Buderim Group Limited
ABN 68 010 978 800

Notice of General Meeting

TIME:	11am (Brisbane time)
DATE:	20 December 2016
PLACE:	Level 10, 12 Creek Street, Brisbane

This Notice of General Meeting should be read in its entirety. If Shareholders are in any doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor prior to voting. Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 7 3726 3400

Lawyers to the Company — Jones Day

Independent Expert — KPMG

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Critical dates for Shareholders

Event	Date
Announcement of signing of definitive agreements	28 October 2016
Despatch of Notice of Meeting to Shareholders	16 November 2016
Cut off for lodging proxy form for Meeting	11am on 19 December 2016
Meeting to approve the Resolutions	20 December 2016
Proposed completion date for Placement	22 December 2016
Proposed completion date for Convertible Notes Issue	22 December 2016

The above timetable is indicative only and the dates are subject to change. Any changes will be released to the ASX.

Chairman's letter

Dear Shareholder

As announced to ASX on 5 October 2016, the Company intends to:

(a) issue 6,504,463 Shares to Asia Mark Development Limited (**AMD**) (or its nominee) to raise approximately $2.6 million before costs and expenses (**Placement**);

(b) undertake a pro rata renounceable rights issue of Shares on a 1 for 2 basis to raise approximately $9 million before costs and expenses which will be fully written by AMD (**Underwritten Rights Issue**); and

(c) issue:

  (i) 25,000,000 Convertible Notes to Wattle Hill RHC Fund 1 SPV1 L.P. (**the Fund**); and

  (ii) 12,500,000 Convertible Notes to AMD,

  at $0.40 per Convertible Note to raise a total of $15 million (less the Costs Adjustment amount) (**Convertible Notes Issue**).

The above transactions (together, the **Proposed Transactions**) are subject to the satisfaction of a number of conditions, including the Company obtaining approval from its shareholders as to the matters being sought at this General Meeting. Upon satisfaction of all conditions, the Company will raise approximately $26.6 million (before costs and expenses).

The purpose of the Proposed Transactions is to provide funds for a substantial reduction of bank debt and to develop the core business segments of Macadamias and Ginger, capitalising on the established brands held by the group including Buderim Ginger, MacFarms, Fresh from Hawaii, Agrimac, and Frespac.

AMD is a business associate of QiaQia Food Co. Ltd., a Chinese publicly listed company on the Shenzhen Stock Exchange. AMD and QiaQia have joint ventures and co-investments in numerous snack processing facilities in China. In the year ending 31 December 2015, QiaQia had annual revenues of A$650 million, and its market capitalisation as at 30 September 2016 was over A$1.8 billion.

The Fund is a holding vehicle for a private equity fund which invests in Australian and New Zealand companies that benefit from China's growth - especially companies that offer products and services in demand by Chinese consumers.

A summary of AMD and the Fund and the effects on the Company in undertaking the Proposed Transactions are set out in the Explanatory Memorandum accompanying this Notice of Meeting.

Shareholders should be aware that there are certain risks associated with the Proposed Transactions. These risks are set out in Section 3 of the Explanatory Memorandum accompanying this Notice of Meeting.

This Notice of Meeting seeks approval from Shareholders for:

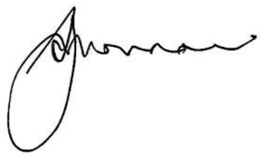
- the issue of 6,504,463 Shares to AMD (or its nominee) under the Placement;
- the issue of 25,000,000 Convertible Notes to the Fund and 12,500,000 Convertible Notes to AMD under the Convertible Notes Issue;
- the conversion of the Convertible Notes, including for the purposes of section 611 item 7 of the Corporations Act, and to allot and issue such number of Shares to AMD and the Fund as each of them is entitled to be allotted and issued in accordance with the terms of the Convertible Notes;

- the acquisition by AMD and the Fund of a Relevant Interest in the Shares held by each other; and

- the appointment of AMD as underwriter to the Underwritten Rights Issue and for the acquisition by AMD of a Relevant Interest in any Shares allotted and issued to AMD (or its nominee) pursuant to performance of AMD's obligations as underwriter of the Underwritten Rights Issue.

I ask that you read the Notice of General Meeting and attached Explanatory Memorandum and Independent Expert's Report carefully, and trust you will agree with the Board that this represents an outstanding opportunity for the Company.

Yours sincerely



Stephen Morrow
Chairman

Notice of Meeting to Shareholders

A General Meeting of Shareholders in Buderim Group Limited (the **Company**) will be held at Level 10, 12 Creek Street Brisbane, at 11am (Brisbane time) on 20 December 2016.

The Explanatory Memorandum that accompanies and forms part of this Notice of Meeting describes in more detail the matters to be considered.

Please note terms contained in this Notice of Meeting have the same meaning as set out in Schedule 1 of the Explanatory Memorandum accompanying this Notice of Meeting.

Resolution 1 – Issue of Shares to AMD

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 2, 3 and 4, pursuant to and in accordance with ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue 6,504,463 Shares at an issue price of $0.40 each to AMD (or its nominee) on the terms and conditions set out in the Explanatory Memorandum".

Voting exclusion: The Company will disregard any votes cast on Resolution 1 by AMD, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary Shares) if Resolution 1 is passed, and by any associate of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 – Issue of Convertible Notes

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1, 3 and 4, pursuant to and in accordance with ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 25,000,000 Convertible Notes at an issue price of $0.40 (less the relevant Costs Adjustment amount) each to the Fund and 12,500,000 Convertible Notes at an issue price of $0.40 each (less the relevant Costs Adjustment amount) to AMD on the terms and conditions set out in the Explanatory Memorandum."

Voting exclusion: The Company will disregard any votes cast on Resolution 2 by AMD, the Fund, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary Shares) if Resolution 2 is passed, and by any associate of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 3 – Issue of Shares on conversion of Convertible Notes

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1, 2, and 4, for the purposes of section 611 item 7 of the Corporations Act and for all other purposes, approval is given for the Company:

(a) to allot and issue such number of Shares to the Fund as the Fund is entitled to be allotted and issued as a result of conversion of up to 37,500,000 Convertible Notes, regardless of whether or not those Convertible Notes were originally issued to the Fund or to AMD;
(b) to allot and issue such number of Shares to AMD as AMD is entitled to be allotted and issued as a result of conversion of up to 37,500,000 Convertible Notes, regardless of whether or not those Convertible Notes were originally issued to AMD or to the Fund;
(c) for the acquisition by AMD of a Relevant Interest in any Shares in which the Fund has a Relevant Interest as a result of the Fund converting the Convertible Notes referenced in paragraph (a) above; and
(d) the acquisition by the Fund of a Relevant Interest in any Shares in which AMD has a Relevant Interest as a consequence of:
  (i) the allotment and issue of Shares pursuant to the Placement;
  (ii) the allotment and issue of Shares pursuant to the Underwritten Rights Issue or the performance of AMD's obligations as underwriter of the Underwritten Rights Issue; and
  (iii) AMD converting the Convertible Notes referenced in paragraph (b) above,

each on the terms and conditions set out in the Explanatory Memorandum".

Voting exclusion: The Company will disregard any votes cast on Resolution 3 by AMD, the Fund, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary Shares) if Resolution 3 is passed, and by any associate of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by KPMG Financial Advisory Services (Australia) Pty Ltd for the purposes of shareholder approval required under section 611 item 7 of the Corporations Act for this Resolution 3. The Independent Expert's Report comments on the fairness and reasonableness of the Proposed Transactions as a whole (which includes the subject of Resolution 3) to the non-associated Shareholders of the Company. The Independent Expert has determined that the Proposed Transactions as a whole (including the transaction that is the subject of Resolution 3) are **not fair but reasonable** to the non-associated Shareholders of the Company.

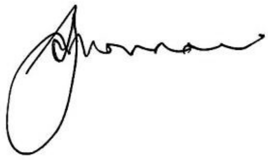
Resolution 4 – Approval of the appointment of AMD as underwriter and issue of shortfall Shares

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1, 2 and 3, for all purposes approval is given to appoint AMD as the underwriter to the Underwritten Rights Issue on the terms and conditions set out in the Explanatory Memorandum and for the acquisition by AMD of a Relevant Interest in any Shares allotted and issued to AMD (or its nominee) pursuant to performance of AMD's obligations as underwriter of the Underwritten Rights Issue."

Voting exclusion: The Company will disregard any votes cast on Resolution 4 by AMD, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary Shares) if Resolution 4 is passed, and by any associate of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

BY ORDER OF THE BOARD



STEPHEN MORROW
CHAIRMAN

DATED: 16 November 2016

Explanatory Memorandum

Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders of Buderim Group Limited (**BUG** or the **Company**) in relation to business to be conducted at the General Meeting to be held at Level 10, 12 Creek Street, Brisbane at 11am (Brisbane time) on 20 December, 2016.

Purpose of Explanatory Memorandum

The purpose of this Explanatory Memorandum is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Meeting.

This Explanatory Memorandum does not take into account the individual investment objectives, financial situation and needs of individual Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the Resolutions and Shareholders should seek their own financial or legal advice.

Notice to persons outside of Australia

This Explanatory Memorandum has been prepared in accordance with the Corporations Act and the ASX Listing Rules, disclosure requirements and Accounting Standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

Forward looking statements

Certain statements in this Explanatory Memorandum relate to the future. These statements reflect views only as of the date of this Explanatory Memorandum. While BUG believes that the expectations reflected in the forward looking statements are reasonable, neither BUG nor any other person gives any representation, assurance or guarantee that the occurrence of an event expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur.

Disclaimer

No person is authorised to give any information or make any representation in connection with the Proposed Transactions which is not contained in this Explanatory Memorandum. Any information which is not contained in this Explanatory Memorandum may not be relied on as having been authorised by BUG or the Board in connection with the Proposed Transactions.

Responsibility for information

The information contained in this Explanatory Memorandum (except the Independent Expert's Report and the information regarding AMD, the Fund or any of their associated entities, nominee directors and their respective intentions) has been prepared by BUG and is the responsibility of BUG. Information concerning AMD, the Fund or any of their associated entities, nominee directors and their respective intentions has been provided by AMD and the Fund, respectively. None of BUG, its associates or its advisers assumes any responsibility for the accuracy or completeness of that information.

The Independent Expert has prepared the Independent Expert's Report and has consented to the inclusion of that report in this Explanatory Memorandum. The Independent Expert takes responsibility for that report but is not responsible for any other information contained within this Explanatory Memorandum.

Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

ASX

A copy of the Notice of Meeting and Explanatory Memorandum has been lodged with ASX pursuant to the ASX Listing Rules. Neither ASX nor any of its officers take any responsibility for the contents of the Notice and Explanatory Memorandum.

Definitions

Capitalised terms in this Explanatory Memorandum are defined in Schedule 1.

Enquiries

All enquiries in relation to the contents of the Notice of Meeting or Explanatory Memorandum should be directed to the Company's Company Secretary, Andrew Bond, (telephone: +61 7 3726 3400).

1 Background to the Proposed Transactions

1.1 Background on the Company

BUG was established as a Co-operative in 1941 by five Buderim farmers. BUG restructured to a public company on 10 October 1989.

BUG significantly diversified in 2004 following the creation of a specialist bakery business, Buderim Baking Company through the acquisition of a long-standing premium pastry manufacturer, I Spy Pies, and the subsequent acquisition, in early 2005, of Aldente Foods, which produced a range of quality, pre-prepared pasta meals.

On 31 December 2007 BUG further diversified with the purchase of the business of Agrimac Macadamias through its subsidiary Agrimac Macadamias Pty Ltd (formerly known as Buderim Macadamias Pty Ltd), to become the third largest processor of Australian macadamias.

On 12 August 2008 BUG entered into a long term commercial lease on the 4,000 acre Kapua macadamia orchard and the on-site MacFarms processing plant. During 2008, the Company issued an additional 10,597,483 shares through share placement, the dividend reinvestment plan, share purchase plan, the MD incentive scheme and as part payment for the business assets of Mac Farms of Hawaii.

In 2008 BUG sold its holding in the non performing Aldente Foods, the pasta business.

Effective 31 December 2010, BUG's US entities were restructured with subsidiaries Buderim Macadamias of Hawaii, LLC and Buderim Ginger America, LLC becoming 100% owned and relinquishing the interest in Pan Pacific Foods, LLC the North American distributor.

In April 2011 a non-renounceable rights issue raised $4.8 million with a further $189,000 from placing the shortfall. A reduction of debt by $7.4 million was enabled by proceeds of the rights issue together with the sale and leaseback of the Agrimac Alstonville macadamia property and a reduction in inventories.

BUG's baking segment was hit hard in 2011 by the loss of its largest customer, Brumbies, when its order book was transferred to another manufacturer.

The 2012 year saw an increased contribution from MacFarms of $2.2 million account for most of the increase in total net profit after tax to $1.8 million (before changes in valuation of property). This included losses of $(1.8) million in the baking segment. There was a continued switch to use of cheaper Fiji ginger to improve the ginger segments' profitability, while $319,000 increase in contribution from Agrimac was due to a 33% increase in the volume of nuts available.

2013 saw significant changes in the trading environment. The baking segment was making losses in the order of $(1.34) million for the six month period to 31 December 2012 while the cash outflow was crippling. Within the ginger division there was the loss of a significant customer in the Bundaberg Brewed Drinks who had developed the capability to buy and dry their own ginger. Over the next two years there were a number of delistings of ginger products that had previously contributed substantially to the group.

In September 2013 Buderim Baking Pty Ltd assets were sold for $1.7 million with the baking premises lease was surrendered, representing a contingent liability of $2.4 million.

A capital raising of $11.3 million in May 2014 was directed to:

- repayment of bank debt $6 million
- part funding of MacFarms in the amount of US$2.25 million for purchased of the Kapua orchard for US$4.5 million.
- vital capital expenditure including replacement of the asbestos roof in the Yandina factory, repairs of the Yandina ginger brining tanks and purchase of electronic nut sorters in MacFarms.

The Kapua orchard has since been independently valued at 30 June 2016 at US$15.8 million.

In 2014 a basic strategy commenced of:

- focusing on the core businesses of ginger, macadamias and tourism;
- focusing on a brand strategy for FMCG products utilising the brands ‘Buderim Ginger’, ‘MacFarms’, ‘Fresh from Hawaii’, ‘Frespac’; and
- introducing contemporary products to replace the mature age ginger products.

The need for low cost manufacturing was recognised in order to improve margins to a level needed for a sustainable business. A high level of outsourced manufacturing in the business existed.

The Buderim Ginger brand refresh commenced with the introduction of the ‘Ginger Revolution’ campaign supported by both digital media and mainstream events such as the Ginger Rally held in Melbourne. The “gingernet.com’ was launched to support new products including new ginger ‘pouch’ packaging, a range of non-alcoholic and alcoholic ginger beers, and a chocolate macadamia spread, Macabella. Some new flavours for retail macadamia packs under the 'Fresh from Hawaii” brand were introduced. Ginger Beer and Pear and Macabella were awarded Supermarket Product of the Year 2016 illustrating the consumer success of these products.

Distribution of both ginger and macadamia products increased over 2015-16 with improved Hawaii distribution together with expansion into the export markets of Canada, Guam and Saipan. In Australia, BUG expanded its ginger product range in pharmacy channels with SnakPacks. More recently, the non-alcoholic beverage products were listed nationally in IGA/Metcash, Coles and Woolworths.

Changes to introduce low cost manufacturing have started with installation of a pouch packing machine in Yandina and electronic sorters in MacFarms. More recently in September 2016 a pasteurising unit has been installed in MacFarms, giving us access to new customers who require higher log kill for kernel. This equipment has short payback periods for considerable savings. Further acquisitions and equipment have been identified to address the issue of lowering the cost of manufacture. These relate to in-house versus contract packing of beverages which includes both ginger beer and cordials, and value adding to macadamias.

The results for 30 June 2016 reflect the volatile business environment in which BUG is operating.

	2016 $000's	2015 $000's	2014 $000's
Ginger	27,264	29,256	29,663
Macadamias	54,045	51,369	37,850
Baking	-	-	3,713
Tourism	4,418	4,069	3,994
Consolidation Entry	(6,231)	(8,652)	(5,153)
Consolidated Revenue	79,496	76,042	70,067

The increase in revenues from $70.1 million in 2014 to $79.4 million in 2016 is primarily driven by the increase in price of macadamias.

Summary of Group Results

	2016 $'000	2015 $'000	2014 $'000
Revenue (external)	78,473	70,720	63,160
Total Consolidated Income	79,496	76,042	70,067
EBITDA	(5,875)	5,519	125
EBIT	(8,231)	3,328	(1,944)
Net Profit/ (Loss) Before Tax	**(9,163)**	**2,516**	**(2,741)**
Fair Value Adjustment	-	(3,556)	-
Crop Insurance	**-**	**-**	(1,124)
'One-Offs'	1,737	1,372	1,119
Impairments	4,508	-	-
Adjusted Net Profit/(Loss) Before Tax	**(2,918)**	**331**	**(2,935)**
Net Profit/(Loss) After Tax	**(6,626)**	**290**	**(1,493)**

The 2016 results were impacted significantly by non-cash impairment charges of $4.5 million relating to write-downs of the carrying value of assets. In particular, the goodwill of $1.5 million in the Australian macadamia entity, trademark registration costs of $147,000 and write down of plant & equipment of $2.8 million mainly in the Ginger division.

In addition to the impairment charges, other significant amounts reported upon in the 2016 Annual Report relate to issues originating in prior periods, namely:

- RHO 2012 processing contract dispute settled for $231,000 including legal costs against a claim for US$1.3 million;
- settlement of a 2010 labelling claim in respect of Proposition 65, a Californian food safety law; and
- general indirect tax provisioning of $334,000 for incorrect calculation of tax.

In 2016 the increasing level of rebates and discounts demanded by supermarket retailers impacted heavily on the profitability of BUG's ginger and spread products. BUG has had quite a number of products delisted in the 2016 financial year, amounting to $1.4 million in turnover. BUG's macadamia chocolate spread, despite being Product of the Year, entered the market at a time when Kraft also launched four competing products in the same category. Discounting was required to sell stock in the face of highly competitive conditions and short shelf life and the margin expected was not achieved.

Discussions were held with BUG's bankers in 2015 about providing crop facilities and changing facility covenants to working capital style products better suited to BUG's new business model. For example, the increase over 2014-2016 by approximately $2/kg in the input cost of nut in shell on 2,500 tonnes requires an additional $5 million to finance the same volume of nuts.

Following the half year result, Rabobank indicated that BUG had to reduce its debt substantially.

Consequently, the Board resolved to seek external independent advice on the alternatives available, resulting in the appointment of M&A Partners on 4 May 2016.

The Board concluded after a review by M&A Partners that BUG had an unsustainably high debt level of approximately $26 million with Rabobank, relative to a market capitalisation of approximately $17 million and negative EBITDA.

The Board proposed to realise cash from asset/business sales to reduce debt prior to undertaking a capital raising. The aim was to improve returns on capital and alleviate working capital pressure and to fund restructuring costs and provide working capital for future growth. The Company would then be able to explore merger or sale discussions with strategic parties.

At that time, Rabobank debt repayment conditions were:

- 20 May 2016 - $3.5 million increase;
- 31 August 2016 - $3.5 million repayment;
- 28 February 2017 - $4 million repayment; and
- 30 Nov 2017 - facility expires.

The capital restructure alternative commenced with the ‘sale and leaseback’ of Yandina and a proposed sale of Agrimac. The sale of Agrimac was to enable Buderim to focus on a branded FMCG strategy and continue to move into higher value products. The strategy was based on removing assets within the Company that were not efficiently utilising invested capital and potentially avoiding a dilutive capital raising.

The Board gave serious consideration to other alternatives to the Proposed Transactions including an orderly asset realisation but were of the view that the Proposed Transactions were more attractive.

Around this time BUG was approached independently by a third party adviser to AMD and the Fund. After negotiations in relation to the Proposed Transactions, BUG announced on 5 October 2016 that a binding term sheet had been executed in relation to the Proposed Transactions. The definitive agreements were signed on 28 October 2016 as announced to the market on that date. The investors are expected to bring access to distribution to Chinese markets through their current associations and contacts in the food and distribution industry.

The capital raised is intended to be used to pay down debt, fund improvements to reduce contract packing costs and in the marketing of new products.

More specifically, projects contemplated include:

- development of in-house manufacturing capability for processes currently outsourced, including drinks packaging;
- facilitate further vertical integration in macadamias in orchard development and retail macadamia product processing;
- increased distribution into export markets, including China, assisted by AMD and the Fund; and
- enable potential extension into a wider tree-nut business with the support of AMD and the Fund.

The advantages and disadvantages of the Proposed Transactions are considered further in Section 2.

The background of the two investors is shown in Section 1.2 and 1.3.

1.2 Background on AMD

AMD is a Hong Kong-based private company which is owned by persons not associated or related in any way to the Fund, any other entity mentioned in Section 1.3, the Company or any existing shareholders of the Company. AMD's principal activities include investment in companies in the fast-moving consumer goods market.

AMD is a business associate of QiaQia Food Co. Ltd. (**QiaQia**), a Chinese publically listed company on the Shenzhen Stock Exchange.

The business association consists of the following joint ventures and co-investments that AMD and QiaQia have in numerous snack processing facilities in China:

- Chongqing Qiaqia Food Co Ltd;
- Anhui Beite Food Technology Co Ltd;
- Shanghai Qiaqia Food Co Ltd;
- Hefei Huali Food Co Ltd; and
- Hebei Duowei Food Co Ltd.

Headquartered in Hefei, Anhui Province, QiaQia is one of China's largest modern snack production companies, specialised in roasted seeds and tree nuts. QiaQia products are sold in over 900,000 retail outlets in China. In addition to national distribution in China, it also distributes products to SE Asia, Europe and North America.

In the year ending 31 December 2015, QiaQia had annual revenues of A$650 million, and its market capitalisation as at 30 September 2016 was over A$1.8 billion.

1.3 Background on the Fund

The Fund is a Cayman Islands exempted limited partnership. It was founded by Albert Tse (former Legal Representative of Macquarie Group in Beijing), who is a specialist in Chinese outbound investments, especially into Australia, across many different sectors.

The Fund does not have a trustee. Its investors include family officers and large institutional and private investors from Europe and Asia (none of which are sovereign-owned or controlled).

The Fund is a holding vehicle for a private equity fund which invests in Australian and New Zealand companies that benefit from China's growth - especially companies that offer products and services in demand by Chinese consumers.

The Fund's team comprises Chinese-speaking investment personnel with Australian education and professional backgrounds that can bridge the cultural gap between Australian and Chinese companies. The Fund provides both financial capital and assistance with access to the Chinese market.

The Fund is wholly-owned by another Cayman Islands exempted limited partnership, Wattle Hill RHC Fund 1 L.P. (**Second Fund**), which is a closed end private equity fund.

The Fund has one general partner, Wattle Hill RHC Fund 1 SPV1 Ltd (**General Partner**). The shares in the General Partner are owned by Wattle Hill RHC Hong Kong Ltd (a Hong Kong company), which will act as the investment adviser to the Second Fund.

The Second Fund's term of investment is 7 years, which is subject to extension with the consent of a committee of limited partners. The limited partners (of which there are currently 7) have no right to participate in the management or operation of the Second Fund, other than limited rights to approve certain actions proposed to be taken by the

General Partner. Both the Fund and the Second Fund are not related to AMD, the Company or any existing shareholders of the Company.

1.4 Associates

The Company understands that AMD and the Fund are associates in accordance with section 12(2) of the Corporations Act.

1.5 Background to the Rabobank loans

The BUG financing facilities include:

- Westpac overdraft facility of $1 million secured by a bank guarantee from Rabobank;
- Rabobank working capital facility of $7.5 million which reduced to $4.0 million at 31 August 2016 but which the Company is currently negotiating to have increased to $6.0 million;
- Rabobank term loan facility of $11.4 million expiring 30 November 2017;
- Rabobank foreign currency term loan facility of US$4.2 million expiring 30 November 2017; and
- an equipment financing facility with Rabobank of $500,000 for BUG finalising in 2018,

(together, the **Outstanding Loans**).

The Group did not meet its debt service cover ratio, debt to earnings before interest, tax, depreciation and amortisation (**EBITDA**) ratio and forecasted EBITDA banking covenant ratios with Rabobank for the period ended 30 June 2016.

The Group received a waiver from Rabobank on 28 June 2016 in respect of the expected financial banking covenant breaches as at 30 June 2016.

All Rabobank facilities were classified as current because the Group was unable to secure Rabobank requirements from third party warehouses, being a condition of the waiver letter.

Should the Rabobank facilities expire without renewal at 30 November 2017 then BUG will require alternative finance facilities from another financier.

Accordingly, the purpose of Resolutions 1 to 4 is to obtain Shareholder approval to enable the Company to raise funds to repay up to $15 million of the Rabobank debt (from the working capital facility and the term loan facility) and to fund restructuring costs and provide working capital for future growth.

1.6 Background to the Equity Raisings

As part of the Proposed Transactions, the Company is seeking to raise funds via the Placement and the Underwritten Rights Issue. Please refer to Section 4.3 of this Explanatory Memorandum for details as to the Company's intentions in respect of the use of funds raised under the Proposed Transactions.

(a) Placement

The Company has entered into the Placement Agreement to issue 6,504,463 Shares at $0.40 per Share to AMD (or its nominee) to raise approximately $2.6 million (before costs and expenses). As at the date of this Notice of Meeting, this represents approximately 15% of the Shares currently on issue. The key terms of the Placement Agreement are summarised in part 2 of Schedule 2.

The purpose of Resolution 1 is to obtain Shareholder approval for the Placement, including for the purposes of ASX Listing Rule 7.1 and for all other purposes. The Placement is conditional on all Resolutions being passed at the General Meeting. If any of Resolutions 1 to 4 are not passed, none of the Proposed Transactions will occur.

If all Resolutions are approved, the issue of the Placement Shares will occur two business days after satisfaction (or waiver) of all conditions precedent set out in the Transaction Implementation Deed.

(b) Underwritten Rights Issue

The Company is proposing to conduct a pro rata renounceable rights issue of Shares, on a 1 for 2 basis at $0.36 per share, to raise approximately $9 million (before costs and expenses). AMD has agreed to fully underwrite the Underwritten Rights Issue, which will be made to registered holders of Shares at the record date who are resident in Australia or New Zealand. The Underwriting Agreement is further summarised in part 3 of Schedule 2.

The purpose of Resolution 4 is to obtain Shareholder approval for the appointment of AMD as the underwriter to the Underwritten Rights Issue and to approve the acquisition by AMD (or its nominee) of a Relevant Interest in any Shares allotted and issued to AMD (or its nominee) pursuant to performance of AMD's obligations as underwriter of the Underwritten Rights Issue.

It is intended that AMD will be entitled to participate as a Shareholder in the Underwritten Rights Issue (in addition to its rights to take up shortfall Shares as underwriter). AMD and the Fund may not convert any Convertible Notes prior to the record date for the Underwritten Rights Issue.

While Shareholder approval is not required pursuant to the Listing Rules or the Corporations Act for the Underwritten Rights Issue, the Board has considered it appropriate to seek approval from Shareholders on the matters in Resolution 4 as AMD will be a substantial Shareholder. The Underwritten Rights Issue is conditional on, and will only proceed if, all Resolutions are passed at the General Meeting. If any of Resolutions 1 to 4 are not passed, none of the Proposed Transactions will occur. The timetable for the Underwritten Rights Issue will be announced following receipt of such Shareholder approvals.

1.7 Background to the Convertible Notes

The Company has entered into the Convertible Note Agreement, pursuant to which the Company will, subject to certain conditions, issue 25,000,000 Convertible Notes to the Fund and 12,500,000 Convertible Notes to AMD, at a price of $0.40 for a total consideration of $15,000,000 (less the relevant Costs Adjustment amount). The Convertible Note Agreement is further summarised in part 3 of Schedule 2.

The purpose of Resolution 2 is to obtain Shareholder approval for the Convertible Notes Issue, including for the purposes of ASX Listing Rule 7.1 and for all other purposes.

Resolution 3 requires Shareholders to approve the conversion of the Convertible Notes for all purposes, including for the purposes of section 611 item 7 of the Corporations Act, and to approve the allotment and issue of such number of Shares to AMD and the Fund as each of them is entitled to be allotted and issued in accordance with the terms of the Convertible Notes. The terms of the Convertible Notes provide that each Convertible Note will convert into one Share, which would mean that, should the Convertible Notes be converted, AMD and the Fund would together be entitled to be issued 37,500,000 Shares. However, this conversion ratio can be adjusted in the event that BUG undertakes any other restructuring or capital actions and where the conversion ratio is adjusted this may result in AMD and the Fund being issued more than 37,500,000 Shares collectively.

Each Convertible Note may be converted by AMD or the Fund into one Share (subject to adjustment of the conversion ratio as described above) at any time from the record date of the Underwritten Rights Issue until the maturity date for the Convertible Notes, being the third anniversary after completion of the Placement and Convertible Notes Issue.

The Convertible Notes Issue is conditional on, and will only proceed if, all Resolutions are passed at the General Meeting. If any of Resolutions 1 to 4 are not passed, none of the Proposed Transactions will occur. The issue of the Convertible Notes, if all Resolutions are approved, will occur two business days after satisfaction (or waiver) of all conditions precedent set out in the Transaction Implementation Deed.

AMD and the Fund have put and call arrangements in respect of the Convertible Notes proposed to be issued to them subject to Shareholder approval. Refer to Section 3.2 for a detailed summary.

2 Advantages and Disadvantages of the Proposed Transactions

The Proposed Transactions will result in various advantages and disadvantages to the Company which Shareholders should consider prior to exercising their vote. Some of the key advantages and disadvantages are set out below.

2.1 Key advantages of the Proposed Transactions

The Directors consider that the key advantages to the Company and non-associated Shareholders of completing the Proposed Transactions are as follows:

(a) the Proposed Transactions provide an opportunity for the Company to:

(i) secure funding through the introduction of two strategic investors being AMD and the Fund, providing:

(A) additional South East Asian, in particular Chinese, distribution channels for the Company's products, and

(B) specific commercial expertise to the Company to assist it to target growth and development of the Company's products in China;

(ii) obtain the benefit of AMD's and the Fund's relationships in China; and

(iii) through AMD, obtain the benefit of QiaQia's distribution channels, experience and technical skills in South East Asia, Europe and North America;

(b) the repayment of up to $15 million of the Outstanding Loans will allow the Company to reduce its debt without affecting the Company's cash reserves which are required to develop its existing projects;

(c) utilise additional funds to assist the Company to further develop its existing projects as well as new contemplated projects, including:

(i) developing in-house manufacturing capability for processes currently outsourced including drinks packaging;

(ii) facilitating further vertical integration in macadamias in orchard development and retail macadamia product value-added processing;

(iii) increasing distribution into export markets, including China, assisted by the transaction parties; and

(iv) enabling potential expansion of the Company's business into tree-nuts with the support of the transaction parties;

(d) provide an alternative to the break-up and asset sale of the company which would otherwise be required in order to repay all its debt to Rabobank upon maturity of the existing facilities in November 2017 should the facility not be renewed and alternative bank financing not be found. The recovery of asset values at going concern or in-use values is uncertain in that situation; and

(e) the potential increase in market capitalisation of the Company following completion of the Proposed Transactions may lead to increased coverage from investment analysts, access to improved equity capital market opportunities and increased liquidity.

2.2 Key disadvantages of the Proposed Transactions

The Directors consider that the key disadvantages to the Company and non-associated Shareholders of completing the Proposed Transactions are as follows:

(a) current Shareholders will have their interests in the Company significantly diluted by the Proposed Transactions. Refer to Section 3.1 of this Explanatory Memorandum for further information;

(b) if the Proposed Transactions complete, AMD and the Fund will collectively have a voting power of up to 61.4% (assuming that no existing Shareholders take up any of their rights under the Underwritten Rights Issue and also assuming all of the Convertible Notes are converted by AMD and the Fund into Shares prior to their maturity date with no adjustment to the conversion ratio, and no other issuance of Shares before that conversion). If all of the existing Shareholders take up their rights, then AMD and the Fund will collectively have a voting power of up to 42.1% on completion of the Proposed Transactions (again assuming all of the Convertible Notes are converted by AMD and the Fund into Shares prior to maturity with no adjustment to the conversion ratio, and no other issuance of Shares before that conversion); and

(c) In addition, if the Proposed Transactions complete, Mr Shane Templeton will resign from the Board and Mr Yigang Yang and Mr Albert Tse, being nominees of AMD and the Fund, respectively, will be appointed as Non-Executive Directors. Within six months of the issue date of the Convertible Notes and Placement Shares, the Board must resolve to appoint an additional Director, which person must be approved by the Fund and AMD. This means that the Board will comprise of five Directors, three of whom will represent AMD and/or the Fund and who will (where they act together) be able to pass ordinary resolutions of the Board.

3 Key Risks if the Proposed Transactions proceed

Shareholders should consider the Independent Expert's Report when considering the risks associated with the Proposed Transactions. Based on the information available, a non-exhaustive list of the key risk factors associated with the Proposed Transactions is set out below.

3.1 Dilution Risk

The Company currently has 43,363,090 Shares on issue. If the Proposed Transactions (Placement, Underwritten Rights Issue and Conversion of Notes) complete, the Company will issue a further 68,938,240 Shares (assuming all Convertible Notes are converted to Shares and the applicable conversion ratio for the Convertible Notes is 1:1).

The issue of these Shares in the circumstances described above will dilute the existing Shares from 100% to approximately 57.9% ownership (if existing Shareholders take up 100% of their rights under the Underwritten Rights Issue). In the event that no rights are taken up by existing Shareholders, the existing Shares would be diluted to 38.6% ownership.

There is also a risk that the interests of Shareholders may be further diluted if future capital raisings are required in order to fund its activities.

Accordingly, the issue of the Shares under the Proposed Transactions will have a significant dilutionary effect on the Company's existing Shareholders. Refer to Section 4.1 of this Explanatory Memorandum for further details on the impact of the Proposed Transactions to the Company's capital structure.

3.2 Major Controlling Shareholders

As at the date of this Notice of General Meeting, none of AMD, the Fund nor any of their associates hold a Relevant Interest in any Shares.

Following completion of each of the Proposed Transactions (which is subject to Shareholders passing the Resolutions 1 to 4 at the General Meeting), among other things:

(a) AMD will hold up to 43,938,240 Shares, representing an interest of 39.1% in the total issued Shares on completion of the Proposed Transactions (assuming that no existing Shareholders take up any of their rights under the Underwritten Rights Issue and also assuming all of the Convertible Notes are converted by AMD into Shares and the applicable conversion ratio for the Convertible Notes is 1:1). If all of the existing Shareholders take up their rights, then AMD will hold 22,256,695 Shares, representing an interest of 19.8% in the total issued Shares on completion of the Proposed Transactions (assuming all Convertible Notes held by AMD are converted into Shares and the applicable conversion ratio for the Convertible Notes is 1:1); and

(b) the Fund will hold 25,000,000 Shares, representing an interest of 22.3% in the total issued Shares on completion of the Proposed Transactions (assuming all Convertible Notes held by the Fund are converted into Shares and the applicable conversion ratio for the Convertible Notes is 1:1).

As noted in Section 1.4, on the basis that AMD and the Fund are associates, this will mean that each of AMD and the Fund will hold voting power in each other's Shares resulting in a voting power for each of AMD and the Fund of up to 61.4% (assuming that no existing Shareholders take up any of their rights under the Underwritten Rights Issue and also assuming all of the Convertible Notes are converted by AMD and the Fund into Shares prior to their maturity date and that the applicable conversion ratio for the Convertible Notes is 1:1). If all of the existing Shareholders take up their rights, AMD and the Fund will have a voting power of up to 42.1%.

This combined interest of AMD and the Fund will enable AMD and the Fund to block compulsory acquisition of the Company, block special resolutions of the Company and, depending on how many of the existing Shareholders take up their rights, to potentially control ordinary Shareholder resolutions.

AMD and the Fund have also entered into a Put and Call Option Agreement (**Option Agreement**) which provides each of AMD and the Fund with certain rights in relation to the Convertible Notes and/or Shares held by the other party during the term of the Convertible Notes. Under the Option Agreement:

(a) the Fund grants to AMD a call option over all (but not less than all) of the Fund's Convertible Notes exercisable within 6 months of the Convertible Notes issue date. The exercise price per Convertible Note under the call option is the face value of the Convertible Notes ($0.40) x 1.35. The call option will expire on the date that is six months after the issue date of the Convertible Notes. The Fund and AMD have agreed that any conversion of the Convertible Notes after this call option expiry date will require the written consent of the other party if, at the time the conversion notice is proposed to be lodged, the share price of the Company is less than 70 cents per share;

(b) AMD grants to the Fund a put option over all (but not less than all) of the Fund's Convertible Notes exercisable up to 120 days before the maturity date for the Convertible Notes. The exercise price per Convertible Note under the put option is the face value of the Convertible Notes ($0.40) x (1+ (12.5% x n/365)) (where n is the number of days from the Convertible Notes issue date to the date of completion of the transfer) minus total interest received on the relevant Convertible Notes and minus total dividends, returns of capital and other distributions received by the Fund on any Shares acquired by the Fund on conversion of any Convertible Notes. The put option will expire on the earlier of:

    (i) the date the Fund disposes of any interest in the Convertible Notes or any Shares acquired by the Fund on conversion of the Convertible Notes to a third party, other than AMD or its nominee; and

    (ii) the date that is 120 days before the maturity date of the Convertible Notes;

(c) each of the Fund and AMD grants to the other a call option to purchase all (but not less than all) of the Convertible Notes and Shares held by the other. The mutual call option is only exercisable after expiry of the call option referred to in (a) above and expires no later than the third anniversary of the Convertible Notes issue date. The mutual call option is only exercisable if neither the call option referred to in (a) above nor the put option referred to in (b) above has been exercised, and if neither the Fund nor AMD have previously exercised the mutual call option. The exercise price per Convertible Note/Share under the mutual call option $1.00;

(d) upon exercise of the put option or call option (including a mutual call option) and before completion of the transfer of the Convertible Notes and/or Shares from the transferring party (**Transferor**) to the receiving party (**Transferee**), the Transferor must procure its nominee Director to resign and be replaced by a nominee of the Transferee and, if requested by the Transferee, procure the Director jointly nominated by the nominee Directors of AMD and the Fund to resign and be replaced by a nominee of the Transferee (if the jointly nominated Director has not yet been appointed at that time, the Transferee will be entitled to exercise that appointment right);

(e) each of the Fund and AMD grants to the other a right of last refusal in respect of any proposed disposal of its Convertible Notes; and

(f) the Option Agreement terminates on the third anniversary of the issue date for the sale of the Convertible Notes.

The Option Agreement is conditional on Convertible Notes having been issued to AMD and the Fund.

The existence of the Option Agreement also means that AMD and the Fund will have a Relevant Interest in each other's Shares.

3.3 Change in Board control

Upon issue of the Placement Shares and the Convertible Notes, Mr Shane Templeton will resign from the Board and Mr Yigang Yang and Mr Albert Tse, being nominees of AMD and the Fund, respectively, will be appointed as Non-Executive Directors.

Within six months of the completion of the Placement and Convertible Notes Issue, the Board is further required to resolve to appoint an additional Director, which person must be approved by the Director nominees of the Fund and AMD. This means that the Board will comprise of five Directors, three of whom will represent the interests of AMD and/or the Fund and who will (where they act together as a group) be able to pass ordinary resolutions of the Board. There is accordingly a risk that AMD and/or the Fund could use its voting power on the Board to pursue interests which are contrary to the interests of the current Shareholders.

3.4 Completion Risk

The Proposed Transactions are subject to the fulfilment of certain conditions, including each of Resolutions 1 to 4 being passed at the General Meeting. Even if the Resolutions are approved, the Proposed Transactions will only be implemented if all of the other conditions precedent set out in the Transaction Implementation Deed are satisfied or waived. Refer to part 1 of Schedule 2 for further details relating to the Transaction Implementation Deed, and in particular the conditions precedent which must be satisfied for the Proposed Transactions to proceed.

If any of conditions precedent set out in the Transaction Implementation Deed are not satisfied or waived by 14 February 2017, or if any of the Transaction Implementation Deed, Placement Agreement, Convertible Note Agreement or Underwriting Agreement is terminated in accordance with their terms, the Proposed Transactions will not proceed.

The Company is not currently aware of any information which may cause the conditions precedent to be breached or unfulfilled. However, there is a risk that these conditions precedent will be unfulfilled due to circumstances outside of its control.

3.5 Effect on other possible takeover offers

Assuming that no existing Shareholders take up any of their rights under the Underwritten Rights Issue and also assuming all of the Convertible Notes are converted by AMD and the Fund into Shares prior to their maturity date, the combined interest of AMD and the Fund may increase to a maximum of 61.4% (see further in Sections 4.1 and 4.4). A combined interest of AMD and the Fund of 50% or more may influence a decision by any other third party to bid for BUG because the third party would not be confident that it could acquire at least a 50% interest in the issued capital of BUG.

4 Impact on the Company

4.1 Impact of the Proposed Transactions on the Company's capital structure

The effect of the Proposed Transactions on the capital structure of the Company can be summarised as follows:

Shares	Number	Percentage interest
Shares on issue at the date of the Notice	43,363,090	38.6%
Shares to be issued to AMD under the Placement (Resolution 1)	6,504,464	5.8%
Shares to be issued under the Underwritten Rights Issue[1] (Resolution 4)	24,933,777	22.2%
Shares to be issued to the Fund if Convertible Notes are converted (Resolution 3)[2]	25,000,000	22.3%
Shares to be issued to AMD if Convertible Notes are converted (Resolution 3)[2]	12,500,000	11.1%
Total Shares upon completion of the Proposed Transactions (assuming all Convertible Notes are converted)	**112,301,330**	**100%**

Table 4.1.1 – how the Proposed Transactions will increase the number of Shares in the Company

Notes:

1. AMD (or its nominee) will also take up shortfall Shares (if any) as underwriter to the Underwritten Rights Issue.
2. Assumes that the Convertible Notes held by AMD and the Fund are converted into Shares, and that the conversion ratio is 1:1. The holders of the Convertible Notes will not be able to covert the Convertible Notes to Shares to participate in the Underwritten Rights Issue.

As a result, upon completion of all of the Proposed Transactions (on an undiluted basis), it is expected that interests in the Company's securities will be held by AMD, the Fund and other Shareholders in the proportions set out in Table 4.1.2 below.[1]

Table 4.1.2 also lists the securities that will be held by AMD and the Fund if either party exercises its maximum entitlement under the Option Agreement specified in Section 3.2 to purchase all of the Convertible Notes and Shares held by the other party (or if all the Convertible Notes held by one party are otherwise voluntarily transferred to the other party pursuant to the Convertible Note transfer rights set out in Schedule 3).

Shareholder	Existing securities on issue		On completion of Placement (Resolution 1)		Assuming min/max Shares are issued to AMD under Underwritten Rights Issue (following completion of Placement) (Resolution 4)[2]		After issue and conversion of all Convertible Notes by AMD and the Fund (Resolutions 2 and 3)		If AMD subsequently exercises its maximum entitlement under the Option Agreement to purchase all of the Convertible Notes and Shares held by the Fund (or there is a voluntary transfer)		If the Fund subsequently exercises its maximum entitlement under the Option Agreement to purchase all of the Convertible Notes and Shares held by AMD (or there is a voluntary transfer)	
	No of Shares	% interest	No of Shares	% interest	No of Shares	% interest	No of Shares	% interest	No of Shares	% interest	No of Shares	% interest
All existing Shareholders other than AMD, the Fund and each of their respective associates	43,363,090	**100.00%**	43,363,090	87%	43,363,090 / 65,044,635	87% / 58%	43,363,090 / 65,044,635	35.5% / 57.9%	43,363,090 /65,044,635	35.5% / 57.9%	43,363,090 /65,044,635	35.5% / 57.9%
AMD[3]	Nil	Nil%	6,504,463	13%	9,756,695 / 31,438,240	13% / 42%	22,256,695 / 43,938,240	19.8% / 39.1%	47,256,695/ 68,938,240	42.1%/ 61.4%	Nil	Nil
The Fund	Nil	Nil	Nil	Nil	Nil	Nil	25,000,000	22.3%	Nil	Nil	47,256,695/ 68,938,240	42.1%/ 61.4%
Total Shares	43,363,090	**100.00%**	49,867,553	**100.00%**	74,801,330	**100.00%**	112,301,330	**100.00%**	112,301,330	**100.00%**	112,301,330	**100.00%**

Table 4.1.2 – ownership interests of AMD, the Fund and other Shareholders as a result of the Proposed Transactions

Notes:
1. The above calculations have been made on the basis that the Placement and Underwritten Rights Issue will be completed before any Convertible Notes are converted to Shares.
2. The above calculations assume that the Convertible Notes held by AMD and the Fund are converted into Shares, and that the conversion ratio is 1:1.
3. AMD (or its nominee) will be entitled to participate in the Underwritten Rights Issue through the Shares acquired under the Placement. AMD (or its nominee) will also take up shortfall Shares (if any) as underwriter to the Underwritten Rights Issue.

Shareholders should note that all of the Proposed Transactions for which Shareholder approval is being sought at the General Meeting are conditional upon each of the Resolutions being passed at the Meeting. However, it is possible that only the Placement will complete if either party exercises a right (after completion of the Placement) to terminate the Underwriting Agreement or the Convertible Note Agreement in accordance with the terms of the relevant agreement. As a result, the number of securities to be issued under the Proposed Transactions may vary.

Please refer to Sections 5.2 and 5.3 of this Explanatory Memorandum for further information regarding the inter-conditionality of the Resolutions and termination rights under the transaction documents.

4.2 Pro Forma Balance Sheet

An unaudited pro forma balance sheet of the Company following completion of the Proposed Transactions is set out in section 8 of the Independent Expert's Report, a copy of which is attached at Attachment A.

4.3 Use of funds

The Company intends to apply funds, including those funds raised pursuant to the Equity Raisings, as follows:

Application of Funds	Amount A$
Costs of the Proposed Transactions	0.3 million
Reduction of Outstanding Loans	13.0 to 15.0 million
Development of in-house manufacturing capability, expansion of export markets, new product development and marketing and facilitating further vertical integration	10.9 to 12.9 million
Total	**$26.2 million**

Table 4.3.1 – how the Company will use the funds from the Proposed Transactions

The source of funds applied as per the above table is listed in the following table:

Source of Funds	Amount A$
Placement	2.6 million
Underwritten Rights Issue	9.0 million
Convertible Notes Issue (reduced by expected Costs Adjustment amount)	14.6 million
Total	**$26.2 million**

Table 4.3.2 – breakdown of the funds received from the Proposed Transactions

4.4 Possible post-transaction ownership structures

If all Resolutions are passed at the General Meeting and the Company successfully completes and issues the Placement Shares to AMD (or its nominee), the overall ownership structure of the Company will be as follows (assuming that the Underwritten Rights Issues has not completed and no Convertible Notes have been converted to Shares in accordance with the Convertible Note Agreement):

Shareholder	Number of Shares	Percentage interest
All existing Shareholders other than AMD and its associates	43,363,090	86.96%
AMD	6,504,463	13.04%
TOTAL:	**49,867,553**	**100%**

Table 4.4.1 – ownership interests of AMD and other Shareholders after the Placement

If all Resolutions are passed at the General Meeting and the Company successfully issues Shares to AMD (or its nominee) under the Placement and completes the Underwritten Rights Issue, the overall ownership structure of the Company will be as follows (assuming no Convertible Notes have been converted under the Convertible Notes Issue):

Shareholder	Number of Shares (assuming all rights taken up by Shareholders)	Percentage interest	Number of Shares (assuming no rights taken up by Shareholders)	Percentage interest
All existing Shareholders other than AMD and its associates	65,044,635	87%	43,363,090	58%
AMD	9,756,695	13%	31,438,240	42%
TOTAL:	**74,801,330**	**100%**	**74,801,330**	**100%**

Table 4.4.2 – ownership interests of AMD and other Shareholders after the Underwritten Rights Issue

If all Resolutions are passed at the General Meeting and assuming all Convertible Notes are converted to Shares in accordance with the Convertible Notes Issue, the overall ownership structure of the Company will be as follows:

Shareholder	Number of Shares (assuming all rights taken up by Shareholders)	Percentage interest	Number of Shares (assuming no rights taken up by Shareholders)	Percentage interest
All existing Shareholders other than AMD and its associates	65,044,635	57.9%	43,363,090	38.6%
AMD[1]	22,256,695	19.8%	43,938,240	39.1%
Fund[1]	25,000,000	22.3%	25,000,000	22.3%
TOTAL:	**112,301,330**	**100%**	**112,301,330**	**100%**

Table 4.4.3 – ownership interests of AMD, the Fund and other Shareholders after the Convertible Notes Issue

Note:

1. Assumes a conversion ratio of 1:1.

If, after all Resolutions are passed at the General Meeting, AMD exercises its maximum entitlement under the Option Agreement specified in Section 3.2 to purchase all of the Convertible Notes held by the Fund (or the Fund otherwise agrees to transfer all of its

Convertible Notes to AMD pursuant to the Convertible Note transfer rights set out in Schedule 3), and assuming all Convertible Notes are converted to Shares in accordance with the Convertible Notes Issue, the overall ownership structure of the Company will be as follows:

Shareholder	Number of Shares (assuming all rights taken up by Shareholders)	Percentage interest	Number of Shares (assuming no rights taken up by Shareholders)	Percentage interest
All existing Shareholders other than AMD and its associates	65,044,635	57.9%	43,363,090	38.6%
AMD[1]	47,256,695	42.1%	68,938,240	61.4%
Fund[1]	Nil	Nil	Nil	Nil
TOTAL:	**112,301,330**	**100%**	**112,301,330**	**100%**

Table 4.4.4 – ownership interests of AMD, the Fund and other Shareholders if AMD acquires the securities of the Fund

Note:

1. Assumes a conversion ratio of 1:1.

If, after all Resolutions are passed at the General Meeting, the Fund exercises its maximum entitlement under the Option Agreement specified in Section 3.2 to purchase all of the Convertible Notes and Shares held by AMD (or AMD otherwise agrees to transfer all of its Convertible Notes to the Fund pursuant to the Convertible Note transfer rights set out in Schedule 3, as well as its remaining Shares), and assuming all Convertible Notes are converted to Shares in accordance with the Convertible Notes Issue, the overall ownership structure of the Company will be as follows:

Shareholder	Number of Shares (assuming all rights taken up by Shareholders)	Percentage interest	Number of Shares (assuming no rights taken up by Shareholders)	Percentage interest
All existing Shareholders other than AMD and its associates	65,044,635	57.9%	43,363,090	38.6%
AMD[1]	Nil	Nil	Nil	Nil
Fund[1]	47,256,695	42.1%	68,938,240	61.4%
TOTAL:	**112,301,330**	**100%**	**112,301,330**	**100%**

Table 4.4.5 – ownership interests of AMD, the Fund and other Shareholders if the Fund acquires the securities of AMD

Note:

1. Assumes a conversion ratio of 1:1.

4.5 Company's intentions if the Resolutions are passed

If all Resolutions are passed at the General Meeting and all of the Proposed Transactions are completed, the Company will endeavour to do the following:

(a) repay the Outstanding Loans as specified in Section 4.3;

(b) develop in-house manufacturing capability for processes currently outsourced;

(c) new product development and marketing;

(d) increase distribution into export markets, including China, assisted by AMD and the Fund; and

(e) facilitate further vertical integration.

However, if all Resolutions are passed at the General Meeting and only the Placement and the Convertible Notes issue complete (because the Underwritten Rights Issue cannot complete for any reason), the Company will use all of the proceeds raised under the Placement and the Convertible Notes issue to pay down the Outstanding Loans, and will need to investigate other options (including asset sales) to ensure that it is able to meet its obligations to repay all of the Outstanding Loans by the repayment date on 30 November 2017.

4.6 Board of Directors

As at the date of this Notice of Meeting, the Board of Directors comprises:

(a) Mr Stephen John Morrow (Non-Executive Chairman);

(b) Mr Shane Tyson Templeton (Non-Executive Director); and

(c) Mr Peter Francis O'Keeffe (Non-Executive Director).

Subject to all Resolutions passing at the General Meeting:

(d) as soon as reasonably practicable following the completion of the Placement and Convertible Notes Issue, it is intended that Mr Shane Templeton will resign and Mr Albert Tse (as nominee of the Fund) and Mr Yigang Yang (as nominee of AMD) (**Proposed Directors**) will be appointed as Non-Executive Directors of the Company; and

(e) within six months of the issue date of the Placement Shares and Convertible Notes, the Board must resolve to appoint an additional Director of the Company which person must be approved by the Director nominees of the Fund and AMD.

Pursuant to rule 15.4 of the Constitution, the Directors may at any time (except during the period between the opening to the closing of a general meeting) appoint any person to be a Director (other than an alternate director), either to fill a casual vacancy or as an additional to the existing Directors, but so that the total number of Directors does not at any time exceed the maximum number specified by the Constitution (being seven pursuant to rule 15.1 of the Constitution). Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Shareholder approval in respect of each of the Proposed Director's appointments will be sought at the Company's next annual general meeting.

Profiles of each of the Proposed Directors are outlined below:

Mr Albert Tse

Mr Tse is the founder of Wattle Hill Capital which advises a private equity fund investing in Australian and New Zealand companies that benefit from China's growth. Mr Tse was the former Legal Representative of Macquarie Group in Beijing and led transactions including the historic $22.1bn Hong Kong and Shanghai initial public offering of the Agricultural Bank of China in 2010. Mr Tse is also a specialist in Chinese outbound investments across many different sectors. Mr Tse is a Director of SGSP (Australia) Assets Pty Ltd; Jemena, one of Australia's largest energy utilities. Prior to working in China, Mr Tse worked in London for Macquarie Capital, focused on European infrastructure as well as at PricewaterhouseCoopers in Australia where he qualified as a Chartered Accountant. Mr Tse is also admitted as a solicitor of the Supreme Court of Queensland.

Mr Yigang Yang

Mr Yang is the Founding Partner and CEO of WaterStone Capital Co., Ltd. He was the CEO of COFCO Agricultural Industrial Investment Fund Management Co., Ltd. From 1994 to 2009, Mr. Yang worked in New York as Managing Director for Asia Capital Group, Managing Director for Capital Market Engineering and Trade LLC, and Vice President for Credit Suisse First Boston. Before being transferred from Credit Suisse China to Credit Suisse First Boston in New York, Mr. Yang was the Chief Credit Officer at Credit Suisse Beijing Representative Office.

Throughout his career, Mr Yang has had an interest in fast moving consumer goods, and continues to be involved in this industry through investments and identifying supply chain solutions.

Mr. Yang holds a bachelor degree of Finance from the Capital University of Economics and Business from 1987.

5 Resolutions

5.1 Overview of the Resolutions

The Company is putting the Resolutions 1 to 4 to Shareholders to seek approval for:

(a) the allotment and issue of Shares to AMD (or its nominee) under the Placement (Resolution 1);

(b) the issue of Convertible Notes to AMD and the Fund under the Convertible Note Agreement (Resolution 2);

(c) the:

    (i) allotment and issue of Shares to, and the acquisition of a Relevant Interest in Shares by, AMD and the Fund on conversion of the Convertible Notes under the Convertible Note Agreement;

    (ii) acquisition by AMD of a Relevant Interest in any Shares in which the Fund has a Relevant Interest as a result of the Fund's conversion of its Convertible Notes; and

    (iii) acquisition by the Fund of a Relevant Interest in any Shares in which AMD has a Relevant Interest as a consequence of: (A) the allotment and issue of Shares pursuant to the Placement; (B) the allotment and issue of Shares pursuant to the Underwritten Rights Issue or the performance of AMD's obligations as underwriter of the Underwritten Rights Issue; and (C) AMD's conversion of its Convertible Notes,

(Resolution 3); and

(d) the appointment of AMD as underwriter to the Underwritten Rights Issue and the acquisition by AMD of a Relevant Interest in any Shares allotted and issued to AMD (or its nominee) pursuant to performance of AMD's obligations as underwriter of the Underwritten Rights Issue (Resolution 4).

5.2 Conditionality of the Resolutions

Each of the Resolutions are conditional on the other Resolutions being passed by Shareholders at the General Meeting. In the event that one of the Resolutions is not approved by Shareholders at the General Meeting:

(a) none of the Proposed Transactions (including the Underwritten Rights Issue) will proceed and no funds will be raised from AMD, the Fund or the Company's Shareholders under the Underwritten Rights Issue;

(b) the Company will be required to seek an alternative source of funds, which may include re-engaging its sale of assets process and/or seeking other capital in order to repay the Outstanding Loans. Any alternative funding is likely to be sourced at less favourable terms to those agreed under the Proposed Transactions and may have significant completion risks;

(c) it is likely that BUG's Share price will fall. BUG Shares have traded at a one month VWAP and three month VWAP of $0.36 and $0.41, respectively, prior to the Announcement Date. Prior to the announcement of the Proposed Transactions, BUG shares traded at $0.36. Whilst it is not possible to accurately predict the prices at which BUG's shares might trade in the future, the Independent Expert has opined that it is highly likely that the increased uncertainty of BUG's funding position will create downward pressure on the trading price of BUG's shares (refer to the Independent Expert's Report set out in Attachment A for further information); and

(d) in the event that the Company is required to repay the Rabobank loans in full by 30 November 2017, and, if the sale of assets process in paragraph (b) has not been successful and no alternate financing arrangements are made, then it is likely there will be significant uncertainty as to whether the consolidated group will be able to continue as a going concern.

5.3 Termination rights under transaction documents

(a) (**Transaction Implementation Deed**) the Company, AMD and the Fund have entered into the Transaction Implementation Deed to set out certain rights and obligations in relation to the Proposed Transactions as well as the conditions precedent which must be satisfied or waived for the Placement and the Convertible Notes Issue to occur, which includes amongst other things that all of the Resolutions are passed at the General Meeting. Refer to part 1 of Schedule 2 for further details relating to the Transaction Implementation Deed.

(b) (**Placement Agreement**) the Placement Agreement is conditional on all of the conditions precedent set out in the Transaction Implementation Deed being satisfied or waived, and also the Transaction Implementation Deed not being terminated. This means that if any of the Resolutions are not passed at the General Meeting, the

Placement (and all of the Proposed Transactions) will not proceed. Refer to part 2 of Schedule 2 for further details relating to the Placement Agreement.

(c) (**Underwriting Agreement**) the Underwriting Agreement is terminable by a party to that agreement if:

(i) the Transaction Implementation Deed, Placement Agreement or the Convertible Note Agreement is terminated in accordance with their terms;

(ii) the Placement has not occurred when required to occur under the Placement Agreement; or

(iii) the settlement date of the Underwritten Rights Issue has not occurred on or before 14 February 2017.

The Company will exercise its right to terminate the Underwriting Agreement if it also terminates the Transaction Implementation Deed, Placement Agreement and Convertible Note Agreement (including because one of the Resolutions is voted down by Shareholders at the General Meeting). Refer to part 3 of Schedule 2 for further details relating to the Underwriting Agreement.

(d) (**Convertible Note Agreement**) the Convertible Note Agreement is terminable by a party to that agreement if the Placement Agreement or the Underwriting Agreement is terminated in accordance with their terms. The Company will exercise its right to terminate the Convertible Note Agreement if it also terminates the Placement Agreement (including because one of the Resolutions is voted down by Shareholders at the General Meeting). Refer to part 4 of Schedule 2 for further details relating to the Convertible Note Agreement.

6 Independent Expert's Report

The Directors have appointed the Independent Expert and commissioned it to prepare a report to provide an opinion as to whether or not, in their opinion, the Proposed Transactions are fair and reasonable to non-associated Shareholders.

ASIC Regulatory Guide 74 provides that a notice of meeting that seeks approval under section 611 item 7 of the Corporations Act must include an independent expert's report which states whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded.

What is fair and reasonable must be judged by the Independent Expert in all the circumstances of the proposal. This requires taking into account the likely advantages to non-associated Shareholders if the proposal is approved and comparing them with the disadvantages to them if the proposal is not approved.

The Independent Expert has concluded that:

(a) the Proposed Transactions are **not fair** to non-associated Shareholders, but will result in sufficient benefits accruing to non-associated Shareholders, such that the Proposed Transactions are **reasonable**; and

(b) it is in the best interests of non-associated Shareholders to approve the Proposed Transactions, in the absence of a superior proposal.

The Company strongly recommends that you read the Independent Expert's Report in full in respect of each of the Resolutions, a copy of which is attached as Attachment A.

7 Directors Recommendations

The Directors do not have any material interest in the outcome of the voting on Resolutions at the General Meeting other than as a result of their interest arising solely in the capacity of Shareholders of the Company.

Based on the information available (including, as described in this Explanatory Memorandum) and in the absence of a superior proposal, each of the Directors consider that the Proposed Transactions are in the best interest of the Company and unanimously recommend that Shareholders vote in favour of the Resolutions at the General Meeting.

The Directors have unanimously approved the proposal to put the Resolutions to Shareholders.

8 Resolution 1 – Approval of issue of Shares to AMD under the Placement

8.1 General

As set out in Section 1.6(a) of this Explanatory Memorandum, in accordance with the terms and conditions of the Placement Agreement, the Company has agreed to issue 6,504,463 Shares (**Placement Shares**) to AMD (or its nominee) at an issue price of $0.40 per Share to raise approximately $2.6 million (before costs and expenses). This represents 15% of the total Shares currently on issue.

Resolution 1 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of the Placement Shares to AMD (or its nominee) at an issue price of $0.40 per Share.

The Placement (assuming Resolution 1 is passed) is conditional upon Resolutions 2, 3 and 4 being passed at the General Meeting. Therefore, if you wish to vote in favour of Resolution 1, you should also vote in favour of Resolutions 2, 3 and 4. The Placement will only proceed if all of the Resolutions are passed at the General Meeting. If any of the Resolutions are not passed at the General Meeting, the Company will not be permitted to issue the Placement Shares to AMD (or its nominee) and none of the Proposed Transactions will proceed.

8.2 Impact on shareholding

As at the date of this Notice of General Meeting, neither AMD nor any of its associates holds a Relevant Interest in any Shares.

Refer to Section 4.1 for details of the impact on shareholding if Resolution 1 is approved.

8.3 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that, subject to certain exceptions, prior approval of the shareholders of a company is required for an issue of Equity Securities if the securities will, when aggregated with the securities issued by the company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

One circumstance where an issue is not taken into account in the calculation of the 15% threshold is where the issue has the prior approval of shareholders in general meeting. The effect of Resolution 1 will be to allow the Directors to issue the Shares the subject of Resolution 1 during the period of 3 months after the General Meeting (or a longer period if allowed by ASX), without using the Company’s 15% placement capacity under ASX Listing Rule 7.1.

8.4 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Shares the subject of Resolution 1:

(a) the maximum number of securities to be issued pursuant to Resolution 1 is 6,504,463 Shares;

(b) the Placement Shares will be issued in consideration of AMD (or its nominee) paying to the Company the issue price of $0.40 per Share raising an amount equal to $2,601,785.20 before costs and expenses;

(c) the Placement Shares will be allotted and issued to AMD (or its nominee), which is not a related party of the Company (however, note that AMD is also the proposed underwriter to the Underwritten Rights Issue, which is the subject of Resolution 4);

(d) as at the date of this Notice of Meeting, the Company intends to issue the Placement Shares two business days after satisfaction (or waiver) of all conditions precedent set out in the Transaction Implementation Deed, and in any event not later than three months after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules). It is anticipated that the allotment will occur on the same date;

(e) the Placement Shares are fully paid ordinary shares in the capital of the Company and will rank equally with the Company’s current issued Shares; and

(f) the Company will disregard any votes cast on Resolution 1 by AMD, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary Shares) if Resolution 1 is passed, and by any associate of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

8.5 Interests and Recommendations of Directors

Based on the information available (including that contained in this Explanatory Memorandum) and in the absence of a superior proposal, each of the Directors consider that the Placement is in the best interests of the Company for the reasons set out in Section 2.1.

Each of the Directors approved the proposal to put Resolution 1 to Shareholders and in the absence of a superior proposal each Director recommends that Shareholders vote in favour of Resolution 1.

9 Resolution 2 – Issue of Convertible Notes

9.1 General

As set out in Section 1.7 of this Explanatory Memorandum, in accordance with the terms and conditions of the Convertible Note Agreement, subject to certain conditions, the Company has agreed to issue 25,000,000 Convertible Notes to the Fund and 12,500,000

Convertible Notes to AMD at an issue price of $0.40 each to raise $15,000,000 (less the relevant Costs Adjustment amount).

The Convertible Notes Issue (assuming Resolution 2 is passed) is conditional on, and will only proceed if, Resolutions 1, 3 and 4 are also passed at the General Meeting. Therefore, if you wish to vote in favour of Resolution 2, you should also vote in favour of Resolutions 1, 3 and 4. If any of the Resolutions are not passed, the Company will not be permitted to issue the Convertible Notes to AMD and the Fund and none of the Proposed Transactions will proceed.

9.2 Impact on shareholding

As at the date of this Notice of General Meeting, neither AMD, the Fund nor any of their respective associates hold a Relevant Interest in any Shares.

Refer to Section 4.1 for details of the impact on shareholding if Resolution 2 is approved.

Refer to Section 3.2 in relation to the put and call arrangements entered into by AMD and the Fund under the Option Agreement.

9.3 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that, subject to certain exceptions, prior approval of the shareholders of a company is required for an issue of Equity Securities if the securities will, when aggregated with the securities issued by the company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period. The Convertible Notes are Equity Securities for the purposes of the ASX Listing Rules.

One circumstance where an issue is not taken into account in the calculation of the 15% threshold is where the issue has the prior approval of shareholders in general meeting. The effect of Resolution 2 will be to allow the Directors to issue the Convertible Notes the subject of Resolution 2 during the period of 3 months after the General Meeting (or a longer period if allowed by ASX), without using the Company's 15% placement capacity under ASX Listing Rule 7.1.

9.4 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Convertible Notes the subject of Resolution 2:

(a) the maximum number of securities to be issued pursuant to Resolution 2 is 25,000,000 Convertible Notes to the Fund and 12,500,000 Convertible Notes to AMD, being a total of 37,500,000 Convertible Notes;

(b) the Convertible Notes will be issued in consideration of the Fund and AMD paying to the Company the issue price of $0.40 per Convertible Note raising an amount in aggregate equal to $15,000,000 (less the relevant Costs Adjustment amount);

(c) 25,000,000 Convertible Notes will be allotted and issued to the Fund, which is not a related party of the Company;

(d) 12,500,000 Convertible Notes will be allotted and issued to AMD, which is not a related party of the Company;

(e) as at the date of this Notice of Meeting, the Company intends to issue the Convertible Notes two business days after satisfaction (or waiver) of all conditions precedent set out in the Transaction Implementation Deed, and in any event not later than three months after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules);

(f) the 37,500,000 Convertible Notes will be fully paid on the issue date, and if converted to Shares in accordance with the Convertible Note Agreement will be deemed to be fully paid ordinary shares in the capital of the Company issued at $0.40 each (less than relevant Costs Adjustment amount and subject to any adjustment to the conversion ratio) and will rank equally with the Company's current issued Shares; and

(g) the Company will disregard any votes cast on Resolution 2 by AMD, the Fund, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary Shares) if Resolution 2 is passed, and by any associate of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

9.5 Interests and Recommendations of Directors

Based on the information available (including that contained in this Explanatory Memorandum) and in the absence of a superior proposal, each of the Directors consider that the Convertible Notes Issue is in the best interests of the Company for the reasons set out in Section 2.1.

Each of the Directors approved the proposal to put Resolution 2 to Shareholders and in the absence of a superior proposal each Director recommends that Shareholders vote in favour of Resolution 2.

10 Resolution 3 – Issue of Shares on conversion of Convertible Notes

10.1 General

As explained in Section 9, the Company has agreed to issue Convertible Notes to the Fund and AMD at an issue price of $0.40 each to raise in aggregate $15,000,000 (less the relevant Costs Adjustment amount) on the terms and conditions set out in the Convertible Note Agreement.

The Fund and AMD may each elect prior to the maturity date to convert the Convertible Notes to Shares, and the Company must allot and issue such number of Shares as the Fund or AMD is entitled to be allotted or issued as a result of conversion of the Convertible Notes in accordance with the Convertible Note Agreement (subject to customary adjustments to the conversion ratio as further described in part 4 of Schedule 2, which sets out further details relating to the Convertible Note Agreement), provided however that such conversion must not occur on prior to the record date for the Underwritten Rights Issue.

Assuming all of the Convertible Notes are converted to Shares in accordance with the Convertible Note Agreement, AMD and the Fund will acquire a Relevant Interest in the Shares and that acquisition would (absent the Shareholder approval sought in Resolution 3 pursuant to item 7 of section 611 of the Corporations Act) otherwise be prohibited by section 606(2) of the Corporations Act in relation to the Shares to be issued to the Fund.

Resolution 3 seeks Shareholder approval pursuant to item 7 of section 611 of the Corporations Act for:

(a) the allotment and issue of such number of Shares to the Fund as the Fund is entitled to be allotted and issued as a result of conversion of up to 37,500,000 Convertible Notes, regardless of whether or not those Convertible Notes were originally issued to the Fund or to AMD;

(b) the allotment and issue of such number of Shares to AMD as AMD is entitled to be allotted and issued as a result of conversion of up to 37,500,000 Convertible Notes, regardless of whether or not those Convertible Notes were originally issued to AMD or to the Fund;

(c) the acquisition by AMD of a Relevant Interest in any Shares in which the Fund has a Relevant Interest in as a result of the Fund converting the Convertible Notes referenced in paragraph (a) above;

(d) the acquisition by the Fund of a Relevant Interest in any Shares in which AMD has a Relevant Interest in as a consequence of:

    (i) the allotment and issue of Shares pursuant to the Placement;

    (ii) the allotment and issue of Shares pursuant to the Underwritten Rights Issue or the performance of AMD's obligations as underwriter of the Underwritten Rights Issue; and

    (iii) AMD converting the Convertible Notes referenced in paragraph (b) above.

Approval under Resolution 3 is subject to the passing of Resolutions 1, 2 and 4. Therefore, if you wish to vote in favour of Resolution 3, you should also vote in favour of Resolutions 1, 2 and 4. If any of the Resolutions are not passed, the Company will not be permitted to proceed with any of the Proposed Transactions.

10.2 Requirement pursuant to item 7 of section 611 of the Corporations Act

Under section 606 of the Corporations Act, subject to limited specified exemptions, a person must not acquire a "Relevant Interest" in issued voting shares in a public company, if as a result of the acquisition any person's voting power in the company would increase:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%.

In broad terms, a person has a "Relevant Interest" in shares if that person holds shares or has the power to control the right to vote or dispose of shares. A person's voting power in a company is the number of voting shares in which the person (and its associates) has a Relevant Interest compared with the total number of voting shares in a company.

Under section 12(2) of the Corporations Act, a person (second person) will be an associate of the other person (first person) if:

(a) the first person is a body corporate and the second person is:

    (i) a body corporate the first person controls;

    (ii) a body corporate that control the first person; or

(iii) a body corporate that is controlled by an entity that controls the first person;

(b) the second person has entered or proposed to enter in a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; and

(c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the company's affairs.

Section 611 item 7 of the Corporations Act provides an exemption to the prohibition stated above. Section 611 item 7 of the Corporations Act allows a person (and its associates) to acquire a Relevant Interest in shares that would otherwise be prohibited under section 606(2) of the Corporations Act, 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 Resolution 3 by the proposed acquirer, being AMD and the Fund, 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 Resolution 3, including:

(i) the identity of the person proposed to make the acquisition and their associates;

(ii) the maximum extent of the increase in that person's voting power in the company that would result from the acquisition;

(iii) the voting power that person would have as a result of the acquisition;

(iv) the maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition; and

(v) the voting power that each of that person's associates would have as a result of the acquisition.

Accordingly, Shareholder approval is being sought in respect of the issue of Shares which will result in the Fund and AMD acquiring such Shares and increasing their voting power in the Company to more than 20%.

10.3 Application of ASX Listing Rule 7.1 to Resolution 3

Please refer to Section 8.3 for an explanation of ASX Listing Rule 7.1.

The number of Equity Securities that may be issued by a company under ASX Listing Rule 7.1, without shareholder approval, is not impacted by Equity Securities which are issued under an exception contained in ASX Listing Rule 7.2 or which have been approved by shareholders. ASX Listing Rule 7.2 exception 16 states that ASX Listing Rule 7.1 does not apply to an issue of securities approved by shareholders for the purposes of item 7 of section 611 of the Corporations Act.

Accordingly, Resolution 3 does not seek approval from Shareholders for the purposes of ASX Listing Rule 7.1.

For avoidance of doubt, Resolution 2 (detailed in Section 9 of this Explanatory Memorandum) does not seek approval from Shareholders for the purposes of item 7 of section 611 of the Corporations Act because the issue of the Convertible Notes to the Fund and AMD does not give rise to the Fund and/or AMD acquiring a Relevant Interest in 'issued voting shares' for the purposes of section 606 of the Corporations Act. Therefore, Resolution 2 only seeks approval from Shareholders for the purposes of ASX Listing Rule 7.1.

10.4 Specific information required for the purposes of Resolution 3

The following information is provided in compliance with item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 (in respect of acquisitions to be approved by Shareholders in accordance with item 7 of section 611):

(a) The identity of the person proposing to make the acquisition and their associates

AMD and the Fund are the proposed acquirers of, and will acquire a Relevant Interest in, the Shares the subject of Resolution 3.

By virtue of the Option Agreement (described in Section 3.2 above) AMD and the Fund will, respectively, acquire a Relevant Interest in any Shares issued to AMD or the Fund pursuant to the conversion of any Convertible Notes held by them or any Shares issued to AMD (or its nominee) under the Placement and the Underwritten Rights Issue.

Background information on AMD and the Fund is provided in Sections 1.2 and 1.3 of this Explanatory Memorandum, respectively.

(b) The voting power of the person and its associates would have as a result of the acquisition and the maximum extent of the increase in their voting power

As at the date of this Notice of General Meeting, neither AMD, the Fund nor any of their respective associates hold a Relevant Interest in any Shares and has no voting power in the Company.

If all of the Resolutions are passed, the voting power of AMD and the Fund will be increased prior to the issue of the Shares the subject of Resolution 3 by virtue of the Placement and the Underwritten Rights Issue.

Section 4.1 sets out the impact on the shareholding of each of AMD and the Fund as a result of Resolution 3 being approved (as well as Resolutions 1, 2 and 4).

If Resolution 3 is passed and assuming 37,500,000 Shares are allotted and issued to the Fund and/or AMD, AMD and the Fund will have a voting power of up to 61.4% based on a Relevant Interest in 68,938,240 Shares (assuming that no existing Shareholders take up any of their rights under the Underwritten Rights Issue, and a conversion ratio of 1:1 in respect of the Convertible Notes). This also assumes that other than those Shares to be issued under the Proposed Transactions, the capital structure of the Company otherwise remains the same.

(c) An explanation of the reasons for the proposed allotment

The Shares will be issued upon conversion of the Convertible Notes under the Convertible Note Agreement. The issue of the Convertible Notes will allow the Company to raise up to $15,000,000 (less the relevant Costs Adjustment amount) in connection with the Proposed Transactions. The key advantages of the Proposed Transactions (including the Convertible Note Issue) are set out in Section 2.1.

(d) When the allotment is to be completed

Under the Convertible Note Agreement, the Shares the subject of Resolution 3 will be issued upon AMD or the Fund electing to convert the Convertible Notes prior to the maturity date in accordance with the Convertible Note Agreement, being not later than three years after the issue date of the Convertible Notes, provided however that such conversion must not occur prior to the record date for the Underwritten Rights Issue.

As detailed in Section 8.4(d), the Convertible Notes are to be issued two business days following satisfaction of all conditions precedent set out in the Transaction Implementation Deed. Assuming the Convertible Notes are issued on 22 December 2016, this means that the latest possible time to convert the Convertible Notes into Shares is 21 December 2019.

(e) Material terms of the proposed allotment

The Shares will be issued and allotted to AMD or the Fund upon election by any of them to convert some of all of their Convertible Notes to Shares. No consideration will be payable for the conversion and the issue and allotment of Shares will extinguish the amount paid to the Company pursuant to the Convertible Note Agreement (other than any accrued but unpaid interest on the relevant Convertible Notes).

A summary of the material terms of the Convertible Note Agreement is set out in part 4 of Schedule 2 and in Schedule 3.

(f) Particulars of any other contract or proposed contract between AMD, the Fund or any of their associates and the Company or any of its associates which is conditional upon, or directly or indirectly dependent on, Shareholders' agreement to the allotment

The Transaction Implementation Deed, Convertible Note Agreement, Placement Agreement and Underwriting Agreement are each conditional upon, amongst other things, all Resolutions being passed at the General Meeting. If Resolution 3 is not approved, the Proposed Transactions will not proceed. As described in section 3.3 above, AMD and the Fund have also entered into the Option Agreement which provides each party with certain rights in relation to the Convertible Notes and Shares held by the other party. Under the Option Agreement each of AMD and the Fund have the right to acquire the securities held by the other party at certain times during the term of the Convertible Notes. This agreement is conditional upon Convertible Notes being issued to AMD and the Fund, which is in turn dependent on Resolution 3 being approved.

Convertible Notes will be secured by real property mortgages granted by the Company in favour of a trustee of a security trust established for the benefit of AMD and the Fund. Convertible Notes will be subordinated to, and rank behind securities granted over the same properties in favour of, Rabobank on the terms and conditions to be set out in a deed of priority and subordination to be entered into by Rabobank, the security trustee and the Convertible Note holders.

Other than the above, there are no contracts or proposed contracts between any of AMD, the Fund or any of their associates and the Company or any of its associates which are conditional on, or directly or indirectly dependent on Shareholders approving the allotment of the Shares the subject of Resolution 3.

(g) Intentions of AMD and the Fund regarding the future of the Company if Shareholders agree to the allotment

AMD and the Fund has given the following information to the Company to assist it to meet its responsibilities under ASIC Regulatory Guide 74. The Company takes no responsibility for any omission from, or any error or false or misleading statement in this Section 10.4(g). Each of AMD and the Fund make no statement or representation in relation to the Company, or their intentions in respect of the Company which may change if it becomes aware of information that is not currently available to it, except as set out below.

If Shareholders pass the Resolution 3 and the relevant Shares are issued:

(i) Business of the Company: AMD and the Fund have advised the Company that they intend to support management in realising and executing current plans as noted in the Explanatory Memorandum with the additional assistance and knowledge provided by them and their respective teams.

(ii) Injection of further capital: AMD and the Fund have advised the Company that they have no current intention to inject further capital into the Company, other than as set out in the Explanatory Memorandum.

(iii) Present employees: AMD and the Fund have advised the Company that they have no current intention to vary the employment arrangements of the Company.

(iv) Transfer of property: AMD and the Fund have advised the Company that they have no current intention to transfer any property between the Company and AMD or the Fund (or their respective associates).

(v) Redeploy fixed assets: AMD and the Fund have advised the Company that they have no current intention to redeploy the fixed assets of the Company.

(h) Intention of AMD and the Fund to change significantly the financial or dividend policies of the Company

AMD and the Fund have advised the Company that they have no current intention to change the financial or dividend policies of the Company.

(i) The identity, associations (with AMD and the Fund) and qualifications of any person who is intended to or will become a Director if Shareholders agree to the allotment of the Shares

Pursuant to the terms of the Transaction Implementation Deed, AMD and the Fund are each entitled to nominate one Director to the Board on and from completion of the Placement Shares and Convertible Notes. AMD has nominated Mr Yigang Yang and the Fund has nominated Mr Albert Tse to be appointed as Directors.

In addition, within six months of completion of the Placement Shares and Convertible Notes, the Board must resolve to appoint an additional Director of the Company which person must be approved by the Fund and AMD.

Profiles of the Proposed Directors are set out in Section 4.6. The Board will appoint the Proposed Directors and the Company will seek ratification of those appointments at the Company's annual general meeting.

(j) Recommendation of the Directors

Based on the information available (including that contained in this Explanatory Memorandum) and in the absence of a superior proposal, each of the Directors consider that Resolution 3 is in the best interests of the Company (including for the reasons set out in Section 2.1) and unanimously recommend that Shareholders vote in favour of Resolution 3. Each of the Directors who hold Shares in the Company intend to vote the Shares they control in favour of all Resolutions, in the absence of a superior proposal.

The Directors do not have any material personal interest in the outcome of Resolution 3, other than their interests arising solely in their capacity as Shareholders.

(k) Analysis of whether the Proposed Transactions are fair and reasonable when considered in the context of the interests of Shareholders not associated with the proposed issue of the Shares the subject of Resolution 3

The Company appointed the Independent Expert to prepare the Independent Expert's Report, the purpose of which was to state whether or not, in their opinion, the Proposed Transactions as a whole (including the proposals set out in Resolution 3) are 'fair' and 'reasonable' to non-associated Shareholders.

The Independent Expert has provided an opinion that it believes the Proposed Transactions as a whole (including the proposals the subject of Resolution 3) are **not fair but reasonable** to non-associated Shareholders, and that it is in the best interests of non-associated Shareholders to approve the Proposed Transactions, in the absence of a superior proposal.

A complete copy of this report is provided in Attachment A.

Neither the Company nor the Directors are aware of any additional information not set out in this Explanatory Memorandum that would be relevant to Shareholders in deciding how to vote on Resolution 3.

10.5 Impact of Resolution 3 on the voting power of AMD and the Fund in the Company

As at the date of this Notice of General Meeting, neither AMD, the Fund nor any of their associates hold a Relevant Interest in any Shares of the Company. However, upon completion of the Proposed Transactions. On completion of the Proposed Transactions (including conversion of the Shares the subject of this Resolution 3), the voting power of AMD and the Fund is as set out in the table below.

Event	Number of Shares	Cumulative number of Shares	Voting power[1]
Upon the issue of Shares under the Placement	6,504,463	6,504,463	13%[2]
Upon the issue of Shares under the Underwritten Rights Issue (assuming that all existing Shareholders do not take up any rights)	24,933,777	31,438,240	42%[3]

Event	Number of Shares	Cumulative number of Shares	Voting power[1]
Upon the issue of Shares under the Convertible Note Agreement (assuming that all existing Shareholders do not take up any rights)	37,500,000	68,938,240	61.4%[4]

Notes:

1. A person's voting power in a company is the number of voting shares in which the person (and its associates) has a Relevant Interest compared with the total number of voting shares in a company.
2. Calculated based on a total of 43,363,090 Shares on issue immediately prior to issue of the Placement Shares, equating to a total of 49,867,553 Shares on completion of the Placement.
3. Calculated based on a total of 49,867,553 Shares on issue after completion of the Placement and immediately prior to issue of the Shares pursuant to the Underwritten Rights Issue, equating to a total of 74,801,330 Shares on completion of the Underwritten Rights Issue.
4. Calculated based on a total of 74,801,330 Shares on issue after completion of the Underwritten Rights Issue and immediately prior to issue of the Shares under the Convertible Note Agreement, equating to a total of 112,301,330 Shares upon all Convertible Notes being converted to Shares. Assumes a conversion ratio of 1:1 for Convertible Notes.

11 Resolution 4 – Approval of the appointment of AMD as underwriter and issue of shortfall Shares

11.1 General

As set out in Section 1.6(b) of this Explanatory Memorandum, in accordance with the terms and conditions of the Underwriting Agreement, the Company is proposing to conduct a pro rata renounceable rights issue of Shares, on a 1 for 2 basis at $0.36 per share, to raise approximately $9 million (before costs and expenses). AMD has agreed to fully underwrite the Underwritten Rights Issue, which will be made to registered holders of Shares at the record date who are resident in Australia or New Zealand. The Underwriting Agreement is further summarised in part 2 of Schedule 2.

The purpose of Resolution 4 is to obtain Shareholder approval for the appointment of AMD as the underwriter to the Underwritten Rights Issue and to approve the acquisition by AMD of a Relevant Interest in any Shares allotted and issued to AMD (or its nominee) pursuant to performance of AMD's obligations as underwriter of the Underwritten Rights Issue. In the event that no Shareholders take up their rights under the Underwritten Rights Issue, AMD (or its nominee) will be allotted and issued up to 24,933,777 Shares (being the entire offer under the Underwritten Rights Issue).

In accordance with section 615 of the Corporations Act and ASX Listing Rule 7.7, the Company will appoint a nominee to sell the entitlements to subscribe for Shares that foreign Shareholders that do not have a registered address in Australia or New Zealand would have otherwise received under the offer if they were eligible Shareholders, for the purpose of the nominee remitting the net proceeds of sale to the ineligible Shareholders on a pro rata basis.

As noted below, while Shareholder approval is not required pursuant to the Listing Rules or the Corporations Act, the Board has decided to put this Resolution to the Shareholders for approval in the interests of full disclosure.

The Underwritten Rights Issue is conditional on, and will only proceed if, all Resolutions are passed at the General Meeting. Therefore, if you wish to vote in favour of Resolution 4, you should also vote in favour of Resolutions 1, 2 and 3.

The timetable for the Underwritten Rights Issue will be announced following receipt of such Shareholder approvals.

11.2 Impact on shareholding

As at the date of this Notice of General Meeting, neither AMD nor any of its associates (which includes AMD) holds a Relevant Interest in any Shares.

Refer to Section 4.1 for details of the impact on shareholding if Resolution 4 is approved.

11.3 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that, subject to certain exceptions, prior approval of the shareholders of a company is required for an issue of Equity Securities if the securities will, when aggregated with the securities issued by the company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

One circumstance where an issue is not taken into account in the calculation of the 15% threshold is where the issue is pursuant to an underwriting agreement to an underwriter of a pro rata issue to holders of ordinary securities if the underwriter receives the securities not later than 15 business days after the close of the offer.

On that basis, Shareholders are not required to approve the issue of shortfall Shares pursuant to the Underwritten Rights Issue for the purposes of ASX Listing Rule 7.1.

11.4 Section 611 item 10 of the Corporations Act

Section 611 item 10 of the Corporations Act provides an exemption to the prohibition under section 606 of the Corporations Act (refer to Section 10.2 for an explanation of the prohibition). Section 611 item 10 of the Corporations Act allows a person (and its associates) to acquire a Relevant Interest in shares that would otherwise be prohibited under section 606(2) of the Corporations Act, if the proposed acquisition is by a person as underwriter to a pro rata rights issue and the acquisition also meets the conditions specified under section 611 item 10 of the Corporations Act, namely:

(a) a company offers to issue securities in a particular class;

(b) offers are made to every person who holds securities in that class to issue them with the percentage of the securities to be issued that is the same as the percentage of the securities in that class that they hold before the issue;

(c) all of those persons have a reasonable opportunity to accept the offers made to them;

(d) agreements to issue are not entered into until a specified time for acceptances of offers has closed; and

(e) the terms of all the offers are the same.

For the purposes of satisfying section 611 item 10 of the Corporations Act, section 615 of the Corporations Act allows foreign holders to be excluded from the offer provided that a nominee approved by ASIC is appointed to sell the rights to acquire the securities and the proceeds of sale (if any) are distributed to the foreign holders in their respective proportions.

On that basis, Shareholders are not required to approve the issue of shortfall Shares pursuant to the Underwritten Rights Issue for the purposes of sections 606 or 611 of the Corporations Act.

11.5 Interests and Recommendations of Directors

Based on the information available (including that contained in this Explanatory Memorandum) and in the absence of a superior proposal, each of the Directors consider that the Underwritten Rights Issue is in the best interests of the Company for the reasons set out in Section 2.1.

Each of the Directors approved the proposal to put Resolution 4 to Shareholders and in the absence of a superior proposal each Director recommends that Shareholders vote in favour of Resolution 4.

Schedule 1 — Glossary

In this Explanatory Memorandum:

AMD	Asia Mark Development Limited (CR no. 1238316), a company limited by shares incorporated in Hong Kong.
ASIC	Australian Securities and Investments Commission.
associate	The meaning given to that term in the Corporations Act.
ASX	ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
ASX Listing Rules	The official listing rules of ASX as amended from time to time.
Board	The board of Directors of the Company from time to time.
Business Day	A day on which trading takes place on the stock market of ASX.
Company or BUG	Buderim Group Limited (ABN 68 010 978 800).
Constitution	The Constitution of the Company.
Convertible Note	convertible notes issued on the terms and conditions set out in Schedule 3.
Convertible Note Agreement	the convertible note agreement dated 28 October 2016 in relation to the Convertible Notes Issue entered into between the Company, AMD and the Fund.
Convertible Notes Issue	the issue of the Convertible Notes pursuant to the Convertible Note Agreement.
Corporations Act	The *Corporations Act* 2001 (Cth).
Costs Adjustment	any and all costs, charges or expenses incurred by AMD and the Fund or their associates in connection with the Proposed Transactions, as determined by them, acting reasonably, and notified to the Company in writing prior to the issue date of the Convertible Notes, up to a maximum of $400,000.
Director	A director of BUG.
Equity Raisings	The Placement and the Underwritten Rights Issue.
Equity Securities	The meaning given to that term in Chapter 19 of the ASX Listing Rules.
Explanatory Memorandum	Explanatory Memorandum accompanying the Notice of Meeting.
FMCG	Fast moving consumer goods.
General Meeting	General Meeting of Shareholders to be held on 20 December 2016.
Independent Expert	KPMG Financial Advisory Services (Australia) Pty Ltd.
Independent Expert's Report	Report of the Independent Expert dated 31 October 2016 set out in Attachment A.
Notice of Meeting	The notice convening the General Meeting, which accompanies this Explanatory Memorandum.

Option Agreement	The agreement between AMD and the Fund which provides each of those parties with certain rights in relation to the Convertible Notes and Shares held by the other party (the material terms of which are set out in Section 3.2).
Outstanding Loan	The meaning given to that term in section 1.5 of the Notice of Meeting.
Placement	The proposed placement of the Placement Shares to AMD to raise approximately $2.6 million before costs and expenses.
Placement Agreement	The placement letter dated 28 October 2016 in relation to the Placement entered into between the Company and AMD.
Placement Shares	6,504,463 Shares proposed to be issued to AMD (or its nominee) pursuant to the terms of the Placement Agreement.
Proposed Directors	Has the meaning given in Section 4.6.
Proposed Transactions	The transactions the subject of Resolutions 1 to 4 (being the Placement, the issuance and conversion of the Convertible Notes and the appointment of AMD as underwriter to the Underwritten Rights Issue) together with the Underwritten Rights Issue.
Proxy Form	Proxy Form attached to the Notice of Meeting.
QiaQia	QiaQia Food Co. Ltd., a Chinese publicly listed company on the Shenzhen Stock Exchange.
Rabobank	Rabo Australia Limited ABN 39 060 452 217 and Cooperatieve Rabobank U.A. formerly known as Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Australia Branch) ARBN 003 917 655.
Relevant Interest	The meaning given to that term in sections 608 and 609 of the Corporations Act.
Resolution	A resolution in the Notice of Meeting.
Section	A section in this Explanatory Memorandum.
Share	A fully paid ordinary share in the capital of the Company.
Shareholder	The registered holder of a Share.
the Fund	Wattle Hill RHC Fund 1 SPV1 L.P. acting through its general partner, Wattle Hill RHC Fund 1 SPV1 Ltd.
Transaction Implementation Deed	The transaction implementation deed dated 28 October 2016 in relation to the Proposed Transactions entered into between the Company, the Fund and AMD.
Underwriting Agreement	The underwriting agreement dated 28 October 2016 in relation to the Underwritten Rights Issue entered into between the Company and AMD appointing AMD as the underwriter.
Underwritten Rights Issue	A pro rata renounceable rights issue of Shares on a 1 for 2 basis to raise approximately $9 million (before costs and expenses) underwritten by AMD on the terms of the Underwriting Agreement.

Schedule 2 — Transaction Documents

1 Key terms of the Transaction Implementation Deed

The key terms of the Transaction Implementation Deed are summarised below:

(a) (**conditions precedent**) Completion of the Placement and the Convertible Notes Issue are conditional upon satisfaction or waiver of the following conditions precedent:

(i) (**security**) the Company and its subsidiaries providing second ranking security to AMD and the Fund satisfactory to those parties;

(ii) (**Rabobank waiver**) Rabobank provides written confirmation to AMD and the Fund, in a form satisfactory to those parties, that it will:

(A) waive any covenant breaches by the Company which occurred prior to the date of the Transaction Implementation Deed, and which occur between the date of the deed and completion, and not enforce any security rights in respect of those breaches against the Company or its assets if the Proposed Transactions complete; and

(B) reset the covenants as soon as reasonably practicable following Completion such that the Investors are satisfied that the Company will be in a position to comply with those covenants;

(iii) (**Shareholder approvals**) the Shareholders approve, by the requisite majorities, each of the Resolutions;

(iv) (**Independent Expert's Report**) the Independent Expert's Report opining that the Proposed Transactions are reasonable to the Shareholders, and the opinion is not withdrawn prior to the date of the General Meeting;

(v) (**Company regulatory approvals**) all approvals or consents that are required by law, or by ASIC or ASX, as are necessary to implement the Proposed Transactions are granted, given, made or obtained on an unconditional basis (or on terms acceptable to the parties), remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same;

(vi) (**Investor regulatory approvals**) AMD and the Fund, and its direct and indirect equity holders (present and future), have received all necessary authorisations from a government agency in relation to the Proposed Transactions either without conditions or requirements, or with conditions and requirements that are acceptable to AMD or the Fund (acting reasonably);

(vii) (**insolvency events**) no insolvency event occurs in respect of the Company at any time before completion Placement and Convertible Notes Issue;

(viii) (**legal impediments**) between the date of this deed and completion of the Placement and Convertible Notes Issue there is not in effect:

(A) any temporary restraining order, preliminary or permanent injunction, decision, decree or other order issued by any court of competent jurisdiction or by any government agency; or

(B) any other legal restriction or prohibition and no action or investigation is announced or commenced by any government agency,

which restrains, prohibits or otherwise materially adversely impedes or impacts upon (or could reasonably be expected to restrain, prohibit or otherwise adversely impede or impact upon) completion of all or any part of the Proposed Transaction.

(b) (**Board recommendation**) the Board must recommend to Shareholders, in the absence of a superior proposal, to vote in favour of the Resolutions.

(c) (**completion**) completion under the Placement Agreement and Convertible Note Agreement will occur two business days after satisfaction (or waiver) of all conditions precedent set out in the Transaction Implementation Deed.

(d) (**Board and consultancy positions**)

(i) as soon as reasonably practicable following completion of the Placement and Convertible Notes Issue, Mr Shane Templeton will resign from the Board and AMD and the Fund will each have the right to nominate one person to be appointed as Director;

(ii) within six months of completion of the Placement Shares and Convertible Notes, the Board must resolve to appoint an additional Director of the Company which person must be approved by the Fund and AMD;

(iii) subject to completion of the Placement and Convertible Notes Issue, AMD and the Fund may be notice in writing require the Company to appoint a nominee as a paid consultant, with such remuneration not to exceed $100,000 per annum and otherwise on arms' length terms;

(iv) if following completion of the Convertible Notes Issues, AMD acquires all of the Fund's Convertible Notes, the Fund's rights in respect of nomination of a Director shall be exercisable by AMD;

(v) if following completion of the Convertible Notes Issues, the Fund acquires all of AMD's Convertible Notes and Shares, AMD's rights in respect of nomination of a Director shall be exercisable by the Fund;

(vi) if AMD and the Fund cease to hold relevant interests in at least 15% or more of the total issued shares (to be calculated as if all Convertible Notes have been converted), AMD and the Fund must procure one nominee to resign immediately; and

(vii) if AMD and the Fund cease to hold relevant interests in at least 5% or more of the total issued shares (to be calculated as if all Convertible Notes have been converted), AMD and the Fund must procure the remaining nominees to resign immediately.

(e) (**warranties**) the Company has provided warranties to AMD and the Fund that are customary for transactions of this nature.

(f) (**reimbursement amount**) in the event that the Proposed Transactions do not complete by 14 February 2017 as a result of the Board recommending a competing proposal or a breach by the Company of the Transaction Implementation Deed, the Underwriting Agreement, the Placement Agreement or the Convertible Note Agreement, the Company must pay to AMD and the Fund an amount equal to $200,000.

(g) (**no disposal of assets**) until completion of the Placement and Convertible Notes Issue, the Company must not, without the prior written consent of AMD and the Fund, agree to dispose of any material assets of the Company.

(h) (**exclusivity**) between 5 October 2016 and the first business day following the day on which all of the Resolutions are passed, the Company must not:

(i) solicit or encourage any discussions or negotiations with any person that could reasonably be expected to lead to a competing proposal;

(ii) subject to a customary fiduciary carve-out, participate in any discussions or negotiations with any person that could reasonably be expected to lead to a competing proposal; and

(iii) subject to a customary fiduciary carve-out, allow any person to receive non-public information in connection with formulating, develop or finalising a competing proposal.

(i) (**matching right**) if any Director proposes to change his or her recommendation to vote in favour of the Resolutions to recommend a superior proposal, the Company must first give notice to AMD and the Fund, and such parties will then have 5 business days to provide a counter proposal which would be more favourable to Shareholders than the superior proposal.

(j) (**termination**) any party may terminate the Placement Agreement at any time by notice in writing to the other party if:

(i) the conditions precedent are not satisfied or waived on or before 7 February 2017;

(ii) a party commits a breach of its obligations under the Transaction Implementation Deed and that breach is not remedied within 5 business days of receiving written notice from the other party specifying the breach and stating an intention to terminate the Transaction Implementation Deed; or

(iii) either of the Transaction Implementation Deed, Convertible Note Agreement or the Underwriting Agreement is terminated in accordance with its terms.

2 Key terms of the Placement Agreement

The key terms of the Placement Agreement are summarised below:

(a) (**condition precedent**) completion under the Placement Agreement is conditional on all of the conditions precedent set out in the Transaction Implementation Deed being satisfied or waived, and also the Transaction Implementation Deed not being terminated.

(b) (**completion**) completion under the Placement Agreement will occur two business days after satisfaction (or waiver) of all conditions precedent set out in the Transaction Implementation Deed.

(c) (**representations**) both AMD and the Company have made representations in favour of the other, in relation to its incorporation, existence and authority to enter into and perform its obligations under the Placement Agreement. In addition:

(i) the Company has made additional representations in favour of AMD, including in relation to the ranking of shares on allotment and issue and the fact that such shares are free from encumbrance or third party interest.

(ii) AMD has made additional representations in favour of the Company, including as to AMD's knowledge and experience in financial and business matters, financial ability to invest, compliance with relevant laws, and the offer involving risk and constituting no recommendation or advice.

(d) (**termination**) either the Company or AMD may terminate the Placement Agreement at any time before completion under the Placement Agreement by notice in writing to the other party if:

(i) the condition precedent is not satisfied or becomes incapable of being satisfied on or before 7 February 2017;

(ii) the Company is prevented from issuing or allotting any of the placement shares by the order of a court of competent jurisdiction or by a government agency;

(iii) a party commits a material breach of its obligations under the Placement Agreement and that breach is incapable of remedy, or if capable of remedy, is not remedied within 5 business days of receiving written notice from the other party specifying the breach and stating an intention to terminate the Placement Agreement; or

(iv) either of the Transaction Implementation Deed, Convertible Note Agreement or the Underwriting Agreement is terminated in accordance with its terms.

However, a party may not rely on a breach of its own obligations under this Placement Agreement to terminate the agreement under sub-section (d)(iii) above.

3 Key terms of the Underwriting Agreement

The key terms of the Underwriting Agreement are summarised below:

(a) (**underwriting**) The Company appoints AMD as underwriter in relation to the 24,933,777 Shares proposed to be offered under the Company's pro rata rights issue on a 1 for 2 basis on the terms and conditions of the Underwriting Agreement. No underwriting fee will be payable by the Company in respect of the underwriting.

(b) (**foreign holders**) In accordance with section 615 of the Corporations Act and ASX Listing Rule 7.7, the Company will appoint a nominee to sell the entitlements to subscribe for Shares that foreign Shareholders that do not have a registered address in Australia or New Zealand would have otherwise received under the offer if they were eligible Shareholders, for the purpose of the nominee remitting the net proceeds of sale to the ineligible Shareholders on a pro rata basis.

(c) (**mutual termination**) either the Company or AMD may terminate the Underwriting Agreement at any time before completion under the Underwriting Agreement by notice in writing to the other party if:

(i) either of the Transaction Implementation Deed, Convertible Note Agreement or the Placement Agreement is terminated in accordance with its terms;

(ii) the subscription and issue of the Placement Shares (pursuant to the Placement Agreement) and the Convertible Notes (pursuant to the Convertible Note Agreement) have not occurred as and when required under those agreements;

(iii) the settlement date has not occurred on or before 14 February 2017 in respect of the rights issue.

(d) (**underwriter termination events**) AMD may at any time by notice given to the Company immediately, without cost or liability to itself, terminate the Underwriting Agreement so that it is relieved of all its obligations under the agreement if any of the following events occurs before completion of the Underwriting Agreement:

(i) (**Takeovers Panel**) the Takeovers Panel makes a declaration of unacceptable circumstances in respect of the underwriting of the rights issue by AMD pursuant to the agreement;

(ii) (**ASIC action**) ASIC:

(A) applies for an order under Part 9.5 of the Corporations Act in relation to the rights issue or any offer document in connection with the rights issue;

(B) holds, or gives notice of its intention to hold, a hearing or investigation in relation to the rights issue under the Corporations Act or the *Australian Securities and Investments Commission Act 2001* (Cth); or

- prosecutes or gives notice of an intention to prosecute; or
- commences proceedings against, or gives notice of an intention to commence proceedings against,

the Company or any of its officers, employees or agents in relation to the rights issue;

(iii) (**ASX approval**) any ASX approvals obtained is withdrawn, qualified (other than by conditions acceptable to AMD acting reasonably) or withheld (or ASX indicates to the Company or AMD that the approval is likely to be withdrawn, qualified or withheld);

(iv) (**ASIC and ASX Waivers**) any ASIC Waivers or ASX Waivers are withdrawn, revoked or amended without the prior written approval of AMD;

(v) (**offer documents**) either:

(A) an offer document contains a statement which is untrue, inaccurate, misleading or deceptive or likely to mislead or deceive (whether by inclusion or omission); or

(B) an offer document does not contain all information required to comply with all applicable laws;

(vi) (**insolvency**) the Company or subsidiary becomes insolvent, or an act occurs or an omission is made which may result in the Company or a subsidiary becoming insolvent;

(vii) (**material breach**) the Company fails to comply with any of its material obligations under the Underwriting Agreement, or any representation or warranty by the Company in the agreement is or becomes incorrect;

(viii) (**material change in law**) there is introduced or there is announced a proposal to introduce into any legislature or like body a new law or the Reserve Bank of Australia, any other like authority in any other jurisdiction or any government agency in any jurisdiction adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement) which does or is likely to prohibit or regulate the business of the Company or a subsidiary, the rights issue, capital raisings generally or stock markets generally which results in a material adverse effect on the Company taken as a whole;

(ix) (material adverse change in financial markets) any of the following occurs:

(A) any material adverse change or material disruption to the political conditions or financial markets of Australia, Japan, the United Kingdom, the United States of America or the international financial markets or any change or development involving a prospective change in national or international political, financial or economic conditions,

(B) a general moratorium on commercial banking activities in Australia, the United States of America, Japan or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or

(C) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for more than two consecutive business days on which that exchange is open for trading;

(x) (**unauthorised alterations**) without the prior written consent of AMD, the Company alters its share capital or its constitution; or

(xi) (**Directors and senior management**)

(A) a Director or any member of senior management is charged with a criminal offence relating to any financial or corporate matter;

(B) any government agency commences any public action against the Company, any of the Directors or any member of senior management; or

(C) any Director is disqualified under the Corporations Act from managing a corporation.

4 Key terms of the Convertible Note Agreement

The agreed key terms of issue of the Convertible Note Agreement are summarised below (refer to Schedule 3 for further details in relation to the terms of the Convertible Notes):

(a) (**drawdown date / issue date**): the Convertible Notes will be issued two business days after satisfaction (or waiver) of all conditions precedent set out in the Transaction Implementation Deed.

(b) (**security**): the Convertible Notes will be secured by mortgages of the Company's Australian, Fijian and United States land and factories, second-ranking to the existing security interests currently held by Rabobank.

(c) (**interest**): the coupon on the Convertible Notes is 4.5% per annum, payable annually in arrears or (with agreement of the noteholder) accrued as a liability and payable no later than 12 months after the relevant due date for the interest payment.

(d) (**conversion**): each Convertible Note may be converted into one Share at any time prior to maturity of the Convertible Note (the conversion ratio is subject to customary adjustments for alterations to the capital of the Company), but may not be converted before the record date for the Underwritten Rights Issue.

(e) (**maturity and repayment**): except to the extent already converted, the Convertible Notes mature on the third anniversary of the issue date of the notes, at which time the face value of the notes (plus any unpaid interest) is repayable to AMD or the Fund.

(f) (**warranties**): the Company has provided customary warranties, including that the Company is not in any breach or default of any contract and that, other than the matters covered under the Notice of Meeting, there is no restriction on the issue of the Convertible Notes and the issue of the Ordinary Shares to AMD or the Fund on conversion.

(g) (**undertakings**): the Company has provided customary undertakings, including that the Company will not enter into any new commitments or increase existing commitments, grant any options or declare or pay dividends.

(h) (**termination**): there are various grounds upon which the Company, AMD or the Fund may terminate including:

   (i) if conditions precedent are not satisfied or waived in accordance with the terms of the Transaction Implementation Deed (refer to section 1 of Schedule 2);

   (ii) the Company is prevented from issuing the Convertible Notes by the order of a court of competent jurisdiction or by a Government Agency;

   (iii) a party commits a material breach of its obligations;

   (iv) the Board changes its recommendations in accordance with the terms of the Transaction Implementation Deed; or

   (v) any of the Placement Letter, Transaction Implementation Deed or Underwriting Agreement is terminated in accordance with its terms.

Schedule 3 — Terms of Issue of Convertible Notes

Securities offered	Each Convertible Note is convertible into one Share (subject to adjustment to the conversion ratio as set out below), which will be listed on the ASX and rank equally with all other Shares.
Currency	Australian dollars.
Issue price per Convertible Note	Forty cents ($0.40) per Convertible Note minus the Costs Adjustment (calculated on a per Convertible Note basis). For clarity, no amount is payable on conversion.
Denomination / Face Value	Forty cents ($0.40) per Convertible Note.
Total number subscribed	A total of 37,500,000 Convertible Notes as follows: (a) 25,000,000 Convertible Notes will be subscribed by the Fund; and (b) 12,500,000 Convertible Notes will be subscribed by AMD.
Issue price payment date	The Convertible Note issue price will be payable on the issue date, being two business days after satisfaction (or waiver) of all conditions precedent specified under the Transaction Implementation Deed.
Total issue size	Fifteen million dollars ($15,000,000), less the relevant Costs Adjustment amount.
Maturity Date	Three (3) years from the date of issue of the Convertible Notes, being two business days after the satisfaction or waiver of all conditions precedent under the Transaction Implementation Deed.
Number of Shares to be issued on conversion	If all of the Convertible Notes are converted, 37,500,000 Shares (subject to adjustment to the conversion ratio as set out below).
Interest	4.5% per annum, payable annually in arrears or, with the agreement of AMD or the Fund, accrued as a liability and payable no later than 12 months after the relevant due date for the interest payment.
Conversion rights	(a) On conversion, each Convertible Note will convert into one Share (subject to adjustment to the conversion ratio as set out below). (b) AMD or the Fund may, at its election, convert any or all of the Convertible Notes at any time on or before the maturity date but may not be converted before the record date for the Underwritten Rights Issue.
Redemption	AMD or the Fund at their election require that the Company redeem any Convertible Notes not converted and held by it on the Maturity Date by seven days written notice and the Issuer must pay to the Subscriber the face value for each Convertible Note.

Adjustment of conversion ratio	The number of Shares into which each Convertible Note will be converted will be adjusted in certain circumstances where the issued capital of the Company is varied, including: (a) a sub-division or consolidation of Shares; or (b) any other reorganisation or reconstruction of Shares where the Company does not pay or receive cash. (c) any issue of Shares for less than the market value of Shares or for less than \$0.40; (d) any distribution made by the Company other than by way of dividend; and (e) any other type of event (including the issue of securities) which could have a diluting or concentrative effect on the value of Shares or otherwise affect the value of the Convertible Notes, but excluding: (f) the Underwritten Rights Issue and the Placement; (g) conversion of Convertible Notes; (h) issues under any employee incentive or share plan or other employee incentive arrangement; and (i) any event or transaction which all noteholders agree in writing will not be an “adjustment event”.
Transferability	AMD or the Fund may transfer the Convertible Notes in their discretion.
Governing law	Queensland, Australia.
Security	The Company will grant security ranking second only to pre-existing security granted to Rabobank over its land and factories located in the USA, Fiji and Australia (or to any other primary financier substituted for Rabobank with consent from AMD and the Fund), to secure its obligations under the Convertible Notes (the **Mortgages**). While the Convertible Notes are on issue, the Company undertakes that the total consolidated indebtedness of the Company and its subsidiaries to Rabobank and each other lender who holds security over one or more assets subject to the Mortgages which security ranks in priority to the Mortgages, must not exceed \$10 million, provided that such undertaking shall not prevent the Company from incurring further indebtedness of up to \$2 million (in aggregate) or as agreed between the Investors and the Company.

Nature of obligation	The Convertible Notes constitute debt obligations of the Company to AMD and the Fund and: (a) have a face value (for each Convertible Note) equal to $0.40; (b) are direct obligations of the Company to and in favour of tAMD and the Fund; (c) are secured by the Mortgages and accordingly rank ahead of all unsecured obligations of the Company; (d) rank equally and without any preference or priority among themselves, except to the extent that differing rights arise in accordance with these conditions because of any adjustment event; (e) rank in priority to the obligations and liabilities of the Company under the Shares; (f) are convertible into Shares in accordance with the terms of the Convertible Note Agreement; (g) are redeemable in accordance with the terms of the Convertible Note Agreement; (h) are transferable in accordance with the terms of the Convertible Note Agreement; (i) entitle the holder to the rights set out in, and are otherwise subject to, the terms of the Convertible Note Agreement; (j) will not be listed on ASX or any other securities exchange.
Use of funds and undertaking	The Convertible Notes funds must be principally used to repay debt owing to Rabobank, or in a manner principally agreed between the Company, AMD and the Fund.
Cleansing notice	Until the conversion or redemption of all Convertible Notes, the Company must take all steps to ensure that Shares issued on conversion of the Convertible Notes may be on-sold following their issue without the need for a prospectus under the Corporations Act, including, to the extent required, issuing a notice under section 708A(5)(e) of the Corporations Act which complies with section 708A(6) of the Corporations Act on conversion of the Convertible Notes.
Dividend stopper	If the Company fails to make any payment required in respect of Convertible Notes, the Company must not declare or pay any dividends on Shares or any other securities until such payment in respect of the Convertible Notes has been made, unless AMD and the Fund otherwise consent in writing.

Events of default	An event of default occurs in various circumstances, including: (a) the Company does not pay to AMD or the Fund monies owing; (b) the Company breaches a provision of the terms of issue, a mortgage or the deed poll; (c) the Company is or becomes insolvent; (d) an order is made for the winding up of the Company; (e) a receiver is appointed to the Company; or (f) the Company fails to comply with its obligations to appoint board members under the Transaction Implementation Deed (refer to section 1(d) of Schedule 2).

Attachment A — Independent Expert's Report

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Private and confidential
The Directors
Buderim Group Limited
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16 November 2016

Dear Directors

INDEPENDENT EXPERT REPORT AND FINANCIAL SERVICES GUIDE

PART ONE – INDEPENDENT EXPERT REPORT

1 Introduction

On 5 October 2016 (**Announcement Date**), Buderim Group Limited (**BUG** or **the Company**) announced it had entered into a binding term sheet with Asia Mark Development Limited (**AMD**) and Wattle Hill RHC Fund 1 SPV1 L.P., an exempted limited partnership, acting through its general partner, Wattle Hill RHC Fund 1 SPV1 Ltd (**the Fund**), in which AMD will subscribe to a placement of approximately $2.6 million[1] of ordinary shares, AMD will fully underwrite a rights issue raising approximately $9.0 million and AMD and the Fund will be issued convertible notes (**Convertible Notes**) to raise $15.0 million (**collectively the Proposed Transactions**). Overall, the Proposed Transactions will result in the issue of an additional 31,438,239 ordinary shares in BUG under a series of transactions described below and potentially a further 37,500,000 ordinary shares in BUG should the Convertible Notes be converted to ordinary shares.

The Proposed Transactions involve a series of steps, which were agreed by BUG, AMD and the Fund in the Transaction Implementation Agreement, Placement Agreement, Convertible Note Agreement and Underwriting Agreement (together the **Transaction Documents**), dated 28 October 2016. As announced to ASX on 28 October 2016, the Company intends to:

[1] All currency amounts in this report are denominated in Australian dollars unless otherwise stated

- issue 6,504,463 ordinary shares to raise approximately $2.6 million before costs and expenses (**Placement**)
- undertake a pro rata renounceable rights issue of Shares on a 1 for 2 basis to raise approximately $9.0 million which will be fully underwritten by AMD (**Underwritten Rights Issue**)
- issue:
  - 25,000,000 Convertible Notes to the Fund
  - 12,500,000 Convertible Notes to AMD

  at $0.40 per Convertible Note to raise a total of $15.0 million (less reasonable costs of AMD and the Fund, capped at $400,000) (**Convertible Notes Issue**).

Assuming that the Convertible Notes are converted to ordinary shares in the future, the combined effect of the Proposed Transactions (including the series of transactions described above) is an overall equity injection of approximately $26.6 million (with an increase in the ordinary shares on issue in BUG of 68,938,239 shares) and an increase in pro-forma cash (prior to transaction costs) of the same amount.

The conversion of the Convertible Notes to shares will require the approval of non-associated shareholders of BUG (**Non-Associated Shareholders**) under Section 611, Item 7 of the Corporations Act 2001 (Cth) (the **Act**)

The Company has determined that AMD and the Fund are associates within the meaning of the Act.

We understand that AMD and the Fund have entered into a Put and Call Option Agreement, which provides each of AMD and the Fund with certain rights in relation to the Convertible Notes and/or shares held by other party during the term of the Convertible Notes. As a result, Non-Associated Shareholders should have regard to the collective shareholdings of both AMD and the Fund. Refer to the Notice of General Meeting for further details.

To assist Non-Associated Shareholders in assessing the Proposed Transactions, the directors of BUG (**Directors**) have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) to prepare an Independent Expert Report (**IER**) indicating whether, in our opinion, the Proposed Transactions are fair and reasonable to Non-Associated Shareholders.

BUG is engaged in the following:

- processing, marketing and distribution of confectionary ginger, other ginger-based products and tourism related activities (**Ginger Business**)
- growing, processing and marketing of macadamias and macadamia-based products (**Macadamia Business**).

As at 5 October 2016, the Company had a market capitalisation of $15.4 million[2].

AMD is a business associate of QiaQia Food Co. Ltd. (**QiaQia**), a Chinese public company listed on the Shenzhen Stock Exchange. AMD and QiaQia have joint ventures and co-investments in numerous snack processing facilities in China. QiaQia is focused on snack production, specialising in roasted seeds and tree nuts.

The Fund is a holding vehicle for a private equity fund, which primarily invests in Australian and New Zealand companies that offer products and services in demand by Chinese consumers. The Fund's investors include large institutional and private investors from Europe and Asia.

This report sets out KPMG Corporate Finance's opinion on the Proposed Transactions and will be included in the Explanatory Memorandum which will accompany the Notice of Meeting to be sent to Non-Associated Shareholders prior to the Extraordinary General Meeting (**EGM**). This report should be considered in conjunction with, and not independently of, the information set out in the Explanatory Memorandum.

Further information regarding KPMG Corporate Finance as it pertains to preparation of this report is set out in Appendix 1.

KPMG Corporate Finance's Financial Services Guide (**FSG**) is contained in Part Two of this report.

2 Opinion

2.1 Summary of opinion

Based on our analysis, we have assessed the Proposed Transactions to be not fair to Non-Associated Shareholders. However, we have determined that the Proposed Transactions will result in sufficient benefits accruing to Non-Associated Shareholders, such that the Proposed Transactions are reasonable. Therefore, in our opinion the Proposed Transactions are not fair but reasonable to Non-Associated Shareholders, and it is in their best interests to approve the Proposed Transactions in the absence of a superior proposal.

In May 2016, BUG initiated a strategic review process as a result of the change to the Company's earnings expectations for the year ending 30 June 2016 (**FY16**). The strategic review process considered the Company's capital structure, exploring possible joint venture options and strategic acquisitions or divestments across its core business. The Directors have assessed the Proposed Transactions as being more attractive to the options identified during the strategic review process.

The regulatory framework requires the fairness of the Proposed Transactions to be assessed as if BUG was the subject of a takeover offer. Therefore, we have assessed the fairness of the Proposed Transactions by comparing the estimated trading range of a BUG share post the completion of the Proposed Transactions, with the assessed underlying value of a BUG share on a controlling basis, prior to the Proposed Transactions. The estimated trading range of a BUG share post the completion of the Proposed

[2] Based the closing share price of $0.355 per share on 5 October 2016 and 43,363,090 ordinary shares outstanding

Transactions reflect the 'consideration' received by Non-Associated Shareholders. We have determined the estimated trading range by discounting the assessed underlying value of BUG post completion of the Proposed Transactions, to reflect the minority nature of a BUG share. The estimated trading range of a BUG share was assessed to be $0.31 to $0.46 per share. This is below our assessed underlying value of BUG, which is $0.53 to $0.95 per share. On that basis, the Proposed Transactions are not fair.

In assessing the reasonableness of the Proposed Transactions, we have considered the benefits and disadvantages that will accrue to Non-Associated Shareholders in the context of BUG's current operating position.

BUG has a pressing need for additional funding to reduce senior debt. The Proposed Transactions will allow for a capital restructuring to provide funds for a substantial reduction in bank debt and to assist in the development of the core Macadamia Business and the Ginger Business.

The Proposed Transactions are not without its disadvantages for Non-Associated Shareholders. The Proposed Transactions will result in the potential for AMD and the Fund to individually and collectively emerge with significant equity interests in BUG (up to 39.1% and 22.3%, respectively on an individual basis or up to 61.4% combined). It is noted that the Put and Call Option Agreement could enable either of AMD or the Fund to ultimately hold up to a 61.4% interest in BUG. Accordingly the Proposed Transactions will result in a dilution to the current interests of Non-Associated Shareholders and will allow AMD and/or the Fund to exercise significant influence over the Company without a control premium being paid. Further, the potential for a control transaction to emerge in the future will be reduced given the size of AMD's and the Fund's interests, unless they agree to such an offer.

A failure by BUG to meet certain financial banking covenants in FY16 placed significant pressure on the Company continue in its current form and operate as a going concern in the absence of the Proposed Transactions or an alternative capital raising event. In any form of forced sale situation there would be significant risk over the Company's ability to realise market values for its core assets/businesses.

Of some comfort to Non-Associated Shareholders is the opportunity to participate in the Underwritten Rights Issue, which allows Non-Associated Shareholders to increase their interest at $0.36 per share.

Based on the above, we have assessed that Non-Associated Shareholders will clearly be better off if the Proposed Transactions are approved and therefore, in our view, the Proposed Transactions are reasonable.

2.2 Assessment of fairness

We have assessed the fairness of the Proposed Transactions by comparing the estimated trading range of a BUG share post the completion of the Proposed Transactions, with the assessed underlying value of BUG, on a controlling basis, prior to the Proposed Transactions.

Underlying value of BUG prior to the Proposed Transactions, on a controlling basis

KPMG Corporate Finance has valued BUG in the range of $23.0 million to $41.2 million, representing a value of $0.53 to $0.95 per share. Our valuation of BUG represents the underlying value of BUG prior to the completion of the Proposed Transactions, on a controlling basis.

Our valuation of BUG is set out in the table below.

Table 1: Underlying value of BUG on a controlling basis

$'000 unless otherwise stated	Value range	
	Low	High
Market value of net operating asset value - Ginger Business	17,417	28,315
Market value of net operating asset value - Macadamia Business	26,360	29,357
Less: Realisation costs	(1,698)	-
Total Operating asset value	**42,079**	**57,672**
Less: Debt	(24,047)	(24,047)
Add: Cash	3,901	3,901
Net asset value	**21,933**	**37,526**
Add: Tax losses	1,039	3,667
Adjusted net asset value	**22,972**	**41,193**
Issued shares (millions)	43.363	43.363
Net asset value per share ($)	**$0.53**	**$0.95**

Sources: FY16 annual report, KPMG Corporate Finance analysis

Given BUG's trading results for the past 3 years and particularly the financial results for the year ended 30 June 2016 (**FY16**), we have formed the view that BUG is not generating an appropriate return on its assets. Based on this conclusion, we have adopted the net asset valuation approach to derive a value range for BUG, on a controlling basis. The net asset approach is considered to generate a valuation on a controlling basis.

BUG does not prepare forecast cash flows for either of the businesses due to the cyclical nature of the macadamia and ginger seasons, which results in a level of uncertainty that prevents the Company from preparing reliable forecasts. Accordingly, we have not adopted the discounted cash flow (**DCF**) approach.

The value determined does not represent an estimate of the price at which a BUG share should trade, as shares in listed companies typically trade at a discount to the underlying control value.

Further details of our valuation assessment are set out in Section 9.

Estimated trading range of a BUG share post completion

The regulatory framework requires the fairness of the Proposed Transactions to be assessed as if BUG was the subject of a takeover offer. This is due to the possibility that by approving the Proposed Transactions, Non-Associated Shareholders will give up the opportunity to realise a control premium. In this case, the 'consideration' in the offer is deemed to be the shares in BUG the Non-Associated Shareholders will hold post completion of the Proposed Transactions.

We have estimated the trading range of a BUG share post completion of the Proposed Transactions by applying a minority discount to our assessed underlying value of BUG, post completion of the Proposed

Transactions (reflecting that shares in listed companies typically trade at a discount to their underlying value). The discount applied is the inverse of our assessed control premium.

In forming our view on the range of appropriate control premiums we have analysed acquisition premia implied by historical transaction data over the past 5 years. The premium is determined by comparing the share price at which the transaction occurred to the share price prior to the transaction announcement. A sample set of takeovers in various relevant sectors globally was sourced from Mergerstat, constituting successful bids where data on implied market values and one month pre-announcement premia was available.

Our analysis indicated the mean and median one month acquisition premia of approximately 35%, and 38%, respectively, after excluding outliers based on the size of their premia relative to others and those with negative premia. The majority of those takeovers reviewed, excluding outliers, reflected a premium of less than 40 percent.

We have assessed control premiums to typically be in the range of 30% to 40%.[3] Whilst we acknowledge that the level of trading liquidity in BUG shares and market conditions relevant to the Company at any point in time, may prevent BUG shares actually trading at our estimated range, we consider it the most appropriate approach in assessing the fairness of the Proposed Transactions.

KPMG Corporate Finance's estimate of the trading range of a BUG share post completion of the Proposed Transactions is $0.31 to $0.46 per share, as set out in the table below. We have taken into account the dilution effects resulting from the conversion of the Convertible Notes underlying this calculation.

Table 2: Estimated trading range of a BUG share post completion of the Proposed Transactions

$'000 unless otherwise stated	Value range	
	Low	High
Adjusted net asset value	22,972	41,193
Add: Cash[1]	25,943	25,943
Net assets on a controlling basis	**48,915**	**67,136**
Less: Minority Discount	(13,976)	(15,493)
Net assets on a minority basis	**34,939**	**51,643**
Issued shares after Transaction (millions)	112.301	112.301
Net asset value per share	**$0.31**	**$0.46**

Note 1: The cash amount includes estimated total transaction costs of $635,000

Source: KPMG Corporate Finance analysis

We have calculated the estimated trading range by taking the underlying value of BUG on a controlling basis and adjusting for movements in cash balances as a result of the Proposed Transactions, after deducting the estimated transaction costs of completing the Proposed Transactions and applying a

[3] Sources: Mergerstat and KPMG Corporate Finance analysis

minority discount in the range of 23.1% and 28.6%, which corresponds to a control premium range of 30% to 40%.

We also calculated the estimated trading range of a BUG share post completion of the Proposed Transactions, however before the conversion of the Convertible Notes as set out in the table below. The table shows a net asset value per share in the range of $0.32 to $0.54, recognising that the shares will not be impacted by the dilutionary effect of the conversion of the Convertible Notes until the Convertible Notes are converted.

Table 3: Estimated trading range of a BUG share post completion of the Proposed Transactions, however before conversion of the Convertible Notes

$'000 unless otherwise stated	Value range	
	Low	High
Adjusted net asset value	22,972	41,193
Add: Cash[1]	25,943	25,943
Less: Debt	(15,000)	(15,000)
Net assets on a controlling basis	**33,915**	**52,136**
Less: Minority Discount	(9,690)	(12,031)
Net assets on a minority basis	**24,225**	**40,105**
Issued shares before conversion of Convertible Notes (millions)	74.801	74.801
Net asset value per share	**$0.32**	**$0.54**

Note 1: The cash amount includes estimated total transaction costs of $635,000
Source: KPMG Corporate Finance analysis

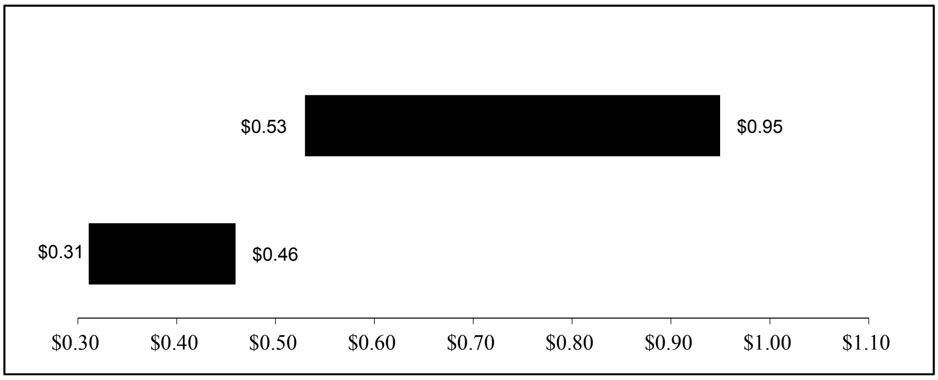
Post announcement of the Proposed Transactions, BUG's trading activity increased with the share price reaching an intraday high of $0.47 on 7 October 2016, the total volume of approximately 319,430 shares traded on 7 October 2016 compares to approximately 475,000 shares traded in total in the 3 months prior to 5 October 2016. Subsequently, trading activity decreased to a daily average volume of approximately 5,000 shares up to 24 October 2016, with a reduction in the closing price of $0.38 on 24 October 2016. This trading activity highlights why we consider BUG to be a relatively illiquid stock.

However, the trading activity is also likely to be a reflection of the positive elements of the Proposed Transactions that AMD and the Fund will provide, as discussed further in Section 2.3 below.

The Proposed Transactions are not fair

The consideration under the Proposed Transactions (being the estimated trading range of a BUG share post completion of the Proposed Transactions) is lower than KPMG Corporate Finance's assessed underlying value of BUG in the range of $0.53 to $0.95 per share as set out in Figure 1 below. On this basis, in accordance with the regulatory framework required to be applied in assessing the Proposed Transactions, the Proposed Transactions are not fair.

Figure 1: Fairness assessment of the Proposed Transactions



Source: KPMG Corporate Finance analysis

Non-Associated Shareholders should be aware that this outcome is not unexpected as the equity issued due to the Proposed Transactions would need to be issued at a significant premium to the underlying value of a BUG share in order for the regulatory framework to yield a 'fair' outcome.

2.3 Assessment of reasonableness

An offer is deemed to be 'reasonable' if it is 'fair'. However, an offer can also be reasonable if, despite not being fair, there are sufficient reasons for shareholders to accept the offer in the absence of a superior offer being tabled.

In considering whether the Proposed Transactions are reasonable, we have considered the following key factors.

The Proposed Transactions provides sufficient funding to allow BUG to reduce its bank debt and focus on its core business segments of Macadamias and Ginger

BUG entered into a restated letter of offer with its principal financier Rabo Australia Limited and Cooperatieve Rabobank U.A. formerly known as Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Australia Branch) (**Rabobank**) on 24 May 2016. The restated facilities included a term loan expiring 30 November 2017 and a working capital facility that needed to be fully repaid by 28 February 2017. In the absence of the Proposed Transactions, BUG would likely need to sell core assets and/or core businesses in order to meet these repayment requirements and if the Proposed Transactions do not proceed, asset sales will be required to meet debt repayment requirements.

BDO Audit Pty Ltd's (**Auditor**), the statutory auditor of BUG noted in respect of the financial statements for FY16 that, based on the factors outlined by the Directors, the ability of BUG to continue as a going concern was dependent upon the continued support of its financiers and the ability to generate profits. These conditions, along with those highlighted above, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management has identified a number of opportunities to develop the core Macadamia Business and Ginger Business, including:

- increase distribution into export markets, including China, assisted by the transaction parties
- develop in-house manufacturing capability for processes currently outsourced including drinks packaging
- facilitate further vertical integration in macadamias in orchard development and retail macadamia product processing
- enable potential extension into a wider tree-nut business with the support of the transaction parties.

The Proposed Transactions provide BUG with additional cash of $25.9 million (after estimated transaction costs of $635,000), which will enable the Company to substantially reduce its bank debt and develop the core business segments of Macadamias and Ginger as well as contemplate a number of new projects.

Our assessed value range of a BUG share post completion of the Proposed Transactions does not include any potential benefits that may arise as a result of the Proposed Transactions including through the Company utilising additional funds to reinvest in the business or through the introduction of AMD and the Fund as strategic investors who are expected to be able to provide assistance in developing South East Asian markets, in particular China.

The Proposed Transactions are more attractive to the alternatives identified in the strategic review process

The strategic review process identified a number of alternatives, although the board determined only one alternative was a feasible funding option. Based on discussions with management, three key alternative scenarios were considered:

- An asset sale program including the following:
  - Sale and leaseback of the Yandina property
  - Sale of Agrimac
  - Sale of the Ginger Business
  - Joint venture with strategic partner for sale of MacFarms
  - Sale of the entire business.
- A partial assets sale program accompanied by a capital raising assuming sale and leaseback of the Yandina property and that Agrimac cannot be sold
- A capital raising if an asset sale plan is not executed.

On further assessment, the board ultimately determined the Proposed Transactions to be more attractive. Specifically, the Proposed Transactions provided:

- the necessary amount of funding to make a substantial reduction in bank debt

- the ability for the Company to continue operating without having to sell any significant assets such as the Yandina property (the sale process had commenced prior the announcement of the Proposed Transactions)
- the ability to develop the core business segments, particularly Macadamias through increased distribution channels to export markets such as China given the transaction parties involved.

There is no underwriting fee

As part of the Proposed Transactions AMD is fully underwriting the Underwritten Rights Issue. AMD is not receiving a fee in respect of its underwriting role. Accordingly, BUG (assuming the Proposed Transactions are approved) would receive the benefit of the costs savings of the avoided underwriting fee, which can be anywhere in the range of nil to 9.1% of the total transaction value, with a mean of approximately 4.0% based on transactions of a similar size in the last five years[4].

AMD and the Fund will be significant investors

As AMD and the Fund (assuming Convertible Notes are converted into ordinary shares) will become significant shareholders in BUG, they will have a significant incentive to ensure the long term success of the Company. This is an important consideration given that BUG does not currently have any significant investors with access to export markets in China to help increase the Company's distribution channels.

AMD and QiaQia have joint ventures and co-investments in numerous snack processing facilities in China and QiaQia products are sold in over 900,000 retail outlets in China. In this regard, AMD's co-investments and joint ventures with QiaQia are:

- Chongqing QiaQia Food Co., Ltd
- Anhui Beite Food Technology Co., Ltd
- Shanghai QiaQia Food Co., Ltd
- Hefei Huali Food Co., Ltd
- Hebei Duowei Food Co., Ltd.

There is currently no agreement on foot in relation to BUG between AMD and QiaQia.

In addition to China, QiaQia also distributes products to South East Asia, Europe and North America. AMD's involvement will enable BUG to not only benefit from QiaQia's expertise in the industry and with snack food products, but also attract greater interest from the Chinese export market.

The Fund has experience investing in companies that offer products and services in demand by Chinese companies. The Fund has a team of Chinese-speaking investment personnel with Australian education and professional backgrounds that can assist in bridging the cultural gap between Australian and Chinese companies. The Fund's involvement will provide BUG with both financial capital and assistance with access to the Chinese market.

[4] Source: Capital IQ

The Proposed Transactions will allow management focus to return to business operations

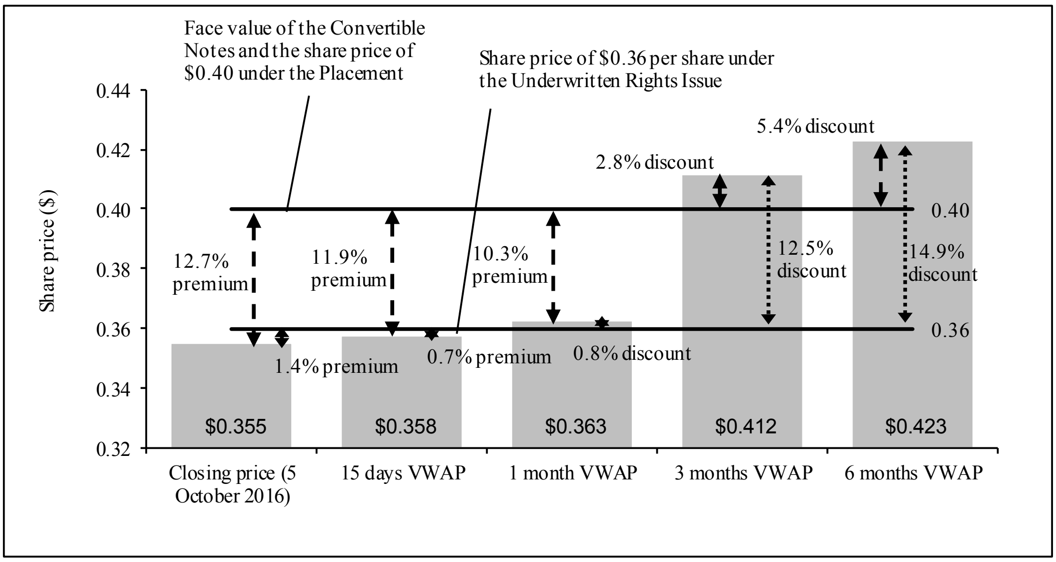
The strategic review process has been an intensive process, requiring significant management time. As BUG is entering an important phase in the Company's evolution, it is crucial that management focus be maintained on operational matters. Although these have not been neglected, approval of the Proposed Transactions will ensure the Company's ability to access funding will not require intensive management time in the short-term.

There are disadvantages to the Proposed Transactions but these are not considered sufficient to outweigh the benefits

- *AMD and the Fund will gain significant influence without a control premium being paid*

The issue price for the Placement, Convertible Notes Issue and the Underwritten Rights Issue under the Proposed Transactions compared to the Volume Weighted Average Price (**VWAP**) of BUG shares prior to the Announcement Date, as set out in Section 7 are shown in Figure 2 below.

Figure 2: Proposed Transactions' price compared to trading price prior to the Announcement Date



Source: KPMG Corporate Finance analysis

It is commonly accepted that acquirers of a controlling interest in a business should pay a premium over the value implied by the trading price of a share to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration. However, the level of premium observed in takeovers varies and depends largely on the circumstances of the target, competitive tension in the sales process and the level of synergies available. Observations from transaction evidence indicate that these premiums concentrate around a range between 30% and 40%[5].

For the issue of the Placement and the Underwritten Rights issue, there is no premium to the current trading price as the Placement will be priced at a $0.40 per share and the Underwritten Rights Issue at $0.36 per share, which are broadly in line or at a slight premium to the share price of $0.36 immediately prior to the Announcement Date.

- *AMD and the Fund will each have a representative on the board*

On completion of the Proposed Transactions, AMD (or its nominee) and the Fund (or its nominee) will each have the right to appoint one director to the Company's board. Further, within six months post-completion of the Proposed Transactions, BUG must procure a fifth director to join the Board, to be nominated by the Fund and AMD appointed Directors only. This means the BUG board will comprise of five directors, three of whom represent AMD and/or the Fund.

- *Non-Associated Shareholders' investments will be significantly diluted*

The interests of the existing shareholders in BUG will be diluted from the existing 100% to a high of 57.9% and as low as 38.6% on an "as-if fully exercised and converted basis".

- *The likelihood of a future control transaction will be reduced given the size of AMD's and the Fund's (assuming conversion of the Convertible Notes into equity) holdings*

Under the Proposed Transactions, AMD and the Fund can secure a maximum interest in BUG of 39.1% and 22.3%, respectively on an individual basis or up to 61.4% combined, on an "as-if fully exercised and converted basis". This level of equity interest by any investor will significantly reduce the likelihood that a control transaction will emerge in the future, unless it has the support of AMD and the Fund, and therefore Non-Associated Shareholders will have passed a degree of control to AMD and the Fund without gaining the benefit of a control premium.

There are other factors that will impact BUG which should be considered in assessing the Proposed Transactions but are not necessarily benefits or disadvantages

- *The Convertible Notes will be secured by mortgages over certain assets held by BUG*

The Convertible Notes will be secured by mortgages of the Company's Australian, Fijian and United States land and factories, second-ranking only to the existing security interests currently held by Rabobank. If Convertible Notes are not converted they will need to be repaid by on the 3rd anniversary of the issue date.

BUG will face significant uncertainties if the Proposed Transactions are not approved

In the event the Proposed Transactions are not approved, BUG has indicated that it will continue to operate "as-is" and seek other solutions reduce its bank debt that may involve the sale of certain assets of

[5] Sources: Mergerstat and KPMG Corporate Finance Analysis

the Company. Such a situation will result in significant uncertainties and would impact on the underlying value of BUG.

- *BUG will require an alternative source of funds*

Based on BUG's financial position as at 30 June 2016, BUG's debt position is detrimental to ongoing business activities and in the absence of alternative funding sources, will likely lead to a sale of assets and/or businesses.

Any alternative funding is likely to be sourced at unfavourable terms to those agreed under the Proposed Transactions, due to the lack of feasible alternatives identified during the strategic review process. These alternatives are also likely to have significant execution risks and therefore will not provide the certainty of outcome that the Proposed Transactions does for Non-Associated Shareholders.

Failure to secure an alternative funding source will heighten the potential for BUG to face the going concern issues noted in the FY16 financial statements.

- *BUG's share price is likely to fall*

BUG's shares traded at a one month VWAP and three month VWAP of $0.36 and $0.41, respectively, prior to the Announcement Date. Prior to the announcement of the Proposed Transactions, BUG shares traded at $0.36. Whilst it is not possible to accurately predict the prices at which BUG's shares might trade in the future should the Proposed Transactions not be approved, we consider it highly likely that the increased uncertainty of BUG's funding position will create downward pressure on the trading price of BUG's shares.

Non-Associated Shareholders will have the ability to participate in the Underwritten Rights Issue

The Non-Associated Shareholders will have the ability to participate in the Underwritten Rights Issue at an offer price of $0.36 per share, which represents a slight discount to the $0.38 per share as at 24 October 2016 and a discount to the Placement price and the Convertible Notes face value.

The Proposed Transactions are reasonable

KPMG Corporate Finance has concluded that the Proposed Transactions are not fair, on the basis that the estimated trading range of a BUG share post completion of the Proposed Transactions are below or at the lower end of our assessed underlying value of BUG. However, Non-Associated Shareholders should recognise that they are unlikely to be able to realise the underlying value of BUG in the event that appropriate funding is not sourced in the short term.

Further, whilst the Proposed Transactions are considered to be not fair, there are compelling reasons for the Non-Associated Shareholders to approve the Proposed Transactions. The Proposed Transactions will provide certainty over the reduction of bank debt and allow the Company to focus on its core business segments of Macadamia and Ginger, as well as introducing two significant investors, which will send a strong signal to the market and create stability for future fund raising activity. Accordingly, the Proposed Transactions are reasonable.

3 Other matters

In forming our opinion, we have considered the interests of the Non-Associated Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Non-Associated Shareholders. It is not practical or possible to assess the implications of the Proposed Transactions on individual Shareholders as their financial circumstances are not known. The decision of Non-Associated Shareholders as to whether or not to approve the Proposed Transactions are a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Non-Associated Shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual Non-Associated Shareholders including residents of foreign jurisdictions seek their own independent professional advice.

Our report has also been prepared in accordance with the relevant provisions of the Act and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting Non-Associated Shareholders in considering the Proposed Transactions. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Explanatory Memorandum to be sent to Non-Associated Shareholders in relation to the Proposed Transactions, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Explanatory Memorandum.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 of the attached report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information section as set out in Section 5.3 of our attached report.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully

Bill Allen	Sean Collins
Authorised Representative	Authorised Representative

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4 The Proposed Transactions

On 28 October 2016, BUG announced it had entered the Transaction Documents to undertake the Proposed Transactions. The objectives of the Proposed Transaction are to provide funds for a substantial reduction of bank debt and to develop the core business segments of Macadamias and Ginger, capitalising on the established brands held by the Company including Buderim Ginger, MacFarms, Fresh from Hawaii and Frespac. The Proposed Transactions will raise approximately $26.6 million (before estimated transaction costs of $635,000).

The Proposed Transactions will be implemented as follows:

- *Placement* to AMD at $0.40 per share for a total of 6,504,463 ordinary shares, raising approximately $2.6 million. This represents approximately 15.0% of the shares on issue before completion of the Placement. The issue of the shares under the Placement will occur as soon as possible following approval of Non-Associated Shareholders
- *Underwritten Rights Issue* – AMD has agreed to fully underwrite a pro rata renounceable rights issue of ordinary shares the Company will make, on a 1 for 2 basis at $0.36 per share, raising approximately $9.0 million. The offer will be made available to registered holders of shares at the record date who are resident in Australia or New Zealand. Each eligible holder will have the right to subscribe for 1 new share for every 2 shares held at the record date. The Underwritten Rights Issue will only proceed if Non-Associated Shareholders approve the Proposed Transactions. As the offer is renounceable, Non-Associated Shareholders who do not wish to accept the offer will have the ability to sell their rights on the ASX, depending on whether there is a market for such rights. AMD is not receiving a fee in respect of its underwriting role
- *Convertible Notes Issue* – BUG agreed to issue 25,000,000 Convertible Notes to the Fund and to issue 12,500,000 Convertible Notes to AMD, raising $15.0 million in total (less reasonable costs of the Fund and AMD, capped at $400,000). In particular, we note the following:
  - the Convertible Notes will only be issued if Non-Associated Shareholders approve the Proposed Transactions – this will include an approval for conversion by AMD and the Fund of the Convertible Notes they hold into ordinary shares for purposes of the ASX Listing Rule 7.1 and section 611, item 7 of the Act
  - the Convertible Notes will be issued two business days after satisfaction (or waiver) of all conditions precedent set out in the Transaction Documents, and in any event not later than three months after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules)
  - each noteholder of the Convertible Notes may elect prior to the maturity date to convert the Convertible Notes to ordinary shares, and the Company must allot and issue such number of ordinary shares as the Fund or AMD is entitled to be allotted or issued as a result of conversion of the Convertible Notes in accordance with the Transaction Documents, provided however that such conversion must not occur on prior to the record date for the Underwritten Rights Issue

- except to the extent already converted, the Convertible Notes mature on the 3rd anniversary of the issue date of the notes, at which time the face value of the notes, plus any unpaid interest will be payable by the Company to the noteholder
- the subscriber, may at its election, require that the Company redeem any Convertible Notes not converted and held by it on the maturity date by seven days written notice and the issuer must pay to the subscriber the face value for each Convertible Note
- the coupon on the Convertible Notes is 4.5% per annum, payable annually in arrears or (with agreement of the noteholder) capitalised
- the Convertible Notes will be secured by mortgages of BUG's Australian, Fijian and United States land and factories, second-ranking to the existing security interests currently held by Rabobank
- the 37,500,000 Convertible Notes will be issued at a face value of $0.40.

5 Scope of the report

5.1 Purpose

Section 606 of the Act effectively prohibits a person from acquiring a relevant interest in a public company in excess of 20%. Item 7 of Section 611 allows non-associated shareholders to waive the Section 606 prohibition by passing a resolution at a general meeting of the company. Under the Proposed Transactions, AMD can potentially acquire up to a 39.1% interest in the Company and the Fund can potentially acquire a 22.3% interest in the Company and 61.4% on a combined basis, and under the operation of the Put and Call Option Agreement either AMD or the Fund could ultimately hold up to a 61.4% interest. Therefore the Company is seeking shareholder approval pursuant to Item 7 of Section 611. To assist in assessing the Proposed Transactions, the Act requires non-associated shareholders to be provided with all information known to the company that is material to the decision on how to vote. The directors of the company typically satisfy this obligation by providing an IER.

The Directors of BUG have engaged KPMG Corporate Finance to prepare an IER setting out our opinion as to whether the Proposed Transactions are considered fair and reasonable to Non-Associated Shareholders, and to state the reasons for that opinion.

This report has been prepared for inclusion in the Explanatory Memorandum to accompany the Notices of Meeting to be sent to Non-Associated Shareholders.

5.2 Basis of assessment

The Australian Securities and Investments Commission (**ASIC**) has issued Regulatory Guide RG 111, which provides a framework for the preparation of IERs. The framework to be applied differs depending on whether the transaction is deemed to be a control transaction or not. For control transactions, the expert is instructed to distinguish between "fair" and "reasonable", that is, fair and reasonable is not regarded as a compound phrase. RG 111 indicates that for a transaction pursuant to Item 7, Section 611 of the Act, it should be assessed as a control transaction. Accordingly, KPMG Corporate Finance assessed whether the Proposed Transactions are "fair and reasonable" to Non-Associated Shareholders.

The assessment of "fair" involves a comparison of the offer price with the value of the securities subject to the offer. For this assessment, the value of the securities is determined with reference to the underlying value of the business on a control basis. In an Item 7, Section 611 transaction, the offer price is taken to be the securities the shareholder will hold in the company post the completion of the transaction. This assessment is made with reference to the estimated trading range of the securities held, and therefore is not on a control basis.

The assessment of "reasonableness" requires consideration of other factors relevant to the transaction and the company. This may include:

- the rationale for the transaction
- alternatives available to the company
- the consequences of not approving the transaction
- any other benefits or disadvantages of the transaction.

RG 111 provides that an offer is fair if the offer price is equal to or greater than the value of the securities subject to the offer.

An offer is reasonable if it is fair. However, RG 111 provides that an offer could also be reasonable if, despite being "not fair", the expert determines there are sufficient reasons for shareholders to accept the offer in the absence of a superior offer being tabled.

In assessing fairness, RG 111 and market practice suggest the following factors should apply:

- values should be determined on the basis of a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller
- values should not reflect special value that might accrue to the purchaser, but rather those benefits that would be available to a pool of potential purchasers
- no consideration should be given to the percentage holding of the bidder or its associates in the company, or whether the offer price constitutions cash or scrip.

Therefore, our assessment would indicate the Proposed Transactions are fair if the estimated trading price of a BUG share following the completion of the Proposed Transactions on a non-control basis, are equal to or greater than the assessed underlying value of BUG on a controlling basis, prior to the Proposed Transactions.

5.3 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of BUG for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. We have also had discussions with BUG's management in relation to the nature of the Company's business operations, its specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

BUG has been responsible for ensuring that information provided by it or its representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by the management of BUG. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, BUG remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, however we have made sufficient enquiries to satisfy ourselves that such information has been prepared on a reasonable basis.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

It is not the role of the independent expert to undertake the commercial and legal due diligence that a company and its advisers may undertake. The Directors of BUG, together with the Company's legal advisers, are responsible for conducting due diligence in relation to the Proposed Transactions. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process, which is outside our control and beyond the scope of this report. We have assumed that the due diligence process has been and is being conducted in an adequate and appropriate manner.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

5.4 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. BUG has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to BUG and its subsidiaries. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising BUG. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by BUG.

6 Company overview

6.1 Overview

BUG is engaged in the following:

- processing, marketing and distribution of confectionary ginger and other ginger-based products
- growing, processing and marketing of macadamias and macadamia-based products.

The Company also engages in tourism on the Sunshine Coast, operating The Ginger Factory tourist attraction. BUG has been publicly listed on the Australian Stock Exchange (**ASX**) since October 1989, and is the parent entity of a group of subsidiaries operating in Australia, the United States and Fiji.

The Company employs over 450 people globally with manufacturing and processing facilities at Yandina in Queensland, Alstonville in New South Wales, Suva in Fiji and Captain Cook in Hawaii. BUG's head office is located in Milton, Brisbane where it handles sales and operational planning, sourcing of product inputs, distribution management, marketing and media management, corporate administration, research and development as well as a variety of other administrative and management functions.

BUG predominantly sells its ginger and macadamia products domestically to retail distributors and supermarkets such as Coles, Woolworths, Costco and other independents in Australia. It sells products internationally to equivalent retailers such as Walmart and Costco in the United States, Sainsbury's in the United Kingdom, and various Canadian retailers and Costco.

As a proportion of BUG's operations in 2016, total revenue attributed Australia, United States and Fiji operations are approximately 63%, 32% and 5% respectively.

Ginger

BUG is a leading ginger processor in Australia, handling the largest quantity of ginger of all operators in the market. The operating businesses for BUG's ginger processing and marketing are Buderim Group Limited (**Buderim Ginge**r) for Australian operations and Frespac Ginger (Fiji) Limited (**Frespac**) for Fijian operations. These businesses focus on producing ginger confectionary, spreads, soft drinks and alcoholic drinks from its facilities in Yandina and Suva and with assistance from co-packers. As a proportion of BUG's operations in 2016, Buderim Ginger and Frespac represent approximately 32% of total revenue.

Macadamia

BUG is one of the largest processors and marketers of macadamia nuts in Australia and internationally through its subsidiaries Agrimac Macadamias Pty Ltd (**Agrimac**) and MacFarms LLC (**MacFarms**). Agrimac operates the Alstonville based facility and services customers in Australia, Asia, Europe and North America. MacFarms operates the facility in Hawaii and services customers primarily in North America. As a proportion of BUG's operations in 2016, Agrimac and MacFarms represent approximately 63% of total revenue.

Tourism

In addition to its ginger and macadamia nut activities, BUG operates The Ginger Factory based at its Yandina site on the Sunshine Coast, Queensland. The attraction is based around showcasing its processing facilities at the site, alongside a variety of other recreational and entertainment activities and products. As a proportion of BUG's operations in 2016, The Ginger Factory represents approximately 5% of total revenue.

BUG has a 50% interest in the joint venture Ginger Head Quarters Pty Ltd with DPG Enterprises Pty Ltd. The joint venture entity is involved in tourism activities within the Ginger Factory tourism complex at Yandina.

6.2 Recent developments

On 6 May 2016, BUG announced that its earnings expectations for the year ending 30 June 2016 would be lower than expected due to a tightening of margins caused by an increase in macadamia prices in Australia, which have not been able to be passed onto kernel buyers. In addition, retail product deletions and reduced product margins in the Australian retail market, combined with increased operating costs resulted in decrease in profitability of the Ginger business segment. After a good production year in MacFarms, increased stock took time to sell through and resulted in stock adjustments.

Included in the earnings announcement in May 2016, BUG stated the Company was considering a number of options to improve the profitability of the business including a review of its capital structure, exploring joint venture opportunities and strategic acquisitions or divestments.

On 14 July 2016, BUG announced that it would offer its Yandina property for sale and leaseback. The proceeds from the sale would be used to retire senior debt and focus on key projects described below.

On 5 October 2016, BUG announced the Proposed Transactions, which represented a change in strategy whereby new funds would be raised through the issue of shares and Convertible Notes as opposed to through the sale of assets. BUG advised that the funds raised under the Proposed Transactions would be used to reduce its bank debt and develop the Macadamia and Ginger business segments. As a result of the Proposed Transactions, BUG further announced it would cease marketing the sale and leaseback of the Yandina property.

BUG identified the following projects that are contemplated as uses for any surplus funds after the repayment of debt:

- Increased distribution in export markets including China, assisted by transaction parties

- Allow for the development of in-house manufacturing capability for processes currently outsourced including drinks packaging
- Facilitate further vertical integration in macadamias in orchard development and retail macadamia product processing
- Enable potential extension into a wider tree-nut business with the support of the transaction parties.

6.3 Going concern basis

BUG's annual report for FY16 was prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. In relation to this, the Directors noted in the FY16 annual report the following risks which give rise to material uncertainty:

- BUG incurred a net loss of $6.6 million
- BUG obtained a waiver on 28 June 2016 in respect of the expected financial banking covenant breaches as at 30 June 2016
- All Rabobank facilities have been classified as current at 30 June 2016 as BUG did not meet its debt service cover ratio, debt to EBITDA ratio and forecasted EBITDA banking covenant ratios. BUG was unable to secure the Rabobank requirements from third party warehouses, required as a condition of the waiver letter.

Notwithstanding the above, the Directors indicated that they were satisfied that it was appropriate to prepare the financial statements on a going concern basis having regard to the following:

- the current and expected liquidity from operating cash flows, provides reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
- the undertaking of a strategic review of a full range of capital raising options, as well as alternative financing arrangements, which Management and the Board believe "have a reasonable prospect of being successful"
- a waiver has been received from Rabobank for the covenants that have been breached and the group's financiers will continue to support the group following variations of the facilities on 24 May 2016
- the group is continuing to expand sales distribution and implement cost reduction strategies to improve group profitability.

BDO, the statutory auditor of BUG noted in respect of the FY16 financial statements that, based on the factors outlined by the Directors, the ability of BUG to continue as a going concern is dependent upon the continued support of its financiers and the ability to generate profits. These conditions, along with those highlighted above, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, may be unable to realise its assets and discharge its liabilities in the normal course of business.

6.4 Financial performance

The historical consolidated financial performance of BUG for FY14, FY15 and FY16 is summarised below.

Table 4: Financial performance

For $000 unless otherwise stated	FY14 Audited	FY15 Audited	FY16 Audited
Sale of goods	63,160	70,720	78,473
Cost of sales	(54,311)	(57,527)	(67,516)
Gross profit	**8,849**	**13,193**	**10,957**
Other income			
Rental revenue	246	238	164
Other income	2,923	5,102	859
Finance revenue	24	68	6
Share of profit accounted for using the equity method	27	20	56
Selling and distribution expenses	(4,617)	(5,104)	(4,974)
Marketing expenses	(807)	(959)	(1,372)
Tourism expenses	(2,260)	(2,321)	(2,486)
Administration expenses	(5,714)	(6,700)	(6,895)
Impairment expense	-	-	(4,508)
Other expenses	(450)	(142)	(32)
Finance costs	(962)	(879)	(938)
Profit/(loss) before income tax	**(2,741)**	**2,516**	**(9,163)**
Income tax (expense)/benefit	1,416	(2,226)	2,537
Profit / (loss) after tax	**(1,325)**	**290**	**(6,626)**
Profit/(loss) from discontinued operations, net of tax	(168)	-	-
Profit / (loss) after tax	**(1,493)**	**290**	**(6,626)**
Basic (loss) earnings per share (cents)	(7.10)	0.67	(15.28)
Diluted (loss) earnings per share (cents)	(7.10)	0.67	(15.28)
Financial metrics			
Sales growth %	*nmf*	*12.0%*	*11.0%*
Gross profit %	*nmf*	*49.1%*	*(16.9)%*
Admin expenses (% of sales)	*9.0%*	*9.5%*	*8.8%*
Operating profit %	*(2.8)%*	*4.8%*	*(10.5)%*

Source: Buderim annual reports for FY14, FY15 and FY16 and KPMG Corporate Finance Analysis
Note 1: nmf = "not meaningful"

With regard to the historical financial performance summarised above, we note the following:

- BUG sales growth increased by approximately 11.0% in FY16 compared to FY15. The increase in sales was mainly driven by the Macadamia Business. However, this increase presented a limited impact on the gross profit, as cost of sales increased by 17.4%. This is mainly due to the increase in the cost of Australian macadamia nuts, which are purchased from independent growers
- other income of $0.9 million in FY16 relates primarily to sundry income and government grants, while other income of $5.1 million in FY15 mainly consists of a fair value adjustment of biological assets of $3.6 million

- the impairment expense of \$4.5 million in FY16 consists of an impairment of plant and equipment for \$2.8 million, an impairment of goodwill for the Macadamia Australia division for \$1.5 million and an impairment of approximately \$0.1 million related to trademarks
- BUG reported a net loss after tax of \$6.6 million for FY16. This compares to a net profit after tax of \$0.3 million for FY15. The decrease can be mainly assigned to the impairment expense of \$4.5 million that occurred in FY16, to the decrease in other income, going from \$5.1 million in FY15 to \$0.9 million in FY16 and an increase in cost of sales mentioned previously.

Financial performance of the Ginger Business and Macadamia Business

The historical financial performance of the Ginger Business and Macadamia Business for FY16 are summarised below.

Table 5: Summary of earnings for the Ginger Business and Macadamia Business

$’000 unless otherwise stated	Ginger	Macadamia
2016 normalised EBITDA		
EBITDA before normalisations (post overheads)	(4,517)	(1,358)
Add: Normalisations	3,336	2,575
Add: Corporate overheads adjustment	591	756
EBITDA after normalisations	**(590)**	**1,974**

Sources: Buderim annual report FY16 and KPMG Corporate Finance analysis

With regard to the earnings summarised above, we note the following:

- Normalisations for the Ginger Business of \$3.3 million are primarily comprised of impairments of \$2.9 million, product deletions of \$0.6 million, other one-time costs associated with the Ginger Business and offset by deferred grant income. Normalisations for the Macadamia Business of \$2.6 million relate to impairments of \$1.6 million and one-time costs of \$1.0 million
- We added back an adjustment related to corporate overhead of \$0.6 million for the Ginger Business and \$0.8 million for the Macadamia Business. BUG incurs corporate overheads in relation to managing its business and maintaining its operating assets. In our view the majority of potential third party purchasers of a controlling interest in BUG could achieve synergies through the use of their existing corporate structures. These cost savings would likely include the elimination of certain salaries and wages, board fees, listing and reporting fees and travel costs estimated to be \$1.3 million in total and allocated to the Ginger Business and Macadamia Business based on a proportion of total BUG revenue.

Having regard to the normalisations and corporate overheads described above, we estimate the normalised EBITDA to be a loss of \$0.6 million for the Ginger Business and \$2.0 million for the Macadamia Business.

6.5 Financial position

The historical consolidated financial position of BUG as at 30 June 2014, 30 June 2015 and 30 June 2016 is summarised below.

Table 6: Financial position

As at $000 unless otherwise stated	30 Jun 14 Audited	30 Jun 15 Audited	30 Jun 16 Audited
Current assets			
Cash and cash equivalents	12,813	4,532	3,901
Trade and other receivables	8,268	9,597	13,358
Inventories	25,139	25,334	25,892
Current tax assets	446	179	319
Other current assets	873	1,054	962
Assets cassified as held for sale	-	-	10,825
Total current assets	**47,539**	**40,696**	**55,257**
Non-current assets			
Investment accounted for using the equity method	1,186	1,205	1,162
Property, plant and equipment	22,063	29,674	20,370
Biological assets	-	5,892	6,076
Deferred tax assets	5,867	6,098	9,533
Intangible assets	2,023	2,049	389
Total non-current assets	**31,139**	**44,918**	**37,530**
Total assets	**78,678**	**85,614**	**92,787**
Current liabilities			
Trade and other payables	14,583	14,715	18,664
Interest-bearing liabilities	21,342	4,327	23,951
Short-term provisions	706	637	587
Current tax liabilities	-	-	-
Derivatives	-	-	-
Total current liabilities	**36,631**	**19,679**	**43,202**
Non-current liabilities			
Interest-bearing liabilities	116	16,697	89
Deferred tax liabilities	2,362	6,105	9,220
Long-term provisions	49	43	149
Total non-current liabilities	**2,527**	**22,845**	**9,458**
Total liabilities	**39,158**	**42,524**	**52,660**
Net assets	**39,520**	**43,090**	**40,127**
Equity			
Contributed equity	39,272	39,272	39,272
Reserves	4,053	7,375	11,038
Retained earnings/(accumulated losses)	(3,805)	(3,557)	(10,183)
Total equity	**39,520**	**43,090**	**40,127**

Source: BUG annual reports for FY14, FY15 and FY16 and KPMG Corporate Finance Analysis

With regard to the historical financial position summarised above, we note the following:

- cash and cash equivalents comprises cash at bank and in hand and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts. Since 30 June 2015, cash and cash equivalents has decreased by $0.6 million

- trade and other receivables increased from $9.6 million at 30 June 2015 to $13.4 million at 30 June 2016 primarily due to increased Macadamia prices and the sale of nut in shell product prior to 30 June 2016 to shorten the traditional kernel product cash conversion cycle. Trade receivables are generally on 30-60 day terms and are expected to be fully recoverable on the basis that they are with long standing clients
- inventories of $25.9 million relate to raw materials and finished goods and have remained relatively unchanged since 30 June 2015 ($25.3 million) despite an increase in the cost price of macadamia
- other current assets relate to prepayments totalling $1.0 million
- as at 30 June 2016, BUG reported assets classified as held for sale of $10.8 million, relating to its Yandina property. In June 2016, the Board commenced a plan for a sale and leaseback of the Yandina property. M&A Partners Pty Ltd (**M&A Partners**) were engaged in June 2016 to commence marketing of the property. As a result of the announcement of the Proposed Transactions the sale process was ceased. The carrying value was supported by a valuation report prepared by Colliers International (Australia) (**Colliers**) dated 30 June 2016 (**Colliers Valuation**)
- investments accounted for using the equity method represent a 50% joint venture interest held by BUG in Ginger Head Quarters Pty Ltd with DPG Enterprises Pty Ltd. The joint venture entity is involved in tourism activities within the Ginger Factory tourism complex at Yandina
- property, plant and equipment is comprised of freehold and leasehold land $12.5 million, buildings of $1.3 million, plant and equipment of $6.1 million and capital works in progress of $0.4 million, totalling $20.4 million. In particular, we note the Company commissioned various valuations during 2016 in relation to the property, plant and equipment:
  - the freehold land relates to the Macadamia orchard in Hawaii, United States. The freehold land was valued by CBRE, Inc. (**CBRE**) as at May 31, 2016 to be US$8.8 million, which converted to Australian dollars results in a value of $11.8 million (**CBRE Valuation**)
  - the leasehold land relates to ginger processing facilities located in Fiji. The leasehold land was valued by Rolle Associates as at 20 May 2016 to be FJ$1.1 million, which converted to Australian dollars results in a value of $0.7 million (**Rolle Associates Valuation**)
  - the plant and equipment in Alstonville, New South Wales and at Yandina, Queensland were valued by Hymans Valuers & Associates (**Hymans**) to be $1.9 million (**Hymans Agrimac Valuation**) and $3.7 million (**Hymans Yandina Valuation**), respectively
- biological assets of $6.1 million relate to the macadamia trees located on a macadamia orchard totalling 4,013 acres, located on the Big Island of Hawaii. BUG recently commissioned CBRE to prepare a valuation of the Macadamia orchard and processing facility. CBRE estimated the market value of the orchard to be US$4.6 million, which converted to Australian dollars results in a value of $6.1 million. During FY16 the orchard produced a total of 11.3 million lbs of wet in shell macadamia nuts, compared to 11.4 million lbs in FY15
- intangible assets predominantly relate to goodwill of approximately $0.4 million. The value of intangible assets reduced from 30 June 2015 due to the impairment of goodwill and trademarks

- deferred tax assets of $9.5 million relate primarily to tax losses, accumulated in both the ginger and macadamia segments
- trade and other payables of $18.7 million primarily comprises trade payables of $13.9 million and other payables of $4.7 million and are higher than as at 30 June 2015 primarily due to a higher macadamia price and currency movements between the United States dollar and the Australian dollar
- interest-bearing liabilities increased from $4.3 million at 30 June 2015 to $24.0 million at 30 June 2016 largely due to the reclassification of the bank loans with Rabobank. Included in the bank loans is a foreign term loan facility of approximately US$4.2 million. BUG received a waiver from Rabobank on 28 June 2016 in respect of the expected covenant breaches as at 30 June 2016, however conditional on certain Rabobank requirements with respect to third party warehouses. As not all of Rabobank's conditions were met, the facility was classified as current
- deferred tax liabilities of $9.2 million relate primarily to the revaluation of land of $7.2 million and accelerated depreciation and other offsets of $2.0 million.

6.6 Statement of cash flows

The historical consolidated statements of cash flows of BUG for FY14, FY15 and FY16 are summarised below.

Table 7: Statement of cash flows

For $000 unless otherwise stated	FY14 Audited	FY15 Audited	FY16 Audited
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	69,508	73,228	77,474
Payments to suppliers and employees (inclusive of GST)	(70,692)	(70,638)	(79,721)
Other receipts	1,927	(1,699)	731
Interest received	30	67	6
Interest and other finance costs paid	(1,015)	(866)	(938)
Income tax received/(paid)	704	53	44
Net cash flows from / (used in) operating activities	**462**	**145**	**(2,404)**
Cash flows from / (used in) investing activities			
Purchase of property, plant and equipment	(1,735)	(5,015)	(1,124)
Purchase of biological assets	(9)	(2,185)	-
Purchase of intangible assets	1,452	(10)	-
Proceeds from sale of equipment	36	-	3
Return of equity from joint venture	50	-	100
Net cash flows used in investing activities	**(206)**	**(7,210)**	**(1,021)**
Cash flows from / (used in) financing activities			
Proceeds from borrowings	4,605	6,065	7,172
Repayments of borrowings	(4,473)	(7,102)	(4,746)
Proceeds from rights issue and placement	11,357	-	-
Capital raising costs	(129)	-	-
Net cash flows from / (used in) financing activities	**11,360**	**(1,037)**	**2,426**
Net increase / (decrease) in cash and cash equivalents	11,616	(8,102)	(999)
Cash and cash equivalents at beginning of the year	1,018	12,634	4,532
Cash and cash equivalents at end of the year	**12,634**	**4,532**	**3,533**

Source: BUG annual reports for FY14, FY15 and FY16

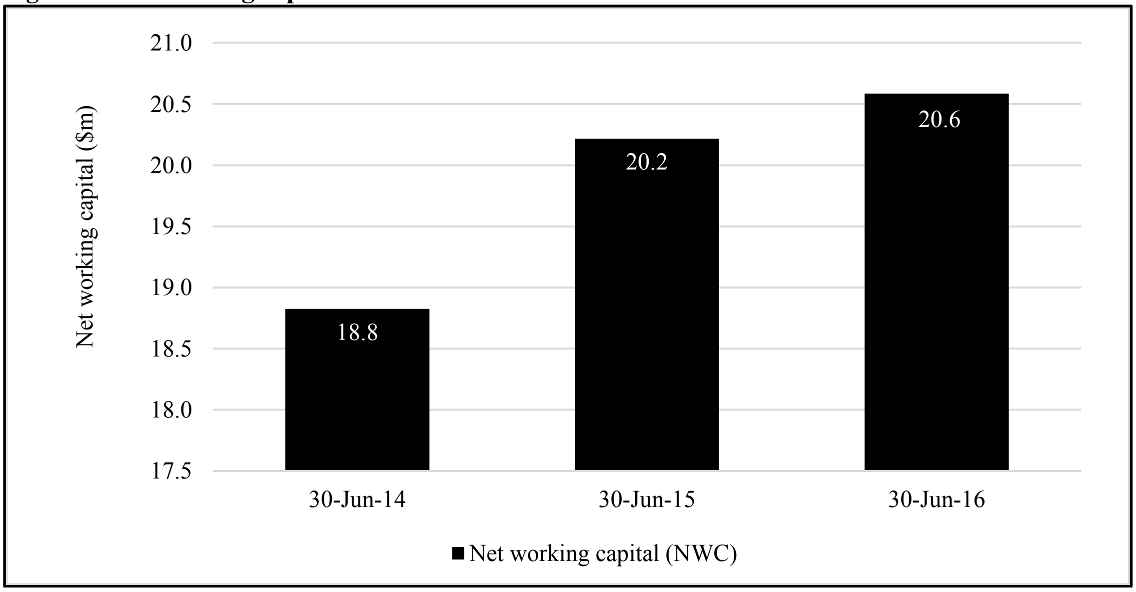
With regard to the historical statements of cash flows summarised above, we note the following:

- net cash flows from operating activities have reduced from approximately $0.5 million in FY14 to negative $2.4 million in FY16, mainly driven by increased payments to suppliers and employees which was only partially offset by an increase in receipts from customers
- investment activities cash outflows have reduced from FY15 to FY16, mainly driven by a decrease in purchases of property, plant and equipment due to the purchase of biological assets in FY15
- cash flows from financing activities significantly decreased from FY14 to FY15, mainly due to the proceeds from rights issues and placement. From FY15 to FY16 the cash flows from financing activities increased, mainly due to increased borrowings and a decrease in repayments of borrowings
- overall, the cash position of BUG decreased by approximately $1.0 million (or 22.0 percent) in FY16 compared to FY15.

6.7 Working capital

Analysis of net working capital of BUG as at 30 June 2014, 30 June 2015 and 30 June 2016 are summarised below.

Figure 3: Net working capital[6]



Source: BUG annual reports for FY14, FY15 and FY16 and KPMG Corporate Finance Analysis

With regard to the historical net working capital above, we note the following:

- Net working capital is primarily comprised of trade receivables, inventories and trade payables. Trade receivables generally have 30 to 60 day terms, inventories are mainly made up by raw materials and finished goods and trade payables are generally based on 30 to 45 day terms
- Net working capital increased from $18.8 million as at 30 June 2014 to $20.2 million as at 30 June 2015 due to an increase in debtors from $8.3 million to $9.6 million. The increase in debtors were the result of higher selling prices as well as a reduction in the AUD/USD exchange rate
- Net working capital has remained relatively constant from 30 June 2015 to 30 June 2016, increasing marginally by $0.4 million from $20.2 million to $20.6 million.

Overall working capital balances vary significantly within the year, depending upon seasonal factors such as the timing of harvesting the relevant crops, ginger and macadamia pricing and the requirement to fund crop purchases.

[6] Net working capital is calculated as trade and other receivables plus inventories minus trade and other payables

6.8 Debt facilities

As at 30 June 2016, BUG has various financing facilities available including bank overdraft of $1.0 million, working capital facility of $7.5 million and bank loans of $16.8 million. BUG advised that subsequent to 30 June 2016, the working capital facility was reduced to $4.0 million.

In relation to BUG's debt facilities, we note the following as at 30 June 2016:

- the Company holds an overdraft facility of approximately $1.0 million (drawn to $0.4 million as at 30 June 2016) secured by a bank guarantee provided by Rabobank. The interest rate on this facility is approximately 9.49%
- the Company holds a bank bill facility of approximately $22.8 million, which is comprised of an 18-month term loan facility of $11.3 million, foreign term loan of US$4.2 million and a working capital facility of $7.5 million. The bank bill facility is secured over the assets of BUG. The effective interest rate on the facility is currently approximately 3.54%. This facility was recently reclassified from a non-current liability to a current liability as discussed below
- the Company holds a MacFarms LLC loan facility of $0.3 million, which has an average interest rate of 3.55%. This loan facility is supported by a guarantee from the parent entity
- the Company holds a loan of $0.6 million, which has an average interest rate of 4.91%. This loan is used to fund general insurance premiums.

Based on the above, BUG has unused facilities at 30 June 2016 of $2.1 million, which includes $0.6 million relating to the bank overdraft and $1.5 million related to the working capital facility.

The group operates under finance facilities revised with Rabobank in May 2016.

As at 30 June 2016, the Company had current and non-current interest bearing liabilities of approximately $24.0 million and $0.1 million, respectively. All Rabobank facilities with the exception of the equipment loan of approximately $0.1 million, were classified as current as BUG did not meet its debt service cover ratio, debt to EBITDA ratio and forecasted EBITDA banking covenant ratios with Rabobank for the year ended 30 June 2016.

6.9 Tax position

In relation to BUG's tax position, we note the following:

- BUG and its wholly owned Australian resident subsidiaries are a tax consolidated group and all entities within the group are taxed as a single entity from the date they enter the group
- members of the group apply the group allocation approach in determining the amount of current tax and deferred taxes recognised by members of the tax consolidation group. BUG as the head entity and other entities within the group have entered into a tax sharing agreement, which provide for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations

- current and deferred tax is recognised in profit or loss, except to the extent it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively
- deferred tax assets of $9.5 million relate primarily to tax losses, in both the ginger and macadamia segments
- deferred tax liabilities of $9.2 million relate primarily to the revaluation of land of $7.2 million and accelerated depreciation and other offsets of $2.0 million
- the tax consolidated group is subject to income taxes in Australia and jurisdictions where it has foreign operations
- BUG's current franking credit balance is $30.

6.10 Capital structure and ownership

As at 30 June 2016, BUG had 43,363,090 ordinary shares on issue. Ordinary shares participate in dividends and the proceeds in the event of a winding up of the parent entity in proportion to the number of shares held. At the shareholders' meeting each ordinary share is entitled to one vote when the poll is announced, otherwise each shareholder has one vote on a show of hands.

Issued capital in BUG is listed on the ASX. The table below summarises the top 10 ordinary shareholders as at 31 August 2016.

Table 8: Top 10 shareholders as at 31 August 2016

Shareholder	Number of ordinary shares	Percentage of issued capital
John Cheadle	13,639,918	31.46%
Randell Management Services Pty Ltd	5,449,996	12.57%
Bundaberg Sugar Group Ltd	4,388,650	10.12%
Rubicon Family Office Pty Limited	4,195,088	9.67%
Shane Templeton	1,573,451	3.63%
Rathvale Pty Limited	930,196	2.15%
Bickfords (Australia) Pty Ltd	772,798	1.78%
James Moffat	729,292	1.68%
Roger Masters	548,000	1.26%
The Karand Family	504,753	1.16%
Total shares held by top 10 shareholders	**32,732,142**	**75.48%**
Other shareholders	10,630,948	24.52%
Total shares on issue	**43,363,090**	**100.00%**

Source: FY16 annual report and KPMG Corporate Finance Analysis

In relation to the top 10 shareholders, we note that there are four substantial shareholders within the meaning of section 671B of the Corporations Act 2001 including John Cheadle, Randell Management Services Pty Ltd, Bundaberg Sugar Group Ltd and Rubicon Family Office Pty Ltd. The top four registered shareholders account for approximately 63.8% of the ordinary shares on issue.

6.11 Directors' interest

As at 30 June 2016, the current Directors held the following shares:

Table 9: Director's interest as at 27 September 2016

Name	Position	Total interest in ordinary shares
Current directors		
Morrow, S	Chairman (Non-executive)	-
Templeton, S	Director (Non-executive)	56,209
O'Keeffe, P		-
Total		**56,209**

Source: FY16 annual report

Mr Stephen Morrow holds relevant interest in 79,348 shares registered in the name of Morrow Family Super Pty Ltd.

Mr Shane Templeton holds a relevant interest in 13,297 shares registered in the name of Templeton Holdings (Qld) Pty Ltd and 1,503,945 shares registered in the name of Redarea Pty Ltd (The Templeton Family Account).

Mr Peter O'Keeffe holds no shares in the Company and has no relevant interest in shares.

7 Share price performance and liquidity analysis

7.1 Trading history

In assessing BUG's share price performance we have:

- analysed the price and volume performance of BUG over the one year period to 5 October 2016
- assessed the VWAP and trading liquidity of BUG's shares for the one year period ended 5 October 2016.

Figure 4 depicts BUG's daily closing price on the ASX in the year prior to 5 October 2016, along with the daily volume of shares traded on the ASX.

Figure 4: BUG share price performance and volume of shares traded

Source: S&P Capital IQ, KPMG Corporate Finance Analysis and ASX announcements

As illustrated in Figure 4, BUG's share price had been trading in the range of $0.52 to $0.80 from October 2015 to April 2016 before trending downward over the period May 2016 to September 2016 following the announcement on 6 May 2016 discussed below. Trading has been characterised by low average daily volumes, with intermittent spikes driven by Company announcements. The Company's share price closed at $0.36 on 5 October 2016.

Significant announcements by BUG in the Last Twelve Months (**LTM**) to 5 October 2016 that may have had an impact on its recent share price include:

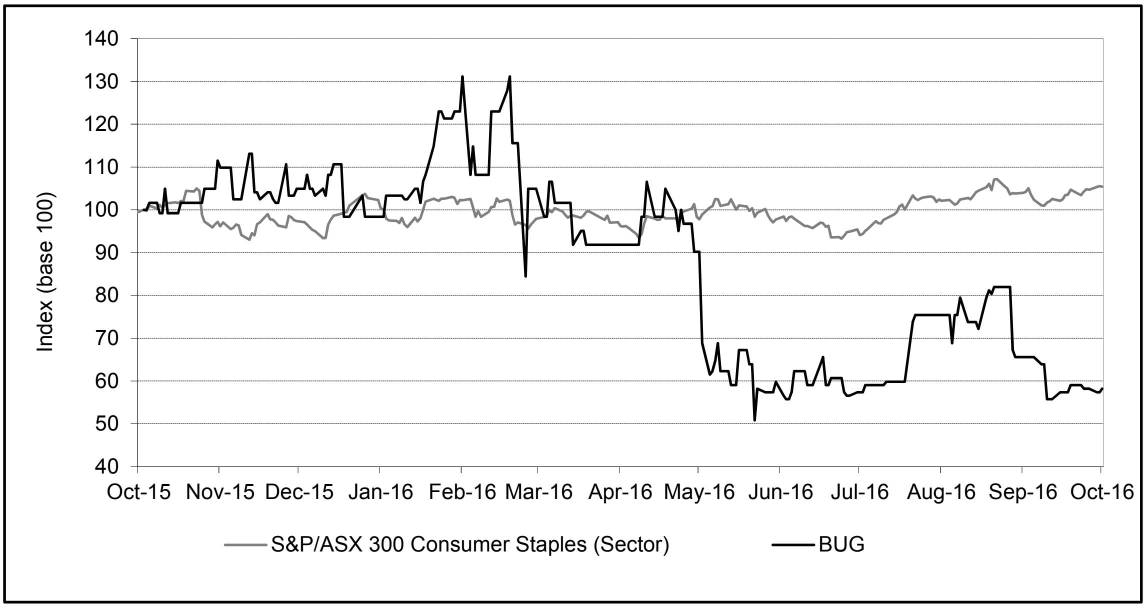
1. 26 February 2016 – BUG released the half yearly report and accounts for the six months ended 31 December 2015. BUG recorded a half yearly net loss before tax of approximately $1.3 million, compared to a net profit before tax of approximately $3.7 million a year earlier
2. 6 May 2016 – BUG revealed a change to earnings expectations, mainly driven by a record macadamia crop in MacFarms, which was unlikely to be sold before 30 June 2016 and the increase in macadamia prices in Australia that impacted margins and additional provisions were required
3. 14 July 2016 – BUG announced it would offer its Yandina property, located at 50 Pioneer Road in Yandina, for sale and leaseback. The proceeds of any sale would be used to retire senior debt and improve the use of capital employed in the business

4. 31 August 2016 – BUG released its preliminary financial results for the year ended 30 June 2016. The results were in line with BUG's expectations as at 6 May 2016, except for the additional provisioning for inventory write-offs and general indirect taxes.

Further details in relation to all announcements made by BUG to the ASX can be obtained from either the Company's website or ASX's website at www.asx.com.au.

Figure 5 below illustrates a comparison of the trading performance of BUG relative to the S&P/ASX 300 Consumer Staples sector over the year prior to 5 October 2016. BUG broadly tracked the index until the announcement in May 2016, when the Company released a change in earnings expectations following which BUG has significantly underperformed the index. Its share price performance was down approximately 42%, compared to an increase in the 300 Consumer Staples Index of 5%, for the one year period ended 5 October 2016. We note that the BUG share price displayed greater volatility relative to the index, which is not uncommon given the enhanced diversification of an index as opposed to a single company.

Figure 5: Relative share price performance



Source: S&P Capital IQ and KPMG Corporate Finance Analysis

7.2 VWAP and liquidity analysis

The table below summarises the VWAP and liquidity of BUG over the 12 months ended 5 October 2016, the last trading day prior to the announcement.

Table 10: VWAP and liquidity analysis

VWAP and liquidity analysis							
Period	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $million	Cumulative volume million	% of issued capital (period)	% of issued capital (annualised)
1 day	0.36	0.36	0.36	0.00	0.01	0.0	1.2
1 week	0.35	0.36	0.35	0.00	0.01	0.0	1.7
1 month	0.34	0.40	0.36	0.05	0.15	0.3	4.2
3 months	0.34	0.50	0.41	0.20	0.47	1.1	4.4
6 months	0.31	0.65	0.42	1.07	2.53	5.8	11.7
12 months	0.31	0.81	0.54	2.47	4.59	10.6	10.6

Source: S&P Capital IQ (downloaded on 7 October 2016), KPMG Corporate Finance Analysis

In relation to the table above, we note that:

- in the 12 months prior to the Announcement Date, 10.6% of BUG's shares were traded, with 5.8% traded in the last six months. BUG's free float is 20.5%[7][8]
- in the week prior to the Announcement Date, 1.7% of BUG's shares were traded.

Whilst the free float amount is above 20%, given the low level of share turnover over the 12 months prior to the Announcement Date, we would consider BUG to be a relatively illiquid stock.

The announcement of this Proposed Transactions led to a significant increase in trading activity in BUG shares. The share price closed at $0.47 on 7 October 2016, with a total volume of approximately 320,000 shares traded on the day. Subsequent to the announcement of the Proposed Transactions, the share price decreased to $0.38 per share as at 24 October 2016, which is broadly in line with the pre-announcement share price

7.3 Dividends

BUG resolved not to declare dividends over FY14, FY15 and FY16.

8 Financial implications of the Proposed Transactions

It is important to understand the impact of the Proposed Transactions on BUG's financial position. In order to understand this, we have used the financial position of BUG as at 30 June 2016 as a base position

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7 Source: S&P Capital IQ as at 7 October 2016

8 Free float defined as the shares on issue less shares attributable to company employees, individual insiders and strategic corporate investors

and then created a pro-forma balance sheet based on each step of the Proposed Transactions. In order to do this, we have made certain assumptions which are discussed in further detail below the table.

Table 11: Pro-forma balance sheet following the Proposed Transactions

As at	30 Jun 16		Step 1	Step 2	Step 3	Step 4		Step 5	
$000 unless otherwise stated	Audited	Reclassification of assets classified as held for sale (1)	Issue Placement	Issue of Convertible Notes	Underwritten Rights issue	Repayment of debt	Subtotal	Conversion of Convertible Notes	Pro-forma - Pursuant to successful shareholder vote
Current assets									
Cash and cash equivalents	3,901	-	2,602	15,000	8,976	(15,040)	15,439	-	15,439
Trade and other receivables	13,358	-	-	-	-	-	13,358	-	13,358
Inventories	25,892	-	-	-	-	-	25,892	-	25,892
Current tax assets	319	-	-	-	-	-	319	-	319
Other current assets	962	-	-	-	-	-	962	-	962
Assets classified as held for sale	10,825	(10,825)	-	-	-	-	-	-	-
Total current assets	**55,257**	**(10,825)**	**2,602**	**15,000**	**8,976**	**(15,040)**	**55,970**	**-**	**55,970**
Non-current assets									
Investment accounted for using the equity method	1,162	-	-	-	-	-	1,162	-	1,162
Property, plant and equipment	20,370	10,825	-	-	-	-	31,195	-	31,195
Biological assets	6,076	-	-	-	-	-	6,076	-	6,076
Deferred tax assets	9,533	-	-	-	-	-	9,533	-	9,533
Intangible assets	389	-	-	-	-	-	389	-	389
Total non-current assets	**37,530**	**10,825**	**-**	**-**	**-**	**-**	**48,355**	**-**	**48,355**
Total assets	**92,787**	**-**	**2,602**	**15,000**	**8,976**	**(15,040)**	**104,325**	**-**	**104,325**
Current liabilities									
Trade and other payables	18,664	-	-	-	-	-	18,664	-	18,664
Interest-bearing liabilities	23,951	-	-	-	-	(14,951)	9,000	-	9,000
Short-term provisions	587	-	-	-	-	-	587	-	587
Total current liabilities	**43,202**	**-**	**-**	**-**	**-**	**(14,951)**	**28,251**	**-**	**28,251**
Non-current liabilities									
Interest-bearing liabilities	89	-	-	15,000	-	(89)	15,000	(15,000)	-
Deferred tax liabilities	9,220	-	-	-	-	-	9,220	-	9,220
Long-term provisions	149	-	-	-	-	-	149	-	149
Total non-current liabilities	**9,458**	**-**	**-**	**15,000**	**-**	**(89)**	**24,369**	**(15,000)**	**9,369**
Total liabilities	**52,660**	**-**	**-**	**15,000**	**-**	**(15,040)**	**52,620**	**(15,000)**	**37,620**
Net assets	**40,127**	**-**	**2,602**	**-**	**8,976**	**-**	**51,705**	**15,000**	**66,705**
Net assets per share (cents)	*0.93*						*0.69*		*0.59*
Equity									
Issued shares (millions)	43.36	43.36	6.50	0.00	24.93	0.00	74.80	37.50	112.30
Non-Associated Shareholders (millions)	43.36	43.36	0.00	0.00	21.68	0.00	65.04	0.00	65.04
Non-Associated Shareholders %	*100.00%*	*100.00%*	*86.96%*	*86.96%*	*86.96%*	*86.96%*	*86.96%*	*57.92%*	*57.92%*
AMD - ordinary shares (millions)	0.00	0.00	6.50	0.0	3.25	0.0	9.8	12.5	22.3
AMD - ordinary shares %	*0.00%*	*0.00%*	*13.04%*	*13.04%*	*13.04%*	*13.04%*	*13.04%*	*19.82%*	*19.82%*
WHC - ordinary shares (millions)	0.00	0.00	0.00	0.0	0.00	0.0	0.0	25.0	25.0
WHC - ordinary shares %	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*22.26%*	*22.26%*
Convertible Notes (millions)	0.00	0.00	0.00	37.5	0.00	0.0	37.5	(37.5)	-
Contributed equity	39,272	-	2,602	-	8,976	-	50,850	15,000	65,850
Reserves	11,038	-	-	-	-	-	11,038	-	11,038
Retained earnings/(accumulated losses)	(10,183)	-	-	-	-	-	(10,183)	-	(10,183)
Total equity	**40,127**	**-**	**2,602**	**-**	**8,976**	**-**	**51,705**	**15,000**	**66,705**

Sources: BUG FY16 annual report and ASX announcement, dated 28 October 2016, KPMG Corporate Finance analysis
Note 1: We have reclassified the assets held for sale relating to the Yandina property to non-current assets on the basis that they would not be sold should the Proposed Transactions proceed.

In preparing the pro-forma balance sheet, we have assumed the following for each stage of the Proposed Transactions:

Step 1: Issue Placement

- increase in cash of $2.6 million based on:
  - the Company issuing 6,504,463 shares to AMD for $2.6 million at $0.40 per share, representing 13.05% of the shares outstanding. This results in a corresponding increase in share capital of $2.6 million and Non-Associated Shareholders shareholding reduced to 86.95%

Step 2: Issue of Convertible Notes

- increase in cash and interest bearing liabilities of up to $15.0 million based on:

- the Company issuing 37.5 million Convertible Notes to AMD and the Fund at a face value of $0.40. The Convertible Notes mature on the 3rd anniversary of the issue date of the notes and no later than 14 February 2017). Each Convertible Note may be converted by the noteholder into 1 ordinary share at any time prior to maturity. The coupon on the Convertible Notes is 4.5% per annum, payable annually in arrears or capitalised. This results in a corresponding increase in interest-bearing liabilities of $15.0 million

Step 3: Underwritten Rights issue

- increase in cash of up to $9.0 million based on:
  - the Company issuing approximately 24.9 million ordinary shares to existing shareholders (including AMD) at $0.36 per share, AMD has agreed to fully underwrite a renounceable rights issue by the Company. Each eligible shareholder will have the right to subscribe for 1 new share for every 2 shares held at the record date. This results in a corresponding increase in share capital of approximately $9.0 million. For the purpose of this analysis we have assumed full take up by Non-Associated Shareholders. We set out below an analysis of the impacts of differing take-up by the Non-Associated Shareholders

Step 4: Repayment of debt

- decrease in cash and interest bearing liabilities of $15.0 million based on the utilisation of cash raised from the Proposed Transactions to repay the Rabobank facilities down to $9.0 million

Step 5: Conversion of the Convertible Notes

- assuming Convertible Notes are converted immediately there would be a decrease in interest-bearing liabilities of $15.0 million based on:
  - the conversion of Convertibles Notes to shares at a conversion ratio of 1 ordinary share per Convertible Note (implying a conversion price of $0.40), which AMD and the Fund may do so at any time prior to maturity. At the time of conversion, 37.5 million new shares will be issued, which results in a corresponding increase in share capital of $15.0 million.

In relation to the Proposed Transactions, we note the following impacts to BUG's financial position:

Net assets

- under the Proposed Transactions, net assets will increase from $40.1 million to $66.7 million (assuming the immediate conversion of the Convertible Notes)

Cash

- under the Proposed Transactions, cash will increase from $3.9 million to $15.4 million, assuming repayment of the bank debt described below

Borrowings

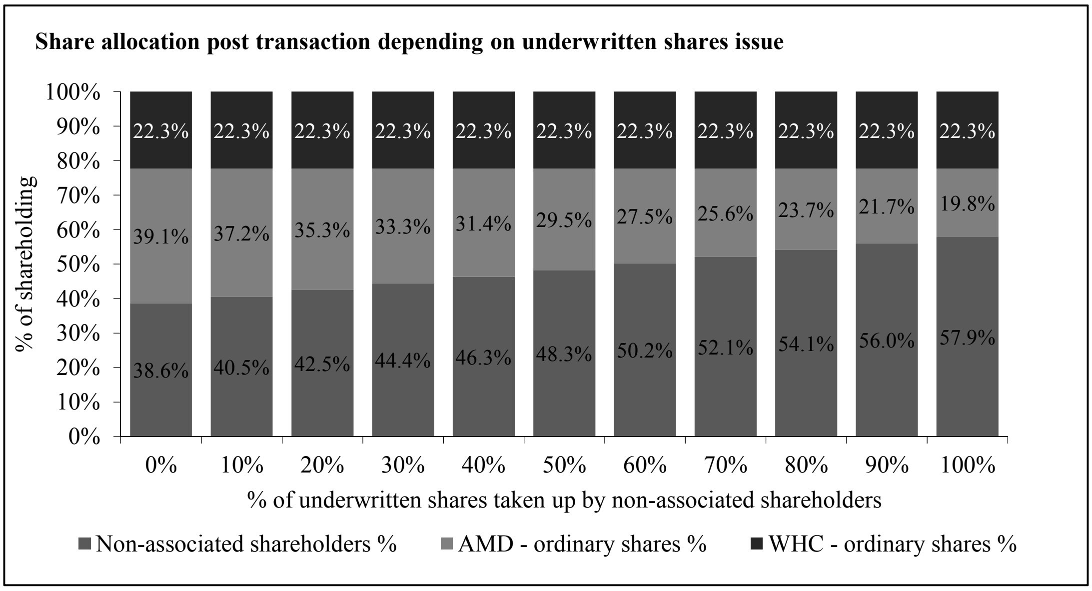
- assuming the funds raised are used to repay the Rabobank loans, the Proposed Transactions results in a reduction in bank debt to $9.0 million and $15.0 million relating to the Convertible Note

- further, assuming the Convertible Notes are immediately converted, results in borrowings reducing to $9.0 million

Equity

- overall, approximately 68.9 million ordinary shares will be issued as a result of the Proposed Transactions on an “as-if fully exercised and converted basis”
- this improves the equity base of the Company, although the transaction will have a dilutive effect on the shareholding of Non-Associated Shareholders resulting in the Non-Associated Shareholders interest in BUG reducing from 100.0% pre-Proposed Transactions to approximately 57.9% after the Proposed Transactions (assuming the immediate conversion of the Convertible Notes and that a full take-up of the Underwritten Rights Issue of the existing Non-Associated Shareholders). The exact quantum of the decrease the shareholding of the Non-Associated Shareholders is not known given the uncertainty related to the take-up of the Underwritten Rights Issue from existing shareholders. For illustrative purposes, the chart below shares the potential impact on the Non-Associated Shareholders interest in BUG depending on the percentage take-up of the Underwritten Rights Issue:

Figure 6: Potential Shareholding Levels based on the Underwritten Rights Issue



Sources: BUG FY16 annual report and the Transaction Documents

The low end of the range indicates that Non-Associated Shareholders would hold 38.6% of the ordinary shares of BUG, assuming Non-Associated Shareholders do not exercise any of their right to participate in the Underwritten Rights Issue.

The high end of the range indicates that Non-Associated Shareholders would hold 57.9% of the ordinary shares of BUG, assuming Non-Associated Shareholders exercise their full entitlements to participate in the Underwritten Rights Issue.

9 Valuation of BUG

9.1 General

We have assessed the fairness of the Proposed Transactions by comparing the estimated trading range of a BUG share post the completion of the Proposed Transactions, with the assessed underlying value of BUG on a controlling basis prior to the Proposed Transactions as at 5 October 2016 (**Valuation Date**).

This section sets out our assessment of the underlying value of BUG, inclusive of a premium for control, and our estimated trading range for a BUG share post completion of the Proposed Transactions.

9.2 Valuation Methodology

For the purpose of this report, market value is defined as the value that should be agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

RG 111 indicates that it is appropriate for an independent expert to consider the following valuation methods:

- the DCF method
- the capitalisation of maintainable earnings or cash flows (capitalisation of earnings)
- the amount that would be distributed to security holders in an orderly realisation of assets
- the amount which an alternative acquirer might be prepared to pay, and/or
- the most recent quoted price of listed securities.

Each of the above methodologies is applicable in different circumstances. In selecting the appropriate methodology by which to value BUG, we have considered the Company's prospects and other available information presented to us. A summary of each of the approaches considered in preparing this report is set out in Appendix 3.

As discussed previously, BUG consists of two key business, the Ginger Business and the Macadamia Business.

Given the two businesses are operating under different circumstances we have valued each of the businesses separately.

Due to the various uncertainties inherent in the valuation process, we have determined a range of values within which we consider the market value of BUG to lie. As a result of recent developments outlined in Section 6.2, this valuation range is wider than we would ordinarily prefer.

We have applied the net assets approach as our primary method in determining the underlying value of both the businesses and checked our conclusions using a capitalised earnings approach.

We have adopted a net assets approach after considering the following:

- BUG has reported a significant loss for FY16. After allowing for adjustments, the Ginger Business shows an EBITDA loss of approximately $0.6 million, while the Macadamia Business shows EBITDA of approximately $2.0 million
- the earnings BUG has reported for FY16 and for FY15 (in the case of the Ginger Business) indicate that BUG is not generating a commercial level of return on the assets it holds
- although management expect BUG to generate profit in the future there remains significant risks in relation to BUG's ability to generate an appropriate level of profits
- in the absence of reliable forecast cash flows, we could not perform a valuation using a DCF approach.

Based on the above, we consider the net assets approach to be the most appropriate methodology to value each of the businesses. To assess the reasonableness of our analysis, we compared the valuation multiples implied by our value of the business (where meaningful) to trading multiples of companies with operations broadly similar to the relevant business.

9.3 Net assets valuation

The net asset valuation approach has been applied by restating the carrying value of the assets and liabilities on the BUG balance sheet to their market values. The net asset approach is considered to represent a controlling valuation.

While management have provided us with individual balance sheets for each of the Ginger Business and the Macadamia Business, they have asked that this information not be disclosed, on the basis this information is commercially sensitive. Accordingly, we have reported the consolidated balance sheet and reported the aggregated adjustments we have made to each of the Ginger Business and Macadamia Business balance sheets (as discussed below).

In considering the application of the net asset valuation approach, we have had regard to the historical operating results and future prospects of each of the businesses.

For the Macadamia Business and for the high end of the Ginger Business range, we have assumed each of the businesses will continue as a going concern. However, given the recent losses incurred by the Ginger Business, management's ongoing activities in turning this business around and the asset backing of this business, we have adopted an orderly realisation value to assess the low end of the Ginger Business value range.

Given the sale and leaseback of the Yandina property would have occurred in the absence of the Proposed Transactions all scenarios assume this has occurred, albeit at differing realisation values.

In forming our valuation conclusions, we have relied on the FY16 financial statements, which have been prepared having regard to the Colliers Valuation, CBRE Valuation, Hymans Yandina Valuation, Hymans Agrimac Valuation and Rolle Associates Valuation, to determine the market values of certain assets on the balance sheet of BUG. While these valuations were prepared for year-end financial reporting purposes we consider the valuations are still relevant as at the Valuation Date.

Unless otherwise stated below, we adopted the carrying value of BUG's assets and liabilities as their market values.

Table 12: Net asset value of BUG

$'000 unless otherwise stated	Book Value at 30 June 2016	Adjustments Low	Adjustments High	Valuation range Low	Valuation range High
Current assets					
Cash and cash equivalents	3,901	-	-	3,901	3,901
Trade and other receivables	13,358	-	-	13,358	13,358
Inventories	25,892	(2,354)	1,283	23,538	27,175
Current tax assets	319	-	-	319	319
Other current assets	962	(283)	-	679	962
Non-current assets held for sale	10,825	(3,925)	-	6,900	10,825
Total current assets	**55,257**	**(6,562)**	**1,283**	**48,695**	**56,540**
Non-current assets					
Investment accounted for using the equity method	1,162	-	-	1,162	1,162
Property, plant and equipment	20,370	(4,302)	2,107	16,068	22,477
Biological assets	6,076	(608)	-	5,468	6,076
Deferred tax assets	9,533	(9,055)	(4,974)	478	4,559
Intangible assets	389	(389)	-	-	389
Total non-current assets	**37,530**	**(14,352)**	**(2,866)**	**23,177**	**34,663**
Total assets	**92,787**	**(20,915)**	**(1,583)**	**71,871**	**91,203**
Current liabilities					
Trade and other payables	18,664	-	-	18,664	18,664
Interest-bearing liabilities	23,951	-	-	23,951	23,951
Short-term provisions	587	-	-	587	587
Total current liabilities	**43,202**	**-**	**-**	**43,202**	**43,202**
Non-current liabilities					
Interest-bearing liabilities	89	-	-	89	89
Deferred tax liabilities	9,220	(4,420)	1,017	4,800	10,237
Long-term provisions	149	-	-	149	149
Total non-current liabilities	**9,458**	**(4,420)**	**1,017**	**5,038**	**10,475**
Total liabilities	**52,660**	**(4,420)**	**1,017**	**48,240**	**53,677**
Net assets	**40,127**	**(16,495)**	**(2,600)**	**23,631**	**37,526**
Summary					
Market value of net operating assets - Ginger Business				17,417	28,315
Market value of net operating assets - Macadamia Business				26,360	29,357
Less: Realisation costs				(1,698)	-
Total operating asset value				**42,079**	**57,672**
Less: Debt				(24,047)	(24,047)
Add: Cash				3,901	3,901
Net asset value				**21,933**	**37,526**
Add: Tax losses				1,039	3,667
Adjusted net asset value				**22,972**	**41,193**

Sources: BUG FY16 annual report, KPMG Corporate Finance analysis

We note the following in relation to the assets and liabilities and adjustments made to derive market values.

Trade and other receivables

- Management consider that the trade and other receivables balance of $13.4 million is fully collectable and therefore we have adopted the carrying value as the market value in all cases

Inventories

- Inventories are estimated to be in the range of $23.5 million to $27.2 million based on the following adjustments:
  - the low adjustments represent a decrease in the book value of approximately $2.4 million. The adjustment takes into account our assumed discount of 30% for the Ginger Business inventories (on an orderly realisation basis) offset by an increase in value of the Macadamia Business inventories reflecting an increase from cost to net realisable value
  - the high adjustments represent an increase in the book value of approximately $1.3 million. The adjustment takes into account no change in the Ginger Business inventories and an uplift in the value of the Macadamia Business inventories reflecting an increase from cost to net realisable value

Current tax assets

- Management consider that the current tax asset balance of $0.3 million is fully collectable and therefore we have adopted the carrying value as the market value

Other current assets

- Of the other current assets balance, $0.3 million relates to prepayments for the Ginger Business. In an orderly realisation approach, we have assumed that this amount is not recoverable and made an adjustment of $0.3 million in the low value
- We have assumed that the prepayments related to the Macadamia Business are fully recoverable and adopted the carrying value as the market value

Non-current assets held for sale

- Non-current assets held for sale, being the Yandina property within the Ginger Business, were estimated to be in the range of $6.9 million to $10.8 million based on the following:
  - the low adjustments represent a decrease in the book value of approximately $3.9 million. The low value of $6.9 million was based on the land valuation included in Colliers Valuation. We have assumed that on a net realisable value basis that no value would be attributable to the buildings given that a potential purchaser would likely redevelop the facility
  - we have not made any adjustments in the high value and relied on the carrying value of the Yandina property, which represent the land value of $6.9 million plus the value for the buildings of $3.9 million as per the Colliers Valuation

Investment accounted for using the equity method

- BUG has a 50% interest in the joint venture Ginger Head Quarters Pty Ltd with DPG Enterprises Pty Ltd. The joint venture entity is involved in tourism activities with the Ginger factory tourism complex at Yandina. BUG's share of the joint venture profits in FY16 was approximately $0.1 million. Based on the financial performance of the joint venture, we have adopted the carrying value as the market value

Property, plant and equipment

- The property, plant and equipment was estimated to be in the range of $16.1 million to $22.5 million based on the following adjustments:
  - the low adjustments represent a decrease in the carrying value of approximately $4.3 million. The decrease accounts for:

    Ginger Business

    - a 10% discount to the book value relating to the leasehold land in Fiji recognising the limited market in which these assets trade. The book value was based on the Rolle Associates Valuation
    - the orderly liquidation value of the plant and equipment at the Yandina property as per the Hymans Yandina Valuation (exclusive of goods and services tax (**GST**))
    - an assumed orderly liquidation value of the buildings and plant and equipment in Fiji

    Macadamia Business

    - a 10% discount to the book value relating to the freehold land in Hawaii recognising the limited market for this in the absence of the orchards. The book value was based on the CBRE Valuation
    - the high adjustment represent an increase in the book value of approximately $2.1 million. The adjustment relates to the buildings in Hawaii held by MacFarms that were valued by CBRE. The value, when converted to Australian dollars as at 30 June 2016 results in an uplift. For accounting purposes, BUG does not revalue buildings

Biological assets

- The biological assets, being the macadamia orchard in Hawaii, was estimated to be in the range of $5.5 million to $6.1 million based on the following adjustments:
  - the low adjustment of approximately $0.6 represents a decrease of 10.0% to the book value million recognising the volatility in the historic yields. The book value was estimated based on the CBRE Valuation
  - we have not made any adjustments in the high value and relied on the carrying value of the biological assets, being the valuation per the CBRE Valuation

Deferred tax assets

- The deferred tax asset (**DTA**) book value represents a combination of timing differences and tax losses. We have excluded the impact of the tax losses from the DTA and recognised this separately as a surplus asset
- The DTA was estimated to be in range of \$0.5 million to \$4.6 million based on the following adjustments:
  - The low adjustments represent a decrease in the carrying value of approximately \$9.1 million. This decrease accounts for:
    - removing the DTA attributable to the tax losses
    - removing the timing differences attributable to the Ginger Business on the basis that these timing differences would be recognised on a realisation of the underlying assets and liabilities related to the deferred tax liability or carry forward tax losses
  - the high adjustments represent a decrease in the carrying value of approximately \$5.0 million due to the removal of the DTA attributable to the tax losses

Intangible assets

- The intangible assets relate to the Ginger Business and are predominantly goodwill and trademarks. The intangible assets were estimated to be in the range of \$nil to \$0.4 million based on the following adjustments:
  - the low adjustment represents a decrease in the book value of approximately \$0.4 million on the basis that in a net realisation of assets, no value would be attributed to intangible assets
  - we have not made any adjustments in the high value and relied on the carrying value of the intangible assets

Deferred tax liabilities

- The deferred tax liabilities (**DTL**) represent an estimate of the taxes that would be payable, were the assets to be realised at the market values shown in Table 12
- The DTL's were estimated to be in the range of \$4.8 million to \$10.2 million based on the following adjustments:
  - the low adjustment represents a decrease in the book value of approximately \$4.5 million primarily due our assessment of the market value to the assets for the Ginger Business and the Macadamia Business being lower than the carrying value of the assets. The reduction in DTL is 30% of the difference in market values
  - the high adjustment represents an increase in the book value of approximately \$1.0 million on the basis that an increase in book value of the Macadamia Business assets would result in a 30% increase in the associated DTL

Other current and non-current liabilities

- With the exception of the DTLs, we have adopted the carrying values of the remaining liabilities as the market value

As at 30 June 2016, BUG adopted certain exchange rate assumptions to translate assets and/or liabilities held in Fiji dollars and United States dollars into Australian dollars. We have considered the movements in exchange rates between 30 June 2016 and 5 October 2016 and concluded that any change in exchange rates would not have a material impact on the values. Therefore, we have not made any foreign exchange rate adjustments in the valuation.

Having regard to the abovementioned adjustments, the net operating assets of the Ginger and Macadamia businesses are set out in the table below:

Table 13: Total operating asset value

$'000 unless otherwise stated	Value range ($000)	
	Low	High
Market value of net operating asset value - Ginger Business	17,417	28,315
Market value of net operating asset value - Macadamia Business	26,360	29,357
Less: Realisation costs	(1,698)	-
Total Operating asset value	**42,079**	**57,672**

Sources: BUG management, KPMG Corporate Finance analysis

We have made an allowance for realisation costs in the low end of the range of approximately $1.7 million, which is estimated based on the following:

- realisation costs of $1.2 million relating to expenses associated with realising the Ginger Business assets, estimated to be 5.0% of gross asset value
- operating losses of $0.5 million assumed to be incurred during the realisation period of the Ginger Business assets.

9.4 Summary of underlying value of BUG

As summarised in the table below, KPMG Corporate Finance has determined the underlying value of BUG, inclusive of a premium for control, to be in the range of $23.0 million to $41.2 million.

Table 14: Underlying value of BUG

$'000 unless otherwise stated	Value range	
	Low	High
Market value of net operating asset value - Ginger Business	17,417	28,315
Market value of net operating asset value - Macadamia Business	26,360	29,357
Less: Realisation costs	(1,698)	-
Total Operating asset value	**42,079**	**57,672**
Less: Debt	(24,047)	(24,047)
Add: Cash	3,901	3,901
Net asset value	**21,933**	**37,526**
Add: Tax losses	1,039	3,667
Adjusted net asset value	**22,972**	**41,193**
Issued shares (millions)	43.363	43.363
Net asset value per share ($)	**$0.53**	**$0.95**

Sources: FY16 annual report, KPMG Corporate Finance analysis

Our determination of the underlying value of BUG has been based on the following:

- an assessment of the operating asset value of BUG, as set out in Table 13 based on the underlying value of the Ginger Business and Macadamia Business
- an allowance for realisation costs in the low end of the range of approximately $1.7 million
- the deduction of BUG's gross debt of $24.0 million
- the addition of BUG's gross cash of $3.9 million
- the estimate for the market value of the Australian tax losses based on the following:
  - the low end of the range was calculated based on an assumed value of five cents on the dollar of the total available tax losses of approximately $20.8 million (including losses on realisation of the Ginger Business assets). Having regard to a range of net present values under different utilisation scenarios we consider the value of approximately $1.0 million to be reasonable
  - the high end of the range was calculated based on the estimated tax savings from offsetting the carry forward losses against the gain on sale of the Yandina property plus an assumed value of ten cents on the dollar of the residual available tax losses.

- the calculation of a per share value is based on the total number of shares on issue prior to the completion of the Proposed Transactions[9].

9.5 Summary of value of a BUG share post completion of the Proposed Transactions

As summarised in the table below, KPMG Corporate Finance has calculated an estimated trading range for a BUG share, post completion of the Proposed Transactions to be in the range of $0.31 to $0.46 per share. We have taken into account dilution effects resulting from the conversion of the Convertible Notes.

Table 15: Estimated trading range of a BUG share post completion of the Proposed Transactions

$'000 unless otherwise stated	Value range	
	Low	High
Adjusted net asset value	22,972	41,193
Add: Cash[1]	25,943	25,943
Net assets on a controlling basis	**48,915**	**67,136**
Less: Minority Discount	(13,976)	(15,493)
Net assets on a minority basis	**34,939**	**51,643**
Issued shares after Transaction (millions)	112.301	112.301
Net asset value per share	**$0.31**	**$0.46**

Note 1: The cash amount includes estimated total transaction costs of $635,000

Source: KPMG Corporate Finance Analysis

Our determination of the estimated trading range of a BUG share has been based on the following:

- our assessment of the underlying value of BUG, on a control basis, as set out in Section 9.4 above
- the addition of cash received from the Proposed Transactions (after estimated transaction costs of $635,000)
- a discount to reflect the trading of a minority interest in the range of 23.1% to 28.6%, which is calculated based on the inverse of the control premium range of 30% to 40% (consistent with Section 2.2)
- the calculation of a per share value based on the total number of shares on issue post the completion of the Proposed Transactions on an "as-if fully exercised and converted basis" being 112,301,330 ordinary shares.

Our assessed value range of a BUG share post completion of the Proposed Transactions does not include any potential benefits that may arise as a result of the Proposed Transactions including through the Company utilising additional funds to reinvest in the business or through the introduction of AMD and

[9] 43,363,090 ordinary shares

the Fund as strategic investors who are expected to be able to provide assistance in developing South East Asian markets, in particular China.

9.6 Cross-check

We have cross-checked our valuation conclusion by considering comparable company trading multiples. As set out in Section 6.4, the Ginger Business did not generate positive earnings on a normalised basis during FY16 and the Macadamia Business achieved normalised EBITDA of $2.0 million. We have therefore considered multiples for BUG and the Macadamia Business only.

We calculated an implied FY16 EBITDA multiple to be in the range of 30.4 times to 41.7 times based on the implied value of net operating assets as set out in the table below.

Table 16: Implied EBITDA multiple for BUG

$'000 unless otherwise stated	BUG	
	Low	High
Market value of net operating assets	42,079	57,672
EBITDA after normalisations	1,384	1,384
FY16 implied EBITDA multiple	**30.4x**	**41.7x**

Sources: BUG management, KPMG Corporate Finance analysis

We calculated an implied FY16 EBITDA multiple to be in the range of 13.4 times to 14.9 times based on the implied value of net operating assets of the Macadamia Business as set out in the table below.

Table 17: Implied EBITDA multiple for the Macadamia Business

$'000 unless otherwise stated	Macadamia Business	
	Low	High
Market value of net operating assets	26,360	29,357
EBITDA after normalisations	1,974	1,974
FY16 implied EBITDA multiple	**13.4x**	**14.9x**

Sources: BUG management, KPMG Corporate Finance analysis

The implied multiples for BUG are not meaningful on the basis that the normalised earnings during FY16 were low. This supports our adoption of the net asset approach as the primary valuation approach.

The implied multiples of the Macadamia Business have been considered with reference to multiples of comparable companies outlined in Appendix 4. A capitalisation of earnings valuation based on multiples sourced from listed comparable companies is considered to be a minority valuation and a control premium was added to arrive at a controlling value.

In relation to the comparable companies, we note the following:

- whilst the companies selected have similarities to the Macadamia Business in terms of core operations, there are differences in their size, product diversification, geographic diversification and growth profile
- the comparable company multiples reflect the trading of portfolio interests on a marketable minority basis, therefore an adjustment to the multiples for a midpoint 35% premium for control[10] is required in order to compare them to the implied multiples of our valuation range of the Macadamia Business (consistent with Section 2.2)
- the FY16 EBITDA multiples, excluding outliers, are in the range of 5.3 times to 27.6 times with a mean of 13.7 and a median 13.8 times. We would expect the Macadamia Business to trade at a discount to the mean and median of the comparable companies given the comparable companies are generally significantly larger in size, profitability and have greater diversification in terms of operations compared to the Macadamia Business.

Based on the analysis of the comparable companies, the implied multiples of the Macadamia Business are broadly in line with our comparable company multiples. We note that the implied FY16 EBITDA multiple for the Macadamia Business is higher than we would expect given the normalised FY16 EBITDA of approximately $2.0 million. We are of the view that the net assets valuation approach is the most relevant methodology to value BUG given the Company has not been able to generate sufficient earnings to support the assets of the business.

[10] Sources: Mergerstat and KPMG Corporate Finance Analysis

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (**APESB**). The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Bill Allen and Sean Collins. Each has a significant number of years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as preparation of expert reports.

Bill Allen is an Authorised Representative of KPMG Corporate Finance and a Partner in the KPMG Partnership. Bill is an Associate of Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce degree and a Graduate Diploma in Applied Finance. Bill has significant experience in the provision of corporate financial advice, including specific advice on valuations and the preparation of expert reports.

Sean Collins is an Authorised Representative of KPMG Corporate Finance and a Partner in the KPMG Partnership. Sean is a Fellow of Chartered Accountants Australia and New Zealand, a Fellow of the Chartered Institute of Securities and Investments in the UK and holds a Bachelor of Commerce from the University of Queensland. Sean has extensive experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Proposed Transactions are fair and reasonable to BUG shareholders. KPMG Corporate Finance expressly disclaims any liability to any BUG shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Explanatory Memorandum or any other document prepared in respect of the Proposed Transactions. Accordingly, we take no responsibility for the content of the Explanatory Memorandum as a whole or other documents prepared in respect of the Proposed Transactions.

Independence

KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of BUG for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Explanatory Memorandum to be issued to the shareholders of BUG. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- the ASX announcements regarding the Proposed Transactions
- the Notice of General Meeting
- annual reports for the Company for the three years ended 30 June 2014, 30 June 2015 and 30 June 2016
- Company presentations and ASX announcements
- various press and media articles
- report published report by IBISWorld Pty Ltd
- various publicly available industry information
- data providers including S&P Capital IQ and Mergerstat

Non-public information:

- board papers and other internal briefing papers prepared by BUG in relation to the Proposed Transactions
- copies of the property, plant and equipment valuation reports prepared by CBRE, Colliers, Hymans and Rolle Associates
- a copy of the Term Sheet
- copies of the executed Transaction Documents
- certain Rabobank financing documentation
- analysis undertaken by M&A Partners as part of the strategic review of the Company
- other confidential documents, presentations and work papers
- estimate of transaction costs.

In addition, we have held discussions with, and obtained information from Stephen Morrow, Chairman and a Director of BUG and senior management of BUG.

Appendix 3 – Overview of valuation methodologies

Capitalisation of earnings

An earnings based approach estimates a sustainable level of earnings for a business ('maintainable earnings') and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of shares. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the Valuation Date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the Valuation Date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

The rate at which the future cash flows are discounted ('the Discount Rate') should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the Weighted Average Cost of Capital (**WACC**), reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some sectors it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the company's balance sheet to current market values. A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

Appendix 4 – Comparable companies

BUG - Comparable companies - Financial data

Company name	Country	Latest Report	Market Cap	Enterprise Value	EBITDA multiple	EBITDA multiple	EBITDA multiple	EBITDA margin	EBITDA margin
		FY	AUDm	AUDm	FY	LTM	FY+1	FY	LTM
Australia									
Australian Agricultural Projects Limited	Australia	30/06/2016	5	9	13.3	13.3	n/a	23.7%	23.7%
Bega Cheese Limited	Australia	30/06/2016	1,001	1,054	21.7	21.7	17.7	5.4%	5.4%
Bellamy's Australia Limited	Australia	30/06/2016	1,195	1,163	27.6	27.6	18.0	23.4%	23.4%
Capilano Honey Limited	Australia	30/06/2016	185	194	16.0	16.0	14.2	12.1%	12.1%
Farm Pride Foods Limited	Australia	30/06/2016	100	98	8.3	8.3	7.9	17.0%	17.0%
MG Unit Trust	Australia	30/06/2016	246	726	7.0	7.0	5.3	4.2%	4.2%
Namoi Cotton Co-operative Ltd	Australia	29/02/2016	44	103	nmf	nmf	n/a	-0.6%	-0.6%
Ridley Corporation Limited	Australia	30/06/2016	403	444	10.6	10.6	9.7	6.1%	6.1%
Select Harvests Limited	Australia	30/06/2016	417	485	11.5	11.5	10.4	19.1%	19.1%
TasFoods Limited	Australia	31/12/2015	39	24	nmf	nmf	n/a	-214.8%	-72.1%
TFS Corporation Ltd.	Australia	30/06/2016	588	753	16.2	16.2	11.4	31.0%	31.0%
Warrnambool Cheese And Butter	Australia	31/03/2016	522	735	54.7	54.7	n/a	2.6%	2.6%
Webster Ltd.	Australia	30/06/2016	409	593	nmf	nmf	16.8	-17.6%	-17.6%
Wellard Limited	Australia	30/06/2016	100	272	5.3	5.3	9.2	10.0%	10.0%
Mean (Australia)					17.5	17.5	12.1	-5.6%	4.6%
Median (Australia)					13.3	13.3	10.9	8.1%	8.1%
Low (Australia)					5.3	5.3	5.3	-214.8%	-72.1%
High (Australia)					54.7	54.7	18.0	31.0%	31.0%
Mean (Australia) excl. outliers					13.8	13.8	12.1	12.8%	12.8%
Median (Australia) excl. outliers					12.4	12.4	10.9	11.1%	11.1%
Low (Australia) excl. outliers					5.3	5.3	5.3	-0.6%	-0.6%
High (Australia) excl. outliers					27.6	27.6	18.0	31.0%	31.0%
ROW									
Asian Citrus Holdings Limited	United Kingdom	30/06/2015	112	31	nmf	nmf	nmf	-39.8%	-92.0%
Fonterra Shareholders Fund	New Zealand	31/07/2016	676	676	n/a	n/a	0.5	0.0%	0.0%
Fresh Del Monte Produce Inc.	United States	1/01/2016	3,994	4,223	17.2	13.5	13.1	6.1%	7.9%
John B Sanfilippo & Son Inc.	United States	30/06/2016	770	827	12.1	12.1	n/a	7.3%	7.3%
KWS Saat SE	Germany	30/06/2015	2,882	3,156	14.7	15.1	17.5	19.6%	18.0%
Olam International Limited	Singapore	31/12/2015	5,344	15,138	14.3	14.1	15.5	6.7%	6.5%
Royal Hawaiian Orchards, L.P.	United States	31/12/2015	41	73	42.4	59.2	n/a	8.5%	5.2%
Shoei Foods Corporation	Japan	31/10/2015	329	448	8.4	7.2	7.2	5.0%	6.0%
Tegel Group Holdings Limited	New Zealand	24/04/2016	510	744	14.8	14.8	11.4	11.4%	11.4%
Mean (ROW)					17.7	19.4	10.9	2.8%	-3.3%
Median (ROW)					14.7	14.1	12.3	6.7%	6.5%
Low (ROW)					8.4	7.2	0.5	-39.8%	-92.0%
High (ROW)					42.4	59.2	17.5	19.6%	18.0%
Mean (ROW) excl. outliers					13.6	12.8	10.9	8.1%	7.8%
Median (ROW) excl. outliers					14.5	13.8	12.3	7.0%	6.9%
Low (ROW) excl. outliers					8.4	7.2	0.5	0.0%	0.0%
High (ROW) excl. outliers					17.2	15.1	17.5	19.6%	18.0%
Total									
Total Mean					17.6	18.2	11.6	-2.3%	1.5%
Total Median					14.5	13.8	11.4	6.7%	6.5%
Total Low					5.3	5.3	0.5	-214.8%	-92.0%
Total High					54.7	59.2	18.0	31.0%	31.0%
Total Mean (excl. outliers)					13.7	13.4	11.6	10.9%	10.8%
Total Median (excl. outliers)					13.8	13.4	11.4	7.9%	7.6%
Total Low (excl. outliers)					5.3	5.3	0.5	-0.6%	-0.6%
Total High (excl. outliers)					27.6	27.6	18.0	31.0%	31.0%

Source: S&P Capital IQ (downloaded on 28 October 2016, data as at 5 October 2016), KPMG Corporate Finance Analysis

Notes:

LTM = Last Twelve Months, NTM = Next Twelve Months, FY = Latest fully-reported Financial Year, CAGR = Compound Annual Growth Rate, AVG = Average

Outliers have been shaded and excluded from the calculation of mean and median (where specified)

Currency conversions have been based on foreign exchange rates as at the Valuation Date

A control premium of 35 percent has been included in the calculations

Appendix 5 – Industry overview

An overview of each industry BUG is involved in is outlined below.

Ginger industry

The ginger industry largely comprises companies engaged in the farming of ginger and the processing of ginger into its final product. The majority of ginger growers in Australia are located on the Sunshine Coast and Wide Bay-Burnett regions due to favourable climate and soil conditions for growing ginger. According to the Australian Ginger Industry Association, the ginger industry in Australia produces about 8,000 tonnes of ginger each year, with the majority of this product grown in Queensland. Australia however is a small producer globally, with its total ginger output representing less than 1.0% of global production tonnage.

Ginger is a key ingredient in a wide range of semi-processed products for the food manufacturing sector and in processed products for the retail sector. It is also sold fresh as a stand-alone product. Approximately 40.0% of harvested ginger is supplied for processing purposes, while the remaining 60.0% is supplied to the fresh market. Processing of ginger in Australia is dominated largely by BUG which processes the largest quantity of ginger nationally. Of these processed ginger products, approximately 60.0% are exported to foreign markets, with the remaining 40.0% sold in Australia primarily to retail supermarkets. Fresh ginger is predominantly sold by growers directly to metropolitan wholesale markets throughout Australia. There is also a strong export market, particularly to the United States and the United Kingdom. Chinese demand for Australian fresh and processed ginger exports is very small due to China itself being the second largest ginger supplier globally.

The Australian Ginger Industry Association estimates the net value of ginger farmed in Australia to be $32 million, with the value of industries in Australia that rely on ginger for processing into brewed drinks, confectionery and therapeutic goods to be approximately $100 million.

The Australian industry has had mixed performance in recent years with increased input costs and an inconsistency in supply due to a number of growers leaving the industry, however overall it has seen slow but steady growth.

Macadamia nut industry in Australia

The macadamia nut industry largely comprises companies engaged in the farming of macadamia nuts and companies involved in processing nuts into marketable products. The macadamia nut is a food crop native to Australia and is grown primarily on farms extending from the mid north coast of New South Wales up to Mackay in Queensland. According to Australian Macadamia Society, Australia is the second largest producer of macadamia nuts globally behind South Africa, with over 850 growers producing over 40,000 tonnes annually, of which 70.0% is exported to international markets. It is estimated that the Australian macadamia industry is worth more than $200 million annually.

The macadamia nut industry is structured such that a large number of independent growers supply to a smaller number of processing companies that remove the kernel (unless selling in nut-in-shell form) and process them into various forms and packages ready for sale to the market. Some of the major processing companies in Australia include Agrimac, MPC, Consolidated Nuts Australia, Nambucca MacNuts, Stahmann Farms and Suncoast Gold Macadamias.

Macadamia products are primarily sold in processed form with the kernel removed from the shell, however Macadamias are often also sold in nut-in-shell form, particularly to the Chinese market. This demand for unprocessed macadamia nuts has been a positive trend for growers, it has proved detrimental for processors as farm gate prices have increased significantly. Both macadamia producers and processors have performed well in recent years with prices rising since the mid-2000s on the back of increased demand from China. Prices are expected to remain high for the immediate future with the global demand for macadamia nuts predicted to remain strong.

Macadamia nut industry in Hawaii

The macadamia nut was introduced to Hawaii in 1881 and the region has been one of the major producers of the crop for many years. Hawaii represents almost the entirety of macadamia nut production in the United States, which comprises approximately 8.0% of production globally[11]. Some of the major macadamia nut companies in Hawaii include MacFarms, Hamakua, Hawaiian Host, Mauna Loa, Royal Hawaiian Orchards and Island Princess.

Tourism

The Australian tourism sector has performed well in recent years, attracting increased number of international tourists arriving in the country, particularly from China and India. The 2015 calendar year saw an increase in arrivals of over 11% compared to 2014, with the largest numbers coming from New Zealand, China, the United Kingdom and the United States respectively[12]. This is supported by results from tourist attraction operators who have reported positive revenue growth in recent years recovering since 2011[13].

According to Tourism and Events Queensland, international tourist numbers for Queensland in 2015 have also increased over the last year, with the Sunshine Coast experiencing a 7.8% increase, driven by visitors from Europe, New Zealand and the United Kingdom. Chinese tourists only represent approximately 3.0% of the total international visitors to the Sunshine Coast, despite being Australia's second largest tourist source.

Key demand drivers

Export demand: Macadamia nut production is particularly impacted by international export demand with 70% of its product exported overseas. Chinese consumption has particularly been one of the key drivers of growth industry in recent years. Ginger has a slightly lower level of international export exposure, however it does not appear to depend as heavily on any one particular country as the macadamia nut industry does.

Pricing: Movements in product prices indicate underlying demand for ginger and macadamia nut products relative to the supply of the products. Macadamia nut prices have experienced an increase in

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[11] International Nut and Dried Fruit Council Foundation, *Global Statistical Review 2014-15*

[12] Australian Bureau of Statistics, *Overseas Arrivals and Departures, Australia, Dec 2015*

[13] IBISWorld, *Amusement Parks and Centres Operation in Australia 2016*

recent years driven by high international demand which has put pressure on supply. In comparison, fresh ginger prices in 2016 have fallen due to increase in the level of supply relative to the demand.

Foreign exchange rates: Changes in the value of the Australian dollar will impact the competitiveness of Australia's products to overseas buyers. A decrease in the value of the Australian dollar will make export products and tourism opportunities more attractive to foreigners as their own domestic currency will buy more. Conversely, an increase in the value of the Australian dollar will make export products and tourism opportunities less attractive internationally.

Consumer trends: Consumer behavioural trends can be a key influencer of the popularity of a product whereby cultural perceptions or awareness of products change for various reasons. Macadamia nuts for example have experienced increased popularity in China in recent years, due to a surge in consumer demand.

Disposable income level: A high proportion of ginger and macadamia nut products can be considered discretionary purchases, implying that as a consumer's level of disposable income decreases, so does the likelihood that they will make the purchase. Tourism spending is also considered discretionary, exemplified by the downturn the sector experienced following the recent financial crisis, where families had less disposable income to spend on holidays and other discretionary purchases.

Outlook

Ginger: Uncertainties in supply are anticipated to lead to the continued mixed performance of the Australian ginger sector into the immediate future. It is expected however to maintain its slow but steady growth driven by relatively consistent domestic and international demand. Due to the majority of the ginger processing market being dominated by BUG, the outlook for the sector as a whole is largely dependent on the success of the Company and its ginger operations. BUG's operations are partially mitigated through their Fijian operations.

Macadamia nuts: Global demand for macadamia nuts is expected to remain high, with this demand continuing to be driven by exports to Asia. Demand is growing particularly in China, Korea and Taiwan, with this trend anticipated to continue. Prices for macadamia nuts are also expected to remain high or increase, as suppliers struggle to keep up with the market demand. The lengthy set-up time taken for newly planted macadamia trees to start producing will likely mean that supply will continue to lag into the immediate future.

Tourism: It is anticipated that tourism sector in Australia will continue its recent trend of positive growth, driven by higher levels of disposable income of Australian families and international demand driven a weaker Australian dollar. Revenue growth forecasts for tourist attraction operators are expected to be approximately 1.5% p.a. over the next five years[14].

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[14] IBISWorld, *Amusement Parks and Centres Operation in Australia 2016*

Appendix 6 – Glossary of key terms

Abbreviation	Description
$	Australian dollars
the Act	Corporations Act 2001 (Cth)
Agrimac	Agrimac Macadamias Pty Ltd
AMD	Asia Mark Development Limited
Announcement date	5 October 2016
APESB	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
Authorised Representatives	Bill Allen and Sean Collins as authorised representatives of KPMG Corporate Finance
BDO	BDO Audit Pty Ltd
Buderim Ginger	Buderim Group Limited
BUG or the Company	Buderim Group Limited
CBRE	CBRE, Inc.
CBRE Valuation	Valuation report prepared by CBRE
Colliers	Colliers International (Australia)
Colliers Valuation	Valuation report prepared by Colliers International (Australia) dated 30 June 2016
Convertible Notes	The issue of 25,000,000 and 12,500,000 convertible notes to the Fund and AMD respectively, issued at a face value of $0.40
DCF	Discounted cash flow
Directors	The directors of BUG
Document	Explanatory Memorandum
DTA	Deferred tax assets
DTL	Deferred tax liabilities
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EGM	Extraordinary General Meeting
FOS	Financial Ombudsman Service
FJ$	Fiji dollars
Frespac	Frespac Ginger (Fiji) Limited
FSG	KPMG Corporate Finance's Financial Services Guide
Fund	Wattle Hill RHC Fund 1 SPV1 Ltd
FY	Financial year ended 30 June
Ginger Business	Ginger Business segment (including tourism operations) of Buderim Group Limited
GST	Goods and services tax
Hymans	Hymans Valuers & Associates
Hymans Agrimac Valuation	The Agrimac plant and equipment in Alstonville, New South Wales valued by Hymans Valuers & Associates
Hymans Yandina Valuation	The Ginger Business plant and equipment in Yandina, Queensland valued by Hymans Valuers & Associates
IER	Independent Expert Report

Abbreviation	Description
KPMG Corporate Finance	KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division)
LTM	Last twelve months
M&A Partners	M&A Partners Pty Ltd
Macadamia Business	Macadamia Business segment of Buderim Group Limited
MacFarms	MacFarms LLC (trading as MacFarms of Hawaii)
Non-Associated Shareholders	Non-associated shareholders of BUG
Placement	The issue of 6,504,463 ordinary shares to AMD at $0.40 per share
PDS	Product Disclosure Statement
Proposed Transactions	The Transaction Implementation Agreement, Placement Agreement, Convertible Note Agreement and Underwriting Agreement between the Company, AMD and the Fund
QiaQia	QiaQia Food Co. Ltd.
Rabobank	Rabo Australia Limited and Cooperatieve Rabobank U.A. formerly known as Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Australia Branch)
Report	Independent Expert Report
Rolle Associates Valuation	Valuation of the ginger processing facilities in Fiji prepared by Rolle Associates
Transaction Documents	The executed Transaction Implementation Agreement, Placement Agreement, Convertible Note Agreement and Underwriting Agreement
Underwritten Rights Issue	The pro-rata renounceable rights issue of ordinary BUG shares underwritten by AMD, on a 1 for 2 basis at $0.36 per share
US$	United States dollars
Valuation Date	5 October 2016
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital

KPMG Corporate Finance
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www.kpmg.com.au

PART TWO – FINANCIAL SERVICES GUIDE

Dated 16 November 2016

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd **ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) **(KPMG Corporate Finance)** and Bill Allen and Sean Collins as authorised representatives of KPMG Corporate Finance **(Authorised Representatives),** authorised representative numbers 405336 and 404189 respectively.

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representatives and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representatives are authorised to provide
- how KPMG Corporate Finance and its Authorised Representatives are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representatives
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representatives have been authorised by KPMG Corporate Finance.
This FSG forms part of an Independent Expert's Report (**Report**) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (**PDS**). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Corporate Finance and the Authorised Representatives are authorised to provide

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representatives are authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representatives' responsibility to you

KPMG Corporate Finance has been engaged by Buderim Group Limited (**Client**) to provide general financial product advice in the form of a Report to be included in the Explanatory Memorandum (**Document**) prepared by Buderim Group Limited in relation to the proposed capital restructuring (**the Proposed Transactions**).
You have not engaged KPMG Corporate Finance or the Authorised Representatives directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representatives are acting for any person other than the Client.
KPMG Corporate Finance and the Authorised Representatives are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.
You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.
You should also consider the other parts of the Document before making any decision in relation to the Proposed Transactions.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance $85,000 for preparing the Report. KPMG Corporate

Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.
KPMG Corporate Finance officers and representatives (including the Authorised Representatives) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership).
KPMG Corporate Finance's representatives (including the Authorised Representatives) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.
Further details may be provided on request.

Referrals

Neither KPMG Corporate Finance nor the Authorised Representatives pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representatives are partners in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representatives and not by the KPMG Partnership.
From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.
KPMG entities have not provided any audit, tax and advisory services to the Client for which professional fees are received.
No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representatives know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representatives cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (**FOS**). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.
Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001
Telephone: 1800 367 287
Facsimile: (03) 9613 6399 Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representatives using the contact details:

KPMG Corporate Finance
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
300 Barangaroo Avenue
Sydney NSW 2000

PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Bill Allen
C/O KPMG
PO Box H67
Australia Square
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Telephone: (02) 9335 7000
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ABN 68 010 978 800

BUG

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

XX

Vote and view the notice online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 **PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 11:00am (Brisbane time) Monday, 19 December 2016

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, 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 sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Buderim Group Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ______________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Buderim Group Limited to be held at **Level 10, 12 Creek Street, Brisbane on Tuesday, 20 December 2016 at 11:00am (Brisbane time)** and at any adjournment or postponement of that Meeting.

STEP 2 Items of Business

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

		For	Against	Abstain
1	Issue of Shares to AMD	☐	☐	☐
2	Issue of Convertible Notes	☐	☐	☐
3	Issue of Shares on conversion of Convertible Notes	☐	☐	☐
4	Approval of the appointment of AMD as underwriter and issue of shortfall Shares	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ______________________ **Contact Daytime Telephone** ______________________ **Date** ___ / ___ / ___

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computershare