analytica is also in the process of expanding its capabilities into the workplace drug testing market.

## Environmental

Environmental testing incorporates a broad scope of tests covering organic and inorganic contaminants found in soil and water.

Analytica have spent the past 2 years on method development and accreditation to offer a large suite of services to the environmental market.

Environmental testing is a large market divided into 3 main sectors - environmental consultants doing resource consenting or clean-up projects, local government and industry monitoring adherence with resource consents, and regional government doing monitoring of the 'state of the environment'. Analytica's current work is focussed on the first of these sectors and customers include a number of the major and mid-tier consultancies servicing this market.

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Analytica see substantial scope for growth in this area moving forward. Analytica's key management all have strong backgrounds in this market.

## **Food Origin**

The food origin market is driven by the growth in foodborne diseases and food adulteration incidents. The food traceability market has been growing significantly over the last five years due to increasing concern among consumers for food safety and legislative framework.

Analytica have entered into an agreement with a leading New Zealand Food Origin tracing company who outsource chemical testing to Analytica.

## **Timber**

The timber testing market relates to the analysis of timber preservatives in treated timber samples and prepared sample extracts. Analytica has a partnership with a timber testing laboratory who use Analytica for overflow testing and analysis of sample types or compounds that their equipment is not set up to handle.

### **(e) CAIQTest (Pacific) Limited**

Analytica own a 26% interest in CAIQTest (Pacific) Limited, an incorporated joint venture between led by Analytica (26% interest) and supported by, the Chinese Academy of Inspection and Quarantine.

CAIQTest Pacific aim is to facilitate the smoother export of goods from New Zealand, Australia, and the Pacific, to China. CAIQTest Pacific work with companies to fulfil Chinese food safety requirements, by providing testing certifications prior to the shipment of goods. These tests and certifications will be specifically tailored to meet customs regulations, allowing the relevant goods to be accepted into China.

CAIQTest Pacific is accredited to perform testing on the following range of dairy products:

- Milk products (condensed, powder, liquid);
- Cheese;
- Cream;
- Whey powder and whey protein powder;
- Bovine Colostrum Powder; and
- Dairy-based Infant Formula Foods.

CAIQTest Pacific can test export product locally before shipping to China assisting greatly with supply chain bottlenecks – a key concern for exporters.

In August 2017 CAIQTest Pacific achieved accreditation with IANZ, Ministry of Primary Industries and the Chinese National Accreditation Service and can now provide its services to commercial dairy exporters, with a primary focus on the fast growing infant formula market.

HRL will secure this 26% interest as part of the transaction.

## **5.5 Placement and SPP**

The Company intends to fund the cash consideration payable on completion for the Analytica Transaction by way of the Placement and the SPP.

Resolution 3 seeks Shareholder approval for the Company to issue the Placement Shares.

The Placement will raise approximately \$15 million by way of the issue of 176,500,000 fully paid ordinary shares in the Company at an issue price of \$0.085 each.

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The SPP will be undertaken in accordance with Listing Rule 7.2 Exception 15 and Listing Rule 10.12 Exception 8 and therefore Shareholder Approval is not required. The SPP will enable existing shareholders with registered addresses in Australia and New Zealand to subscribe for up to \$15,000 worth of Shares at the same issue prices as the Placement Shares (\$0.085). The SPP will raise a maximum amount of \$1 million.

## 5.6 Effect of the Analytica Transaction, the Placement and the SPP on the Company

### (a) Assets, equity, annual profit

Details of the estimated effect that the Analytica Transaction, (including the Placement and the SPP) will have on the Company's total assets, total equity interests, annual revenue and annual profit before tax and extraordinary items following completion of the Analytica Transaction are set out in Schedule 1.

Please note that the calculations are based on the audited accounts of the Company as at 30 June 2017.

### (b) Issued capital

Schedule 2 sets out the current issued share capital of the Company, together with the potential effect that the issue of the Share Consideration, the Placement Shares and Shares under the SPP will have on the issued shares in the Company, assuming that no existing options in the Company are exercised in this time and no additional Shares are issued by the Company.

In summary if the Placement and the Analytica Transaction are completed and the SPP is fully subscribed up to 250,326,797 Shares would be issued as follows:

- (1) 176,500,000 to the Placement Recipients;
- (2) 62,091,503 to the Analytica Vendors (assuming an exchange rate of NZD\$1.08 to AUD\$1); and
- (3) 11,764,706 to existing Shareholders under the SPP.

### (c) Financial Information

Set out in Schedule 3 is the historical and proforma financial information.

Set out in Schedule 4 is the forecast financial information for the Company assuming completion of the Analytica Transaction and the Placement, as well as the SPP being fully subscribed.

## 5.7 Forward-Looking Information in relation to the Analytica Transaction

This Explanatory Memorandum contains certain statements which contain "forward-looking information". No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Explanatory Memorandum should not be unduly relied upon. Forward-looking information is by its nature prospective and requires the Company to make certain assumptions and is subject to inherent risks and uncertainties. All statements other than statements of historical fact are forward-looking statements.

The forward-looking statements contained in this Explanatory Memorandum are expressly qualified by the foregoing cautionary statements and are made as of the date of this Explanatory Memorandum. Except as may be required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statement to reflect events or circumstances after the date of this Explanatory Memorandum or



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to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

## 5.8 Investor Presentation in respect of Analytica Transaction

Shareholders are advised that on 17 October 2017 the Company lodged a presentation with ASX in respect of, amongst other things, the Analytica Acquisition (**Presentation**). A copy of the Presentation will be made available to Shareholders upon request and may be viewed at [www.hrlholdings.com/presentations](http://www.hrlholdings.com/presentations).

## 6. Resolution 3 – Approval to issue Shares pursuant to Capital Raising

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### 6.1 Introduction

Resolution 3 seeks Shareholder authorisation to issue up to 176,500,000 fully paid ordinary shares in the Company at an issue price of \$0.085 each (**Placement Shares**) to sophisticated investors (**Placement Recipients**).

### 6.2 ASX Listing Rule 7.1 - Issues exceeding 15% of capital

Listing Rule 7.1 prohibits a listed company, except in certain cases, from issuing in any 12 month period new Equity Securities equivalent in number to more than 15% of the total number of ordinary securities on issue at the beginning of the twelve month period (**15% Capacity**) without either the prior approval of a majority of disinterested shareholders, or the issue otherwise falls within one of the prescribed exceptions to Listing Rule 7.1 (**15% Rule**).

Equity Securities issued with shareholder approval under ASX Listing Rule 7.1 do not count towards the 15% Capacity. Fully paid ordinary shares in the Company are Equity Securities under the Listing Rules.

Therefore the Company is seeking Shareholder approval in accordance with Listing Rule 7.1 to issue the Placement Shares so that the Placement Shares do not count towards the Company's 15% Capacity.

For the purposes of ASX Listing Rule 7.3, the Company advises:

(a) **7.3.1: Maximum number of Securities to be issued**

The Company will issue 176,500,000 fully paid ordinary shares in the Company.

(b) **7.3.2: Date by which the Company will issue the Securities**

The Placement Shares will be issued as soon as practicable after the Meeting and in any event within three months of the date of the Meeting.

(c) **7.3.3: Issue price of Equity Securities**

The issue price of the Placement Shares will be \$0.085.

(d) **7.3.4: Allottees of Equity Securities**

The Placement Shares will be issued to sophisticated investors.

(e) **7.3.5: Terms of the Equity Securities**

The Placement Shares shall rank pari passu with all other existing Shares on issue in the Company.

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(f) **7.3.6: Use of funds raised**

The total funds that will be raised from the issue of the Placement Shares will be used by the Company for the cash component of the purchase price for Analytica payable on completion, to meet the costs of the issue and general working capital.

(g) **7.6.7: Dates of allotment**

The Placement Shares will be allotted on or about 28 November 2017.

(h) **7.6.8: Voting Exclusion Statement**

A voting exclusion statement is included in the Notice of Meeting for Resolution 3.

## 6.3 Director Recommendation

The Board recommends that Shareholders vote in favour of this Ordinary Resolution.

## 7. Resolution 4 – Approval of the issue of the Share Consideration to the Analytica

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### 7.1 Introduction

Resolution 4 seeks Shareholder authorisation to issue the Share Consideration to the Analytica Vendors on completion of the Analytica Transaction.

### 7.2 ASX Listing Rule 7.1 - Issues exceeding 15% of capital

Listing Rule 7.1 prohibits a listed company, except in certain cases, from issuing in any 12 month period new Equity Securities equivalent in number to more than 15% of the total number of ordinary securities on issue at the beginning of the twelve month period (**15% Capacity**) without either the prior approval of a majority of disinterested shareholders, or the issue otherwise falls within one of the prescribed exceptions to Listing Rule 7.1 (**15% Rule**).

Equity Securities issued with shareholder approval under ASX Listing Rule 7.1 do not count towards the 15% Capacity. Fully paid ordinary shares in the Company are Equity Securities under the Listing Rules.

Therefore the Company is seeking Shareholder approval in accordance with Listing Rule 7.1 to issue the Share Consideration so that the Share Consideration does not count towards the Company's 15% Capacity.

For the purposes of ASX Listing Rule 7.3, the Company advises:

(a) **7.3.1: Maximum number of Securities to be issued**

The number of Consideration Shares to be issued to the Analytica Vendors will be calculated as follows:

$$N = [5,700,000/FX] / 0.085$$

Where:

N is the number of Consideration Shares to be issued; and

FX is the foreign exchange rate of New Zealand Dollars to Australian Dollars.

# Explanatory Memorandum

The applicable exchange rate used to calculate the number of shares issued will be the rate published on the day prior to the Completion Date on the Reserve Bank of Australia website [www.rba.gov.au](http://www.rba.gov.au).

By way of example, assuming the exchange rate is NZD\$1.08 to AUD \$1, the number of Shares to be issued to the Analytica Vendors would be 62,091,503.

If the exchange rate is NZD\$1.06 to AUD \$1, the number of Shares to be issued to the Analytica Vendors would be 63,263,041.

If the exchange rate is NZD\$1.10 to AUD \$1, the number of Shares to be issued to the Analytica Vendors would be 60,962,567.

(b) **7.3.2: Date by which the Company will issue the Securities**

The Share Consideration will be issued at completion of the Analytica Transaction (which is expected to occur on 30 November 2017) and in any event within three months of the date of the Meeting.

(c) **7.3.3: Issue price of Equity Securities**

The issue price of the Share Consideration will be \$0.085.

(d) **7.3.4: Allottees of Equity Securities**

The Share Consideration will be issued to the Analytica Vendors as follows:

<b>Analytica Vendor</b>	<b>% of Share Consideration</b>
Hugh Owen Cooney, Julie Anne Cooney and Terrence Patrick Cooney as trustees of Kingsley Investment Trust	60%
JNLJ Company Limited as trustee of The JNLJ Trust	20%
Carolyn Joy Braggins, Terence John Braggins and Vosper Trustees Limited as trustee of Elford Trust	20%
TOTAL	100%

(e) **7.3.5: Terms of the Equity Securities**

The Share Consideration shall rank pari passu with all other existing Shares on issue in the Company.

(f) **7.3.6: Use of funds raised**

As the Share Consideration is being issued as part of the completion of the Analytica Transaction, no funds will be raised by the issue of the Share Consideration to the Analytica Vendors.

(g) **7.6.7: Dates of allotment**

The Share Consideration is expected to be allotted on or about 30 November 2017.

(h) **7.6.8: Voting Exclusion Statement**

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A voting exclusion statement is included in the Notice of Meeting for Resolution 4.

## 7.3 Director Recommendation

The Board recommends that Shareholders vote in favour of this Ordinary Resolution.

## 8. Interpretation

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The following terms used in the Notice of Meeting and the Explanatory Memorandum are defined as follows:

**AGM** means annual general meeting of Shareholders of the Company.

**Analytica Transaction** means the acquisition by the Company of all of the shares in Analytica Laboratories Limited from the Analytica Vendors.

**Analytica Vendors** means Hugh Owen Cooney, Julie Anne Cooney and Terrence Patrick Cooney as trustees of Kingsley Investment Trust, JNLJ Company Limited as trustee of The JNLJ Trust, Carolyn Joy Braggins, Terence John Braggins and Vosper Trustees Limited as trustee of Elford Trust.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means the ASX Limited.

**AUD** means Australian dollars.

**Board** means the board of directors of the Company.

**Capital Raising** means the Placement, as described in section 5.5.

**Closely Related Party** or **CRP** (as defined in the Corporations Act) of a member of the Key Management **Personnel** for an entity means:

- (a) a spouse or child of the member; or
- (a) a child of the member's spouse; or
- (b) a dependant of the member or the member's spouse; or
- (c) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- (d) a company the member controls; or
- (e) a person prescribed by the regulations for the purposes of this paragraph.

**Company** or **HRL** means HRL Holdings Limited ACN 120 896 371.

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the directors of the Company from time to time.

**Explanatory Memorandum** means the explanatory memorandum accompanying this Notice;

**HRL Shares** means fully paid ordinary shares in the Company from time to time.

**Key Management Personnel** has the definition given in the accounting standards as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of that entity.

**Listing Rules** means the official listing rules of the ASX as amended from time to time.

**Meeting** means the Annual General Meeting to be held on 23 November 2017 as convened by the accompanying Notice of Meeting.

**Notice of Meeting** or **Notice** means the notice of meeting giving notice to Shareholders of the Meeting, accompanying this Explanatory Memorandum.

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**NZD** means New Zealand dollars.

**Ordinary Resolution** means a resolution passed by more than 50% of the votes at a general meeting of shareholders.

**Placement** means the issue of the Placement Shares to the Placement Recipients.

**Placement Recipients** means those sophisticated investors who will receive Placement Shares under the terms of the Placement.

**Placement Shares** means 176,500,000 fully paid shares in the Company to be issued at \$0.085 each.

**Resolution** means a resolution set out in the Notice of Meeting.

**Share Consideration** means the Shares to be issued to the Analytica Vendors pursuant to the SSA at an issue price of \$0.085 each.

**Shareholders** means a holder of HRL Shares in the Company.

**Shares** means ordinary fully paid shares in the issued capital of the Company.

**SPP** means the share purchase plan intended to be undertaken by the Company in accordance with ASIC Class Order 09/425 to raise up to a maximum of \$1,000,000.

**SSA** means the Share Sale Agreement dated 16 October 2017 between the Company, and the Analytica Vendors for the acquisition of the total issued capital in Analytica Laboratories Limited from the Analytica Vendors by the Company.

**Subsidiaries** has the meaning given to that term in the Corporations Act.

**Voluntary Restriction Deed** means a voluntary restriction deed in respect of the Total Share Consideration and entered into with the New Shareholders pursuant to the SSA.

A reference in the Notice of Meeting and the Explanatory Memorandum to '\$' is to AUD unless otherwise specified.

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## Voting entitlement

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7pm on Tuesday 21 November 2017. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

*Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Paul Marshall (Company Secretary):*

GPO Box 216  
Brisbane QLD 4001  
Telephone: 07 3212 9213  
Email: pmarshall@hrlholdings.com

# Explanatory Memorandum

## Schedule 1

### Assets, equity, annual profit

Particulars	Prior to Proposed Transaction <sup>1</sup>	Effect of Proposed Transaction	Post Proposed Transaction Analysis <sup>2</sup>	Percentage Change due to Proposed Transaction
Total Consolidated Assets	\$18,830,508	+ \$22,807,203	\$41,637,711	121%
Total Equity <sup>3</sup>	\$15,111,992	+ \$20,487,278	\$35,599,270	136%
Revenue	\$13,646,447	+ \$8,710,053	\$22,356,500	64%
Profit (before tax and extraordinary items)	\$1,072,523	+ \$1,932,584	\$3,005,107	180%
Total No. of Shares	244,186,406	+250,356,209 <sup>3</sup>	494,542,615 <sup>4</sup>	103%
Total No of Performance Shares	3,088,667	-	3,088,667	0%
Total No. of options	4,800,000	-	4,800,000	0%

<sup>1</sup> Position of Company based on audited accounts as at 30 June 2017

<sup>2</sup> Pro forma

<sup>3</sup> Assumes an exchange rate of NZD\$1.08 to AUD\$1

<sup>4</sup> Assumes Placement and SPP are fully subscribed and no other shares are issued by the Company

# Explanatory Memorandum

## Schedule 2

Figures including Analytica Transaction, Placement and full subscription under SPP <sup>5</sup>								
	Current Shares		Placement		Placement and SPP		Placement, SPP and Analytica Transaction	
	Ordinary Shares	%	Ordinary Shares	%	Ordinary Shares	%	Ordinary Shares	%
<b>Existing Shareholders</b>	244,186,406	100%	244,186,406	58.04%	255,951,112	59.19%	255,951,112	51.76%
<b>Placement Recipients</b>	-	-	176,500,000	41.96%	176,500,000	40.81%	176,500,000	35.69%
<b>Analytica Vendors<sup>6</sup></b>	-	-	-	-	-	-	62,091,503	12.55%
<b>Total</b>	244,186,406	100%	420,686,406	100%	432,451,112	100%	494,542,615	100%

<sup>5</sup> Assumes no other shares are issued by the Company

<sup>6</sup> Assumes an exchange rate of NZD\$1.08 to AUD\$1.

# Explanatory Memorandum

## Schedule 3 Historical and Pro-forma Financial Information

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### 1.1 Introduction

This Section sets out the historical and pro-forma financial information. The basis for preparation and presentation of this information is also set out below.

The historical and pro-forma financial information has been prepared in accordance with the recognition and measurement criteria of Australian Accounting Standards and the accounting policies adopted are consistent with the policies adopted and as described in the Company's financial statements for the year ended 30 June 2017.

The historical and pro-forma financial information comprises financial information of the Company, and Analytica (the **Combined Group**). The historical and pro-forma financial information is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

### 1.2 Historical Financial Information

The historical financial information HRL and Analytica set out below comprises:

- The audited consolidated Balance Sheet as at 30 June 2017 of HRL;
- The unaudited proforma consolidated Income Statement for the 12 months ended 30 June 2017 of HRL;
- The unaudited Balance Sheet as at 30 June 2017 of Analytica;
- The unaudited Income Statement for the for the 12 months ended 30 June 2017 of Analytica;

The historical financial information does not include a Statement of Cash Flows.

### 1.3 Pro-Forma Financial Information

The pro-forma financial information for HRL set out below comprises:

- The unaudited amalgamated pro-forma Income Statement for HRL and Analytica for the 12 months ending 30 June 2017.
- The unaudited Pro-Forma Balance Sheet as at 30 June 2017 of the Combined Entity showing the impact of the proposed capital issue and the effects of the acquisition.



# Explanatory Memorandum

## 1.4 Combined Income Statements

### Combined Pro-Forma Income Statement For the 12 months ended 30 June 2017

		A	B	C = A + B
	Notes	HRL Holdings \$	Analytica \$	Combined \$
Revenue		21,225,874	8,704,288	29,935,927
Costs and consumables relating to provision of services		(3,171,676)	(1,577,179)	(4,748,855)
Employment and consultancy expenses		(11,691,799)	(3,238,567)	(14,930,366)
Other operating expenses		(3,649,376)	(666,097)	(4,315,473)
Total expenses		(18,512,851)	(5,481,843)	(23,994,694)
<b>Operating EBITDA</b>		<b>2,713,023</b>	<b>3,228,210</b>	<b>5,941,233</b>
Operating depreciation and amortisation expenses		(527,707)	(1,272,653)	(1,800,360)
Finance costs		(111,266)	(22,973)	(134,239)
<b>Operating profit before tax</b>		<b>2,074,050</b>	<b>1,932,584</b>	<b>4,006,634</b>
<i>Non-operating items</i>				
Amortisation of intangible assets arising from acquisitions	1	(1,091,469)	-	(1,091,469)
Management performance shares and advisor options	1	(203,636)	-	(203,636)
Earnout Payments	1	(62,500)	-	(62,500)
Acquisition costs	1	(86,633)	-	(86,633)
Geothermal costs	1	(16,885)	-	(16,885)
Profit/(loss) before income tax		612,927	1,932,584	2,545,511
Income tax expense		(222,307)	(545,617)	(767,924)
<b>Profit after income tax</b>		<b>390,620</b>	<b>1,386,967</b>	<b>1,777,587</b>

### Notes to the Table of Combined Pro-forma Income Statement

This pro-forma income statement is prepared on the basis of:

#### Column A

The unaudited proforma consolidated Income Statement for the 12 months ended 30 June 2017 of HRL. These figures include the full 12 months results for Morrison Geotechnic (acquired 31 March 2017) and OCTFOLIO (acquired 14 April 2017).

#### Column B

The unaudited income statement for Analytica for the 12 months ended 30 June 2017.

# Explanatory Memorandum

## **Note 1**

In the opinion of the Directors, the following non-operating adjustments are considered to be non-cash and/or non-recurring in nature.

### Amortisation of intangible assets arising from acquisitions

The excess purchase price over the value of the tangible assets acquired during the acquisitions of Precise Consulting and Laboratory, AAC Environmental, RJL & Associates, Morrison Geotechnic and OCTFOLIO has been allocated against specific identifiable intangible assets.

These intangible assets are being amortised over a 2 – 5 year period.

### Management performance shares and advisor options

In August 2016 HRL introduced a long term incentive plan for key management. The plan will focus on long term shareholder wealth creation and retention of key personnel. The value of these performance shares is being recognized as an expense in the income statement over the 3 year vesting period.

In June 2017 HRL issued options to its capital advisors Canaccord Genuity (Australia) for ongoing capital markets advice and services. The value of these options has been recognized in full as an expense in the FY2017 income statement.

### Provision arising on estimate of earn-out

The vendors of Morrison Geotechnic have the opportunity to receive and earn-out payment if certain profit targets are met. Payment of the earn-out consideration is contingent on ongoing service of certain key staff, with the earn-out reduced proportionally if employment is terminated prior to the minimum service period.

### Acquisition related expenses

Acquisition related expenses relate to third party supplier costs that related to the acquisition of Morrison Geotechnic and OCTFOLIO.

### Geothermal costs

On 29 June 2017 entered into an agreement to transfer its interest in Geothermal Exploration Permit 8 to a third party. HRL has also informed the Victorian Government that it would relinquish Geothermal Exploration Permit 6. As a result of these events HRL will no longer have any ongoing costs in relation to the geothermal permits.

# Explanatory Memorandum

## 1.5 Pro-forma Combined Balance Sheet

The Pro-Forma Balance Sheet have been derived from the audited HRL Balance Sheet as at 30 June adjusted for the following transactions as if they had occurred at 30 June 2017 (pro-forma transactions):

- (a) the issue of approximately 62,091,503 Shares to the vendors of Analytica at the price of \$0.085 per Share as part consideration of the purchase price.
- (b) Assumes at exchange rate of \$1.08 NZD:AUD.
- (c) the issue of approximately 176,500,000 Shares via the Placement at a price of \$0.085 per Share to raise approximately \$15,002,500 cash before expenses. All ordinary shares will be issued as fully paid.
- (d) the issue of approximately 11,764,706 Shares via the Share Purchase Plan at a price of \$0.085 per Share to raise \$1,000,000 cash before expenses. All ordinary shares will be issued as fully paid.
- (e) total costs expected to be incurred in connection with the capital raisings of approximately \$990,000;
- (f) total costs expected to be incurred in connection with the acquisition of Analytica of approximately \$100,000; and
- (g) the effects of the Analytica acquisition as described in Section 6.6.

# Explanatory Memorandum

## Historical and pro-forma financial information

30 June 2017		HRL Historical Balance Sheet	HRL Capital Issues	Analytica Historical	Pre-acquisition adjustments	Impact of Acquisition	Combined Entity Pro-Forma Balance
	Notes	A	B	C	D	E	F
		\$	\$	\$		\$	\$
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	4	728,165	14,912,500	646,469	(395,176)	(12,497,776)	3,394,182
Trade and other receivables		3,418,836	-	1,140,947	-	-	4,559,783
Other current assets		268,161	-	60,646	-	-	328,807
<b>TOTAL CURRENT ASSETS</b>		<b>4,415,162</b>	<b>14,912,500</b>	<b>1,848,062</b>	<b>(395,176)</b>	<b>(12,497,776)</b>	<b>8,282,772</b>
<b>NON-CURRENT ASSETS</b>							
Trade and other receivables		122,619	-	171,760	-	-	294,379
Plant and equipment		1,458,961	-	4,724,937	-	-	6,183,898
Equity accounted investments		-	-	141,612	-	-	141,612
Deferred tax assets	1	1,170,288	297,000	47,953	-	-	1,515,241
Intangibles and Goodwill	3	11,663,478	-	-	-	13,556,331	25,219,809
<b>TOTAL NON-CURRENT ASSETS</b>		<b>14,415,346</b>	<b>297,000.00</b>	<b>5,086,262</b>	<b>-</b>	<b>13,556,331</b>	<b>33,354,939</b>
<b>TOTAL ASSETS</b>		<b>18,830,508</b>	<b>15,209,500</b>	<b>6,934,324</b>	<b>(395,176)</b>	<b>1,058,555</b>	<b>41,637,711</b>
<b>CURRENT LIABILITIES</b>							
Trade and other payables	2	1,308,692	-	1,517,362	(890,898)	-	1,935,156
Short-term provisions		969,172	-	171,261	-	-	1,140,433
Income tax payable		286,605	-	122,200	-	-	408,805
Interest bearing liabilities		615,576	-	-	-	-	615,576
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,180,045</b>	<b>-</b>	<b>1,810,823</b>	<b>(890,898)</b>	<b>-</b>	<b>4,099,970</b>
<b>NON-CURRENT LIABILITIES</b>							
Deferred tax liabilities	3	77,654	-	-	-	1,400,000	1,477,654
Long-term provisions		240,044	-	-	-	-	240,044
Interest bearing liabilities	2	220,773	-	395,176	(395,176)	-	220,773
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>538,471</b>	<b>-</b>	<b>395,176</b>	<b>(395,176)</b>	<b>1,400,000</b>	<b>1,938,471</b>
<b>TOTAL LIABILITIES</b>		<b>3,718,516</b>	<b>-</b>	<b>2,206,000</b>	<b>(1,286,075)</b>	<b>1,400,000</b>	<b>6,038,441</b>
<b>NET ASSETS</b>		<b>15,111,992</b>	<b>15,209,500</b>	<b>4,728,324</b>	<b>890,898</b>	<b>(341,445)</b>	<b>35,599,270</b>
<b>EQUITY</b>							
Contribution Equity	1	16,349,948	15,309,500	92,593	890,898	4,294,287	36,937,226
Reserves		1,244	-	(20,167)	-	20,167	1,244
Accumulated (losses)/profits		(1,239,200)	(100,000)	4,655,899	-	(4,655,899)	(1,339,200)
<b>TOTAL EQUITY</b>		<b>15,111,992</b>	<b>15,209,500</b>	<b>4,728,324</b>	<b>890,898</b>	<b>(341,445)</b>	<b>35,599,270</b>

# Explanatory Memorandum

## 1.6 Notes to the Pro-forma Combined Balance Sheet

### Note 1

Assumes the issue of approximately 62,091,503 Shares to the vendors of Analytica at the price of \$0.085 per Share as part consideration of the purchase price, at an exchange rate of \$1.08 NZD:AUD.

Assumes the issue of 176,500,000 Shares via the Placement at a price of \$0.085 per Share to raise approximately \$15,002,500 cash before expenses.

Assumes the issue of approximately 11,764,706 Shares via the Share Purchase Plan at a price of \$0.085 per Share to raise \$1,000,000 cash before expenses.

Total costs expected to be incurred in connection with the capital raisings of approximately \$990,000 and associated tax credits of \$297,000;

### Reconciliation of movements in HRL's pro-forma contributed equity

	Number of shares	Contributed equity
	#	\$
HRL reviewed Balance Sheet 30 June 2017 (A)	244,186,406	16,349,948
Issue of shares to Analytica vendors (E)	62,091,503	5,277,778
Issue of shares via the Placement (B)	176,500,000	15,002,500
Issue of shares via the Share Purchase Plan (B)	11,764,706	1,000,000
Total costs expected to be incurred in connection with the offers (B)	-	(990,000)
Tax credit on capital raising costs (B)	-	297,000
<b>HRL pro-forma Balance Sheet 30 June 2017</b>	<b>494,542,615</b>	<b>36,937,226</b>

### Note 2

Under the terms of the Share Sale Agreement, the vendors of Analytica have agreed that prior to acquisition:

1. Repay or capitalise amounts owing to shareholders of \$890,898. The pro-forma balance sheet assumes this amount has been capitalised into equity;
2. Payout amount remaining bank loans of \$395,176.

### Note 3

Under the terms of the Share Sale Agreement, the vendors of Analytica have the ability to payout pre-acquisition profits to the extent that at least \$350,000 in working capital remains. The pro-forma balance sheet as at 30 June 2017 has been adjusted to reflect such a payout as follows.

	\$
Analytica working capital (after adjustments in note 2 above) as per Balance Sheet 30 June 2017	532,961
Less notional pre-acquisition dividend to vendors	(182,961)
Revised working capital of \$350,000	<u>350,000</u>
Notional pre-acquisition dividend to vendors paid as follows:	
Cash payment	<u>182,961</u>

# Explanatory Memorandum

The proposed acquisition of Analytica represents a business combination under AASB 3 and has been consolidated in the pro-forma balance sheet as follows:

## Pro-forma details of purchase consideration and net assets acquired

	<b>\$</b>
Upfront purchase consideration – cash (NZD \$13,300,000 at \$1.08 NZD:AUD)	12,314,815
Upfront purchase consideration – HRL shares (NZD \$5,700,000 at \$1.08 NZD:AUD)	5,277,778
Estimated contingent consideration <sup>1</sup>	-
<b>Total consideration</b>	<b>17,592,593</b>
Fair value of net assets acquired <sup>2</sup>	5,436,262
	<hr/>
<b>Purchase price excess attributed to identifiable intangible assets and goodwill</b>	<b>12,156,331</b>
Recognition of deferred tax liabilities arising from recognition of identifiable intangible assets <sup>3</sup>	1,400,000
<b>Total identifiable intangible assets and goodwill recognised on acquisition</b>	<b>8,556,331</b>

<sup>1</sup> Contingent consideration is subject to Analytica achieving certain profit targets in the 12 months after acquisition and the 3 key vendors completing 2 years of service after acquisition. As the earn-out consideration is contingent on key vendor's ongoing service, the principles and guidance as set out in AASB 3 require that any earn-out consideration be expensed as an employment cost in the relevant period the service was provided. Consequently, there is no impact on the 30 June 2017 pro-forma combined balance sheet.

<sup>2</sup> Assumed to be equivalent to the recorded values in Analytica's balance sheet. HRL will undertake a formal fair value assessment of Analytica's assets and liabilities on acquisition date.

<sup>3</sup> Identifiable intangible assets have an assumed value of AUD \$5,000,000. HRL will engage a third-party expert to perform a formal purchase price allocation process on acquisition date.

## Note 4

### Reconciliation of movements in pro-forma cash and cash equivalents

	<b>Cash and cash equivalents</b>
	<b>\$</b>
HRL Balance Sheet 30 June 2017 (A)	728,165
Issue of shares pursuant to the placement and share purchase plan (B)	16,002,500
Total costs expected to be incurred in connection with the capital raise (B)	(990,000)
Costs expected to be incurred in connection with the acquisition (B)	(100,000)
Analytica Balance Sheet 30 June 2017 (C)	646,469
Analytica repayment of bank loans (D)	(395,176)
Pre-acquisition dividend to be paid to Analytica vendors (E)	(182,961)
Upfront purchase price paid to Analytica vendors (E)	(12,314,815)
<b>Pro-forma Balance Sheet 30 June 2017 (F)</b>	<b>3,394,182</b>

# Explanatory Memorandum

## Schedule 4 - Forecast Financial Information

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### 1.1 Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared by the Company based on an assessment of present economic and operating conditions and on a number of assumptions, including the general assumptions set out in Section 1.4 and the Directors' best estimate specific assumptions set out in Section 1.5.

The Directors have prepared the Forecast Financial Information with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparation. However, this information is not fact and investors are cautioned to not place undue reliance on the Forecast Financial Information. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

Shareholders and investors reading the Notice of Meeting Explanatory Memorandum should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on the Company's actual financial performance or financial position.

Shareholders and investors are advised to review the assumptions set out in Sections 1.4 and 1.5 in conjunction with the risk factors set out in Sections 1.6 and 1.7 and other information set out in this Notice of Meeting and Explanatory Memorandum.

The Pro forma Forecast Income Statements reflect the full year effect of the operating and equity structure that will be in place on Completion of the Analytica acquisition and capital raisings, and include a full 12 months' trading of Analytica.

### 1.2 Pro-Forma Forecast Income Statement

The pro-forma financial information for HRL set out below comprises:

- The forecast financial information for HRL for the 12 months ending 30 June 2018.
- The forecast financial information for Analytica for the 12 months ending 30 June 2018.
- The expected financial impact of acquisition costs arising from the Analytica transaction assuming the transaction had occurred on 1 July 2017.

The aggregation of the forecast income statements represents a full year forecast financial results of the combined HRL Group.

# Explanatory Memorandum

## 1.3 Pro-Forma Forecast Income Statements

<b>Combined Pro-Forma Income Statement For the 12 months ended 30 June 2018</b>		<b>A</b>	<b>B</b>	<b>C = A + B</b>
	<b>Notes</b>	<b>HRL Holdings \$</b>	<b>Analytica \$</b>	<b>Combined \$</b>
Revenues		22,260,220	10,956,190	33,216,410
Costs and consumables relating to provision of services		(2,720,100)	(1,757,524)	(4,477,624)
Employment and consultancy expenses		(12,306,636)	(4,240,666)	(16,547,303)
Other operating expenses		(3,985,706)	(944,516)	(4,930,222)
Total expenses		(19,012,442)	(6,942,706)	(25,955,148)
<b>Operating EBITDA</b>		<b>3,247,779</b>	<b>4,013,484</b>	<b>7,261,262</b>
Operating depreciation and amortisation expenses		(695,432)	(1,494,663)	(2,190,095)
Finance costs		(69,239)	-	(69,239)
<b>Operating profit before tax</b>		<b>2,483,107</b>	<b>2,518,821</b>	<b>5,001,928</b>
<i>Non-operating items</i>				
Amortisation of intangible assets arising from acquisitions	1	(959,176)	(1,250,000) <sup>A</sup>	(2,209,176)
Management performance shares	2	(76,806)	-	(76,806)
Provisions for Earnout Payments	3	(250,000)	(3,469,023) <sup>B</sup>	(4,108,633)
Acquisition costs - Analytica	4	-	(100,000)	(100,000)
Profit/(loss) before income tax		1,197,125	(2,300,202)	(1,492,688)
Income tax (expense) / benefit		(339,401)	355,270	15,869
<b>Profit/(loss) after income tax</b>		<b>857,724</b>	<b>(1,944,932)</b>	<b>(1,087,208)</b>

### Important Information on Key Non-Operating items arising from the Analytica Transaction

The above pro-forma forecast income statements has been prepared on the assumption that the Analytica acquisition occurred on 1 July 2017 in order to demonstrate the full year forecast financial results of the combined HRL Group. Certain one-off non-operating transactions arise as a result of the acquisition:

#### A Amortisation of intangible assets

HRL has estimated that the allocation of the Analytica purchase price will result in identifiable intangible assets with an assumed value of \$5,000,000. HRL has assumed that these identifiable intangible assets will provide an equal economic benefit over a 4-year period, resulting in an annual amortisation expense of \$1,250,000.

HRL will engage a third-party expert to perform a formal purchase price allocation process on acquisition date. This process may result in a higher or lower value attributed these intangible assets and/or a different amortisation period. These changes would result in a different amortisation amount.



# Explanatory Memorandum

## B Provision for Analytica Earn Out

Under the share sale agreement, the Analytica Vendors have the ability to earn up to NZD \$11,000,000 cash earn-out, based on financial performance of Analytica and tenure of the Analytica Vendors.

The earn-out consideration payable to the Analytica Vendors is based on the Analytica business achieving a target EBITDA for the 12 months after settlement. The Analytica Vendors will receive a 6.0x multiple on each NZD \$1 of EBITDA greater than NZD \$3,000,000, up to a maximum earn-out consideration of NZD \$11,000,000.

Payment of the earn-out consideration is also contingent on the vendors' continuing service with Analytica. The Analytica Vendors will remain employed with Analytica for a minimum period of two years after acquisition. In the event where the Analytica Vendors' employment is terminated prior to completing one year of service, no earn-out consideration is payable. If the Analytica Vendors' employment is terminated after one year but before the minimum two-year period, the earn-out consideration will be reduced proportionately to the length of time not employed. The service condition applies individually to each Analytica Vendor.

As the earn-out consideration is contingent on key Analytica Vendor's ongoing service, the principles and guidance as set out in AASB 3 require that any earn-out consideration be expensed as an employment cost in the relevant period the service was provided.

As the above pro-forma forecast income statements is prepared on basis that the Analytica Transaction occurs 1 July 2017, the Analytica earnout expense has been calculated over the same period. That is, the earn-out is calculated on the Analytica forecast EBITDA for the period 1 July 2017 to 30 June 2018:

	\$
Analytica forecast EBITDA for the 12 months ended 30 June 2018 (AUD)	4,013,484
Minimum EBITDA target rate (AUD equivalent of NZD \$3,000,000)*	<u>(2,857,143)</u>
Excess EBITDA	1,156,341
Earn-out multiple	<u>6.0x</u>
Earn-out consideration	6,938,046
% of service condition met (12 of 24 months served)	50%
Earn-out expense recognised in the income statement	<b>3,469,023</b>

\* FX rate applied NZD:AUD 1.05

The Analytica Transaction is expected to settle on 30 November 2017, therefore the actual earn-out period will be 1 December 2017 to 30 November 2018. Given the growth in Analytica's new service lines (in particular environmental and food origin testing) HRL expects the actual earn-out achieved will be higher than the amount calculated above.

# Explanatory Memorandum

## Notes to the Table of Amalgamated Pro-forma Income Statement

In the opinion of the Directors, the following non-operating adjustments are considered to be non-recurring in nature.

### Note 1

#### Amortisation of intangible assets arising from acquisitions

The excess purchase price over the value of the tangible assets acquired during the acquisitions of Precise Consulting and Laboratory, AAC Environmental, RJL & Associates, Morrison Geotechnic, OCTFOLIO and forthcoming Analytica transaction has been allocated against specific identifiable intangible assets.

These intangible assets are being amortised over a 2 – 5 year period.

#### Management performance shares

In August 2016 HRL introduced a long term incentive plan for key management. The plan will focus on long term shareholder wealth creation and retention of key personnel. The value of these performance shares is being recognized as an expense in the income statement over the 3-year vesting period.

#### Provision arising on estimate of earn-out

The vendors of Morrison Geotechnic and Analytica have the opportunity to receive and earn-out payment if certain profit targets are met. Payment of the earn-out consideration is contingent on ongoing service of certain key staff, with the earn-out reduced proportionally if employment is terminated prior to the minimum service period.

#### Acquisition related expenses

Acquisition related expenses are the estimated third party supplier costs for the acquisition of Analytica.

### 1.4 General Assumptions

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

- (a) there are no material changes in the competitive and operating environment in which HRL operates;
- (b) there are no significant deviations from current market expectations of economic and market conditions under which HRL operates;
- (c) there are no material changes in government legislation, tax legislation, regulatory requirements or government policy that will have a material impact on the financial performance, cashflows or financial position of HRL;
- (d) there are no material changes to the AUD/NZD exchange rate, currently based on an average of \$1AUD = \$NZD 1.05 for FY2018;
- (e) there are no changes in applicable AASB, IFRS, other mandatory professional reporting requirements or the Corporations Act which could have a material impact on HRL's reported financial performance, cashflows or financial position.
- (f) there are no material employee relations disputes or other disturbances, contingent liabilities or legal claims that arise or that are settled to the detriment of HRL;

# Explanatory Memorandum

- (g) there are no material changes in key personnel, including key management personnel. It is also assumed that HRL will maintain its ability to recruit and retain the personnel required to support future growth;
- (h) there are no material changes to HRL's corporate and funding structure;
- (i) there are no significant disruptions to the continuity of operations of the Company or other material changes in the business; there are no material amendments to any material contract, agreement or arrangement relating to the Company's business or intellectual property;
- (j) none of the risks listed in Sections 1.6 and 1.7 has a material adverse impact on the operations of the Company.

## 1.5 Specific material assumptions affecting the Forecast Financial Information

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

### Revenue

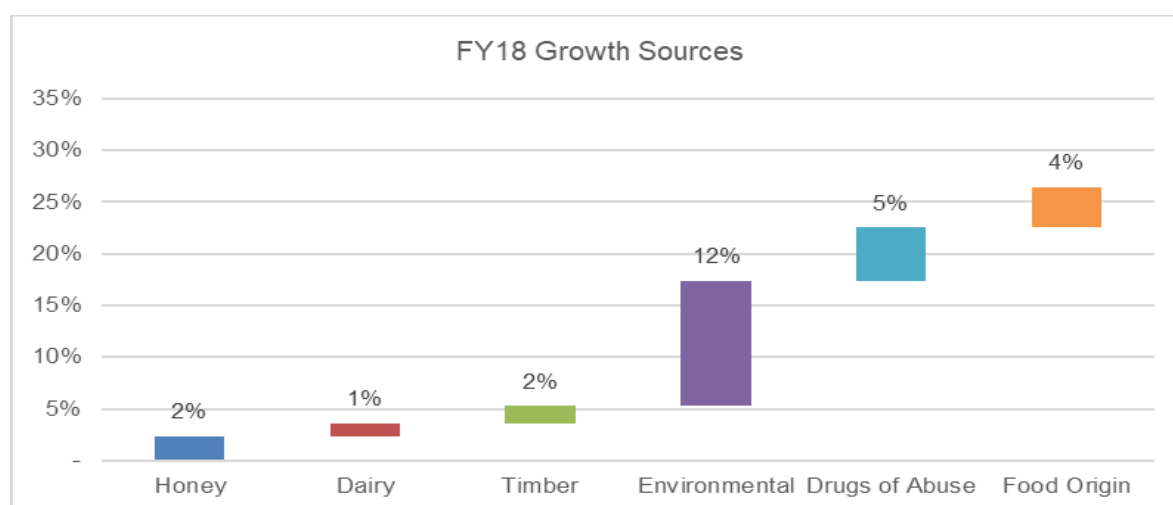
FY2018 forecast revenues have been based on prior period revenues volumes adjusted for expected market movements, market share growth and specific items identified by management on a branch by branch basis and at a service line level.

Adjustments have been made to the forecast revenue at each branch having regard to the pipeline of upcoming projects and opportunities.

Total pro forma revenue is forecast to increase by 5% for HRL and 26% for Analytica in FY2018.

HRL revenues is largely forecast to remain consistent with FY2017 with gains expected to be realised from improved trading conditions in New Zealand, the recently launched Auckland laboratory services, and the 2 new service lines due to be launched in Queensland in the second half of FY2018.

Analytica revenues are expected to grow strongly with the sources of growth outlined below:



# Explanatory Memorandum

Analytica's traditional services lines (honey, dairy and timber) growth assumptions have been based on market growth forecast provided by the Ministry of Primary Industries.

Environmental testing growth assumptions are based on Analytica management's short-term market share target, indicative testing volumes from customers and results achieved over the last 6 months. Environmental testing is a relatively new service line for Analytica and growth is coming off a low starting base.

Drugs of Abuse growth assumptions have been based off increasing demand from methamphetamine screening clients and extra work forecast resulting from changes in New Zealand standards.

Food origin testing growth assumptions have been indicative testing volumes from Analytica key customer.

## **Direct Costs of Sales**

FY2018 forecast direct costs have been based on prior period costs adjusted for expected inflation and other price rises. Direct costs are correlated to related forecast revenue source.

Total pro forma cost of sales is forecast to fall by 14% for HRL and fall 26% for Analytica in FY2018.

HRL cost of sales are expected to fall due to the forecast decrease in outsourced environmental laboratory and other certain costs outsourced to third parties that resulted from specific projects undertaken in FY2017.

Analytica costs of sales is expected to increase by 11% to allow for additional consumables associated with the new environmental testing service.

## **Employment Expenses**

FY2018 forecast employment costs have been based on expected staffing requirements and salaries for FY2018.

Total pro forma employment costs are forecast to increase by 5% for HRL and 31% for Analytica in FY2018.

HRL employment costs are forecast to increase on account of average salary increases of 3% along with a modest number of new employees recruited.

Analytica employment costs are forecast to increase substantially due to a planned increase in laboratory staff numbers along with salary increases of 3-4% for existing staff.

## **Operating Expenses**

FY2018 forecast operating expenses have been based on prior period costs adjusted for expected inflation and other price rises, along with increases resulting from business expansion.

Total pro forma operating expenses are forecast to increase by 9% for HRL and 42% for Analytica in FY2018.

HRL costs are forecast to increase on account of expected price rises, rental increases, increased business development and additional accreditation costs associated with the planned new services.

Analytica costs are forecast to increase primarily due to an increase in rent arising from Analytica taking on substantially more space within the existing facility.

# Explanatory Memorandum

## Depreciation and Amortisation

FY2018 forecast depreciation and amortisation is based on non-current asset holdings along with forecast capital expenditure.

## Finance costs

FY2018 forecast finance costs are based on current borrowings, expected new finance leases, repayment profiles of existing debt and an interest rate on any new borrowings of 5.50%.

## Income tax

Income tax is based on effective tax rate of 30% and 28%, reflecting the current corporate tax rate in Australia and New Zealand respectively, with an allowance for permanent differences arising from non-deductible expenses.

## 1.6 General Risks

Shares in the Company are speculative because of the nature of the business of the Company. The Company provides environmental, laboratory, geotechnical and software services to industries that are speculative and subject to substantial competition, and as such no assurances can be made that the Company's particular interests or projects will be successful.

A summary of the major general risks are described below:

### (a) Share Market Risk

The market price of listed securities can be expected to rise and fall in accordance with general market conditions. Shares carry no guarantee in respect of profitability, dividends, return on capital, or the price at which they may trade on the ASX.

There are a number of factors (both national and international) that may affect the share market price and neither the Company nor its Directors have control of those factors.

### (b) General Economic Conditions

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that economic climate include the general level of economic activity, interest rates, inflation, supply and demand, industrial disruption and other economic factors. These factors are beyond the control of the Company and the Company cannot, with any degree of certainty, predict how they will impact on the Company.

### (c) Share price fluctuations

The market price of the Company's securities will be subject to varied and often unpredictable influences in the share market. Both domestic and world economic conditions may affect the performance of the Company.

### (d) Legislative Change

Changes in government regulations and policies may adversely affect the financial performance or the current and proposed operations generally of the Company.

# Explanatory Memorandum

(e) Management actions

The Directors will, to the best of their knowledge, experience and ability (in conjunction with management) endeavour to anticipate, identify and manage the risks inherent in the activities of the Company, but without assuming any personal liability for same, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of the Company and its securities.

(f) Demand

As the provider of environmental services, HRL's business is influenced by the general state of the sectors it serves. Any downturn or reduction in spending in those sectors may affect the performance of the Company.

(g) Service sector risk

There is substantial competition for the services that HRL (through its operating businesses) provides. If competitors become more effective or numerous and HRL cannot adapt to these changes, HRL's business will be adversely affected.

(h) Taxation

In all places where the Company has operations, in addition to the normal level of income tax imposed on all industries, the Company may be required to pay government royalties, indirect taxes, goods and services tax and other imposts which generally relate to revenue or cash flows. Industry profitability can be affected by changes in government taxation policies.

(i) Unforeseen Expenses

While the Company is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of the Company may be adversely affected.

## 1.7 Risks Specific to the Company

In addition to the general market and economic risks noted in Section 1.6, there are risks specific to an investment in the Company (including Analytica), which may include, but are not limited to those risks described below.

(a) Regulatory risk and government policy - environmental services

The provision of environmental services is affected by both general and industry-specific legal and regulatory controls. Any alteration in these controls will have a corresponding effect on the business of HRL. Any major shift in regulatory policy that cannot be adapted to by HRL will have an impact on the Company's financial performance.

(b) Insurance Risk

The Company maintains insurance within ranges of coverage that the Company believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance, however, can be given that the Company will be able to continue to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.

# Explanatory Memorandum

(c) Environmental risks

The Company's projects are subject to laws and regulations in relation to environmental matters. As a result, there is the risk that the Company may incur liability under these laws and regulations. The Company proposes to comply with applicable laws and regulations and conduct its programs in a responsible manner with regard to the environment

(d) Contractual and joint venture risk

HRL's ability to efficiently conduct its operations in a number of respects depends upon a third party product and service providers and contracts have, in some circumstances, been entered into by HRL and its subsidiaries in this regard. As in any contractual relationship the ability for HRL to ultimately receive benefits from these contracts are dependent upon the relevant third party complying with its contractual obligations.

To the extent that such third parties default in their obligations, it may be necessary for HRL to enforce its rights under any of the contracts and pursue legal action. Such legal action may be costly and no guarantee can be given by HRL that a legal remedy will ultimately be granted on appropriate terms.

The Company may wish to develop its projects or future projects through joint venture arrangements. Any joint ventures entered into by, or interests in joint ventures assigned to the Company, could be affected by the failure or default of any of the joint venture participants. Further, the ability of HRL to achieve its stated objectives will depend on the performance by the counterparties to these contracts of their respective obligation.

(e) Reliance on key personnel

The Company's success is dependent upon the Group's ability to attract and retain key employees, including key management. The loss of key management and other employees and the inability to recruit suitable replacements or additional personnel may adversely affect HRL's future financial performance.

(f) Contractors

The Company is dependent on contractors and suppliers to supply vital services to its operations. The Company is therefore exposed to the possibility of adverse developments in the business environments of its contractors and suppliers. Any disruption to services or supply may have an adverse effect on the financial performance of the Company.

(g) Additional requirements for capital

The Company's capital requirements depend on numerous factors. Any additional equity financing will dilute shareholdings and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations. In addition, the Company's ability to continue as a going concern may be diminished.

There is no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company and such circumstances will adversely affect the Company.

# Explanatory Memorandum

(h) Growth Strategies

The Company has a number of strategies to support future growth and earnings. There is a risk that the implementation of these strategies will be subject to delays or cost overruns and there is no guarantee that these strategies will generate the full benefits anticipated or result in future sales and earnings growth.

(i) Weather

The Company has operations which are impacted by weather events. There is a risk that prolonged adverse weather event could affect the short-term performance of these operations.

(j) Foreign Currency Risk

The Company will transact a significant portion of its business in NZD, which is the currency of New Zealand, and therefore is subject to foreign exchange risk on NZD receivables, trade payables and cash balances. The Company attempts to mitigate these risks by managing its NZD inflows and outflows and maintaining a significant portion of its cash and cash deposits in NZD. No hedging instruments have been used by the Company, however, depending upon the nature and level of future foreign exchange transactions, consideration may be given to the use of hedging instruments. The Company believes that it adequately manages its foreign exchange risk.





**HRL Holdings Limited**  
ACN 120 896 371


## LODGE YOUR VOTE

 **ONLINE**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

 **BY MAIL**  
HRL Holdings Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

 **BY FAX**  
+61 2 9287 0309

 **BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138

 **ALL ENQUIRIES TO**  
Telephone: +61 1300 554 474



**X999999999999**

## PROXY FORM

I/We being a member(s) of HRL Holdings Limited and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

**the Chairman of the Meeting (mark box)**

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

**STEP 1**

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **9:30am on Thursday, 23 November 2017 at HopgoodGanim, Level 7 Waterfront Place, 1 Eagle Street, Brisbane 4000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

**Important for Resolution 1:** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 1, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).


**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

### VOTING DIRECTIONS

**Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an .**

#### Resolutions

	For	Against	Abstain*
1 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Mr John Taylor as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval to issue Shares pursuant to Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of the issue of the Share Consideration to Analytica Vendors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

 \* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)




Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, all shareholders must sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

**STEP 3**

**HRL PRX1702C**



## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, all shareholders must sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **9:30am on Tuesday, 21 November 2017**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



#### BY MAIL

HRL Holdings Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**