

26 April 2021

ASX Market Announcements
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Notice of Extraordinary General Meeting

Freedom Foods Group Limited (ASX:FNP) is pleased to confirm the lodgement and despatch of a Notice of Extraordinary General Meeting (**EGM**) to be held at **10:00am on Tuesday, 25 May 2021**, at which the Company will seek a number of inter-conditional approvals for certain features of the Recapitalisation that was announced on 19 March 2021.

Shareholders may attend the EGM in person at Ashurst, Level 11, 5 Martin Place, Sydney NSW 2000 or online via the following link: <https://agmlive.link/FNP21>.

A copy of the notice and proxy form are attached to this announcement.

ASX waiver decision in relation to issue of Options to Directors and Former Directors

Additionally, the Company hereby notifies it has received a waiver from ASX Listing Rule 10.13.5 to permit the notice of meeting, which contains a resolution to approve the issue of up to 522,621 options with an exercise price of \$0.98 expiring 6 years after the date of issue (**Options**) to Ms Genevieve Gregor, Ms Jane McKellar, Mr Perry Gunner and Mr Trevor Allen (or their nominated entities), to not state the Options will be issued no later than one month after the EGM.

The Options will be issued to these Directors and Former Directors no later than 3 months after the EGM and the terms of waiver will also be disclosed in the prospectus relating to the issue of the Options.

ASX has considered Listing Rule 10.13.5 only and makes no statement as to the Company's compliance with other listing rules.

Investor inquiries:

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This announcement was authorised by the Board of Directors.



MAKING FOOD BETTER



NOTICE OF EXTRAORDINARY GENERAL MEETING AND EXPLANATORY STATEMENT

**YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN
FAVOUR OF THE RESOLUTIONS***

The Independent Expert has concluded that the proposed issue of Shares to Arrovest on conversion of the Notes is NOT FAIR BUT REASONABLE to the non-associated Shareholders. In the absence of a superior alternative proposal emerging, the Independent Expert is of the opinion that the advantages of voting in favour of Resolution 1 outweigh the disadvantages.

IMPORTANT
This is an important document and requires your immediate attention. You should read this document in its entirety before deciding how to vote and, if necessary, consult your professional adviser.

* Except that, where a Director or an associate of that Director is precluded from voting on a Resolution, that Director does not provide any recommendation in relation to that Resolution

IMPORTANT NOTICES

Nature of this document

This Explanatory Statement provides information to assist Shareholders in determining how to vote in respect of the Resolutions relating to the Recapitalisation.

This is an important document and should be read carefully. It comprises part of, and should be read in conjunction with, the Notice of the Meeting of Freedom Foods Group Limited ACN 002 814 235 (the **Company**) to be held in person at 10:00am (Sydney time) on 25 May 2021 at Ashurst, Level 11, 5 Martin Place, Sydney NSW 2000 and via the online meeting link <https://agmlive.link/FNP21>. Further details regarding how to attend and vote at the Meeting are set out in **Annexure E** to this Explanatory Statement.

Shareholders are encouraged to read this Explanatory Statement and the accompanying material in its entirety before making a decision on how to vote on the proposed Resolutions.

Disclaimer

The information in this Explanatory Statement should be read in conjunction with the Company's other periodic and continuous disclosure announcements and other announcements which can be obtained from ASX's website (www.asx.com.au) or from the Company's website (www.ffgl.com.au), including without limitation, the Prospectus lodged by the Company with ASX on 19 March 2021 in relation to the Capital Raising.

In preparing this Explanatory Statement, the Company has not taken into account the investment objectives, financial situation or particular needs of any particular person. Accordingly, before acting on this Explanatory Statement, you may need to obtain independent legal, financial and/or taxation advice that takes your own financial circumstances into account.

ASIC and ASX

A copy of this Explanatory Statement (including the Independent Expert's Report) has been provided to ASX and ASIC.

Neither ASIC nor ASX, nor any of their officers, take any responsibility for the contents of this Explanatory Statement.

Defined terms

A number of terms used in this Explanatory Statement are defined in the glossary in Section 9 of this Explanatory Statement. For the defined terms specific to the Notes and the Note Terms, please refer to Part B of **Annexure B** of this Explanatory Statement.

Responsibility for information

This Explanatory Statement (excluding the Independent Expert's Report) has been prepared by the Company. The Company, its related bodies corporate and their respective directors, officers and advisers do not assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

Grant Thornton Corporate Finance Pty Ltd has provided, and is responsible for, the information contained in its Independent Expert's Report set out in **Annexure A** to this Explanatory Statement. The Independent Expert does not assume any responsibility for the accuracy or completeness of any information in this Explanatory Statement other than that contained in the Independent Expert's Report.

No person has been authorised to give any information or make representations in connection with the Recapitalisation other than the information and representations contained in this Explanatory Statement. Except as expressly stated in this Explanatory Statement, no persons have been authorised to make any representation or warranty, express or implied as to the accuracy or completeness of the Explanatory Statement.

Except as required by law and then only to the extent so required, none of the Company, the Trustee, the Security Trustee, the Note Registrar nor the Paying Agent, nor any of their respective associates warrants or guarantees the future performance of the Company, the Notes or any Shares issued on conversion or redemption of the Notes.

Forward-looking statements

Any forward-looking statements contained in this Explanatory Statement have been based on expectations at the date of preparation of this Explanatory Statement about future events. The forward-looking statements included in this document may generally be identified by use of forward-looking words such as *believe*, *aim*, *expect*, *anticipate*, *intending*, *foreseeing*, *likely*, *should*, *planned*, *may*, *estimate*, *potential* or other similar words. Similarly, statements that describe the Company's objectives, plans, goals or expectations are, or may be, forward looking statements. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual results to differ materially from the expectations. Nothing contained in this Explanatory Statement is, or may be relied on as, a promise or representation as to the accuracy or likelihood of fulfilment of any forward-looking statements, except to the extent required by law. You are therefore cautioned not to place undue reliance on any such forward looking statements.

Subject to any obligations under the Corporations Act or the ASX Listing Rules, the Company does not give any undertaking to update or revise any forward-looking statements after the date of this Explanatory Statement to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

Pro forma financial information

The Explanatory Statement contains pro forma financial information showing the proposed application of the proceeds of the Capital Raising. The pro forma financial information provided is for illustrative purposes only and should not be relied upon as it is not represented as being indicative of the Company's future financial condition and/or performance. The pro forma financial information does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the US Securities and Exchange Commission.

Currency

Unless otherwise stated, a monetary reference in this Explanatory Statement is a reference to the Australian dollar.

Privacy and personal information

The Company may need to collect personal information to conduct the Meeting, implement the Recapitalisation and issue the Notes. This information may include the name, contact details and security holding of Shareholders, and the name of persons appointed by Shareholders to act as proxy, attorney, or in the case of a corporate Shareholder or proxy, as corporate representative at the Meeting. The primary purpose of collecting this personal information is to assist the Company in the conduct of the Meeting, the Recapitalisation, the issue of the Notes and to enable the Recapitalisation and the issue of the Notes to be implemented in the manner described in this Explanatory Statement. Without this information, the Company may be hindered in its ability to carry out these purposes to full effect. The collection of certain personal information is authorised by the Corporations Act.

Personal information may be disclosed to the Share Registry, print and mail service providers, authorised securities brokers and to related entities of the Company.

Shareholders have certain rights to access their personal information that has been collected. Shareholders should contact the Company Secretary in the first instance if they wish to request access to their personal information.

Shareholders who appoint a named person to act as their proxy, attorney, or in the case of a corporate Shareholder or proxy, as their corporate representative

at the Meeting, should ensure that they inform that person of the matters outlined above.

Notice to foreign persons

This document has been prepared to reflect the applicable disclosure requirements of Australia, which may be different from the requirements applicable in other jurisdictions. The financial information included in this document is based on financial statements that have been prepared in accordance with accounting principles and practices generally accepted in Australia, which may differ from generally accepted accounting principles and practices in other jurisdictions.

This Explanatory Statement and the Notice of Meeting do not constitute an offer in any place or country in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Wholesale Investor Offer or the Notes, or otherwise permit an offer of the Notes, in any jurisdiction other than Australia, except that Eligible Investors in New Zealand, Singapore, Hong Kong, United Kingdom and the United States may participate in the Wholesale Investor Offer.

Trustee, Security Trustee, Note Registrar and Paying Agent

Global Loan Agency Services Australia Specialist Activities Pty Limited (ACN 635 992 308):

- (a) has not authorised or caused the issue, submission, dispatch or provision of this Explanatory Statement and the Notice of Meeting and does not make any statement or purport to make any statement in this Explanatory Statement and the Notice of Meeting;
- (b) nor any of its directors, employees, officers, affiliates, agents, advisors, delegates, attorneys, intermediaries or related body corporate (each a **related person**) assume any responsibility for the accuracy or completeness of any information contained in this Explanatory Statement and the Notice of Meeting;
- (c) to the maximum extent permitted by law expressly disclaims all liability in respect of, makes no representation or any statement regarding, and takes no responsibility for, any part of this Explanatory Statement and the Notice of Meeting, or any statements in, or omissions from this, other than the references to its name and the statement(s) and/or report(s) (if any) specified below and included in this Explanatory Statement and the Notice of Meeting with its written consent;
- (d) nor any related person makes any representation as to the truth completeness and accuracy of the contents of this Explanatory Statement and the Notice of Meeting;

- (e) has relied on the Company for the accuracy and completeness of the contents of this Explanatory Statement and the Notice of Meeting; and
- (f) nor any related person makes any representation or warranty as to the performance of the Notes or the payment of interest, Conversion or Redemption of the Notes.

Rounding

A number of figures, amounts, percentages, estimates, calculations of values and fractions in this Explanatory Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Explanatory Statement.

Timetable and dates

All times and dates relating to the implementation of the Recapitalisation referred to in this Explanatory Statement may change and, among other things, are subject to all necessary approvals from regulatory authorities.

Further information

Instructions for attending and voting at the Meeting are set out in **Annexure E** of this Explanatory Statement.

If after reading this Explanatory Statement and Notice of Meeting you have any questions about the Recapitalisation, the Resolutions or how to vote at the Meeting, please call 1300 912 776 from within Australia, or +61 1300 912 776 outside of Australia.

Date

This Explanatory Statement is dated 26 April 2021.

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CHAIR'S LETTER

26 April 2021

Dear Shareholder

On 19 March 2021, Freedom Foods Group Limited (**Freedom Foods Group** or the **Company**) announced it had entered into binding agreements with its majority shareholder, Arrovest, and its senior financiers, NAB and HSBC (**Senior Financiers**), to recapitalise the business and restructure the Company's remaining senior debt facilities (**Recapitalisation**).

On behalf of the Board of Freedom Foods Group, I invite you to attend the Extraordinary General Meeting of the Company to be held in person at Ashurst, Level 11, 5 Martin Place, Sydney NSW 2000 and via the Company's online meeting platform at <https://agmlive.link/FNP21> at 10:00am on 25 May 2021 (**Meeting**) to consider and vote on, among other things, resolutions relating to the Recapitalisation.

Overview of the Recapitalisation

The Company is currently in the process of undertaking a capital raising to raise up to \$265 million by way of the issue of unlisted, subordinated secured convertible notes (**Notes**) (**Capital Raising**). The Capital Raising comprises:

- an offer of up to \$130 million of Notes to Eligible Investors (**Wholesale Investor Offer**); and
- a placement of up to \$200 million of Notes to Arrovest subject to the Company having the ability to scale back Arrovest's investment to a minimum of \$135 million depending on the level of participation under the Wholesale Investor Offer.

The Wholesale Investor Offer is expected to close on 7 May 2021, with Financial Close and issuance of the Notes to occur following the Meeting on 27 May 2021. A detailed summary of the Capital Raising is set out in a prospectus lodged by the Company on 19 March 2021.

Depending on the level of participation under the Wholesale Investor Offer, the Company has agreed to apply between \$183 million and \$233 million from the proceeds of the Capital Raising towards repayment of its existing senior term, revolving debt and subordinated facility. The balance of proceeds will provide working capital for general corporate purposes and pay for fees and expenses associated with the Recapitalisation.

In addition, the Company will on completion of the Capital Raising enter into a new 2-year, \$36 million senior secured revolver facility with its Senior Financiers and a 2-year term debt facility of up to \$50 million, depending on the total proceeds raised under the Capital Raising. The Company's existing equipment financing facilities and its existing debtor financing facilities with HSBC will remain in place on substantially the same terms.

Proposed issuance of Options to shareholders on the register as at 7:00pm, 23 May 2021

Subject to Shareholders approving the Resolutions proposed at the Meeting, the Company intends to offer up to approximately 40.8 million Options to acquire Shares on a pro-rata basis to the Company's Shareholders (being, Shareholders with a registered address in Australia and New Zealand other than Arrovest) who are registered as at 7:00pm on 23 May 2021¹ to raise up to a maximum of \$40 million.

Purpose of the Recapitalisation and purpose of proposed issue of Options

The Recapitalisation is an important step in the operational and financial turnaround of Freedom Foods Group, which has been underway since last year. The Company's first-half FY21 financial results demonstrate that the Company has made a good start on its turnaround. The Board and management believe the Recapitalisation will enable the Company to continue that progress and restore Freedom Foods Group to sustainable and profitable long-term growth.

The Board strongly believes in the commercial rationale and benefits of the Recapitalisation, and considers that the issue of Notes is the preferred capital raising structure for a number of reasons, including that:

¹ Being the date on which voting entitlements in respect of the Shareholder Approvals are determined.

- the Board considers that the Notes are the best option available to attract the necessary funds on terms acceptable to the Company and its Senior Financiers. In coming to this view, the Board has explored a number of more traditional equity raising structures, but the circumstances of the Company have meant that these have not been available to the Company on reasonable terms;
- the Notes provide flexibility for investors to participate in any future equity upside by converting Notes into ordinary Shares (subject to the Resolutions being approved);
- the Notes provide downside protection for the incoming capital provided by investors in the Notes with the benefit of subordinated security over the Company's assets, particularly while the Company undertakes its operational turnaround and defends itself from potentially material legal disputes and class actions; and
- eligible Shareholders (excluding Arrovest) have an ability to participate in the Wholesale Investor Offer on a priority basis.

The Board has sought to implement a recapitalisation structure that provides as many existing Shareholders as possible with the opportunity to invest and participate in any future equity upside. Given not all Shareholders will be eligible to participate in the Notes, the Company is proposing to issue Options to all eligible Shareholders (being, Shareholders with a registered address in Australia and New Zealand other than Arrovest) who are registered as at 7:00pm on 23 May 2021, provided that the Resolutions are approved by Shareholders.

The primary purpose of offering the Options is to provide Shareholders with potential future equity upside in the Company in circumstances where investors in the Capital Raising also have the ability to participate in any future equity upside of the Company upon conversion of their Notes to Shares. However, to better align the interests of Noteholders and Shareholders, the Company will not offer the Options to Shareholders if the Resolutions are not approved, as the Board does not consider it appropriate for Shareholders to benefit from the potential additional equity upside if the Notes are not also capable of being converted to Shares.

Purpose of Meeting and Resolutions

The purpose of the Meeting is for the Company to seek a number of Shareholder approvals in relation to the issuance and conversion of the Notes and the proposed issuance of the Options. In summary, approval is being sought for the following resolutions:

- **Resolution 1:** The issuance of Notes to Arrovest and the ability for Arrovest to convert those Notes into Shares.
- **Resolution 2:** The issuance of Notes under the Wholesale Investor Offer and the ability for the Notes to convert into Shares.
- **Resolutions 3 – 8:** The issuance of Notes to certain Directors and former Directors of the Company who have elected to participate in the Wholesale Investor Offer.
- **Resolutions 9 – 13:** The issuance of Options to Shareholders with a registered address in Australia and New Zealand (other than Arrovest), including certain Directors and former Directors of the Company who hold Shares in the Company.

Further details regarding the Resolutions, the Notes and the Options are set out in Sections 3 to 7 of this Explanatory Statement. Details of the Resolutions that Shareholders are being asked to vote on can also be found in the Notice of Meeting.

Issue of Notes to Arrovest and the Independent Expert's Conclusion

Arrovest is the majority Shareholder of the Company, holding approximately 52.5% of the Shares on issue at the date of this Notice of Meeting. Arrovest has committed to subscribe for up to 200 million Notes under the Placement (subject to a scale back, with a minimum subscription of 135 million Notes, depending upon the extent to which Eligible Investors take up Notes under the Wholesale Investor Offer).

Shareholders should be aware that, if the Placement is approved, but there is no participation in the Wholesale Investor Offer and approval is not obtained to issue the Options, Arrovest's maximum voting power will increase from 52.5% to 80.5%. More detail on the potential dilution effect of the Capital Raising is set out in Section 3.3 of the Explanatory Statement.

The independent Directors have engaged Grant Thornton Corporate Finance Pty Ltd to prepare an Independent Expert's Report stating whether, in its opinion, the issue of Shares to Arrovest upon conversion of the Notes is fair and reasonable to the non-associated Shareholders for the purposes of item 7 of section 611 of the Corporations Act.

The Independent Expert has concluded that the proposed issue of Shares to Arrovest on conversion of the Notes is NOT FAIR BUT REASONABLE to the non-associated Shareholders. In the absence of a superior alternative proposal emerging, the Independent Expert is of the opinion that the advantages of voting in favour of Resolution 1 outweigh the disadvantages.

A complete copy of the Independent Expert's Report is included in **Annexure A** to this Explanatory Statement, and I encourage you to review it in its entirety.

Directors' Recommendations

Each Director recommends that Shareholders **vote in favour** of each Resolution (except that, where a Director or an associate of that Director is precluded from voting on a Resolution, that Director does not provide any recommendation in relation to that Resolution).

Each Director intends to vote in respect of any Shares they hold, or in which they have a Relevant Interest, in favour of each Resolution they are entitled to vote on. Arrovest will not be entitled to vote on Resolution 1 in relation to the proposed issuance and conversion of Notes to be issued to Arrovest under the Capital Raising.

How to vote and reasons to vote FOR the Resolutions

Your vote is important, and I encourage you to vote by completing the Proxy Form accompanying this Notice of Meeting and Explanatory Statement or alternatively by attending the Meeting to be held at 10:00am on 25 May 2021 at Ashurst, Level 11, 5 Martin Place, Sydney NSW 2000 or via the Company's online meeting platform at <https://agmlive.link/FNP21>.

The Board considers that there are a number of compelling reasons to vote **FOR** the Resolutions, including:

- Shareholders who are registered as at 7:00pm on 23 May 2021, with a registered address in Australia and New Zealand (other than Arrovest), will be offered the Options;
- ability for the Notes to convert to Shares will provide the Company with a more certain and flexible capital structure; and
- the Independent Expert has concluded that the proposed issue of Shares to Arrovest on conversion of the Notes is not fair but reasonable to the non-associated Shareholders. In the absence of a superior alternative proposal emerging, the Independent Expert is of the opinion that the advantages of voting in favour of Resolution 1 outweigh the disadvantages.

Further details of the advantages and disadvantages of the Recapitalisation, and the reasons to vote for or against the Resolutions are set out in Section 2 of this Explanatory Statement.

Shareholders should note that even if Shareholders do not approve some or all of the Resolutions, the Company will still proceed with the Recapitalisation and the issuance of the Notes, except that the Options will not be issued, and the Notes will only be capable of being cash-settled until such time as the approvals necessary to enable conversion of the Notes into Shares are obtained.

Further information

This Explanatory Statement includes the Notice of Meeting and the Independent Expert's Report. A Proxy Form accompanies this Explanatory Statement. I encourage you to read this Explanatory Statement carefully and in full, as it contains information to assist you in making an informed decision.

This Explanatory Statement is also available on the ASX website (www.asx.com.au) and on the Company's website (www.ffgl.com.au). Freedom Foods Group's website will also allow you to access other materials that may be relevant to your consideration of the Recapitalisation.

Instructions for attending and voting at the Meeting are set out in **Annexure E** of this Explanatory Statement. If you require any further information, please call the Meeting Information Line on 1300 912 776 (toll free within Australia) or +61 1300 912 776 (toll free and outside Australia) on Business Days between 9.00am and 5.00pm (Sydney time).

On behalf of the Directors and the Company's management team, I look forward to seeing you at the Meeting.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Genevieve Gregor', with a horizontal line underneath.

Genevieve Gregor
Chair & Independent Non-Executive Director

INDICATIVE TIMETABLE FOR RECAPITALISATION AND MEETING

Key dates	Date
Announcement of Capital Raising and lodgement of Prospectus	19 March 2021
Record date for determining priority allocation under Wholesale Investor Offer for Shareholders who are Eligible Investors	19 March 2021
Wholesale Investor Offer opened	29 March 2021
Date of this Notice of Meeting and Explanatory Statement (containing the Independent Expert's Report)	26 April 2021
Wholesale Investor Offer closes	7 May 2021
Finalisation of allocations under Capital Raising	11 May 2021
Record date for determining Shareholder entitlement to participate in offer of Options (Options Record Date)	7:00pm, 23 May 2021
Deadline for lodgement of Proxy Forms with the Share Registry	10:00am, 23 May 2021
Record Date for Extraordinary General Meeting (Meeting Record Date)	10:00am, 23 May 2021
Extraordinary General Meeting	25 May 2021
Announce results of Extraordinary General Meeting	25 May 2021
Financial close of Recapitalisation and issue of Notes under the Capital Raising	27 May 2021
Issuance of Prospectus in relation to offer of Options to Shareholders on the register as at the Options Record Date	mid-June 2021

Dates may change

The key dates are indicative only and may change without notice. Any changes to the above timetable will be announced through ASX. Unless otherwise specified, all dates refer to Sydney time.

KEY STATISTICS

Overview of Capital Raising	
Number of Notes to be issued under the Capital Raising	up to 265 million Notes
Capital Raising proceeds (before costs)	Minimum of \$200 million Maximum of \$265 million
Maximum number of Notes offered under the Wholesale Investor Offer (at \$1.00 per Note)	up to 130 million Notes
Maximum number of Notes to be issued to Arrovest under the Capital Raising (at \$1.00 per Note)	200 million Notes
Minimum number of Notes to be issued to Arrovest under the Capital Raising (at \$1.00 per Note)	135 million Notes

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Shareholders of Freedom Foods Group Limited ACN 002 814 235 will be held at 10:00am on 25 May 2021 at Ashurst, Level 11, 5 Martin Place, Sydney NSW 2000 and online at <https://agmlive.link/FNP21> (**Meeting**).

In light of current travel restrictions and limitations on public gatherings in place at the date of this Notice of Meeting, the board of directors of the Company (**Board**) has decided that the Meeting will be a hybrid meeting held in a physical location and via the Company's online meeting platform at <https://agmlive.link/FNP21>.

The Board encourages Shareholders to monitor the ASX and Company website for updates (if any) after the issue of this Notice of Meeting.

Instructions for attending the Meeting in person and via the online meeting platform are set out in **Annexure E**.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Meeting.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

The purpose of the Meeting is to consider and, if thought fit, to pass the Resolutions set out below in relation to the implementation of the Recapitalisation.

Information on the Resolutions are set out below and in the Explanatory Statement (of which this Notice of Meeting forms a part).

1 Resolution 1 – Approval for the issue and conversion of up to 200 million Notes to Arrovest

To consider and, if thought fit, pass the following ordinary resolution:

“That, subject to and conditional upon the passing of Resolution 2, for the purposes of ASX Listing Rule 10.11, item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for the issue and allotment of up to 200 million Notes to Arrovest, each with a face value of \$1.00 and the issue and allotment of Shares on the conversion of those Notes and the resulting increase in Arrovest's voting power in the Company, on the terms set out in the Explanatory Statement which accompanies this Notice of Meeting.”

Voting Exclusion Statement for Resolution 1:

In accordance with the Corporations Act and ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 1 by or on behalf of:

- Arrovest;
- any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder); and
- any of their respective associates.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

- a Shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (a) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (b) the Shareholder votes on the Resolution in accordance with directions given by the beneficiary to the Shareholder to vote in that way.

Independent Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required for Resolution 1 under item 7 of section 611 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the potential increase in Arrovest's Relevant Interest in the Company upon conversion of the Notes to Shares for non-associated Shareholders.

The Independent Expert has concluded that the proposed issue of Shares to Arrovest on conversion of the Notes is NOT FAIR BUT REASONABLE to the non-associated Shareholders. In the absence of a superior alternative proposal emerging, the Independent Expert is of the opinion that the advantages of voting in favour of Resolution 1 outweigh the disadvantages.

2 **Resolution 2 – Approval for the issue and conversion of up to 130 million Notes in connection with the Wholesale Investor Offer**

To consider and, if thought fit, pass the following ordinary resolution:

"That, subject to and conditional upon the passing of Resolution 1, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the issue and allotment of up to 130 million Notes each with a face value of \$1.00 under the Wholesale Investor Offer and the issue and allotment of Shares on the conversion of those Notes on the terms set out in the Explanatory Statement which accompanies this Notice of Meeting."

Voting Exclusion Statement for Resolution 2:

In accordance with the Corporations Act and ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 2 by or on behalf of:

- any person who has participated in the Wholesale Investor Offer;
- any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder); and
- any of their respective associates.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a Shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (a) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (b) the Shareholder votes on the Resolution in accordance with directions given by the beneficiary to the Shareholder to vote in that way.

3 **Resolution 3 – Approval for the issue and conversion of up to 150,000 Notes to Woolwich Family Pty Limited (ACN 620 404 588) as trustee for the Woolwich Family Trust**

To consider and, if thought fit, pass the following ordinary resolution:

“That, subject to and conditional upon the passing of Resolutions 1 and 2 for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue and allotment of up to 150,000 Notes each with a face value of \$1.00 to Woolwich Family Pty Limited (ACN 620 404 588) as trustee for the Woolwich Family Trust and the issue and allotment of Shares on the conversion of those Notes on the terms set out in the Explanatory Statement which accompanies this Notice of Meeting.”

Voting Exclusion Statement for Resolution 3:

In accordance with the Corporations Act and ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 3 by or on behalf of:

- Ms Genevieve Gregor or Woolwich Family Pty Limited (ACN 620 404 588) as trustee for the Woolwich Family Trust;
- any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder); and
- any of their respective associates.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a Shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (a) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (b) the Shareholder votes on the Resolution in accordance with directions given by the beneficiary to the Shareholder to vote in that way.

4 **Resolution 4 – Approval for the issue and conversion of up to 75,000 Notes to Ms Jane McKellar**

To consider and, if thought fit, pass the following ordinary resolution:

“That, subject to and conditional upon the passing of Resolutions 1 and 2, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue and allotment of up to 75,000 Notes each with a face value of \$1.00 to Ms Jane McKellar and the issue and allotment of Shares on the conversion of those Notes on the terms set out in the Explanatory Statement which accompanies this Notice of Meeting.”

Voting Exclusion Statement for Resolution 4:

In accordance with the Corporations Act and ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 4 by or on behalf of:

- Ms Jane McKellar;
- any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder); and

- any of their respective associates.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a Shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (a) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (b) the Shareholder votes on the Resolution in accordance with directions given by the beneficiary to the Shareholder to vote in that way.

5 **Resolution 5 – Approval for the issue and conversion of up to 25,000 Notes to Karooli Pty Ltd (ACN 002 931 400) as trustee of the TB Bryan Family Trust**

To consider and, if thought fit, pass the following ordinary resolution:

“That, subject to and conditional upon the passing of Resolutions 1 and 2, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue and allotment of up to 25,000 Notes each with a face value of \$1.00 to Karooli Pty Ltd (ACN 002 931 400) as trustee of the TB Bryan Family Trust and the issue and allotment of Shares on the conversion of those Notes on the terms set out in the Explanatory Statement which accompanies this Notice of Meeting.”

Voting Exclusion Statement for Resolution 5:

In accordance with the Corporations Act and ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 5 by or on behalf of:

- Mr Timothy Bryan or Karooli Pty Ltd;
- any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder); and
- any of their respective associates.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a Shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (a) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (b) the Shareholder votes on the Resolution in accordance with directions given by the beneficiary to the Shareholder to vote in that way.

6 Resolution 6 – Approval for the issue and conversion of up to 25,000 Notes to M.A. Clark Pty Ltd (ACN 000 551 351) as trustee of the Chapman Eastway No. 4 Superannuation Fund

To consider and, if thought fit, pass the following ordinary resolution:

“That, subject to and conditional upon the passing of Resolutions 1 and 2, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue and allotment of up to 25,000 Notes each with a face value of \$1.00 to M.A. Clark Pty Ltd (ACN 000 551 351) as trustee of the Chapman Eastway No. 4 Superannuation Fund and the issue and allotment of Shares on the conversion of those Notes on the terms set out in the Explanatory Statement which accompanies this Notice of Meeting.”

Voting Exclusion Statement for Resolution 6:

In accordance with the Corporations Act and ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 6 by or on behalf of:

- Mr Stuart Black AM or M.A. Clark Pty Ltd;
- any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder); and
- any of their respective associates.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a Shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (a) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (b) the Shareholder votes on the Resolution in accordance with directions given by the beneficiary to the Shareholder to vote in that way.

7 Resolution 7 – Approval for the issue and conversion of up to 210,000 Notes to Famtron Pty Limited (ACN 072 696 619)

To consider and, if thought fit, pass the following ordinary resolution:

“That, subject to and conditional upon the passing of Resolutions 1 and 2, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue and allotment of up to 210,000 Notes each with a face value of \$1.00 to Famtron Pty Limited (ACN 072 696 619) and the issue and allotment of Shares on the conversion of those Notes on the terms set out in the Explanatory Statement which accompanies this Notice of Meeting.”

Voting Exclusion Statement for Resolution 7:

In accordance with the Corporations Act and ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 7 by or on behalf of:

- Mr Trevor Allen and Famtron Pty Limited;
- any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder); and
- any of their respective associates.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a Shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (c) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (d) the Shareholder votes on the Resolution in accordance with directions given by the beneficiary to the Shareholder to vote in that way.

8 Resolution 8 – Approval for the issue and conversion of up to 2,268,099 Notes to the Perry Gunner Entities

To consider and, if thought fit, pass the following ordinary resolution:

“That, subject to and conditional upon the passing of Resolutions 1 and 2, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue and allotment of up to 2,268,099 Notes each with a face value of \$1.00 to the following entities:

- (a) 164,139 Notes to Mr Perry Gunner;
- (b) 800,493 Notes to Mr Perry Gunner and Mrs Felicity Gunner as custodians for the Perry Gunner Super Fund;
- (c) 50,539 Notes to Mr Perry Gunner and Mrs Felicity Gunner as custodians for the Perry Gunner Super Fund No 4;
- (d) 252,928 Notes to Gunner Equities Pty Ltd as custodian for Gunner Equity; and
- (e) 1,000,000 Notes to Guwarra Pty Ltd, (together, the **Perry Gunner Entities**),

and the issue and allotment of Shares on the conversion of those Notes on the terms set out in the Explanatory Statement which accompanies this Notice of Meeting.”

Voting Exclusion Statement for Resolution 8:

In accordance with the Corporations Act and ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 8 by or on behalf of:

- Mr Perry Gunner and the Perry Gunner Entities;
- any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder); and
- any of their respective associates.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a Shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (e) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (f) the Shareholder votes on the Resolution in accordance with directions given by the beneficiary to the Shareholder to vote in that way.

9 **Resolution 9 – Approval to grant up to 40,816,326 Options to Shareholders with a registered address in Australia and New Zealand (other than Arrovest)**

To consider and, if thought fit, pass the following ordinary resolution:

“That, subject to and conditional upon the passing of Resolutions 1 and 2, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the issue and allotment of up to 40,816,326 Options to Shareholders with a registered address in Australia and New Zealand (other than Arrovest) and the issue and allotment of Shares on the exercise of those Options on the terms set out in the Explanatory Statement which accompanies this Notice of Meeting.”

Voting Exclusion Statement for Resolution 9:

In accordance with the Corporations Act and ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 9 by or on behalf of:

- any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue of the Options (except a benefit solely by reason of being a Shareholder); and
- any of their respective associates.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a Shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (a) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (b) the Shareholder votes on the Resolution in accordance with directions given by the beneficiary to the Shareholder to vote in that way.

10 **Resolution 10 – Approval to grant up to 7,291 Options to Woolwich Family Pty Limited (ACN 620 404 588) as trustee for the Woolwich Family Trust**

To consider and, if thought fit, pass the following ordinary resolution:

“That, subject to and conditional upon the passing of Resolutions 1, 2 and 9, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue and allotment of up to 7,291 Options to Woolwich Family Pty Limited (ACN 620 404 588) as trustee for the Woolwich Family Trust and the issue and allotment of Shares on the exercise of those

Options on the terms set out in the Explanatory Statement which accompanies this Notice of Meeting.”

Voting Exclusion Statement for Resolution 10:

In accordance with the Corporations Act and ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 10 by or on behalf of:

- Ms Genevieve Gregor or Woolwich Family Pty Limited (ACN 620 404 588) as trustee for the Woolwich Family Trust;
- any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder); and
- any of their respective associates.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a Shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (a) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (b) the Shareholder votes on the Resolution in accordance with directions given by the beneficiary to the Shareholder to vote in that way.

11 Resolution 11 – Approval to grant up to 497 Options to Ms Jane McKellar

To consider and, if thought fit, pass the following ordinary resolution:

“That, subject to and conditional upon the passing of Resolutions 1, 2 and 9, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue and allotment of up to 497 Options to Ms Jane McKellar and the issue and allotment of Shares on the exercise of those Options on the terms set out in the Explanatory Statement which accompanies this Notice of Meeting.”

Voting Exclusion Statement for Resolution 11:

In accordance with the Corporations Act and ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 11 by or on behalf of:

- Ms Jane McKellar;
- any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder); and
- any of their respective associates.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

- a Shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (a) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (b) the Shareholder votes on the Resolution in accordance with directions given by the beneficiary to the Shareholder to vote in that way.

12 **Resolution 12 – Approval to grant up to 52,771 Options to Famtron Pty Limited (ACN 072 696 619)**

To consider and, if thought fit, pass the following ordinary resolution:

“That, subject to and conditional upon the passing of Resolutions 1, 2 and 9, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue and allotment of up to 52,771 Options to Famtron Pty Limited (ACN 072 696 619) and the issue and allotment of Shares on the exercise of those Options on the terms set out in the Explanatory Statement which accompanies this Notice of Meeting.”

Voting Exclusion Statement for Resolution 12:

In accordance with the Corporations Act and ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 12 by or on behalf of:

- Mr Trevor Allen or Famtron Pty Limited;
- any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder); and
- any of their respective associates.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a Shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (a) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (b) the Shareholder votes on the Resolution in accordance with directions given by the beneficiary to the Shareholder to vote in that way.

13 **Resolution 13 – Approval to grant up to 461,702 Options to the Perry Gunner Entities**

To consider and, if thought fit, pass the following ordinary resolution:

“That, subject to and conditional upon the passing of Resolutions 1, 2 and 9, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue and allotment of up to:

- (a) 50,926 Options to Mr Perry Gunner;
- (b) 248,364 Options to Mr Perry Gunner and Mrs Felicity Gunner as custodians for the Perry Gunner Super Fund;

- (c) 15,680 Options to Mr Perry Gunner and Mrs Felicity Gunner as custodians for the Perry Gunner Super Fund No 4;
- (d) 78,474 Options to Gunner Equities Pty Ltd as custodian for Gunner Equity; and
- (e) 68,258 Options to Guwarra Pty Ltd, (together, the **Perry Gunner Entities**),

and the issue and allotment of Shares on the exercise of those Options on the terms set out in the Explanatory Statement which accompanies this Notice of Meeting.”

Voting Exclusion Statement for Resolution 13:

In accordance with the Corporations Act and ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 13 by or on behalf of:

- Mr Perry Gunner or the Perry Gunner Entities;
- any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder); and
- any of their respective associates.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a Shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (a) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (b) the Shareholder votes on the Resolution in accordance with directions given by the beneficiary to the Shareholder to vote in that way.

Dated 26 April 2021



BY ORDER OF THE BOARD

Freedom Foods Group Limited

Justin Coss

Company Secretary

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to assist Shareholders to consider the Resolutions set out in the Notice of Meeting.

This Explanatory Statement forms part of, and should be read in conjunction with, the Notice of Meeting. The Board recommends that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

The Board also recommends that Shareholders read in full the ASX Announcements lodged by the Company on 19 March 2021, including the Prospectus and accompanying Investor Presentation, before making any decisions in relation to the Resolutions.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary contained in this Explanatory Statement.

Instructions for attending and voting at the Meeting are set out in **Annexure E** of this Explanatory Statement.

1 DETAILS OF THE RECAPITALISATION AND CAPITAL RAISING

1.1 Overview of the Recapitalisation

On 19 March 2021, the Company announced it had entered into binding agreements with its majority Shareholder, Arrovest, and its Senior Financiers, NAB and HSBC, to recapitalise the business and restructure the Company's remaining senior debt facilities (**Recapitalisation**).

The Recapitalisation is an important step in the operational and financial turnaround of the Company, which has been underway since last year. As part of that review, and in light of its current financial situation, the Company has determined that it is necessary to undertake the Recapitalisation in order to:

- (f) repay between \$183 million and \$233 million of its existing debt, consistent with the requirements of the Company's Senior Financiers;
- (g) provide a more flexible capital structure that will better facilitate the ongoing financial and operational turnaround of the Company; and
- (h) provide incremental capital to support the Company's turnaround strategy.

The Recapitalisation includes the following key components:

- (a) the Company undertaking the Capital Raising pursuant to the Prospectus to raise a minimum of \$200 million and up to \$265 million by way of the issuance of unlisted, subordinated and secured convertible notes (**Notes**);
- (b) repayment of between \$183 million and \$233 million of its existing debt;
- (c) entry into amendments of the existing senior secured debt facilities, pursuant to which the following facilities will be provided:
 - (i) a new 2-year, \$36 million senior secured revolver facility with NAB and HSBC;
 - (ii) a 2-year term debt facility with NAB and HSBC of up to \$50 million. The final term debt facility limit will be determined once the total proceeds raised under the Capital Raising has been determined;
 - (iii) the Company's existing equipment financing facilities, and its existing debtor financing facilities with HSBC remaining in place on substantially the same terms (but provided that they will be secured over the assets and undertaking of the Company and certain of its subsidiaries); and

- (iv) subject to the Resolutions being approved by Shareholders, the Company intends to offer up to approximately 40.8 million Options to acquire Shares on a pro-rata basis to Shareholders (being, Shareholders with a registered address in Australia and New Zealand other than Arrovest).

The Company is holding this Meeting to seek Shareholder approval for the Resolutions in relation to the Recapitalisation.

1.2 Overview of the Capital Raising

In evaluating the Capital Raising, the Company has carefully considered the Company's future capital structure, liquidity position and cash needs. The Company considers that the Capital Raising will enable the Company to continue the progress it has made to date and restore the Company to sustainable and profitable long-term growth.

The Capital Raising involves an offer of up to \$265 million Notes comprising:

- (a) an invitation to Eligible Investors to participate in an offer of up to \$130 million of Notes (**Wholesale Investor Offer**); and
- (b) a placement of \$200 million of Notes to Arrovest (**Placement**), subject to the Company having the ability to scale back Arrovest's investment to a minimum of \$135 million depending on the level of participation under the Wholesale Investor Offer.

The full \$265 million Capital Raising is not underwritten. However, Arrovest has provided a binding commitment to subscribe for \$200 million of Notes subject to the terms of the Arrovest Commitment Letter. The balance of \$65 million is being raised on a best-efforts basis, with the Wholesale Investor Offer scheduled to close at **5:00pm on 7 May 2021**.

The Board and management consider that the minimum amount of \$200 million to be raised under the Capital Raising (comprising Arrovest's commitment under the Placement) will provide sufficient funding to achieve the Company's Recapitalisation objectives of reducing its senior debt and facilitating the Company's turnaround objectives.

The Board has decided the issue of Notes is the preferred capital raising structure for a number of reasons, including that:

- (a) the Board considers that the Notes are the best option available to attract the necessary funds on terms acceptable to the Company;
- (b) the Notes provide flexibility for investors to participate in any future equity upside by converting Notes into Shares (subject to Shareholders approving the Resolutions);
- (c) the Notes provide downside protection for the incoming capital provided by investors in the notes with the benefit of subordinated security over the Company's assets, particularly while the Company undertakes its operational turnaround and defends itself from material legal disputes and class actions; and
- (d) eligible Shareholders (excluding Arrovest) will have an ability to participate in the Wholesale Investor Offer on a priority basis.

Shareholders should note that even if Shareholders do not approve some or all of the Resolutions, the Company will still proceed with the Recapitalisation and the issuance of the Notes, except that the Options will not be issued, and the Notes will only be capable of being Cash-Settled until such time as the approvals necessary to enable conversion of the Notes to Shares are obtained.

Refer to Section 3.2 below of this Explanatory Statement for further detail regarding the terms of the Notes.

1.3 Purpose and effect of the Capital Raising on the Company

The purpose of the Capital Raising and use of proceeds is to repay the Company's senior secured debt, which was a requirement of its Senior Financiers, with more flexible subordinated

secured debt and increase the liquidity available to the Company to undertake the operational and financial turnaround and pay for fees and expenses associated with the Capital Raising.

The senior debt requires cash payment of interest. The Notes are more flexible and allow the Company to make payment in kind (**PIK**) interest payments. If there is insufficient cash available to pay the Interest on the Notes, the unpaid Interest will be capitalised. The Company is currently operating under a standstill with its Senior Financiers and this Capital Raising and reduction in senior debt will allow those standstill arrangements to end, and the Company to operate under the usual terms of its senior debt.

The proceeds of the Capital Raising will enable the Company to:

- (a) repay between \$183 million and \$233 million of its existing debt, consistent with the requirements of the Company's existing Senior Financiers;
- (b) provide a more flexible capital structure that will better facilitate the ongoing financial and operational turnaround of the Company; and
- (c) provide incremental capital to support the Company's turnaround strategy.

1.4 Sources and uses of funds

It is the current intention of the Board that if only \$200 million is raised under the Capital Raising (based on Arrovest's commitment pursuant to the Arrovest Commitment Letter), the proceeds will be used as follows:

Sources (\$m)		Uses (\$m)	
Placement to Arrovest	\$200 million	Repayment of senior debt	\$126 million
		Repayment of subordinated debt	\$57 million
		Working capital	\$7 million
		Transaction costs	\$10 million
Total sources	\$200 million	Total uses	\$200 million

** A new revolving credit facility of A\$36 million will be made available by the Senior Financiers.*

It is the current intention of the Board that if the Company raises the maximum amount of \$265 million sought under the Capital Raising, the proceeds will be used as follows:

Sources (\$m)		Uses (\$m)	
Capital Raising (including both the Placement and the Wholesale Investor Offer)	\$265 million	Repayment of senior debt	\$176 million
		Repayment of subordinated debt	\$57 million
		Working capital	\$22 million
		Transaction costs	\$10 million
Total sources	\$265 million	Total uses	\$265 million

** A new revolving credit facility of \$36 million AUD will be made available by the Company's Senior Financiers.*

To the extent that the Company raises funds pursuant to the Capital Raising in addition to the \$200 million commitment from Arrovest, the first \$15 million raised above \$200 million will be applied towards the Company's balance sheet for working capital purposes. The balance of any funds raised will be utilised to further repay the Company's term debt to the Senior

Financiers. The Company intends to use the net proceeds received upon the exercise of any Options for working capital purposes subject to their terms and conditions.

1.5 Effect of the Capital Raising on the Company's capital structure

The maximum effect of the Capital Raising (and the maximum number of Shares on conversion of the Notes to Shares) on the capital structure of the Company is set out in the table below.

For the purpose of the following table, it is assumed that:

- (a) up to 265 million Notes are issued under the Capital Raising (being the maximum number of Notes that may be issued under the Capital Raising);
- (b) all of the Notes are converted into Shares;
- (c) all Resolutions in connection with the Notes are passed;
- (d) the Notes are converted to Shares at the Maturity Date and all Interest has been capitalised;
- (e) no Notes are repurchased and/or cancelled prior to the Maturity Date;
- (f) there is no reorganisation, share split, consolidation, bonus-issue, buy-back, merger or other reorganisation event (and, as a result, no adjustment in the Conversion Price is required or made under the Note Terms); and
- (g) no other issues of Shares or securities convertible into Shares take place in the period prior to the Maturity Date.

	Shares	Convertible redeemable preference shares	Notes	Options
Existing securities as at date of this Explanatory Statement	277,109,319	101,130	-	-
New securities issued under Capital Raising	-	-	Up to 265,000,000	-
Options proposed to be issued if Shareholder approval is obtained	-	-	-	40,816,326
Total securities on issue following conversion of maximum Notes to Shares at the Maturity Date (if no Options are exercised)	675,420, 259 (assuming \$200m is raised) 804,871,314 (assuming \$265m is raised)	101,130	-	40,816,326
Total securities on issue following conversion of maximum Notes to Shares at Maturity Date (if all Options are exercised)	716,236,585 (assuming \$200m is raised under the Capital Raising)	101,130	-	-

	845,687,640 (assuming \$265m is raised under the Capital Raising)			
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*Note: Assumes that the Notes are converted at the Maturity Date and any Interest payable on those Notes is capitalised at the PIK Interest rate of 8.5% per annum for the first 30 months, followed by Partial Cash Interest of 5.0% per annum and a PIK Interest rate of 3.5% per annum until the Maturity Date. Also refer to **Annexure C** to this Explanatory Statement which sets out a number of different scenarios that demonstrate the effect of the Capital Raising on the Company's capital structure under those scenarios.*

Shareholders should be aware that, if the Placement is approved, but there is no participation in the Wholesale Investor Offer and approval is not obtained to issue the Options, Arrovest's maximum voting power will increase from 52.5% to 80.5%. More detail on the potential dilution effect of the Capital Raising is set out in Section 3.3 of this Explanatory Statement.

1.6 Independent Expert's Report

The independent Directors have engaged Grant Thornton Corporate Finance Pty Ltd to prepare an Independent Expert's Report stating whether, in its opinion, the issue of Shares to Arrovest upon conversion of the Notes is fair and reasonable to the non-associated Shareholders for the purposes of item 7 of section 611 of the Corporations Act.

The Independent Expert has concluded that the proposed issue of Shares to Arrovest on conversion of the Notes is NOT FAIR BUT REASONABLE to the non-associated Shareholders. In the absence of a superior alternative proposal emerging, the Independent Expert is of the opinion that the advantages of voting in favour of Resolution 1 outweigh the disadvantages.

The Independent Expert's Report is set out in **Annexure A** to this Notice of Meeting and Explanatory Statement.

The Directors encourage Shareholders to read the Independent Expert's Report in full before deciding whether to vote in favour of the Resolutions.

1.7 Summary of Resolutions

The Company is seeking the following approvals from Shareholders to implement the Recapitalisation:

Resolutions in relation to the issuance Notes and/or conversion of Notes to Shares

- (a) **Resolution 1:** seeks Shareholder approval under ASX Listing Rule 10.11 and under item 7 of section 611 of the Corporations Act to permit the issuance of the Notes to Arrovest and to permit Arrovest to convert its Notes to Shares in excess of the 20% threshold under section 606 of the Corporations Act.
- (b) **Resolution 2:** seeks Shareholder approval under ASX Listing Rule 7.1 for the issue and conversion of the Notes under the Wholesale Investor Offer.
- (c) **Resolutions 3 to 8:** seek Shareholder approval under ASX Listing Rule 10.11 for the issue and conversion of the Notes to entities associated with Ms Genevieve Gregor, Ms Jane McKellar, Mr Timothy Bryan, Mr Stuart Black AM, Mr Trevor Allen and Mr Perry Gunner under the Wholesale Investor Offer.

Resolutions in relation to the issuance of Options

- (d) **Resolution 9:** seeks Shareholder approval under ASX Listing Rule 7.1 to grant Options to eligible Shareholders ((being, Shareholders with a registered address in Australia and New Zealand other than Arrovest).

- (e) **Resolutions 10 to 13:** seek Shareholder approval under ASX Listing Rule 10.11 to grant Options to Ms Genevieve Gregor, Ms Jane McKellar, Mr Perry Gunner and Mr Trevor Allen (or their nominated entities, as applicable).

1.8 Inter-conditionality of Resolutions

Shareholders should note that the Resolutions are **conditional or inter-conditional on** the approval of the other Resolutions, as described below:

- (a) **Resolutions 1 and 2** are inter-conditional on both these resolutions being approved by Shareholders.
- (b) **Resolutions 3 to 8** are conditional on Resolutions 1 and 2 being approved by Shareholders.
- (c) **Resolution 9** is conditional on Resolutions 1 and 2 being approved by Shareholders.
- (d) **Resolutions 10 to 13** are conditional on Resolutions 1, 2 and 9 being approved by Shareholders.

To this end, Shareholders should note that if either or both of Resolutions 1 and 2 are not approved, the Company will still proceed with issuing the Notes under the Capital Raising, except that the Options **will not** be issued and the Notes (which will be issued) will only be capable of being Cash-Settled until such time as the approvals necessary to enable conversion of the Notes to Shares are obtained.

Further details of the Resolutions are provided in Sections 3 to 7 of this Explanatory Statement.

2 KEY CONSIDERATIONS IN RESPECT OF THE RESOLUTIONS

2.1 Rationale for the Recapitalisation

The Company is undertaking the Recapitalisation in order to:

- (a) repay between \$183 million and \$233 million of its existing debt, consistent with the requirements of the Company's existing Senior Financiers;
- (b) provide a more flexible capital structure that will better facilitate the ongoing financial and operational turnaround of the Company; and
- (c) provide incremental capital to support the Company's turnaround strategy.

2.2 Advantages of the Recapitalisation

The Directors consider that the following non-exhaustive list of advantages of the Recapitalisation may be relevant to a Shareholder's decision on how to vote on the Resolutions:

(a) **Recapitalisation will provide the Company with a more flexible capital structure**

The Company intends to apply the net proceeds from the Capital Raising (regardless of whether the Notes convert into Shares) to repay between \$183 million and \$233 million of existing senior debt, with the payment being a requirement of its Senior Financiers.

This will provide the Company with a more flexible capital structure that will better facilitate its ongoing financial and operational turnaround. Additionally, the debt restructure will provide the Company with two years of financial covenant-free senior debt and six years of financial covenant-free Notes (subordinated only to the senior debt).

The Recapitalisation will have the effect of significantly reducing the financial pressure on the Company while allowing management and the Board to focus on implementing a Company-wide transformation program and strategic initiatives to drive growth in its key plant-based beverages, dairy and nutritional segments, so that profit and value can be maximised over the medium term.

(b) **Recapitalisation provides a superior outcome to Shareholders relative to alternatives considered**

In the opinion of the Directors, the Recapitalisation provides a superior outcome to Shareholders relative to the alternatives considered and currently available to the Company.

The Company has undertaken an exhaustive process to assess the most appropriate structure and terms of a recapitalisation, in conjunction with advice received from independent legal, financial and tax advisers. Following this process, the Board believes there are no other feasible alternatives (other than the Recapitalisation) for resolution of the Company's capital and leverage concerns in the short to medium term.

The Directors have assessed the Recapitalisation having regard to a range of alternative proposals, including:

- (i) seeking underwriting commitments from investment banks in relation to both an ordinary equity raising and in relation to an issuance of Notes;
- (ii) undertaking an entitlement offer of Notes to all Shareholders; and
- (iii) seeking a partnership proposal from a significant third-party investor.

Following this process, the Board determined that the issue of Notes is the preferred capital raising structure. The Board determined that it would not be prudent for the Company to undertake an ordinary equity raising while it defends itself in relation to material legal disputes or without causing significant dilution for Shareholders. Additionally, as the Company was not able to secure the appointment of a retail note trustee, it was unable to offer the Notes to retail investors, or to list the Notes on the ASX.

The Company has conducted an expressions of interest campaign and process which was widely distributed seeking recapitalisation proposals from significant third-party

investors. The Company has not received any binding offers or commitments for the issuance of securities other than from Arrovest.

2.3 Disadvantages of the Recapitalisation

(a) Company's overall leverage will remain high

As at the date of this Explanatory Statement, the Company has debt owing to its Senior Financiers with an approximate value of \$332 million and these parties have a senior secured position over certain assets of the Company and the Group.

While the proceeds of the Capital Raising will be utilised to reduce the Company's senior secured debt, the Notes will be classified as a non-current liability on the Company's balance sheet. Accordingly, the Company will continue to have high leverage while the Notes remain outstanding as the aggregate level of debt will not reduce because the Notes are classified as debt upon issuance and will remain debt unless the Resolutions are approved.

(b) Company may be required to pay material cash payments to Noteholders

The Notes may or must be redeemed in certain circumstances set out in further detail in **Annexure B**. The Notes may also be cash-settled on conversion if Resolutions 1 or 2 are not approved by Shareholders.

The amount payable on redemption or cash-settled conversion of the Notes will depend on the time and circumstances.

The Company may need to use the proceeds from future debt or equity raisings, cash flows from operations or proceeds from the sale of investments to meet the amounts payable to Noteholders in respect of such redemption or cash-settled conversion. There is a risk that the Company may be unable to procure or raise sufficient cash resources from its operations, future debt or equity raisings and may, in that case, have insufficient cash to redeem or cash-settle the Notes in accordance with the Note Terms.

(c) Noteholders receive subordinated security over the Company's assets which ranks ahead of Shareholders

The Notes have the benefit of subordinated security over the Company's assets. This means that in the event of any liquidation or Winding Up of the Company, the claims of the Company's secured and unsecured creditors, which will include the Senior Financiers and Noteholders, will rank ahead of those of its Shareholders.

2.4 Reasons Shareholders should vote FOR the Resolutions

The Directors are of the view that the following reasons provide a non-exhaustive list of why Shareholders should vote **FOR** the Resolutions:

(a) Shareholders (being, Shareholders with a registered address in Australia and New Zealand other than Arrovest) will be offered Options

If Resolutions 1 and 2 are approved, the Company will offer the Options to Shareholders (being, Shareholders with a registered address in Australia and New Zealand other than Arrovest) who are registered on the Options Record Date (being **7:00pm on 23 May 2021**).

However, if approval for Resolutions 1 and 2 are not obtained, the Company will not offer the Options to the eligible Shareholders (being, Shareholders with a registered address in Australia and New Zealand other than Arrovest).

The primary purpose for offering the Options is to provide the eligible Shareholders with potential future equity upside in the Company in circumstances where investors in the Capital Raising also have the ability to participate in any future equity upside of the Company upon conversion of their Notes to Shares.

However, to better align the interests of Noteholders and Shareholders, the Company will not offer the Options to Shareholders if Resolutions 1 and 2 are not approved, as the Board does not consider it appropriate for the eligible Shareholders to benefit from

the potential additional equity upside if the Notes are not also capable of being converted to Shares.

- (b) **Independent Expert has concluded not fair but reasonable to the non-associated Shareholders** The independent Directors have engaged Grant Thornton Corporate Finance Pty Ltd to prepare an Independent Expert's Report stating whether, in its opinion, the issue of Shares to Arrovest upon conversion of the Notes is fair and reasonable to the non-associated Shareholders for the purposes of item 7 of section 611 of the Corporations Act.

The Independent Expert has concluded that the proposed issue of Shares to Arrovest on conversion of the Notes is not fair but reasonable to the non-associated Shareholders. In the absence of a superior alternative proposal emerging, the Independent Expert is of the opinion that the advantages of voting in favour of Resolution 1 outweigh the disadvantages.

The Independent Expert's Report can be found in **Annexure A** to this Explanatory Statement, which you are encouraged to read in full and is also summarised in Section 1.6 of this Explanatory Statement.

- (c) **Ability for the Notes to convert to Shares will provide the Company with a more certain and flexible capital structure**

The Company will still proceed with the Recapitalisation and the issuance of the Notes even if Shareholders do not approve the Resolutions. However, if Shareholders do not approve some or all of the Resolutions, the Options will not be issued, and the Notes will only be capable of being cash-settled until such time as the approvals necessary to enable conversion of the Notes to Shares are obtained.

Until the Notes are repaid or converted to Shares, the Company will continue to have high leverage as the Notes will be classified as a non-current liability on the Company's balance sheet. If Shareholders approve the Resolutions to enable the Notes to be converted into Shares, then:

- (i) the Company will have a more certain capital structure as the Notes will on conversion only be convertible into Shares; and
- (ii) the Company's total leverage is more likely to reduce over time given that the Notes are able to be converted to Shares (although the Company may still be required to repay the Notes in cash upon a redemption).

Annexure C of this Explanatory Statement provides examples of what the potential ownership impacts are of the Notes being converted into Shares.

2.5 Reasons Shareholders may vote AGAINST the Resolutions

The Directors are of the view that the Recapitalisation is in the best interests of Shareholders and each Director recommends that Shareholders **vote in favour** of each Resolution (except that, where a Director or an associate of that Director is precluded from voting on a Resolution, that Director does not provide any recommendation in relation to that Resolution).

However, set out below are possible reasons why Shareholders may wish to vote against the Resolutions.

Shareholders should note that the Resolutions are **conditional or inter-conditional** on the approval of the other Resolutions. Accordingly, if you vote against one Resolution, your vote may impact the approval of other Resolutions.

- (a) **You may disagree with the recommendations of the Directors and the conclusion of the Independent Expert**

You may disagree with:

- (i) the Directors, who recommend that Shareholders **vote in favour** of the Resolutions (except that, where a Director or an associate of that Director is precluded from voting on a Resolution, that Director does not provide any recommendation in relation to that Resolution); and/or
- (ii) the Independent Expert, who has concluded that the proposed issue of Shares to Arrovest on conversion of the Notes is not fair but reasonable to the non-associated Shareholders. In the absence of a superior alternative proposal

emerging, the Independent Expert is of the opinion that the advantages of voting in favour of Resolution 1 outweigh the disadvantages.

(b) **Approval of the Resolutions will enable the Notes to be converted to Shares, which may dilute existing Shareholders' interests in the Company**

If Resolutions 1 and 2 are approved, the Notes may be converted to Shares at any time by Noteholders (among other conversion events).

The issue of Shares on conversion of the Notes will dilute the interests of existing Shareholders to differing extents depending on, among other things:

- (i) the number of Notes issued under the Capital Raising; and
- (ii) whether Shareholders participate in the Wholesale Investor Offer (if they are Eligible Investors).

More detail on the potential dilution effect is set out in Section 3.3 of this Explanatory Statement.

However, Shareholders should note that if Resolutions 1 and 2 are not approved, then the Notes will be capable of being cash-settled on conversion. Any cash-settlement amount that becomes payable by the Company (or any redemption payment, including the Makewhole Amount) may be material, and the capacity of the Company to pay any such amount may depend on the Company achieving a turnaround of its business and operations and its ability to raise equity or further debt to satisfy those payments.

Shareholders should also note that even if Resolutions 1 and 2 are not approved to enable the conversion of Notes to Shares, the Noteholders may require the Company (in accordance with the Note Terms) to seek Shareholder Approval in the future to seek the necessary approvals to permit conversion of the Notes to Shares.

(c) **Arrovest control implications**

Arrovest is the majority Shareholder of the Company, holding approximately 52.5% of the Shares on issue at the date of this Explanatory Statement. Under the Placement, Arrovest may acquire up to 200 million Notes which, if converted into Shares, may materially increase Arrovest's shareholding in the Company.

The exact effect on control depends upon the extent to which Eligible Investors take up Notes under the Wholesale Investor Offer. Depending on the extent to which Eligible Investors apply for Notes under the Wholesale Investor Offer, the dilutive and control effects of the Notes issued to Arrovest will differ.

Shareholders should be aware that, if the Placement is approved, but there is no participation in the Wholesale Investor Offer and approval is not obtained to issue the Options, Arrovest's maximum voting power will increase from 52.5% to 80.5%. More detail on the potential dilution effect of the Capital Raising is set out in Section 3.3 of this Explanatory Statement.

2.6 Directors' recommendation

Each Director recommends that Shareholders **vote in favour** of each Resolution (except that, where a Director or an associate of that Director is precluded from voting on a Resolution, that Director does not provide any recommendation in relation to that Resolution).

Each Director intends to vote any Shares they hold, or in which they have a Relevant Interest, in favour of each Resolution they are entitled to vote on. Arrovest will not be entitled to vote on Resolution 1 in relation to the proposed issuance and conversion of Notes to be issued to Arrovest under the Capital Raising.

The Directors have concluded that undertaking the Recapitalisation in this manner is in the best interests of the Company and its Shareholders and consider that the advantages referred to in Sections 2.2 outweigh the disadvantages referred to in Sections 2.3.

In considering whether to vote in favour of the Resolutions, the Directors encourage you to:

- (a) read this Explanatory Statement carefully and in its entirety;
- (b) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and

- (c) obtain financial advice from your professional adviser on the Recapitalisation.

Intentions of Directors

The Directors (or their associated entities) intend to participate in the Capital Raising as follows:

Director	Intention to apply for Notes under the Wholesale Investor Offer
Genevieve Gregor <i>Chair and non-executive Director (independent)</i>	Ms Gregor intends to subscribe for Notes under the Wholesale Investor Offer up to the after-tax amount of the additional director fees determined by the Board to be paid in respect of FY21 (expected to be approximately \$150,000).
Anthony (Tony) M. Perich AM <i>Deputy Chairman and non-executive Director</i>	Arrovest has committed to subscribe for \$200 million of Notes (subject to a scale back) as described in Section 3.7. Mr Perich holds more than 20% of the voting power of Arrovest and therefore has a Relevant Interest in the shares held by Arrovest in the Company by virtue of section 608(3) of the Corporations Act.
Jane McKellar <i>Non-executive Director (independent)</i>	Ms McKellar intends to subscribe for Notes under the Wholesale Investor Offer up to the after-tax amount of the additional director fees determined by the Board to be paid in respect of FY21 (expected to be approximately \$75,000).
Timothy Bryan <i>Non-executive Director (non-independent)</i>	Mr Bryan intends to subscribe for \$25,000 in Notes under the Wholesale Investor Offer via Karooli Pty Ltd as trustee for the TB Bryan Family Trust.
Stuart Black AM <i>Non-executive Director (independent)</i>	Mr Black intends to subscribe for \$25,000 in Notes under the Wholesale Investor Offer via M.A. Clark Pty Ltd as trustee for the Chapman Eastway No. 4 Superannuation Fund.

2.7 What is the effect of the Recapitalisation?

Impact on capital structure

As at the date of this Explanatory Statement, the Company has 277,109,319 Shares and 101,130 convertible redeemable preference shares on issue. Under the Capital Raising, the Company intends to issue up to 130 million Notes to Eligible Investors and up to 200 million Notes to Arrovest (subject to a maximum number of 265 million Notes being issued).

Separately, and subject to the Resolutions being approved, the Company intends to offer approximately 40.8 million Options on a pro-rata basis to the Company's Shareholders (being, Shareholders with a registered address in Australia and New Zealand other than Arrovest) to raise up to a maximum of \$40 million.

The effect of the Capital Raising on the capital structure of the Company is set out in Section 1.5 of this Explanatory Statement.

Impact on financial position

To illustrate the effect of the Recapitalisation on the Company's financial position, cashflow and profit and loss, a pro-forma balance sheet, profit and loss statement and cash flow statement are set out in the Investor Presentation lodged by the Company with ASX on 19 March 2021.

While the Recapitalisation will not reduce the amount of debt on the Company's balance sheet (prior to a Conversion of Notes into Shares), it does provide the Company with more flexible capital as the Company implements its turnaround strategy.

Impact on debt levels

While the Recapitalisation will not immediately reduce the amount of debt on the Company's balance sheet, it will do so upon conversion of the Notes into Shares (subject to the Resolutions

being approved). The table below sets out the pro forma debt position of the Company in three distinct scenarios:

- (a) the Company's existing position before the Capital Raising;
- (b) the Company's position where \$200 million is raised under the Capital Raising; and
- (c) the Company's position where \$265 million is raised under the Capital Raising.

31 December 2020	Pro Forma Existing (\$m)	\$200m raise (\$m)	\$265m raise (\$m)
Revolver	35	-	-
Term loan	141	50	-
Equipment finance	87	87	87
Debtor finance	12	12	12
Subordinated facility	57	-	-
Gross senior ranking debt:	332	149	99
Notes	-	200	265
Gross debt:	332	349	364
(-) Cash	47	54	69
Net debt (on balance sheet):	285	295	295

Note: The pro forma existing debt outstanding as at 31 December 2020 represents the drawn debt on balance sheet as at 31 December 2020 adjusted to reflect the \$12 million increase in the subordinated facility limit to 25 February 2021 and the impact of the cereals and snacks divestment including the repayment of \$6.5 million equipment finance. Total debt outstanding on the Notes is shown before capitalised borrowing costs of \$6.5 million, and excludes non-recourse off balance sheet receivables financing which was \$52.5 million as at 31 December 2020. Refer to the pro forma balance sheet in the Investor Presentation lodged with ASX on 19 March 2021 for further details.

Further details of the Company's pro-forma financial position if the Recapitalisation is implemented are set out in **Annexure C** of this Explanatory Statement.

3 RESOLUTION 1 – APPROVAL FOR THE ISSUE AND CONVERSION OF UP TO 200 MILLION NOTES TO ARROVEST

3.1 Background

On 19 March 2021, the Company and Arrovest entered into the binding Arrovest Commitment Letter pursuant to which Arrovest agreed to subscribe for up to 200 million Notes, subject to scale back depending on the level of participation under the Wholesale Investor Offer (**Placement**).

Arrovest is a privately owned family investment Company run by the Perich Group. Arrovest is the majority Shareholder of the Company, holding 52.5% of Shares on issue as at the date of this Explanatory Statement.

Arrovest is also represented on the Company's Board by Tony M. Perich AM, who holds more than 20% of the voting power of Arrovest, and Timothy Bryan, who is the current Chief Executive Officer of the Perich Group.

Finalisation of allocation and issuance of Notes under the Placement will occur on the same dates as under the Wholesale Investor Offer following the Meeting.

3.2 A summary of the material terms of the Notes

The following is a summary of some of the key terms of the Notes.

A detailed summary of the Note Terms is set out in **Annexure B** to this Explanatory Statement and a full copy of the Note Terms is annexed to the Prospectus.

The Notes are:

- (a) **fully paid** – the issue price of \$1.00 per Note must be paid to the Company before the Notes are issued;
- (b) **redeemable** – the Notes may be Redeemed, which means the Company may at any time, or may in certain limited circumstances be required to, buy back the Notes on or prior to the Maturity Date (at the Makewhole Amount, subject to certain conditions);
- (c) **subordinated secured** – the Notes are secured by security granted by the Company and certain subsidiaries over all of their assets and undertakings;
- (d) **ranked, for security purposes, after all Priority Permitted Debt** – although the Notes have priority over the Company's ordinary Shares, all Shortfall Debt and the claims of unsecured creditors, the Notes rank behind the Company's Priority Permitted Debt and the claims of other creditors with priority at law in a Winding Up. The Notes rank equally with each other Note and any Permitted Debt which Noteholders agree by special resolution ranks equally with the Notes;
- (e) **convertible into cash** – if the Shareholders do not approve the Resolutions, the Notes will still be issued on Financial Close and will be capable of being Cash-Settled;
- (f) **convertible into Shares** – the Notes are convertible into Shares following approval of Resolutions 1 and 2. The Notes are converted into Shares calculated by dividing the Equity Conversion Amount by a Conversion Price of \$0.70, subject to customary adjustments as outlined in Section 9.28;
- (g) **unlisted** – the Notes will not be quoted on ASX or any securities exchange; and
- (h) **transferable** – the Notes are transferable.

3.3 Effect of the Capital Raising and Arrovest control implications

The dilutive and control effects of the Placement to Arrovest will differ depending on the extent to which Eligible Investors apply for Notes under the Wholesale Investor Offer.

Furthermore, Shareholders who are ineligible to participate in the Wholesale Investor Offer (noting the Wholesale Investor Offer is not open to retail investors), or who do not participate in the Wholesale Investor Offer, will be diluted by the Wholesale Investor Offer upon conversion of the Notes.

The table below sets out the maximum number of Notes that Arrovest could acquire under the Placement and the effect on the voting power of the Company if those Notes are converted to Shares in three scenarios:

- (a) where there is no participation by Eligible Investors under the Wholesale Investor Offer and Arrovest subscribes for \$200 million of Notes under the Placement;
- (b) where Eligible Investors subscribe for \$65 million of Notes under the Wholesale Investor Offer and Arrovest subscribes for \$200 million of Notes under the Placement; and
- (c) where Eligible Investors subscribe for \$130 million in Notes under the Wholesale Investor Offer and Arrovest is scaled back to \$135 million under the Placement.

	\$200m to Arrovest	\$200m to Arrovest, \$65m to Eligible Investors	\$135m to Arrovest, \$130m to Eligible Investors
Shares held by Arrovest prior to the Capital Raising	145,556,000	145,556,000	145,556,000
Shares (issued to Arrovest upon conversion of the Notes at the Maturity Date)	398,310,940	398,310,940	268,859,884
Pro forma shares held by Arrovest upon conversion of the Notes at the Maturity Date	543,866,940	543,866,940	414,415,884
Pro forma shares on issue following conversion of the Notes at the Maturity Date (if all Options are exercised)	716,236,585	845,687,640	845,687,640
Pro forma shares on issue following conversion of the Notes at the Maturity Date (if Options are not issued)	675,420,259	804,871,314	804,871,314
Voting power (%) in respect of matters requiring Noteholder approval	100%	75.5%	50.9%
Voting power (%) in Shares prior to conversion of Notes by Arrovest	52.5%	52.5%	52.5%
Voting power (%) in Shares following conversion of Notes by Arrovest at the Maturity Date (if all Options are exercised)	75.9%	64.3%	49.0%
Voting power (%) in Shares following conversion of Notes by Arrovest at the Maturity Date (if Options are not issued)	80.5%	67.6%	51.5%

In each of the three scenarios identified above, it is assumed that:

- (a) the Notes are converted to Shares at the Maturity Date; and
- (b) any Interest payable on those Notes is capitalised at the PIK Interest rate of 8.5% per annum for the first 30 months, followed by Partial Cash Interest of 5.0% per annum and a PIK Interest rate of 3.5% per annum until the Maturity Date.

Under the Wholesale Investor Offer, there is the possibility that Eligible Investors may seek to subscribe for Notes, which upon conversion could result in an Eligible Investor holding from 20% or below to more than 20% of the Company's issued capital. If this situation arises, the Company intends to seek Shareholder approval under item 7 of Section 611 of the Corporations Act, at the appropriate time, to permit this conversion.

3.4 Independent Expert's Report

The independent Directors have engaged Grant Thornton Corporate Finance Pty Ltd to prepare an Independent Expert's Report stating whether, in its opinion, the issue of Shares to Arrovest

upon conversion of the Notes is fair and reasonable to the non-associated Shareholders for the purposes of item 7 of section 611 of the Corporations Act.

The Independent Expert has concluded that the proposed issue of Shares to Arrovest on conversion of the Notes is NOT FAIR BUT REASONABLE to the non-associated Shareholders. In the absence of a superior alternative proposal emerging, the Independent Expert is of the opinion that the advantages of voting in favour of Resolution 1 outweigh the disadvantages.

3.5 Why is Shareholder approval being sought for Resolution 1?

Resolution 1 seeks approval from Shareholders for the issue and allotment of up to 200 million Notes to Arrovest and the issue and allotment of Shares on the conversion of those Notes for the purposes of ASX Listing Rule 10.11 and item 7 of section 611 of the Corporations Act respectively.

Resolution 1 is conditional on the passing of Resolution 2 and will only be implemented if Resolution 2 is also passed.

Resolution 1 must be passed as an ordinary resolution and will therefore be passed if supported by a simple majority of votes cast at the Meeting. This will **exclude** any votes cast by Arrovest and any other person who is otherwise excluded in accordance with the Voting Exclusion Statement set out in the Notice of Meeting enclosed with this Explanatory Statement.

If neither Resolution 1 nor Resolution 2 is passed, the Company still intends to issue the Notes to Arrovest (and more broadly under the Capital Raising) on Financial Close, however the Notes will not be capable of being converted to Shares until such time as Shareholders provide the necessary approvals.

The Company notes the funds to be raised pursuant to the Placement will not be available to the Company, nor will the Notes be issued to Arrovest until after this Meeting.

3.6 Requirement for Shareholder approval under ASX Listing Rule 10.11

ASX Listing Rule 10.11 prohibits an entity from issuing or agreeing to issue equity securities to any of the following persons without first receiving shareholder approval:

- (a) a Related Party;
- (b) a person who is, or was any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- (c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so; or
- (d) a person whose relationship with the entity or a Related Party is, in ASX's opinion, such that shareholder approval should be obtained.

Arrovest is a Related Party and substantial (30%+) holder of the Company.

In order for the Notes to be capable of being converted to Shares, the issue of the Notes to Arrovest under the Placement must be approved by Shareholders under Listing Rule 10.11. If Shareholders approve the issuance of the Notes to Arrovest under this Resolution 1, Arrovest may convert the Notes to Shares in reliance on exception 7 of ASX Listing Rule 10.12.

However, if Shareholders do not approve the issuance of the Notes to Arrovest under this Resolution, the Company intends to still issue the Notes subject to the Cash-Settled condition (and provided the Notes may not be converted to Shares until Shareholder approval is obtained).

If Resolution 1 is passed:

- (a) the Notes issued under the Placement will be capable of being converted into Shares and the Cash-Settled condition will not apply;
- (b) the Notes issued under the Placement will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under ASX Listing Rule 7.1; and

- (c) the Company can rely on ASX Listing Rule 10.12 exception 7 to issue the Shares on conversion of the Notes and no further approvals of Shareholders under ASX Listing Rule 10.11 will be required no matter when conversion of the Notes occurs.

If Resolution 1 is not passed:

- (a) the Notes issued under the Placement will only be capable of being Cash-Settled until such time as the approvals necessary to enable conversion of the Notes to Shares are obtained; and
- (a) any future Shareholder approval to enable the Notes issued under the Placement to convert into Shares will only permit conversion in the 1 month period following receipt of any such approval.

3.7 Information required by ASX Listing Rule 10.13

For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolution 1:

The name of the person	Arrovest Pty Ltd ACN 117 953 205
Which category in rules 10.11.1 – 10.11.5 the person falls within and why	Arrovest is a Related Party of the Company and a substantial (30%+) holder in the Company, holding 52.5% of Shares on issue as at the date of this Explanatory Statement (ASX Listing Rule 10.11.2).
The number and class of securities to be issued to the person	Up to 200 million Notes. The number of Shares issued on Conversion will be calculated by dividing the Equity Conversion Amount by a Conversion Price of \$0.70, subject to customary adjustments as outlined in Annexure B .
If the securities are not fully paid ordinary securities, a summary of the material terms of the securities	A summary of some of the key terms of the Notes is set out in Section 3.2 above. A detailed summary of the Note Terms is set out in Annexure B to this Explanatory Statement and a full copy of the Note Terms is annexed to the Prospectus.
The date on or by which the Company will issue the securities	The Company expects to issue the Notes immediately following the Meeting, but in any event by no later than 1 month after the date of the Meeting.
The price or other consideration the Company will receive for the issue of the Notes	\$1.00 per Note, being a maximum of \$200 million.
The purpose of the issue, including the intended use of any funds raised by the issue of the Notes	Refer to Sections 1.3 and 1.4 of this Explanatory Statement.
If the Notes are issued under an agreement, a summary of any other material terms of the agreement	Under the terms of the Arrovest Commitment Letter, Arrovest must apply for \$200 million of Notes under the Placement. For every \$1 the Company raises under the Wholesale Investor Offer above \$65 million (and up to a maximum amount of \$130 million), Arrovest's commitment will be scaled back on a dollar-for-dollar basis, provided that Arrovest's minimum commitment will be no less than \$135 million. Arrovest's obligation to subscribe for \$200 million of Notes is subject to the following conditions (together, the Conditions): <ul style="list-style-type: none"> • Arrovest receiving a fully executed version of each Transaction Document; • the Company, the Senior Financiers and each relevant Group Member entering into definitive documentation to give effect to the Company's restructuring of its senior debt facilities and the satisfaction of all conditions

	<p>precedent to the implementation of that restructure by Financial Close; and</p> <ul style="list-style-type: none"> • receipt of a funds flow statement, and other procedural conditions precedent. <p>Costs</p> <p>The Company is responsible for paying all reasonable costs and out-of-pocket expenses incurred by Arrovest and its legal advisors in connection with preparing, negotiating and documenting the terms of the Transaction Documents and in consummating the transactions contemplated by the Capital Raising.</p> <p>Termination</p> <p>The Arrovest Commitment Letter may be terminated where:</p> <ul style="list-style-type: none"> • a Condition is not satisfied or waived (or becomes incapable of being satisfied) by the date the Arrovest Commitment Letter is terminated or Financial Close (whichever is earlier); • the Company or Arrovest (as applicable) has breached its obligations under the Arrovest Commitment Letter in a material respect and has failed to remedy the breach within 5 Business Days after being notified by Arrovest of the breach; • the Standstill Deed between, among others, the Company and the Senior Financiers, has expired or been terminated; • the Company and/or the Board forms the view (acting reasonably) that it has received a superior proposal from an alternative investor; or • upon the mutual agreement of the parties. <p>Further details regarding the Arrovest Commitment Letter are in the Prospectus.</p>
Voting exclusion statement	<p>A Voting Exclusion Statement relating to this Resolution 1 is included in the Notice of Meeting accompanying this Explanatory Statement.</p>

3.8 Approval in accordance with item 7 of Section 611 of the Corporations Act

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a Relevant Interest in issued voting shares in a listed company if the person acquiring the interest does so though a transaction in relation to securities entered into by or on behalf of the person and, because of the transaction, that person's or someone else's voting power (**Associates**) in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%,

(Prohibition).

Item 7 of section 611 of the Corporations Act provides an exemption to the Prohibition, by permitting a person (and its Associates) to acquire a Relevant Interest in shares, if the proposed acquisition is approved in advance by a resolution passed at a general meeting of the company, and:

- (a) no votes are cast in favour of the relevant resolution by the proposed acquirer or their respective Associates; and
- (b) there is full disclosure of all information that is known to the proposed acquirer and their Associates or known to the Company that is material to a decision on how to vote on the relevant resolution.

Arrovest is a substantial holder in the Company, holding 52.5 % of Shares on issue as at the date of this Explanatory Statement. If Resolution 1 is approved and Arrovest converts its Notes

to Shares, Arrovest's Relevant Interest in the Company may increase from a starting point that is above 20% and to below 90%. The exact dilutive and control effects of the Placement will differ depending on the extent to which Eligible Investors apply for Notes under the Wholesale Investor Offer and are summarised in Section 3.3 above.

Accordingly, Resolution 1 seeks Shareholder approval for the purpose of item 7 in section 611 of the Corporations Act to enable Arrovest, following conversion of the Notes to Shares, to increase its voting power in the Company from 52.5% to a maximum of 75.9%.

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for item 7 of section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by the Independent Expert, set out in **Annexure B** to this Explanatory Statement.

Identity of Arrovest and its associates	<p>Arrovest is a privately owned family investment Company run by the Perich Group. Arrovest is the majority Shareholder of the Company, holding 52.5% of Shares on issue as at the date of this Explanatory Statement.</p> <p>The Company understands that there are no associates of Arrovest which have a Relevant Interest in the Shares of the Company or will have a Relevant Interest in the Shares of the Company prior to or upon completion of the Placement.</p>
The maximum extent of the increase of voting power in the Company	The exact dilutive and control effects of the Placement will differ depending on the extent to which Eligible Investors apply for Notes under the Wholesale Investor Offer and are summarised in Section 3.3 above.
Impact on the Company's capital structure	A summary of the impact of the Placement is set out in Section 3.3 above.
Reasons for the proposed issue of Notes to Arrovest	Refer to Sections 1.3 and 1.4 of this Explanatory Statement.
Date of proposed issue of Notes to Arrovest	The Company expects to issue the Notes immediately following the Meeting, but in any event by no later than 1 month after the date of the Meeting.
Material terms of proposed issue of Notes to Arrovest	<p>A summary of some of the key terms of the Notes and the Arrovest Commitment Letter are set out in Section 3.7 above.</p> <p>A detailed summary of the Note Terms is set out in Annexure B to this Explanatory Statement and a full copy of the Note Terms is annexed to the Prospectus.</p>
Arrovest's investment intentions	<p>As the majority Shareholder of the Company, Arrovest is committed to supporting the future growth and turnaround strategy adopted by the Board of Freedom Foods Group.</p> <p>It has no current intention of:</p> <ul style="list-style-type: none"> • injecting further capital in the Company, noting the Board considers the Capital Raising will provide sufficient capital to achieve its objective; • changing any employees in the Group; • transferring any assets held by the Company to Arrovest or its associates; • redeploying fixed assets held by the Company; or changing the Company's dividend policies, which in any event are restricted under the Note Terms.
Advantages and disadvantages	A summary of some of the advantages and disadvantages are set out in Section 2 above.

Interests and recommendations of Directors	Each Director (other than Tony Perich AM and Timothy Bryan who are associated with Arrovest) recommend that Shareholders vote in favour of Resolution 1.
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3.9 Waiver from Listing Rule 10.1

ASX has granted the Company a waiver from Listing Rule 10.1 to permit Arrovest, Ms Genevieve Gregor, Ms Jane McKellar, Mr Tim Bryan to participate in the Wholesale Investor Offer without obtaining Shareholder approval.

ASX has granted the waiver from Listing Rule 10.1 on the following conditions:

- (a) the material terms and conditions of the Notes and of the waiver being announced to the market;
- (b) the security documents must expressly provide that:
 - (i) the security for the Notes is limited to the funds due under the Notes;
 - (ii) security for the Notes will be discharged when the funds due under the Notes have been repaid in full;
 - (iii) in the event that the security is enforced, the disposal of the Company's assets to Arrovest or an associate of Arrovest will be subject to Shareholder approval; and
 - (iv) if a receiver, receiver and manager or analogous person exercises any power of sale under the security, the assets of the Company must be sold to an unrelated third party on arm's length commercial terms and the net proceeds of the sale distributed to Arrovest in accordance with its legal entitlements;
- (c) any variation to the terms of the financial accommodation or the security which advantages Arrovest or the Directors, disadvantages the Company in a material respect or is inconsistent with the terms of ASX's waiver must be subject to Shareholder approval under Listing Rule 10.1; and
- (d) for each year in which Notes remain on foot, a summary of the Note Terms and the security must be included in the related party disclosures of the Company's audited annual statements.

3.10 Board recommendation

It is the view of the Directors that the Placement is in the best interests of Shareholders, and each Director (other than Tony Perich AM and Timothy Bryan who are associated with Arrovest) recommend that Shareholders vote in favour of Resolution 1.

The Chair of the Meeting intends to vote undirected proxies in favour of Resolution 1.

4 RESOLUTION 2 – APPROVAL FOR THE ISSUE AND CONVERSION OF UP TO 130 MILLION NOTES UNDER WHOLESALE INVESTOR OFFER

4.1 Background

Resolution 2 seeks Shareholder approval for the issue and allotment of up to 130 million Notes under the Wholesale Investor Offer and the issue and allotment of Shares on the conversion of those Notes for the purposes of ASX Listing Rule 7.1.

Resolution 2 is conditional on the passing of Resolution 1 and will only be implemented if Resolution 1 is also passed.

Resolution 2 must be passed as an ordinary resolution and will therefore be passed if supported by a simple majority of votes cast at the Meeting. This will include any votes cast by Arrovest but will exclude votes cast by any person who participates in the Wholesale Investor Offer or is otherwise excluded in accordance with the Voting Exclusion Statement set out in the Notice of Meeting enclosed with this Explanatory Statement.

If neither Resolution 1 nor Resolution 2 is passed, the Company still intends to issue the Notes under the Wholesale Investor Offer (and more broadly under the Capital Raising) on Financial

Close, however the Notes will not be capable of being converted to Shares until such time as Shareholders provide the necessary approvals.

The Company notes the funds to be raised pursuant to the Wholesale Investor Offer will not be available to the Company, nor will any Notes be issued under the Wholesale Investor Offer until after this Meeting.

4.2 Requirement for Shareholder approval under ASX Listing Rule 7.1

Broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 limits the number of equity securities that a listed company can issue or agree to issue without approval of its Shareholders over any 12-month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

In order for the Notes under the Wholesale Investor Offer to be capable of being converted to Shares, the issue must be approved by Shareholders under Listing Rule 7.1. If Shareholders approve the issuance of the Notes under this Resolution 2, participants in the Wholesale Investor Offer may convert the Notes to Shares in reliance on exception 9 of ASX Listing Rule 7.2.

However, if Shareholders do not approve the issuance of the Notes to participants in the Wholesale Investor Offer under this Resolution, the Company may still issue the Notes subject to the Cash-Settled condition (and provided the Notes may not be converted to Shares until Shareholder approval is obtained).

If Resolution 2 is passed:

- (a) the Notes issued under the Wholesale Investor Offer will be capable of being converted into Shares;
- (b) the Notes issued under the Wholesale Investor Offer will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under ASX Listing Rule 7.1; and
- (c) the Company can rely on ASX Listing Rule 7.2 exception 9 to issue any Shares on conversion of the Notes and no further approvals of Shareholders under ASX Listing Rule 7.1 will be required no matter when conversion of the Notes occurs.

If Resolution 2 is not passed:

- (a) the Notes issued under the Wholesale Investor Offer will only be capable of being Cash-Settled until such time as the approvals necessary to enable conversion of the Notes to Shares are obtained; and
- (b) any future Shareholder approval to enable the Notes issued under the Wholesale Investor Offer to convert into Shares will only permit conversion during the 3 months following receipt of any such approval.

4.3 Information required by ASX Listing Rule 7.3

For the purposes of ASX Listing Rule 7.3, the following information is provided to Shareholders in relation to Resolution 2:

The names of the persons to whom the Company will issue the Notes or the basis upon which those persons were or will be identified or selected	<p>Any Eligible Investor is entitled to participate in the Wholesale Investor Offer. This term includes any person who is either “professional investor” or “sophisticated investor” under sections 708(11) and 708(8) of the Corporations Act and whose registered address is in Australia and certain institutional and professional investors with registered addresses in New Zealand, Singapore, Hong Kong, the United Kingdom or the United States. Please see the definition of “Eligible Investor” in the Prospectus for more information.</p> <p>While the Wholesale Investor Offer is open to all Eligible Investors, the Company intends to give allocation priority to Eligible Investors who were Shareholders as at 19 March 2021. Eligible Investors who qualify for priority allocation will have their allocation calculated by reference to their pro rata shareholding in the Company</p>
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	<p>as at the 19 March 2021 as adjusted to exclude Arrovest's current shareholding in the Company.</p> <p>There is no assurance that any Eligible Investor will be allocated any Notes, or the number of Notes, for which it has applied. The allocation of Notes under the Wholesale Investor Offer will be determined by the Company in its absolute discretion.</p>
The number and class of securities the Company will issue	Up to 130 million Notes.
If the securities are not fully paid ordinary securities, a summary of the material terms of the securities	<p>A summary of some of the key terms of the Notes is set out in Section 3.2 above.</p> <p>A detailed summary of the Note Terms is set out in Annexure B to this Explanatory Statement and a full copy of the Note Terms is annexed to the Prospectus.</p>
The date on or by which the Company will issue the securities	The Company expects to issue the Notes immediately following the Meeting, but in any event by no later than 3 months after the date of the Meeting.
The price or other consideration the Company will receive for the issue of the Notes	\$1.00 per Note, being a maximum of \$130 million.
The purpose of the issue, including the intended use of any funds raised by the issue of the Notes	Refer to Sections 1.3 and 1.4 of this Explanatory Statement.
If the Notes are issued under an agreement, a summary of any other material terms of the agreement	Notes under the Wholesale Investor Offer are being issued under the Prospectus.
Voting exclusion statement	A Voting Exclusion Statement relating to Resolution 2 is included in the Notice of Meeting accompanying this Explanatory Statement.

4.4 Board recommendation

It is the view of Tony Perich AM that the Wholesale Investor Offer is in the best interests of Shareholders and recommends that Shareholders vote in favour of Resolution 2. The other Directors make no recommendation in relation to Resolution 2 as they intend to participate in the Wholesale Investor Offer.

The Chair of the Meeting intends to vote undirected proxies in favour of Resolution 2.

5 RESOLUTIONS 3, 4, 5, 6, 7 and 8 – APPROVAL FOR THE ISSUE AND CONVERSION OF NOTES TO THE DIRECTORS UNDER WHOLESALE INVESTOR OFFER

5.1 Background

Resolutions 3 to 8 seek Shareholder approval for the issue and allotment of Notes to Ms Genevieve Gregor, Ms Jane McKellar, Mr Timothy Bryan and Mr Stuart Black AM under the Wholesale Investor Offer and the issue and allotment of Shares to these Directors on the conversion of those Notes for the purposes of ASX Listing Rule 10.11.

Resolutions 3 to 8 are each conditional on the passing of Resolutions 1 and 2. Resolutions 3 to 8 must be passed as ordinary resolutions and will therefore be passed if supported by a simple majority of votes cast. This will **exclude** any votes cast by the relevant Director to whom the Resolution relates and any other person who is otherwise excluded in accordance with the relevant Voting Exclusion Statement set out in the Notice of Meeting enclosed with this Explanatory Statement.

If any of Resolutions 3, 4, 5, 6, 7 or 8 are not passed, the Company still intends to issue the Notes to that relevant Director (and more broadly under the Capital Raising) on Financial Close, however the Notes issued to that relevant Director will not be capable of being converted to Shares until such time as Shareholders provide the necessary approvals.

The Company notes the funds to be raised pursuant to the issue of Notes to the Directors under the Wholesale Investor Offer will not be available to the Company, nor will the Notes be issued to the Directors under the Wholesale Investor Offer until after this Meeting. Further details regarding the implications of the issue of the Notes on the Relevant Interest of each applicable Director in the Company are set out in Section 5.4 below.

5.2 Requirement for Shareholder approval under ASX Listing Rule 10.11

The general effect of ASX Listing Rule 10.11 is described in Section 3.6 above.

Each of the person and/or entities proposed to be issued Notes under Resolutions 3 to 8 are associated with a Director of the Company and, therefore, are Related Parties of the Company.

If Resolutions 3 to 8 (or any one of those Resolutions) are passed:

- (a) the Notes issued to the relevant Director under the Wholesale Investor Offer will be capable of being converted into Shares;
- (b) the Notes issued to the relevant Director under the Wholesale Investor Offer will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under ASX Listing Rule 7.1; and
- (c) the Company can rely on ASX Listing Rule 10.12 exception 7 to issue the Shares to the relevant Director on conversion of the Notes and no further approvals of Shareholders under ASX Listing Rule 10.11 will be required no matter when conversion of the Notes occurs.

If Resolutions 3 to 8 (or any one of those Resolutions) are not passed:

- (a) the Notes to the relevant Director under the Wholesale Investor Offer will only be capable of being Cash-Settled until such time as the approvals necessary to enable conversion of the Notes to Shares are obtained; and
- (b) any future Shareholder approval to enable the Notes issued to the relevant Director under the Wholesale Investor Offer to convert into Shares will only permit conversion in the 1-month period following receipt of any such approval.

5.3 Information required by ASX Listing Rule 10.13

For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolutions 3 to 8:

The name of the person	<ul style="list-style-type: none"> • Resolution 3 – Woolwich Family Pty Limited (ACN 620 404 588) as trustee for the Woolwich Family Trust; • Resolution 4 – Jane McKellar; • Resolution 5 – Karooli Pty Ltd (ACN 002 931 400) as trustee for the TB Bryan Family Trust; • Resolution 6 - M.A. Clark Pty Ltd (ACN 000 551 351) as trustee for the Chapman Eastway No. 4 Superannuation Fund; • Resolution 7 – Famtron Pty Ltd (ACN 072 696 619); and • Resolution 8 – the Perry Gunner Entities.
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Which category in rules 10.11.1 – 10.11.5 the person falls within and why	Each entity is associated with a Director and is a Related Party (ASX Listing Rule 10.11.1).
The number and class of securities to be issued to the person	<ul style="list-style-type: none"> Up to 150,000 Notes will be issued to Woolwich Family Pty Limited (ACN 620 404 588) as trustee for the Woolwich Family Trust; Up to 75,000 Notes will be issued to Jane McKellar; Up to 25,000 Notes will be issued to Karooli Pty Ltd (ACN 002 931 400) as trustee for the TB Bryan Family Trust; Up to 25,000 Notes will be issued to M.A. Clark Pty Ltd (ACN 000 551 351) as trustee for the Chapman Eastway No. 4 Superannuation Fund; Up to 210,000 Notes will be issued to Famtron Pty Ltd (ACN 072 696 619); and Up to 2,268,099 Notes will be issued to the Perry Gunner Entities.
If the securities are not fully paid ordinary securities, a summary of the material terms of the securities	<p>A summary of some of the key terms of the Notes is set out in Section 3.2 above.</p> <p>A detailed summary of the Note Terms is set out in Annexure B to this Explanatory Statement and a full copy of the Note Terms is annexed to the Prospectus.</p>
The date on or by which the Company will issue the securities	The Company expects to issue the Notes immediately following the Meeting, but in any event by no later than 1 month after the date of the Meeting.
The price or other consideration the Company will receive for the issue of the Notes	<ul style="list-style-type: none"> Up to \$150,000 from Woolwich Family Pty Limited (ACN 620 404 588) as trustee for the Woolwich Family Trust; Up to \$75,000 from Jane McKellar; Up to \$25,000 from Karooli Pty Ltd (ACN 002 931 400) as trustee for the TB Bryan Family Trust; Up to \$25,000 from M.A. Clark Pty Ltd (ACN 000 551 351) as trustee for the Chapman Eastway No. 4 Superannuation Fund; Up to \$210,000 from Famtron Pty Ltd (ACN 072 696 619); and Up to \$2,268,099 from the Perry Gunner Entities.
The purpose of the issue, including the intended use of any funds raised by the issue of the Notes	Refer to Sections 1.3 and 1.4 of this Explanatory Statement.
If the Notes are issued under an agreement, a summary of any other material terms of the agreement	Notes under the Wholesale Investor Offer are being issued under the Prospectus.
Voting exclusion statement	Voting Exclusion Statements relating to Resolutions 3, 4, 5, 6, 7 and 8 are included in the Notice of Meeting accompanying this Explanatory Statement.

5.4 Impact on the Relevant Interest of each applicable Director

The table below shows the impact of the conversion of the Notes into Shares on the Relevant Interest of each Director seeking to apply for Notes:

Director	Relevant Interest in the Company as at the date of this Notice of Meeting	Relevant Interest in the Company following conversion of Notes into Shares ²
Ms Genevieve Gregor	0.01%	0.05%
Mr Tony M. Perich AM ³	52.53%	79.87%
Ms Jane McKellar	0.00%	0.02%
Mr Timothy Bryan	0.02%	0.02%
Mr Stuart Black AM	Nil	0.01%

5.5 Board recommendation

It is the view of the Directors that participation in the Wholesale Investor Offer by the relevant Directors listed above is in the best interests of Shareholders, and each Director recommends that Shareholders vote in favour of Resolutions 3, 4, 5, 6, 7 and 8 (except that, where a Director or an associate of that Director is precluded from voting on a Resolution in respect of the proposed issuance of Notes to its associated entity, that Director does not provide any recommendation in relation to that Resolution).

The Chair of the Meeting intends to vote undirected proxies in favour of Resolutions 3, 4, 5, 6, 7 and 8.

6 RESOLUTION 9 – APPROVAL TO GRANT UP TO 40,816,326 OPTIONS TO SHAREHOLDERS WITH A REGISTERED ADDRESS IN AUSTRALIA AND NEW ZEALAND (OTHER THAN ARROVEST)

6.1 Background

Resolution 9 seeks Shareholder approval for the grant of up to approximately 40.8 million Options to eligible Shareholders (being, Shareholders with a registered address in Australia and New Zealand other than Arrovest) as at the Options Record Date and the issue and allotment of Shares on the exercise of those Options for the purposes of ASX Listing Rule 7.1.

The Options will be granted pursuant to a separate prospectus which will be lodged with ASIC and ASX if Resolution 9 is approved by Shareholders. It is expected that the Options will be granted within 3 months following the Meeting.

Resolution 9 is conditional on the passing of Resolutions 1 and 2. Resolution 9 must be passed as an ordinary resolution and will therefore be passed if supported by a simple majority of votes cast. For the avoidance of doubt, Arrovest is permitted to vote on Resolution 9 as it will not receive any Options.

6.2 Requirement for Shareholder approval under ASX Listing Rule 7.1

The general effect of ASX Listing Rule 7.1 is described in Section 4.2 above.

² Assumes there is no participation in the Wholesale Investor Offer (other than from the Directors subject of the Resolutions) and the Notes are converted to Shares at the Maturity Date, with any Interest payable on those Notes capitalised at the PIK Interest rate of 8.5% per annum for the first 30 months, followed by Partial Cash Interest of 5.0% per annum and a PIK Interest rate of 3.5% per annum until the Maturity Date.

³ Mr Perich has a Relevant Interest in the Company's Shares because he is an associate of Arrovest Pty Ltd in accordance with section 608 of the Corporations Act.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval under ASX Listing Rule 7.1. To do this, the Company is asking Shareholders to approve the grant of the Options under ASX Listing Rule 7.1 so that it does not use up any of the 15% limit on issuing equity securities without Shareholder approval set out in ASX Listing Rule 7.1.

To this end, Resolution 9 seeks Shareholder approval to the grant of the Options under and for the purposes of ASX Listing Rule 7.1.

If Resolution 9 is passed, the grant of the Options can proceed without using up any of the Company's 15% limit on issuing equity securities without Shareholder approval set out in ASX Listing Rule 7.1.

If Resolution 9 is not passed, the grant of the Options can still proceed at the Company's discretion, but it will reduce, to that extent, the Company's capacity to issue equity securities without Shareholder approval under ASX Listing Rule 7.1 for 12 months following the grant of the Options.

As noted in Section 2, the Company will not grant the Options if Resolutions 1 and 2 are not approved.

The Company will not raise any funds from the grant of the Options until such time as the Options are exercised by the option holders.

6.3 Information Required by ASX Listing Rule 7.3

For the purposes of ASX Listing Rule 7.3, the following information is provided to Shareholders in relation to Resolution 9:

The names of the persons to whom the Company will issue the securities or the basis upon which those persons will be identified or selected	The Options will be granted on a pro-rata basis to Shareholders with a registered address in Australia and New Zealand other than Arrovest who are registered on the Options Record Date.
The maximum number of Options to be issued	40,816,326 Options.
If the securities are not fully paid ordinary securities, a summary of the material terms of the securities	<p>The following are the material terms of the Options:</p> <ul style="list-style-type: none"> • Exercise price: \$0.98 per Option • Exercise period: The date starting on the second anniversary of the issue of the Options and ending on the expiry date. • Expiry date: 6 years from their issue date • Quotation: Options will be listed and tradeable on ASX. • Issue price: Nil <p>A summary of the material terms of the new Options are set out in Annexure D to this Explanatory Statement.</p> <p>The Company will prepare a separate prospectus for the Options which will contain further detail regarding the Options, and which will be made available to Shareholders if Resolution 9 is approved.</p>
The date by which the Company will grant the Options	If Resolutions 1 and 2 are approved by Shareholders at the Meeting, the Company expects to grant the Options by June 2021, but in any event no later than three months after the date of the Meeting.
The issue price at which the Options will be issued	The Options will be granted for nil consideration.

Intended use of funds raised	The net proceeds from the Options will be used to provide incremental working capital to support the Company's turnaround strategy.
Voting exclusion statement	A Voting Exclusion Statement relating to this Resolution 9 is included in the Notice of Meeting accompanying this Explanatory Statement.

6.4 Board recommendation

It is the view of the Directors that the Options are in the best interests of Shareholders, and the Directors unanimously recommend that Shareholders vote in favour of Resolution 9.

It is the view of those Directors who may not be entitled to participate in the proposed issuance of the Options (being, as at the date of this Explanatory Statement, Tony Perich AM and Stuart Black AM) that the proposed issuance of the Options is in the best interests of Shareholders and they recommend that Shareholders vote in favour of Resolution 9. The other Directors make no recommendation in relation to Resolution 9 as they may be entitled to participate in the offer of Options.

The Chair of the Meeting intends to vote undirected proxies in favour of Resolution 9.

7 RESOLUTIONS 10, 11, 12 and 13 – APPROVAL TO ISSUE OPTIONS TO THE DIRECTORS AND FORMER DIRECTORS

7.1 Background

Resolutions 10, 11, 12 and 13 seek Shareholder approval for the grant of 522,261 Options to Ms Genevieve Gregor, Ms Jane McKellar, Mr Perry Gunner and Mr Trevor Allen (or their nominated entities) and the issue and allotment of Shares on the exercise of those Options for the purposes of ASX Listing Rule 10.11.

Resolutions 10, 11, 12 and 13 are conditional on the passing of Resolutions 1, 2 and 9.

Resolutions 10, 11, 12 and 13 must be passed as an ordinary resolution and will therefore be passed if supported by a simple majority of votes cast. This will **exclude** any votes cast by the Director to whom the Resolution relates (or an entity associated with that Director) and any other person who is otherwise excluded in accordance with the relevant Voting Exclusion Statement set out in the Notice of Meeting enclosed with this Explanatory Statement.

The Company notes the funds to be raised pursuant to the grant of Options will not be available to the Company, nor will the Options be granted until after this Meeting. Further details regarding the implications of the grant of the Options on the Relevant Interest of each applicable Director in the Company are set out in Section 7.4 below.

7.2 Requirement for Shareholder approval under ASX Listing Rule 10.11

The general effect of ASX Listing Rule 10.11 is described in Section 3.6 above.

Each of the entities proposed to be granted Options under Resolutions 10 to 13 are associated with a current or former Director of the Company and, therefore, are Related Parties of the Company for the purposes of the ASX Listing Rules.

The grant of the Options to the relevant Related Party and subsequent exercise and conversion to Shares falls within ASX Listing Rule 10.11.1 and does not fall within any of the exceptions in ASX Listing Rule 10.12. Therefore, Shareholder approval is required under ASX Listing Rule 10.11 to grant the Options to the each of the Related Parties specified below.

If Resolutions 10 to 13 are passed:

- (a) the Company will be grant Options to certain current and former Directors and Shares will be issued to those Related Parties following the exercise of those Options; and
- (b) the Options granted to certain current and former Directors will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under ASX Listing Rule 7.1.

If Resolutions 10, 11, 12 and 13 are not passed the Company will not grant Options to the relevant Related Parties.

7.3 Information required by ASX Listing Rule 10.13

For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolutions 10 to 13:

The name of the person	<ul style="list-style-type: none"> Resolution 10 – Woolwich Family Pty Limited (ACN 620 404 588) as trustee for the Woolwich Family Trust Resolution 11 – Ms Jane McKellar Resolution 12 – Famtron Pty Limited Resolution 13 – the Perry Gunner Entities
Which category in rules 10.11.1 – 10.11.5 the person falls within and why	Each entity is associated with a current or former Director and is a Related Party (ASX Listing Rule 10.11.1).
The number and class of securities to be issued to the person	<ul style="list-style-type: none"> 7,291 Options to Woolwich Family Pty Limited (ACN 620 404 588) as trustee for the Woolwich Family Trust 497 Options to Ms Jane McKellar 52,771 Options to Famtron Pty Limited 461,702 Options to the Perry Gunner Entities
If the securities are not fully paid ordinary securities, a summary of the material terms of the securities	Refer to Section 6.3 of this Explanatory Statement.
The date on or by which the Company will grant the Options	<p>If Resolutions 1 and 2 are approved by Shareholders at the Meeting, the Company expects to grant the Options by June 2021.</p> <p>Listing Rule 10.13.5 requires the Options to be granted under Resolutions 10, 11, 12 and 13 within 1 month of the Meeting. The Company has applied for a waiver from Listing Rule 10.13.5 to permit the grant of these Options up to 3 months following the Meeting, consistent with the Options being granted to other Shareholders in accordance with Resolution 9. The Company will advise Shareholders if this waiver is obtained prior to the Meeting.</p>
The issue price at which the Options will be issued	The Options will be granted for nil consideration.
Intended use of funds raised	Refer to Section 6.3 of this Explanatory Statement.
Voting exclusion statement	A Voting Exclusion Statement relating to Resolutions 10 to 13 is included in the Notice of Meeting accompanying this Explanatory Statement.

7.4 Impact on the Relevant Interest of each applicable Director

The table below shows the impact of the grant of Options on the Relevant Interest of each Director seeking to apply for Options:

Director	Relevant Interest in the Company as at the date of this Notice of Meeting	Relevant Interest in the Company following grant of Options ⁴
Ms Genevieve Gregor	0.01%	0.05%
Mr Tony M. Perich AM ⁵	52.53%	75.36%
Ms Jane McKellar	0.00%	0.02%
Mr Timothy Bryan	0.02%	0.01%
Mr Stuart Black AM	Nil	0.01%

7.5 Board recommendation

It is the view of the Directors that the grant of the Options to the relevant Related Parties set out above is in the best interests of Shareholders, and each Director recommends that Shareholders vote in favour of Resolutions 10, 11, 12 and 13 (except that, where a Director or an associate of that Director is precluded from voting on a Resolution as it may be eligible to participate in the proposed grant of Options, that Director does not provide any recommendation in relation to that Resolution).

The Chair of the Meeting intends to vote undirected proxies in favour of Resolutions 10, 11, 12 and 13.

8 RISKS

The risk factors described in this section do not take into account the investment objectives or financial circumstances of individual Shareholders. Shareholders should have regard to their own investment objectives and financial circumstances and seek professional advice from their legal, financial and other independent advisers before determining whether or not to vote in favour of the Resolutions.

8.1 Risks in relation to the Recapitalisation

On 19 March 2021, the Company announced the terms of the Recapitalisation and the lodged an Investor Presentation and Prospectus in relation to the Capital Raising. Those materials describe the risk factors considered by the Company to be the potential material risks associated with the Company's business and the risks associated with an investment in the Notes and with the Shares. Those risk factors are not an exhaustive list, and should be read in conjunction with the other information described in this Explanatory Statement, the Investor Presentation and the Prospectus. There may be additional risks and uncertainties not currently known that may also have an adverse effect on the Company's business and the value of its Shares.

For a discussion of general risks, which may, individually or in combination, adversely affect the business, future operating and financial performance, reputation or prospects of the Company and/or the value of Shares, Shareholders should refer to the Investor Presentation and Prospectus which are publicly available from ASX's website (www.asx.com.au), or on the Company's website (www.ffgl.com.au).

⁴ Assumes there is no participation in the Wholesale Investor Offer (other than from the Directors the subject of Resolutions 3 – 8), all Options are granted under Resolutions 10- 13 and the Notes and Options are converted to Shares at the Maturity Date, with any Interest payable on those Notes capitalised at the PIK Interest rate of 8.5% per annum for the first 30 months, followed by Partial Cash Interest of 5.0% per annum and a PIK Interest rate of 3.5% per annum until the Maturity Date.

⁵ Mr Perich has a Relevant Interest in the Company's Shares because he is an associate of Arrovest Pty Ltd in accordance with section 608 of the Corporations Act.

8.2 Risks if Shareholders vote AGAINST the Resolutions (and Notes are not capable of being converted to Shares)

This Section describes the potential risks associated with the implementation of the Recapitalisation in circumstances where Shareholders do not approve Resolutions 1 and 2 to enable the Notes to be converted to Shares. If Resolutions 1 or 2 are not approved, the Notes will still be issued but will only be convertible on a Cash-Settled basis until the relevant Shareholder approvals are obtained.

The Company will still proceed with the Recapitalisation and the issuance of the Notes even if Shareholders do not approve the Resolutions. Until the Notes are repaid or converted to Shares, the Company will continue to have high leverage as the Notes will be classified as a non-current liability on the Company's balance sheet.

If Shareholders do not approve some or all of the Resolutions, the Options will not be issued, and the Notes will only be capable of being Cash-Settled until such time as the approvals necessary to enable conversion of the Notes to Shares are obtained. Any cash-settlement amount that becomes payable by the Company (or any redemption payment, including the Makewhole Amount) may be material, and the capacity of the Company to pay any such amount may depend on the Company achieving a turnaround of its business and operations and its ability to raise equity or further debt to satisfy those payments.

Shareholders should also note that even if Resolutions 1 and 2 are not approved to enable the conversion of Notes to Shares, the Noteholders may require the Company (in accordance with the Note Terms) to seek Shareholder Approval in the future to permit conversion of the Notes to Shares.

8.3 Risks if Shareholders vote FOR the Resolutions (and Notes are capable of being converted to Shares)

This Section describes the potential risks associated with the implementation of the Recapitalisation in circumstances where Shareholders approve Resolutions 1 and 2 to enable the Notes to be converted to Shares.

(a) Dilution for Shareholders

If Resolutions 1 and 2 are approved, the Notes may be converted to Shares at any time by Noteholders (among other conversion events).

The issue of Shares on conversion of the Notes will dilute the interests of existing Shareholders to differing extents depending on, amongst other things:

- (i) the number of Notes issued under the Capital Raising; and
- (ii) whether Shareholders participate in the Wholesale Investor Offer (if they are Eligible Investors).

More detail on the potential dilution effect is set out in Section 1.5 of this Explanatory Statement.

(b) Arrovest control implications

Arrovest is the majority Shareholder of the Company, holding approximately 52.5% of the Shares on issue at the date of this Explanatory Statement.

Under the Placement, Arrovest may acquire up to 200 million Notes which, if converted into Shares, may materially increase Arrovest's shareholding in the Company.

The exact effect on control depends upon the extent to which Eligible Investors take up Notes under the Wholesale Investor Offer. Depending on the extent to which Eligible Investors apply for Notes under the Wholesale Investor Offer, the dilutive and control effects of the Notes issued to Arrovest will differ. More detail on the potential dilution effect is set out in Section 3.3 and Annexure C of this Explanatory Statement.

9 GLOSSARY

In this Notice of Meeting and Explanatory Statement, unless the context otherwise requires, the following definitions apply.

For the defined terms specific to the Notes and Note Terms, please refer to Part B of Annexure B.

ABN/ACN	means Australian Business Number / Australian Company Number.
ARS Agreement	means the agency and registry services agreement entered into between, among others, the Company and the Trustee, as described in Section 8.13 of the Prospectus.
Arrovest	means Arrovest Pty Ltd ACN 117 953 205.
Arrovest Commitment Letter	means the commitment letter dated 19 March 2021 between Arrovest and the Company pursuant to which Arrovest commits to subscribe for \$200 million of Notes under the Placement (subject to a scale back).
ASIC	means Australian Securities and Investments Commission.
ASX	means ASX Limited ABN 98 008 624 691 or the securities market it operates, as the context requires.
ASX Listing Rules or Listing Rules	means the official listing rules of ASX.
AUD or \$ or A\$	means Australian dollars.
Board	means the board of Directors of the Company.
Business Day	has the meaning given to that term in the ASX Listing Rules.
Capital Raising	means the offer of Notes under the Placement and Wholesale Investor Offer.
Cash-Settled	means, in relation to Notes, conversion of Notes occurring by way of cash-settlement in accordance with the Note Terms.
Chair	means Ms Genevieve Gregor.
Company	means Freedom Foods Group Limited ACN 002 814 235.
Company Secretary	means Justin Coss and Scott Standen.
Conditions	means, collectively, the conditions to which Arrovest's obligation to subscribe for \$200 million of Notes is subject, as outlined in the table in Section 3.7.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Director	means a director of the Company.
Eligible Investor	has the meaning given to that term in the Prospectus.
Equity Settled	means, in relation to Notes, conversion of Notes into Shares in accordance with the Note Terms.
Explanatory Statement	means this Explanatory Statement which includes the Independent Expert's Report, the Notice of Meeting, the Explanatory Statement and the Proxy Form.
Extraordinary General Meeting or Meeting	means the extraordinary general meeting of Shareholders convened under the Notice of Meeting to consider the Resolutions and to be held on 25 May 2021, or such other date where the meeting is adjourned.
Financial Close	means the date on which the Notes are issued and the Recapitalisation completes, which is scheduled to occur after the Extraordinary General Meeting.
FY or Financial Year	means the financial year ending 30 June.
Glossary	means this glossary of defined terms in Section 9.
Group or Freedom Foods Group	means the Company and its Subsidiaries together.
Group Member	means any member of the Group.
HIN	means Holder Identification Number.
HBAU	means HSBC Bank Australia Limited ABN 48 006 434 162.

HSBC	means The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch ABN 65 117 925 970.
Independent Expert	means Grant Thornton Corporate Finance Pty Limited ACN 003 265 987.
Independent Expert's Report	means the report prepared by the Independent Expert for the purposes of item 7 of section 611 of the Corporations Act.
Interest	has the meaning given to it in the Note Terms and Part B of Annexure B.
Investor Presentation	means the investor presentation released to the ASX on 19 March 2021.
Link	means Link Market Services Limited ACN 083 214 537.
Meeting Information Line	means 1300 912 776 (within Australia) or +61 1300 912 776 (outside Australia), open from 8:30am to 5:00pm (Sydney time), Monday to Friday.
Meeting Record Date	means 7:00pm on 23 May 2021.
NAB	means National Australia Bank Limited ABN 12 004 044 937.
Note Terms	means, in relation to a Note, the terms and conditions of issue of that Note (which terms form Schedule 1 to the Trust Deed and are summarised in Annexure B of this Explanatory Statement).
Noteholder	means, in respect of a Note, the person from time to time whose name is entered on the note register as the holder of that Note.
Notes	means the unlisted, subordinated, secured convertible notes proposed to be issued to Arrovest and Eligible Investors pursuant to the Capital Raising.
Notice, or Notice of Meeting	means this notice of extraordinary general meeting.
Offer Period	means 5.00pm (Sydney time) on 29 March 2021 to 5.00pm (Sydney time) on 7 May 2021.
Options	means the listed options proposed to be issued by the Company as part of the Recapitalisation.
Options Record Date	means 7:00pm on 23 May 2021, being the same as the Meeting Record Date.
Perry Gunner Entities	means the following persons: (a) Mr Perry Gunner; (b) Mr Perry Gunner and Mrs Felicity Gunner as custodians for the Perry Gunner Super Fund; (c) Mr Perry Gunner and Mrs Felicity Gunner as custodians for the Perry Gunner Super Fund No 4; (d) Gunner Equities Pty Ltd as custodian for Gunner Equity; and (e) Guwarra Pty Ltd.
Placement	means the placement of Notes to Arrovest.
Prospectus	means the prospectus dated 19 March 2021 in relation to the offer of Notes under the Wholesale Investor Offer and the Placement and any replacement or supplementary prospectus.
Proxy Form	means the proxy form enclosed with this Explanatory Statement in relation to the Resolutions.
Recapitalisation	means the recapitalisation of the Company involving, among other things, recapitalising the business, refinancing the Company's senior debt facilities and undertaking the Capital Raising.
Related Party	has the meaning given to it in section 9 of the Corporations Act or the ASX Listing Rules (as appropriate).
Relevant Interest	has the meaning given to the term in sections 608 and 609 of the Corporations Act.
Resolutions	means the resolutions as set out in the Notice of Meeting.
Senior Financiers	means: (a) NAB; (b) HSBC; and

	(c) HBAU, and any of their permitted assigns, transferees or replacement lender(s).
Share	means a fully paid ordinary share in the capital of the Company.
Share Registry	means Link Market Services Limited ACN 083 214 537.
Shareholder	means a holder of one or more Shares in the Company.
Shareholder Approvals	means the Shareholder approvals to be sought by the Company in relation to the Recapitalisation as set out in the Notice of Meeting.
SRN	means Security Reference Number.
Standstill Deed	means the Standstill Deed dated 9 September 2020 between, among others, the Company, Freedom Foods Group Financing Pty Ltd and the Senior Financiers.
Subsidiaries	has the meaning given to that term in the Corporations Act, but an entity will also be taken to be a Subsidiary of an entity if it is controlled by that entity (as defined in section 50AA of the Corporations Act) and, without limitation: (d) a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share; and (e) an entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation.
Transaction Documents	means the Trust Deed, Note Terms and certain other transaction documents in relation to the documentation of the security arrangements provided for the benefit of Noteholders.
Trust	means the 'FNP Note Trust' established under the Trust Deed.
Trust Deed	means the trust deed entitled 'Trust Deed for the FNP Note Trust' between the Company and the Trustee in respect of the Notes to be dated on or before Financial Close.
Trustee	means the person from time to time acting as the trustee of the trust constituted by the Trust Deed (acting in that capacity) initially being Global Loan Agency Services Australia Specialist Activities Pty Limited ACN 635 992 308.
Voting Exclusion Statement	means the voting exclusion statement accompanying each Resolution in the Notice of Meeting.
Wholesale Investor Offer	means the offer of Notes to Eligible Investors pursuant to this Prospectus.

ANNEXURE A – INDEPENDENT EXPERT’S REPORT



Grant Thornton
An instinct for growth™

Freedom Foods Group Limited

Independent Expert's Report and Financial Services Guide

19 April 2021



Grant Thornton

An instinct for growth™

The Independent Directors
Freedom Foods Group Limited
80 Box Road
Taren Point, NSW 2229

19 April 2021

Dear Directors

Independent Expert's Report and Financial Services Guide

Freedom Foods Group Limited ("Freedom Foods", "FNP" or "the Company") is an ASX-listed producer and distributor of plant based beverages, dairy products and nutritional ingredients to wholesale and consumer markets. The Company operates the two main divisions¹ being Dairy and Nutritionals (main focus on UHT and lactoferrin²) and Plant Based Beverages (mainly focused on almond milk and soy milk) via three manufacturing sites³. FNP owns well known household brand names such as MILKLAB, Australia's Own, Vital Strength, Crankt Protein, PUREnFERRIN, etc⁴.

On 30 November 2020, FNP restated the FY19 and FY20 accounts ("Restated Accounts")⁵ with the restated FY19 EBITDA being a loss of A\$88 million⁶. The FY20 adjusted pre-AASB 16 EBITDA was a loss of A\$86.5 million.

Trading in Freedom Foods shares ("Shares") on the ASX was suspended on 25 June 2020 whilst the Company was seeking to restructure its operations and to recapitalise its business. The Company also reached a number of standstill agreements with its lenders given that it was in breach of the terms of the debt facilities and it is in the process of implementing a turnaround plan through the implementation of certain initiatives to return the business to profitability ("Transformation Program").

On 19 March 2021, the Company announced a recapitalisation between a minimum of A\$200 million and up to a maximum of A\$265 million ("Recapitalisation" or Capital Raising") via the issue of unlisted, subordinated secured convertible notes ("Convertible Notes"). The issue of the Convertible Notes will be structured as outlined below:

¹ The Company also operates a Specialty Seafood division which forms a smaller component of its overall operations. It recently sold its Cereals & Snacks division to the Arnott's Group with the exception of retaining the Crankt Protein brand.

² Lactoferrin is a protein found naturally in milk from humans and cows. It is also found in several other fluids in the body such as saliva, tears, mucus, and bile. Lactoferrin is found in highest amounts in colostrum, the first type of breast milk produced after a baby is born.

³ Ingleburn, NSW which produces Plant Based Beverages, Shepparton, VIC which focuses on the production of Dairy and Nutritionals and the Marrickville, NSW which manufactures consumer nutritionals such as whey and casein.

⁴ MILKLAB range includes almond, soy, coconut, macadamia, lactose-free and dairy. Australia's Own includes whipping cream, A2 protein, skim, almond and organic milk. Vital Strength is commonly known for its advanced protein powders, amino acids, pre-workouts & stacks. Crankt offers protein-rich alternatives to sugary drinks and snacks through its shakes and protein bars.

⁵ The Company also restated the balance sheet as at 30 June 2018.

⁶ Based on the adjusted pre-AASB 16 EBITDA as disclosed in the Annual Report FY20.



- An invitation to eligible investors⁷ to subscribe for up to A\$130 million of Convertible Notes with priority allocated to those eligible investors who are also shareholders at the record date of 19 March 2021 ("Record Date") ("Wholesale Notes Offer").
- A placement of up to A\$200 million of Convertible Notes to Arrovest Pty Ltd ("Arrovest"), an investment vehicle of the Perich Family, based on the terms of a Commitment Agreement with the Company having the ability to scale back Arrovest's investment to a minimum of A\$135 million if the Wholesale Notes Offer is taken-up in full. Arrovest and its associates currently hold 52.5% of the issued capital of the Company.

The Convertible Notes have a maturity of six years and for the first 30 months they bear a cash interest payable of 7% p.a. or of 8.5% p.a. if the interest payment is capitalised ("PIK")⁸. After the first 30 months, the Company can elect to pay 7% cash interest p.a. or to pay a total interest rate of 8.5% p.a. but broken down between a minimum 5% p.a. cash and PIK interest of 3.5% p.a.

Subject to obtaining approval⁹ of the FNP shareholders not associated with Arrovest ("Non-Associated Shareholders") in relation to the Convertible Notes subscribed by Arrovest and by all the Shareholders for the Wholesale Notes Offer, the Convertible Notes can be converted into FNP Shares at the election of the Noteholders based on a conversion price of A\$0.70 per share ("Conversion Price"). Noteholders can convert the Convertible Notes plus capitalised interest at any time up to and including maturity date ("Equity Conversion Right"). The Company cannot call or force conversion of the Convertible Notes¹⁰. However, if 75% of the Noteholders convert, the remaining Noteholders can be dragged to convert by the Company.

If the Convertible Notes are not converted by the Noteholders, they will be redeemed by the Company for cash at maturity by the payment of a make whole amount ("make whole") which is calculated as the face value of the Convertible Notes times 2.30x (year six multiplier)¹¹ less the cash interest and principal payments during the period (if any). Accordingly, the Company may be required to make a make whole payment between A\$460 million¹² and A\$610 million¹³ at maturity of the Convertible Notes. The Company is able to call an early redemption of the Convertible Notes before maturity by the payment of the make whole amount with the make whole multiplier applied to the initial face value of the Convertible Notes ranging between 1.75x (year 1) to 2.30x (year 6 or at maturity).

If approval of the Non-Associated Shareholders is not obtained for the conversion of the Convertible Notes, then, at the option of the Company, the Convertible Notes can be redeemed any time before maturity for cash (early redemption) or they must be redeemed at maturity but under both scenarios the make whole provision will apply. However, upon the receipt of an early redemption notice from the Company¹⁴, a Noteholder has the right to notionally convert the Convertible Notes in cash at an amount equivalent to the number of shares that would be issued to the Noteholder if its Convertible Notes were able to be converted into shares multiplied by the 30-day VWAP¹⁵ price ("Cash Settled Conversion").

Depending on the level of participation in the Wholesale Notes Offer, the Company has agreed to apply between A\$183 million (if only A\$200 million is raised) and A\$233 million (if A\$265 million is raised) towards

⁷ As disclosed in the Prospectus released on the ASX.

⁸ Paid in kind

⁹ In addition to other conditions precedents as set out in the Convertible Notes Deed.

¹⁰ With the exception of limited circumstances set out in section 9.25 of the Prospectus issued by the Company in relation to the Wholesale Notes Offer.

¹¹ This is subject to an adjustment to 2.20x if certain events occur. Refer to Clause 36 of the Note Terms in the Prospectus.

¹² In the scenario that A\$200 million is raised.

¹³ In the scenario that A\$265 million is raised.

¹⁴ Plus other circumstances as set out in the Convertible Notes Deed.

¹⁵ Volume Weighted Average Price ("VWAP").

repayment of its existing senior term, revolving debt and subordinated debt with HSBC and NAB (“Senior Lenders”) with the balance of the proceeds used for working capital purposes¹⁶. As a result, the pro-forma net debt of the Company as at 31 December 2020 of A\$285 million is not expected to change materially after the Proposed Issue (i.e. it actually slightly increases to A\$295 million)¹⁷. However, following the Recapitalisation, the Company will have a 2-year financial covenant free period on the senior debt and 6-year financial covenant free period on the Convertible Notes which will provide much needed flexibility to implement the turnaround plan.

The shareholding of Arrovest in the Company upon conversion of the Convertible Notes will depend on the level of participation in the Wholesale Notes Offer and the timing of conversion. If there is no participation in the Wholesale Notes Offer and the Convertible Notes are converted at maturity, Arrovest will increase its shareholding from 52.5% to 80.5%¹⁸.

Subject to obtaining the required approvals, in conjunction with the Recapitalisation, the Company intends to offer up to approximately 40.8 million Options, with an exercise price of A\$0.98 per share, to acquire Shares on a pro-rata basis to the Company’s Shareholders (being shareholders with a registered address in Australia and New Zealand other than Arrovest) who are registered as at 7:00 pm, 19 May 2021, to allow Shareholders an opportunity to participate in future upside if the turnaround of the business is successful.

The Independent Directors of FNP have unanimously recommended that the Non-Associated Shareholders vote in favour of the proposed issue of FNP shares upon conversion of the Convertible Notes (“Proposed Issue”). Each Director¹⁹ intends to vote or to procure to vote the FNP Shares that they own in favour of the Proposed Issue.

Purpose of the report and approach

The Independent Directors have engaged Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) to prepare an independent expert’s report (“IER”) stating whether, in its opinion, the issue of FNP Shares to Arrovest upon conversion of the Convertible Notes is fair and reasonable to the Non-Associated Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act. We understand that there could be also the possibility that the same approval under Item 7 of Section 611 of the Corporations Act may be required for a Wholesale Noteholder if it subscribes for a number of Convertible Notes which upon conversion will result in the Noteholders holding more than 20% of the issued capital of Freedom Foods after the Recapitalisation (“Theoretical Noteholder Subscription”). The analysis and conclusion of this IER also applies to these circumstances if they eventuate.

We note that we have not been asked to form an opinion and we have not formed an opinion on whether or not the Company should issue the Convertible Notes which will be issued independently from the Non-Associated Shareholders’ vote in relation to the Proposed Issue.

When preparing this IER, Grant Thornton Corporate Finance has had regard to the Australian Securities Investment Commission (“ASIC”) Regulatory Guide 111 Contents of expert reports (“RG 111”) and Regulatory Guide 112 Independence of experts (“RG 112”). The IER also includes other information and disclosures as

¹⁶ We note that if the Company raises A\$200 million, A\$7 million will be retained for working capital purposes whereas if it raises A\$265 million, A\$22 will be available for working capital. In both cases, the Company will incur transaction costs of circa A\$10 million.

¹⁷ Refer to page 40 of the Recapitalisation Presentation released on 19 March 2021.

¹⁸ After conversion of the Convertible Notes at maturity, excluding Options. If the Convertible Notes are assumed to be converted immediately, the maximum shareholding reduces to 76.6% as the capitalised portion of the interest is excluded from the calculation.

¹⁹ Except that, where a Director is precluded from voting on the Proposed Issue, that Director does not provide any recommendation in relation to Proposed Issue.

required by ASIC.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Issue is NOT FAIR BUT REASONABLE to the Non-Associated Shareholders. In the absence of a superior alternative proposal emerging, we are of the opinion that the advantages of voting in favour of the Proposed Issue outweigh the disadvantages.

In accordance with the requirements of ASIC RG 111, our analysis of the fairness of the Proposed Issue must be treated as if it was a scrip takeover offer for the Company. Accordingly, we have compared the fair market value of FNP before the Proposed Issue on a 100% basis and incorporating the application of a premium for control²⁰ with the fair market value of Freedom Foods after the Proposed Issue on a minority and fully diluted basis. As a result, we have concluded that the Proposed Issue is not fair.

Non-Associated Shareholders should also be aware that estimating the underlying fair market value of Freedom Foods is subject to considerable uncertainty as it is premised on the achievement of the Transformation Program Initiatives which are expected to significantly improve the EBITDA over the next five years. Whilst in our valuation assessment, we have risk-adjusted these initiatives as there is no guarantee that Freedom Foods will be successful in achieving them or on the timing necessary to return the Company to a sustainable level of profitability. Further, the high degree of gearing of the Company results in considerable sensitivity of the estimated value of Freedom Food's equity value to changes in the estimated enterprise value of the Company. This uncertainty is even exacerbated by the fact that trading in FNP Shares has only recommenced on 22 March 2021 which provides a limited number of observations to support the fair value assessment.

Given the fundamental uncertainties inherent to the future financial performance of FNP, conclusions regarding the valuation assessment of FNP before and after the Proposed Issue and hence our fairness opinion should be treated with considerable caution.

Judgements regarding the reasonableness of the Proposed Issue require an assessment of the advantages and disadvantages of the Proposed Issue in the context of FNP's current position. There are a number of compelling reasons for the Non-Associated Shareholders to vote in favour of the Proposed Issue and to support the Recapitalisation as outlined below:

- Based on the terms of the Convertible Notes, if the approval of the Non-Associated Shareholders in relation to the Proposed Issue is not obtained before maturity, FNP will be required to redeem the Convertible Notes plus PIK interest at maturity (unless the Cash Settled Conversion applies) and pay the make whole amount for total outlay between A\$414.2 million²¹ and A\$548.8 million²².
- Freedom Foods has a pressing need to replace most of its existing debt facilities given it is in breach of the terms and the Senior Lenders have only entered into a standstill agreements pending implementation of the Recapitalisation. Given that the Convertible Notes will be issued independently from the Non-Associated Shareholders' approval of the Proposed Issue, by approving the Proposed Issue, the Non-Associated

²⁰ We note that before the issue of the Convertible Notes, Arrovest already owns a majority interest in Freedom Food of 52.5%.

²¹ Make whole amount (net of previously paid cash interest of A\$45.8 million including cash interest in year 6) at year 6 under the A\$200 million scenario.

²² Make whole amount (net of previously paid cash interest of A\$60.7 million including cash interest in year 6) at year 6 under the A\$265 million scenario.

Shareholders will provide the Company with enhanced flexibility to manage its cash flows and capital structure going forward.

- Following the Recapitalisation, the Company will have a 2-year financial covenant free period on the senior debt and 6-year financial covenant free period on the Convertible Notes which provides much needed flexibility to the Board and Management to focus on stabilising and then re-building the profitability of the business.
- As part of the process to issue the Convertible Notes, the Company also had discussions with other interested parties, however no superior proposal has emerged. Based on discussions with the Directors of FNP and their advisers, the issue of the Convertible Notes is the only funding transaction which has emerged over the last 9 months which is capable of being completed. In our opinion, alternative transactions such as for example a capital raising or a placement will be materially more dilutive for the Non-Associated Shareholders and the execution risk will be materially higher.
- The conversion price of A\$0.70 per share is at a material premium to the trading prices of FNP since it recommenced trading on the ASX on 22 March 2021.

If a Noteholder under the Wholesale Notes Offer subscribes for a number of Convertible Notes which upon conversion will result in the Noteholders holding more than 20% of the issued capital of Freedom Foods after the Recapitalisation and accordingly Non-Associated Shareholders under Item 7 of Section 611 of the Corporation Acts is also required, Grant Thornton would equally conclude that the issue of the FNP Shares to the Noteholder would be NOT FAIR BUT REASONABLE. The analysis of the fairness and the reasonableness of the Proposed Issue would equally apply to the Theoretical Noteholder Subscription.

Fairness assessment

In forming our opinion in relation to the fairness of the Proposed Issue to the Non-Associated Shareholders, Grant Thornton Corporate Finance has compared the value per FNP Share before the Proposed Issue on a control basis to the assessed value per FNP Share after approval of the Proposed Issue on a fully diluted and minority basis. The following table summarises our fairness assessment:

Fairness assessment	Section		
A\$ per FNP Share	Reference	Low	High
Value per FNP share before Proposed Issue	7.1.8	0.87	1.05
Value per FNP share after Proposed Issue	9	0.40	0.65
Premium/(discount)		(0.47)	(0.40)
Premium/(discount) (%)		(54.2%)	(38.3%)
FAIRNESS ASSESSMENT		NOT FAIR	

Source: GTCF calculations

Our assessment of the fair market value of Freedom Foods on a control basis before the Proposed Issue is higher than our assessment of Freedom Foods on a minority basis after the Proposed Issue. Accordingly, we have concluded that the Proposed Issue is **NOT FAIR** to the Non-Associated Shareholders.

The range of assessed values of FNP after the Proposed Issue is wider than we would normally estimate due to the range of possible outcomes in relation to the amount to be raised under the Convertible Notes (between A\$200 million and A\$265 million) and the potential options for the Noteholders in relation to converting or

redeeming the Convertible Notes and their respective times. All the possible combinations are plausible at this point in time and it is not feasible to attribute more weight to one outcome rather than the other.

FNP Shareholders should be aware that our assessment of the value per FNP Share does not reflect the price at which FNP Shares will trade if the Proposed Issue is not approved. The price at which FNP Shares will ultimately trade depends on a range of factors including the liquidity of FNP Shares, FNP's cash position, macro-economic conditions, the underlying performance of FNP's business, and the supply and demand for FNP Shares.

In the assessment of fair market value of FNP Shares we have relied on the discounted cash flows ("DCF Method") and we have cross checked our assessment based on the EBIT²³ multiples ("EBIT Multiple Method") and the trading prices after trading recommenced on 22 March 2021. The valuation assessment is described further in this section below, and is also detailed in Section 7 of this Report.

DCF Method

Management have provided Grant Thornton Corporate Finance with a financial model ("Internal Model") that has been prepared by Management of FNP ("Management") for the purpose of the Recapitalisation and reviewed by the Senior Lenders prior to agreeing to the Recapitalisation. The Internal Model is based on the assumptions that the sale of the Cereals and Snacks division is fully completed²⁴ and the Speciality Seafood division is retained. This has formed the basis of our valuation assessment. Grant Thornton Corporate Finance has built the GT Model²⁵ based on post-tax free cash flows of Freedom Foods from 1 March 2021 to 30 June 2025 included in the Internal Model based on a critical review and consideration of the assumptions underlying the Internal Model.

The Company has commenced the implementation of the Transformation Program initiatives which have been identified with the assistance of an independent consultant ("Consultant")²⁶ and included in the Internal Model. These operational improvements revolve mainly around the two key manufacturing sites of Shepparton and Ingleburn and they are focussed on removing unprofitable SKUs at Shepparton for UHT products, improving the manufacturing sites' design and plan in order to achieve industry standard operational KPIs and procurement savings. The overall Transformation Program Initiatives is a three to five year program. The total value of the benefits identified in the Consultant Report have been risk-adjusted by the Company in the Projections with only 57% of the benefits included. Whilst the benefits of the implementation of the Transformation Program Initiatives are large, the risk adjusted full run rate of the cost savings represent only circa c.3.5%²⁷ of the FY21 cost base. The implementation of these initiatives is expected to require growth capital expenditure which has been included in the discrete forecast period.

Given the uncertainty in relation to the ability of the business to successfully implement the Transformation Program Initiatives in full, the current situation of financial distress and the circumstances which led to the issue of the Restated Accounts, we have undertaken our valuation assessment based on the following scenarios.

²³ Earnings before Interest and Tax

²⁴ The sale occurred in December 2020 and full completion is estimated on or around April 2021.

²⁵ GT Overlay and valuation model built using the Management model

²⁶ The consultant is an Australian headquartered consulting firm that specialises in manufacturing and supply chain efficiency, procurement, asset advisory and strategy.

²⁷ Full run rate benefits divided by FY21 cost base. FY21 cost base represents gross sales value less operating EBITDA.

Scenario	Key assumptions during the discrete forecast period
Base Case	<p>The Internal Model forecasts a return to profitability in FY22 achieved via high levels of growth across its plant-based portfolio (but materially lower than the historical growth rates) and other revenue growth in line with market and historical performance.</p> <p>The revenue growth is mainly generated by the Plant Based Beverages division and sales of UHT Dairy into export markets. This is driven by the shift in consumer preferences toward plant-based products from dairy products and further expansion of UHT Dairy into export markets.</p> <p>Management expects an increase in the volumes to be traded through large supermarket chains, pharmacy stores and e-commerce channels. The operating margins of the business at the end of the discrete forecast period are not inconsistent with the listed peers.</p>
Delayed Base Case	As the Base Case but adopting a 20% higher capital expenditure to implement the Transformation Program Initiatives and a 12 months delay in their achievement.
Low Case	Base Case with the benefits from all the operating initiatives decreased by 30%
Worst Case	Base Case with the benefits from all the operating initiatives decreased by 50%
High Case	Base Case with the benefits from all the operating initiatives increased by 20%

Source: GTCF analysis

The Company has estimated that it will take a number of years for the Transformation Program initiatives to be fully implemented and for the Company to achieve its full run rate. Accordingly, the terminal value represents most of the value of the business and the benefits expected to be realised from these initiatives represent a large component of the terminal year EBITDA.

Accordingly, in our valuation assessment, we have calculated the terminal value by multiplying the EBITDA on a post transformation benefits basis by the post synergies²⁸ EBITDA multiple that a pool of potential purchasers may be prepared to pay for the business. Specifically, in our valuation assessment, we have adopted a terminal year EBITDA multiple between 6.0x and 6.5x which is based on the post synergies pre-AASB 16 EBITDA multiple of 6.3x²⁹ paid for the acquisition of Lion Dairy & Drinks by Bega Cheese Limited ("Bega Cheese" or "Bega").

Lion Dairy & Drinks produces, markets, distributes, and sells food, dairy, and beverage products. It offers full cream, flavoured and UHT milk along with other products such as soy milk, cheese, yoghurts, etc. Due to its market positioning and financial performance, Lion Dairy & Drinks was acquired at a high pro-forma pre-AASB16 LTM³⁰ September 2020 EBITDA multiple of circa 12.4x and EBIT multiple of 35.4x. Bega Cheese was expected to realise a large amount of synergies from the acquisition assessed at circa A\$41 million per annum (circa 75% of the EBITDA before synergies). Accordingly, the EBITDA multiple paid by Bega Cheese on a post synergies basis reduces to 6.3x which we have adopted as proxy of the EBITDA multiple applicable to the EBITDA post the benefits of the Transformation Program initiatives at the end of the discrete forecast period. The selected EBITDA multiple is conservative as the most relevant comparable companies are trading at an FY23 EBITDA multiple in double digits and it reflects the risk attached to the achievement of the Projections.

Given that we have reflected the risk of successfully implementing the Transformation Program Initiatives into our assessment of the terminal value multiple along with consideration of the scenario analysis in the

²⁸ We have considered the EBIT improvements expected to be generated through the implementation of the Transformation Program initiatives as a proxy of the synergies that may be achieved by purchasers in the case of control transaction.

²⁹ Calculated using figures disclosed in the Bega Cheese acquisition investor presentation.

³⁰ Last twelve months.

determination of the enterprise value of FNP on a control basis, we have adopted a standard industry discount rate range between 8.9% and 9.9% which is assessed using the Capital Asset Pricing Model.

We have set out below our valuation assessment of FNP before the Proposed Issue.

Valuation summary before Proposed Issue A\$ '000 (except where stated otherwise)	Section Reference	Low	High
Enterprise Value on a control basis	7.1.4	520,000	570,000
Add: Fair Value of AFMH	7.1.5	22,356	22,356
Add: Fair Value of JLL	7.1.5	5,857	5,857
Adjusted Enterprise value (on a control basis)		548,213	598,213
Less: Net debt (As at 28 February 2021)	7.1.6	(306,039)	(306,039)
Equity Value (control basis)		242,174	292,174
Number of outstanding shares ('000s) on a fully diluted basis	7.1.7	277,485	277,485
Value per share (control basis) (A\$ per FNP Share)		0.87	1.05

Source: GTCF analysis

Note (1): Enterprise value reflects the selected enterprise value of the company inclusive of NPV of tax losses and litigation expenses. The selected value of the company is shown in section 7.1.4.

Note (2): Based on AFMH (10% stake) carrying value as at 31 December 2020 - Note 8 and 9 (Half yearly report 2021). Refer to section 7.1.5.

Note (3): Based on JLL (10% stake) carrying value as at 31 December 2020 - Note 8 and 9 (Half yearly report 2021). Refer to section 7.1.5.

In our valuation assessment of FNP after the Proposed Issue, we have assumed that the enterprise value of the Company remains the same, however we have applied a minority discount in accordance with the requirements of RG111 and we have reflected the impact of the Convertible Notes on the debt and equity structure of the business. We have reflected in our valuation assessment the dilution that the Non-Associated Shareholders may suffer from the conversion or redemption of the Convertible Notes having regard to the following scenarios:

- *Equity Conversion Scenario* – Under this scenario, the Noteholder elects to exercise the conversion of the Convertible Notes into equity at maturity and accordingly, we have calculated the dilution that the Non-Associated Shareholders may suffer having regard to the face value of the debt plus the fair value of the conversion option.
- *Redemption Scenario* – Under this option, the Noteholder does not elect to exercise the conversion option attached to the Convertible Notes and they are redeemed at maturity by the payment of the make whole amount.

We have also considered in section 9.5 the scenario that the Noteholders will immediately convert the Convertible Notes (consistent with the requirements of ASIC RG 111), however we have not relied on it for the purpose of the fairness assessment, as it does not maximise the returns for the Noteholders.

We have summarised below our valuation assessment of FNP after the Proposed Issue.

Valuation Summary - Post Recapitalisation	Section		
A\$ per FNP Share	Reference	Low	High
Case A\$200 million			
Conversion at Year 6	9.2.2	0.49	0.63
Redemption at Year 6	9.2.3	0.30	0.39
Low		0.30	0.39
Average		0.40	0.51
High		0.49	0.63
Case A\$265 million			
Conversion at Year 6	9.2.2	0.43	0.57
Redemption at Year 6	9.2.3	0.18	0.25
Low		0.18	0.25
Average		0.31	0.41
High		0.43	0.57
GT Selected range		0.40	0.65

Source: GTCF analysis

Cross check valuation assessment

For the purpose of cross-checking our valuation assessment based on the DCF, we note the following:

- The value range of Freedom Foods on a control basis having regard to the DCF Method implies an enterprise value as a multiple of a normalised level of EBIT during the discrete forecast period which is not inconsistent with the listed comparable peers.
- FNP Shares have resumed trading on the ASX on 22 March 2021 after the Company announced the Recapitalisation. Since then, the trading prices have traded in a range between A\$0.50 and A\$0.59 and they closed at A\$0.50 on 30 March 2021 with the VWAP as at 29 March 2021 being A\$0.54. Whilst caution should be adopted in relying on trading prices over such a short period of trading, nonetheless they are consistent with our valuation assessment after the Proposed Issue.

Reasonableness assessment

RG111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, there are sufficient reasons for the security holders to accept the offer in the absence of any superior proposal. In assessing the reasonableness of approving the Proposed Transaction, we have considered the following advantages, disadvantages and other factors.

Advantages

The Proposed Issue provides new capital that is essential for FNP to return to a business as usual state

The release of the Restated Accounts with the large EBIT losses and a severe reduction in the book value of net assets, made it evident that the Company was in need of refinancing urgently for its existing debt facilities via a recapitalisation. Freedom Foods entered into a standstill agreement with its Senior Lenders on 11 September 2020 subject to the Company meeting certain milestones relating to the progression of the Recapitalisation plan.

The FY20 audited accounts were prepared on a going concern basis given that the Company obtained a waiver from its financiers in respect with non-compliance with lending covenants and subsequently entered into the standstill agreement mentioned above. Subsequent to the balance date, a related party of Arrovest has guaranteed additional general-purpose funding in the form of a A\$45 million subordinated secured facility to cover for the existing undrawn facility as at 30 June 2020 which were withdrawn by the Senior Lenders as part of entering into the standstill agreement.

The Company needs to refinance the existing debt facility with more flexible capital to allow Freedom Foods to implement the Transformation Program initiatives and return the business to a sustainable level of profitability. As outlined in the FY20 annual report, should the recapitalisation of the Company not occur, there would be material uncertainty in relation to the ability of Freedom Foods to continue as a going concern.

The Board of Directors have explored a number of alternative transaction structures, including capital raising, rights issue and placement, however the specific circumstances of the business, the current financial performance and the additional uncertainty in relation to the current litigation and the two class actions (discussed in section 4.5), made capital raising not a feasible alternative. The Proposed Issue is also likely to be less dilutive than alternative capital raising transactions given that the Conversion Price is at a significant premium to the trading prices.

Negotiations with a potential investor and no superior proposal

Based on discussions with the Directors of the Company, we understand that the Directors have investigated and evaluated a number of alternative transactions to the Proposed Issue over the last 9 months with a focus on seeking a solution that provides capital and operational expertise in implementing the turnaround. At the time of releasing the FY20 annual report, the Company was in exclusive negotiations with another interested party to issue listed secured subordinated convertible notes. However, on 20 January 2021, FNP announced that following detailed and in-depth negotiations over several months, the Company, its Senior Lenders and the potential investor were not able to agree acceptable terms. As a result, Arrovest offered to step-in to become the cornerstone investor in the subscription of the Convertible Notes. In the absence of the willingness of the Perich Family to support the Recapitalisation and considering that the standstill agreement had already been extended a number of times, the ability of the Company to continue as a going concern may have been in jeopardy.

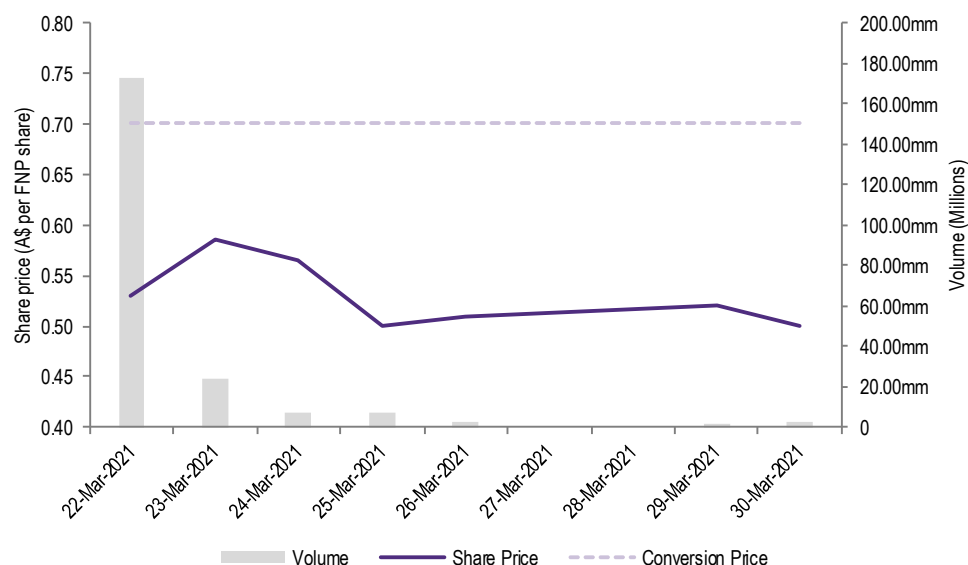
Premium to the trading prices

The Conversion Price of A\$0.70 per share is at a significant premium to FNP's trading price since the Company resumed trading from 22 March 2021 as set out below:

- Circa 19% premium compared with the highest closing price during the period of A\$0.59 on 23 March 2021.
- Circa 40% premium compared with the lowest closing price during the period of A\$0.50 on 25 and 30 March 2021.
- Circa 31% premium compared with the VWAP during the period (22 March 2021 and 30 March 2021).

We have set out below a comparison between the recent trading prices and the Conversion Price.

FNP recent trading prices compared with the Conversion Price



Source: S&P Global

Flexibility to future cash flows

Based on the terms of the Convertible Notes, if the approval of the Non-Associated Shareholders in relation to the Proposed Issue is not obtained, FNP will be required to redeem the Convertible Notes at the make whole amount or at the cash-settled alternative. The following table sets out an indication of the potential liability that FNP may be required to pay out in cash. We note that given the complexities of the legal agreements, the number of potential alternatives scenarios and the uncertainty in relation to the timing of the potential cash repayment, the table below should only be considered for illustrative purposes. However, we are of the opinion that it is useful to provide the Non-Associated Shareholders with an indication of the magnitude of the potential cash payments if the Proposed Issue is not approved.

Redemption scenario (A\$000s unless stated otherwise)	Reference	A\$200m raise		A\$265m raised	
		Immediate payment	Year 6 payment	Immediate payment	Year 6 payment
Face value of the convertible notes	a	200,000	200,000	265,000	265,000
Makewhole amount factor	b	1.75x	2.30x	1.75x	2.30x
Total liability at redemption	c = a x b	350,000	460,000	463,750	609,500
Less: Cash interest paid	d	-	(32,116)	-	(42,553)
Total redemption liability	e = c - d	350,000	427,884	463,750	566,947

Source: GTCF Calculations

Cash-settled alternative (A\$000s unless stated otherwise)	Reference	A\$200m raise		A\$265m raised	
		Immediate payment	Year 6 payment	Immediate payment	Year 6 payment
Principal (Plus PIK)	a	200,000	278,788	265,000	369,394
Conversion price (A\$)	b	0.70	0.70	0.70	0.70
Number of shares issued ¹	c = a / b	285,714	398,269	378,571	527,706
Breakeven equity conversion price (A\$) ²	d	1.2250	1.1550	1.2250	1.1550
Total cash-settled liability	e = c x d	350,000	460,000	463,750	609,500

Source: GTCF Calculations

Note (1): Number of shares issued is calculated as Principal (plus PIK) as at the respective dates divided by the conversion price (A\$0.70). Assumes that



interest payable on the Convertible Notes is capitalised at the PIK Interest rate of 8.5% per annum for the first 30 months, followed by a Partial Cash Interest of 5% per annum and a PIK interest rate of 3.5% per annum until the maturity date.

Note (2): Breakeven equity price represents the minimum price under which the Noteholder would be indifferent to redemption or equity conversion. We note that the price is only indicative as it is affected by a number of variables which cannot be adjusted at this point in time.

Note (3): Minimum interest cash payment of 5% after 30 months from issue.

In order for the Company to finance the repayment of the above large sums, Freedom Foods will be required to undertake a fund raising which may cause significant dilution for the Non-Associated Shareholders. If the Non-Associated Shareholders vote in favour of the Proposed Issue, the Company will be required to settle the Convertible Notes for cash only at maturity or during the life of the Convertible Notes at election of the Company. This provides greater flexibility and cash flows management for the Company during the duration of the Convertible Notes even if the cash payment at redemption is expected to remain the same. Furthermore, we also note that the cash-settled conversion option is at the option of the Noteholder.

Issue of the Options

Subject to the Proposed Issue being approved, the Company will also offer approximately 40.8 million options on a pro-rata basis to the Non-Associated Shareholders in order to provide them with the opportunity to participate in the future upside of the Company if the implementation of the Transformation Program initiatives and the turnaround of the business are successful. In order for the Noteholders to elect to convert the Convertible Notes, the trading prices of FNP must be in excess of between A\$1.15 to A\$1.22³¹ which reflects the point at which the equity on conversion is worth more than under a redemption. This price range is materially higher than the exercise price of the Options of A\$0.98. The Non-Associated are not required to pay any upfront amount to be granted the Options and they will be able to participate along with the Noteholders in any future potential upside if the trading prices of the Company raise above the thresholds required for the exercise of the Options.

Alignment of Noteholders and shareholders

Arrovest is the major shareholder of the Company and also a cornerstone investor in the subscription of the Convertible Notes. The terms of the Convertible Notes subscribed by Arrovest are the same terms offered to the Wholesale Investors which provides an indication that the terms offered to Arrovest are on arms' length. If Arrovest elects to convert the Convertible Notes, its shareholding in the Company will increase from 52.5% to a maximum of 80.5%³² which will further align the interest of Arrovest with the Non-Associated Shareholders.

Disadvantages

Proposed Transaction is not fair

We have concluded that the Proposed Issue is not fair based on our valuation assessment of FNP on a 100% and control basis.

Non-Associated Shareholders are not in control of the future dilution from the Convertible Notes

³¹ An exact price cannot be provided given that it changes depending on when/if the Convertible Notes are converted and the form of payments of the interest (cash or PIK). This is dependent on a number of factors including but not limited to what level of cash flow de-leveraging may occur over the period. The price range of A\$1.15 to A\$1.22 assumes no de-leveraging of the post deal senior debt of A\$70 million.

³² After conversion of the Convertible Notes at maturity, excluding Options. If the Convertible Notes are assumed to be converted immediately, the maximum shareholding reduces to 76.6% as the capitalised portion of the interest is excluded from the calculation.

The terms of the Convertible Notes offer significant protection to Arrovest and the Wholesale Investors given that if the Proposed Issue is approved, the Company cannot force for the conversion of the Convertible Notes and the Noteholders may only elect to convert if the trading prices are above between A\$1.15 to A\$1.22³³ which is materially in excess of the current trading prices. Whilst the approval of the Proposed Issue provides greater flexibility to the Company, in reality, if the share price underperforms expectations, the Noteholders may not elect to convert and the Company will be required to raise equity, potentially at dilutive price, to redeem the Convertible Notes at maturity. Conversely, if the trading prices rise above the thresholds indicated above, the conversion of the Convertible Notes will be more dilutive for the Non-Associated Shareholders compared with redemption, however the Company has no ability to control the outcomes and the Noteholders have the ability to always be able to select the most beneficial option for them which conversely would be the most dilutive for the Non-Associated Shareholders.

Litigation and class actions

We note that the Company is currently subject to a litigation with Blue Diamond and two class actions as outlined below:

- In the period following the release of the Restated Accounts, the Company has been served two class action proceedings in the Victorian Supreme Court for alleged breaching of the Corporations Act, ASIC Act and Consumer Law. These proceedings are just at the beginning and a statement of claim has not been received by the Company.
- The Company has a dispute with Blue Diamond Growers^{34 35} which is claiming compensatory damages for performance deficiencies under the existing licensing agreement which. The prospectus provides an overview of the nature of the Blue Diamond actions and potential outcomes, noting in certain scenarios it may trigger an event of default

Whilst we have made an allowance in our valuation assessment for the risk attached to the existing class actions and the Blue Diamond Litigation, it must be noted that these disputes are in the preliminary stages and any associated costs or liabilities cannot be reasonably ascertained at the date of this report.

Likelihood of receiving a takeover offer in the future

In our opinion, if the Proposed Issue is approved, the likelihood of the Company receiving a takeover offer without the agreement of Arrovest will diminish as Arrovest, upon conversion, may increase its shareholding from 52.5% to a maximum of 80.5%³⁶ of the enlarged issued capital of the Company. However, we are of the opinion that the situation does not change materially for the Non-Associated Shareholders given that even before the Proposed Issue Arrovest controls the Company with its majority shareholding.

Other factors

Impact on share price if Convertible Notes are not approved

³³ An exact price cannot be provided given that it changes depending on when/if the Convertible Notes are converted and the form of payments of the interest (cash or PIK). This is dependent on a number of factors including but not limited to what level of cash flow de-leveraging may occur over the period. The price range of A\$1.15 to A\$1.22 assumes no de-leveraging of the post deal senior debt of A\$70 million.

³⁴ Freedom Foods ASX Announcement dated 30 September 2020.

³⁵ Freedom Foods ASX Announcement dated 8 March 2021.

³⁶ After conversion of the Convertible Notes at maturity, excluding Options. If the Convertible Notes are assumed to be converted immediately, the maximum shareholding reduces to 76.6% as the capitalised portion of the interest is excluded from the calculation.



It is difficult to predict the performance of Freedom Foods' trading price if the Proposed Issue is not approved given the volatility that has been observed in the share price in the days after recommencement of trading. In our opinion, this fluctuation is likely to reflect the impact of the Restated Accounts, the uncertainty in relation to the future value of the business, the lack of trust with the Directors and Management Team (even if several members have changed), the inability of investors to trade their investments for a long period of time and the expected dilution from the Convertible Notes.

In our opinion, if the Proposed Issue is not approved, the trading price of FNP may not fall materially from the current level given that the Convertible Notes will be issued regardless and the current trading prices is materially lower than the prices required to make the conversion option valuable for the Noteholders.

Directors' recommendations and intentions

The Independent Directors of FNP have unanimously recommended that the Non-Associated Shareholders vote in favour of the proposed issue of FNP shares upon conversion of the notes ("Proposed Issue"). Each Director³⁷ intends to vote or to procure to vote the FNP Shares that they own in favour of the Proposed Issue.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Proposed Transaction is **REASONABLE** to Non-Associated Shareholders.

Overall conclusion

After considering the above mentioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Scheme is **NOT FAIR BUT REASONABLE** to the Non-Associated Shareholders.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

³⁷ Except that, where a Director is precluded from voting on the Proposed Issue, that Director does not provide any recommendation in relation to Proposed Issue.
#5118855v1



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The decision of whether or not to vote in favour of the Scheme is a matter for each FNP Shareholder to decide based on their own views of value of FNP and expectations about future market conditions, FNP's performance, risk profile and investment strategy. If FNP Shareholders are in doubt about the action they should take in relation to the Scheme, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

A handwritten signature in black ink, appearing to read 'Andrea'.

ANDREA DE CIAN

Director

A handwritten signature in black ink, appearing to read 'Jannaya James'.

JANNAYA JAMES

Authorised Representative

19 April 2021

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by FNP to provide general financial product advice in the form of an independent expert's report in relation to the Schemes. This report is included in FNP's Notice of Meeting and Explanatory Memorandum.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in our report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the IER, Grant Thornton Corporate Finance's client is FNP. Grant Thornton Corporate Finance receives its remuneration from FNP. In respect of the IER, Grant Thornton Corporate Finance will receive from FNP a fee of A\$230,000 (plus GST), which is based on commercial rates plus reimbursement of out-of-pocket expenses for the preparation of the IER. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of FNP and FNP in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with FNP and FNP (and associated



entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Issue.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Issue. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 367 287

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1 Overview of the Proposed Issue

1.1 Overview of the Convertible Notes

The Convertible Notes issued to Arrovest or under the Wholesale Notes Offer will have exactly the same terms which are summarised below.

Terms of the Convertible Notes	Comments
Face value	Between A\$200 million and A\$265 million. The Convertible Notes will not be listed and they can only be traded privately.
Conversion Price	<p>Shareholder approval is required to be obtained for the Convertible Notes to be able to convert into FNP Share at a conversion price of A\$0.70 per FNP Share.</p> <p>The Convertible Notes will convert into FNP Shares calculated by dividing the outstanding face value of the Convertible Notes (including accrued interest) by the Conversion Price.</p>
Maturity	6 years from the date on which Convertible Notes are issued, unless redeemed or converted earlier.
Security	Second ranking behind the Senior Debt.
Interest rate	<p>The interest rate payable has been split across two periods:</p> <ul style="list-style-type: none"> Up to 30 months ("Initial Interest Term"): <ul style="list-style-type: none"> At the option of the Company, it may elect to pay entirely in cash or entirely in PIK³⁸ or a combination of cash interest and PIK interest. Cash interest payable will be at 7% p.a., PIK Interest will be 8.5% p.a. The combination of cash and PIK interest will accrue at 8.5% and can be paid in cash interest up to any proportion with the balance accruing as PIK interest. After the Initial Term: <ul style="list-style-type: none"> At the option of the Company, it may elect to pay entirely in cash or a combination of cash interest and PIK interest. The Company does not have an option to capitalise the entire interest liability. Cash interest payable will be at 7% p.a. Under the cash and PIK interest, the Company will be required to pay a minimum of 5% p.a. and PIK interest of 3.5% p.a.
Shareholder approval of conversion	FNP will seek shareholder approval for the issue and conversion of the Convertible Notes. However, the Cash-Settled Conversion allows the Company to still complete the issue of the Convertible Notes even if Shareholder approval is not obtained.
Cash-Settled Conversion	<p>In the event Shareholder approval for the issue and conversion of the Convertible Notes is not obtained, the Noteholder has the right, in certain circumstances, to convert the aggregate Face Value of all of its Convertible Notes which will be settled in cash calculated as the number of shares that would be issued to the Noteholder if its Convertible Notes were able to be converted into shares multiplied by the 30-day VWAP price.</p> <p>The Noteholders have the option to elect a Cash-Settled Conversion under certain circumstances but only if shareholder approval has not been</p>

³⁸ Payable in Kind. This represents the portion of the interest that is capitalised and not payable in cash.

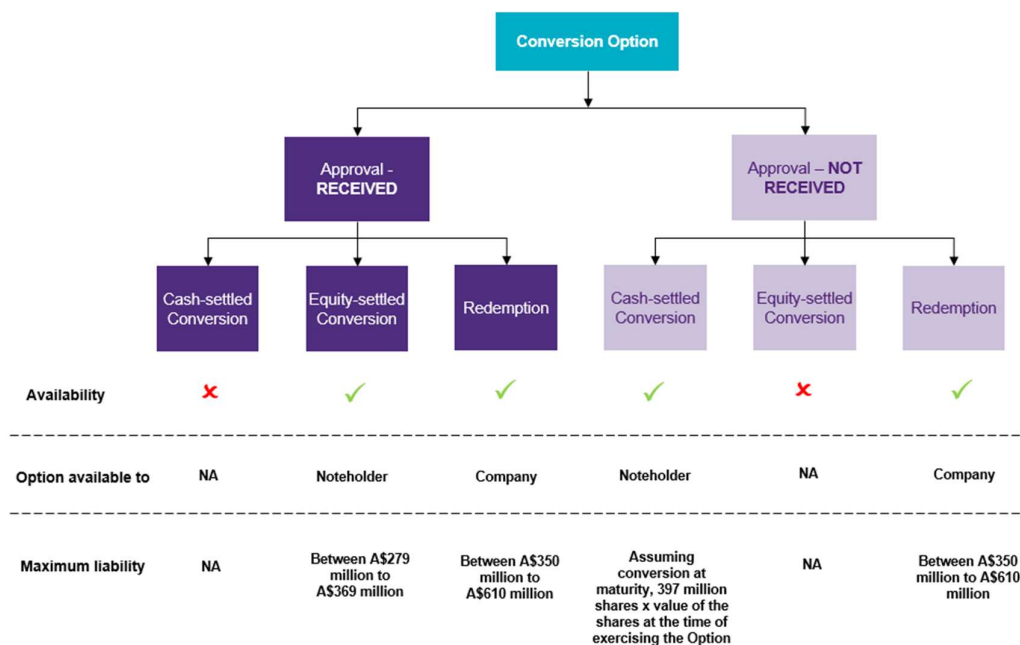
Terms of the Convertible Notes	Comments										
	received for the issue and conversion of the Convertible Notes, otherwise, the Cash-Settled Conversion of the Proposed Issue cannot be implemented.										
Equity-settled Conversion	<p>Subject to receiving shareholder approval, the Noteholder may elect to issue a notice for conversion of all or some of the outstanding amount into equity in the following circumstances:</p> <ul style="list-style-type: none"> • At anytime at the Noteholder's election • If Noteholders holding more than 75% of Convertible Notes then on issue elect to Convert (in which case all Convertible Notes will be mandatorily converted). • Upon receipt of an exit notice. • Upon the receipt from the Company of an early redemption notice. • At the Maturity Date. 										
Redemption	<p>If the Convertible Notes are voluntarily redeemed by the Company or become redeemable on exit³⁹ or maturity, the Company must pay an amount equal to the original face value multiplied by the make whole multiplier set out below.</p> <table border="1"> <thead> <tr> <th>Pre-payment during</th><th>Make Whole Amount⁴⁰</th></tr> </thead> <tbody> <tr> <td>Up to and Including Year 2</td><td>1.75 times</td></tr> <tr> <td>After Year 2 and Up to and including Year 4</td><td>1.85 times</td></tr> <tr> <td>After Year 4 and Up to and including Year 5</td><td>2.2 times</td></tr> <tr> <td>After Year 5 and Up to and including Year 6</td><td>2.3 times</td></tr> </tbody> </table> <p><i>Source: Noteholders Deed</i></p>	Pre-payment during	Make Whole Amount ⁴⁰	Up to and Including Year 2	1.75 times	After Year 2 and Up to and including Year 4	1.85 times	After Year 4 and Up to and including Year 5	2.2 times	After Year 5 and Up to and including Year 6	2.3 times
Pre-payment during	Make Whole Amount ⁴⁰										
Up to and Including Year 2	1.75 times										
After Year 2 and Up to and including Year 4	1.85 times										
After Year 4 and Up to and including Year 5	2.2 times										
After Year 5 and Up to and including Year 6	2.3 times										
Voting rights	The Noteholders are not entitled to any voting rights at Shareholder meetings prior to conversion of the Convertible Notes into equity or in instances where their rights are impacted.										
Covenants – Financial and others & Permitted distributions	The Convertible Notes has standard non-financial covenants around disposal of material assets, authorisations, corporate existence, mergers and others. Refer to the Explanatory Memorandum for details.										

We have set out in the table below the payments based on the terms of the Convertible Notes and the implied share price which would make an Equity conversion financially more rewarding for the Noteholders.

³⁹ Change of control event or exit by Arrovest.

⁴⁰ This is subject to certain adjustments, refer to Clause 36 and 37 of the Note Terms in the Prospectus.

Likely outcomes and scenarios available to Non-Associated Shareholders



Source: Prospectus, GTCF analysis

Note 1: Under all the alternatives, the maximum liability will depend on the time at which Convertible Notes are converted, cash-settled or redeemed.

Note 2: Should the Company undertake an early redemption option, the Noteholders have the ability to seek a cash-settled conversion option.

1.2 Terms of the Options

Terms of the Options	Comments
Overview	Subject to obtaining shareholder approval, the issue of 40.8 million ASX-listed options to be issued pro-rata to all shareholders who are registered at the record date (excluding Arrovest and shareholders in certain foreign jurisdictions as set out in the Notice of Meeting).
Exercise Price	A\$0.98 per FNP Option
Maturity	6 years from the date on which the Options are issued
Exercisable	The Options can only be exercised following the release of the Company's FY23 annual report and before the 6 year maturity date.
Payment	Full payment is made upon exercise of the Options (i.e. no requirement to fund up-front).

2 Purpose and scope of the report

2.1 Purpose

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in the issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company.

Item 7 of Section 611 of the Corporations Act allows the shareholders not associated with the acquiring company (i.e. the Non-Associated Shareholders) to waive this prohibition by passing a resolution at a general meeting. Regulatory Guide 74 "Acquisitions agreed to by shareholders" ("RG 74") and Regulatory Guide 111 "Content of expert reports" ("RG 111") issued by ASIC set out the view of ASIC on the operation of Item 7 of Section 611 of the Corporations Act.

RG 74 requires that shareholders approving a resolution pursuant to Item 7 of Section 611 of the Corporations Act be provided with a comprehensive analysis of the proposal, including whether or not the proposal is fair and reasonable to the Non-Associated Shareholders. The Directors may satisfy their obligations to provide such an analysis by either:

- Commissioning an independent expert's report; or
- Undertaking a detailed examination of the proposal themselves and preparing a report for the Non-Associated Shareholders.

If the Proposed Issue is approved, upon conversion, Arrovest will increase its interest in the Company from circa 52.5% up to a maximum of circa 80.5%⁴¹ if there is no participation in the Wholesale Notes Offer and the Convertible Notes are immediately converted.

Accordingly, the Independent Directors have engaged Grant Thornton Corporate Finance to prepare an independent expert's report stating whether, in its opinion, the Proposed Issue is fair and reasonable to the Non-Associated Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act.

2.2 Basis of assessment

In preparing our report, Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by ASIC, particularly RG 111, which states that an issue of shares requiring approval under Item 7 of Section 611 of the Corporations Act should be analysed as if it were a takeover bid. Accordingly, we have assessed the Proposed Issue with reference to Section 640 of the Corporations Act. RG 111 states that:

- An offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming 100% ownership of the target company irrespective of whether the consideration offered is scrip or cash

⁴¹ After conversion of the Convertible Notes at maturity, excluding Options. If the Convertible Notes are assumed to be converted immediately, the maximum shareholding reduces to 76.6% as the capitalised portion of the interest is excluded from the calculation.

and without consideration of the percentage holding of the offeror or its associates in the target company.

- An offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:
 - The offeror's pre-existing entitlement, if any, in the shares of the target company.
 - Other significant shareholding blocks in the target company.
 - The liquidity of the market in the target company's securities.
 - Taxation losses, cash flow or other benefits through achieving 100% ownership of the target company.
 - Any special value of the target company to the offeror.
 - The likely market price if the offer is unsuccessful.
 - The value to an alternative offeror and likelihood of an alternative offer being made.

Grant Thornton Corporate Finance has determined whether the Proposed Issue is fair to the Non-Associated Shareholders by comparing the fair market value of FNP Shares before the Proposed Issue on a 100% control basis with the fair market value of FNP Shares after approval of the Proposed Issue on a fully diluted and minority basis.

In considering whether the Proposed Issue is reasonable to the Non-Associated Shareholders, we have considered a number of factors, including:

- Whether the Proposed Issue is fair.
- The implications to FNP and the Non-Associated Shareholders if the Proposed Issue is not approved.
- Other likely advantages and disadvantages associated with the Proposed Issue as required by RG111.
- Other costs and risks associated with the Proposed Issue that could potentially affect the Non-Associated Shareholders.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Proposed Issue with reference to the ASIC Regulatory Guide 112 "Independence of Expert's Reports" ("RG 112").

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Issue other than that of an independent expert. Grant Thornton Corporate Finance is entitled



to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Issue.

2.4 Consent and other matters

Our report is to be read in conjunction with the Notice of Extraordinary General Meeting and Explanatory Memorandum dated on or around 23 April 2021 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Proposed Issue. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Extraordinary General Meeting and Explanatory Memorandum.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Issue to the Non-Associated Shareholders as a whole. We have not considered the potential impact of the Proposed Issue on individual Non-Associated Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Issue on individual shareholders.

The decision of whether or not to approve the Proposed Issue is a matter for each Non-Associated Shareholder based on their own views of value of FNP and expectations about future market conditions, FNP's performance, risk profile and investment strategy. If the Non-Associated Shareholders are in doubt about the action they should take in relation to the Proposed Issue, they should seek their own professional advice.



3 Industry overview

Freedom Foods primarily develops, sources, manufactures, sells and markets dairy products, nutritional products and plant based beverages which we have discussed in the sections below.

3.1 Dairy

The dairy industry is the fourth largest rural industry in Australia generating circa A\$4.8 billion in farmgate⁴² value in FY20⁴³. In the same financial year, Australian dairy farmers produced circa 8,776 million litres of milk from circa 1.41 million cows just down 0.2% from the previous financial year despite tough conditions in the first half of the financial year due to dry seasonal conditions increasing the cost of feed and water as well as the COVID-19 pandemic in the second half creating uncertainty in global and domestic markets.

The Australian dairy industry plays an important role in the Australian economy employing circa 43,500 people through dairy farms and dairy companies in 2019/20. A range of high-quality consumer products including, fresh milks, yoghurts, custards and specialty cheeses are produced in most states. Since deregulation of the dairy industry, there has been increased levels of market and margin volatility undermining confidence in the outlook for many farmers. This resulted in the ongoing consolidation within both dairy farming and dairy processing. However, while farm numbers have decreased (down circa 3% in 2019/20), the average size of farms has increased.

The COVID-19 pandemic caused some level of change in the domestic consumer behaviour. Demand for dairy products remained strong in the face of lockdowns both in Australia and abroad as consumers stocked up dairy products from supermarkets used in cooking and baking during the first three months of the pandemic. While fresh milk is the biggest dairy segment in Australia, sales of UHT milk⁴⁴ surged in 2019/20 as consumers feared running out of milk.

Dairy farming is concentrated in the temperate zone of Australia. Milk production remains strongly seasonal in key south-eastern dairying regions, particularly Victoria, South Australia and Tasmania, owing to the pasture-based nature of the industry. The seasonality of milk production in Queensland, New South Wales and Western Australia is less pronounced due to greater focus on drinking milk and fresh products. Production peaks in October, tapers off until late-summer and flattens out in the cooler winter months. This seasonality is offset by the production of long shelf-life manufactured products which has enabled maximum milk utilisation within the seasonal cycle.

3.1.1 Supply

According to the Department of Agriculture, Australia has a 6% share of the world dairy market and is the world's fourth-largest exporter of dairy after New Zealand, the European Union and the United States. In FY20, the Australian Dairy Industry supplied circa 8.8 billion⁴⁵ litres of milk and employed more than 43,500 people⁴⁶. The historical milk production by state is set out below.

⁴² Farmgate value is the cost of the produce at the farm after deducting marketing costs. Farmgate milk prices are based on the milkfat and protein content of the milk produced on-farm, with different prices for each component.

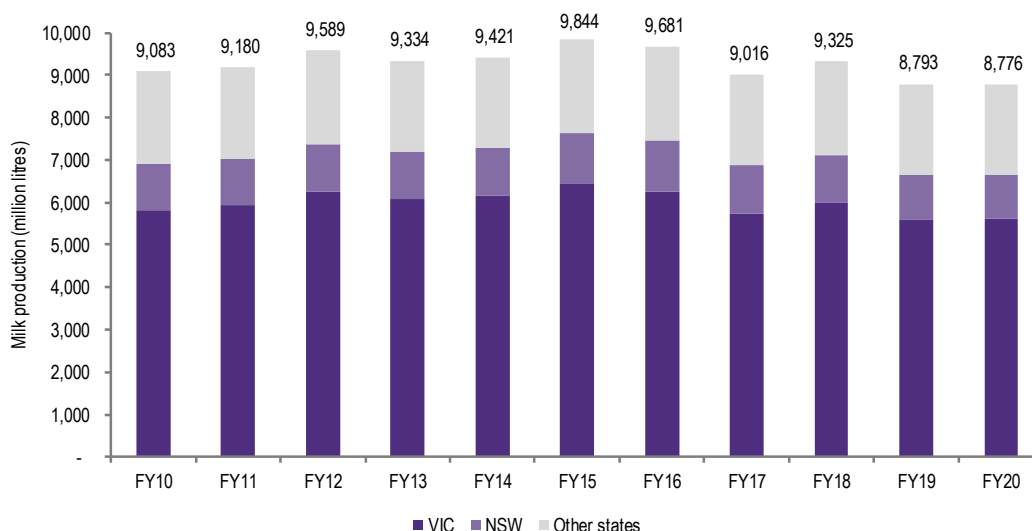
⁴³ Dairy Australia, which is the Industry Body for dairy farmers in Australia

⁴⁴ UHT stands for Ultra High-Temperature Pasteurization and means that milk is heated to about 280 degrees F for 2 seconds, which kills more bacteria than traditional pasteurization therefore, giving the milk a much longer shelf life before it spoils.

⁴⁵ Ibid.

⁴⁶ Ibid.

Australian Dairy Milk Production by State (Million litres)



Source: Dairy Australia, GTCF analysis

Note 1: Other states include Queensland, Tasmania, Northern Territory, South Australia and Western Australia

Dairy production has been declining since FY15 on account of challenging climatic conditions including the millennial drought and bushfires affecting VIC and NSW. Analysis by the Dairy Farm Monitor Project⁴⁷ (“DFMP”) suggests that there is a lag in recovery as it takes time to achieve optimal business efficiencies and free up resources to invest after a number of challenging years. In recent past, volatility in farmgate prices and farm incomes have impacted investments on farm, farmers’ confidence and the industry’s ability to grow. In many cases, farmers shifted their focus to culled stock during these years taking advantage of higher beef prices to maintain cash flow⁴⁸.

More recently, with increasing health awareness among consumers, dairy substitutes such as soy milk, almond milk, and other plant based beverages have been gaining popularity for its health benefits such as reducing the intake of bad fats and reduced total calories.

There are a wide range of national and multinational companies operating in the dairy industry. Key participants include Lion Dairy & Drinks (now owned by Bega Cheese), Fonterra, Freedom Foods, Lactalis of France (Parmalat) and Saputo.

3.1.2 Demand

The Australian dairy industry produces a range of products such as milk, milk powder, cheese, butter (including AMF⁴⁹) and fresh products such as yoghurt, cream and custard. Around 41% of the total produce of the dairy industry is exported with the balance consumed locally. Demand for dairy milk is relatively price inelastic, given that it is a staple product in most Australian diets. When dairy milk prices increase, consumers may opt for cheaper private labels instead of branded milk.

⁴⁷ This is an initiative undertaken by Dairy Australia which is the Industry Body. DFMP provides a comprehensive physical and financial analysis of 250 dairy farms across Australia.

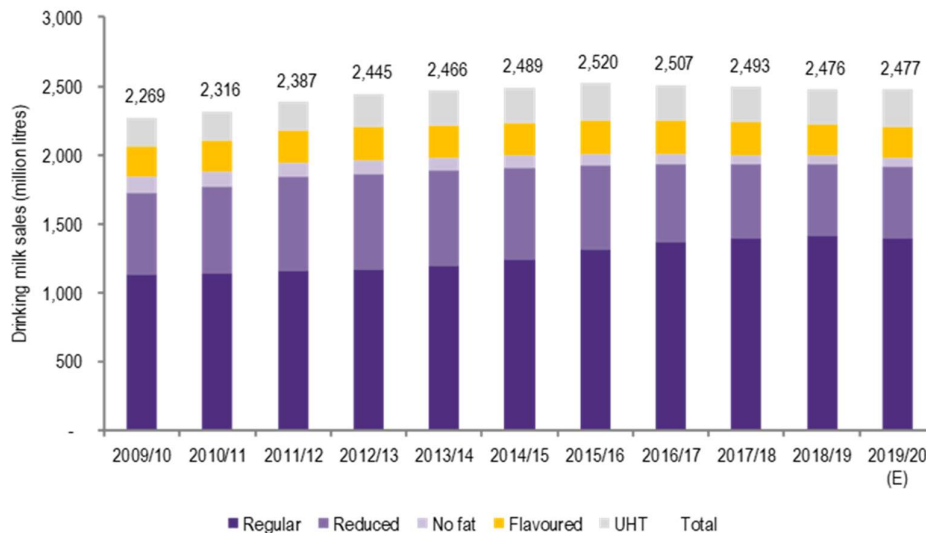
⁴⁸ Australian Dairy Industry In Focus 2020

⁴⁹ Anhydrous Milkfat or dehydrated butter.



According to the Department of Agriculture, Australians consume 99 litres of dairy milk and 13.5 kilograms of cheese on average per annum. However, the consumption of milk has been declining since the past few years as is evident by declining domestic sale of milk (as seen in the chart below) due to increasing health awareness and substitutes in the form of other plant based beverages. However, Australian milk consumption remains high compared to other developed countries owing to Australia's 'coffee culture' and growth in flavoured milk products⁵⁰.

Australian Historical drinking milk sales by type (million litres)



Source: Australian Dairy Industry in Focus 2020, GTCF analysis

UHT = Ultra High Temperature

FY20 (E) = Estimated

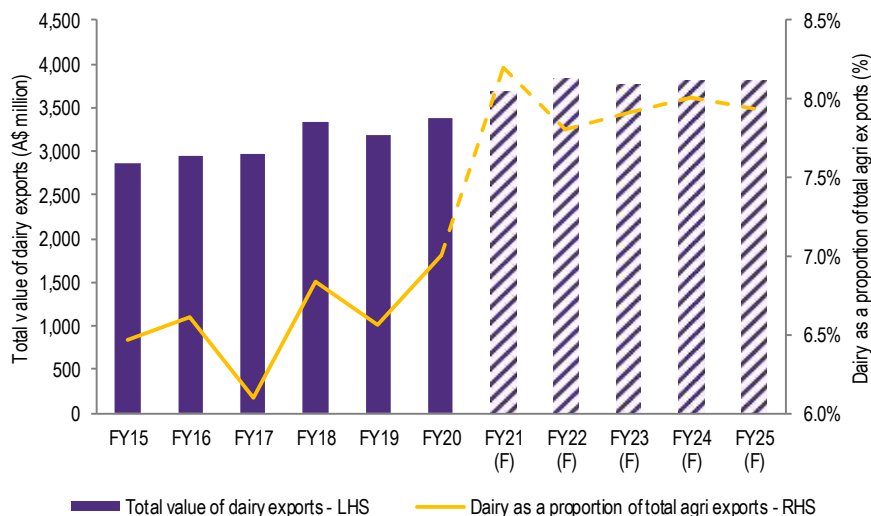
There is a growing demand for Australian dairy products from export markets such as China and South East Asia. Australian dairy products are viewed as 'premium products' and are able to extract a higher price in these export markets. Further, export markets such as China and South East Asia are characterised by dairy deficit⁵¹, continued income growth and urbanisation which is expected to support the demand for 'premium products'. This is evident from the chart below where dairy exports from Australia increased from circa A\$2.85 billion in FY15 to circa A\$3.38 billion in FY20. The top five export markets by per year tonnage consumption are Greater China⁵² (244,828 t), Japan (98,816 t), Singapore (70,199 t), Malaysia (61,184 t) and Indonesia (56,647 t). Australian dairy exports has grown at a CAGR of circa 3.4% over the last five years strongly driven by Greater China which accounted for circa 32% of the exports by volume in FY20.

⁵⁰ Australian Dairy Industry In Focus 2020

⁵¹ Freedom Foods FY19 MD Presentation

⁵² Greater China includes the People's Republic of China, Macau and Hong Kong

Australian Historical and Forecast Dairy Exports from FY15 to FY25



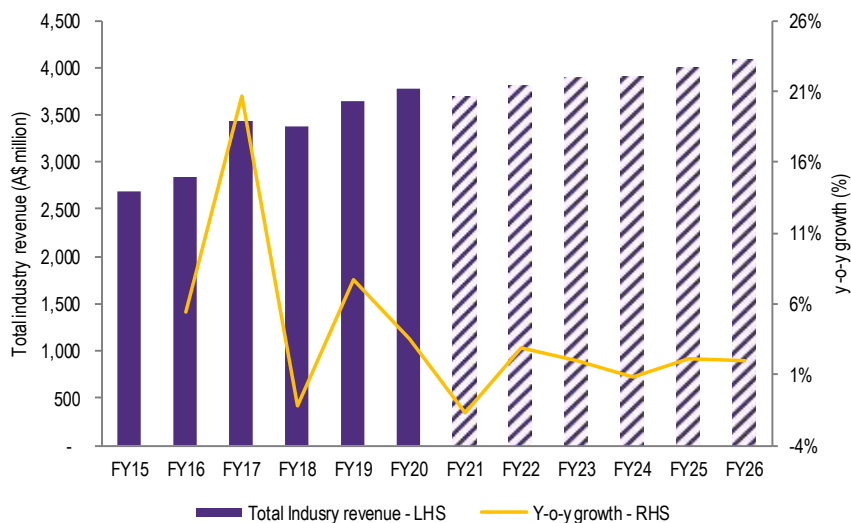
Source: Australian Bureau of Statistics, ABARES
Note 1: All values are nominal Note 2: FY21 is forecast

Moreover, dairy as a proportion of total agriculture exports is forecasted to reach circa 8.2% in FY21 as compared to 6.5% in FY15. This suggests that even though the agriculture industry as a whole has been facing headwinds due to sustained adverse weather conditions and the political deadlock with China, consistent with prior years, the relative contribution of dairy is expected to increase.

3.1.3 Future outlook

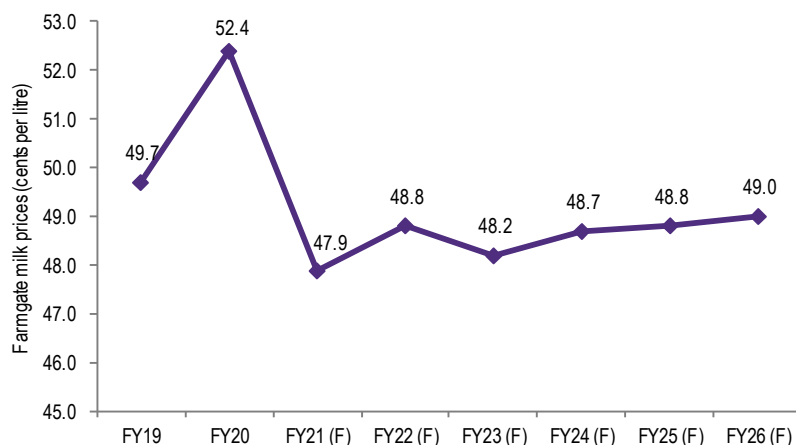
The following charts provide the historical and forecast revenue growth in the milk and cream processing⁵³ industry along with the forecast farmgate prices.

Historical and forecast milk and cream processing industry revenue



Source: IBISWorld Milk and Cream Processing Industry Report February 2021

⁵³ This Industry produces Whole milk (52.6%), low and reduced-fat milk (24.6%), UHT milk (12.6%) and cream (10.2%)

**Australian farmgate milk prices (Cents per litre)**

Source: Australian Bureau of Statistics, ABARES

Note 1: All values are nominal (A\$ cents per litre)

The industry is expected to grow at a CAGR of 2% between FY21 and FY26. The revenue growth in FY19 and FY20 is illustrated by increase in the farmgate prices from circa 49.7 cents per litre to 52.4 cents per litre owing to strong competition for milk between processors. Since payment structures from processors to individual farmers vary significantly as companies provide a range of incentives for milk quality, productivity or volumes, farmgate prices vary on a year to year basis. However, we note that the forecast industry revenue broadly moves in line with the forecast farmgate prices.

In addition to the above, we have considered the following qualitative information.

- According to Dairy Australia, as Australian consumers witness more relaxed COVID-19 restrictions, sales through food service outlets have improved which is having a positive flow-on impact on domestic demand for dairy at a time when retail sales remain elevated. Furthermore, a wet and cool summer has supported pasture growth and suppressed irrigation water prices. This has led to positive reduction in input prices, thereby supporting the industry.
- According to the Austrade Publication, UHT milk sales in China are forecast to increase from c. RMB 89.2 billion in 2017 to c. RMB 99 billion to 2022.
- According to the Austrade Publication, China has strong macroeconomic fundamentals such as a growing per capita income, increasing middle class population, strong growth in tier 2 and tier 3 cities and policy changes such as adoption of the two-child policy⁵⁴ and others. All these are expected to continue supporting the demand for Australian food & beverages. The urbanisation and rising per capita income has created demand for premium products.

Based on the above, the outlook for the overall dairy industry is positive in spite of the headwinds associated with climatic conditions and diplomatic relations with China. Export markets continue to represent a high margin avenue for the Australian dairy industry. These factors are expected to positively influence the performance of Freedom Foods.

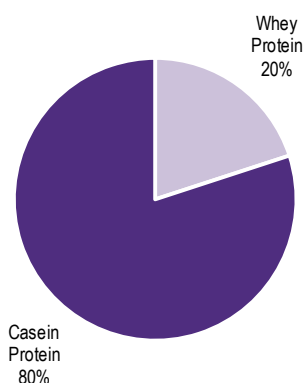
⁵⁴ In 2015, to address the ageing population, Chinese State Council announced the end of China's one-child policy, thereby allowing all couples to have two children.

3.2 Nutritionals

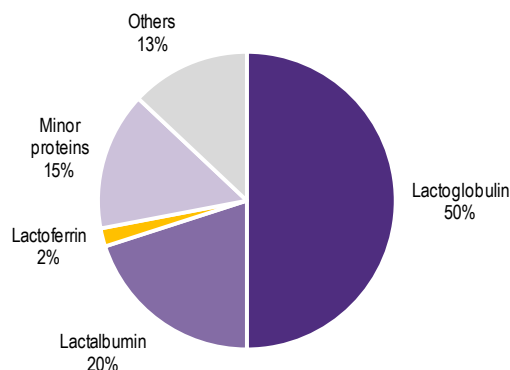
The Australian Protein Supplements market has seen increasing demand for healthy dietary supplements and is expected to grow at a CAGR of circa 9% to 2025 owing to growing consumer awareness for protein-based products⁵⁵ and a growing focus on leading a balanced and active lifestyle.

Amongst the Nutritionals, whey and casein proteins are macronutrients found in milk which have long been used with proven results in areas such as muscle repair, recovery and weight management. An important component of whey protein is lactoferrin⁵⁶ which provides various benefits such as immunity, iron metabolism, antimicrobial and skin benefits. It is a naturally occurring protein and enhances immunity function thereby protecting the body from bacteria and viruses. As seen in the charts below, lactoferrin is a small component of whey protein.

Milk Protein Breakdown (%)



Whey Protein Breakdown (%)



Source: Freedom Foods TGA Range (Master Brand), GTCF analysis

In Australia, whey is used domestically in the manufacture of biscuits, infant milk formula ("IMF")⁵⁷ and ice cream. In FY20, Greater China, Indonesia, Singapore, Malaysia and Thailand were the largest export markets for Australian whey powders. Australia is no longer a significant producer of casein and imports the vast majority of its requirements. Imports are mainly from New Zealand (circa 60% of the total volume), with the balance from Europe and United States in FY20⁵⁸.

Lactoferrin is a highly priced product which commands high-margins and is experiencing high levels of demand. Lactoferrin growth is driven due to increasing awareness of its health benefits, use in infant formula and food products and growing pharmaceutical products including immune system stimulation. Its current global demand is at circa 352 tonnes per annum as at FY19 which is forecast to increase to circa 500 tonnes per annum by FY23⁵⁹.

The recent increase in lactoferrin prices is driven by a substantial shortfall in supply which is expected to potentially rebalance when new production capacity comes in the next two to three years. Moreover,

⁵⁵ Australia Protein Supplements Market TechSci Research 2019

⁵⁶ Lactoferrin is a protein found in cow milk and human milk. It is used for treating diarrhoea, swelling (inflammation) of the liver caused by hepatitis C virus (hepatitis C), low levels of healthy red blood cells (anemia) due to iron deficiency, common cold, blood infection and many other conditions.

⁵⁷ Infant formula, baby formula or just formula is a manufactured food designed and marketed for feeding to babies and infants under 12 months of age, usually prepared for bottle-feeding or cup-feeding from powder (mixed with water) or liquid.

⁵⁸ Australia Dairy Industry In Focus 2020

⁵⁹ UBIC Consulting 2020



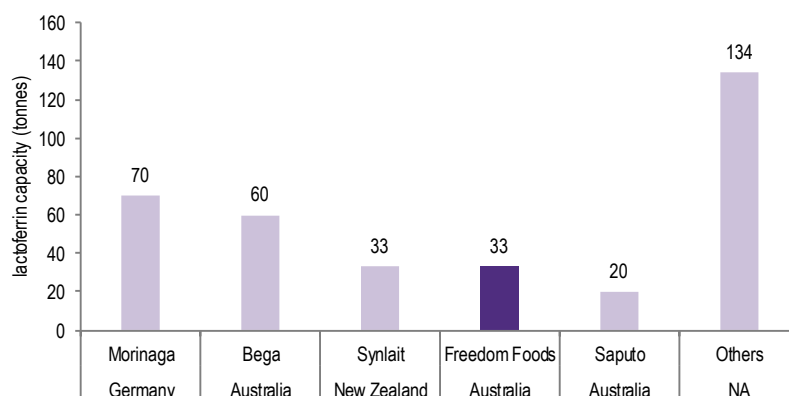
Chinese regulation required lactoferrin to be included in Infant Milk Formula which positively influenced its demand. Given the low levels of lactoferrin available in milk, the cost of extracting is high and includes complex technologies which increases the overall cost of production and therefore, the selling price. There are limited number of manufacturers of lactoferrin globally and due to COVID-19 imposed lockdowns, the demand and supply dynamics of lactoferrin had been affected which in turn impacted its price⁶⁰. These factors have collectively contributed to the increase in the price of lactoferrin from US\$500 - US\$600 /kg in 2015 to US\$1,200 - US\$2,000 /kg in 2020⁶¹.

On the positive side, early trial studies indicate that lactoferrin may be used as a safe and effective natural agent to prevent and treat COVID-19 infection. Within the Nutritionals segment, lactoferrin is one of the key value drivers for Freedom Foods and other dairy companies within Australia.

3.2.1 Supply and demand of lactoferrin

The lactoferrin market mainly involves less than 10 global producers out of which 4 – 5 companies are Australian manufacturers. As seen in the chart below, FNP contributes circa 9.4% of the global lactoferrin supply⁶² in FY20 and is a strong area of growth for the Company.

Key Global Lactoferrin Producers (Estimated FY20 capacity)



Source: Company websites and presentations

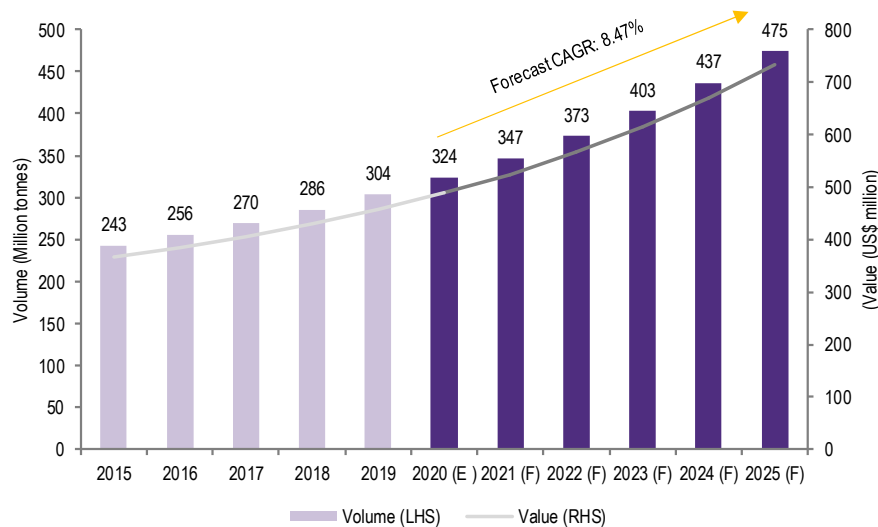
Note (1): The above list is not exhaustive. Others include Armor Proteines, Beston Global Food Company, Fonterra, FrieslandCampina, Glanbia, Ingredia, Tatura, Westland.

Current demand for lactoferrin is estimated at circa 324 tonnes per annum in 2020 with a market size of US\$488.6 million. Forecast demand is expected to reach 475 tonnes per annum by 2025 as seen in the chart below. Current lactoferrin manufacturers have a capacity of circa 350 tonnes per annum as at 2020. Moreover, Morinaga of Germany has confirmed additional capacity of circa 80 tonnes per annum and other small manufacturers combined have additional capacity of circa 70 tonnes per annum taking the cumulative production capacity of global lactoferrin to circa 500 tonnes per annum.

⁶⁰ Future Market Insights Lactoferrin Supplements Market 2020

⁶¹ Strategic Insights into the Global Lactoferrin and Lactoperoxidase Market, UBIC Consulting 2020

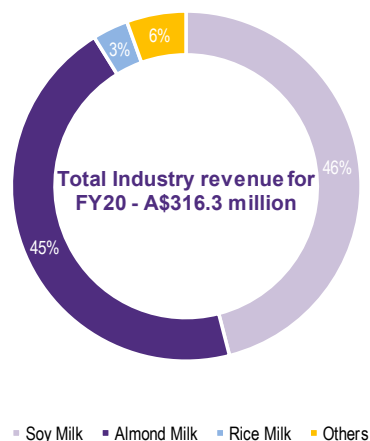
⁶² UBIC Consulting 2020

**Global lactoferrin supplements Market size (US\$ million)**

Source: Future Market Insights 2020
(E) = Estimate; (F) = Forecast

3.3 Plant Based Beverages

The Plant Based Beverage industry comprises soy milk, oat milk, almond milk, rice milk and other non-dairy milks. The Plant based Beverage industry in Australia has benefitted from rising consumer demand over the past five years which has been driven by factors including increasing health consciousness, consumer taste and preferences, dietary considerations, lactose intolerance and environmental sustainability. Soy and almond milks accounts for most of the industry revenue due to their long-standing position and popularity within food-service establishment such as coffee shops. Over the 12 months to March 2019, Australians purchased circa 5.3 litres per person of dairy alternatives in supermarkets⁶³. The following is the relative contribution of each product type:

Relative product contribution to the Plant Based Beverage industry (FY20)

Source: Soy and Almond Milk Production in Australia September 2020

⁶³ Dairy News Australia

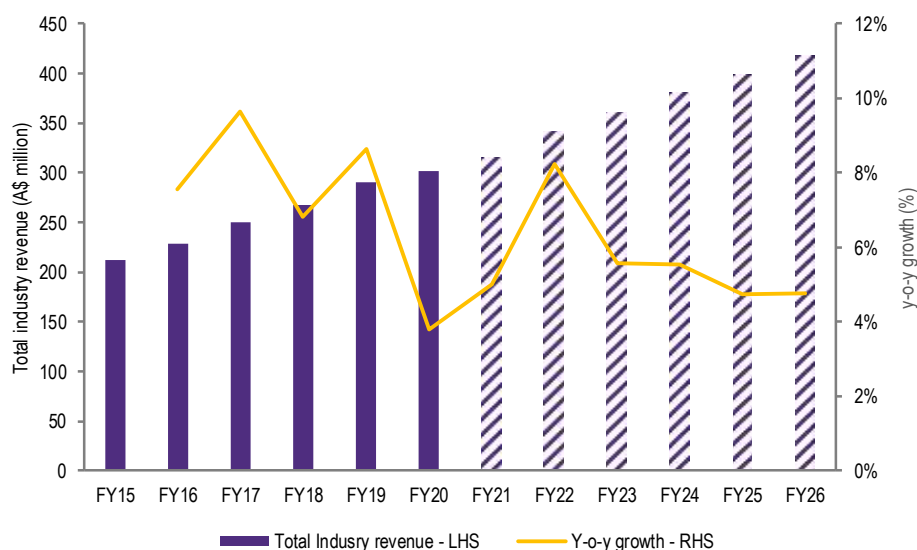
Consumers are broadening their horizon with plant based beverages with almond milk expected to overtake soy milk going forward. These beverages have higher margins than cow's milk as well as significantly longer shelf life making them easier to manage. The key competitors to FNP in this industry are Vitasoy Australia, Sanitarium Health Food Company and others.

As per the Food South Australia Report October 2020, the start of the pandemic from February to May 2020 saw the overall dairy category (plant-based and conventional combined) outperform its general average retail sales. The pandemic has influenced a shift in Australian consumer demand and attitudes with consumers mostly staying home due to the pandemic and opting for healthier breakfast or snack choices. The Mintel Global Consumer data tracker indicates that circa 38% of Australian consumers are expected to reduce their consumption of animal-based products, which is expected to positively impact the demand for plant-based beverages.

According to the Euromonitor 2020 Report, the historical 5 year CAGR of plant based beverages up until 2020 was c. 5.8% and the forecast real growth rate between 2020 and 2025 is expected to be c. 5%.

The following graph sets out the historical and forecast revenue earned by non-dairy milk production which includes soy milk, oat milk, almond milk, rice milk and other plant based beverage production.

Historical and forecast industry revenue and year-on-year growth rates



Source: Soy and Almond Milk Production in Australia September 2020 IBIS World Report

Note (1): Includes soy milk, almond milk, rice milk and other non-dairy milk production.

Based on the above, the overall outlook for the industry is positive. In addition to the above, we note the following qualitative factors.

- The market for plant-based beverages is anticipated to increase over the forecast year, owing to the increasing wellness and health consciousness among the population, and the growing



vegan/vegetarian/flexitarian⁶⁴ trend, along with dietary restrictions including food-related allergies and lactose intolerance.

- Product positioning is key when it comes to plant-based options and consumer perceptions of them. Instead of focusing only on being an alternative to dairy, product differentiation must be highlighted, with greater focus on the quality, taste and health benefits of the dairy alternatives. Plant-based milks tend to have lower fat content and calories compared to their dairy counterparts (except for coconut milks) and this may be appealing to adult consumers. While the protein levels are generally lower than dairy milks, some plant-based milks are fortified with nutrients and vitamins.
- One of the key drivers of consumer interest in plant-based alternatives is the environmental and ethical concerns around dairy consumption. As reported in a scientific study by the University of Oxford, the production of plant based beverages creates far lower greenhouse gas emissions when compared to that of dairy milk. A glass of dairy milk is estimated to produce as much as three times the greenhouse gas emissions of any non-dairy milks and utilises nine times more land than the dairy alternatives. Among the different plant based beverages, rice milk and almond milk require more water to produce in comparison to oat or soy milk.

⁶⁴ A semi-vegetarian diet, also called a flexitarian diet, is one that is centred on plant foods with the occasional inclusion of meat.

4 Profile of Freedom Foods

4.1 Background

Freedom Foods is engaged in the manufacturing, distribution, marketing and export of food & beverages branded products with over 650 staff operating and 3 manufacturing sites⁶⁵. The Company's core products include dairy (mainly UHT milk), nutritionals, plant based beverages and Specialty seafood.

4.2 Operational Overview

We have set out below a brief overview of the key divisions of the Company:

- *Dairy and Nutritionals division* – Vertically integrated dairy and nutritional business. Largest supplier of UHT milk in Australia processing over 300 ML of UHT dairy products in FY20. Strong growth opportunities for specialised nutritionals such as lactoferrin. Main production facility at Shepparton, VIC which focuses on the production of Dairy and Nutritionals and at Marrickville, NSW which manufactures consumer nutritionals such as whey and casein.
- *Plant Based Beverages division* – Freedom Foods is an early entrant into the plant based beverages in Australia with a strong market positioning via MILKLAB and Australia's Own brands and diversified distribution channels in the foodservice and grocery channels. The main production facility is at Ingleburn, NSW which has a current capacity of 120 ML⁶⁶.
- *Specialty Seafood division* – Freedom Foods supplies sardines and salmons under the Brunswick Sardines and Paramount Salmons brand. The Company is currently considering its options for this division, including its potential sale.

On 17 December 2020, the Company announced the sale of the Cereals & Snack division, which produces breakfast and health nutritional products, to the Arnott's Group for A\$20 million in cash. Net cash proceeds are estimated at c. A\$11 million subject to deducting costs associated with the transaction and equipment leases. Net assets of approximately A\$20 million are included in the sale which is accordingly expected to be neutral from a balance sheet perspective. The sale includes the manufacturing facilities in Leeton and Darlington Point in NSW and Dandenong in VIC but excludes the Crankt Protein brand which has been transferred to the Dairy and Nutritionals division. On 3 March 2021, Freedom Foods announced that it had completed the first stage of a phased completion with ownership of certain fixed and other

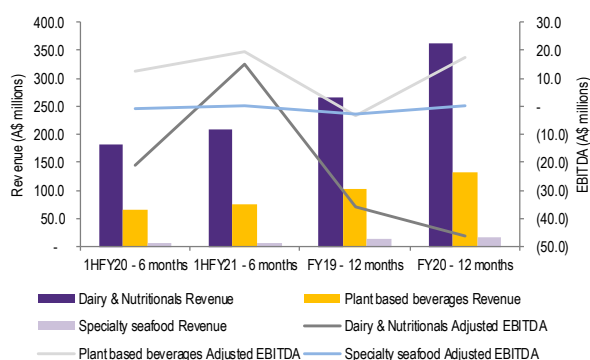
⁶⁵ After the sale of the Cereals and Snacks division.

⁶⁶ Estimated capacity by the Company based on 5 days annualised.

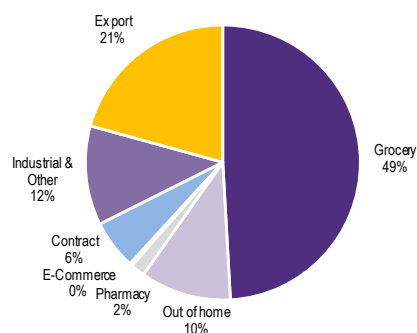
assets transferred and the receipt of A\$16.1 million. The Company completed the transaction on 31 March 2021.

We have set out below the historical revenue and EBITDA breakdown by division and the revenue contribution by channel.

Revenue and EBITDA Breakdown (A\$ millions)



Market Mix FY19



Source: Publicly available information, GTCF analysis

Note (1): The FY19 revenue and EBITDA figures are based on Restated accounts in the Annual Report FY20

Note (2): The market mix data is based on FY19 and is for illustration purposes.

Note (3): Adjusted EBITDA represents Pre-AASB 16 EBITDA adjusted for corporate overheads.

In FY20 and at the beginning of FY21, the performance of the business was affected by the outbreak of COVID-19, however due to its market positioning and product offering, the Company was able to navigate through 2020 with limited disruption amidst the pandemic. In particular we note the following:

- COVID-19 and government-imposed lockdowns temporarily changed consumer behaviours. UHT sales in the grocery channels experienced high levels of demand in anticipation of the initial lockdown, however, demand has since normalised. With easing restrictions, demand in the domestic out-of-home channel has recovered to pre-COVID levels, although demand has shifted to suburban rather than CBD outlets. However, margins in the grocery channel⁶⁷ are lower than out-of-home⁶⁸ sales which affected EBITDA in 2HFY20 and 1HFY21.
- The Group did not access JobKeeper wage subsidies or other government support programs.
- Consumer nutritionals sales were impacted by gym and specialty store closures. The reopening of these facilities has been reflected in an improvement in demand, although growth in the sector remains lower than expected.

4.3 Business Model

We have set out below a brief overview of the supply chain and the business model of the Company.

⁶⁷ This comprises the sales undertaken through supermarkets and grocery stores.

⁶⁸ This comprises the sales made to cafes, restaurants and the other food-service locations.



4.3.1 Farming and sourcing supply ingredients

The Company has entered into long-term partnerships via exclusive and non-exclusive contractual supply agreements for a tenure ranging between 12 months to 4 years that secures supply of raw materials and ensures consistency of quality. During FY20, the Company secured 71.1%⁶⁹ of its supply directly from farmers through long-term partnerships, 4.9% through Australian Fresh Milk Holdings (“AFMH”)⁷⁰ and the balance 24% through other partners.

Whilst a large proportion of the milk supply comes directly from farms in which Freedom Foods has no control over, we have reviewed the standard milk supply agreement^{71 72} and are of the opinion that the terms of the supply agreement include sufficient provisions to protect Freedom Foods in the event of non-performance by the milk suppliers.

In case of Plant Based Beverages, the Company sources the nuts or other ingredients directly from farmers and does not own or invest in any farms or orchards. In addition, it has also entered into a licensing agreement with Blue Diamond, a California-based Almond growers co-operative. Under this agreement, Blue Diamond engages FFPL Pty Ltd, a subsidiary of the Company, to manufacture, sell and distribute certain nut beverage products predominantly under the Almond Breeze label, and to supply the almond paste which is used in the manufacture of the Almond Breeze products⁷³.

4.3.2 Manufacturing facilities

A brief description of the manufacturing facilities is set out below:

- *Shepparton, VIC* – Shepparton site is a 32,700 sqm facility of buildings of which c.12,000 sqm is production and 18,000 sqm is warehousing. Shepparton plant is used in the manufacture of nutritionals and dairy products with a capacity to produce 33⁷⁴ tonnes of lactoferrin. During FY20, the plant processed over 300 ML of UHT dairy products and 13 tonnes of lactoferrin. The plant has production capacity to manufacture⁷⁵ 2L, 1L, 330ml, 250ml and 200ml packages of aseptic UHT. The plant also has in-house warehousing capacity and the freehold land is a combination of owned land or leased land (under long-term leases). The lessor is Perich Property Holdings, a related party of the Perich Family. Since 2018, the Company has focused on developing specialty protein solutions (most notably lactoferrin).
- *Ingleburn, NSW* – The Ingleburn site is a new facility, built to a high specification in 2017 to produce plant based beverages. The site comprises approximately 30,000 sqm of footprint with a manufacturing capacity of 120 ML which can be increased to 260⁷⁶ ML capacity. The facility can manufacture a range of UHT plant-based milk varieties. The facility is developing capabilities in oat milk with MILKLAB oat launch anticipated in CY21. The land and building is leased from Perich Property Holdings.

⁶⁹ FY19 MD Presentation released during November 2019.

⁷⁰ AFMH is a strategic partnership jointly owned and controlled by the Moxey and Perich families and other shareholders including Freedom Foods, which owns a 10% equity interest in AFMH.

⁷¹ <https://ffgl.com.au/wp-content/uploads/2020/06/20200601-FFG-Exclusive-Standard-MSA-web-version.pdf>

⁷² <https://ffgl.com.au/wp-content/uploads/2020/06/20200601-FFG-Non-Exclusive-Standard-MSA-web-version.pdf>

⁷³ Licensed from Blue Diamond.

⁷⁴ Ibid.

⁷⁵ Freedom Foods FY16 Managing Director Presentation, November 2016.

⁷⁶ 1H FY21 Investor Presentation. Current capacity is 120 ML and with appropriate level of capital expenditure, the production capacity can be increased from 120 ML to 260 ML.



- *Marrickville, NSW* – The Marrickville facility is used in the manufacture of nutritional products such as supplements containing whey and casein. This facility was acquired as part of the acquisition of Power Foods International, a major Australian manufacturer and brand owner in the sports and adult nutrition category.

4.3.3 Distribution channels and brands

The Company adopts the following distribution channels⁷⁷:

- *Retail Grocery* – This represents the sale of the Company's products through supermarkets, grocery stores and other major retailers. Key buyers in this segment include Coles, Woolworths, Aldi and Bidfood. As set out in section 4.2, this distribution channel accounted for circa 50% of total sales in FY19.
- *Out-of-home* – Sale of the Company's products to cafes, restaurants and other food-service locations. The Company has also recently secured a national exclusive supply agreement for MILKLAB with McDonalds which is covered under this channel.
- *Industrial* – This channel includes the supply of cream to the food service and hospitality industries including restaurants, cafes and bakeries.
- *Dairy Nutritional* – It comprises supply of lactoferrin and other nutritional products such as whey protein and casein to industrial customers and pharmaceutical companies.
- *Export* – Mainly focussed on the South East Asia region and China where there is a demand for the Company's products in the retail grocery store as well as increased private label and contract manufacture volumes.

The Company owns a variety of brands used for a wide range of milk such as dairy, almond, soy and coconut and other products. With the exception of Almond Breeze, the Company owns the trademark and relevant intellectual property in relation to all the brands. We have set out below a brief description of the key brands.

- *MILKLAB*: MILKLAB is an Australian food service exclusive milk-for-coffee brand which includes almond, soy, coconut, macadamia, lactose-free and dairy. MILKLAB is also one of Australia's leading plant-based barista milks for coffee in the foodservice channel. The Company recently announced a partnership with McDonalds wherein MILKLAB Almond and Lactose Free variants would now be available at McCafes. The Company is developing capabilities in oat milk, and anticipates launching MILKLAB Oat products in CY21.
- *Australia's Own*: Australia's Own is an Australian food and beverage brand that is available in dairy and plant-based beverage variants. Australia's Own is also being sold in the Chinese market under the Australia's Own brand name.
- *Crankt*: Crankt offers protein-rich alternatives to sugary drinks and snacks through its shakes and protein bars. It is sold through supermarkets, petrol stations and other convenience outlets.

⁷⁷ Ibid.

- **PUREnFERRIN™:** Freedom Foods PUREnFERRIN™ is a premium, high purity and native lactoferrin protein. It is prepared directly from cow's milk whey that has passed through the manufacturing process designed to minimise protein denaturation, and so optimise the preservation of lactoferrin's functional properties.

4.4 Turnaround, restructuring and recapitalisation

The Company has grown significantly across its various manufacturing sites, products and geographies over the last several years. In mid-2020, the Company discovered and communicated to the market a number of accounting irregularities, including capitalisation of expenses into the balance sheet which overstated the profitability of the Company.

The Company, in conjunction with its advisers, undertook a forensic review of the business which identified a range of accounting irregularities going back a number of years. On 30 November 2020, the Company restated prior period accounts (balance sheet as at 30 June 2018, FY19 and FY20) and identified circa A\$591.5 million write-offs and adjustments comprising the following:

- The implementation of a warehouse consolidation program led to significant write-downs and write-offs of inventory relating to out of date, obsolete and unsaleable stock much of which was produced during the commissioning phase of the Shepparton plant. The Company discovered stock of obsolete and out-of-date milk and these discoveries along with product withdrawals led to a write down of inventory for A\$60.1 million.
- The write-down of assets value of A\$372.8 million which reflected a decision to implement new accounting policies and expense to the Profit and Loss, costs such as labour, energy and cleaning on capital projects. In addition, previously capitalised costs during the commissioning phase was determined that they would have been more appropriately treated as expenses.
- A\$75.9 million in write-downs of goodwill and brands and A\$38.9 million from a reduction in the value of capitalised new product costs, reflecting changes to accounting policies and practices.
- Other adjustments totalling circa A\$44 million.

As a result of the above, the Company has embarked into the Transformation Program built around simplifying and focussing on the core business to achieve profitable growth. The Transformation Program is built around the following key pillars:

- Focus on key brands and product lines which performed strongly in 2020 and in the first part of 2021 notwithstanding the macro-economic challenges and the specific circumstances of the business.
- Improve profitability of the operations via an increased focus on costs and individual product profitability, rationalisation of the products portfolio, plant efficiencies initiatives and focus on the Company's core high-growth and high-margin businesses such as the Plant Based Beverages and the protein-based Nutritionals. The products rationalisation has already commenced with a number of products which have been removed or re-priced.
- Renewal of the Board of Directors with the appointment of a new independent Chair and a majority of Independent Directors on the Board in conjunction with changes in the management team.



- Re-enforcing the corporate strategy with a strong customer focus, employee culture for high performance and integrity. This is expected to be achieved through improving controls, reporting and accountability.
- Divestment of the Cereal and Snacks business announced at the end of 2020 and reviewing the strategic options for the Specialty Seafood business.

4.5 Disputes and litigations

Following the announcements released in mid-2020 in relation to certain adopted accounting policies and the release of the Restated Accounts, the Company is facing the following class actions.

- *Slater & Gordon*⁷⁸ – Slater & Gordon has filed a shareholder class action against Freedom Foods and the auditors alleging that Freedom Foods made statements about its financial performance which amounted to misleading or deceptive conduct, in contravention of the Corporations Act, ASIC Act and Australian Consumer Law.
- *Phi Finney & McDonald*⁷⁹ – Phi Finney & McDonald has filed a shareholder class action against Freedom Foods and its auditors alleging contraventions under the Act, ASIC Act, Australian Consumer Law and the fact that published half year and full year financial reports did not provide a true and fair view of its financial position.

In addition, the Company has a dispute with Blue Diamond Growers^{80 81} which is claiming compensatory damages for performance related deficiencies. Non-Associated Securityholders should refer to the Recapitalisation presentation and prospectus released by the Company in connection with the Convertible Notes for additional information. According to the ASX Announcement dated 19 March 2021, Freedom Foods has sought relief on appeal to overturn the stay and have its legal disputes with Blue Diamond heard and determined in the Federal Court of Australia rather than in the California arbitration. Blue Diamond has now discontinued the proceeding it commenced against Freedom Foods Pty Ltd in the United States District Court for the Eastern District of California which will accordingly continue in the Federal Court of Australia.

It must be noted that these disputes are in the preliminary stages and any associated costs or liabilities cannot be reasonably ascertained at the date of this report.

4.6 Divisional performance

4.6.1 Dairy & Nutritionals

It is the largest supplier of UHT milk in Australia processing over 300 ML of UHT milk in FY20 which are sold under owned and third party brands. It also produces nutritional products such as lactoferrin and protein supplements for sale to domestic and international customers.

The UHT milk production is primarily undertaken at Shepparton. Given the issues identified at Shepparton, the production and financial performance of the facility was historically suboptimal. Delays in

⁷⁸ Slater & Gordon website.

⁷⁹ Phi Finney & McDonald website.

⁸⁰ Freedom Foods ASX Announcement dated 30 September 2020.

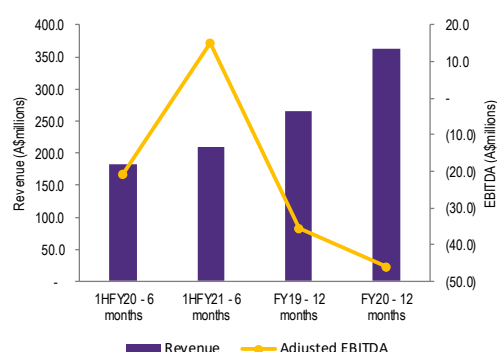
⁸¹ Freedom Foods ASX Announcement dated 8 March 2021.



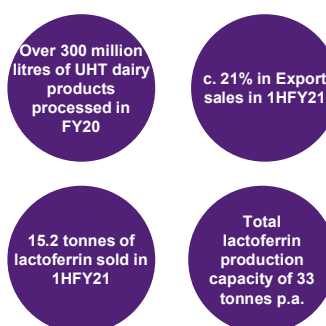
commissioning the new capacity resulted in higher wastage, under-recovery of protein and lower than anticipated yields of lactoferrin. The Company is currently implementing a number of initiatives to improve the profitability of the Shepparton plant via procurement savings and manufacturing efficiencies, product mix optimisation and waste reduction. In order to achieve these operational improvements, the Company is required to incur up front capital expenditure which has been included in the cash flow forecasts. Following challenges at the Shepparton UHT Facility in FY20, the Company increased milk processing from 107 ML in 1HFY20 to 150 ML in 1HFY21 and completed lactoferrin capacity expansion to 33 tonnes in July 2020. This will enable the Company to fulfil its contractual commitments to a large pharmaceutical company with regard to lactoferrin.

The following is the historical revenue, EBITDA and the key highlights of the business during FY20 and 1HFY21.

Dairy & Nutritionals historical performance



Key statistics during FY20 and 1HFY21



Source: FNP Annual Reports, Investor Presentations, AGM Presentation FY20 and 1HFY21

Note (1): Adjusted EBITDA represents Pre-AASB 16 EBITDA adjusted for corporate overheads.

Note (2): FY19 figures are restated figures as presented in Annual Report FY20.

A key driver of the division's performance is the protein lactoferrin which is characterised by higher profitability and growth opportunities. Sales of the Company's PUREnFERRIN lactoferrin product increased 67% in 1HFY21, with current run rate lactoferrin production of c.28 tonnes p.a. relative to production capability of 33 tonnes p.a., making FNP one of the largest producers globally. The overall division performed strongly in 1HFY21 with

- Retail UHT sales which benefited by pantry stocking during the lockdowns, in particular in VIC.
- Sale of cream and butter were positively affected by the out of home recoveries as State Governments eased restrictions.
- Demand for Consumer Nutritionals lifted in conjunction with the re-opening of gyms and speciality stores.

The Company's products also experienced increased demand in China and South East Asia ("SEA") with sales of branded and contracted customer brands tracking ahead of the previous corresponding period. The Company is in the process of expanding distribution into SEA with market penetration efforts in Singapore, Vietnam and Philippines.

The Company expects the financial performance for the second half of the year to be materially lower than 1H FY21 due to seasonality in relation to the purchase price for milk, higher sales and marketing costs and allocation of corporate costs after the sale of the Cereals and Snack division.

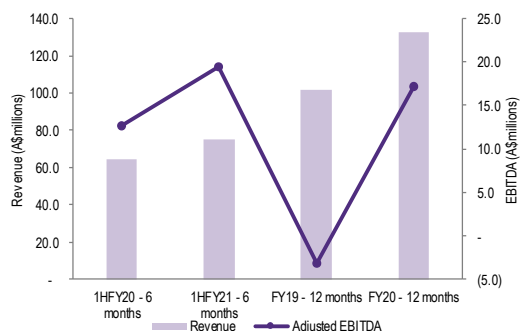
4.6.2 Plant-Based Beverages

The division manufactures and distributes a range of UHT plant-based milk varieties with MILKLAB being the key brand. MILKLAB has continued strong growth supported by the shift towards consumption of plant-based beverages with strong brand awareness which assisted in generating high margin. It also plans to launch new oat based products in CY21.

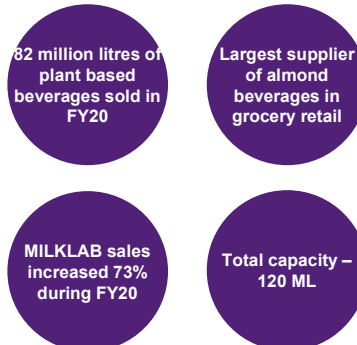
MILKLAB sales increased 50% in 1H FY21 with the brand continuing to win market share and build customer loyalty as health-conscious consumers increasingly opt for plant-based milks. MILKLAB is now sold in more than 8,000 cafes with the potential to expand through new milk alternatives such as oat milk, new sales channels and new markets. The Company continues to produce Almond Breeze milk under licence from Blue Diamond Growers which is the subject of a legal dispute as discussed earlier.

The following is the historical revenue, EBITDA and the key highlights of the business during FY20 and 1H FY21.

Plant-based beverage historical performance



Key statistics during FY20 and 1H FY21



Source: FNP Annual Reports, Investor Presentations, AGM Presentation FY20 and 1H FY21

Note (1): Adjusted EBITDA represents Pre-AASB 16 EBITDA adjusted for corporate overheads.

Note (2): FY19 figures are restated figures as presented in Annual Report FY20

The higher sales and margins were obtained in spite of the impact of COVID-19 when out-of-home⁸² and export demand had been disrupted during the peak lockdown periods in the third and fourth quarter of FY20. However, with restrictions being relaxed, volumes continue to recover and profitability continues to improve in the out-of-home channel.

Similarly to the Dairy and Nutritionals division, the performance in 2H FY21 is expected to be more subdued than the first half.

4.6.3 Specialty seafood

The Specialty seafood segment is a mature division with steady y-o-y revenue. Its product line comprises sardines and salmons. The sardines product maintained its no.1 leadership position in Australia and New

⁸² Out-of-home is the channel wherein the milk is utilised in cafes, restaurants and other eateries.



Zealand while the salmon product sales also performed well considering the broader macroeconomic environment. Profitability improved in FY20 as a result of price increases and rationalisation of trade marketing spend. The Company is currently reviewing its strategic options for this segment, including the divestment.

4.7 Financial information

The financial performance and financial position of the Company was restated having regard to the historical accounts for FY19 and FY20 and the closing balance sheet for FY18 following an investigation by the Board which led to uncover the adoption of certain accounting policies which artificially inflated assets values and with several products being sold at below target profitability or at loss in some cases. As a result, a number of adjustments were made to the opening financial statements as at 1 July 2018, the performance and position reported at 30 June 2019 and the FY20 financial year.

A summary of these adjustments is set out in the table below.

Area	Accounting policy / practice	Impact on account balances
CWIP / Fixed Assets	Capitalisation practices have been reviewed and amended with costs reclassified. Only directly attributable expenses to be capitalised. Assets start to be depreciated when regularly producing sale product	A\$372.8 million
Inventory	Inventory stock take and write-off policies and practices have been reviewed and amended. Write downs recognised.	A\$60.1 million
New Product Development	Capitalisation practices have been reviewed and amended with costs reclassified. Directly attributable development costs to be capitalised. Impairment recognised for underperforming products	A\$38.9 million
Revenue and Receivables	Review of cut-off and other practices. Revenue recognition policies revisited. Review of long-dated receivables unlikely to be collected with provisions recognised. Expected impact of COVID-19 taken up. Policies regarding provisioning and expected credit losses formalised.	A\$22.1 million
Trade promotion / Trade marketing spend	Accrual recognition practices have been reviewed. Trade spend will be accrued when inventory is sold to the customer.	A\$11.9 million
Share-based payments	Expense adjustment required to recognise commitments made to senior employees	A\$5.5 million
Other	Various other restatement matters as outlined in the financial statements	A\$4.3 million
Goodwill / brands	Impact of changes shown above on assessment of carrying values	A\$75.9 million
Total		A\$591.5 million
Breakdown of Adjustment by financial year		Impact on account balances
Consolidated adjustments to FY18 and prior		A\$295.6 million
Consolidated adjustments to FY19		A\$151.3 million



Area	Accounting policy / practice	Impact on account balances
	Consolidated adjustments to FY20	A\$144.6 million
Total		A\$591.5 million

Source: FNP FY20 Investor Presentation

In the following sections, we present and discuss the restated accounts for FY19 and FY20.

4.7.1 Financial performance

The table below illustrates the Company's audited consolidated statements of comprehensive income for the period FY19, FY20 and for the six month period ended 31 December 2019 and 31 December 2020.



Consolidated statements of financial performance	FY19	FY20	1HFY20	1HFY21
No. of months	12 months	12 months	6 months	6 months
A\$ '000	Audited	Audited	Audited	Audited
Revenue	461,768	580,191	253,182	291,378
Cost of sales	(491,029)	(577,961)	(235,145)	(240,121)
Gross profit	(29,261)	2,230	18,037	51,257
Gross margin	NM	0.4%	7.1%	17.6%
Marketing expenses	(22,169)	(25,236)	(13,029)	(5,026)
Selling and distribution expenses	(55,698)	(68,555)	(27,131)	(27,437)
Expected credit losses	(1,800)	(3,639)	(10)	(336)
Administrative expenses	(11,432)	(1,283)	(2,986)	(4,558)
Net other income / expense	1,775	(191)	1,458	93
Operating expenses	(89,324)	(98,904)	(41,698)	(37,264)
Reported EBITDA	(118,585)	(96,674)	(23,661)	13,993
Reported EBITDA margin	NM	NM	NM	4.8%
Share of profits / (losses) of associates - AFMH	(254)	586	424	279
Impairment expenses	-	(26,081)	(4,224)	-
Depreciation & Amortisation	(18,120)	(30,626)	(12,659)	(13,862)
Depreciation & Amortisation and Other incomes and expenses	(18,374)	(56,121)	(16,459)	(13,583)
EBIT	(136,959)	(152,795)	(40,120)	410
EBIT margin	NM	NM	NM	NM
Net interest (expense) / revenue	(9,719)	(21,814)	(10,048)	(15,612)
Net profit before tax	(146,678)	(174,609)	(50,168)	(15,202)
Tax expense	851	101	(48)	-
Other comprehensive income / (expense)	455	548	-	-
Loss after income tax from discontinued operations	-	-	(13,262)	(8,661)
Net profit / (loss)	(145,372)	(173,960)	(63,478)	(23,863)
Net profit margin	(31.5%)	(30.0%)	(25.1%)	(8.2%)
Key operational metrics:				
Selling and distribution expenses as a % of revenue	12.1%	11.8%	10.7%	9.4%
Depreciation & amortisation as a % of revenue	3.9%	5.3%	5.0%	4.8%
Expected credit losses as a % of revenue	0.4%	0.6%	0.0%	0.1%

Sources: FNP FY20 Annual Report, 1HFY21 Financial Statements

Note 1: FY19 and 1HFY20 figures have been based on the restated reported numbers in the FY20 and 1HFY21 financial statements reported to the market.

The financial performance of the Company in FY19 and FY20 was affected by a number of operational and macro-economic factors as discussed before. We further note the below.

- Notwithstanding the challenges faced by the business, revenue increased in FY20 driven by strong growth across the Dairy and Nutritionals and Plant Based Beverages divisions with flat performance for the Speciality Seafood division and declining revenue for the Cereal and Snacks division. The Dairy and Nutritionals division benefited from price increases in January 2020 and the large stocking in conjunction with the COVID-19 lockdowns around the country (grocery channel) and in export markets in the short term. As a result, utilisation of the expanded facilities increased markedly. The Plant Based Beverages recorded significant growth across all the distributions channels and brands

notwithstanding that the significant out of home channel was adversely affected by the widespread lockdowns and closures due to the pandemic.

- The strong revenue performance in FY20 did not flow through to profitability with reported EBITDA recognising a significant loss, even if lower than the restated FY19. While improved profitability was achieved from the Plant Based Beverages division and from the commencement of bulk sales of lactoferrin, they were more than offset by the losses incurred on several products due to negative gross margins and a 23% increase in selling and distribution costs, including transport and logistics, due to the reorganisation of the warehousing, logistics and transport functions.
- The significant increase in depreciation and amortisation was driven by a transfer of most of the capital work in progress of the Shepparton expansion project to fixed assets and the implementation of AASB 16. Out of the total depreciation and amortisation, c. A\$9.9 million related to depreciation on the right-of-use asset and c. A\$19.5 million related to depreciation on property, plant and equipment. For 1HFY21, the depreciation and amortisation further increased on account of the capital projects completed in 2HFY20.
- The Company was able to manage a return to positive EBITDA in 1HFY21 with strong revenue growth and operating margin improvements. The Shepparton plant is now achieving more consistent operational performance with the lactoferrin plant producing higher volumes in line with the design expectations which allows the Company to achieve improved yields and returns however, the underutilisation of the Cereals and Snack manufacturing facilities continue to adversely impact the financial performance. The Company has also benefited from a more cautionary approach to trade spending, new product development, inventory management and a better match between supply and demand of milk to take into account historical seasonality.
- Overall, revenue grew by 15% in 1HFY21 from c. A\$253 million to c. A\$291 million. Dairy and Nutritionals division witnessed a growth of 15.2% driven by transformation and operational turnaround strategy focused on multiple areas of the division. The Company has also reported strong sales in its Nutritionals sub-division as gyms and specialty stores re-opened. Plant Based Beverages segment recorded an increase of 16.7% in revenue growth relative to 1HFY20 driven by improvements across all channels and brands, particularly MILKLAB.
- The increase in net finance costs was largely on account of the adoption of AASB 16. Out of the total finance cost incurred in FY20, c. A\$9.9 million relates to finance cost for the debt facilities and c. A\$11.9 million for the cost due to the AASB 16. For 1HFY21, the finance costs increased by 53% as a result of increased margins and fees charged by the lenders. Out of the total finance cost, c. A\$9.7 million relates to debt facilities and c. A\$6 million relates to AASB 16.

4.7.2 Financial position

The consolidated statement of financial position of FNP as at 30 June 2020 and 31 December 2020 is summarised in the table below.



Consolidated statements of financial position	30-Jun-20	31-Dec-20
A\$ '000	Audited	Audited
Assets		
Cash and cash equivalents	17,167	24,288
Trade and other receivables	64,253	46,272
Inventories	59,808	39,946
Derivative Financial Instruments	2,504	3,823
Prepayments	2,804	561
Assets held for sale	-	25,759
Total current assets	146,536	140,649
Financial assets at fair value through other comprehensive income	-	5,857
Investments accounted for using the equity method	27,934	22,356
Right-of-use asset	172,304	167,811
Property, plant and equipment	298,375	275,287
Intangible assets	36,753	35,532
Total non-current assets	535,366	506,843
Total assets	681,902	647,492
Liabilities		
Trade and other payables	(123,407)	(77,314)
Borrowings	(292,324)	(326,907)
Lease liabilities	(2,304)	(800)
Derivative Financial Instruments	(2,329)	(2,074)
Provisions	(6,557)	(6,277)
Liabilities associated with assets held for sale	-	(5,101)
Total current liabilities	(426,921)	(418,473)
Lease liabilities	(192,341)	(190,431)
Provisions	(1,641)	(462)
Total non-current liabilities	(193,982)	(190,893)
Total liabilities	(620,903)	(609,366)
Net assets	60,999	38,126
Key operational metrics:		
Inventory Turnover (times)	9.66	12.02
Debtor Turnover (times)	9.03	12.59
Net working capital as a % of revenue (%)	2.06%	8.4%

Sources: FNP FY20 Annual Report, 1HFY21 Financial Statements

Note 1: The key operational metrics for the half-year are based on annualised values of cost of goods sold and revenue.

- **Working capital:** With regard to working capital, we note the following:
 - **Trade and other receivables:** This declined by 28% from A\$64.2 million as at 30 June 2020 to A\$46.3 million as at 31 December 2020, reflecting increased usage of the debtor sale facility and improved focus on collections. Debtor days increased from 60 days to 64 days due to some customers being on payment plans due to COVID-19. This is being managed and an additional provision for credit loss has been taken.

- *Inventories*: This declined by 33% from A\$59.8 million as at 30 June 2020 to c. A\$39.9 million due to improved inventory management. This was one of the key areas identified for improvement by the Company.
- *Trade and other payables*: This decreased by 37% from A\$123.4 million to A\$77.3 million on account of reduction in the level of aged creditors and improving controls around purchasing.
- *Borrowings as at 31 December 2020*: The gross borrowings increased to A\$326.9 million due to restructuring costs and an increase in finance costs. A general discussion on the borrowings and the progress achieved by the Company with regard to its negotiations with lenders is set out below:
 - The Company's primary bank facilities are arranged with the Senior Lenders. They include syndicated facilities (from HSBC and NAB), equipment financing facilities (from NAB) and debtor financing facilities (from HSBC). The Company has other bi-lateral facilities from a range of financiers. We have set out below the loan balances and the facility limits as at 31 December 2020:

Consolidated statements of financial position (31-Dec-2020) A\$ '000	Note	Total facility limit Audited	Amount drawn Audited	Unexhausted limit Audited
Term loan facilities	1	141,174	141,174	-
Recourse debtor financing facilities	2	22,000	11,783	10,217
Revolver financing facilities		34,937	34,937	-
Subordinated financing facilities	3	45,000	45,000	-
Equipment financing liabilities	4	94,013	94,013	-
Total		337,124	326,907	10,217

Source: FNP 1HFY21 Financial Statements

- *Note (1) – Term Loan Facilities*: Since April 2020, the Company could avail syndicated facilities of circa A\$141.2 million of term loans.
- *Note (2) – Debtor Finance Facilities*: The Group has a full recourse debtor facility with a total limit of A\$22 million. Under this facility, the Group sells receivables from its out-of-home channel. HSBC has recourse to the Group if the debt is unrecoverable. The Company also has a limited recourse debtor finance facility with a total of A\$65 million, which is not captured on the balance sheet and out of this facility, A\$53 million was drawn as at 31 December 2020.
- *Note (3) – As part of the group's standstill agreement in September 2020*, undrawn revolver amounts of c. A\$65.1 million were cancelled and replaced with a A\$45 million subordinated facility guaranteed by Perich Property Pty Ltd, an associated entity of Arrovest.
- *Note (4) – Equipment finance liabilities*: The equipment financing facilities relate to specific equipment operating at the Company's Leeton, Shepparton, Dandenong and Ingleburn manufacturing sites. The equipment facilities are secured over the assets financed under the relevant facility. These facilities are over a period of 2 years to 7 years and the final residuals are due between 2020 and 2027.



- **Covenants:** The Company obtained a waiver from its financiers with respect to non-compliance with lending covenants at 30 June 2020 and entered into a standstill agreement which remains in effect till 28 May 2021.
- **Lease liabilities and right-of-use asset:** The lease liabilities are on account of the adoption of AASB 16 which resulted in the recording of off-balance sheet lease liabilities onto the balance sheet. Correspondingly, a right-of-use asset has been recorded on the balance sheet on the asset side. The net impact of this is a reduction in net assets of c. A\$23 million.

4.7.3 Cash flow statement

The consolidated statement of cash flows of FNP for FY19, FY20 and 1HFY20 and 1HFY21 is summarised in the table below.

Consolidated statements of cash flow	FY19	FY20	1HFY20	1HFY21
No. of months	12 months	12 months	6 months	6 months
A\$ '000	Audited	Audited	Audited	Audited
Cash flows from operating activities				
Receipts from customers (inclusive of GST)	455,815	574,782	287,723	319,076
Payments to suppliers and employees (inclusive of GST)	(573,299)	(644,795)	(313,815)	(314,631)
Product recall expenditure	-	-	-	(2,181)
Payment for restructuring expense	-	-	(505)	(8,843)
Income tax paid	(4,850)	-	-	-
Interest received	236	673	178	-
Interest on lease liabilities paid	-	(11,932)	(5,973)	(5,227)
Other interest and finance cost paid	(10,566)	(12,629)	(4,295)	(9,694)
Net cash inflow / (outflow) from operating activities	(132,664)	(93,901)	(36,687)	(21,500)
Cash flows from investing activities				
Payments for property, plant and equipment	(66,899)	(22,809)	(22,150)	(4,477)
Payment for purchase of business, net of cash acquired	(1,765)	-	-	-
Investment in associates and joint venture	(6,535)	(4,413)	(4,001)	-
Payments for intangible assets	(627)	(1,224)	(659)	(86)
Proceeds from sale of property, plant and equipment	170	-	-	-
Net cash inflow / (outflow) from investing activities	(75,656)	(28,446)	(26,810)	(4,563)
Cash flow from financing activities				
Proceeds from issue of equity securities	130,532	3,555	845	-
Payment for share issue costs	(3,806)	(252)	(161)	-
Proceeds from borrowings	43,226	86,330	18,554	34,582
Lease principals repaid	-	-	(1,279)	(1,398)
Repayment of leases	-	(2,844)	-	-
Dividends paid to shareholders	(4,353)	(2,659)	(2,658)	-
Net cash inflow / (outflow) from financing activities	165,599	84,130	15,301	33,184
Net increase / (decrease) in cash and cash equivalents	(42,721)	(38,217)	(48,196)	7,121
Cash and cash equivalents at the beginning of the financial year	98,106	55,385	55,385	17,167
Cash and cash equivalents at year end	55,385	17,168	7,189	24,288

Sources: FNP FY20 Annual Report, 1HFY21 Financial Statements

- The Group had an operating cash outflow for the last two years, as a result of selling many of its products at prices insufficient to recover production and operating costs, and the level of discounts and trade support needed to sustain revenue growth. Contributing factors included operating below capacity at Leeton and Dandenong and with reduced levels of operating efficiency during the Shepparton production facility expansion.
- For 1HFY21, cash flow from operations before financing costs and non-recurring adjustments was A\$30.5 million higher than the prior period which was largely due to increase in the receipts from customers. Offsetting this was a marginal increase in payments to suppliers and employees, higher finance costs due to increased borrowings and increase in restructuring costs associated with planned recapitalisation.
- Expenditure on investing activities decreased in FY20 as the major Shepparton facility expansion project was largely completed.
- For 1HFY21, cash flows from investing activities were A\$22.2 million lower primarily due to a significant reduction in capital expenditure following the completion of the significant capital projects in earlier years.

4.8 Capital structure

4.8.1 Capital structure

Ordinary Equity Shares

The following are the major shareholders of the Company as at 30 June 2020.

Number of ordinary shares as at 30 June 2020 '000	Proportion	Number of shares
Arrovest Pty Ltd	52.5%	145,556,000
HSBC Custody Nominees (Australia) Ltd	9.7%	26,900,840
JP Morgan Nominees Australia Ltd	7.0%	19,440,798
National Nominees Ltd	3.0%	8,335,823
UBS Nominees Pty Ltd	2.8%	7,735,968
Others	24.9%	69,098,198
Total number of ordinary outstanding shares	100.0%	277,067,627

Source: FNP FY20 Annual Reports

Convertible Redeemable Preference Shares ("CRPS")

As at 31 December 2020, the Company also had 101,130 convertible redeemable preference shares on issue which have the following key terms:

- The CRPS are perpetual with no maturity. They are transferrable and are convertible at the option of the CRPS holder.
- The dividend rate is 9% on the issue price of A\$0.30. The dividend is preferred, discretionary and non-cumulative and CRPS holders have no claim or entitlement in respect of a non-payment.

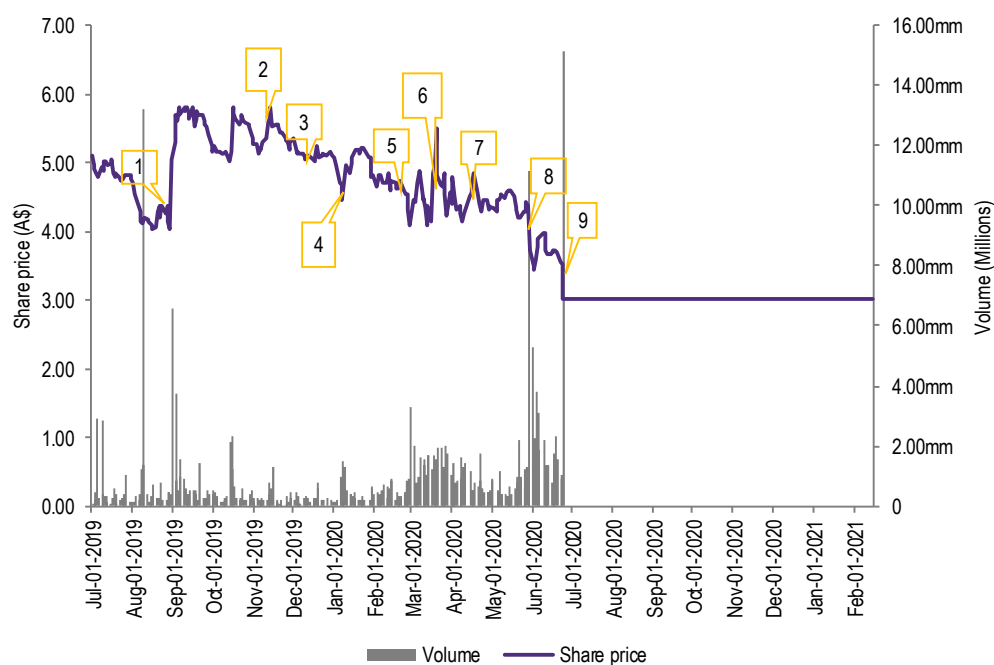
- Each CRPS is convertible into one ordinary equity share. There is no time limit within which the CRPS must be converted.
- The redemption price is the higher of the issue price (A\$0.30) or an amount as determined by the Board of the Company with reference to an independent expert appointed by the Board for the purpose of assessing the value of the CRPS.
- The CRPS will convert into ordinary shares automatically on the occurrence of certain trigger events including certain transactions involving a change in control of the company, such as a takeover of Company or a scheme or merger.

4.8.2 Trading price

The following graph sets out the trading prices and the key announcements of the Company over from 1 July 2019 to 25 June 2020 when the shares were suspended.

We acknowledge that the Company recommenced trading on the 22 March 2021. We have considered the latest trading performance of the Company in section 9.

Share price and key announcements



Source: S&P Global, GTCF analysis

No.	Date	Description
1	29 August 2019	<p>The Company released its Annual Report 2019 and we note the following:</p> <ul style="list-style-type: none"> - Net sales increased 34.9% to A\$476.2 million, an increase of A\$123.3 million - Operating EBITDA reported at A\$55.2 million with EBITDA margin being 11.6% - Strong growth in key brands namely Messy Monkeys (126.6%), MilkLab (168.7%) as well as Vital Strength and Crankt nutrition brands



No.	Date	Description
2	15 November 2019	Freedom Foods announced that Australian Fresh Milk Holdings (AFMH) acquired the Torrumbarry Aggregation in Northern Victoria. As part of the acquisition, Freedom Foods contributed A\$4.0 million in equity funding, based on its 10% equity holding in AFMH. With this acquisition AFMH is the largest dairy producer in Australia with over 190 million litres of production forecasted in 2021.
3	11 December 2019	Freedom Foods entered into a new 'syndicated' banking facility with HSBC and NAB, replacing the existing 'club' facility due to expire in December 2020. The term of the A\$407 million new syndicated and bilateral secured facilities was 3 years.
4	8 January 2020	The Company confirmed that none of its dairy farms or site operations were directly affected by the Victorian and NSW bushfires. All sites remained fully operational and the milk supply remained in a strong position.
5	27 February 2020	The Company released its HY20 results and we note the following: <ul style="list-style-type: none"> - Its net sales increased to A\$277.1 million, a 32.6% increase from prior year - Operating EBITDA of A\$32.7 million, a 55.6% increase from prior year - Interim dividend of 2.25 cents per share - Launched specialised nutritional ingredients including Lactoferrin (LF), Micellar Casein (MCC) and Whey Protein Isolate (WPI) - Launched 40 new product formats
6	17 March 2020	The Company provided update in regards to COVID-19 stating it was experiencing strong demand for key products including UHT dairy and plant beverages and cereals & snacks. The key focus area was prioritising supply of UHT dairy milk.
7	21 April 2020	The Company provided another update in regards to COVID-19 announcing that increased stay at home restrictions during March led to a decline in sales in Out of Home channels. It also restructured its syndicated and bi-lateral banking facilities with HSBC and NAB to increase short term liquidity limits by A\$100 million, while maintaining the existing overall indebtedness limit.
8	29 May 2020	The Company released its performance through May 2020 indicating margin decline against pre COVID plan due to shifts in channel and portfolio mix. It also indicated to undertake restructuring and write-down of non-cash obsolete and discontinued stock provision for FY2020. There was going to be a material impact on second half profitability with consequential flow on impact to its pre COVID expectations.
9	25 June 2020	The Company released its Corporate update highlighting the following: <ul style="list-style-type: none"> - As at 29 May 2020, a detailed review of product offerings would result in a one-off non-cash write-down of carrying value of inventory in FY20 with an estimated value of circa A\$25 million - Further analysis suggested further need for write-down to reflect provisioning for obsolete stock, out of date stock and product withdrawals with a revised write-down value of circa A\$60 million - Rory Macleod, Managing Director and Chief Executive of the Company accepted resignation and the Company engaged Ashurst and PwC to advise with ongoing investigations into the Company's financial position - The Company's shares have been suspended from trading since 24 June 2020.

Source: S&P Global, ASX Announcements

5 Freedom Foods after the Recapitalisation

5.1 Board update

The Company has undergone a change in its board as well as its Management. The below table discusses the board and the roles assumed by the Directors.

Name	Position	Experience
Independent members		
Genevieve Gregor	Independent Non-Executive Chair	Genevieve is a partner of a Private Equity fund Collinton Capital Partners. She also has experience as the Co-Head of the Asian Special Situations Group at Goldman Sachs, Australia. Genevieve joined the board in March 2020.
Jane McKellar	Independent Non-Executive Director	Jane has significant experience in the consumer focused FMCG, luxury and retail industries as a CMO and CEO. She currently sits on the boards of McPhersons, GWA Group and NRMA. Jane joined the board in May 2020.
Stuart Black	Independent Non-Executive Director	Stuart is a Chartered Accountant and currently sits on the boards of Australian Agricultural Company Limited and Palla Pharma Limited. Stuart is a member of the Order of Australia. Stuart joined the board in March 2021.
Related party members		
Tony Perich	Deputy Chair and Non-Executive Director	Tony is the joint MD of Arrovest, Leppington Pastoral Company and various other entities associated with the Perich Enterprises. Tony is a member of the Order of Australia.
Timothy Bryan	Non-Executive Director	Timothy is the CEO of the Perich Group. He has over 30 years of experience in business advisory and is a Chartered Accountant himself.

Source: FNP Recapitalisation presentation

Note (1): The Order of Australia recognises Australians who have demonstrated outstanding service or exceptional achievement.

We further discuss recent appointments at the Management level for FNP.

- Michael Perich (CEO) – Michael has over 25 years of experience in the agribusiness sector, most recently as the Director of Leppington Pastoral Company, a dairy farms operations company and joint MD of the Australian Fresh Milk Holdings, a significant dairy joint venture in NSW and Victoria.
- Josee Lemoine (CFO) – Josee has a strong track record in senior executive positions across multiple industries and companies including Invocare, Telstra, Rio Tinto, Fairfax, Boral and Arnott's.
- Stuart Muir (COO) – Stuart specialises in the supply chain management and is a leader of large multifunctional teams in Manufacturing, Planning, Logistics, Environment, Quality, Research and Development. Stuart was involved with Unilever and more recently with Lion Dairy & Drinks, one of Australia's biggest dairy companies.
- Justin Coss (Group General Counsel & Company Secretary) – Justin is an experienced company secretary and general counsel with strong track record in the legal profession and in executive positions across the insurance and retail sectors. Justin was recently the Interim General Counsel and Company Secretary of Super Retail Group Limited.

5.2 Use of funds

The proceeds of the Capital Raising will be used as outlined below.



Use of funds from Capital raising	Scenario		
	A\$200m raised	A\$215m raised	A\$265m raised
Repayment of senior debt ¹	A\$183 million	A\$183 million	A\$233 million
Balance sheet / working capital ²	A\$7 million	A\$22 million	A\$22 million
Transaction costs	A\$10 million	A\$10 million	A\$10 million
Total	A\$200 million	A\$215 million	A\$265 million

Source: FNP Prospectus for issue of convertible notes

Note (1): This includes repayment in full of the subordinated facility guaranteed by Perich Property Pty Ltd in its own capacity and in its capacity as trustee for the Perich Property Unit Trust.

Note (2): An addition to cash in the Balance Sheet to fund working capital and capital expenditure.

We have set out below a summary of the debt structure of the Company before and after the Recapitalisation assuming that it raises between A\$200 million and A\$265 million.

Debt Structure - Current and Proposed As at 31 December 2020 (A\$ millions)	Pro forma		
	Existing	A\$200m raise	A\$265m raise
Revolver	35	-	-
Term loan	141	50	-
Equipment finance	87	87	87
Debtor finance	12	12	12
Subordinated facility	57	-	-
Gross senior ranking debt	332	149	99
Convertible notes	-	200	265
Gross debt	332	349	364
Less: Cash	(47)	(54)	(69)
Net debt	285	295	295

Source: FNP Prospectus for issue of convertible notes

Note (1): The pro forma existing debt outstanding as at 31 December 2020 represents the drawn debt on balance sheet at 31 December 2020 adjusted to reflect the A\$12 million increase in subordinated facility limit to 25 February 2021 and the impact of the cereals and snacks divestment including the repayment of A\$6.5 million equipment finance. Total debt outstanding on the convertible notes is shown before capitalising borrowing costs of A\$6.5 million, and excludes non-recourse off balance sheet receivables financing which was A\$52.5 million as at 31 December 2020.

As set out in the table above, the debt level of the Company is not expected to reduce following the Recapitalisation, however it will provide greater flexibility to the business to implement the Turnaround. We also note that the Company has a non-recourse off balance sheet receivables financing which was A\$52.5 million as at 31 December 2020 and is excluded from the table above.

As part of the Recapitalisation, the Company will also enter into a new 2-year A\$36 million senior secured revolver facility which is expected to be undrawn at completion. The lenders will also provide a 2-year term senior secured debt facility of up to A\$50 million which will remain in place if the Company raises A\$200 million under the Capital Raising but it will be repaid in full if the Company raises A\$265 million. The current equipment financing facilities and debtor financing facilities will remain in place on substantially the same terms. Following the Recapitalisation, the Company will have a 2-year covenants free period on the senior debt and 6-year covenants free period on the Convertible Notes.

5.3 Arrovest's shareholding

The shareholding of Arrovest in the Company upon conversion of the Convertible Notes will depend on the level of participation in the Wholesale Notes Offer and the number of Options that will be exercised. We

have summarised a number of scenarios. If there is no participation in the Wholesale Notes Offer and none of the Options are exercised, Arrovest will increase its shareholding from 52.5% to 80.5%⁸³.

Pro forma ownership outcomes (As converted at Maturity)	A\$200m scenario (100% Arrovest)		A\$265m scenario (A\$200m Arrovest, A\$65m Wholesale)		A\$265m scenario (A\$135m Arrovest, A\$130m Wholesale)	
	Current		Current		Current	
	# shares (m)	%	# shares (m)	%	# shares (m)	%
Arrovest	146	52.5%	146	52.5%	146	52.5%
Other existing shareholder ownership (excluding Options)	132	47.5%	132	47.5%	132	47.5%
Options	-	0.0%	-	0.0%	-	0.0%
Other noteholder ownership	-	0.0%	-	0.0%	-	0.0%
Total	278	100.0%	278	100.0%	278	100.0%
	Recapitalisation		Recapitalisation		Recapitalisation	
	# shares (m)		# shares (m)		# shares (m)	
	# shares (m)	%	# shares (m)	%	# shares (m)	%
Arrovest	398	90.7%	398	70.1%	269	47.3%
Other existing shareholder ownership (excluding Options)	-	0.0%	-	0.0%	-	0.0%
Options	41	9.3%	41	7.2%	41	7.2%
Other noteholder ownership	-	0.0%	129	22.7%	259	45.5%
Total	439	100.0%	568	100.0%	569	100.0%
	Pro-forma		Pro-forma		Pro-forma	
	# shares (m)		# shares (m)		# shares (m)	
	# shares (m)	%	# shares (m)	%	# shares (m)	%
Arrovest	544	75.9%	544	64.3%	414	48.9%
Other existing shareholder ownership (excluding Options)	132	18.4%	132	15.6%	132	15.6%
Options	41	5.7%	41	4.8%	41	4.8%
Other noteholder ownership	-	0.0%	129	15.2%	259	30.6%
Total	717	100.0%	846	100.0%	846	100.0%
Arrovest ownership (after conversion of Notes, excluding Options)	544	80.5%	544	67.6%	414	51.5%

Source: FNP Recapitalisation presentation

5.4 Pro-forma financial information

5.4.1 Pro Forma Profit & Loss

The Pro Forma Profit & Loss performance reflects the reported results of FNP as at 31 December 2020 adjusted to reflect the various pro forma adjustments relating to the removal of costs associated with product recall, restructuring and other one off costs incurred in the half year to 31 December 2020 and the impact of the recapitalisation.

⁸³ After conversion of the Convertible Notes at maturity, excluding Options. If the Convertible Notes are assumed to be converted immediately, the maximum shareholding reduces to 76.6% as the capitalised portion of the interest is excluded from the calculation.



Consolidated statements of financial performance	1H FY21					
	Reported ¹	Adjustments ²	Recapitalisation		Pro Forma	
			AS\$200m raised ³	AS\$200m raised	AS\$265m raised ⁴	AS\$265m raised
AS\$ '000						
Revenue	291,378	-	-	291,378	-	291,378
Cost of sales	(240,121)	-	-	(240,121)	-	(240,121)
Gross profit	51,257	-	-	51,257	-	51,257
Gross margin	17.6%	-	-	17.6%	-	17.6%
Other (expenditures)/ income	(1,863)	2,181	-	318	-	318
Other gains/ (losses)	1,956	1,449	-	3,405	-	3,405
Marketing, selling & distribution expenses	(32,463)	-	-	(32,463)	-	(32,463)
Expected credit losses	(336)	-	-	(336)	-	(336)
Administrative expenses	(18,420)	10,183	-	(7,607)	-	(7,607)
Impairments	-	-	-	-	-	-
Interest on lease liabilities	(5,899)	-	-	(5,899)	-	(5,899)
Interest on convertible notes	-	-	(8,634)	(8,634)	(2,806)	(11,441)
Other interest and finance costs	(9,713)	-	5,859	(3,854)	1,259	(2,596)
Share of profit/ (losses) of associates accounted for using equity method	279	-	-	279	-	279
Profit/ (loss) before income tax	(15,202)	14,443	(2,776)	(3,534)	(1,548)	(5,083)
EBITDA pre AASB16 (Continuing Operations)	7,210	14,443	-	21,653	-	21,653
EBITDA margin	2.5%	-	-	7.4%	-	7.4%

Source: FNP Recapitalisation Presentation

Note (1): Reported figures reflect the profit and loss from continuing operations as shown in the financial statements to 31 December 2020 (excluding any contribution from Cereals & Snacks).

Note (2): Adjustments include removal of costs associated with product recall, restructuring and other one off costs incurred in the half year to 31 December 2020.

Note (3): Interest for the Convertible Notes is calculated at 8.5% p.a. payment in kind ("PIK") consideration which equates to Pro Forma interest expense for the half year to 31 December 2020 of circa AS\$8.6 million plus AS\$3.9 million of interest from the remaining senior facilities.

Note (4): Interest for the Convertible Notes is calculated at 8.5% p.a. payment in kind ("PIK") consideration which equates to Pro Forma interest expense for the half year to 31 December 2020 of circa AS\$11.4 million plus AS\$2.6 million of interest from the remaining senior facilities.

5.4.2 Pro Forma Balance Sheet

The Pro Forma Balance Sheet as at 31 December 2020 reflects the reported results of FNP in the half year report as at 31 December 2020 adjusted to reflect various adjustments relating to the additional drawdown of debt from the major shareholder, sale of Cereals & Snacks business and the Recapitalisation. Furthermore, lease liabilities totalling circa AS\$191.2 million and the associated Right of Use asset totalling circa AS\$167.8 million are shown reflecting the requirements of AASB16.



Consolidated statements of financial performance	31-Dec-20	Pro Forma Adjustments		31-Dec-20	Pro Forma Adjustments	31-Dec-20	Pro Forma Adjustments	31-Dec-20
	Statutory Balance Sheet	Increase in subordinated debt facility	Impact of Cereals & Snacks sale	Pro Forma (Post increase in subordinated facility / C&S sale)	Impact of the offer	Pro Forma (assuming A\$200m raised)	Impact of the offer	Pro Forma (assuming A\$265m raised)
A\$ '000	1	2	3		4, 5		6	
Current Assets								
Cash and cash equivalents	24,288	12,000	11,000	47,288	6,551	53,839	15,000	68,839
Trade and other receivables	46,272	-	-	46,272	-	46,272	-	46,272
Inventories	39,946	-	-	39,946	-	39,946	-	39,946
Derivative financial instruments	3,823	-	-	3,823	-	3,823	-	3,823
Prepayments	561	-	-	561	-	561	-	561
	114,890	12,000	11,000	137,890	6,551	144,441	15,000	159,441
Asset of disposal group classified as held for sale	25,759	-	(25,759)	-	-	-	-	-
Total current assets	140,649	12,000	(14,759)	137,890	6,551	144,441	15,000	159,441
Total non-current assets	506,843	-	-	506,843	-	506,843	-	506,843
Total Assets	647,492	12,000	(14,759)	644,733	6,551	651,284	15,000	666,284
Current Liabilities								
Trade and other payables	(77,314)	-	1,192	(76,122)	3,425	(72,697)	-	(72,697)
Borrowings	(326,907)	(12,000)	6,540	(332,367)	322,356	(10,011)	-	(10,011)
Lease Liabilities	(800)	-	-	(800)	-	(800)	-	(800)
Derivative financial instruments	(2,074)	-	-	(2,074)	-	(2,074)	-	(2,074)
Provisions	(6,277)	-	443	(5,834)	-	(5,834)	-	(5,834)
	(413,372)	(12,000)	8,175	(417,197)	325,781	(91,416)	-	(91,416)
Liabilities directly associated with assets classified as held for	(5,101)	-	5,101	-	-	-	-	-
Total current liabilities	(418,473)	(12,000)	13,276	(417,197)	325,781	(91,416)	-	(91,416)
Non-current liabilities								
Borrowings	-	-	-	-	(332,782)	(332,782)	(15,000)	(347,782)
Lease Liabilities	(190,431)	-	-	(190,431)	-	(190,431)	-	(190,431)
Provisions	(462)	-	-	(462)	-	(462)	-	(462)
Total non-current liabilities	(190,893)	-	-	(190,893)	(332,782)	(523,675)	(15,000)	(538,675)
Total liabilities	(609,366)	(12,000)	13,276	(608,090)	(7,001)	(615,091)	(15,000)	(630,091)
Net assets	38,126	-	(1,483)	36,643	(450)	36,193	-	36,193
Equity								
Issued capital	598,712	-	-	598,712	-	598,712	-	598,712
Reserves	(56,463)	-	-	(56,463)	-	(56,463)	-	(56,463)
Accumulated losses	(504,123)	-	(1,482)	(505,605)	(450)	(506,055)	-	(506,055)
Total Equity	38,126	-	(1,482)	36,644	(450)	36,194	-	36,194

Source: FNP Recapitalisation Presentation

Note (1): As reported in the financial statements for the half year to 31 December 2020.

Note (2): Reflects the full drawdown of the approved A\$12 million increase in the subordinated facility. The subordinated facility is guaranteed by entities affiliated with the major shareholder, Arrovest.

Note (3): Reflects the expected gross proceeds from the sale of the Cereals & Snacks business of circa A\$20.5 million of which A\$16.1 million was received on 2 March 2021 with the balance of A\$4.4 million to be received on final completion which is due to occur by 29 March 2021 (subject to inventory level at that date). Circa A\$3.4 million of these proceeds have been used to pay transaction, restructuring and other associated costs, of which A\$1.5 million did not meet the definition of a liability at 31 December 2020 and accordingly, were not accrued at that date. A further A\$6.5 million was used to payout various equipment related financing arrangements.

Note (4): Reflects the minimum gross consideration raised under the Offer of A\$200 million less the payout of existing facilities of A\$183 million and associated transaction costs of A\$10.4 million of which A\$6.5 million has been capitalised as a borrowing cost. This reflects that the Company is at this stage intending to adopt the bifurcation accounting method for the Convertible Notes.

Note (5): Reflects the reclassification of the equipment finance borrowings (other than the amounts due over the next 12 months), term loan and debtor finance facilities to non-current liabilities as a result of the Recapitalisation.

Note (6): Reflects the maximum incremental gross consideration to be raised under the Offer of circa A\$65 million less an additional A\$50 million repayment of senior debt which is replaced with the Convertible Notes.

5.4.3 Pro Forma Cash Flow



The Pro Forma Statement of Cash Flows reports the results of FNP for the half year up to 31 December 2020 adjusted to reflect various Pro Forma adjustments relating to the sale of Cereals & Snacks business, cash impact of one off items and an estimate of the financing costs for the period has the Recapitalisation occurred on 30 June 2020.

Consolidated statement of Cash Flow	Consolidated Statutory Cash Flow	Removal of Cereals & Snacks	Restructuring/ Product Recall Costs	Impact of revised capital structure	Pro Forma Case A\$200m raising	Impact of revised capital structure (incremental)	Pro Forma Case A\$265m raising
A\$ '000	1	2	3	4		5	
Cash flows from operating activities							
Receipts from customers (inclusive of GST)	319,076						
Payments to suppliers and employees (inclusive of GST)	(314,631)						
Cash flow from operations	4,445	11,759	-	-	16,204	-	16,204
Product recall related expenses paid	(2,181)	-	2,181	-	-	-	-
Payment for restructuring expenses	(8,843)	-	8,843	-	-	-	-
Interest received	-	-	-	-	-	-	-
Interest on lease liabilities paid	(5,227)	-	-	-	(5,227)	-	(5,227)
Other interest and finance costs paid	(9,694)	-	-	5,840	(3,854)	1,259	(2,596)
Net cash used in operating activities	(21,500)	11,759	11,024	5,840	7,123	1,259	8,381
Cash flows from investing activities							
Payments for property, plant and equipment	(4,477)						
Payments for intangible assets	(86)						
Investment in equity interest	-						
Net cash used in investing activities	(4,563)						
Cash flow from financing activities							
Proceeds from issue of equity securities	-						
Payment for share issue costs	-						
Proceeds / (repayment) of borrowings	34,582						
Lease principals repaid	(1,398)						
Dividends paid to shareholders	-						
Net cash from financing activities	33,184						
Net increase/ (decrease) in cash and cash equivalents	7,121						
Cash and cash equivalents at the beginning of the financial half-year	17,167						
Cash and cash equivalents at the end of the financial half-year	24,288						

Source: FNP Recapitalisation Presentation

Note (1): As reported in the financial statements for the half year to 31 December 2020.

Note (2): Reflects the removal of the cash flows associated with the Cereal & Snacks business to the half year to 31 December 2020.

Note (3): Reflects the removal of the cash costs associated with the product recall, restructuring and other one-off costs paid in the half year to 31 December 2020.

Note (4): Reflects the Pro Forma impact on financing costs assuming the minimum A\$200 million is raised under the Offer and that the interest on Convertible Notes is paid in kind. The Adjusted cash interest is paid of A\$3.9 million reflects amounts payable on all borrowings other than Convertible Notes.

Note (5): Reflects the Pro Forma impact on financing costs assuming the minimum A\$265 million is raised under the Offer and that the interest on Convertible Notes is paid in kind. The Adjusted cash interest is paid of A\$2.6 million reflects amounts payable on all borrowings other than Convertible Notes.



6 Valuation methodologies

6.1 Introduction

As part of assessing whether or not the Proposed Issue is fair to the Non-Associated Shareholders, Grant Thornton Corporate Finance has compared the fair market value of FNP Shares before the Proposed Issue on a control basis to the fair market value of FNP Shares after approval of the Proposed Issue on a fully diluted and minority basis.

In each case, Grant Thornton Corporate Finance has assessed value using the concept of fair market value. Fair market value is commonly defined as:

“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

We note, RG111 requires the fairness assessment to be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company.

6.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, approval of an issue of shares using item 7 of s611 of the Corporations Act, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets.
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- Amount available for distribution to security holders on an orderly realisation of assets.
- Quoted price for listed securities, when there is a liquid and active market.
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being

valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

6.3 Selected valuation methods

In our valuation assessment of FNP, we have adopted the DCF method as our primary approach. Grant Thornton has built a valuation model based on the cash flow projections prepared by Management of FNP for the forecast period FY21 to FY25. We have selected DCF method as our primary valuation methodology due to the following:

- FNP is currently undergoing restructuring of business via the Transformation Program which can be appropriately modelled and sensitised in the forecast cash flows given it will take a number of years to come to full fruition.
- Working capital and capital expenditure requirements associated with the Transformation Program can be modelled in a robust way.
- The DCF Method is commonly adopted in valuing food and beverage businesses.

We have cross-checked our valuation assessment having regard to the EBIT⁸⁴ multiple implied in our valuation assessment based on the DCF and the trading prices on the ASX since the Company recommenced trading on 22 March 2021.

We note that the EBIT multiple approach should be considered with caution and it only provides directional support due to the following:

- The current EBIT of the Company is negative.
- The Company has indicated that the annualised 1H FY21 results should not be considered as a proxy for FY21 given the seasonality of the business.
- There are no recent brokers' report released in relation to Freedom Foods which provides market expectations of the FY21, FY22 or FY23 EBITs.

⁸⁴ Earnings before interest and tax

7 Valuation assessment of FNP before Proposed Issue

7.1 DCF Method

7.1.1 Introduction and the GT Model

Management have provided Grant Thornton Corporate Finance with the Internal Model that has been prepared for the purpose of the Recapitalisation and reviewed by the Senior Lenders prior to agreeing to the standstill agreement. The Internal Model is based on the assumptions that the sale of the Cereals and Snacks division is fully completed and the Speciality Seafood division is retained. This has formed the basis of our valuation assessment.

Our valuation assessment before the Proposed Issue is based on the fair market value concept (willing but not anxious parties) and it is on a 100% basis in accordance with the requirements of ASIC RG111. For the purpose of our valuation assessment of Freedom Foods using the DCF Method, Grant Thornton Corporate Finance has built the GT Model based on post-tax free cash flows of Freedom Foods from 1 March 2021 to 30 June 2025 included in the Internal Model based on a critical review and consideration of the following:

- Financial performance of Freedom Foods for 1HFY21. We have placed limited reliance on the historical performance of the business given the restatement of the historical accounts as discussed in section 4.
- Management projections for the period up to 30 June 2025 included in the Internal Model ("Projections") which is based on a bottom-up analysis, comprehensive review of the existing operations and implementation of the Transformation Program Initiatives aimed at improving the performance of the business. The Internal Model has been prepared on a pre-AASB 16.
- High-level comparison of certain operational KPIs included in the projections with those of the comparable companies.
- Key industry risks, growth prospects and general economic outlook.

Whilst Grant Thornton Corporate Finance believes that the assumptions underlying the GT Model are reasonable and appropriate to be adopted for the purpose of our valuation, we have not disclosed them in our IER as they contain commercially sensitive information and they do not meet the requirements for the presentation of prospective financial information as set out in ASIC Regulatory Guide 170 *"Prospective Financial Information"*.

- In accordance with the requirement of RG 111, we have undertaken a critical analysis of the Internal Model before integrating it into the GT Model and relying on it for the purpose of our valuation assessment.
- Conducted high level checks, including limited procedures in relation to the mathematical accuracy.
- Performed a broad review, critical analysis of the forecasts through enquiries with Management, its financial advisors, specialist consultants and current trends in the industry.



The assumptions adopted by Grant Thornton Corporate Finance do not represent projections by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of similar businesses. We note that the assumptions are inherently subject to considerable uncertainty and there is significant scope for differences in opinion. It should be noted that the value of Freedom Foods could vary materially based on changes to certain key assumptions.

7.1.2 Transformation Program Initiatives

The Company has recently spent significant capital expenditure at its existing manufacturing facilities to increase capacity and support strong sales momentum. However, the Restated Accounts show that the Company has not been able to achieve profitable growth. This was due to number of reasons but in particular because of the challenges faced in the commissioning of this increased capacity at the Shepparton plant along with an aggressive broadening of the product range which led to the sales of several SKUs being completed at a loss for the business.

To address these issues, the Company appointed the Consultant, who was tasked with identifying the operational weaknesses in the existing process and suggesting improvements in the overall operations of the business and in particular at its two key manufacturing sites of Shepparton and Ingleburn. As part of their procedures, the Consultant undertook several site visits and interviews with personnel and management and observed the manufacturing process.

The overall Transformation Program Initiatives is a three to five year process and the Consultant has been retained for the first 16 months in order to oversight the execution. The Consultant has noted that in the two months of December and January, the Company has demonstrated distinct improvement across various operational process, however, further work is required to embed behaviours that would help realise the operating initiatives in full.

The identified operational improvements revolve mainly around the two key manufacturing sites of Shepparton and Ingleburn. The total value of the benefits identified in the Consultant Report have been risk-adjusted by the Company in the Projections with only 57% of the benefits included. Whilst the benefits of the implementation of the Transformation Program Initiatives are large, the risk adjusted cost savings represent circa c.3.5% of the FY21 cost base. The implementation of these initiatives is expected to require growth capital expenditure over the discrete forecast period which has also been included in the cash flows. We note that the magnitude of the benefits included in the Projections do not appear to be unreasonable when compared to the following:

- Synergies reported in recent transactions such as the acquisition of the Lion Dairy & Drinks (where synergies represent c. 73.2%⁸⁵ as a proportion of LTM EBITDA) by Bega Cheese and Everyday Cheese (where synergies represent c. 100%⁸⁶ as a proportion of EBIT) by Warnambool Cheese Factory.
- FY22 and FY23 EBIT forecast included in the broker's report released after the announcement of the Recapitalisation.

⁸⁵ Calculated as the reported synergy of A\$41 million divided by the LTM EBITDA of A\$56 million. It is to be noted that A\$36 million worth of synergies were already expected to be realised in the first year of operations.

⁸⁶ Calculated as the reported synergies of A\$4 million divided by the adjusted EBIT post non-manufacturing overheads of c. A\$4 million EBIT of A\$13 million.



The key initiatives in the Transformation Program revert around removing unprofitable SKUs at Shepparton for UHT products, improving the manufacturing sites design and plan in order to achieve industry standard operational KPIs and procurement savings.

We discussed below the key initiatives for the two key manufacturing sites.

Shepparton Transformation Program Initiatives

The Consultant has indicated that the operations at Shepparton are not well integrated between UHT and lactoferrin which are almost dealt with as two separate sites. The Consultant made a number of recommendations for improving the status-quo which can be categorised into the following:

- *Operations improvements* – The Shepparton site has been designed over a number of iterations and upgrades and it has evolved into the current version which is considered sub-optimal. Based on observations made during the site visit at the manufacturing facilities, the Consultant identified that some benefits could be realised by re-organising the site plan. For instance, certain products come out of the manufacturing line and they are stored in the warehouse before being packed into containers. The Consultant recommended transferring goods directly from the manufacturing line into the containers for packing, which would result in savings in the warehousing and labour cost. Another challenge identified by the Consultant was that the finished milk product was overweighted and had excess fat and protein above customer requirements due to weak process controls and site design. The Consultant recommended that by optimising the site flows and installing the right ways of working, there was a significant opportunity to reduce wastage. Similarly, up to 6% reduction in chemical usage could be obtained from simplifying the site design. Based on discussions with the Consultant, we understand that majority of the site optimisations can be achieved with minimal disruption to the business or closure of the assembly line.
- *Commercial optimisation*: The Consultant identified several products which were running at a loss and it recommended to discontinue or re-price them. They are mainly related to the low margin UHT products. The Internal Model has conservatively assumed that these products are discontinued without positive flow-on effect of the lost volumes to other products manufactured by the Company. Accordingly, the financial benefits are purely from cutting the losses incurred on those products. This initiative is the single largest annualised benefit to be achieved over a period of three to five years and it appears low risk based on discussion with the Consultant and Management.
- *Procurement savings* – The Consultant has identified a number of savings on the procurement side of raw milk which should re-align the terms offered by the Company to the peers.

Ingleburn Transformation Program Initiatives

As part of the recommendations at the Ingleburn plant which manufactures Plant Based Beverages, the Consultant noted that there is a product tail that is not profitable that should be discontinued in the long-term, with a focus on pricing activity in the short-term. Other potential savings revert around waste optimisation via process design, weight control and chemicals recovery and warehouse site people management.

7.1.3 Scenario analysis

Given the uncertainty in relation to the ability of the business to successfully implement the Transformation Program Initiatives, the current situation of financial distress, the limited funding available and the restated financial performance in FY19 and FY20, we have undertaken our valuation assessment based on the following scenarios:

- **Base Case:** Under this scenario, we have considered the future cash flows as provided in the Internal Model. The Management's Base Case is characterised by high levels of growth across its plant-based portfolio, rationalisation of the operational processes based on Management's internal review and recommendations made by the Consultant.
- **Delayed Base Case:** As per the Base Case but we have adopted a 20% higher capital expenditure to implement the Transformation Program Initiatives and a 12 months delay in their implementation.
- **Low Case:** Under this scenario, we have adopted Management's Base Case forecasts with the exception of the benefits from implementation of the Transformation Program initiatives which we have been decreased by 30%.
- **Worst Case:** Under this scenario, we have adopted Management's Base Case forecasts with the exception of the benefits from implementation of the Transformation Program initiatives which we have been decreased by 50%.
- **Best Case:** Under this scenario, we have adopted Management's Base Case forecasts with the exception of the benefits from implementation of the Transformation Program initiatives which we have been increased by 20%.

The following is a discussion on the key assumptions adopted by Management in the Base Case.

- **Revenue:** Management has undertaken a bottom-up analysis at the SKU level based on historical performance, discussions with distributors, market analysis of pricing to determine the revenue during the forecast period. The growth in the forecast revenue is primarily driven by changes in the product mix (through a reduction in volumes of lower priced products and increase in higher priced products) and growth in volumes. No price growth has been assumed across the forecast period.

The forecast CAGR (FY21 to FY25) in the Dairy & Nutritionals division is expected to be between 3% and 5%. The historical CAGR (FY15 to FY20) in UHT Dairy sales has been c. 46%⁸⁷ and the annual growth rate over FY20 has been 13%⁸⁸. The growth in FY20 was high due to pantry stocking as a result of the outbreak of the pandemic and the forecast growth rates represent a normalised level of activity. Whilst the growth in volume is higher than the long-term real GDP growth forecast of 2.5%, Freedom Foods also has exposure to China and South-East Asian economies where real GDP growth is higher and this contributes to the volume growth in the forecast period.

The Plant Based Beverage division is expected to grow between 5% and 10% over the discrete forecast period. The historical CAGR (FY15 to FY20) in Plant Based Beverage volume has been 31.3% and the three year historical CAGR (FY17 to FY20) is 22%. According to the Company, the

⁸⁷ Freedom Foods Recapitalisation Presentation dated 19 March 2021

⁸⁸ Ibid.

forecast CAGR is expected to be driven by opportunities in the food service channel and exports to Asia. Further, based on US/UK trajectories, the food service channel could grow by c. 40% in size by FY23⁸⁹.

The Seafood division volumes forecast growth is flat across the forecast period.

- **Direct margin and gross margin:** In spite of the growth in revenue, the various trade and other discounts remain broadly consistent in \$ values with the historical financials which has the effect of increasing the direct margin. We have benchmarked the forecast direct margin in the Management Base Case with the comparable companies and the results of our analysis are set out below:

Company	Country	Direct margin as a % of revenue				
		FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual
Bega Cheese Limited	Australia	12.8%	13.2%	22.0%	19.9%	19.4%
Fonterra Co-operative Group Limited	New Zealand	21.1%	17.0%	15.5%	15.1%	15.0%
The a2 Milk Company Limited	New Zealand	42.9%	48.0%	50.4%	54.8%	56.0%
Synlait Milk Limited	New Zealand	18.2%	14.8%	18.9%	18.2%	15.6%
Tassal Group Limited	Australia	45.1%	50.9%	47.7%	45.8%	52.4%
Vitasoy International Holdings Limited	Hong Kong	50.9%	53.2%	52.9%	53.6%	53.2%
Low		12.8%	13.2%	15.5%	15.1%	15.0%
Average		31.8%	32.8%	34.6%	34.6%	35.3%
Median		32.0%	32.5%	34.8%	32.8%	35.9%
High		50.9%	53.2%	52.9%	54.8%	56.0%

Source: Publicly available information

Note 1: Direct margin calculated as 1 – COGS as a % of revenue

The forecast direct margin ranges between 20% and 25% and it seems broadly consistent with the historical margins of Bega Cheese and Synlait Milk, which we consider the most relevant comparable companies, once future growth is taken into account⁹⁰.

- **EBIT margin:** The various expenditures in relation to supply chain, trade and marketing expenses remain broadly consistent as a percentage of revenue as the Company has sold its Cereals and Snacks division and has developed a targeted strategy by focusing on key brands. This is expected to result in a rationalisation of the trade and marketing spend. The benefits of the Transformation Program Initiatives is captured in the forecast EBIT. We have benchmarked the forecast EBIT margin with the comparable companies and the results of our analysis are set out below:

⁸⁹ Freedom Foods Recapitalisation Investor Presentation dated 19 March 2021.

⁹⁰ Future margins of Bega and Synlait are expected to increase in conjunction with growth of the businesses.

Company	Country	Market	Enterprise	EBIT Margin				
		Cap	Value	FY19	FY20	FY21	FY22	FY23
		A\$ millions	A\$ millions	Actual	Actual/ Projected	Projected	Projected	Projected
Tier 1: Dairy comparable companies								
Bega Cheese Limited	Australia	1,910	1,769	4.5%	3.8%	3.3%	4.7%	4.9%
Fonterra Co-operative Group Limited	New Zealand	7,306	12,708	4.2%	4.3%	5.0%	NA	NA
The a2 Milk Company Limited	New Zealand	5,917	5,223	31.6%	31.5%	24.4%	23.5%	25.0%
Synlait Milk Limited	New Zealand	669	1,126	12.2%	9.5%	2.2%	6.8%	8.1%
Vitasoy International Holdings Limited	Hong Kong	5,495	5,486	12.8%	9.6%	12.7%	12.4%	12.7%
Tassal Group Limited	Australia	716	1,190	16.7%	19.4%	13.9%	16.3%	17.0%
Low				4.2%	3.8%	2.2%	4.7%	4.9%
Average				13.7%	13.0%	10.3%	12.7%	13.6%
Median				12.5%	9.5%	8.8%	12.4%	12.7%
High				31.6%	31.5%	24.4%	23.5%	25.0%

Source: Publicly available information

Note 1: The EBIT margins for the comparable companies are on a post-AASB 16 basis. FNP EBIT margin is on a pre-AASB 16 basis.

Note 2: Market capitalisation and Enterprise values of the comparable companies is as at 29 March 2021.

Given the forecasts are prepared on a pre-AASB 16 basis whereas the companies report financial information on a post-AASB 16 basis, the comparison with the EBIT margins across companies should be considered with caution. Nonetheless, the normalised EBIT margin in the Projections seems broadly consistent with Bega and Synlait.

- **Tax rate:** We note that the Company has relatively large accumulated tax losses of c. A\$400 as at 31 December 2020. We note that there is uncertainty whether or not a pool of potential purchasers will be able to utilise the tax losses and if so what fraction. In our valuation assessment, we have separately calculated the net present value of the tax losses using the cost of equity and we have reflected this risk by adopting only 50% of the gross tax losses.
- **Capital expenditure:** The Company has considered the growth capital expenditure which is in relation to the Transformation Program Initiatives and maintenance capital expenditure given the existing asset base of the business.
- **Working capital:** The Company recently undertook a number of initiatives to improve its debtor collection which resulted in a reduction in the number of debtor days. Similarly, with the Proposed Issue of the warehousing and other initiatives that are part of the Transformation Program, the Company is expecting an improvement in its inventory days. No significant change is expected in the supplier days.
- **Litigation and class actions** – As discussed in the section 4.5, the Company currently has a litigation with Blue Diamond and class actions with Phi Finney McDonald and Slater and Gordon. We have included the fair market value of the potential litigation exposures in our assessment of the fair market value of the business.
- **Terminal value** – Given the risk attached to the achievement of the Transformation Program Initiatives during the discrete forecast period, in the assessment of the terminal value we have adopted a conservative approach by calculating it based on a post-synergies EBITDA multiple that a pool of potential purchasers may be prepared to pay for the business. Specifically, in our valuation

assessment, we have adopted an EBITDA multiple between 6.0x and 6.5x which is based on the post synergies pre-AASB 16 EBITDA multiple of 6.3x⁹¹ paid for the acquisition of Lion Dairy & Drinks by Bega Cheese (refer to section 8.2 for details).

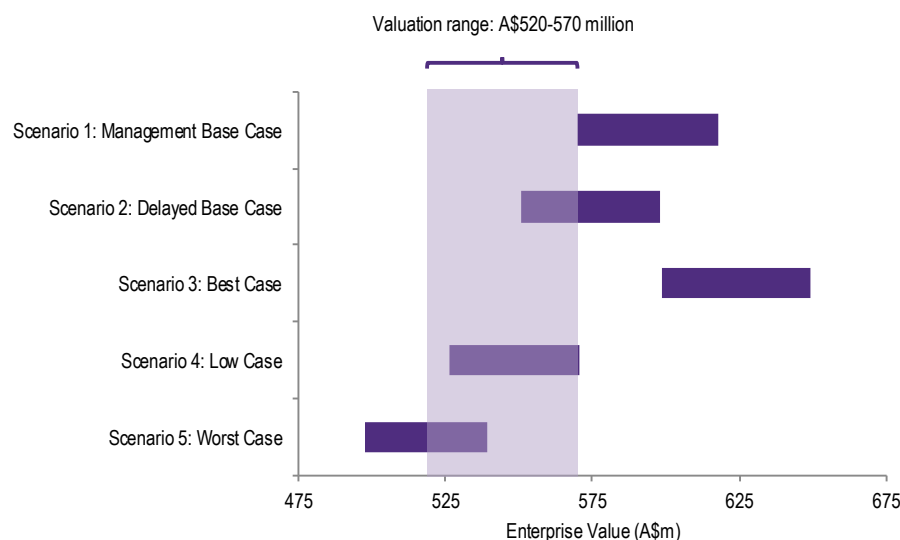
The selected EBITDA multiple is conservative as it reflects the risk attached to the achievement of the Projections. The most relevant comparable companies are trading at an FY23 EBITDA multiple at low double digits.

- **Discount rate** – Given that we have reflected the risk of successfully implementing the Transformation Program Initiatives into our assessment of the terminal value multiple along with the scenario analysis to determine the enterprise value of FNP on a control basis, we have adopted a standard industry WACC range between 8.9% to 9.9% which is assessed using the Capital Asset Pricing Model. We note that the Company for its annual impairment testing purposes adopted a discount rate of 8.25% for its Dairy and Nutritionals CGU and 9.25% for its Consumer Nutritionals CGU.

7.1.4 Summary of values

We have set out below a summary of our valuation assessment under the various scenarios.

DCF Valuation summary



Source: GT Model, GTCF analysis

Note (1): Enterprise value reflects the enterprise value of the company inclusive of NPV of tax losses and litigation expenses.

Based on the above, we have selected an enterprise value range between A\$520 million to A\$570 million which reflects a subjective balancing of the scenarios. The low-end of the range has been determined using the midpoint of Scenario 5. Under this scenario, FNP achieves a reduced amount of benefits from its operational initiatives (50% lower benefits). The high end of the range of A\$570 million has been determined using the low end of Scenario 1. This represents the Management base case values risk adjusted for the operational initiatives in the terminal year. The selected value range also includes all the value points under Scenario 4 and the low-end of Scenario 2.

⁹¹ Calculated using figures disclosed in the Bega Cheese acquisition investor presentation.

7.1.5 Fair value of the Investments and Other Assets

In addition to its existing business, there are other assets and liabilities on the balance sheet of the Company which we have discussed below:

- *Investment in Australian Fresh Milk Holdings ("AFMH"):* AFMH is one of the suppliers of milk to the Company. The Company owns a 10% interest in AFMH. The carrying value of the investment was c. A\$22.3 million as at 31 December 2020 based on the equity accounted method. We have adopted this value in our valuation assessment after we have tested its reasonableness.
- *Investment in Shenzhen JiaLiLe Co. ("JLL"):* JLL is a joint venture between Freedom Foods and Guangzhou Langfend Investment Co Limited, a privately held Chinese Enterprise. The company is responsible for the marketing and sales of Freedom Foods products in China. The investment is carried on the books at fair value, which as at 31 December 2020 was c. A\$5.8 million.
- The Investment in GVN has been written off and we have therefore, not attributed any value to the investment.

7.1.6 Net debt

The following is the pro forma net debt as at 28 February 2021 which we have adopted for the purpose of our valuation assessment.

Net Debt of FNP as at 28 February 2021 A\$ '000	Pre Recapitalisation	Post Recapitalisation	
		A\$200m	A\$265m
Borrowings - current	332,155	10,010	10,010
Borrowings - non-current	-	332,570	347,570
Less: Cash balance	(26,116)	(32,668)	(47,668)
Net Debt of FNP as at 28 February 2021	306,039	309,912	309,912

Source: FNP Recapitalisation presentation

Note (1): The pro forma existing debt outstanding as at 28 February 2021 represents the drawn debt on balance sheet at 28 February 2021 adjusted to reflect the A\$12 million increase in subordinated facility limit to 25 February 2021 and the impact of the Cereals and Snacks divestment including the repayment of A\$6.5 million equipment finance.

7.1.7 Number of shares outstanding

The following is the number of shares on issue as at 28 February 2021.

Number of ordinary shares as at 01 March 21 '000	Number of shares
Fully paid ordinary shares	277,109
Convertible redeemable preference shares	101
Employee FPO	275
Total number of ordinary outstanding shares	277,485

Source: Management information

The above number of shares comprises the following:

- 277,109,319 fully paid ordinary shares.

- 101,130 convertible redeemable preference shares.
- 275,000 shares under ESOP.

7.1.8 Value per share before the Proposed Issue

We have set out below our assessment of the fair market value of FNP before the Proposed Issue on a 100% control basis.

Valuation summary before Proposed Issue	Section		
A\$ '000 (except where stated otherwise)	Reference	Low	High
Enterprise Value on a control basis	7.1.4	520,000	570,000
Add: Fair Value of AFMH	7.1.5	22,356	22,356
Add: Fair Value of JLL	7.1.5	5,857	5,857
Adjusted Enterprise value (on a control basis)		548,213	598,213
Less: Net debt (As at 28 February 2021)	7.1.6	(306,039)	(306,039)
Equity Value (control basis)		242,174	292,174
Number of outstanding shares ('000s) on a fully diluted basis	7.1.7	277,485	277,485
Value per share (control basis) (A\$ per FNP Share)		0.87	1.05

Source: GT Model, GTCF analysis

Note (1): Enterprise value reflects the selected enterprise value of the company inclusive of NPV of tax losses and litigation expenses. The selected value of the company is shown in section 7.1.4.

Note (2): Based on AFMH (10% stake) carrying value as at 31 December 2020 - Note 8 and 9 (Half yearly report 2021).

Note (3): Based on JLL (10% stake) carrying value as at 31 December 2020 - Note 8 and 9 (Half yearly report 2021).

8 Valuation cross-check

8.1 Implied EBIT multiple

We have cross-checked our valuation assessment having regard to the EBIT Multiple implied in the DCF method. We note that the comparable companies report their forecast multiples on a post-AASB 16 basis. However, the Projections prepared by the Management is on a pre-AASB 16 basis and accordingly, we have adopted EBIT multiples to minimise the difference on account of AASB 16. This approach is not entirely reflective of the pre-AASB 16 values due to the interest component on the leases which is captured below EBIT and therefore, the analysis should be considered with caution.

In addition to the above, we note that it is challenging to establish a normalised level of EBIT for the Company in order to assess the implied EBIT multiple due to the following:

- The historical EBIT for FY19 and FY20 set out in the Restated Accounts is negative.
- In 1HFY21, the Company generated an Adjusted EBITDA from continuing operations of A\$21.7 million, however the Adjusted EBIT becomes negative when depreciation and amortisation are taken into account⁹². In addition the Company has indicated that due to seasonality in the second half of FY21, performance in the first half should not consider as a proxy for the profitability in 2HFY21.
- The Company is covered by two investments' analysts only one has released an updated forecast after the issue of the Restated Accounts or the announcement of the Recapitalisation.
- Freedom Foods have not provided guidance for FY21 given the uncertainties in the operations and the Transformation Program initiatives.

Based on the limitations above, we have set out below the EBIT multiple implied in our valuation assessment having regard to the broker's estimate.

Valuation cross-check (Broker consensus) A\$ '000 (except where stated otherwise)	Section Reference	Low	High
Adjusted Enterprise Value (on a control basis)	7.1.8	548,213	598,213
EBIT - Broker 1			
FY21 EBIT		16,300	16,300
FY22 EBIT		27,300	27,300
FY23 EBIT		54,000	54,000
EV/EBIT Multiple			
FY21 EV/ EBIT		33.6x	36.7x
FY22 EV/ EBIT		20.1x	21.9x
FY23 EV/ EBIT		10.2x	11.1x

Source: GTCF analysis

Given the limitations discussed above, this should be considered with caution and only provides directional evidence for our valuation assessment.

⁹² As set out in section 3.3.1 of the half year accounts, the Company incurred depreciation and amortisation charges of A\$13.9 million in 1HFY21.

8.2 EBIT Multiple

The selection of an appropriate multiple to apply is a matter of professional judgement and involves consideration of a number of factors including the stability and quality of earnings, the nature of the business, and financial structure of the company and gearing levels, future prospects of the business, and the cyclical nature of the industry.

For the purpose of assessing an appropriate EBIT Multiple range to value FNP, we had regard to the following:

- The multiples implied by recent transactions involving dairy foods and meat providers which we consider broadly comparable ("Transaction Multiples"). Unless stated otherwise, all the Transaction Multiples are on a pre-AASB 16 basis.
- The EBIT multiples of listed peers ("Trading Multiples") which, however, are not considered particularly comparable to FNP due to differences in size, product offering and the geographic footprint. Furthermore, they represent post-AASB 16 multiples and accordingly, we have utilised the Trading Multiples with caution for our valuation assessment.

8.2.1 Comparable companies

The following table sets out the EBIT multiples of the comparable companies.

		Market	Enterprise	EV/EBIT				
		Cap	Value	FY19	FY20	FY21	FY22	FY23
Company	Country	A\$ millions	A\$ millions	Actual	Actual/ Projected	Projected	Projected	Projected
Tier 1: Dairy comparable companies								
Bega Cheese Limited	Australia	1,910	1,769	32.9x	45.8x	24.9x	12.0x	11.0x
Fonterra Co-operative Group Limited	New Zealand	7,306	12,708	15.2x	15.3x	NA	NA	NA
The a2 Milk Company Limited	New Zealand	5,917	5,223	13.6x	10.4x	16.7x	14.8x	12.0x
Synlait Milk Limited	New Zealand	669	1,126	9.8x	9.7x	NM	12.6x	9.5x
Vitasoy International Holdings Limited	Hong Kong	5,495	5,486	33.4x	46.5x	34.5x	32.2x	28.4x
Average				21.0x	25.5x	25.4x	17.9x	15.2x
Median				15.2x	15.3x	24.9x	13.7x	11.5x

Source: S&P Global, GTCF analysis

Note (1): Market capitalisation is taken as at 29 March 2021.

Note (2): Freedom Foods forecast multiples is based on EBITDA forecast by one broker updated as at 30 November 2020.

Note (3): Regarding Tier 1 comparable companies, from 1 July 2019, Bega recognise lease commitments as lease liabilities under the new accounting standard AASB 16. A2 Milk adopted NZ IFRS 16 from 1 July 2019 while Synlait and Fonterra adopted the same from 1 August 2019. Vitasoy adopted equivalent HKFRS 16 beginning 1 April 2019.

Note (4): Synlait has experienced uncertainty around customer demand as discussed in its 1H FY21 results and accordingly, we have placed limited reliance on the FY21 guidance.

The above companies form part of the packaged foods and meats industry based in Australia, New Zealand and Hong Kong. We also considered Beston Global Food Company Limited TasFoods Limited, Seafarms Group Limited and Keytone Dairy Corporation Limited however, excluded them due to their negative earnings and / or lack of forecast multiples.

The comparable companies' multiples are impacted by several factors namely, the product mix and offering (such as branded vs. private label), pricing and margins, corporate structure of the companies and

the geographies they operate in. Furthermore, we specifically note the below in relation to the Trading Multiples:

- The Trading Multiples presented above reflect the value of companies on a minority basis and do not include a premium for control.
- Larger companies are able to take advantage of operational efficiencies and generally command a higher multiple.
- The dairy industry is highly competitive with several product categories with varying demand drivers and margins. Based on publicly available information, nutritional products command the highest premiums among the various product categories.
- Companies with large proportion of revenue from export and global brand awareness are able to achieve better and higher margins thus, reflecting positively in their multiples.
- Branded products are able to generate high margins and drive long term growth due to consumer loyalty and trust as compared to bulk or private label products.

In order to gather further insights into the comparable companies, we have also set out below our analysis of the KPIs.

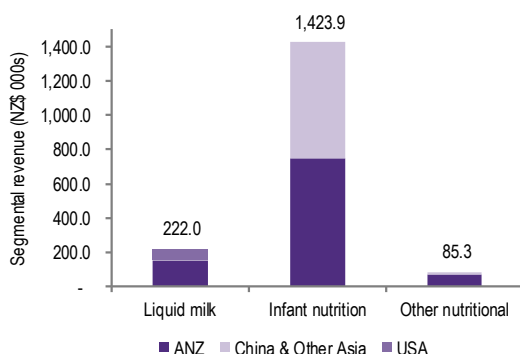
Company	Country	Market Cap A\$ millions	Enterprise Value A\$ millions	Inventory Turnover		EBITDA margin		EBIT margin	
				FY19	FY20	FY19	FY20	FY19	FY20
				Actual	Actual	Actual	Actual	Actual	Actual
Bega Cheese Limited	Australia	1,910	1,769	4.7x	4.5x	7.4%	6.9%	4.5%	3.8%
Fonterra Co-operative	New Zealand	7,306	12,708	5.4x	5.4x	7.1%	7.4%	4.2%	4.3%
The a2 Milk Company	New Zealand	5,917	5,223	6.8x	6.0x	31.8%	31.8%	31.6%	31.5%
Synlait Milk Limited	New Zealand	669	1,126	5.4x	5.1x	14.8%	13.2%	12.2%	9.5%
Vitasoy International Holdings Ltd	Hong Kong	5,495	5,486	4.8x	5.0x	16.3%	15.2%	12.8%	9.6%
Low				4.7x	4.5x	7.1%	6.9%	4.2%	3.8%
Average				5.4x	5.2x	15.5%	14.9%	13.1%	11.7%
Median				5.4x	5.1x	14.8%	13.2%	12.2%	9.5%
High				6.8x	6.0x	31.8%	31.8%	31.6%	31.5%

Source: Company Annual Reports, ASX announcements, S&P Global, GTCF analysis

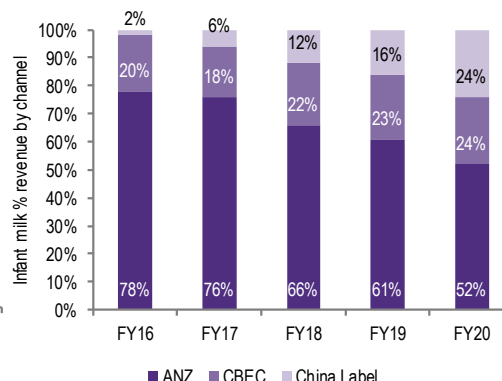
Note (1): EBITDA and EBIT margins are all calculated post AASB16 for FY20.

- **a2 Milk Company Limited ("a2 Milk"):** a2 Milk is well known for its a2 protein type branded fresh milk and its infant formula under the a2 Platinum brand. a2 Milk has developed strategic partnerships with Synlait and Fonterra for the supply of infant formula and milk respectively. Most of the revenue is generated from China which has significant growth expectations but at the same time this market has been hugely affected by the outbreak of COVID-19 and it is subject to volatility due to the trade tension between Australia and China.

a2 Milk Segmental revenue FY20



a2 Infant milk formula % revenue by channel



Source: a2 Milk Investor Presentation FY20, GTCF analysis

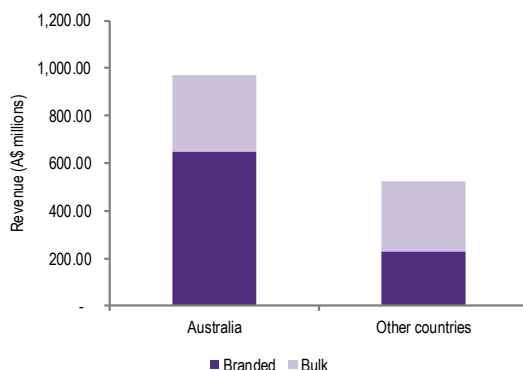
Note (1): a2 Milk's revenue in FY20 consists of circa NZ\$745 million of Infant nutrition, NZ\$152.5 million of liquid milk and NZ\$68 million of other nutritionals in ANZ, circa NZ\$337.7 million of China label, NZ\$341 million of English and other labels, NZ\$3.4 million of liquid milk and NZ\$17 million of other nutritionals in China and Other Asia region and circa NZ\$66 million of liquid milk in USA.

As one of the early companies to market and sell infant formula in China, it has been able to develop good brand recognition and premium prices. Across all other metrics such as inventory turnover and EBIT margins, it performs better than the comparable companies which explains its high multiple.

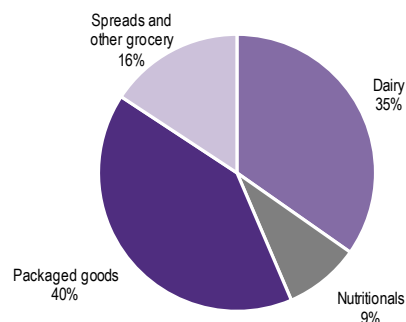
Given its focus on infant formula in its main China market, we do not consider a2 Milk particularly comparable for Freedom Foods.

- **Bega Cheese Limited ("Bega"):** Bega operates in two segments which includes branded segment and bulk segment which manufactures bulk dairy ingredients, nutritional, and bio nutrient products. Its key products include cheese, butter, Farmer's Table cream cheese products, dressings, as well as spreads under Bega peanut butter and Vegemite brands. As illustrated in its FY19 revenue breakdown, its product line includes value added products such as nutritionals, spreads and packaged goods.

Revenue segmentation FY20



Revenue segmentation FY19



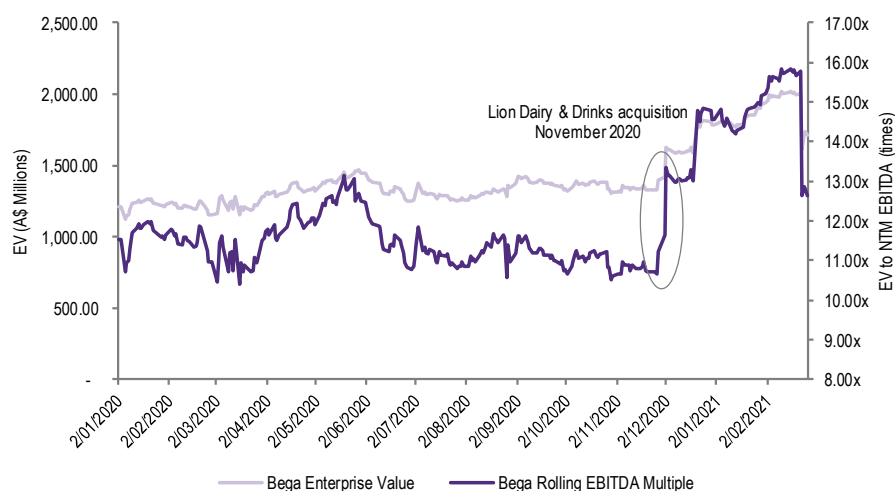
Source: Bega Annual report, GTCF analysis

Note (1): In March 2020, the Group announced that its Board of Directors reviewed its overall structure of business activities post acquisitions and changed it into two reporting segments namely, Branded and Bulk as compared to the previous reporting structure which included four segments namely, Spreads and other grocery, Dairy, Packaged goods and Nutritionals. Hence, FY19 segmentation is only used for illustrative purposes.

Its recent acquisition of Lion Dairy & Drinks business expanded its product range across the larger value added dairy products which reflected positively in its enterprise value and multiple as seen in the

chart below. It also constructed and commissioned its new lactoferrin infrastructure (circa 35 tonnes) at Koroit in FY20 which began in the fourth quarter of 2020. As a result of the value added lactoferrin product and the acquisition of Lion Dairy & Drinks, the EBITDA multiple of the company has been re-rated by the market.

Bega rolling NTM EBITDA multiple analysis



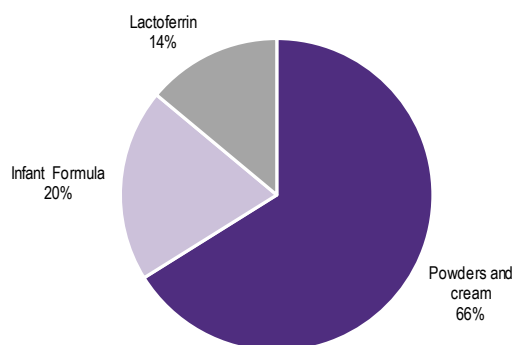
Source: S&P Global, GTCF analysis

Given the Lion Dairy & Drinks acquisition was only completed in FY21, the FY21 forecast EBIT will not include the full year impact of the acquisition and the FY19 and FY20 multiples are not relevant. It would therefore be prudent to consider the FY22 EBIT multiple for valuation purposes.

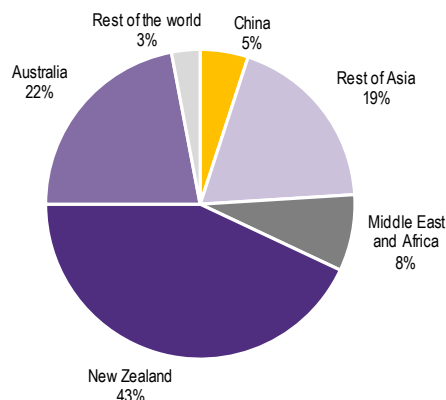
Given its relatively substantial dairy offering together with its nutritionals business, we consider Bega to be comparable to Freedom Foods.

- **Synlait Milk Limited ("Synlait"):** Synlait is involved in processing, packaging, and marketing of dairy products which range from liquid milk, milk powder, cheese and butter to nutritional products such as infant and adult powders, and specialised nutritional ingredients, such as lactoferrin as briefly shown below.

Segmented gross profit FY20



Revenue by geography FY20



Source: Synlait Investor Presentation FY20, GTCF analysis

It has a strong relationship with a2 Milk as it has been processing and supplying infant formula to a2 Milk since 2012. However, since it's a supplier of infant formula as compared to retailer, the margins earned on the same are lower. Similar to Bega, Synlait is shifting its focus to lactoferrin having grown production from 16 tonnes in FY16 to 30 tonnes in FY20.

We note that Synlait has a higher EBIT margin (FY20 - 9.5%) relative to Bega (FY20 - 3.8%). Further, Synlait has successfully deployed capital efficiently over the past 5 years being able to maintain the returns on its investment (7.8%) relative to Bega (2.2%). Synlait is less exposed to the volatility of global dairy prices. Together, these explain the relative premium of Synlait's FY22 multiple to Bega's FY22 multiple.

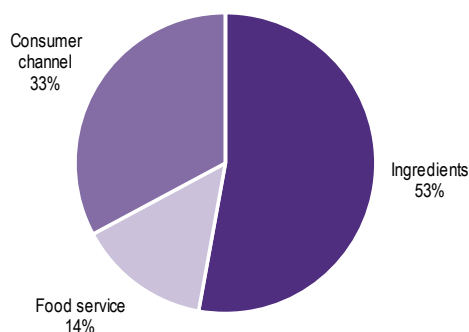
In terms of product offering, size and market positioning Synlait can be considered comparable to Freedom Foods.

- **Vitasoy International Holdings Limited ("Vitasoy"):** Vitasoy manufactures and sells food and beverages in Mainland China, Hong Kong, Australia, New Zealand and Singapore. It primarily operates in the plant based beverages segment which includes soy milk, almond milk and related products.

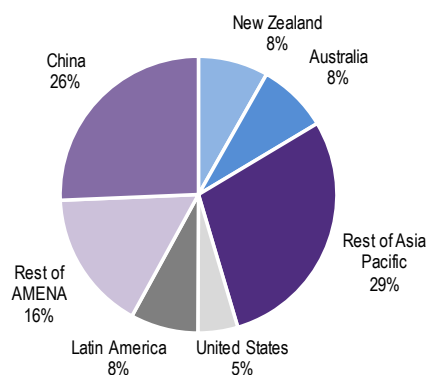
Vitasoy's trades at a significant premium to its peers given its large size, significant focus on its premium brand "Vitasoy" and sales to the growing market of Mainland China. It manufactures and sells premium plant based beverages which are beneficial to health and is growing in demand around the globe. This is further supported by strong EBIT margins. We do not consider Vitasoy particularly relevant as comparable company for Freedom Food.

- **Fonterra Cooperative Group Limited ("Fonterra"):** Fonterra is known for its milk powders, butter and cheese products along with its fast-moving consumer goods and food service businesses, a breakdown of which is shown in the chart below. It operates 70 farm source retail stores and engages in farming of fresh milk.

Segmented gross profit FY20



Geographical breakdown of revenue FY20



Source: Fonterra annual report, GTCF analysis

Note (1): Rest of AMENA includes Africa, Middle East, Europe, North Asia and Latin America (United States shown separately).

We consider Fonterra not really comparable to Freedom Food given its size, market position and hybrid cooperative structure.

Based on the analysis of comparable companies, we consider Synlait and Bega Cheese multiple for FY22 and FY23 relevant for the purpose of our valuation assessment as the multiples between FY20 and FY21 are adversely affected by the outbreak of COVID-19 and in addition, the financial performance of Freedom Foods during this period was affected by the need to issue Restated Accounts.

8.2.2 Comparable transactions

In selecting our comparable transactions we had regard to:

- Targets that broadly operate in the packaged foods and dairy sector in Australia and New Zealand (Tier 1).
- Targets that operate at an international level and have relevant operations in USA, Europe and as well as in Asia (Tier 2).

In relation to the EBIT multiple implied by the comparable transactions, we note that:

- The implied transaction multiples may incorporate various levels of control premium and special values paid for by the acquirers.
- The multiples may reflect synergies paid by the acquirer which may be unique to the acquirers.
- The multiples are pre - AASB16 (unless stated otherwise) accounting policy.
- The transactions observed took place during the period between January 2011 and December 2020. Economic and market factors, including competition dynamics and consumer confidence, may be materially different from those as at the valuation date. These factors may influence the amounts paid by the acquirers for these businesses.
- The transaction multiples are calculated based on the historical EBIT of the acquired companies (unless otherwise stated) which typically tends to provide a higher multiple due to the growth expectations typically included in forecast financial performance.

The following table summarises the EBIT multiples implied by these transactions.



Date	Target Company	Country	Bidder Company	Stake (%)	Deal Value (A\$m)	EBITDA Multiple (Times)	EBIT Multiple (Times)	Status	Key product
Tier 1: Australian transactional evidence									
Mar-21	Gourmet Food Holdings Pty Ltd	Australia	Mondelez International, Inc.	100%	439	11.0x	NA	Announced	Packaged seafood and crackers
Nov-20	Lion-Dairy & Drinks Pty Ltd	Australia	Bega Cheese Limited	100%	534	12.4x	35.5x	Closed	Dairy (Milk, yoghurt, cheese, etc)
Sep-19	Bellamy's Australia Limited	Australia	China Mengniu Dairy Company Limited	97%	1,426	29.6x	31.8x	Closed	Infant formula
Mar-19	Westland Co-operative Dairy Company Limited	New Zealand	HongKong Jingang Trade Holding Company Limited	100%	482	13.9x	55.1x	Closed	Infant formula and dairy
Mar-19	Maggie Beer Products Pty Ltd	Australia	Longtable Group Limited (nka:Maggie Beer Holdings)	52%	10	10.6x	NA	Closed	Wine and other beverages
Jul-18	Koroit dairy processing facility of Saputo Dairy Australia Pty Ltd.	Australia	Bega Cheese Limited	100%	250	12.5x	NA	Closed	Dairy processing facility
Jun-18	St David Dairy Pty Ltd	Australia	Longtable Group Limited (nka:Maggie Beer Holdings Limited)	100%	15	9.1x	NA	Closed	Dairy (Milk, yoghurt, cheese, etc)
Apr-18	Tegel Group Holdings Limited	New Zealand	Bounty Fresh Food, Inc.	100%	572	8.1x	11.4x	Closed	Poultry products
Nov-17	B.-d. Farm Paris Creek Pty Ltd.	Australia	Primary Opinion Limited (nka:Maggie Beer Holdings)	100%	42	22.0x	NA	Closed	Biodynamic dairy
Oct-17	Murray Goulburn Co-Operative Co. Limited	Australia	Saputo Dairy Australia Pty Ltd.	100%	1,310	13.1x	32.0x	Closed	Dairy products
Oct-17	Udder Delights Australia Pty Ltd	Australia	Snow Brand Australia Pty Ltd; MEGMILK SNOW BRAND	90%	16	13.6x	NA	Closed	Cheese products
Jan-17	Warnambool Cheese And Butter Factory Company Holdings Limited	Australia	Saputo Inc.	12%	600	12.0x	24.8x	Closed	Nutritionals and dairy
May-16	Burra Foods Pty. Ltd.	Australia	Inner Mongolia Fuyuan Farming Co., Ltd.	79%	300	13.5x	18.5x	Effective	Milk and infant formulas
Mar-15	Lion-Dairy & Drinks Pty Ltd, Everyday Cheese Business	Australia	The Warnambool Cheese and Butter Factory Company	100%	138	15.3x	17.2x	Closed	Dairy (Milk, yoghurt, cheese, etc)
Apr-14	Goodman Fielder Limited (nka:Goodman Fielder Pty Limited)	Australia	First Pacific Company Limited; Wilmar International Limited	80%	1,057	7.1x	11.7x	Closed	Dairy, grocery and poultry products
Feb-14	Open Country Dairy Limited	New Zealand	Talley's Group Limited	9%	439	11.4x	18.1x	Effective	Nutritionals and dairy
Oct-13	Warnambool Cheese And Butter Factory Company Holdings Limited	Australia	Saputo Inc.	88%	521	13.2x	15.6x	Closed	Nutritionals and dairy
Average						13.4x	24.7x		
Median						12.5x	18.5x		
Tier 2: Global transactional evidence									
Aug-17	Vigor Alimentos S.A.	Brazil	Grupo Lala, S.A.B. de C.V.	100%	1,730	16.5x	21.8x	Closed	Dairy and related products
Jul-17	Stonyfield Farm, Inc.	United States	Groupe Lactalis S.A.	100%	1,144	20.0x	NA	Closed	Organic yoghurt
Jul-13	Vigor Alimentos S.A.	Brazil	FB Participações S.A.	34%	892	17.7x	23.4x	Closed	Dairy and related products
Jan-12	Robert Wiseman Dairies plc	United Kingdom	Müller Dairy (U.K.) Limited	100%	456	5.8x	11.2x	Closed	Milk
Apr-11	Parmalat S.p.A.	Italy	Société pour le Financement de l'Industrie Laitière SAS	54%	3,350	10.8x	17.8x	Closed	Dairy and food products
Average						14.2x	18.5x		
Median						16.5x	19.8x		

Source: S&P Global and other publicly available information, GTCF analysis

Note (1): The multiples are calculated on a 100% basis of the deal value/ enterprise value.

Note (2): Lion Dairy & Drinks EBIT multiple is calculated using pre-AASB16 EBITDA of A\$43 million adjusted for AASB16 depreciation of circa A\$13 million as disclosed in the investor presentation.

In our analysis, we have mainly focused on the acquisitions of Lion Dairy & Drinks Pty Ltd, Koroit Dairy Processing Facility, Murray Goulburn Co-operative and Warnambool Cheese and Butter Factory Company Holding Limited which are discussed below.

- **Lion Dairy & Drinks Pty Ltd ("Lion Dairy & Drinks" or "Lion"):** Lion Dairy & Drinks produces, markets, distributes, and sells food, dairy, and beverage products. It offers full cream, flavored and UHT milk along with other products such as soy milk, cheese, yoghurts, etc. Lion Dairy had a strong market position being one of the market leaders in milk based beverages, yoghurts, chilled juice and white

milk, well recognised brands such as Farmers Union, Daily Juice, Vitasoy, Dare, etc and a diverse customer base selling to groceries, independent retailers, route and others. Further, Lion has 13 manufacturing facilities across Australia and provides Bega with highly complementary product capabilities, significant expansion of the domestic distribution network while strengthening core dairy footprint. We consider Lion particularly comparable to Freedom Food.

Due to its market positioning and financial performance, Lion was acquired at a high pro-forma pre-AASB 16 LTM September 2020 EBITDA multiple of circa 12.4⁹³x and EBIT multiple of 35.4⁹⁴x. Bega was expected to realise a large amount of synergies from the acquisition assessed at circa A\$41 million per annum. Lion Dairy was also expected to increase Bega's revenue from branded segment from 59% to circa 80% which is in line with Bega's strategy. The transaction was well received by the market with a significant re-rating of the Bega trading prices.

- Koroit dairy processing facility of Saputo Dairy Australia Pty Ltd. ("Koroit")*: As of August 17, 2018, Koroit dairy processing facility of Saputo Dairy Australia Pty Ltd. was acquired by Bega Cheese Limited. Koroit is a flexible site based in Australia manufacturing high margin, value-added products including specialised nutritional milk powder, butter, commodity powders and so on. This milk plant was one of the largest in Australia and enabled Bega to establish its presence in the milk producing industry with plans to increase capacity and improve efficiency. With an annualised EBITDA of circa A\$20 million, and up to 800 million litres of milk production, the transaction value implied an EBITDA multiple of 12.5 times.
- Murray Goulburn Co-Operative Co. Limited ("Murray Goulburn")*: Murray Goulburn is a farmer owned and controlled dairy co-operative which sourced its milk from Victoria and Tasmania. At the time of the acquisition, it produced branded and other consumer dairy products including milk, cheese and butter for domestic and export markets. Dairy food was the largest segment making circa 49% of the total revenue and including UHT milk, butter, spreads, cheese, etc. Its nutritional division was the second largest and comprised of value added products including milk powders, whey, milk proteins, bioactives (including lactoferrin) as well as infant formula. Moreover, a large proportion of its revenue was from exports (circa 44%) distributed in Middle East and Americas. However, since ownership of Murray Goulburn was solely vested in its farmers, the shares were unlisted making them relatively illiquid. Murray Goulburn was facing external pressure and at the time of the transaction was unable to provide competitive prices to its farmers / members. Further, the Company had sustained milk losses since FY16 and was affected by other operational challenges. Given these conditions, although the businesses are operationally similar, we have placed limited reliance on the transaction.
- Warrnambool Cheese And Butter Factory Company Holdings Limited ("Warrnambool")*: Warrnambool produces dairy consumer goods and products such as milk, cheese, butter, and dairy ingredients with exports comprising circa 50% of sales volume, largely to Asian and Middle Eastern markets as well as to the US, Europe and South America. Warrnambool's multiple of 15x reflects its diversified product mix which includes a good proportion of value-added, high margin products namely, UHT milk, cheese and cream cheese, whey protein powder and lactoferrin. The relatively high multiple is also impacted by the competitive bidding that occurred between Bega (which at the date of the transaction owned 18.8% of WBC), Saputo and Murray Goulburn to acquire WBC resulting in WBC's value increasing

⁹³ Calculated as Enterprise value (A\$610 million) less lease liabilities of A\$78 million divided by Post-AASB 16 EBITDA (A\$56 million) less AASB 16 depreciation (A\$13 million). The AASB 16 depreciation has been deducted to proxy the lease payments to get back to a Pre-AASB 16 EBITDA.

⁹⁴ Calculated as Enterprise value (A\$610 million) less lease liabilities of A\$78 million divided by Post-AASB 16 EBITDA (A\$56 million) less depreciation charge (A\$41 million) which includes the depreciation in relation to AASB 16 assets worth A\$16 million.



from c. A\$350 million to c. A\$530 million which makes this transaction not particularly comparable for the purpose of our valuation assessment.

Based on the analysis of comparable transactions, we consider the Lion Dairy & Drinks multiple most relevant for the purpose of our valuation assessment given it is closely comparable to FNP in its product offering of dairy and beverages. Furthermore, it provides an indication of what a rational purchaser in the market would pay for a company in the dairy and beverages space.

8.3 Conclusions on the implied EBIT multiple

Based on the analysis above, we are of the opinion that the implied EBIT multiple is not unreasonable due to the following:

- It is not inconsistent with the Lion Dairy & Drinks multiple before and after synergies are taken into account.
- The low-end of the range is broadly consistent with the forecast EBIT multiple of Bega Cheese and Synlait.

9 Valuation of FNP after the Proposed Issue

In our assessment of the market value of Freedom Foods after the Proposed Issue, we have adjusted our valuation assessment set out in Section 8 in order to consider the following:

- The application of a minority discount in accordance with the requirements of RG 111.
- The dilution that the Non-Associated Shareholders may suffer from the conversion or redemption of the Convertible Notes. In relation to this topic, we have adopted the following scenarios:
 - *Immediate Conversion Scenario* – We have assumed immediate conversion of the Convertible Notes into Freedom Foods shares. This scenario is consistent with the requirements of ASIC RG 111, however we are of the opinion that it is unlikely to emerge as it does not maximise returns for the Noteholders and accordingly we have only presented it for illustrative purposes.
 - *Equity Conversion Scenario* – Under this scenario, the Noteholder elects to exercise the conversion of the Convertible Notes into equity in Year 6 accordingly we have valued the debt and equity component of the Convertible Notes.
 - *Redemption Scenario* – Under this option, the Noteholder does not elect to exercise the conversion option attached to the Convertible Notes and they are redeemed at maturity by the payment of the make whole amount.

The following is a summary of our valuation assessment of FNP Shares after the Proposed Issue on a minority basis after taking into account the dilution on account of the Proposed Issue.

Valuation Summary - Post Recapitalisation	Section		
A\$ per FNP Share	Reference	Low	High
Case A\$200 million			
Immediate Conversion (Not considered for valuation purpose)	9.2.1	0.68	0.74
Conversion at Year 6	9.2.2	0.49	0.63
Redemption at Year 6	9.2.3	0.30	0.39
Low (Excluding Immediate Conversion)		0.30	0.39
Average (Excluding Immediate Conversion)		0.40	0.51
High (Excluding Immediate Conversion)		0.49	0.63
Case A\$265 million			
Immediate Conversion (Not considered for valuation purpose)	9.2.1	0.68	0.74
Conversion at Year 6	9.2.2	0.43	0.57
Redemption at Year 6	9.2.3	0.18	0.25
Low (Excluding Immediate Conversion)		0.18	0.25
Average (Excluding Immediate Conversion)		0.31	0.41
High (Excluding Immediate Conversion)		0.43	0.57
GT Selected range		0.40	0.65

Source: GTCF analysis

9.1 Minority discount

As the Proposed Issue is considered a control transaction in accordance with RG 111, we have compared our assessment of FNP Shares on a control basis before the Proposed Issue with our assessment of FNP Shares on a minority basis following the approval of the Proposed Issue. Historical premium for control in the Australian market has averaged between 20% and 40%. Accordingly, we have applied a minority discount of 23% which is the inverse of the 30% premium for control⁹⁵.

9.2 Introduction to the Dilution Scenarios

If the Non-Associated Shareholders do not vote in favour of the ability of the Noteholders to convert the Convertible Notes into Freedom Foods Shares, the Noteholders will have the right to cash-settle the Convertible Notes in the last 12 months prior to maturity of the Convertible Notes or the Convertible Notes will be redeemed. If the Convertible Notes are cash-settled, this would result in a future liability that would be calculated as follows:

- A\$200 million raising – The total liability will be calculated as the number of shares that would be issued as if the liability had to be equity settled multiplied by the value per share to be calculated in accordance with the terms of the Convertible Notes Deed. Under this scenario, the maximum number of shares to be issued will be 398 million⁹⁶ shares.
- A\$265 million raising – The total liability will be calculated as the number of shares that would be issued as if the liability had to be equity settled multiplied by the value per share to be calculated in accordance with the terms of the Convertible Notes Deed. Under this scenario, the maximum number of shares to be issued will be 527 million⁹⁷ shares.

In order to cash-settle the liability determined as outlined above, the Company may be required to raise capital at a discount from the market which will result in dilution. Further, depending on the forecast financial performance, the level of the discount and hence the dilution may vary. Where the returns under this scenario are lower than under the redemption scenario, the Noteholders will not opt for the cash-settled conversion but will instead seek redemption of the Convertible Notes on maturity.

If Non-Associated Shareholders vote in favour of the Proposed Issue, there are two alternative scenarios that may eventuate:

- At the option of the Noteholder, the Convertible Notes will be equity-settled at an amount calculated as the Principal plus PIK divided by the Conversion Price. Depending on the time of conversion, the maximum dilution on an undiscounted basis from the conversion will be c. A\$279 million if the Company raised A\$200 million or A\$369 million if it raises A\$265 million. For the avoidance of doubt, the Company does not have the ability to force conversion. However, if the Noteholders do not elect to equity-settle the convertible notes, on maturity the Company will be required to redeem the Convertible Notes for the make whole amount ("Redemption Option"). As discussed previously, the

⁹⁵ For the purpose of our assessment, we have adopted a control premium of 30%. The discount for lack of control is calculated as the inverse of the control premium = $1 - [1/(1 + \text{control premium})]$.

⁹⁶ Calculated as the Aggregate Face Value in year 6 of A\$279 million divided by the Conversion Price of A\$0.7 per FNP Share.

⁹⁷ Calculated as the Aggregate Face Value in year 6 of A\$341 million divided by the Conversion Price of A\$0.7 per FNP Share.

undiscounted value to be paid over the life of the convertible notes⁹⁸ will range between A\$350 million to A\$610 million.

- At the option of the Company, the Convertible Notes can be redeemed anytime during the 6 year period or in any case at maturity. To redeem the Convertible Notes, the Company will have to pay cash which is calculated as follows:
 - *A\$200 million raise* – Between A\$350 million⁹⁹ if they are redeemed immediately to A\$460 million¹⁰⁰ if they are redeemed in year 6 having regard to the make whole multiplier discussed in section 1.
 - *A\$265 million raise* – Between A\$464 million¹⁰¹ if they are redeemed immediately to A\$610 million¹⁰² if they are redeemed in year 6.

9.2.1 Scenario 1 – Immediate Conversion Scenario

Under this scenario we have assumed that the Convertible Notes worth between A\$200 million and A\$265 million will immediately convert into equity shares. The dilutive impact under this scenario will be the least as this method ignores the PIK interest component which can be up to a maximum of c. A\$78 million¹⁰³ and A\$134 million¹⁰⁴ on an undiscounted basis.

Given that the Company does not have the option to force equity-conversion, any rational noteholder will wait until maturity to maximise returns. This scenario is for illustrative purposes only and we have not relied on it for valuation purposes.

We have set out below our valuation assessment under this scenario.

⁹⁸ The cash and PIK interest paid by the Company will be deducted such that the total amount paid over the tenure of the Convertible notes will be equal to the face value of the Convertible notes multiplied by the make whole factor.

⁹⁹ Calculated as the face value of the Convertible notes under the A\$200 million scenario multiplied by 1.75 times.

¹⁰⁰ Calculated as the face value of the Convertible notes under the A\$200 million scenario multiplied by 2.3 times.

¹⁰¹ Calculated as the face value of the Convertible notes under the A\$265 million scenario multiplied by 1.75 times.

¹⁰² Calculated as the face value of the Convertible notes under the A\$265 million scenario multiplied by 2.3 times.

¹⁰³ Under the A\$200 million scenario, this is calculated as 8.5% of the aggregate Face Value (Principal plus PIK) for the first 30 months followed by a PIK interest at 3.5% in accordance with the terms of the Convertible Notes.

¹⁰⁴ Under the A\$265 million scenario, this is calculated as 8.5% of the aggregate Face Value (Principal plus PIK) for the first 30 months followed by a PIK interest at 3.5% in accordance with the terms of the Convertible Notes.



Valuation summary after Proposed Issue	Section	A\$200 million raised		A\$265 million raised	
A\$ '000 (except where stated otherwise)	Reference	Low	High	Low	High
Enterprise Value (on a control basis)		520,000	570,000	520,000	570,000
Add: Fair Value of AFMH		22,356	22,356	22,356	22,356
Add: Fair Value of JLL		5,857	5,857	5,857	5,857
Adjusted Enterprise Value (on a control basis)		548,213	598,213	548,213	598,213
Less: Net debt (As at 28 February 2021)	7.1.6	(309,912)	(309,912)	(309,912)	(309,912)
Equity value of FNP on a control basis	7.1.8	238,301	288,301	238,301	288,301
Less: Discount for lack of control	Note 1	23.1%	23.1%	23.1%	23.1%
Equity value of FNP on a minority basis		183,308	221,770	183,308	221,770
Less: Fair value of Options		(2,600)	(2,600)	(2,600)	(2,600)
Add: Cash inflow from Convertible Notes	Note 2	200,000	200,000	263,440	263,440
Adjusted Equity Value post Proposed Issue (minority basis)		380,708	419,170	444,148	482,610
Number of outstanding shares pre conversion ('000s)		277,485	277,485	277,485	277,485
Number of converted shares from convertible notes ('000s)		285,714	285,714	378,571	378,571
Number of outstanding shares post conversion ('000s) (fully diluted)		563,200	563,200	656,057	656,057
Value per share (control basis) (A\$ per Share)		0.68	0.74	0.68	0.74

Source: GTCF Calculation

Note (1): For the purpose of our assessment, we have adopted a control premium of 30%. The discount for lack of control is calculated as the inverse of the control premium = $1 - [1/(1+\text{control premium})]$.

Note (2): The cash inflow under the A\$265 million scenario is reduced by fees (1.5%) payable to the debt arrangers. Under the A\$200 million scenario, given the capital is raised from existing investors, no further fees is payable to the debt arrangers.

9.2.2 Scenario 2 – Equity Conversion Scenario

Under this scenario, we have assumed that the Noteholders will hold the Convertible Notes until maturity or close to maturity to maximise returns. The value of the Convertible Notes therefore comprises the sum of the following:

- **Fair value of the debt:** Assuming market interest rates, the fair value of the debt will be equal to the face value. In assessing whether the terms of the interest rate are commercial and hence the face value of the debt is reflective of fair market value, we have considered the following:
 - The effective interest rate based on the existing debt facilities before the Proposed Issue was 5%. These debt facilities are senior compared to the Convertible Notes, carry cash interest only and are also of a shorter maturity.
 - The Company had run a competitive process before agreeing the issue of the Convertible Notes.
 - As part of the WACC assessment, the cost of equity has been assessed to be in the range of 10.4% to 11.6%. The low end of the cost of equity represents a cap for the market cost of debt.
 - The interest rate margins on the restructured senior debt range between 380 bps and 480 bps, implying an interest rate between 4% and 5.5%.

Given the above, we have assumed the fair value of the debt is in line with the face value.

- *Value of the conversion option attached to the Convertible Notes:* In determining the value of the conversion option attached to the Convertible Notes we have adopted the Binomial Option Valuation Model having regard to the following assumptions:
 - Spot price – We have adopted the VWAP at A\$0.54 per FNP Share as at 30 March 2021 since the recommencement of trading on 22 March 2021.
 - Exercise price – We have adopted an exercise price of A\$0.70 per FNP Share which is the conversion price of the Convertible Notes.
 - Tenure – We have assumed a tenure of 6 years from the valuation date which coincides with the tenure of the convertible notes.
 - Risk-free rate – We have adopted a risk-free rate of 0.68% which is based on the yield of the 5-year bond published by the RBA.
 - Dividend yield: We have adopted a dividend yield assumption of nil given the current financial position of the Company.
 - Volatility – We have adopted a volatility assumption of 30% based on the volatilities of the comparable companies set out in the table below:

Volatility - 6 years	Volatility
Company name	(%)
Freedom Foods Group Limited	42%
Bega Cheese Limited	35%
Fonterra Co-operative Group Limited	17%
The a2 Milk Company Limited	47%
Synlait Milk Limited	36%
Vitasoy	32%
Tassal Group Limited	29%
Average (Excluding FNP)	33%

Source: S&P Global

Based on the above, we have assessed the fair value of the conversion option to be c.A\$45 million if the Company issues A\$200 million of Convertible Notes or c.A\$60 million if it issues A\$265 million of Convertible Notes.

We have set out below our valuation assessment under this scenario.



Valuation summary after Proposed Issue A\$ '000 (except where stated otherwise)	Section Reference	A\$200 million raised		A\$265 million raised	
		Low	High	Low	High
Enterprise Value (on a control basis)		520,000	570,000	520,000	570,000
Add: Fair Value of AFMH		22,356	22,356	22,356	22,356
Add: Fair Value of JLL		5,857	5,857	5,857	5,857
Adjusted Enterprise Value (on a control basis)		548,213	598,213	548,213	598,213
Less: Net debt (As at 28 February 2021)	7.1.6	(309,912)	(309,912)	(309,912)	(309,912)
Equity value of FNP on a control basis	7.1.8	238,301	288,301	238,301	288,301
Less: Discount for lack of control	Note 1	23.1%	23.1%	23.1%	23.1%
Equity value of FNP on a minority basis		183,308	221,770	183,308	221,770
Less: Fair value of Options		(2,600)	(2,600)	(2,600)	(2,600)
Add: Cash inflow from Convertible Notes	Note 2	200,000	200,000	263,440	263,440
Less: Fair value of the Convertible Notes		(244,889)	(244,889)	(324,478)	(324,478)
Adjusted Equity Value post Proposed Issue (minority basis)		135,819	174,281	119,670	158,132
Number of outstanding shares post conversion ('000s) (fully diluted)		277,485	277,485	277,485	277,485
Value per share (control basis) (A\$ per Share)		0.49	0.63	0.43	0.57

Source: GTCF Calculations

Note (1): For the purpose of our assessment, we have adopted a control premium of 30%. The discount for lack of control is calculated as the inverse of the control premium = $1 - [1/(1 + \text{control premium})]$.

Note (2): The cash inflow under the A\$265 million scenario is reduced by fees (1.5%) payable to the debt arrangers. Under the A\$200 million scenario, given the capital is raised from existing investors, no further fees is payable to the debt arrangers.

9.2.3 Scenario 3 – Redemption Option

Under this scenario, the Noteholder will not convert the Convertible Notes which will result in the Company having to pay the make whole amount of the Convertible Notes on redemption.

We have determined the present value of the make whole amount to be A\$297 million and A\$312 million¹⁰⁵ under the A\$200 million Convertible Notes offering scenario. Similarly, the present value of the make whole amount will be A\$393 million and A\$413 million under the A\$265 million Convertible Notes offering scenario.

To determine these amounts, we have made the following assumptions:

- The total interest cost is between 7.5% and 8.5%. Given the total make whole amount is fixed¹⁰⁶, the Company will choose to PIK maximum interest which will defer its obligations into the future.
- We have discounted the cash flow profile at an interest rate at 7.5% and 8.5%.

We have set out below our valuation assessment under this scenario.

¹⁰⁵ The amount is calculated by discounting the cash payments and principal plus PIK value over 6 years using an interest rate between 7.5% and 8.5%.

¹⁰⁶ The make whole amount is applied to the face value of the Convertible notes and the Company will get a deduction for all interest (whether paid in cash or PIK).



Valuation summary after Proposed Issue	Section	A\$200 million raised		A\$265 million raised	
A\$ '000 (except where stated otherwise)	Reference	Low	High	Low	High
Enterprise Value (on a control basis)		520,000	570,000	520,000	570,000
Add: Fair Value of AFMH		22,356	22,356	22,356	22,356
Add: Fair Value of JLL		5,857	5,857	5,857	5,857
Adjusted Enterprise Value (on a control basis)		548,213	598,213	548,213	598,213
Less: Net debt (As at 28 February 2021)	7.1.6	(309,912)	(309,912)	(309,912)	(309,912)
Equity value of FNP on a control basis	7.1.8	238,301	288,301	238,301	288,301
Less: Discount for lack of control	Note 1	23.1%	23.1%	23.1%	23.1%
Equity value of FNP on a minority basis		183,308	221,770	183,308	221,770
Less: Fair value of Options		(2,600)	(2,600)	(2,600)	(2,600)
Add: Cash inflow from Convertible Notes	Note 2	200,000	200,000	263,440	263,440
Less: Fair value of the Convertible Notes		(296,949)	(312,044)	(393,457)	(413,458)
Adjusted Equity Value post Proposed Issue (minority basis)		83,759	107,126	50,691	69,152
Number of outstanding shares post conversion ('000s) (fully diluted)		277,485	277,485	277,485	277,485
Value per share (control basis) (A\$ per Share)		0.30	0.39	0.18	0.25

Source: GTCF Calculations

Note (1): For the purpose of our assessment, we have adopted a control premium of 30%. The discount for lack of control is calculated as the inverse of the control premium = $1 - [1/(1 + \text{control premium})]$.

Note (2): The cash inflow under the A\$265 million scenario is reduced by fees (1.5%) payable to the debt arrangers. Under the A\$200 million scenario, given the capital is raised from existing investors, no further fees is payable to the debt arrangers.

9.3 Shares on issue

Set out below is a summary of our calculation of the shares on issue in FNP under each of the dilution scenarios.

Number of ordinary shares as at 01 March 21	Current share structure Number of shares	Immediate conversion		Equity conversion		Redemption option	
		A\$200m	A\$265m	A\$200m	A\$265m	A\$200m	A\$265m
Fully paid ordinary shares	277,109,319						
Convertible redeemable preference shares	101,130						
Employee FPO	275,000						
Total number of ordinary outstanding shares (Pre recapitalisation)	277,485,449	277,485,449	277,485,449	277,485,449	277,485,449	277,485,449	277,485,449
Number of converted shares from convertible notes	-	285,714,286	378,571,429	-	-	-	-
Total number of ordinary outstanding shares (Post recapitalisation)	-	563,199,735	656,056,878	277,485,449	277,485,449	277,485,449	277,485,449

Source: GTCF Calculations

Note (1): The Company also had 5.1 million of options on issue with 2,250,000 at A\$4.50 per share and 2,850,000 at A\$5.75 per share. These options are unable to vest as they are not able to meet their vesting hurdles and thus, we have not included those in the total number of outstanding shares.

Note (2): Immediate conversion scenario assumes immediate conversion of convertible notes (A\$200 million or A\$265 million) at a conversion price of A\$0.70.

Note (3): Equity conversion scenario takes into account dilution by way of reduction of the equity value by fair value of the convertible notes.

Note (4): Redemption scenario takes into account dilution by way of reduction of the equity value by the total value of the convertible notes at Year 6 (A\$200 million or A\$265 million times 2.30x being the make whole amount).

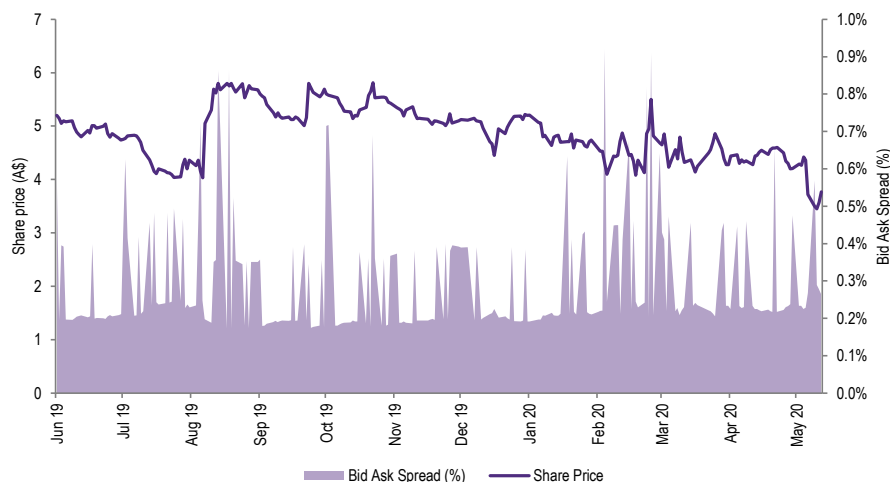
Note (5): In all scenarios, A\$40 million worth of options have been factored in by way of reduction of the equity value by its fair value.

9.4 Valuation cross-check – FNP Shares after Proposed Issue

In our assessment of the fair market value of FNP Shares after the Proposed Issue, we had regard to the trading prices of the listed securities on the ASX in the period after 22 March 2021, after FNP Shares

resumed trading. However, given the limited number of data points, in order to consider the level of underlying liquidity, we have analysed the bid and ask spread and the trading volumes before and after the suspension as set out in the graphs below.

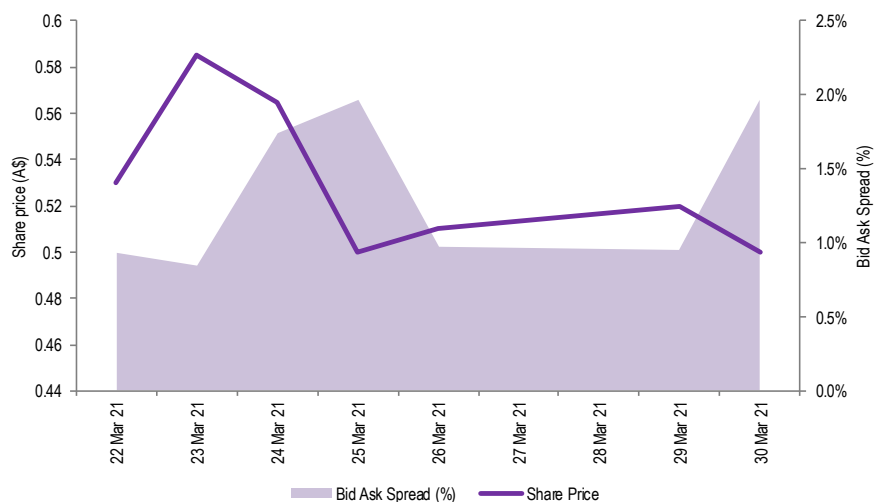
Bid-Ask Spread before suspension in trading



Source: S&P Global

We have also set out below the bid and ask spread since trading was resumed on 22 March 2021.

Bid-Ask Spread post recommencement in trading



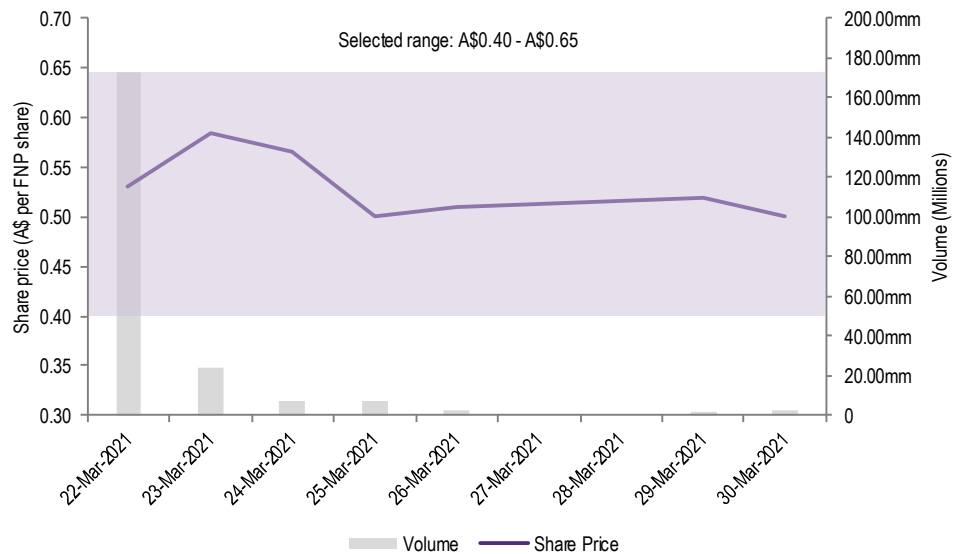
Source: S&P Global, GTCF analysis

Based on the analysis above, we conclude that there is sufficient liquidity in FNP Shares' to support the use of the Quoted Security Price Method as required by RG 111.

9.4.1 Valuation assessment of FNP Shares after recommencement of trading

We have set out in the graph below the trading prices of FNP since trading recommenced on 22 March 2021 compared with our selected value range after the Proposed Issue.

FNP recent trading prices and GT adopted range



Source: GTCF analysis

Notwithstanding the limitation in the limited number of trading days and the broadness of the selected valuation range after the Proposed Issue, our valuation assessment seems consistent with the trading prices.



10 Sources of information, disclaimer and consents

10.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- FNP's ASX announcements and related updates regarding the Proposed Issue
- FNP's historical annual reports, investor presentations, and financial results updates
- Various broker reports
- Other publicly available information;
- IBISWorld Report
- S&P Capital IQ
- Discussions with Management
- Other materials provided by Management

10.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to FNP and all other parties involved in the Proposed Issue with reference to the ASIC Regulatory Guide 112 "Independence of expert" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to FNP, its shareholders and all other parties involved in the Proposed Issue.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with FNP or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Issue.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Issue, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Issue. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.



10.3 Limitations and reliance on information

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

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by FNP and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by FNP and other experts through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of FNP.

Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, disclaim all responsibility for FNP's failure to inform us of any changes to any information and/or material which impacts upon the services we have agreed to provide. FNP must take all necessary steps to immediately correct any announcement, communication or document issued which contains, refers to, or is based upon such information.

This report has been prepared to assist the Non-Associated Securityholders in relation to the Proposed Issue. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Issue is fair and reasonable to the Non-Associated Securityholders.

10.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of Meeting and Explanatory Memorandum to be sent to FNP Securityholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.



Appendix A - Valuation methodologies

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.



Appendix B - Discount Rate

The cash flow assumptions underlying the DCF approach are on a nominal, ungeared and post-tax basis. Accordingly, we have assessed a range of nominal post-tax discount rates for the purpose of calculating the net present value of the cash flows.

The discount rates were determined using the WACC formula. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the nominal WACC is calculated as follows:

$$WACC = R_d \times \frac{D}{D + E} \times (1 - t) + R_e \times \frac{E}{D + E}$$

Where:

- R_e = the required rate of return on equity capital;
- E = the market value of equity capital;
- D = the market value of debt capital;
- R_d = the required rate of return on debt capital; and
- t = the statutory corporate tax rate.

Required rate of return on equity capital

We have used the CAPM, which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion.

Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (Re) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f)$$

Where:

- Rf = risk free rate
- β_e = expected equity beta of the investment
- (Rm – Rf) = market risk premium

Risk-free rate – 3%

In the absence of an official risk free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. Accordingly, we have observed the yield on the 10-year Australian Government bond over several intervals from a period of 5 trading days to 10 trading years.

The following table sets out the average yield on 10-year Australian Government Bond over the last 10 years.

Australia Government Debt - 10 Year as at 24 March 2021			Daily average	
	Range		Nominal	
Previous 5 trading days	1.61%	-	1.76%	1.71%
Previous 10 trading days	1.61%	-	1.76%	1.69%
Previous 20 trading days	1.61%	-	1.88%	1.71%
Previous 30 trading days	1.15%	-	1.88%	1.59%
Previous 60 trading days	0.95%	-	1.88%	1.34%
Previous 1 year trading	0.68%	-	1.88%	1.00%
Previous 2 years trading	0.60%	-	1.97%	1.12%
Previous 3 years trading	0.60%	-	2.93%	1.59%
Previous 5 years trading	0.60%	-	2.99%	1.96%
Previous 10 years trading	0.60%	-	5.68%	2.76%

Source: S&P Global

In light of the COVID-19 pandemic and the resulting disruption to the global economy, the RBA, like other central banks around the world, reduced the cash rate to a historic low of 0.1% in November 2020. While recent economic data has been better than initially expected, output in most countries remains well below pre-pandemic levels and further virus outbreaks pose a risk to the macroeconomic outlook. In Australia, the higher unemployment and excess capacity in the economy is expected to result in lower than expected inflation in the short-term. Given the outlook for both employment and inflation, monetary and fiscal support is expected to be required for the short to medium-term. Consequently, the RBA is not expected to increase the cash rate until actual inflation is sustained within the 2-3% target range.

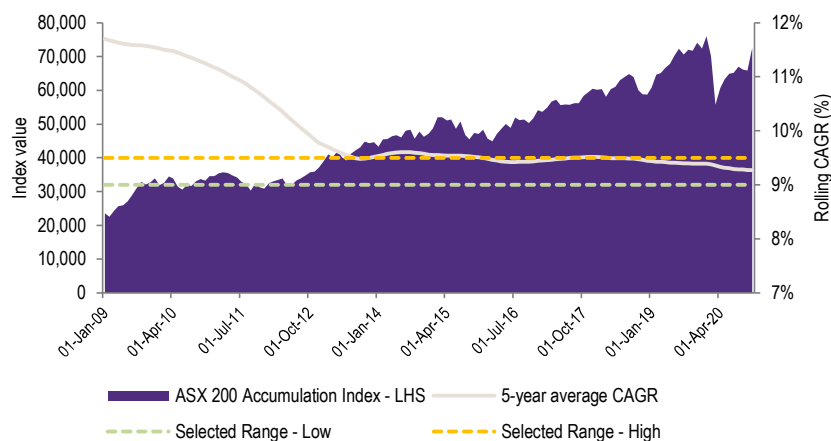
Market risk premium – 6.0%

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned.

Empirical studies of the historical risk premium in Australia over periods of up to 100 years suggest the premium is between 6% and 8%. For the purpose of the valuation, Grant Thornton Corporate Finance has adopted a market risk premium of 6%.

To support our estimate of the total market return of 9%v (risk free rate of 3% plus market risk premium of 6%), we have considered the total market return post GFC based on the 5-year average CAGR curve and observe that the rolling 5-year average CAGR supports our assessment of total market return of 9%.

S&P ASX 200 Total Return Index since 2009



Source: GTCF analysis

Equity beta – 0.9 to 1.1

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the



asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity.

For the purpose of the report, we have had regard to the observed betas (equity betas) of comparable listed companies operating in the Australian residential property development industry. Below tables show both the 2-year weekly and 5-year monthly beta's of the broadly comparable companies. We note that many observations are not statistically relevant, so we have not been able to rely upon these beta's.



			2 years weekly betas					
Beta analysis	Market cap		Equity	R squared	Gearing	Ungeared	Regeared	Adopted
Company	Country	A\$m	Beta		Ratio	Beta	Beta	Beta
Tier 1: Dairy comparable companies								
Bega Cheese Limited	Australia	1,844	0.51	0.10	13.7%	0.46	0.57	0.57
Beston Global Food Company Limited	Australia	58	0.25	0.00	88.6%	0.16	0.19	Nmf
Fonterra Co-operative Group Limited	New Zealand	7,549	0.18	0.04	81.2%	0.12	0.14	0.14
The a2 Milk Company Limited	New Zealand	6,602	0.67	0.14	(7.9%)	0.67	0.83	0.83
Synlait Milk Limited	New Zealand	798	0.72	0.17	53.0%	0.52	0.64	0.64
Tassal Group Limited	Australia	725	1.02	0.54	50.4%	0.75	0.93	0.93
TasFoods Limited	Australia	42	0.28	0.02	7.6%	0.26	0.32	Nmf
Seafarms Group Limited	Australia	201	0.61	0.03	23.7%	0.53	0.65	0.65
Keylone Dairy Corporation Limited	New Zealand	58	1.48	0.25	8.2%	1.39	1.72	1.72
Average								0.78
Median								0.65
Tier 2: Other diversified dairy and packaged foods								
BellRing Brands, Inc.	United States	1,184	0.87	0.34	82.8%	0.54	0.67	0.67
Glanbia plc	Ireland	4,857	0.79	0.23	19.5%	0.68	0.84	0.84
The Simply Good Foods Company	United States	3,782	1.05	0.27	23.1%	0.90	1.11	1.11
Vitasoy International Holdings Limited	Hong Kong	6,057	0.18	0.01	(1.1%)	0.18	0.22	Nmf
Ausnutria Dairy Corporation Ltd	Hong Kong	3,516	0.78	0.12	(3.5%)	0.78	0.96	0.96
Saputo Inc.	Canada	15,185	0.64	0.32	26.3%	0.54	0.66	0.66
Danone S.A.	France	57,636	0.59	0.36	31.7%	0.48	0.60	0.60
Health and Happiness (H&H) International	Hong Kong	3,328	1.14	0.27	19.9%	0.95	1.17	1.17
Coca-Cola Amatil Limited	Australia	9,709	0.73	0.26	19.0%	0.65	0.80	0.80
Kellogg Company	United States	25,170	0.38	0.17	39.2%	0.29	0.36	0.36
General Mills, Inc.	United States	43,039	0.31	0.13	0.40	0.24	0.29	0.29
Nestlé S.A.	Switzerland	384,322	0.71	0.55	0.11	0.66	0.81	0.81
Average								0.75
Median								0.80
Low								0.14
Average								0.76
Median								0.73
High								1.72

Source: S&P Global, GTCF calculations.

Notes: (1) Equity betas are calculated using data provided by S&P Global. The betas are based on a 2 year period with weekly observations based on the local index. (2) Betas have been unlevered based on the average gearing ratio (i.e. net debt divided by shareholders' equity based on market values). (3) Betas have been regeared based on the assumed regearing ratio of 33% based on historical comparable companies' analysis. (4) R square threshold of 2% (0.02) has been used to establish the meaningfulness of the betas.



			5 years monthly betas					
Beta analysis	Market cap		Equity	R squared	Gearing	Ungeared	Regeared	Adopted
Company	Country	A\$m	Beta		Ratio	Beta	Beta	Beta
Tier 1: Dairy comparable companies								
Bega Cheese Limited	Australia	1,844	0.26	0.01	20.9%	0.23	0.28	Nmf
Beston Global Food Company Limited	Australia	58	0.08	0.00	38.5%	0.06	0.07	Nmf
Fontterra Co-operative Group Limited	New Zealand	7,549	(0.08)	0.00	82.2%	(0.05)	(0.06)	Nmf
The a2 Milk Company Limited	New Zealand	6,602	0.65	0.03	(5.5%)	0.65	0.80	0.80
Synlait Milk Limited	New Zealand	798	1.18	0.13	30.2%	0.97	1.20	1.20
Tassal Group Limited	Australia	725	0.67	0.22	29.3%	0.56	0.69	0.69
TasFoods Limited	Australia	42	0.18	0.00	(12.9%)	0.18	0.22	Nmf
Seafarms Group Limited	Australia	201	1.61	0.13	14.4%	1.46	1.80	1.80
Keylone Dairy Corporation Limited	New Zealand	58	0.75	0.05	(0.4%)	0.75	0.92	0.92
Average								1.08
Median								0.92
Tier 2: Other diversified dairy and packaged foods								
BellRing Brands, Inc.	United States	1,184	0.83	0.37	82.8%	0.52	0.64	0.64
Glanbia plc	Ireland	4,857	0.43	0.06	13.3%	0.39	0.48	0.48
The Simply Good Foods Company	United States	3,782	0.76	0.13	11.1%	0.70	0.87	0.87
Vitasoy International Holdings Limited	Hong Kong	6,057	0.38	0.06	(2.6%)	0.38	0.47	0.47
Ausnutria Dairy Corporation Ltd	Hong Kong	3,516	0.80	0.07	5.7%	0.76	0.93	0.93
Saputo Inc.	Canada	15,185	0.58	0.19	16.8%	0.52	0.64	0.64
Danone S.A.	France	57,636	0.73	0.42	29.8%	0.61	0.75	0.75
Health and Happiness (H&H) International	Hong Kong	3,328	0.63	0.05	20.7%	0.52	0.64	0.64
Coca-Cola Amatil Limited	Australia	9,709	0.84	0.23	19.5%	0.74	0.91	0.91
Kellogg Company	United States	25,170	0.51	0.21	37.4%	0.40	0.50	0.50
General Mills, Inc.	United States	43,039	0.46	0.13	0.37	0.36	0.45	0.45
Nestlé S.A.	Switzerland	384,322	0.69	0.36	0.10	0.64	0.79	0.79
Average								0.67
Median								0.64
Low								0.45
Average								0.79
Median								0.75
High								1.80

Source: S&P Global, SIRCA Limited, GTCF calculations.

Notes: (1) Equity betas are calculated using data provided by S&P Global. The betas are based on a 5 year period with monthly observations based on the local index. (2) Betas have been unlevered based on the average gearing ratio (i.e. net debt divided by shareholders' equity based on market values). (3) Betas have been regeared based on the assumed regearing ratio of 33% based on historical comparable companies' analysis. (4) R square threshold of 2% (0.02) has been used to establish the meaningfulness of the betas.

It should be noted that the above betas are drawn from the actual and observed historical relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for the predevelopment assets, the selection of an unsystematic equity beta requires a level of judgement.

The asset betas of the selected companies are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparable companies, a process commonly referred as de-gearing. We have then recalculated the equity beta based on an assumed 'optimal' capital



structure deemed appropriate for the business (regearing). This is a subjective exercise, which carries a significant possibility of estimation error.

We used the following formula to undertake the de-gearing and regearing exercise:

$$\beta_e = \beta_a \left[1 + \frac{D}{E} \times (1 - t) \right]$$

Where:

- β_e = Equity beta
- β_a = Asset beta
- t = corporate tax rate

The betas are de-gearred using the average historical gearing levels of those respective companies over several years. We note that most comparable companies had net cash positions. We then re-gearred based on a gearing ratio¹⁰⁷ of 5% debt (see Capital Structure Section below for further discussions).

For the purposes of our valuation, we have selected a beta range of between 0.9 and 1.1 to calculate the required rate of return on equity capital.

Specific risk premium – 2.0%

Specific risk premium (“SRP”) represents the additional return an investor expects to receive to compensate for size and project related risks not reflected in the beta of the observed comparable companies. We have assumed a SRP given the uncertainty with regards to company restructuring.

Cost of debt – 6.0% - 7.0%

For the purpose of estimating the cost of debt applicable to FNP, Grant Thornton Corporate Finance has considered the following:

- The weighted average interest rate on credit outstanding for large businesses over the last one to five years as published by the Reserve Bank of Australia.
- The historical and current cost of debt for the comparable companies.
- Expectations of the yield curve.
- The spread on the recent debt refinancing applied to our long term assessment of base rates.

Based on the above, Grant Thornton Corporate Finance has adopted a cost of debt of 6.0% to 7.0% on a pre-tax basis.

¹⁰⁷ Debt to equity ratio.



Capital Structure – 33% gearing

The appropriate level of gearing that is utilised in determining WACC for a particular company should be the “target” gearing ratio, rather than the actual level of gearing, which may fluctuate over the life of a company. The target or optimal gearing level can therefore be derived based on the trade-off theory which stipulates that the target level of gearing for a project is one at which the present value of the tax benefits from the deductibility of interest are offset by present value of costs of financial distress. In practice, the target level of gearing is evaluated based on the quality and variability of cash flows. These are determined by:

- the quality and life cycle of a company;
- the quality and variability of earnings and cash flows;
- working capital;
- level of capital expenditure; and
- the risk profile of the assets.

For the purpose of the valuation on FNP, Grant Thornton Corporate Finance has adopted a capital structure based on 75% equity.

Tax rate – 30%

For the purpose of our valuation assessment we have assumed the Australian small business corporate tax rate of 30%.



Discount rate summary

The discount rate determined is set out below.

WACC calculation	Low	High
Cost of equity		
Risk free rate	3.0%	3.0%
Beta	0.90	1.10
Market risk premium	6.0%	6.0%
Specific risk premium	2.0%	2.0%
Cost of equity	10.4%	11.6%
Cost of debt		
Cost of debt (pre tax)	6.0%	7.0%
Tax	30.0%	30.0%
Cost of debt (post tax)	4.2%	4.9%
Capital structure		
Proportion of debt	25%	25%
Proportion of equity	75%	75%
WACC (post tax)	8.9%	9.9%

Source: GTCF Analysis

**Appendix C – Comparable companies**

Comparable companies	
Company	Description
Freedom Foods Group Limited	Freedom Foods Group Limited engages in sourcing, manufacture, selling, marketing, and distribution of plant-based beverages, and dairy and nutritional ingredient products to wholesale and consumer markets. It operates through Dairy and Nutritional, Plant Based Beverages and Specialty Seafood segments. It also provides dairy milk beverage and nutritional ingredient products; UHT food and beverage products, such as liquid stocks, soy, rice, and almond beverages; performance and adult nutritional products comprising powders, bars, and drinks, as well as on the go beverages; and canned seafood products that include sardines, salmon, and specialty seafood. In addition, the company offers popping corn, yellow maize and derivatives, white maize and derivatives, rice flour, sorghum flour, and specialty gluten-free flours; and invests in dairy farming operations. It provides its products under the Crankt Protein, Australia's Own, MILKLAB, Simply White, So Natural, Almond Breeze, Australia's Own Organic, Brunswick, Paramount, UPPROTEIN, and Vital Strength brand names. The company operates in Australia, New Zealand, South Africa, China, South East Asia, and the Middle East. The company was founded in 1986 and is headquartered in Taren Point, Australia. Freedom Foods Group Limited is a subsidiary of Arrovest Pty Limited.
Bega Cheese Limited	Bega Cheese Limited engages in receiving, processing, manufacturing, and distributing dairy and other food-related products in Australia. The company operates in two segments, Branded and Bulk. The Branded segment manufactures bulk ingredients into value added consumer products for internal or external brands. The Bulk segment manufactures bulk dairy ingredients, nutritional, and bio nutrient products. It offers natural and processed cheese; butter and cream cheese products under the Farmer's Table brand name; dips, mayonnaise, and dressings under the ZoOSH brand name, as well as spreads under B honey, Bega peanut butter, and VEGEMITE brands. The company also develops and supplies bio nutrient ingredients for the health and nutrition markets. In addition, it operates as a contract packer of natural cheddar and processed cheddar cheese products for corporations; and is involved in contract packaging for private proprietary brands, supermarket house brands, and QSR raw material inputs, as well as products for other dairy companies into their brands. The company also exports its products to approximately 40 countries across the Middle East, Southeast Asia, North Asia, Central and South America, and the Pacific Islands. Bega Cheese Limited was founded in 1899 and is headquartered in Bega, Australia.
Beston Global Food Company Limited	Beston Global Food Company Limited, together with its subsidiaries, engages in the manufacture and sale of food and beverage products in Australia and internationally. It operates in four segments: Dairy, Meat, Other, and International Other. The company owns dairy farms that offer milk, cheese, and other dairy related products; harvests, processes, packages, and distributes live, chilled, and frozen seafood; and produces and processes meat products. It also develops and produces health and food, beverage, and pharmaceutical products; processes natural spring water; and develops and commercializes end-to-end food traceability and anti-counterfeit technology solutions, as well as operates as a food e-commerce platform. In addition, the company markets and distributes dairy, seafood, meat, wine, water, health, and nutrition products. Beston Global Food Company Limited was incorporated in 2014 and is headquartered in Adelaide, Australia.
Fonterra Co-operative Group Limited	Fonterra Co-operative Group Limited, together with its subsidiaries, collects, manufactures, and sells milk and milk-derived products. The company offers milk powders, butter, and cheese products. It also engages in the fast-moving consumer goods and foodservice businesses. In addition, the company operates 70 Farm Source retail stores; and engages in farming of fresh milk. It provides its products primarily under the Anchor, Annum, Anlene, NZMP, Farm Source, De Winkel, Fresh 'n Fruity, Kapiti, Mainland, Mammoth, Perfect Italiano, Piako, Primo, and Symbio brands. The company has operations in New Zealand, China, rest of Asia, Australia, the United States, Europe, Latin America, and internationally. Fonterra Co-operative Group Limited was founded in 2001 and is headquartered in Auckland, New Zealand.
The a2 Milk Company Limited	The a2 Milk Company Limited, together with its subsidiaries, sells A2 protein type branded milk and related products in Australia, New Zealand, China, other Asian countries, and the United States. The company offers fresh milk under the a2 Milk brand; and infant formula under the a2 Platinum brand. The company was formerly known as A2 Corporation Limited and changed its name to The a2 Milk Company Limited in April 2014. The a2 Milk Company Limited was founded in 2000 and is based in Auckland, New Zealand.
Synlait Milk Limited	Synlait Milk Limited, together with its subsidiaries, manufactures and sells dairy products in China, rest of Asia, the Middle East, Africa, New Zealand, Australia, and internationally. The company is also involved in the processing, packaging, and marketing of dairy products, including cheese, butter, ice cream, and milk powder under the Alpine, Rolling, Meadow, Dairyworks, and Deep South brands. It offers liquid milk; milk powder related products; nutritional products, such as infant and adult nutritional powders; ingredients comprising skim milk powders and anhydrous milk fat; and specialized nutritional ingredients, such as lactoferrin. The company was founded in 2005 and is headquartered in Rakaia, New Zealand.
Vitasoy International Holdings Limited	Vitasoy International Holdings Limited, together with its subsidiaries, manufactures and sells food and beverages in Mainland China, Hong Kong, Australia, New Zealand, and Singapore. The company offers soya milk and related products, tea, water, juice, tofu, etc. It also operates tuck shops and catering business, as well as invests in properties. The company sells its products through distributors and retailers. Vitasoy International Holdings Limited was founded in 1940 and is based in Tuen Mun, Hong Kong.



Tassal Group Limited	Tassal Group Limited, together with its subsidiaries, engages in the hatching, farming, processing, marketing, and sale of Atlantic salmon and tiger prawns in Australia. The company offers fresh, smoked, canned, and frozen salmon; and Australian FNPck tiger prawns. It also procures, processes, markets, and sells salmon, prawns and other seafood species. The company provides its products under the Tassal, Tropic Co, Superior Gold, Tasmanian Smokehouse, and De Costi Seafoods brands through retail and wholesale channels. It also exports its products. Tassal Group Limited was founded in 1986 and is headquartered in Hobart, Australia.
TasFoods Limited	TasFoods Limited processes, manufactures, and sells Tasmanian-made food products in Australia. The company operates in Dairy and Poultry segments. It offers poultry meat products under Nichols Poultry, Nichols Ethical Free Range, and Nichols Kitchen brands; and wasabi flowers and leaves, as well as fresh wasabi stems and powdered wasabi. The company also provides fresh milk, cheese, cream, and butter products under the Meander Valley Dairy, Pyengana Dairy, Real Milk, Robur Farm Dairy, Betta Milk, and Tassie Taste brands. In addition, it operates café and retail shop. The company also exports its products. TasFoods Limited is based in Launceston, Australia.
Seafarms Group Limited	Seafarms Group Limited operates as an aquaculture company in Australia. It is involved in operating, marketing, and selling of fresh and frozen farmed prawns under the Crystal Bay Prawns and Crystal Bay Tiger Prawns brand; and the development of land-based aquaculture projects. It also exports its products. The company was formerly known as Commodities Group Limited and changed its name to Seafarms Group Limited in March 2015. Seafarms Group Limited was incorporated in 1988 and is based in Perth, Australia.
Keytone Dairy Corporation Limited	Keytone Dairy Corporation Limited, together with its subsidiary, manufactures and exports dairy, health and wellness, and nutrition products in New Zealand and Australia. It offers powdered milk nutritional products, including whole milk powder, skim milk powder, colostrum milk powder, and kiwifruit milk powder under the KeyDairy brand name; and health supplement capsules for the treatment of acne and natural beauty products under the KeyHealth and FaceClear names. The company also provides contract manufacturing and packaging services for milk powders, sports nutrition products, and health products; food service products, such as yoghurt powder blends, ice cream powder blends, fruit smoothie blends, and milk shake powder blends; and animal nutrition powdered blends and special patient powder blends. It serves retailers, distributors, and industrial customers. The company also exports its products to China, Vietnam, Hong Kong, Taiwan, Malaysia, Japan, Korea, Australia, and the European Union. Keytone Dairy Corporation Limited was founded in 2011 and is headquartered in Christchurch, New Zealand.

Source: S&P Global

**Appendix D – Comparable transactions**

Comparable transactions	
Target	Description
Lion-Dairy & Drinks Pty Ltd	Lion-Dairy & Drinks Pty Ltd produces, markets, distributes, and sells food, dairy, and beverage products. Its products include fresh dairy food, fruit juices, soy milk products, cheese, yogurts, fromage frais, dairy desserts, and creams. The company offers full cream, flavored, and modified fresh and ultra-high-temperature (UHT) milk. Lion-Dairy & Drinks Pty Ltd was formerly known as National Foods Australia Pty Ltd. and changed its name to Lion-Dairy & Drinks Pty Ltd in May 2011. The company was founded in 1960 and is based in Docklands, Australia. It has production facilities and sales offices in Australia, New Zealand, Singapore, Malaysia, and Indonesia. As of October 2009, Lion-Dairy & Drinks Pty Ltd operates as a subsidiary of Kirin Foods Australia Holdings Pty Ltd.
Bellamy's Australia Limited	As of December 23, 2019, Bellamy's Australia Limited operates as a subsidiary of China Mengniu Dairy Company Limited.
Westland Co-operative Dairy Company Limited	Westland Co-operative Dairy Company Limited, together with its subsidiaries, operates a dairy co-operative that engages in the production and supply of dairy and nutritional products in New Zealand. The company offers food ingredients, including milk powders, milk proteins, UHT milk, and cream for use in infant nutrition, health and wellness, aged and sports nutrition, beverages, confectionery, and bakery products under the WESTPRO name; and nutritional products, such as infant and toddler, and specialty nutritional powders under the WESTPRO NUTRITION name. It also provides butter under the Westpro and Westgold names; UHT milk under the Westgold name; UHT whipping cream under the Westpro name; and milk powder for the production of yogurt powder under the EasiYo name. In addition, the company offers cheese, dried milk or casein, and various other products derived from milk or milk solids. Further, it sells milk or milk solids; and collects, treats, and distributes milk or cream for human consumption. The company was formerly known as The Westland Co-operative Dairy Company Limited and changed its name to Westland Co-operative Dairy Company Limited in October 2001. Westland Co-operative Dairy Company Limited was founded in 1937 and is headquartered in Hokitika, New Zealand. As of August 1, 2019, Westland Co-operative Dairy Company Limited operates as a subsidiary of HongKong Jingang Trade Holding Company Limited.
Maggie Beer Products Pty Ltd	Maggie Beer Products Pty Ltd manufactures wine, quince paste, pate, gourmet ice-cream, soups, stock, jam and unfermented grape juice known as verjuice. The company was incorporated in 1997 and is based in Nuriootpa, Australia. As of April 15, 2019, Maggie Beer Products Pty Ltd operates as a subsidiary of Maggie Beer Holdings Ltd.
Koroit dairy processing facility of Saputo Dairy Australia Pty Ltd.	As of August 17, 2018, Koroit dairy processing facility of Saputo Dairy Australia Pty Ltd. was acquired by Bega Cheese Limited. Koroit dairy processing facility of Saputo Dairy Australia Pty Ltd. comprises milk processing services. The asset is located in Australia.
St David Dairy Pty Ltd	St David Dairy Pty Ltd produces and supplies milk, butter, cream, and yogurt to cafes, restaurants, and retailers. The company was founded in 2013 and is based in Fitzroy, Australia. As of August 1, 2018, St David Dairy Pty Ltd operates as a subsidiary of Longtable Group Limited.
Tegel Group Holdings Limited	Tegel Group Holdings Limited, through its subsidiaries, produces poultry products such as chicken, meal maker smoked chicken, meal maker sliced roast chicken, and Kebabs. Tegel Group Holdings Limited was formerly known as Ross Group Holdings Limited and changed its name to Tegel Group Holdings Limited in March 2016. The company was founded in 1961 and is based in Auckland, New Zealand. As of September 27, 2018, Tegel Group Holdings Limited operates as a subsidiary of Bounty Fresh Food, Inc.
B.-d. Farm Paris Creek Pty Ltd.	B.-d. Farm Paris Creek Pty Ltd. produces dairy products. It offers milk, flavored milk, yoghurt, quark, indulgence, soft cheeses, hard cheeses, and butter. The company provides its products through retail network in Australia, Singapore, Dubai, Hong Kong, Brunei, and Fiji. B.-d. Farm Paris Creek Pty Ltd. was founded in 1988 and is headquartered in Meadows, Australia. As of December 22, 2017, B.-d. Farm Paris Creek Pty Ltd. operates as a subsidiary of Longtable Group Limited.
Udder Delights Australia Pty Ltd	Udder Delights Australia Pty Ltd manufactures and sells white mold and blue mold cheese. The company was founded in 2017 and is based in Hahndorf, Australia. Udder Delights Australia Pty Ltd is a former subsidiary of Udder Delights Group Pty Ltd.
Warmambool Cheese And Butter Factory Company Holdings Limited	Warmambool Cheese and Butter Factory Company Holdings Limited produces and sells dairy products in Australia. It operates through three segments: Commodities, Consumer Goods, and Other. The company offers full cream fresh milk, low fat milk, no fat milk, jersey milk, jersey lite milk, flavored milk, and iced milk under the Sungold brand; cheese and milk products under the COON, Cracker Barrel, Mil LeI, and Great Ocean Road brands; and cheese and butter products under the Warmambool Cheddars brand. It also provides Enprocal, a protein supplement for people experiencing difficulties meeting their nutritional requirements or maintaining weight due to medical conditions, including conditions found in the elderly; low fat cheddar, skim milk, gouda, and emmental cheese products; and skim milk powder for use in re-combined milk, bakery products, confectionery, infant formula, and dairy desserts. In addition, the company offers butter products, such as salted butter, unsalted butter, and butter blends with sugar and oils for use in bakery products, biscuit making, and confectionery; fresh or frozen cream products; and whey protein concentrate powder that is used in health products, sports drinks, nutritional health bars, as a binding ingredient in food processing, and as a meal replacement or supplement. Further, it provides bovine lactoferrin, a glycoprotein used in infant formula and nutraceuticals; and cream cheese under the Sungold brand for baking, dips and spreads, sauces, and appetizers. Warmambool Cheese and Butter Factory



	Company Holdings Limited markets its products to wholesale and retail customers, as well as exports its products. The company was founded in 1888 and is headquartered in Allansford, Australia. Warmambool Cheese and Butter Factory Company Holdings Limited is a subsidiary of Saputo Inc.
Open Country Dairy Limited	Open Country Dairy Limited produces, supplies, and exports dairy products. The company offers milk powders, milk proteins, milk fats, and cheeses. Its products are used by food, beverage, and nutritional goods manufacturers in the Pacific region, Asia, Africa, the Middle East, Europe, and the Americas. Open Country Dairy Limited was formerly known as Dairy Trust Limited and changed its name to Open Country Dairy Limited in January 2009. The company was incorporated in 2001 and is headquartered in Auckland, New Zealand. Open Country Dairy Limited operates as a subsidiary of Talley's Group Limited.
Warmambool Cheese And Butter Factory Company Holdings Limited	Warmambool Cheese and Butter Factory Company Holdings Limited produces and sells dairy products in Australia. It operates through three segments: Commodities, Consumer Goods, and Other. The company offers full cream fresh milk, low fat milk, no fat milk, jersey milk, jersey lite milk, flavored milk, and iced milk under the Sungold brand; cheese and milk products under the COON, Cracker Barrel, Mil Lel, and Great Ocean Road brands; and cheese and butter products under the Warmambool Cheddars brand. It also provides Enprocal, a protein supplement for people experiencing difficulties meeting their nutritional requirements or maintaining weight due to medical conditions, including conditions found in the elderly; low fat cheddar, skim milk, gouda, and emmental cheese products; and skim milk powder for use in re-combined milk, bakery products, confectionery, infant formula, and dairy desserts. In addition, the company offers butter products, such as salted butter, unsalted butter, and butter blends with sugar and oils for use in bakery products, biscuit making, and confectionery; fresh or frozen cream products; and whey protein concentrate powder that is used in health products, sports drinks, nutritional health bars, as a binding ingredient in food processing, and as a meal replacement or supplement. Further, it provides bovine lactoferrin, a glycoprotein used in infant formula and nutraceuticals; and cream cheese under the Sungold brand for baking, dips and spreads, sauces, and appetizers. Warmambool Cheese and Butter Factory Company Holdings Limited markets its products to wholesale and retail customers, as well as exports its products. The company was founded in 1888 and is headquartered in Allansford, Australia. Warmambool Cheese and Butter Factory Company Holdings Limited is a subsidiary of Saputo Inc.
Murray Goulburn Co-Operative Co. Limited	Murray Goulburn Co-Operative Co. Limited is in the process of liquidation. Previously, the company was involved in the processing, manufacture, marketing, and distribution of dairy products in Australia and internationally. Murray Goulburn Co-Operative Co. Limited was founded in 1950 and is headquartered in Southbank, Australia. Murray Goulburn Co-Operative Co. Limited is a subsidiary of Saputo Dairy Australia Pty Ltd.
Burra Foods Pty. Ltd.	Burra Foods Pty. Ltd. is a dairy ingredient processing company that produces and markets dairy products to the food manufacturing market worldwide. The company specializes in creating and supplying products that deliver the functional and sensory characteristics of fresh milk. Its products include food preparation products, such as cream cheese, frozen cream, concentrated milk preparations, frozen milk concentrate, skim cheese, and milk protein and fat blends; milk powder, including cream milk powder, cream powder, skim milk powder, and instant milk powder; nutritional milk powders; and milk, standardized milk, cream, whole milk concentrates, and skim milk concentrates. The company was founded in 1987 and is based in Burnley, Australia. It has offices in Melbourne, Hong Kong, and Tokyo.
Goodman Fielder Limited (nka: Goodman Fielder Pty Limited)	Goodman Fielder Pty Limited is engaged in the production, marketing, and distribution of bread, grocery, dairy, and poultry products. It offers milk, margarine, flour, dressings, condiments, mayonnaise, frozen pastry, cake mix, desserts, sauces, vinegar, and cooking oils. The company offers its products to supermarkets, route outlets, and food service customers in Australia, New Zealand, China, Fiji and the Pacific, Papua New Guinea, and New Caledonia. The company was formerly known as Goodman Fielder Limited and changed its name to Goodman Fielder Pty Limited in July 2015. The company was founded in 1986 and is based in North Ryde, Australia. Goodman Fielder Pty Limited operates as a subsidiary of Wilmar International Limited.
Open Country Dairy Limited	Open Country Dairy Limited produces, supplies, and exports dairy products. The company offers milk powders, milk proteins, milk fats, and cheeses. Its products are used by food, beverage, and nutritional goods manufacturers in the Pacific region, Asia, Africa, the Middle East, Europe, and the Americas. Open Country Dairy Limited was formerly known as Dairy Trust Limited and changed its name to Open Country Dairy Limited in January 2009. The company was incorporated in 2001 and is headquartered in Auckland, New Zealand. Open Country Dairy Limited operates as a subsidiary of Talley's Group Limited.

Source: S&P Global Capital

**Appendix E – Glossary**

A\$	Australian Dollar
a2 Milk	a2 Milk Company Limited
AASB 16	Australian Accounting Standards Board 16 Leases
ABS	Australian Bureau of Statistics.
AFMH	Australian Fresh Milk Holdings
APES	Accounting Professional and Ethical Standards
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Bega	Bega Cheese Limited
Company, FNP or Freedom Foods	Freedom Foods Group Limited
Consultant	The consultant is an Australian headquartered consulting firm and specialise in manufacturing and supply chain efficiency, procurement, asset advisory and strategy
Corporations Act	Corporations Act 2001
CRPS	Convertible Redeemable Preference Shares
DCF	Discounted Cash Flow
DFMP	Dairy Farm Monitor Project
EBIT	Earnings before, interest and tax
EBIT Multiple	Enterprise Value divided by underlying EBIT
EV	Enterprise Value
Fonterra	Fonterra Cooperative Group Limited
FSG	Financial Services Guide
FYxx	12 month financial year ended 30 June 20xx
Gearing Ratio	Net Debt over Equity
GT Model	GTCF valuation model based on the cash flow projections prepared by Management of FNP for the forecast period FY21 to FY25
GTCF, Grant Thornton, or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987)
IER or Report	Independent Expert Report
IMF	Infant Milk Formula
Initial Interest Term	Up to 30 months of issuing the Convertible Notes
Internal Model or Projections	The financial model that includes FNP Management's projections for FY21 to FY25
JLL	Shenzhen JiaLiLe Co.
Koroit	Koroit dairy processing facility of Saputo Dairy Australia Pty Ltd.
Lion or Lion Dairy & Drinks	Lion Dairy & Drinks Pty Ltd
Make Whole	If the Convertible Notes are not converted by the Noteholders, they will be redeemed by the Company for cash at maturity by the payment of a make whole amount
ML	Million litres
Murray Goulburn	Murray Goulburn Co-Operative Co. Limited
NOM	Notice of Meeting
Notes or Convertible Notes	Recapitalisation or Capital Raising via the issue of unlisted, subordinated secured convertible notes
NTM	Next twelve months
Options	In conjunction with the Recapitalisation, the Company will also offer approximately 40.8 million options on a pro rata basis to existing Shareholders
PIK	Paid in kind (capitalised interest)
Proposed Issue	Proposed Issue of FNP shares upon conversion of the convertible notes
Recapitalisation or Capital Raising	On 19 March 2021, the Company announced a recapitalisation between a minimum of A\$200 million up to a maximum of A\$265 million
Redemption Option	On maturity the Company will be required to redeem the Convertible Notes for the make whole amount



Restated Accounts	FY18 and FY19 accounts being restated in the FY20 Annual Report
RG	Regulatory Guide
RG111	ASIC Regulatory Guide 111 "Contents of expert reports"
RG112	ASIC Regulatory Guide 112 "Independence of experts"
RG74	Regulatory Guide 74 "Acquisitions agreed to by shareholders"
SEA	South East Asia
Senior Lenders	Subordinated debt with HSBC and NAB
Shares	FNP shares listed on the ASX
SRP	Specific risk premium
Synlait	Synlait Milk Limited
Trading Multiples	EBIT multiples of listed peers
Transaction Multiples	EBIT multiples of recent transactions
Transformation Program	A turnaround plan through the implementation of certain initiatives to return the business to profitability
Vitasoy	Vitasoy International Holdings Limited
WACC	Weighted Average Cost of Capital.
Warrnambool	Warrnambool Cheese And Butter Factory Company Holdings Limited
Wholesale Notes Offer	Eligible investors to subscribe for the up to A\$130 million worth of Convertible Notes on a priority basis



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ANNEXURE B – NOTE TERMS

PART A: SUMMARY OF NOTE TERMS

This table sets out a detailed summary of the Note Terms. A full copy of the Note Terms is annexed to the Prospectus.

Capitalised terms in Part A of this Annexure B have the meaning given to them in the Glossary set out in Part B of this Annexure B, unless context requires otherwise.

No.	Note Term	Summary
1.	What are the Notes?	<p>The Notes are redeemable convertible notes of the Company and are issued under the Trust Deed. Noteholders are entitled to the benefit of and are bound by the provisions of the applicable Transaction Documents and these Note Terms.</p> <p>The Notes at all times constitute direct and secured debt obligations of the Company. The Notes are secured by the security interests granted by the Company and the Australian Guarantors to the Security Trustee under the Collateral Securities.</p>
2.	Who is the issuer of the Notes?	The Company is the issuer of the Notes.
3.	What is the Issue Price of the Notes?	Each Note will be issued by the Company at an issue price of \$1.00 (the Issue Price). The Issue Price must be paid in full on application.
4.	What is the currency of the Notes?	The Notes are dominated in Australian dollars.
5.	No certificates	No certificates will be issued to Noteholders for the Notes, unless the Company determines that certificates should be available or are required by any applicable law.
6.	Non-quotation of the Notes	The Notes will not be quoted on ASX or other securities exchange.
7.	What rights are attached to the Notes?	<p>The Notes do not confer on Noteholders a right to:</p> <ul style="list-style-type: none"> (a) vote at any meeting of members of the Company; (b) subscribe or participate in any new issue of securities by the Company; or (c) otherwise participate in the profits or property of the Company, except as set out in the Note Terms or the Transaction Documents. <p>If an amendment to the Note Terms will materially and adversely affect the rights of all Noteholders, a Special Resolution of Noteholders will be required.</p> <p>If an amendment relates to an extension of the Maturity Date or reduction to payment amounts in respect of the Notes, a Super Resolution of Noteholders will be required.</p>

8.	What security has been granted to Noteholders?	<p>The Notes are secured by the security interests granted by the Company and its Australian Subsidiaries to the Security Trustee under the Collateral Securities. The Security Trustee holds the rights under the Collateral Securities on trust for the benefit of itself, the Trustee and the Noteholders in accordance with the terms of the applicable Transaction Documents. The Collateral Securities are substantially the same as the securities granted to secure the Senior Facilities.</p> <p>An Intercreditor Deed has been entered into which will govern the way in which competing security interests will rank in priority, and how that security can be enforced. See the Prospectus for a summary of the Intercreditor Deed.</p>
9.	Where do the Notes rank in the event of a Winding Up of the Company?	<p>In the event of a Winding Up of the Company, each Note ranks:</p> <ul style="list-style-type: none"> (a) after all Priority Permitted Debt; (b) equally with each other Note, and any other Permitted Debt which the Majority Noteholders agree ranks equally with the Notes; (c) ahead of all Shortfall Debt; (d) ahead of all other Permitted Debt not otherwise covered above; (e) ahead of all present and future unsubordinated and unsecured debt obligations of the Company, subject to the laws and principles of equity affecting creditor rights or obligations preferred by mandatory provisions of applicable law; and (f) ahead of all Shares.
10.	Can the Notes be transferred?	<p>Yes. A Noteholder may transfer any Notes by delivery of the Note certificate issued in respect of that Note, with a duly executed transfer form, to the specified office of the Note Registrar for registration (along with all other information required by the Company and/or the Note Registrar to effect the transfer and administer the Notes, including in accordance with their appointment as Note Registrar).</p> <p>Notes may only be transferred if the offer or invitation for the transfer, sale or purchase of the Notes is received by a person:</p> <ul style="list-style-type: none"> (a) in Australia, only if the minimum aggregate consideration payable at the time of the transfer is at least A\$500,000 (or its equivalent in an alternative current and, in each case, disregarding moneys lent by the transferor or its associates to the transferee) or the Notes are transferred in circumstances that do not otherwise require disclosure to investors under Part 6D.2 or Chapter 7 of the Corporations Act and the transfer complies with all applicable laws and directives; and (b) if, in a jurisdiction outside Australia, the transfer complies with all other applicable laws and directives in the jurisdiction in which the transfer takes place.
11.	When is the Maturity Date?	Six years from the Issue Date.

12.	What is the Conversion Price?	<p>If the Notes are Converted into Shares, the number of Shares issued on Conversion will be calculated by dividing the Equity Conversion Amount by the Conversion Price.</p> <p>The Conversion Price for each Note is \$0.70, which may be adjusted in accordance with the Note Terms including adjustments for reorganisations, dividends, rights issues and bonus issues and capital returns.</p>
13.	How does interest accrue, and when is it payable?	<p>The Company must either pay or capitalise (to the extent then able to be capitalised) the interest payable on the Notes quarterly.</p> <p>Interest will accrue daily on the Face Value of the Notes and will be paid, at the Company's election, in the following ways:</p> <ul style="list-style-type: none"> (a) for any Interest Period beginning in the term of 30 months from the Issue Date: <ul style="list-style-type: none"> i. entirely in cash (Cash Interest); ii. entirely by increasing the principal amount of the outstanding Notes by an amount equal to interest for the applicable Interest Period (PIK Interest); or iii. by paying a proportion in cash and the balance of accrued interest by increasing the principal amount of the outstanding Notes by that amount (Initial Combination Interest); (b) for any Interest Period beginning after the term of 30 months from the Issue Date: <ul style="list-style-type: none"> i. entirely in cash; or ii. by paying the interest partly in cash (Partial Cash Interest) and partly by increasing the principal amount of the outstanding Notes (Partial PIK Interest), in accordance with the Note Terms. <p>The amount of Interest payable on each Note for an Interest Period is calculated according to the following formula:</p> <p>Interest payable = $\frac{\text{Interest Rate} \times \text{Face Value} \times N}{365}$</p> <p>Where N means, in respect of:</p> <ul style="list-style-type: none"> (a) the first Interest Payment Date of a Note, the number of days from (and including) its Issue Date to (but excluding) that first Interest Payment Date; and (b) each subsequent Interest Payment Date, the number of days from (and including) the preceding Interest Payment Date to (but excluding) that Interest Payment Date or, in the case of the last Interest Period, the Maturity Date, Conversion Date or Redemption Date.
14.	What interest is payable on the Notes?	<p>The Note Terms set out a formula for the calculation of Interest payable on the Notes.</p> <p>Subject to a reduction to the amount of Interest payable where the Company has issued a Relevant Disputes Notice:</p>

		<p>(a) Cash Interest on the Notes will accrue at a rate of 7.00% per annum and be payable in cash;</p> <p>(b) PIK Interest on the Notes will accrue at a rate of 8.5% per annum;</p> <p>(c) Initial Combination Interest on the Notes will accrue at a rate of 8.5% per annum and may be paid in whatever proportion of cash and by increasing the principal outstanding as the Company elects (by notice to the Trustee with a copy to the Paying Agent in writing);</p> <p>(d) Partial Cash Interest on the Notes will accrue at a rate of 5% per annum and be payable in cash; and</p> <p>(e) Partial PIK Interest on the Notes will accrue at a rate of 3.5% per annum and be payable by increasing the principal amount of the outstanding Notes by an amount equal to the Partial PIK Interest for the applicable Interest Period.</p> <p>If the Company has issued a Relevant Disputes Notice:</p> <p>(a) each of the Cash Interest, PIK Interest and Initial Combination Interest will reduce by 1.00% per annum; and</p> <p>(b) the Partial Cash Interest and Partial PIK Interest will (in aggregate) reduce by 1.00% per annum, on and from the date on which the Relevant Dispute Notice has been issued,</p> <p>in relation to those Notes which are, at the relevant time, Convertible into Shares.</p>
15.	When does default interest apply and what is the rate?	If an amount is not paid under the Note Terms on or before the due date, interest accrues on the unpaid amount at 2% per annum from the due date to (but excluding) the date on which payment is made to the Noteholder of the full unpaid amount.
16.	Can the Company change how it pays Interest?	The Company may in its absolute discretion elect at any time to pay in cash any interest that had previously been paid in kind (being PIK Interest and Partial PIK Interest). The payment of Interest in this way will not constitute a partial voluntary redemption of the Notes.
17.	When can the Notes be Cash-Settled?	The Notes can only be converted on an Equity Settled basis once the Shareholder Approvals are obtained. If the Shareholder Approvals are not obtained, the Notes will remain Convertible only on a Cash-Settled basis until the relevant Shareholder Approvals are obtained
18.	How is the Cash-Settled Conversion calculated?	Subject to the Note Terms, until the required Shareholder Approvals are obtained, the Noteholder has the right in certain circumstances (a Cash-Settled Conversion Right) to notionally convert the aggregate Face Value of all of its Notes which will be settled in cash on Conversion calculated as the number of Shares that would be issued to the Noteholder if its Notes were able to be Converted to Shares, multiplied by a price per Share determined in accordance with the Note Terms.
19.	How are the Notes Cash-Settled?	Noteholder may elect to exercise its Cash-Settled Conversion Right in respect of all of its Notes by giving the Trustee (with a copy to the Note Registrar) notice in writing of its intention to Convert

		<p>(Cash-Settled Conversion Notice), but only in the following circumstances:</p> <ul style="list-style-type: none"> (a) upon receipt of an Exit Notice; (b) upon receipt from the Company of an Early Redemption Notice; or (c) in the 12 months prior to the Maturity Date, during the 45-day period on and from the date the Company releases whichever of the following is first provided to ASX in the 12 months prior to the Maturity Date: <ul style="list-style-type: none"> i. its full year financial results (Appendix 4E); or ii. its half year financial results (Appendix 4D), <p>and provided, in each case, that the Shareholder Approvals have not been obtained prior to receipt by the Company of a Cash-Settled Conversion Notice by a Noteholder.</p>
20.	What are the consequences of a Cash-Settled Conversion Notice?	<p>Once a Cash-Settled Conversion Notice has been given to the Company:</p> <ul style="list-style-type: none"> (a) the notice cannot be withdrawn without the written consent of the Company; (b) the Noteholder must not deal with, transfer, dispose or otherwise encumber any Notes the subject of the Cash-Settled Conversion Notice; and (c) the Noteholder must provide such evidence of title to the Notes the subject of the Cash-Settled Conversion Notice as may be reasonably required by the Company and the Note Registrar.
21.	What is the effect of the Notes being Cash-Settled?	<p>Once Notes are Cash-Settled:</p> <ul style="list-style-type: none"> (a) the Notes will be taken to have been Redeemed; (b) the Company must pay the Cash Settlement Amount to the Noteholder; and (c) upon payment of the Cash Settlement Amount, all other rights conferred or restrictions imposed by the Note under the Note Terms no longer have effect.
22.	What happens to the Cash-Settled Conversion Right where the Shareholder Approvals expire?	<p>In circumstances where:</p> <ul style="list-style-type: none"> (a) the Shareholder Approvals are obtained; (b) the Shareholder Approvals are determined by a Court or regulator to have expired or no longer be in effect, or have otherwise expired or lapsed; and (c) the expiry of the Shareholder Approval was not caused by the actions of a Noteholder, <p>the Noteholders will be entitled to notionally Convert such number of Notes which are not capable of being Converted to Shares.</p> <p>Moreover, in circumstances where the Shareholder Approvals are obtained and, as a result of a reconstruction of the Company's capital, Arrovest is unable to Convert some or all of its Notes which were otherwise approved by Shareholders to be Converted to Shares pursuant to item 7 of section 611 of the Corporations Act,</p>

		Arrovest will be entitled to notionally Convert such number of Notes which are not capable of being Converted to Shares.
23.	When can the Notes be Converted into Shares?	<p>Subject to the Note Terms and the Company obtaining the Shareholder Approvals, a Noteholder has the right to Convert some or all of its Notes into a number of Shares (Equity Conversion Right) by giving the Trustee (with a copy to the Note Registrar) notice in writing of its intention to do so (Equity Conversion Notice).</p> <p>The Face Value of the Notes the subject of an Equity Conversion Right must be at least the lesser of \$2,000 or the balance of the Noteholder's holding of the Notes.</p>
24.	What are the consequences of an Equity Conversion Notice?	<p>Once an Equity Conversion Notice has been given to the Company:</p> <ul style="list-style-type: none"> (a) the notice cannot be withdrawn without the written consent of the Company; (b) the Noteholder must not deal with, transfer, dispose or otherwise encumber any Notes the subject of the Equity Conversion Notice; and (c) the Noteholder must provide such evidence of title to the Notes the subject of the Equity Conversion Notice as may be reasonably required by the Company and the Note Registrar. <p>An Equity Conversion Notice will not be effective if it is given less than 10 Business Days before the Maturity Date.</p>
25.	When will the Notes mandatorily Convert into Shares?	<p>If, at any time, the aggregate of (without double counting):</p> <ul style="list-style-type: none"> (a) the number of Notes that have Converted into Shares; and (b) the number of Notes that Noteholders have elected to Convert into Shares on the Equity Conversion Date (as that term is defined in the Note Terms), <p>equal or exceed 75% or more of the number of all Notes issued by the Company:</p> <ul style="list-style-type: none"> (c) the remaining Notes will automatically Convert into Shares; and (d) each relevant Noteholder will be deemed to have provided to the Trustee and the Company an Equity Conversion Notice specifying that all of its remaining Notes are to be Converted into Shares.
26.	What is the effect of the Notes being Converted into Shares?	<p>On the Equity Conversion Date (as that term is defined in the Note Terms):</p> <ul style="list-style-type: none"> (a) the Noteholder's Note will be taken to have been Redeemed, and the Noteholder will be taken to have agreed to pay the Equity Conversion Amount to the Company by way of subscription for new Shares (Conversion Shares) at an issue price per Conversion Share that is equal to \$0.70 (as adjusted under the Note Terms);

		<ul style="list-style-type: none"> (b) the Company will be taken to have issued to the Noteholder, and must register the Noteholder as the holder of, the Conversion Shares; (c) the Noteholder agrees to be registered as the holder of the Conversion Shares in the Company's register of members; (d) a holding notice in respect of the Conversion Shares is to be sent to the Noteholder at its registered address in respect of the relevant Notes; (e) the Company must use all reasonable endeavours to procure and maintain quotation of the Conversion Shares on ASX; and (f) upon the issue of the Conversion Shares, all other rights conferred or restrictions imposed by the Note under the Note Terms will no longer have effect.
27.	How will the Conversion Shares rank?	<p>The Conversion Shares will be fully paid and will in all respects rank pari passu with all other fully paid Shares on issue on the relevant Equity Conversion Date, except that they will not be entitled to any dividend or any other distribution or entitlement that has not been paid as at the Equity Conversion Date but for which the record date was prior to the Equity Conversion Date.</p>
28.	When will the Conversion Price be adjusted?	<p>Adjustments to the Conversion Price will occur in any of the following circumstances:</p> <ul style="list-style-type: none"> (a) if the Company or Subsidiary makes a pro rata issue or bonus issue (as those terms are defined under the ASX Listing Rules) of Shares to holders of Shares generally; (b) if the Company undertakes an off market buy-back under a buy-back scheme which, but for any applicable restrictions on transfer, would be generally available to holders of Shares (or otherwise cancels Shares for consideration); (c) if at any time the Company makes a pro rata return of capital to holders of Shares without cancellation of any Shares; or (d) where Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities, subject to the ASX Listing Rules, <p>in accordance with the formulae specified in the Note Terms.</p> <p>If the Company forms the opinion that the effect of any adjustments specified above are not appropriate, or where any other event occurs in relation to the Company that in the Company's opinion may have a dilutive or concentrative effect on the value of the Shares, the Company may make adjustments to the Conversion Price as it considers appropriate or necessary to maintain the relative value of Notes and the Shares and so that the Noteholder will not receive a benefit that Shareholders do not receive and so that Shareholders will not receive a benefit that the Noteholder does not receive, acting in good faith.</p> <p>None of the Trustee, Security Trustee, Note Registrar or the Paying Agent is under any duty to monitor or ascertain whether any event or circumstance has happened to exists which may require an adjustment to be made to the Conversion Price.</p>

29.	When are the Notes scheduled to be Redeemed?	<p>On the Maturity Date, each Note is Redeemable by the Company for the Makewhole Amount unless:</p> <ul style="list-style-type: none"> (a) the Note has been previously Converted; (b) the Note has been previously Redeemed; or (c) the Note has been purchased by the Company and cancelled. <p>If a Noteholder has issued a Cash-Settled Conversion Notice in respect of the Notes, the Company must pay to that Noteholder in respect of the Note the Cash Settlement Amount in lieu of Redemption.</p>
30.	When can the Notes be Redeemed early?	<p>Subject to certain conditions in the Intercreditor Deed, the Company may voluntarily redeem the Notes at any time prior to the Maturity Date by giving at least 10 Business Days written notice to the Trustee, Note Registrar, Paying Agent and the Noteholders of the intention of the Company to Redeem the Notes (Early Redemption Notice). The Intercreditor Deed requires that any voluntary redemption by the Company of the Notes is funded by fresh equity or is otherwise undertaken at the same that all Senior Group Facilities are repaid.</p> <p>If a Noteholder delivers a Cash-Settled Conversion Notice for all of its Notes or Equity Conversion Notice for some or all of its Notes, the Cash-Settled Conversion Notice or Equity Conversion Notice will prevail for the Notes that are the subject of the Cash-Settled Conversion Notice or Equity Conversion Notice (as applicable).</p>
31.	What is an Exit Event?	<p>An Exit Event is:</p> <ul style="list-style-type: none"> (a) a Sale Event; or (b) a Change of Control Event. <p>The Company must provide written notice of any proposed Sale Event or Change of Control Event Trigger to the Trustee, Note Registrar, Paying Agent and the Noteholders (and where possible, subject to confidentiality obligations, at least 20 Business Days prior to the proposed Sale Event) (Exit Notice).</p>
32.	What information is contained in an Exit Notice?	<p>An Exit Notice must:</p> <ul style="list-style-type: none"> (a) specify the occurrence, or proposed occurrence, of the Exit Event; (b) specify the date on which the Exit Event occurred or is proposed to occur; (c) notify that each Noteholder (with a copy to the Trustee) may elect to either: <ul style="list-style-type: none"> i. Redeem all of its Notes on the Redemption Date specified in the Exit Notice (which must be no later than immediately prior to the Exit Event) at the applicable Makewhole Amount; ii. exercise its Cash-Settled Conversion Right (if applicable); or iii. exercise its Equity Conversion Right (if applicable); (d) enclose the form of the notice required to be given by a Noteholder if it elects to notify the Company that it wishes

		<p>to have its Notes Redeemed on the Redemption Date specified in the Exit Notice (Redemption Notice); and</p> <p>(e) such other information relating to the Exit Event as the Trustee may reasonably require to be given to the Noteholders.</p>
33.	What can Noteholders do on the Trustee's receipt of an Exit Notice?	<p>Each Noteholder may, upon its receipt of an Exit Notice:</p> <ul style="list-style-type: none"> (a) until the Shareholder Approvals are obtained, exercise its Cash-Settled Conversion Right by delivering a Cash-Settled Conversion Notice for all of its Notes; (b) if the Shareholder Approvals are obtained, exercise its Equity Conversion Right by delivering an Equity Conversion Notice for some or all of its Notes at least 5 Business Days before the applicable Equity Conversion Date; or (c) notify the Company that it wishes to have its Notes Redeemed on the Redemption Date specified in the Exit Notice by delivering a Redemption Notice, in which case the Company must pay the applicable Makewhole Amount on that date.
34.	What is the effect of a Redemption Notice?	<p>Once a Noteholder provides a Redemption Notice to the Company:</p> <ul style="list-style-type: none"> (a) the notice cannot be withdrawn without the written consent of the Company; (b) the Noteholder must not deal with, transfer, dispose or otherwise encumber any Notes the subject of the Redemption Notice; and (c) the Noteholder must provide such evidence of title to the Notes the subject of the Redemption Notice as may be reasonably required by the Company and the Note Registrar. <p>If a Noteholder delivers a Redemption Notice for some or all of its Notes, the Redemption Notice will prevail for the Notes that are the subject of the Redemption Notice and those Notes will be Redeemed by the Company on the Redemption Date at the applicable Makewhole Amount.</p>
35.	Is the Company restricted from purchasing Notes?	<p>Subject to compliance with any applicable law or requirement of ASX, the Company and any of its related bodies corporate (or any third party nominated by the Company) may, at any time, purchase Notes in the open market or otherwise at any price agreed with one or more Noteholders.</p>
36.	What is the Makewhole Amount?	<p>Where the Redemption of Notes occurs at any time on or prior to the Maturity Date for any reason, the Company (unless Noteholders otherwise elect to Convert) must pay to the relevant Noteholders on the relevant Redemption Date, an amount calculated so that the total amount payable by the Company on Redemption is equal to the applicable percentage in the table below corresponding to the period in which the Redemption Date occurs multiplied by the aggregate of the Initial Face Value of the Notes being redeemed, less the amount of all Interest paid (but not capitalised) prior to the Redemption Date (Makewhole Amount).</p>

		<table> <tr> <th>Period following issuance of the Note in which Redemption occurs</th><th>Applicable makewhole percentage</th><th>Reduced Makewhole Percentage</th></tr> <tr> <td>Years 1 & 2</td><td>175%</td><td>165%</td></tr> <tr> <td>Years 3 & 4</td><td>185%</td><td>175%</td></tr> <tr> <td>Year 5</td><td>220%</td><td>210%</td></tr> <tr> <td>Year 6 (including the Maturity Date)</td><td>230%</td><td>220%</td></tr> </table> <p>A worked example of how the Makewhole Amount is calculated is contained in the Investor Presentation.</p>	Period following issuance of the Note in which Redemption occurs	Applicable makewhole percentage	Reduced Makewhole Percentage	Years 1 & 2	175%	165%	Years 3 & 4	185%	175%	Year 5	220%	210%	Year 6 (including the Maturity Date)	230%	220%
Period following issuance of the Note in which Redemption occurs	Applicable makewhole percentage	Reduced Makewhole Percentage															
Years 1 & 2	175%	165%															
Years 3 & 4	185%	175%															
Year 5	220%	210%															
Year 6 (including the Maturity Date)	230%	220%															
37.	When will the Makewhole Amount be reduced?	<p><u><i>Reduction where Relevant Disputes have been resolved</i></u></p> <p>Where the Company holds a reasonable belief (acting on legal advice provided by any legal or other professional adviser engaged or appointed by it) that all issues (including any actual or threatened litigation or other proceedings) associated with or arising from the matters the subject of a Disputes Undertaking (Relevant Disputes) have been fully and finally resolved, the Company may issue a notice (Relevant Disputes Notice) to the Trustee, the Note Registrar, the Paying Agent and the Noteholders.</p> <p>If the Company has issued a Relevant Disputes Notice and elects to Redeem the Notes at any time during the period commencing from the date which is 12 months following the date on which the Relevant Disputes Notice has been issued to the Trustee, then the applicable makewhole percentage which applies to the Makewhole Amount on the Redemption will reduce by 10% (Reduced Makewhole Percentage). The Reduced Makewhole Percentage is set out in the table included at Clause 36 above.</p> <p><u>Redemption amount where Majority Noteholders have not consented to resolution of a Relevant Dispute</u></p> <p>If:</p> <p>(a) the Company has sought Majority Noteholders' consent to a bona fide proposed final and complete settlement and/or payment in relation to a Relevant Dispute which the Board has determined to approve (subject to obtaining Majority Noteholders' consent) and the Majority Noteholders have not provided such consent within 60 days of the request; and</p>															

		<p>(b) the Company elects to Redeem the Notes at any time within the first 36 months following the date on which the initial Notes have been issued,</p> <p>(c) the amount payable on Redemption is an amount calculated as:</p> <ul style="list-style-type: none"> i. the Initial Face Value of the Notes; plus ii. the greater of: iii. 12 months' Interest on the Initial Face Value of the Notes to be Redeemed (calculated at 8.5% per annum); and iv. 36 months' Interest on the Initial Face Value of the Notes to be Redeemed (calculated at 8.5% per annum) less any Cash Interest paid in respect of those Notes, including Cash Interest to be paid on the Redemption Date.
38.	When does an Event of Default occur?	<p>An Event of Default occurs in relation to the Notes if:</p> <ul style="list-style-type: none"> (a) the Company fails to issue Shares on Conversion in accordance with the Note Terms within 10 Business Days after the date on which such issue is to be made; (b) the Company does not pay any amount due in respect of the Notes Terms within 5 Business Days after the date on which it is due and, where the sole reason for the default is a technical or administrative difficulty within the banking system being used to effect payment, such default is not remedied within 2 Business Days; (c) a member of the Group fails to comply with any of the general undertakings stipulated in Clause 42(d) below and such failure remains unremedied for a period of 15 Business Days; (d) a member of the Group fails to comply with the covenants specified in Clauses 42(d)(ii) or 42(e)(iii) below; (e) the Company fails to materially comply with any of its other obligations under the Note Terms or the Transaction Documents; (f) any Group Member has a controller appointed, or is in receivership, is in receivership and management, in liquidation, in provisional liquidation, under administration or wound up or has had a receiver appointed to any part of its property; (g) any other Insolvency Event occurs in respect of a member of the Group; (h) a final judgment or determination (including injunctive relief and an order for specific performance) is received in relation to any litigation, arbitration, administrative or government against any member of the Group or its assets which have, or has or is reasonably likely to have, a Material Adverse Effect; (i) any financial indebtedness in an amount exceeding \$10 million of the Group (or any member of the Group) is not paid when due nor within any applicable grace period or is declared to be due and payable prior to its specified maturity as a result of an event of default; (j) the Company's Shares cease to be quoted on ASX;

		<p>(k) any security interest over an asset of the Group with a value greater than \$10 million is enforced;</p> <p>(l) the Company or a Guarantor ceases or suspends the conduct of its business or a substantial part of its business;</p> <p>(m) at any time, it is unlawful for the Company to perform any of its payment obligations under the Notes;</p> <p>(n) all or substantially all of the assets of the Group are resumed or compulsorily acquired by any Government Agency; or</p> <p>(o) all or any rights or obligations of the Company, Noteholders or the Trustee under the Trust Deed or the Note Terms are terminated or are or become void, illegal, invalid, unenforceable or of limited force and effect.</p> <p>Certain Events of Default have cure periods, as specified in the Note Terms.</p>
39.	What are the consequences of an Event of Default?	<p>If an Event of Default occurs and is continuing in relation to the Notes, the Trustee may, at its discretion:</p> <p>(a) declare by notice to the Company (with a copy to the Noteholders, the Note Registrar and the Paying Agent) that all the Notes are to be Redeemed for the Makewhole Amount; or</p> <p>(b) take enforcement action against the Company and the relevant Group Member (as applicable) in relation to the Event of Default in accordance with the Transaction Documents.</p> <p>The Trustee is not bound to take any action to enforce the obligations of the Company with respect to the Trust Deed or the Notes or any other proceeding or action pursuant to or in connection with the Transaction Documents unless:</p> <p>(a) it is indemnified and/or secured and/or prefunded, to its satisfaction, against all liabilities which may be incurred (including legal costs on a solicitor and own client basis) in connection with that action;</p> <p>(b) it is first placed in funds by the Company sufficient to cover the liabilities that it may incur as a result of doing so; and</p> <p>(c) it is not restricted or prohibited from taking such action by any order of any competent court or any applicable law.</p>
40.	What are the restrictions on the Trustee enforcing an Event of Default?	<p>The Trustee must not take action to enforce the Event of Default as specified in Clause 39 above unless:</p> <p>(a) in respect of an Event of Default referred to in Clauses 38(a), 38(b) or 38(f), it has been so directed by an MD Noteholders Resolution; or</p> <p>(b) in respect of an Event of Default referred to in Clauses 38(c), 38(d), 38(e) or 38(g) to 38(o), it shall have been so directed by a Majority Noteholders Resolution.</p> <p>If the Trustee forms the view (acting reasonably) that enforcement action directed by a MD Noteholders Resolution or a Majority Noteholders Resolution is or could be inconsistent with the Note Terms, the Transaction Documents, the Corporations Act or any</p>

		<p>applicable law, it must take steps to seek as soon as reasonably practicable a court direction or order to set aside or vary the direction given by a Majority Noteholders Resolution or MD Noteholders Resolution (as applicable), and, while those steps are underway, the Trustee is not obliged to take any action or proceedings it has been directed to take by Majority Noteholders Resolution or MD Noteholders Resolution (as applicable).</p> <p>Any enforcement by the Trustee or the Security Trustee of the Transaction Documents is subject to the Intercreditor Deed.</p>
41.	Can Noteholders enforce the Note Terms?	<p>Unless the Trustee, having become obliged to take action to enforce the rights of the Noteholders under the Transaction Documents and the Note Terms, fails to do so within 20 Business Days of being obliged to do so and such failure is continuing, the rights of each Noteholder to enforce the obligations of the Company under the Notes are limited to the exercise of its rights to enforce and seek due administration by the Trustee of the Trust Deed.</p> <p>In particular, unless the Trustee, having become obliged to take action to enforce the rights of the Noteholders under the Transaction Documents and the Note Terms, fails to do so within 20 Business Days of being obliged to do so and such failure is continuing, no Noteholder may, with respect of any amount due under the Notes held by it:</p> <ul style="list-style-type: none"> (a) sue the Company; (b) obtain judgment against the Company; or (c) apply for or seek that the Company be wound up. <p>Any enforcement by the Trustee or the Security Trustee of the Transaction Documents is subject to the Intercreditor Deed.</p>
42.	What undertakings has the Company provided?	<p>For so long as the Notes remain outstanding, the Company must and must procure that the Guarantors provide customary covenants and undertakings in respect of (but not limited to):</p> <ul style="list-style-type: none"> (a) authorising the performance of its obligations under the Transaction Documents; (b) general obligations relating to complying with laws, maintenance of corporate existence, payment of taxes, insurances, mergers, maintenance of material assets, key supplier agreements and solvency; (c) seeking Noteholders' consent to any resolution or matter requiring Shareholder consent; (d) restrictions on the Company and its Subsidiaries, without the approval of a Special Resolution: <ul style="list-style-type: none"> i. agreeing to an asset sale or disposal where Shareholder consent is required under the ASX Listing Rules or Corporations Act, or a sale or disposition of assets worth more than 10% of the Group's gross assets per annum, subject to an aggregate cap of 25% of the Group's gross assets until all notes have been Converted or Redeemed (unless the sale or disposal is a Permitted Sale); ii. declaring or paying dividends in certain circumstances (including where defaults are

		<p>subsisting, PIK Interest or Partial PIK Interest remains outstanding, or where net leverage is greater than 4.0x);</p> <ul style="list-style-type: none"> iii. redeeming, purchasing, cancelling, reducing, returning capital or acquiring any share or other securities issued by a member of the Group for repayment or return of capital in a Winding Up; iv. providing financial accommodation or guarantees to any third party; v. incurring any Financial Indebtedness or agreeing to do so, except Permitted Debt; vi. issuing any Pari Passu Debt unless each Noteholder is entitled to participate pro rata in the issuance of that Pari Passu Debt; vii. creating new security interests over any assets of the Group; <p>(e) restrictions on the Company and its Subsidiaries, without the approval of a Majority Noteholders Resolution:</p> <ul style="list-style-type: none"> i. acquiring any asset or business where such acquisition requires Shareholder consent under the ASX Listing Rules and/or Corporations Act; ii. substantially changing the scope of the Company or Group's business; iii. agreeing or consenting to: <ul style="list-style-type: none"> ▪ any settlement or resolution of: <ul style="list-style-type: none"> • Nicholas Gehrke v Freedom Foods Group Limited & Deloitte Touche Tomatsu, Supreme Court proceeding no. S ECI 2020 4505, filed on 7 December 2020; • Lester Buch v Freedom Foods Group Limited & Deloitte Touche Tomatsu, Supreme Court proceeding no. S ECI 2021 00431, filed on 19 February 2021; or • any same or similar shareholder class actions brought or threatened against the Company in respect of the same facts, matters or circumstances arising prior to the Issue Date, <p>where the Company and/or any other Group Member are required to contribute to payment of a settlement sum (other than where funded by contributions from third parties permitted under the Transaction Documents and/or insurance);</p> ▪ any settlement agreement with, or any settlement or damages payment, to, Blue Diamond or any variation to or replacement of the existing BD Agreement, (Disputes Undertaking); and iv. entering into any hedging agreement other than in accordance with its hedging policy.
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43.	Can the Note Terms be amended without the consent of Noteholders?	<p>At any time, and from time to time, but subject to clause 18.1 of the Trust Deed, the Note Terms may be modified, altered, cancelled, amended or added to (collectively Modified) at any time without the consent of Noteholders if such Modification is, in the opinion of the Trustee (acting reasonably):</p> <ul style="list-style-type: none"> (a) of a formal or technical nature or made to cure any ambiguity or correct any manifest error; (b) necessary to cure any ambiguity or correct or supplement any defective or inconsistent provision; (c) necessary or expedient to comply with the provisions of any law or regulation or the requirements of any statutory authority, <p>provided that, in each case, in the opinion of the Trustee (acting reasonably), such amendment is not materially prejudicial to the interests of the Noteholders as a whole.</p> <p>In respect of a Modification sought by a party in reliance on any one of Clauses 43(a) to 43(c), the Trustee may (without limiting its general rights under the Trust Deed) obtain an opinion from legal, taxation or accountancy advisers of recognised standing in New South Wales, which opinion is in a form satisfactory to the Trustee (acting reasonably) and is addressed to or is otherwise able to be relied on by the Trustee, to the effect that such Modification (taken as a whole and in conjunction with all other Modifications) is:</p> <ul style="list-style-type: none"> (a) a Modification within the scope of any one or more Clauses 43(a) to 43(c) above; and (b) not materially prejudicial to the interests of Noteholders of the Notes (taken as a whole).
44.	When can Noteholders amend the Note Terms?	<p>Subject to the below provisos and clause 18.2 of the Trust Deed, the Note Terms may be Modified at any time if such Modification is authorised by a Majority Noteholders Resolution.</p> <p>If:</p> <ul style="list-style-type: none"> (a) the Trustee considers the Modification will be materially prejudicial to the interests of Noteholders of the Notes (taken as a whole) (including any approvals of acquisitions and dispositions), then the Modification must be authorised by a Special Resolution; (b) the Modification extends the Maturity Date, reduces the payment amounts in respect of the Notes or amends clause 18.3(c) of the Note Terms, then the Modification must be authorised by a Super Resolution. (c) If a clause of the Note Terms provide for Noteholders to give a direction to the Trustee: (d) by a Special Resolution, then that clause may only be Modified if such Modification is authorised by a Special Resolution; or (e) by a Super Resolution, then that clause may only be Modified if such Modification is authorised by a Super Resolution.

Part B: Glossary

The following definitions apply to this Annexure B in accordance with the Note Terms:

Australian Guarantor	means each Guarantor incorporated in Australia.
BD Agreement	means the agreement between Blue Diamond and FFPL in respect of the Blue Diamond Almond Breeze products, as described in section 8.29 of the Prospectus.
Blue Diamond	means Blue Diamond Growers.
Cash Interest	has the meaning given to that to that term in clause 13 of Part A of this Annexure B.
Cash-Settled	means, in relation to Notes, that the Notes are capable of being settled in cash.
Cash Settlement Amount	has the meaning given to that term in the Note Terms.
Cash-Settled Conversion Notice	has the meaning given to that to that term in clause 19 of Part A of this Annexure B.
Cash-Settled Conversion Right	has the meaning given to that term in clause 18 of Part A of this Annexure B.
Change of Control Event	<p>means each of:</p> <ul style="list-style-type: none"> (a) a takeover bid is made to acquire all of the Shares and: <ul style="list-style-type: none"> (i) the bidder has acquired at any time during the Offer Period a relevant interest in more than 50% of the Shares on issue; and (ii) the takeover bid is or has become unconditional; and (b) a transaction or transactions: <ul style="list-style-type: none"> (i) occur or are implemented, which will; or (ii) are announced or entered into which, if completed or implemented, would (c) result in an entity or persons (other than the Current Majority Shareholder and/or their related bodies corporate) Controlling the Company (whether by takeover bid, scheme of arrangement, shareholder approved acquisition, reverse takeover, dual-listed company structure, recapitalisation or any other transaction or arrangement); and (d) a court approves (by order under section 411(4)(b) of the Corporations Act) a proposed scheme of arrangement which, when implemented, will result in a person having a relevant interest in 100% of the Shares on issue.
Change of Control Event Trigger	<p>means:</p> <ul style="list-style-type: none"> (a) in respect of paragraph (a) of the Change of Control Event definition, when the Company receives the bidder's statement in respect of that takeover bid under step 3 of section 633 of the Corporations Act; (b) in respect of paragraph (b) of the Change of Control Event definition, when a legally binding agreement to implement a transaction or transactions which, if implemented in accordance with its terms, would result in an entity or persons (other than the Current Majority Shareholder and/or their related bodies corporate) Controlling the Company is entered into; and

	(c) in respect of paragraph (c) of the Change of Control Event definition, when an agreement to propose and implement the scheme of arrangement is entered into.
Collateral Security	means: (a) each General Security Deed; and (b) each other Collateral Security specified in Schedule 2 of the Note Terms.
Control	has the meaning given to that term in section 50AA of the Corporations Act, and the words Controlling and Controller bear a corresponding meaning.
Conversion	means the conversion of a Note in accordance with the Note Terms and the words Convert, Convertible, Converting and Converted bear a corresponding meaning.
Conversion Date	has the meaning given to that term in the Note Terms.
Conversion Price	means an amount of \$0.70, as may be adjusted in accordance with the Note Terms.
Conversion Shares	has the meaning given to that term in clause 26 of Part A of this Annexure B.
Current Majority Shareholder	means Arrovest Pty Ltd ACN 117 953 205.
Disputes Undertaking	has the meaning given to it in clause 42 of Part A of this Annexure B.
Early Redemption Notice	means a notice given by the Company to the Trustee, the Note Registrar, the Paying Agent and the Noteholders as described in clause 30 of Part A of this Annexure B.
Equity Conversion Amount	means the aggregate of: (a) the aggregate Face Value of the total number of Notes the subject of the relevant Equity Conversion Notice; plus (b) without double counting, such amount of the Interest accrued but unpaid on those Notes (as determined by the Company) on the Equity Conversion Date.
Equity Conversion Date	has the meaning given to that term in the Note Terms.
Equity Conversion Notice	has the meaning given to that term in clause 23 of Part A of this Annexure B.
Equity Conversion Right	has the meaning given to that term in clause 23 of Part A of this Annexure B.
Event of Default	means any of the events listed in clause 38 of Part A of this Annexure B.
Exit Event	means a Sale Event and/or Change of Control Event.
Exit Notice	means a notice given by the Company to the Trustee, the Note Registrar and the Noteholders as described in clause 31 of Part A of this Annexure B.
Face Value	means the nominal principal amount of each Note (subject to adjustments set out in the Note Terms).
Financial Indebtedness	has the meaning given to Financial Indebtedness in the Note Terms.
General Security Deeds	means: (a) the general security deeds, dated on or about the Issue Date between the Security Trustee and each of the Company and its Australian Guarantors; and

	(b) each other general security deed granted by an Australian Guarantor in favour of the Security Trustee from time to time, summarised in the Prospectus.
Government Agency	means the Crown, a government, a government department or a governmental, semi-governmental, statutory, administrative, parliamentary, provincial, public, municipal, local, judicial or quasi-judicial body.
Guarantee	means the guarantee provided by each of the Initial Guarantors pursuant to the Security Trust Deed in respect of the Company's obligations under the Trust Deed, the Note Terms and other Transaction Documents.
Guarantor	means each Subsidiary that has guaranteed the Company's obligations under the Trust Deed, the Note Terms and other Transaction Documents pursuant to the Guarantee.
Initial Combination Interest	has the meaning given to that term in clause 13 of Part A of this Annexure B.
Initial Face Value	has the meaning given to that term in the Note Terms.
Insolvency Event	has the meaning given to that term in the Note Terms.
Intercreditor Deed	means the intercreditor deed dated between, among others, the Company, the Trustee and the Senior Financiers.
Interest	means the interest payable from time to time in respect of a Note including Cash Interest, PIK Interest, Initial Combination Interest, Partial Cash Interest and Partial PIK Interest.
Interest Payment Date	means, in respect of a Note: <ul style="list-style-type: none"> (a) each Quarter Date; (b) the Conversion Date (if the Company elects not to include the Interest accrued but unpaid on the Note in the Equity Conversion Amount); (c) the Maturity Date; and (d) any Redemption Date.
Interest Period	means, for a Note, each period beginning on (and including) an Interest Payment Date (as that term is defined in the Note Terms) and ending on (but excluding) the next Interest Payment Date, subject to certain exceptions set out in the Note Terms.
Interest Rate	means the Interest rates specified in the Prospectus.
Issue Date	means, in respect of a Note, the date on which that Note is issued.
Issue Price	means \$1.00 per Note.
Makewhole Amount	has the meaning given to that term in clause 36 of Part A of this Annexure B.
Majority Noteholders	means, at any time, Noteholders holding at least 50% or more of the Face Value of the Notes at that time.
Majority Noteholders Resolution	means: <ul style="list-style-type: none"> (a) a resolution passed at a meeting of the Noteholders duly called and held under the Meeting Provisions: <ul style="list-style-type: none"> (i) by at least 50% of the persons voting on a show of hands (unless paragraph (ii) below applies); or (ii) if a poll is duly demanded, then by a majority consisting of at least 50% of the votes cast (where the votes cast shall be

	<p>determined by reference to the Face Value of the Notes held by the Noteholder present (in person or by proxy)); or</p> <p>(b) a resolution passed by a postal ballot or circular written resolution by Noteholders representing (in aggregate) at least 50% of the Face Value of all of the Notes.</p>
Material Adverse Effect	has the meaning given to that term in the Note Terms.
Maturity Date	means the date which is the sixth anniversary of the Issue Date.
MD Noteholders Resolution	<p>means:</p> <p>(a) a resolution passed at a meeting of the Noteholders duly called and held under the Meeting Provisions:</p> <p>(i) by at least 25% of the persons voting on a show of hands; or</p> <p>(ii) if a poll is duly demanded, then by a majority consisting of at least 25% of the votes cast (where the votes cast shall be determined by reference to the Face Value of the Notes held by the Noteholder present (in person or by proxy)); or</p> <p>(b) a resolution passed by a postal ballot or circular written resolution by Noteholders representing (in aggregate) at least 25% of the Face Value of all of the Notes.</p>
Meeting Provisions	means the rules relating to meetings of Noteholders contained in Schedule 2 of the Trust Deed.
Modification or Modified	means, in relation to the Note Terms, a modification, alteration, cancellation, amendment or addition to the Note Terms as set out in the Prospectus and the Note Terms.
NAB Asset Financing	has the meaning given to that term in section 8.8(e) of the Prospectus.
Note Registrar	means the agent responsible for establishing and maintaining a register for the Notes, initially being Global Loan Agency Services Australia Specialist Activities Pty Limited ACN 635 992 308.
Pari Passu Debt	means secured Financial Indebtedness ranking pari passu to the Notes, including pursuant to further Note issuances.
Partial Cash Interest	has the meaning given to that term in clause 13 of Part A of this Annexure B.
Partial PIK Interest	has the meaning given to that term in clause 13 of Part A of this Annexure B.
Paying Agent	means the agent responsible for making payments on behalf of the Company of amounts owing in respect of the Notes, initially being Global Loan Agency Services Australia Specialist Activities Pty Limited ACN 635 992 308.
Permitted Debt	has the meaning given to it in the Note Terms and as described in the Prospectus.
Permitted Limited Recourse Debtor Financing	has the meaning given to it in the Note Terms and as described in the Prospectus.
Permitted Sale	has the meaning given to that term in the Note Terms.
PIK Interest	has the meaning given to that term in clause 13 of Part A of this Annexure B.
Priority Permitted Debt	has the meaning given to it in the Note Terms and as described in the Prospectus.

Quarter Date	means the last day of each calendar quarter.
Redemption	means the redemption of a Note in accordance with the Note Terms and the words Redeem, Redeemable and Redeemed bear their corresponding meanings.
Redemption Date	has the meaning given to that term in the Note Terms.
Redemption Notice	has the meaning given to that term in the Prospectus and the Note Terms.
Reduced Makewhole Percentage	has the meaning given to that term clause 37 of Part A of this Annexure B.
Relevant Disputes	has the meaning given to that term clause 37 of Part A of this Annexure B.
Relevant Disputes Notice	has the meaning given to that term clause 37 of Part A of this Annexure B.
Sale Event	means where the Company has entered into, or agreed to enter into, an agreement or arrangement pursuant to which it will sell or transfer all, or substantially all, of: (a) the assets of the Company or the Group; or (b) the assets and brands of the Group's plant-based beverages segment in accordance with the Group's segment reporting.
Security Trust Deed	means the trust deed dated on or before the Issue Date between the Company and the Security Trustee, summarised in the Prospectus.
Security Trustee	means the person from time to time acting as the trustee of the trust constituted by the Security Trust Deed, initially being Global Loan Agency Services Australia Specialist Activities Pty Limited ACN 635 992 308.
Senior Facilities	has the meaning given to that term in Section 8.7 the Prospectus.
Senior Group Facilities	has the meaning given to that term in Section 8.7 of the Prospectus.
Shortfall Beneficiary	means a beneficiary under the Shortfall Security Trust Deed and includes HSBC and NAB.
Shortfall Debt	means financial indebtedness owed by the Company and the Guarantors to a Shortfall Beneficiary under the Shortfall Security Trust Deed. It includes all liabilities owed to: (a) HSBC in respect of the Permitted Limited Recourse Debtor Financing, which are not repaid from the proceeds of the relevant receivables, inventory or accounts receivable acquired or financed; and (b) NAB in respect of the NAB Asset Financing which are not repaid from the proceeds of the relevant equipment and/or assets financed.
Shortfall Security Trust Deed	means the security trust deed to be entered into prior to completion of the Capital Raising and pursuant to which the Shortfall Security Trustee will hold the Shortfall Securities on trust for the Shortfall Beneficiaries.
Shortfall Security Trustee	means the trustee to be appointed under the Shortfall Security Trust Deed.

Special Resolution	<p>means:</p> <p>(a) a resolution passed at a meeting of the Noteholders duly called and held under the Meeting Provisions:</p> <ul style="list-style-type: none"> (i) by at least 66.67% of the persons voting on a show of hands (unless paragraph 1(b) below applies); and (ii) at least 3 Noteholders voting in favour of the resolution; or <p>(b) if a poll is duly demanded, then by:</p> <ul style="list-style-type: none"> (i) a majority consisting of at least 66.67% of the votes cast (where the votes cast shall be determined by reference to the Face Value of the Notes held by the Noteholder's present (in person or by proxy)); and (ii) at least 3 Noteholders voting in favour of the resolution; or <p>(c) a resolution passed by postal ballot or circular written resolution by:</p> <ul style="list-style-type: none"> (i) Noteholders representing (in aggregate) at least 66.67% of the Face Value of all of the Notes; and (ii) at least 3 Noteholders voting in favour of the resolution.
Super Resolution	<p>means:</p> <p>(a) a resolution passed at a meeting of the Noteholders duly called and held under the Meeting Provisions:</p> <ul style="list-style-type: none"> (i) by at least 90% of the persons voting on a show of hands; or (ii) if a poll is duly demanded, then by a majority consisting of at least 90% of the votes cast (where the votes cast shall be determined by reference to the Face Value of the Notes held by the Noteholder present (in person or by proxy)); or <p>(b) a resolution passed by a postal ballot or circular written resolution by Noteholders representing (in aggregate) at least 90% of the Face Value of all of the Notes.</p>
Transaction Documents	means the Trust Deed, each Note, the Security Trust Deed, the Guarantee, the ARS Agreement, the Intercreditor Deed and each Collateral Security.
Trust Deed	means the trust deed entitled 'Trust Deed for the FNP Note Trust' between the Company and the Trustee dated on or before the Issue Date.
Trustee	means the person from time to time acting as the trustee of the trust constituted by the Trust Deed (acting in that capacity) and the Security Trust Deed, initially being Global Loan Agency Services Australia Specialist Activities Pty Limited ACN 635 992 308.
Winding Up	means, in respect of a person, the appointment of a liquidator or provisional liquidator of that person, and where the appointment is made by a court, by a court of competent jurisdiction in Australia.

ANNEXURE C – PRO FORM OWNERSHIP OUTCOMES

Pro Forma ownership outcomes (as if converted at Day-1)



	\$200m scenario		\$265m scenario (\$200m Arrovest, \$65m Wholesale)		\$265m scenario (\$135m Arrovest, \$130m Wholesale)	
	Current		Current		Current	
	# shares (m)	%	# shares (m)	%	# shares (m)	%
Arrovest	146	52.5%	146	52.5%	146	52.5%
Other existing shareholder ownership (excluding Options)	132	47.5%	132	47.5%	132	47.5%
Options	-	-	-	-	-	-
Other noteholder ownership	-	-	-	-	-	-
Total	277	100.0%	277	100.0%	277	100.0%
	Recapitalisation		Recapitalisation		Recapitalisation	
	# shares (m) ¹	%	# shares (m) ¹	%	# shares (m) ¹	%
Arrovest	286	87.5%	286	68.1%	193	46.0%
Other existing shareholder ownership (excluding Options)	-	-	-	-	-	-
Options (all exercised)	41	12.5%	41	9.7%	41	9.7%
Other noteholder ownership	-	-	93	22.1%	186	44.3%
Total	327	100.0%	419	100.0%	419	100.0%
	Pro-forma		Pro-forma		Pro-forma	
	# shares (m)	%	# shares (m)	%	# shares (m)	%
Arrovest (incl Notes on conversion)	431	71.4%	431	61.9%	338	48.6%
Other existing shareholder ownership (excluding Options)	132	21.8%	132	18.9%	132	18.9%
Options (all exercised)	41	6.8%	41	5.9%	41	5.9%
Other noteholder ownership	-	-	93	13.3%	186	26.7%
Total	604	100.0%	696	100.0%	696	100.0%
Total existing equity (after conversion of Notes, exercise of Options)	318	52.7%	318	45.6%	318	45.6%
Total noteholder ownership (after conversion of Notes, exercise of Options)	286	47.3%	379	54.4%	379	54.4%
Arrovest ownership (after conversion of Notes, excluding Options)	431	76.6%	431	65.8%	338	51.6%

Notes: Ownership impacts on conversion may vary further to the extent that interest is capitalised into the Notes (and not paid) prior to conversion. Refer to slide 55 for the maximum possible dilution, assuming interest is capitalised at the maximum interest rate (i.e. 8.5% PIK for the first 30 months and 5.0% Cash/3.5% PIK thereafter) over the term of the Notes
1. # shares (m) assuming conversion of Notes and Options exercised.

Pro Forma ownership outcomes (as if converted at end of Year 3)

	\$200m scenario		\$265m scenario (\$200m Arrovest, \$65m Wholesale)		\$265m scenario (\$135m Arrovest, \$130m Wholesale)	
	Current		Current		Current	
	# shares (m)	%	# shares (m)	%	# shares (m)	%
Arrovest	146	52.5%	146	52.5%	146	52.5%
Other existing shareholder ownership (excluding Options)	132	47.5%	132	47.5%	132	47.5%
Options	-	-	-	-	-	-
Other noteholder ownership	-	-	-	-	-	-
Total	277	100.0%	277	100.0%	277	100.0%
	Recapitalisation		Recapitalisation		Recapitalisation	
	# shares (m) ¹	%	# shares (m) ¹	%	# shares (m) ¹	%
Arrovest	359	89.8%	359	69.5%	242	46.9%
Other existing shareholder ownership (excluding Options)	-	-	-	-	-	-
Options (all exercised)	41	10.2%	41	7.9%	41	7.9%
Other noteholder ownership	-	-	117	22.6%	233	45.2%
Total	400	100.0%	516	100.0%	516	100.0%
	Pro-forma		Pro-forma		Pro-forma	
	# shares (m)	%	# shares (m)	%	# shares (m)	%
Arrovest (incl Notes on conversion)	504	74.5%	504	63.6%	388	48.9%
Other existing shareholder ownership (excluding Options)	132	19.4%	132	16.6%	132	16.6%
Options (all exercised)	41	6.0%	41	5.1%	41	5.1%
Other noteholder ownership	-	-	117	14.7%	233	29.4%
Total	677	100.0%	793	100.0%	793	100.0%
Total existing equity (after conversion of Notes, exercise of Options)	318	47.0%	318	40.1%	318	40.1%
Total noteholder ownership (after conversion of Notes, exercise of Options)	359	53.0%	475	59.9%	475	59.9%
Arrovest ownership (after conversion of Notes, excluding Options)	504	79.3%	504	67.0%	388	51.5%

Notes:

1. # shares (m) assuming conversion of Notes and Options exercised

Pro Forma ownership outcomes (maximum dilution as converted Maturity)

	\$200m scenario		\$265m scenario (\$200m Arrovest, \$65m Wholesale)		\$265m scenario (\$135m Arrovest, \$130m Wholesale)	
	Current		Current		Current	
	# shares (m)	%	# shares (m)	%	# shares (m)	%
Arrovest	146	52.5%	146	52.5%	146	52.5%
Other existing shareholder ownership (excluding Options)	132	47.5%	132	47.5%	132	47.5%
Options	-	-	-	-	-	-
Other noteholder ownership	-	-	-	-	-	-
Total	277	100.0%	277	100.0%	277	100.0%
	Recapitalisation		Recapitalisation		Recapitalisation	
	# shares (m) ¹	%	# shares (m) ¹	%	# shares (m) ¹	%
Arrovest	398	90.7%	398	70.1%	269	47.3%
Other existing shareholder ownership (excluding Options)	-	-	-	-	-	-
Options (all exercised)	41	9.3%	41	7.2%	41	7.2%
Other noteholder ownership	-	-	129	22.8%	259	45.5%
Total	439	100.0%	569	100.0%	569	100.0%
	Pro-forma		Pro-forma		Pro-forma	
	# shares (m)	%	# shares (m)	%	# shares (m)	%
Arrovest (incl Notes on conversion)	544	75.9%	544	64.3%	414	49.0%
Other existing shareholder ownership (excluding Options)	132	18.4%	132	15.6%	132	15.6%
Options (all exercised)	41	5.7%	41	4.8%	41	4.8%
Other noteholder ownership	-	-	129	15.3%	259	30.6%
Total	716	100.0%	846	100.0%	846	100.0%
Total existing equity (after conversion of Notes, exercise of Options)	318	44.4%	318	37.6%	318	37.6%
Total noteholder ownership (after conversion of Notes, exercise of Options)	398	55.6%	528	62.4%	528	62.4%
Arrovest ownership (after conversion of Notes, excluding Options)	544	80.5%	544	67.6%	414	51.5%

Notes:

1. # shares (m) assuming conversion of Notes and Options exercised

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ANNEXURE D – OPTION TERMS

Option Terms

Each option (**Option**) entitles its holder to subscribe for one fully paid ordinary share in the capital of the Company (**Share**) on the following terms and conditions.

1 General terms of issue

(a) Initial payment to acquire Options	Eligible Shareholders are not required to pay any funds to acquire the Options.
(b) Exercise	<p>Each Option is exercisable at an exercise price of \$0.98 (Exercise Price) and will entitle the Option Holder to subscribe for, and be issued with, one Share.</p> <p>Options may be exercised on any Business Day during the Option Exercise Period upon payment of the Exercise Price to the Company. The Option Exercise Period will not be extended. Each Option will automatically lapse if not exercised prior to expiry of the Option Exercise Period.</p> <p>If an Option Holder elects to exercise its Options, the Option Holder must pay the Exercise Price for those Options in the manner directed by the Company and give the Company (or its share register) a notice of exercise of options (in a form approved by the Company) (Option Exercise Notice). Options will be deemed to be exercised on the date that the Option Exercise Notice and payment of the Exercise Price is received by the Company.</p> <p>The Company must within 5 Business Days after the receipt of an Option Exercise Notice and cleared funds for payment of the Exercise Price, issue Shares in respect of the Options exercised.</p>
(c) Minimum exercise	<p>Option Holders are entitled to deliver an Option Exercise Notice to the Company to exercise part of their Option Holding so long as the number of Options exercised is a minimum of the lower of 1,000 Options and all the Options held by the Option Holder.</p> <p>If an Option Holder exercises less than the total number of its Options, the Company must issue, or cause to be issued to the Option Holder a new holding statement for the remaining number of Options held by the Option Holder.</p>
(d) Holding statement	<p>The Company must give or cause to be given to each Option Holder a certificate or holding statement stating:</p> <ul style="list-style-type: none">(a) the number of Options issued to the Option Holder;(b) the Exercise Price of the Options; and(c) the date of issue of the Options and the Options Exercise Period.
(e) Duty to maintain Option register	The Company is responsible for maintaining a register of Option holders in accordance with section 168(1)(b) of the Corporations Act.
(f) Dividend	Options do not carry any dividend entitlement until they are exercised and the Option Holder becomes the registered holder of Shares and those Shares have been issued on or prior to the applicable record date for determining entitlements for a future dividend.
(g) Ranking	Subject to the Constitution, Shares issued on exercise of the Options will rank equally with all other issued Shares.

(h) Voting entitlements	The Options confer no rights on an Option Holder to receive notice of a general meeting of the Company's Shareholders (except as may be required by law), nor any right to attend, speak at or vote at general meetings of the Company.
(i) Participation in new Share issue	<p>a An Option Holder may not participate in new issues of securities without exercising the Option.</p> <p>If the Company is listed on ASX, the Company must give the Option Holder, if required to do so by the Listing Rules, notice of:</p> <p>(a) the proposed terms of the issue or offer; and</p> <p>(b) any right of the Option Holder to exercise its Options.</p>
(j) Adjustments Exercise Price	<p>to If between the Issue Date and the Exercise Date the Company makes one or more rights issues (being a pro-rata issue of Shares in the capital of the Company that is not a bonus issue), the Exercise Price of Options on issue will be reduced in respect of each rights issue according to the formula set out in ASX Listing Rule 6.22.2.</p> <p>No change will be made to the number of Shares to which the Option Holder is entitled upon exercise of the Option as a result of an adjustment for a rights issue.</p>
(k) Bonus issues	If the Company makes a bonus issue of Shares to Shareholders (except an issue in lieu or in satisfaction of dividends or by way of a dividend reinvestment) and no Share has been issued in respect of an Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Option is exercisable is increased by the number of Shares which the Option Holder would have received if the Option Holder had exercised the Option before the record date for determining entitlements to the issue, in accordance with the ASX Listing Rules.
(l) Capital reorganisations	If there is a reorganisation (including consolidation, sub-division, reduction, cancellation or return) of the share capital of the Company, then the rights of the Option Holder (including the number of Options to which each Option Holder is entitled and the Exercise Price) are changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
(m) Calculations	<p>Any calculations or adjustments which are required to be made under these Option Terms will be made by the Board and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Option Holder.</p> <p>The Company must within a reasonable period give to each Option Holder notice of any change to the Exercise Price of the Options held by an Option Holder under the Option Terms.</p>
(n) Quotation	The Company will apply for quotation of the Options to be tradeable on ASX in accordance with the ASX Listing Rules.
(o) Transferability	The Options are freely transferable, subject to registration of the transfer by the Company.

(p) Amendment	<p>These Option Terms may only be amended if Shareholders approve the amendment at a general meeting, except where such amendment is required to comply with the ASX Listing Rules in which case the amendment can be made by the Company without obtaining the Shareholder approval.</p> <p>Subject to the ASX Listing Rules, no amendment can be made to reduce the Exercise Price, extend the Option Exercise Period or increase the number of Shares received on exercising the Options.</p>
(q) ASX Listing Rules	For such time as the Company is listed on the ASX, the ASX Listing Rules will apply to the Options.
(r) Governing law	These Option Terms and the rights and obligations of Option Holders are governed by the laws of New South Wales. Each Option Holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales and the Federal Court of Australia and any courts that may hear appeals from those courts about any proceedings in connection with these Options.
(s) US Securities Act	The Options and the Shares have not been, and will not be, registered under the US Securities Act of 1933 or applicable US state securities laws. As a result, the Options may not be exercised by persons in the United States except in transactions exempt from, or not subject to, such registration requirements.

2 Defined terms

In these Option Terms, unless expressly provided otherwise:

Arrovest	means Arrovest Pty Ltd ACN 117 953 205.
ASX	means ASX Limited ABN 98 008 624 691 or the securities market it operates, as the context requires.
ASX Listing Rules	means the official listing rules of ASX.
Business Day	has the meaning given to that term in the ASX Listing Rules.
Company	means Freedom Foods Group Limited ACN 002 814 235.
Constitution	means the constitution of the Company.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Eligible Shareholder	<p>means a Shareholder, excluding Arrovest, with a registered address in:</p> <p>(a) Australia; or</p> <p>(b) New Zealand,</p> <p>as at the Record Date.</p>
Exercise Price	means \$0.98, subject to adjustments in accordance with the Option Terms and the ASX Listing Rules.
Expiry Date	means the date which is the sixth anniversary of the Issue Date.
Issue Date	means, in respect of an Option, the date on which that Option is issued.

Option	means an option issued by the Company pursuant to the Option Terms.
Option Exercise Notice	means the notice given by an Option Holder to the Company upon exercising an Option.
Option Exercise Period	means the period commencing on the Business Day immediately following the release of the Company's annual report for the financial year ending 2023 and ending on the Expiry Date.
Option Holder	means the holder of an Option.
Option Terms	means, in relation to an Option, the terms and conditions of issue of that Option.
Record Date	means 7:00pm (Sydney time) on 23 May 2021.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a holder of one or more Shares in the Company.

ANNEXURE E – INSTRUCTIONS FOR ATTENDING THE MEETING

1 Attendance at the Meeting

In person

If you are planning to attend the Meeting in person, please attend Ashurst, Level 11, 5 Martin Place, Sydney NSW 2000 at 10:00am on 25 May 2021 and bring the Proxy Form with you and arrive prior to the start time for the Meeting to facilitate registration. Recording of the proceeding is not permitted unless authorised by Freedom Foods Group.

Online

If you are planning to attend the Meeting online, please use the following link on the date of the Meeting: <https://agmlive.link/FNP21>.

In addition to being given a reasonable opportunity to ask questions at the Meeting, Shareholders are invited to submit questions in advance of the Meeting. They may be submitted in writing to Freedom Foods Group and sent to Freedom Foods Group Limited Head Office at 80 Box Road, Taren Point NSW 2229.

2 Materials accompanying this Notice

The following materials accompany this Notice:

- (a) the Explanatory Statement, including the Independent Expert's Report; and
- (b) the Proxy Form.

These documents should be read together with, and form part of, this Notice of Meeting. These documents should be read carefully by Shareholders prior to the Meeting.

3 Voting and required majority - Corporations Act

- (a) In accordance with section 249HA of the Corporations Act for the Resolutions to be effective not less than 28 days written notice has been given.
- (b) The Resolutions must be passed by more than 50% of all votes cast by eligible Shareholders entitled to vote on the Resolutions (whether in person or by proxy, attorney or corporate representative).
- (c) Subject to the Voting Exclusion Statements for each Resolutions (as set out above), on a show of hands every Shareholder has one vote and, on a poll, every Shareholder has one vote for each Share held.

4 Voting entitlement

In accordance with Reg 7.11.37 of the Corporations Regulations, for the purpose of voting at the Meeting, the Directors have determined that those persons who are the registered holders of Shares at 7:00pm (Sydney time) on 23 May 2021 will be treated as Shareholders eligible to vote on the Resolutions, subject to the voting exclusions outlined above.

Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Meeting.

Voting is not compulsory.

5 How to vote

You may vote by attending the Meeting in person, online, by proxy or by authorised representative.

6 Voting in person

Eligible Shareholders wishing to vote in person (other than under a power of attorney) should personally attend the Meeting and cast their votes.

7 Appointment of proxies

A Proxy Form accompanies this Notice of Meeting. Eligible Shareholders wishing to appoint a proxy to attend and vote at the Meeting on their behalf, should complete and sign the personalised Proxy Form accompanying this Explanatory Statement with the instructions set out on the Proxy Form. Eligible Shareholders may complete the Proxy Form in favour of the Chair of the Meeting or appoint up to two proxies to attend and vote on their behalf at the Meeting.

An eligible Shareholder entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies. Only those eligible Shareholders who are entitled to cast two or more votes at the Meeting may appoint two proxies. A proxy need not be a Shareholder.

Where an eligible Shareholder wishes to appoint two proxies, an additional proxy form may be obtained by contacting the Share Registry.

An eligible Shareholder appointing two proxies may specify the percentage of votes, proportion or number of votes each proxy is appointed to exercise.

If an eligible Shareholder appoints two proxies and does not specify the percentage of votes each proxy may exercise, each proxy may exercise 50% of the votes. Fractions of votes are to be disregarded.

8 Lodgement of Proxy Form

To be effective, the Proxy Form and any authority under which the form is signed, must be received by the Share Registry prior to 10:00am on 25 May 2021. Proxy Forms, duly completed in accordance with the instructions set out in the Proxy Form, may be returned to Link by:

- (a) lodging them online through <https://agmlive.link/FNP21>. You will require your SRN/HIN and control number, located on the front page of your Proxy Form;
- (b) posting them in the reply paid envelope provided to Freedom Foods Group c/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235;
- (c) delivering them to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138; or
- (d) faxing them to +61 2 9287 0309.

Eligible Shareholders who complete and return a Proxy Form may still attend the Meeting in person and vote on the Resolutions (in which case their proxy will be revoked).

9 How the Chair will vote undirected proxies

The Chair intends to vote undirected proxies in favour of the Resolutions. If a proxy appointment is signed or validly executed by the eligible Shareholder, but does not name the proxy in whose favour it is given, the Chair of the Meeting will act as proxy provided that, if the eligible Shareholder has not directed the proxy how to vote, the eligible Shareholder has ticked the required box on the Proxy Form authorising the Chair to vote.

The Company encourages all eligible Shareholders who submit proxies to direct their proxy how to vote on the Resolutions.

10 Voting by attorney

An eligible Shareholder may appoint an attorney to vote on his/her behalf. For an appointment to be effective for the Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by Link by no later than 10:00am on 23 May 2021.

11 Corporate representatives

A body corporate which is a Shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act.

The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed, unless it has previously been given to the Company.

12 Additional information

If after reading this Notice of Meeting and the accompanying Explanatory Statement you have any questions about the Resolutions or how to vote at the Meeting, please contact the Meeting Information Line on 1300 912 776 (toll free within Australia) or +61 1300 912 776 (toll free and outside Australia) on Business Days between 9.00am and 5.00pm (Sydney time).

CORPORATE DIRECTORY

Directors

Genevieve Gregor
Anthony Perich
Jane McKellar
Timothy Bryan
Stuart Black

Group General Counsel

Justin Coss

Co-Company Secretary

Justin Coss
Scott Standen

Registered Office

80 Box Road
Caringbah NSW 2229
www.ffgl.com.au

Australian Legal Adviser

Arnold Bloch Leibler
Level 21, 333 Collins Street
Melbourne, Victoria 3000

Corporate Adviser

Moelis Australia Advisory Pty Ltd
Level 27, Governor Phillip Tower
One Farrer Place
Sydney NSW 2000

Link

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Meeting Information Line

1300 912 776 (within Australia)
+61 1300 912 776 (outside Australia)
Open between 8:30am to 5:00pm (Sydney time) Monday to Friday

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

Freedom Foods Group
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 912 776

LODGE A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **10:00am on Sunday, 23 May 2021**, 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

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).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

QR Code



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

DEFAULT TO CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Form.

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:

- 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
- 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, either shareholder may 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" must 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.

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

PROXY FORM

I/We being a member(s) of Freedom Foods Group and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐ **the Chair of the Meeting (mark box)**

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

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chair 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 Extraordinary General Meeting of the Company to be held at **10:00am on Tuesday, 25 May 2021 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a hybrid meeting. You can attend the meeting at Ashurst, Level 11, 5 Martin Place, Sydney NSW 2000 or you can participate by logging in online at <https://agmlive.link/FNP21> (refer to details in the Extraordinary General Meeting Online Guide).

The Chair 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*		For	Against	Abstain*
1 Approval for the issue and conversion of up to 200 million Notes to Arrovest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Approval to grant up to 40,816,326 Options to Shareholders (being, Shareholders with a registered address in Australia and New Zealand other than Arrovest)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval for the issue and conversion of up to 130 million Notes in connection with the Wholesale Investor Offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Approval to grant up to 7,291 Options to Woolwich Family Pty Limited (ACN 620 404 588) as trustee for the Woolwich Family Trust	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval for the issue and conversion of up to 150,000 Notes to Woolwich Family Pty Limited (ACN 620 404 588) as trustee for the Woolwich Family Trust	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 Approval to grant up to 497 Options to Ms Jane McKellar	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval for the issue and conversion of up to 75,000 Notes to Ms Jane McKellar	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12 Approval to grant up to 52,771 Options to Famtron Pty Limited (ACN 072 696 619)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval for the issue and conversion of up to 25,000 Notes to Karooli Pty Ltd (ACN 002 931 400) as trustee of the TB Bryan Family Trust	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13 Approval to grant up to 461,702 Options to the Perry Gunner Entities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approval for the issue and conversion of up to 25,000 Notes to M.A. Clark Pty Ltd (ACN 000 551 351) as trustee of the Chapman Eastway No. 4 Superannuation Fund	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
7 Approval for the issue and conversion of up to 210,000 Notes to Famtron Pty Limited (ACN 072 696 619)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
8 Approval for the issue and conversion of up to 2,268,099 Notes to the Perry Gunner Entities	<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)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may 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).