



16 April 2015

The Manager
Company Announcements Office
ASX Limited

Release of Target's Statement in respect of Webster's offer

In compliance with item 14 of section 633(1) of the Corporations Act 2001 (Cth), Tandou Limited (ASX: **TAN**) is pleased to release its target's statement (**Target's Statement**) in response to the off market takeover bid by Webster Limited (**Webster**) for all the shares in TAN (**Offer**).

The Target's Statement sets out the TAN Board's reasons for unanimously recommending that TAN shareholders **ACCEPT** Webster's Offer in the absence of a superior proposal and other information that is material to shareholders in their assessment of the Offer.

The Target's Statement includes Deloitte Corporate Finance's Independent Expert's Report.

The Target's Statement has or will be served on Webster and lodged with the Australian Securities and Investments Commission today.

The Target's Statement will be dispatched shortly to TAN shareholders together with Webster's bidder's statement in respect of the Offer.

Yours faithfully

A handwritten signature in black ink, appearing to read "B. Woollard", with a stylized flourish at the end.

Bernie Woollard
Company Secretary
Ph. 03 5018 6500

TANDOU LIMITED
ABN 81 001 014 562

About Tandou Limited:

Tandou Limited (ASX:TAN) was established in 1972 and has evolved into a modern Australian water investment and agribusiness company that owns a significant and diversified portfolio of water entitlements, along with its large scale irrigated cropping and pastoral operations. Over time Tandou has invested in water entitlements strategically held across various river systems in the Murray Darling Basin. In addition to investing in entitlements and trading water allocations Tandou combines traditional farming knowledge with the latest technological advancements throughout its enterprises to minimise risk and produce high value returns. Tandou's land holdings cover approximately 135,000 hectares near Menindee, NSW and 13,500 hectares near Hay, NSW with approximately 19,500 hectares (in total) developed for irrigation. The Company is a major producer of cotton and cereal, along with organic lamb on its pastoral operations. Its corporate office is located in Mildura, Victoria.

TANDOU LIMITED ACN 001 014 562

TARGET'S STATEMENT

in response to the offer by

Webster Limited ACN 009 476 000 of

1 Webster Share for every 2.25 Tandou Shares

Your Directors unanimously recommend that you accept Webster's offer in the absence of a Superior Proposal

DATED: 16 April 2015

To **accept** the offer, complete, sign and return the acceptance form enclosed with the Bidder's Statement in accordance with the instructions on that form

Legal Adviser

MinterEllison

Financial Adviser



This document is important and requires your immediate attention

If you are in doubt as to how to deal with this document, please consult your independent legal, financial or taxation adviser

IMPORTANT NOTICES

Target's Statement

This document is a Target's Statement dated 16 April 2015 and is issued by Tandou under Part 6.5 of the Corporations Act in response to the Bidder's Statement with the ASIC on 16 April 2015. A copy of this Target's Statement was lodged with ASIC and given to ASX on 16 April 2015. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

Webster information in this Target's Statement

Except where disclosed otherwise, the information on Webster in this Target's Statement has been obtained by Tandou from the Bidder's Statement and certain public and non public sources. Tandou and its Directors are unable to verify the accuracy or completeness of the information on Webster. Accordingly Tandou does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of that information.

No account of personal circumstances

This Target's Statement does not take into account your individual investment objectives, financial situation or particular needs. It does not contain personal advice. This Target's Statement should not be relied on as the sole basis for any investment decision in relation to Tandou Shares. The Directors encourage you to obtain independent legal, financial or taxation advice before deciding whether to accept or reject the Offer.

Forward looking statements

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to Tandou as well as general economic conditions and conditions in the financial markets, commodity prices, exchange rates, interest rates and regulatory changes, many of which are outside the control of Tandou and its Directors. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and these deviations are both normal and to be expected.

None of Tandou, any of its officers or any person named in this Target's Statement or involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement and you are cautioned not to place undue reliance on those statements.

The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. Tandou has no obligation to disseminate after the date of this Target's Statement any updates or revisions to any such statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any of those statements are based unless it is required to do so under Division 4 of Part 6.5 of the Corporations Act to update or correct this Target's Statement (i.e.

for certain matters that are material from the point of view of a Tandou Shareholder) or under its continuous disclosure obligations in the Corporations Act and the ASX Listing Rules.

Privacy statements

Tandou has collected your information from the Share Register for the purpose of providing you with this Target's Statement. The type of information Tandou has collected about you includes your name, contact details and information on your shareholding in Tandou. The Corporations Act requires the name and address of Shareholders to be held in a public register.

Tandou has also provided or will provide personal information about its Shareholders to Webster in accordance with the Corporations Act and the ASX Settlement Rules. Webster states in the Bidder's Statement that it may disclose this information on a confidential basis to its related bodies corporate, and holders of securities in Webster or its related bodies corporate and external service providers, and that it may be required to be disclosed to regulators, such as ASIC.

Defined terms

Certain terms used in this Target's Statement have defined meanings, as set out in section 12 of this Target's Statement.

No internet site is part of this Target's Statement

No internet site is part of this Target's Statement. Tandou (www.tandou.com.au) and Webster (www.websterltd.com.au) maintain internet sites. Any references in this Target's Statement to any of these internet sites are textual references only and do not form part of this Target's Statement.

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KEY DATES

Offer announced	27 February 2015
Date of the Offer	22 April 2015
Offer Period commences	22 April 2015
Date of this Target's Statement	16 April 2015
Webster Shareholder meeting	25 May 2015
Expiry of the Offer (unless extended or withdrawn)	12 June 2015

CHAIRMAN'S LETTER



Dear Shareholder

On 27 February 2015, Tandou Limited (**Tandou**) announced (**Announcement Date**) that it had entered into a Merger Implementation Agreement with Webster Limited (**Webster**) for a recommended off market takeover bid (**Offer**) to acquire all of your Tandou shares. The consideration being offered by Webster is 1 Webster share for every 2.25 Tandou fully paid ordinary shares (**Tandou Shares**). Webster has also made an offer to acquire all Tandou partly paid shares.

The Offer, and detailed information relating to it, are contained in Webster's Bidder's Statement, which is enclosed with this Target's Statement.

Your Directors unanimously recommend that Tandou Shareholders accept the Offer, in the absence of a Superior Proposal. Each of your Directors intends to accept the Offer for their own Tandou Shares, subject to Webster shareholder approval of the Offer to be considered at an extraordinary general meeting of Webster shareholders to be held on or about 25 May 2015 (**Webster EGM**), and in the absence of a Superior Proposal. As at the date of this Target's Statement, no Superior Proposal has emerged.

The Webster EGM will also seek Webster shareholder approval for the acquisition of Bengerang Limited (**Bengerang**), a company that owns a large scale cotton operation with significant water holdings (**Bengerang Transaction**).

Your Directors have considered the merits of the Offer under the following two scenarios:

- Webster's Offer for Tandou is successful (with its conditions being satisfied or waived) and the Bengerang Transaction is approved by Webster Shareholders; and
- Webster's Offer for Tandou is successful (with its conditions being satisfied or waived) and the Bengerang Transaction is not approved by Webster Shareholders.

Your Directors are of the view that Bengerang is an attractive aggregation of cotton farms which will provide Webster with additional scale and geographic diversity reducing overall risk and therefore your Directors are supportive of this acquisition.

However, should the Bengerang Transaction not be approved by Webster shareholders, your Directors continue to recommend acceptance of the Offer. Webster has Australia's largest walnut business, which is expected to grow strongly in coming years as its orchards reach maturity. In addition, Webster's recently acquired *Kooba* aggregation fits particularly well with Tandou's *Hay* aggregation, and the combination brings substantial development opportunities and a large and strategic portfolio of water entitlements.

In determining their recommendation that Tandou shareholders should accept the Offer in the absence of a superior proposal, the Tandou directors have had regard to factors including:

Water Investment and Agribusiness

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- the independent expert commissioned by Tandou (**Independent Expert**) has concluded that the Offer is fair and reasonable to Tandou's shareholders;
- the Offer Consideration represents a premium to the trading price of Tandou Shares over a range of periods prior to the Announcement Date;
- the implied Offer Consideration of \$0.58¹ exceeds the estimated realisable net asset value per Tandou Share achievable on an orderly realisation of assets;
- the price of your Tandou Shares is likely to fall in the absence of the Offer;
- no other offer has been made to acquire your Tandou Shares;
- the risks of rejecting the Offer, including becoming a minority shareholder in a company controlled by Webster with potential impacts on Tandou management, strategy, capital requirements and dividends;
- the expected greater liquidity for the Webster Shares you will receive under the Offer as compared to your Tandou Shares;
- the Offer allows Tandou shareholders to elect to become part of a larger and more diversified agriculture and water business; and
- on its own, Tandou lacks the scale and diversity to optimally manage operating risks and shareholder returns given its exposure to certain external factors.


Section 2 of this Target's Statement sets out in more detail each of the above reasons for your Directors' unanimous recommendation to accept the Offer, in the absence of a superior proposal.

To accept the Offer you should carefully follow the instructions in the Bidder's Statement and complete the Acceptance Form enclosed with the Bidder's Statement. The Offer is due to close at 7.00pm (Sydney time) on 12 June 2015, unless extended or withdrawn.

I urge you to read this Target's Statement in its entirety and carefully consider the Offer having regard to your own personal risk profile, investment strategy and tax position. You should seek independent legal, financial, taxation or other professional advice if you are in any doubt as to what you should do in response to the Offer.

Your Directors will continue to keep you updated on all material developments with respect to the Offer and any other competing offer or proposal.

Yours faithfully



Rob Woolley, **Chairman**

¹ Based on the closing price of Webster Shares on the day before the Announcement Date of \$1.30.

1 SUMMARY OF THE OFFER

1.1 The Offer

On 27 February 2015 Webster announced its intention to make the Offer. On the same date, Tandou Directors also announced that they unanimously recommended that Tandou Shareholders accept the Offer in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Offer is reasonable to non associated Tandou Shareholders.

1.2 Offer Consideration

Webster has agreed to make a takeover bid for all Tandou Shares. Webster will offer:

- 1 Webster share for every 2.25 Tandou fully paid ordinary shares;
- 1 Webster Share for every 11.25 Tandou shares partly paid to \$0.20; and
- 1 Webster Share for every 225 Tandou shares partly paid to \$0.01.

Under the Offer any fractional entitlements to Webster Shares will be rounded up to the nearest whole number.

Tandou Shareholders should refer to section 6 of this Target's Statement for further information about the choices available to them in relation to the Offer.

1.3 Offer Period

The Offer is open for acceptance from 22 April 2015 to 7.00pm (Sydney time) on 12 June 2015, unless it is withdrawn or the Offer Period is extended in accordance with the Corporations Act. If you decide to accept the Offer, your acceptance must be received by Webster before the end of the Offer Period.

Instructions on how to accept the Offer are set out in the Bidder's Statement and on the Acceptance Form which was enclosed with the Bidder's Statement. If you wish to accept the Offer, follow the instructions carefully to ensure that your acceptance is valid.

Tandou Shareholders who accept the Offer give up certain rights to sell or otherwise deal with their Tandou Shares, even before the Conditions have been satisfied or waived. In particular, Tandou Shareholders who accept the Offer may lose the opportunity to benefit from any Superior Proposal, if one arises. Tandou is not currently aware of any Superior Proposal for your Tandou Shares.

1.4 Conditions of the Offer

The Offer and its implementation are governed by a Merger Implementation Agreement which was executed by Tandou and Webster on 27 February 2015. The Offer has a number of Conditions including a minimum acceptance condition of 50.1% of the Tandou Shares on issue, receipt of Webster Shareholder approval and FIRB Approval. A summary of the material Conditions is set out in section 9.5 of this Target's Statement.

1.5 Independent Expert's Conclusion

To assist Shareholders in assessing the Offer, the Directors commissioned Deloitte to prepare an Independent Expert's Report on whether the Offer is fair and reasonable to Tandou Shareholders.

Deloitte has concluded that the Offer is fair and reasonable to Tandou Shareholders.

1.6 Bengerang Transaction

At the same time as announcing the intention to make the Offer, Webster announced the proposed acquisition of Bengerang. The Offer and the Bengerang Transaction are not conditional on each other and Webster Shareholders are being asked to approve each transaction separately. As a result, Webster will only acquire Bengerang if the Bengerang Transaction is approved by Webster Shareholders at an extraordinary general meeting of Webster Shareholders scheduled on or about 25 May 2015.

Further details in relation to the Bengerang Transaction are set out at section 14.2 of the Bidder's Statement and section 8.4 of this Target's Statement.

2 DIRECTORS' RECOMMENDATION AND THE REASONS WHY YOU SHOULD ACCEPT

2.1 Directors' recommendation

In assessing the Offer your Directors have had regard to a number of considerations, including the information set out in the Bidder's Statement.

Tandou Shareholders should note that the Offer is not conditional on the Bengering Transaction proceeding. Accordingly your Directors have assessed the Offer under the two scenarios that could occur:

- Webster's Offer for Tandou is successful (with the Conditions being satisfied or waived) and the Bengering Transaction is approved by Webster Shareholders; or
- Webster's Offer for Tandou is successful (with the Conditions being satisfied or waived) and the Bengering Transaction is not approved by Webster Shareholders.

The reasoning set out below has considered both potential scenarios.

Your Directors are of the view that Bengering is an attractive aggregation of cotton farms which will provide Webster with additional scale and geographic diversity reducing overall risk and therefore your Directors are supportive of this acquisition.

However should the Bengering Transaction not be approved by Webster shareholders, your Directors continue to recommend acceptance of the Offer. Webster has Australia's largest walnut business, which is expected to grow strongly in coming years as its orchards reach maturity. In addition Webster's recently acquired *Kooba* aggregation fits particularly well with Tandou's *Hay* aggregation and the combination brings substantial development opportunities and a large and strategic portfolio of water entitlements.

Based on the Directors' assessment of the Offer and for the reasons set out in this Target's Statement, the Directors unanimously recommend that Shareholders accept the Offer, in the absence of any Superior Proposal.

2.2 Each of your Directors intends to accept the Offer

Your Directors intend to accept the Offer in respect of their Shares. Those Directors collectively hold or control 1.33% of the total number of Shares on issue (refer to section 11.3 of this Target's Statement for more information on the respective shareholdings of the Directors).

In accordance with the Merger Implementation Agreement, the Directors' current intention is to accept the Offer in respect of their Shares no later than two Business Days after Webster Shareholders approve, in effect, the Offer, in the absence of a Superior Proposal.

Set out below are the reasons why your Directors unanimously recommend that Shareholders accept the Offer, in the absence of any Superior Proposal.

2.3 The Independent Expert has concluded that the Offer is fair and reasonable

The Independent Expert has valued:

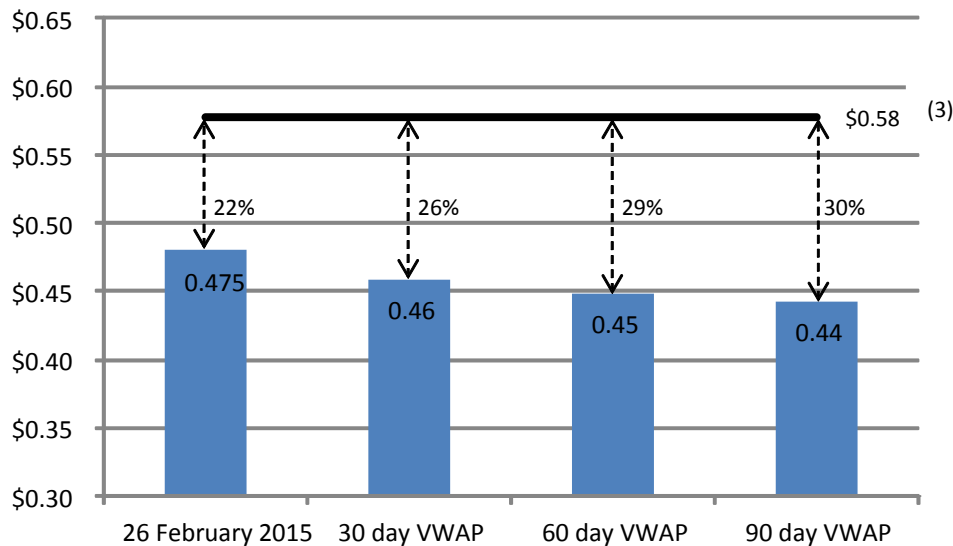
- Tandou Shares between \$0.68 and \$0.69 per Share;
- Webster Shares between \$1.45 and \$1.65, implying an Offer Consideration between \$0.64 and \$0.73 per Share,

and concluded that the Offer is fair and reasonable under both scenarios.

The reasons for the Independent Expert's conclusion are set out in the Independent Expert's Report in the Appendix to this Target's Statement. You should read the Independent Expert's Report in full.

2.4 The Offer Consideration represents a premium to the trading price of Tandou Shares over a range of periods prior to the Announcement Date

The diagram below illustrates the premia represented by the Offer Consideration of \$0.58² relative to the trading prices of Tandou Shares on ASX prior to the Announcement Date.



As at the last market close prior to the date of this Target's Statement, Webster's share price of \$1.64 equates to \$0.73 per Tandou Share, representing a premium of 54% to the share price of Tandou of \$0.475 at the close of trading on the day before the Announcement Date.

Tandou Shareholders should note that the value of the Offer Consideration may fall before Webster Shares are issued under the Offer. Refer to section 5.7 for information on the value of the Offer Consideration based on movements in the Webster share price.

The Tandou share price has traded at a material discount to net asset value (as determined by Directors' valuations) ranging from 19%-40% over the 12 months prior to the Announcement Date.

² Based on the Webster Share price of \$1.30 as at the close of trading on the day before the Announcement Date divided by the Offer ratio of 2.25.

³ Closing share price of Tandou on the day before the Announcement Date.

The Offer Consideration of \$0.58³ represents a significant reduction in the discount to only 11% relative to the net asset value per Tandou Share as at 31 December 2014 (as determined by Directors' valuations) of \$0.65 per Share.

2.5 The Offer Consideration currently exceeds the estimated realisable net asset value per Tandou Share achievable on an ordinary realisation of assets

As noted above, the implied value of the Offer Consideration is \$0.58. This is a discount to the net asset value per Tandou Share as at 31 December 2014 (as determined by Directors' valuations) of \$0.65 per Tandou Share.

However this Directors' valuation is arrived at by assuming that Tandou continues to own and operate its assets in a similar manner to their current use. On a net realisable value basis, were Tandou's assets to be sold and the Company liquidated, the following adjustments to this Directors' valuation would be required:

- selling costs (agents commissions, etc) would be incurred on the sale of water entitlements;
- certain items of inventory (eg raw materials and consumables) would be unlikely to recover their book value;
- a discount to book value would likely be achieved on the liquidation of property, plant and equipment, due principally to the extended period that the sale process would likely take; and
- employee redundancy and liquidation/winding up costs would be incurred.

The Directors are of the view that, after taking into account the adjustments above, the implied value of the Offer Consideration is likely to be in excess of the estimated realisable net assets of Tandou per Share.

2.6 The price of your Tandou Shares is likely to fall in the absence of the Offer

If the Offer does not proceed and no Superior Proposal emerges, it is likely that after the close of the Offer Period the Tandou Share price on ASX will fall below the implied value of the Offer Price, given that it represents a premium to the prior recent market price of Tandou Shares, as illustrated in section 2.4 above.

2.7 No other offer has been made to acquire your Tandou Shares and there is no current indication that there will be a Competing Proposal

As at the date of this Target's Statement no other offer has been made to purchase your Tandou Shares and the Directors are not presently aware of any other party intending to make an offer to acquire your Tandou Shares. If a Competing Proposal does emerge during the Offer Period, the Directors will give careful consideration to that proposal and advise Tandou Shareholders accordingly.

³ Based on Webster Share price of \$1.30 as at the close of trading on the Announcement Date divided by the Offer Ratio of 2.25.

2.8 There are a number of risks in rejecting the Offer

There are risks associated with rejecting the Offer, including:

- the Tandou Share price is likely to fall in the absence of the Offer;
- being a minority Shareholder in Tandou if it is controlled by Webster, including potential changes to management, strategy, capital requirements and dividend policy;
- likely continued illiquid trading in Tandou Shares;
- a possible delisting of Tandou (refer to section 8.7 of the Bidder's Statement); and
- the compulsory acquisition of your Shares (refer to section 9.11 of this Target's Statement for further detail).

The likelihood of these risks eventuating increases as Webster's Relevant Interest in Tandou Shares increases.

Further detail surrounding these and other risks is set out in section 5.5 of this Target's Statement and section 11 of the Bidder's Statement.

2.9 Improved liquidity for Tandou Shareholders

Liquidity in the trading of Tandou Shares is low and on electing to accept the Offer, Tandou Shareholders will receive Webster Shares and become a shareholder in a larger entity with a significantly greater market capitalisation. As a result of the increase in market capitalisation, Webster Shares have potential for inclusion in certain S&P/ASX indices that may also attract greater institutional and analyst coverage and trading.

2.10 The Offer allows Tandou Shareholders to elect to become part of a larger and more diversified agriculture and water business

Under the Offer, Tandou Shareholders have the potential to become shareholders in the Enlarged Webster Group. This means that Tandou Shareholders who elect to receive Webster Shares under the Offer will have exposure to the increased size and diversification of the Enlarged Webster Group, while maintaining an exposure to Tandou's business.

Following the acquisition of Tandou and Bengerang, Webster will become one of the largest private water entitlement owners and one of the largest cotton producers in Australia. The entitlements represent a significant strategic asset and provide security of water for cropping purposes, including the ability to allocate water according to crops that will maximise the potential operating returns.

Further information on the Enlarged Webster Group is in section 9 of the Bidder's Statement.

2.11 On its own, Tandou lacks the scale and diversity to optimally manage operating risks and shareholder returns given its exposure to several external factors

The Menindee Lakes storage levels are currently below 6%. Consequently Tandou Farm is unable to plan for any further plantings, including winter cereal or summer cotton crops, beyond the current 2015 cotton crop.

Recent rain events in the upper catchment areas have provided for some flows in the Barwon-Darling Rivers, however significant further rainfall is required to provide substantial flows into the Menindee Lakes, which Tandou Farm relies on in order to grow a cotton crop.

Tandou currently has approximately 80% of the 2015 cotton crop forward sold at A\$489 per bale. While the current market price is above A\$530 per bale, there remains uncertainty for the final price and total revenue from the 2015 cotton crop until all cotton has been sold.

While the 2015 cotton crops are currently progressing well and have been assisted by favourable seasonal conditions to date, final yields and lint quality may be impacted by weather events and conditions during harvest.

However increased scale together with crop and geographic diversification by merging with Webster should reduce the operating risks currently facing Tandou, relative to Tandou on its own.

3 FREQUENTLY ASKED QUESTIONS

Set out below are summary answers to some questions that Tandou Shareholders may have in relation to the Offer. This information is a summary only and should be read in conjunction with the remainder of this Target's Statement and the Bidder's Statement.

Question	Answer
Webster's Offer	
What is Webster offering for my Tandou Shares?	<p>Webster is offering:</p> <ul style="list-style-type: none"> • 1 Webster Share for every 2.25 Tandou Shares you hold; • 1 Webster Share for every 11.25 Tandou Shares partly paid to \$0.20; and • 1 Webster Share for every 225 Tandou Shares partly paid to \$0.01.
What choices do I have in response to the Offer?	<p>As a Shareholder you have the following three choices:</p> <ul style="list-style-type: none"> • accept the Offer; • sell your Shares on ASX (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance); or • reject the Offer and remain a Shareholder. <p>There are implications for you in relation to each of these choices. An outline of these implications is in section 6 of this Target's Statement.</p>
Will Tandou remain listed on the ASX?	<p>The Bidder's Statement indicates that if there is limited spread of Tandou Shareholders, or limited volume of trading in Tandou Shares, following completion of the Offer, Webster will seek to arrange for Tandou to be removed from the official list of the ASX (see section 8.7 of the Bidder's Statement).</p>
How to respond to the Offer	
What do your Directors recommend?	<p>Your Directors unanimously recommend that you accept Webster's offer in the absence of a Superior Proposal.</p> <p>The reasons for your Directors' recommendation are set out in section 2 of this Target's Statement.</p> <p>If there is a change in this recommendation or any material developments in relation to the Offer, your Directors will keep you fully informed.</p>
What do your Directors intend to do with their own Shares?	<p>Each Director who holds or otherwise has a Relevant Interest in Shares intends to accept the Offer in relation to those Shares in the absence of a Superior Proposal. They only intend to accept the Offer within two Business Days after Webster Shareholders approve, in effect, the Offer.</p>
Is there an Independent Expert's	<p>Yes. Your Directors commissioned Deloitte to prepare an Independent Expert's Report on the Offer for the benefit of Shareholders.</p>

Question	Answer
Report?	<p>Deloitte has concluded that the Offer is fair and reasonable to Tandou Shareholders.</p> <p>The Independent Expert's Report is included as the Appendix to this Target's Statement.</p>
When do I have to make a decision?	<p>If you wish to follow your Directors' recommendation to accept Webster's Offer, you must do so before its scheduled closing date, which is currently 12 June 2015. It is possible that Webster may choose to extend the Offer Period in accordance with the Corporations Act.</p> <p>If you wish to reject the Offer, you do not need to do anything. You should ignore all documents received from Webster.</p>
Will Webster increase its Offer?	<p>Webster has not declared its Offer to be final. Accordingly Webster may increase its Offer if it chooses.</p> <p>Tandou cannot speculate on whether Webster will increase its Offer as this is a matter for Webster.</p>
What happens if Webster increases its Offer?	<p>Your Directors will carefully consider any revised Offer from Webster and advise you accordingly. If you have accepted the Offer, you will be entitled to any increase in the Offer Consideration.</p>
What happens if I accept the Offer and a Superior Proposal is subsequently made by a third party for Tandou Shares?	<p>If you accept the Offer you are only able to withdraw your acceptance in the following limited circumstance: if Webster varies its Offer in a way that postpones for more than one month the time by which Webster must meet its obligations under its Offer. For example by extending the Offer Period for more than one month while the Offer remains Conditional.</p> <p>Accordingly if you accept the Offer, you may be unable to accept any other Superior Proposal that may emerge.</p>
What happens if I do nothing?	<p>You will remain a Tandou Shareholder.</p> <p>If Webster acquires a Relevant Interest in 90% or more of Tandou Shares and the Offer becomes Unconditional, it may compulsorily acquire your Tandou Shares. Please refer to section 9.11 of this Target's Statement regarding compulsory acquisition.</p> <p>If Webster acquires between 50% and 90% of Tandou Shares and Webster's Offer becomes Unconditional, you will be a minority Shareholder in Tandou. Please refer to section 5.4 of this Target's Statement and section 8.7 of the Bidder's Statement for further details regarding Webster becoming a majority Shareholder.</p>
If I accept the Offer now, can I withdraw my acceptance later?	<p>Generally no.</p> <p>You may only withdraw your acceptance if Webster varies its Offer in a way that postpones the period Webster is required to satisfy its obligations by more than one month and the Offer is still subject to one or more Conditions. This will occur if Webster extends the Offer Period by more than one month while the Offer is still subject to any Condition.</p>
Can Webster extend	<p>Yes. Webster has stated that its Offer remains open until 12 June</p>

Question	Answer
the closing date of its Offer?	2015. It is possible that Webster may choose to extend the Offer Period in accordance with the Corporations Act.
Can I be forced to sell my Shares?	<p>You cannot be forced to sell your Shares unless Webster is legally allowed to proceed to compulsory acquisition of Shares. This requires Webster to acquire a Relevant Interest in at least 90% of all Shares (under the Offer or otherwise).</p> <p>If Webster does compulsorily acquire the outstanding Shares you will receive the same consideration for your Shares that you would have received under the Offer but it will take longer for you to receive the Offer Consideration.</p> <p>For more information about compulsory acquisition refer to section 9.11 of this Target's Statement.</p>
Can I accept the Offer for only some of my Shares?	No. The terms of the Offer only allow you to accept the Offer for <i>all</i> of your Shares.
When will I receive my Webster Shares if I accept the Offer?	<p>It is important to understand that even if you accept the Offer, you will not receive any Webster Shares unless all of the Conditions are satisfied or waived.</p> <p>If the Offer becomes Unconditional, you will receive your Offer Consideration by the earlier of:</p> <ul style="list-style-type: none"> • one month after the date of your acceptance of the Offer or, if the Offer is subject to a Condition when you accept the Offer, within one month after the contract arising from your acceptance of the Offer becomes Unconditional; and • 21 days after the end of the Offer Period.
Are there any taxation implications of accepting the Offer?	<p>A general outline of the taxation implications for certain Australian resident Tandou Shareholders of accepting the Offer is in section 10 of this Target's Statement. As that outline is general in nature and does not take into account your individual circumstances, you should not rely on that outline as advice for your particular circumstances.</p> <p>You should seek your own independent taxation advice as to the taxation implications applicable to your specific circumstances.</p>

Conditions and their implications

What are the Conditions of the Offer?	<p>The Offer is Conditional. In summary, the key Conditions to the Offer are:</p> <ul style="list-style-type: none"> • Webster acquires a Relevant Interest in not less than 50.1% of Shares at the expiry of the Offer Period; • Webster Shareholders pass all resolutions necessary to permit Webster to complete the acquisition of all Shares under the Offer; • FIRB Approval is given;
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Question	Answer
	<ul style="list-style-type: none"> • no material acquisition or disposal by Tandou; • no change of control right in a material contract is exercised by a counterparty; • no Tandou MAC; • no regulatory intervention; and • no Tandou Prescribed Occurrences. <p>The Conditions are set out in full in section 15.8 of the Bidder's Statement.</p> <p>To receive the Offer Consideration, all of the Conditions must be satisfied or waived by Webster before the closing date of the Offer. Please refer to section 9.5 of this Target's Statement for details of the material Conditions.</p>
<p>Are there any risks of accepting the Offer while it is still Conditional?</p>	<p>Yes. If you accept the Offer while the Offer is subject to Conditions, there are significant consequences for you including that:</p> <ul style="list-style-type: none"> • you will give up your rights to sell your Shares on ASX or to otherwise deal with them (for example, by accepting a Superior Proposal from another bidder if one is made), subject to your right to withdraw your acceptance of the Offer in certain limited circumstances; and • you will relinquish control of your Shares and the Rights attaching to them to Webster with no guarantee of payment until the Offer becomes Unconditional, subject to your right to withdraw your acceptance of the Offer in certain limited circumstances. <p>Essentially if you accept the Offer while it remains Conditional you will not be able to deal with your Shares until the Conditions are satisfied or waived (in which case you will receive the Offer Consideration in accordance with the payment terms and set out above) or the Offer lapses in which case you will be able to deal with your Shares as you see fit.</p>
<p>What happens if I accept the Offer and the Conditions are not satisfied or waived?</p>	<p>If the Conditions are not satisfied and Webster has not waived the Conditions either 7 days before the end of the Offer Period or within 3 Business Days after it in respect of a Tandou Prescribed Occurrence, the Offer will lapse and your acceptance of the Offer will be void and of no effect. This in turn means that:</p> <ul style="list-style-type: none"> • you will not receive any Offer Consideration from Webster; and

Question	Answer
	<ul style="list-style-type: none"> • you will continue to own your Tandou Shares and you will then be free to deal with them.
How will I know when the Offer is Unconditional?	<p>Webster is required to inform Tandou and ASX as soon as any Conditions are satisfied or waived.</p> <p>Notices from Webster will be available on the ASX website at www.asx.com.au (ASX code: WBA). These notices will also be available on Webster's website (www.websterltd.com.au).</p> <p>Webster has set 5 June 2015 as the date on which it will give Tandou and ASX a notice required by law on the status of the Conditions. This date may be extended if the Offer Period is extended.</p>
General	
I am an overseas Shareholder. How does Webster's Offer affect me?	<p>If you are an Ineligible Foreign Shareholder and accept the Offer, you will not be entitled to receive Webster Shares. Instead the Webster Shares to which you would otherwise be entitled will be sold by a nominee approved by ASIC and the net proceeds of sale paid to you.</p>
What if I have further questions?	<p>You should contact your independent legal, financial or taxation adviser.</p>

4 HOW TO ACCEPT THE OFFER

To accept the Offer, you should follow the instructions set out below and in the Bidder's Statement.

If you accept the Offer, you will receive:

- (a) 1 Webster Share for every 2.25 Tandou Share;
- (b) 1 Webster Share for every 11.25 Tandou Shares partly paid to \$0.20; and
- (c) 1 Webster Share for every 225 Tandou Shares partly paid to \$0.01.

The consequences of accepting the Offer are discussed in section 9.9 of this Target's Statement. In particular, if you accept the Offer you will not be able to sell your Shares on market unless, at the time you decide that you no longer wish to accept the Offer, you have the right to withdraw your acceptance and you exercise that right. The very limited circumstances in which acceptances of the Offer may be withdrawn are outlined in section 9.9 of this Target's Statement.

There are several ways to accept the Offer depending on the nature and type of your holding.

Issuer Sponsored Holdings

If you hold your Shares in an Issuer Sponsored Holding (in which case your Securityholder Reference Number will commence with I), to accept the Offer you must complete and sign the Acceptance Form in accordance with the instructions on it and return it to the address given on the Acceptance Form before the end of the Offer Period.

CHESS Holdings

If you hold your Shares in a CHESS Holding (in which case your Holder Identification Number will commence with X), to accept the Offer you must do one of the following:

- instruct your *Controlling Participant* (usually your stockbroker) to initiate acceptance of the Offer on your behalf, so as to be effective before the end of the Offer Period. However if you are the *Controlling Participant* in respect of your Tandou Shares, to accept the Offer you must initiate acceptance of the Offer before the end of the Offer Period; or
- complete and sign the Acceptance Form in accordance with the instructions on it and return it to the address given on the Acceptance Form in sufficient time for your Controlling Participant to act on your instruction before the end of the Offer Period.

Note that there may be tax consequences for you if you accept the Offer. Please refer to section 10 of this Target's Statement and section 12 of the Bidder's Statement for a general outline of the Australian tax implications of accepting the Offer.

5 OFFER CONSIDERATIONS AND RISKS

5.1 Introduction

Before deciding whether to accept the Offer you should read this entire Target's Statement carefully, including this section on risks of the Offer, and section 11 of the Bidder's Statement which outlines certain risks that Shareholders may face when investing in the Enlarged Webster Group.

The future performance of Webster and Tandou may be influenced by factors associated with investing in both the water rights and cotton industries, and listed securities generally, which are beyond the control of Webster and Tandou.

5.2 Possible reasons to reject the Offer or delay acceptance

(a) You may disagree with the unanimous recommendation of your Directors

Despite the recommendation of your Directors and the opinion of the Independent Expert, you may take a different view and you may believe that the Offer is not in your best interests.

(b) You may consider that there is potential for a Superior Proposal from another party to emerge

Although a Superior Proposal for Tandou may emerge from another party, as at the date of this Target's Statement no Superior Proposal has been received by Tandou.

(c) You may wish to maintain your current investment profile

You may wish to maintain an investment in Tandou as a stand alone entity in order to have an investment in a publicly listed company with the specific characteristics of Tandou such as industry, operational profile, size and geographic exposure.

(d) The tax consequences of the Offer may not be suitable to your financial position

As set out in section 12 of the Bidder's Statement and section 10 of this Target's Statement, acceptance of the Offer is likely to have tax implications. You should carefully read and consider the tax consequences of accepting the Offer. You should not rely on the disclosure of the tax considerations in the Bidder's Statement and Target's Statement as advice on your personal affairs. You should consult with your own independent tax adviser regarding the tax implications of accepting the Offer given your own particular circumstances.

(e) The Offer may be subject to Conditions that you consider unlikely to be satisfied or waived

The Offer is subject to a number of Conditions which are summarised in section 9.5 of this Target's Statement. A number of those Conditions are outside of the control of Tandou and/or Webster and there is no certainty if and when all of the Conditions will be satisfied.

A Condition is that Webster Shareholder approval in connection with the Offer is obtained at an extraordinary general meeting of Webster scheduled on or about 25 May 2015. This Condition cannot be waived. This means that the Offer will not become Unconditional before that meeting is held. You may consider that there is little prospect that Webster Shareholder approval will be obtained and that the offer will proceed, or that there is no point in accepting the Offer until after that Webster Shareholder approval has been obtained.

Another Condition requires Webster to acquire a Relevant Interest in not less than 50.1% of Tandou Shares. You may not consider this to be likely.

(f) You may wish to sell your Tandou Shares on market

You may decide, after taking into account the matters referred to in this Target's Statement and your own personal circumstances, that it is better to sell some or all of your Tandou Shares on the ASX for cash and potentially for a higher price than the implied Offer Consideration.

5.3 Risks of accepting the Offer

By accepting the Offer, Shareholders will receive Webster Shares and therefore be exposed to the risks associated with Webster. Section 11 of the Bidder's Statement outlines risks associated with an investment in Webster. Your Directors recommend that you carefully review that section of the Bidder's Statement.

In addition your Directors believe you should consider the risks below before deciding whether to accept the Offer.

(a) Issue of Webster Shares as consideration

Shareholders are being offered consideration under the Offer that consists of a specified number of Webster Shares. As a result, the market price of the consideration may fluctuate depending on the market price of Webster Shares. There is an ongoing risk, which exists with all securities, that the price of Webster Shares (and therefore the implied value of the Offer Consideration received by accepting Shareholders) may fall in the future. Refer to section 5.7 of this Target's Statement regarding Webster share price movements.

(b) Potential unavailability of scrip for scrip rollover relief

Shareholders who accept the Offer and receive Webster Shares may, in some circumstances, have a CGT liability and not be able to claim scrip for scrip rollover relief (particularly where Webster does not acquire 80% of the Tandou Shares under the Offer). The Australian taxation implications of accepting the Offer are discussed in greater detail in section 10 of this Target's Statement and section 12 of the Bidder's Statement.

(c) Tandou has not independently verified Webster information

Tandou has relied on publicly available information released by Webster and some non public information provided by Webster which has not been independently verified by Tandou and has assumed that Webster has complied with its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act. Any inaccuracy in that information could adversely affect the results of operations of the Enlarged Webster Group.

5.4 Risks of rejecting the Offer

If Webster acquires a Relevant Interest in more than 50% but less than 90% of the Tandou Shares then, assuming all Conditions of Webster's Offer are satisfied or waived, Webster will acquire a majority shareholding in Tandou.

In those circumstances Tandou Shareholders who do not accept Webster's Offer will become minority shareholders of Tandou. This has a number of possible implications, including:

- Webster will be in a position to cast the majority of votes at a general meeting of Tandou. This will enable it to control the composition of Tandou's Board of Directors and senior management and control the strategic direction of the businesses of Tandou and its subsidiaries;
- the Tandou Share price may fall immediately following the end of the Offer Period to levels at or below which it was trading prior to the Announcement Date;
- the liquidity of Tandou Shares may be lower than at present;
- the Bidder's Statement indicates that if there is limited spread of Tandou Shareholders, or limited volume of trading in Tandou Shares, following completion of the Offer, Webster will seek to arrange for Tandou to be removed from the official list of the ASX (see section 8.7 of the Bidder's Statement);
- Webster and Tandou will not be able to form an income tax consolidated group and obtain the associated benefit of that consolidation; and
- if Webster does not own at least 80% of the voting shares in Tandou at the conclusion of the Offer, Tandou Shareholders will not be able to benefit from scrip for scrip rollover relief from Capital Gains Tax.

In addition if Webster acquires 75% or more of the Tandou Shares it will be able to pass a special resolution at a meeting of Tandou Shareholders. This would enable Webster, among other things, to pass resolutions to make amendments to Tandou's constitution.

If the Conditions *are* satisfied or waived by the end of the Offer Period but Webster acquires less than 50% control of Tandou, Tandou will remain an independent ASX listed company. In these circumstances the Tandou Share price may fall immediately following the end of the Offer Period to levels at or below which it was trading prior to the Announcement Date. However if you remain a Tandou Shareholder, you will continue to enjoy the rewards, and be subject to the risks, of being a Tandou Shareholder.

If the Conditions are *not* satisfied or waived by the end of the Offer Period, the Offer will lapse and Tandou will remain an independent ASX listed company.

5.5 Key risks relating to Tandou

Set out below are the key risks relating to Tandou. This list is not intended to be exhaustive.

(a) Agricultural commodity price fluctuations

A significant proportion of Tandou's revenue is derived from the sale of agricultural commodities, whose prices are subject to market fluctuations. Negative agricultural commodity price movements may result from reduced demand for particular crops, an increase in supply relative to demand of particular crops, or adverse exchange rate movements. Tandou manages some of its exposure to adverse fluctuations in agricultural commodity prices by entering into forward selling contracts. However the impact of price movements may still be negative depending on their direction, timing and magnitude.

(b) Drought, flood, hail, bushfires and other extreme weather conditions

The production of agricultural commodities is affected by drought, flood, hail, bushfires and other extreme weather conditions that may adversely affect production levels and the future financial performance of Tandou. Variability in weather conditions and natural disasters may impact key drivers of Tandou's earnings including crop size and quality, supply and demand characteristics in agricultural markets, market prices for agricultural commodities and farming behaviour and economic activity. Tandou manages some of its exposure to adverse weather conditions and natural disasters by entering into crop insurance and through the continuing development of its farming practices.

(c) Pests and disease

Under certain unforeseen circumstances, insect pests, diseases, vermin or noxious weeds may affect crop production and returns. The impact of pests and diseases may result in failure of crops and even export bans with, in the extreme, Australia losing its reputation for producing quality food and fibre products. Exposure to disease is mitigated by the isolation and distance of Australia from other countries, which reduces cross border infections, and by Australia's strict quarantine regime and through Tandou's continuing development of its farming practices.

(d) Change in water regulations

In recent years there have been changes to the conditions governing water entitlements and water allocations. There is a risk that there may be further changes to the conditions of water entitlements, the quantum of water allocations or the ability to trade in water entitlements or water allocations, the consequence of which may be that the benefits attached to those entitlements and allocations are reduced.

(e) Availability, cost and timing of acquisition of additional water entitlements

Conditions regarding the availability, cost and timing of acquisition of additional water entitlements by Tandou may adversely affect the implementation of Tandou's general acquisition strategy.

(f) Availability, cost and timing of water allocations

The size of water allocations is dependent on water availability which is influenced by factors including the timing, location and magnitude of rainfall and the extent to which allocations have been utilised in the previous financial year. Tandou is dependent on water allocations being made by the relevant authorities in order to utilise the Company's water assets for either cropping or trading purposes. A prolonged period of lower than average rainfall, resulting in low or zero water allocations, may significantly impair the Company's ability to plant crops or trade water for financial gain and have a negative impact on financial performance.

Water allocations are reset to zero each July and then made fortnightly, with allocations either remaining static or increasing. Tandou is dependent on water availability to plant a cotton crop. A delay by water authorities in making water allocations may adversely impact Tandou's ability to plant a cotton crop and have a negative impact on financial performance.

Current regulations allow a proportion of water allocations that remain unused at 30 June each year to be carried over to the following water year. In the event of significant rainfall, should water storage facilities reach capacity and water need to be released, these carried over rights will typically lapse. In the event Tandou has water allocations which lapse, Tandou would lose the ability to generate an economic return from those water allocations.

Tandou's cropping operations require water allocations significantly greater than those Tandou owns, requiring the Company to source additional water allocations on the water market in order to grow both cotton and cereal crops. If there is a significant reduction in the level of water allocations, or restrictions on the transfer of water allocations to the Lower Darling River System, restrictions on Tandou's water supply to Tandou Farm would have a significant adverse effect on the Company's cropping operations and have a negative impact on financial performance of the cropping business.

(g) Water sustainability

Changes in the global environment may affect climate conditions and water sustainability. Irrigated crop production such as that carried on by Tandou requires constant and reliable access to water. Tandou has diversified its farming locations and is maximising farm storages to reduce the risk of a lack of water availability. There is a risk that Tandou may be unable to benefit from rainfall and reliable water sources, which would have an adverse impact on the future financial performance of Tandou's cropping operations.

(h) Asset liquidity

Tandou may invest in assets, including water entitlements, in which there are only a limited number of potential investors, and which trade on markets which are relatively immature and illiquid. As a consequence, the realisable value of an asset may be less than its apparent value or it may take a long period before the investment is able to be realised at market value.

(i) Reliance on key personnel and ability to attract personnel

The success of Tandou depends on Tandou's ability to retain the members of the Board and senior management, as well as to attract talented personnel. The loss of key employees as a result of the Offer could cause material disruption to the businesses and operations of Tandou and have a material adverse effect on future financial performance.

(j) Interest rates

Given that Tandou partly funds its operations with debt, it has an exposure to changes in interest rates. An increase in interest rates may have an adverse effect on future financial performance.

(k) Exchange rates

Tandou's returns from cotton sales are influenced by the Australian dollar – US dollar exchange rate. Fluctuations in the Australian dollar – US dollar exchange rate may have an adverse effect on future financial performance. To mitigate the fluctuation and uncertainty relating to the Australian dollar – US dollar exchange rate, Tandou enters into forward sales contracts predominantly in Australian dollars.

(l) Environmental risks

Tandou, as with other cotton producers, produces air, noise, odour and waste emissions in the course of production. Tandou may be required to take action and incur significant expenses due to current and future environmental regulations in relation to its past, current and future conduct.

(m) Insurance

The availability of insurance at an appropriate price and on appropriate terms is important to Tandou's operations but is not always guaranteed. It is possible that the occurrence of an event may not be fully covered, or covered at all, by insurance.

(n) Access to cash from operations and external financing to operate and expand Tandou's business

Tandou's continued ability to operate its business and effectively implement its strategies over time will depend in part on the Company's ability to repay or refinance debts as they fall due. Equity or debt financing may not be available to Tandou on favourable terms or at all. If adequate funds are not available from operations or external sources in the future, Tandou may not be able to take advantage of opportunities, develop new ideas or respond to competitive pressures.

(o) Refinancing requirements

Tandou is exposed to the risks relating to the availability and terms of refinancing existing debt facilities. To the extent that some or all of these debt facilities are refinanced, they may be on terms less favourable to Tandou than is currently the case.

(p) Counterparty risks

The financial performance of Tandou is subject to the company and its counterparties continuing to perform their respective obligations under various contracts. If Tandou or one of its counterparties fails to adequately perform its contractual obligations, this may result in a loss of earnings, termination of the particular contract, disputes or litigation.

(q) Litigation

The Company is not currently involved in any material litigation matters. Any future material litigation matters and the resultant impact of legal proceedings may have a negative financial effect on Tandou.

(r) Exposure to supply cost market prices

Tandou enters into forward sale contracts which fix the price of soft commodities produced by the Company's cropping operations, but buys supplies and services such as fertiliser, electricity and fuel at market prices. An increase in prices of some or all of these supply costs to Tandou following entry into forward sale contracts may result in a loss of earnings for Tandou.

(s) Forward sales requirement to physically deliver soft commodities

Tandou policy is to enter into a number of forward sale contracts in order to mitigate its exposure to commodity price fluctuations. These forward sale contracts oblige Tandou to deliver the underlying physical commodity. Should the Company's crop fail, Tandou may be obliged to procure alternative supplies of the commodity to satisfy forward sale contract obligations. These purchases may be at prices above the price the Company has secured under the forward sale contract, which could have a material adverse effect on Tandou's financial performance.

(t) General economic conditions

Adverse changes in economic conditions such as levels of consumer spending, inflation, interest rates, exchange rates, government fiscal, monetary and regulatory policies, international

economic conditions and employment rates, access to debt and capital markets, acts of terrorism, hostilities, war or natural disasters (among others) are outside Tandou's control and have the potential to have an adverse effect on Tandou, its operations or financial condition.

(u) Stock market fluctuations

There are risks associated with an investment in a company listed on the ASX. The value of Tandou Shares may rise above or fall below the current price depending on the financial and operating performance of Tandou and external factors over which Tandou and the Directors have no control. These external factors include economic conditions in Australia and overseas, changing investor sentiment in the local and international stock markets, changes in domestic or international fiscal, monetary, regulatory or other government policies and developments and general conditions in the markets in which Tandou operates or proposes to operate and which may impact on the future value and pricing of its Shares.

(v) Liquidity

There is a limited market for trading in Tandou Shares. There can be no guarantee that a liquid market in Tandou Shares will develop or that the price of the Shares will increase. There may be relatively few or many potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares.

5.6 The Offer is subject to Conditions that cannot be satisfied before Webster Shareholder approval is obtained at a meeting expected to be held on or about 25 May 2015

The Offer is subject to a number of Conditions which, as at the date of this Target's Statement, have not been satisfied or waived. All of the Conditions must be satisfied or waived by Webster before accepting Tandou Shareholders can receive the Offer Consideration.

These include a Condition that Webster Shareholder approval is obtained, in effect, for the Offer on or about 25 May 2015. This Condition cannot be waived. This means that the Offer will not become Unconditional before that meeting.

Tandou Shareholders who accept the Offer while Conditions have not been satisfied or waived will, subject to limited withdrawal rights, give up their right to deal with their Shares.

Given this, Tandou Shareholders should carefully consider whether to accept the Offer before the Condition relating to Webster Shareholder approval is satisfied, but should have regard to the closing date of the Offer, which is 12 June 2015 (unless extended).

5.7 The value of the Offer Consideration may fluctuate before Webster Shares are Issued under the Offer

The Offer Consideration consists of a specified number of Webster Shares. As a result, the value of the Offer Consideration will fluctuate with any movements in the market price of Webster Shares.

Tandou Shareholders who accept the Offer will not be issued Webster Shares until some time after all of the Conditions are satisfied or waived. This means that there is a risk that the value of the Offer Consideration may fall between the time you accept the Offer and when the Webster Shares are issued under the Offer.

The price of Webster Shares was \$1.30 at the close of trading on the ASX on the day before the Announcement Date and was \$1.64 at the close of trading on the ASX on 15 April 2015, being the last trading day prior to the date of this Target's Statement.

If the market price of Webster Shares falls significantly before, during or after the Offer Period, the implied value of the Webster Shares issued under the Offer may fall outside the valuation range of the Independent Expert for the Offer Consideration of \$0.64 to \$0.73 per Tandou Share.

Set out below is a representation of the implied value of the Offer based on movements in the price of Webster Shares on ASX.

Webster Share Price	\$1.00	\$1.10	\$1.20	\$1.30	\$1.40	\$1.50
Implied Offer Consideration	\$0.444	\$0.489	\$0.533	\$0.578	\$0.622	\$0.667

Given this risk, Tandou Shareholders should carefully consider the current market price of Webster Shares, as well as the potential for that price to fall or rise before the Webster Shares are issued under the Offer, before deciding whether and when to accept the Offer. Tandou Shareholders should also read and consider the important information regarding Webster Shares, including the risks associated with owning Webster Shares, as set out in section 11 of the Bidder's Statement.

5.8 Ineligible Foreign Shareholders

Tandou Shareholders with registered addresses outside Australia and its external territories or New Zealand (**Ineligible Foreign Shareholders**) who accept the Offer will generally have the Webster Shares they would otherwise be entitled to receive under the Offer issued to an ASIC approved nominee to be sold. They will then receive the net cash proceeds of that sale.

Webster may determine that a Shareholder is not an Ineligible Foreign Shareholder where Webster is satisfied that it is lawful and not onerous to make the Offer to that Shareholder and to issue them with Webster Shares and that it is lawful for that Shareholder to accept the Offer. Webster has agreed that Peter Joy, Belfort Investment Advisers Limited, Eagle Securities Limited, James Beeland Rogers and Paige Anderson Parker will not be treated as Ineligible Foreign Shareholders and will be entitled to receive the Offer Consideration under the Offer.

6 YOUR CHOICE AS A TANDOU SHAREHOLDER

You have the following three choices available to you.

6.1 Accept the Offer

You may elect to accept the Offer in respect of all of your Shares and Partly Paid Shares.

Note that there may be tax consequences for you, if you accept the Offer. Please refer to section 10 of this Target's Statement and section 12 of the Bidder's Statement for a general outline of the Australian tax implications of accepting the Offer.

6.2 Sell your Tandou Shares on ASX

The Offer does not prevent you from selling your Tandou Shares on ASX for cash as long as you have not already accepted the Offer.

The latest price for Tandou Shares may be obtained from the ASX website at www.asx.com.au (ASX code: TAN). As at:

- 26 February 2015, being the day before the Announcement Date, the Tandou Share price closed at \$0.475; and
- 15 April 2015, being the last trading day prior to the date of this Target's Statement, the Tandou Share price closed at \$0.685.

If you wish to sell your Tandou Shares on ASX you should contact your broker for information on how to effect that sale.

Note that there may be tax consequences for you, if you sell your Tandou Shares on ASX.

6.3 Do nothing in respect of the Offer

If you do not wish to accept the Offer, or sell your Tandou Shares on ASX, you should do nothing.

If you decide to do nothing, you should be aware of:

- the intentions of Webster if it attains a shareholding in Tandou of between 50% and 90% (refer to section 8.7 of the Bidder's Statement);
- the rights of Webster to compulsorily acquire your Tandou Shares, in certain circumstances (refer to section 9.11 of this Target's Statement).
- the risks associated with holding Tandou Shares (refer to section 5.5 of this Target's Statement).

If you hold Partly Paid Shares and do not accept the Offer, you should be aware that Tandou has the right under its constitution to make a call on its Partly Paid Shares and failure to meet that call could lead to a forfeiture of those Partly Paid Shares.

7 TANDOU

7.1 Overview

Tandou is a major Australian water investment and agribusiness company focused on large scale irrigated production of cotton and cereal crops. Tandou's major agricultural crop is cotton. Tandou operates its own gin at Tandou Farm.

Tandou listed on the ASX in 1987 (ASX code: TAN). For the financial year ended 30 June 2014, Tandou generated revenue of \$69 million and EBITDA of \$5 million.

The Company owns a total land area of approximately 141,000 hectares, comprising 18,500 hectares of irrigated row crop land and approximately 122,500 hectares of pastoral land. Cropping operations are conducted at Tandou Farm, located near Menindee in NSW, and around Hay in NSW. Tandou also leases approximately 1,400 hectares of land known as Pevensey Irrigation near Hay, of which 1,200 hectares is developed for row crop irrigation.

Tandou holds approximately 84,000 megalitres of water entitlements which is one of the largest, most diverse, actively managed water portfolios in the southern connected Murray-Darling Basin.

Tandou also has pastoral operations involving the breeding of organic lambs.

7.2 Business and assets

(a) Water entitlement portfolio

Tandou invests in water entitlements for long term capital growth while also retaining the option of using its entitlements to sell water allocations (when demand and prices for water are high) or facilitating crop production (when demand and prices for water are low). Tandou's current water portfolio is summarised in the table below.

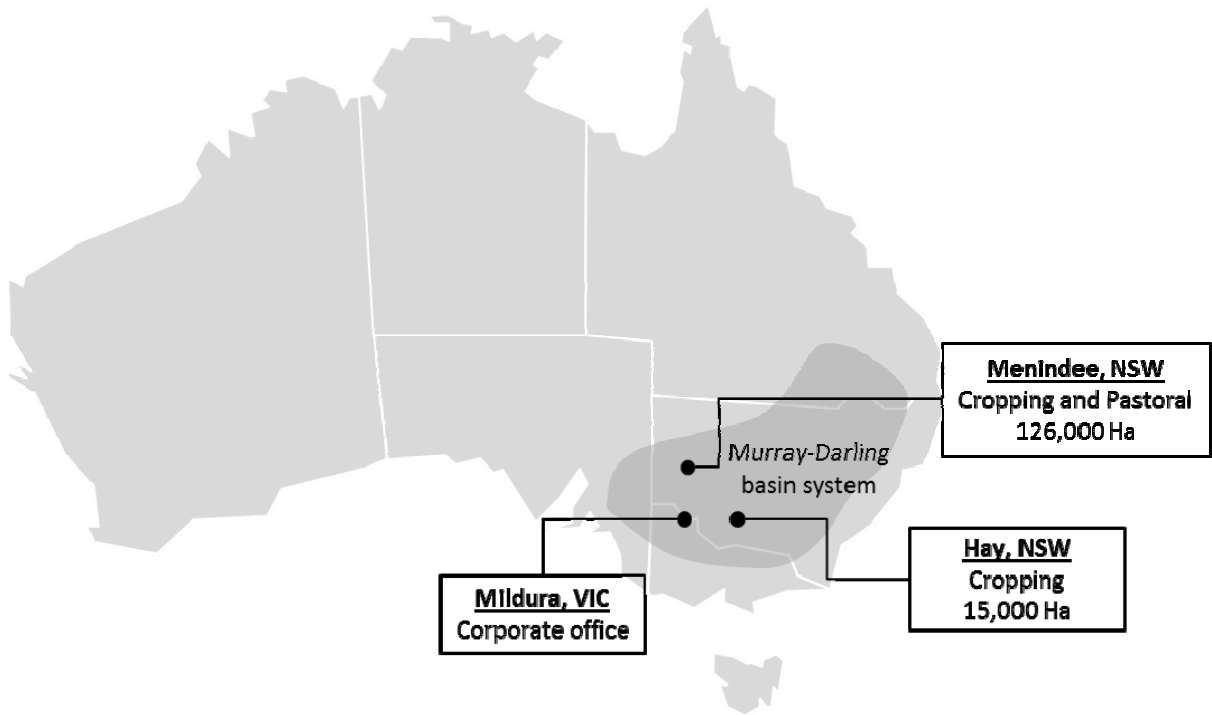
Water assets	Megalitres (ML)
High security	17,465
General security	57,398
Supplementary/groundwater	9,150
Total	84,013

As at 31 December 2014 the value of Tandou's water assets was \$88 million or equivalent to \$0.45 per Tandou Share.

(b) Cropping and pastoral businesses

Tandou's cropping operations comprise the production of upland and pima cotton, durum wheat and malting barley for sale in Australian and international markets. Tandou's pastoral operation is one of the largest organic lamb producers in Australia with approximately 8,000 breeding ewes.

The map below highlights the locations of Tandou's operations.



7.3 Outlook and future strategy on stand alone basis

Tandou's strategy is focused on the following key areas:

- investing in and managing water and land assets in the connected Murray-Darling Basin;
- growing its investment in water entitlements in the region using its scale and intellectual property as a competitive advantage; and
- applying rotational crops to optimise returns from its land assets.

7.4 Tandou historical financial information

On 27 February 2015, Tandou announced its results for the six months ended on 31 December 2014 and released its half year financial report and accounts for the same period. These results are available on Tandou's website at www.tandou.com.au and on the ASX website at www.asx.com.au (ASX code: TAN).

A summary of Tandou's financial performance for FY12, FY13, FY14 and the six months ended 31 December 2014 is set out in section 3.7 of the Independent Expert's Report.

8 WEBSTER

8.1 Overview

Webster is Australia's largest vertically integrated producer of walnuts representing approximately 90% of walnut production in Australia. In 2014, Webster's walnut production was approximately 7,000 tonnes, derived from 2,200 hectares of owned / managed walnut orchards in the NSW Riverina and Tasmania.

Webster listed on the ASX in 1974 (ASX code: WBA). For the financial year ended 30 June 2014, Webster generated revenue of \$55 million and EBITDA of \$15 million.

In November 2014 Webster announced the sale of its onion operations business, *Field Fresh Tasmania*, to Dandaragan Farms Pty Ltd and North East Equity Pty Ltd for \$10.5 million plus the value of inventory. The transaction is expected to complete on 30 June 2015.

In December 2014, Webster acquired the *Kooba* aggregation from AgReserves Australia Limited for approximately \$123 million. Kooba comprises a substantial portfolio of water entitlements (94,000 megalitres) as well as 11,800 hectares of irrigated land, 25,800 hectares of pastoral land and 9,100 hectares of dry land and support farms. This acquisition allowed Webster to expand its Walnut operations and provide an opportunity to undertake the annual cropping of cotton. The *Kooba* properties are located in a prime cropping zone on the Murrumbidgee River at Darlington Point in NSW.

8.2 Current land and water assets

Following the acquisition of *Kooba*, Webster's current land and water asset portfolio is summarised in the table below.

Key assets / operations	Webster
Land assets (hectares)	
Irrigated	11,836
Orchard	2,692
Grazing	33,122
Other	3,446
Total	51,096
Water assets (ML)	
High security	3,868
General security	47,843
Supplementary / groundwater	25,408
Unregulated / other	21,432
Total	98,551

8.3 Webster historical financial information

On 27 February 2015 Webster announced its results for the six months ended on 31 December 2014 and released its half year financial report and accounts for the same period. These results are available on Webster's website at www.websterltd.com.au and on the ASX website at www.asx.com.au (ASX code: WBA).

A summary of Webster's financial performance for FY12, FY13, FY14 and the six months ended 31 December 2014 is set out in section 4.7 of the Independent Expert's Report.

8.4 About Bengering

Bengering, formerly named PrimeAg Australia Limited, was previously an ASX listed Australian agribusiness which owned and operated agricultural land and water assets in northern NSW and eastern QLD. Its main crops included cotton, wheat, sorghum and chickpeas.

It divested most of its assets in 2012 and was subsequently privatised in 2013. Bengering currently owns the following properties:

- *Bengering* aggregation in Garah, NSW;
- *Lakeland Downs* in Condamine, QLD; and
- *Kurrajong Hills* in NSW (property is proposed to be sold in January 2017 to the current lessee for \$4.6 million).

In addition to the above, Bengering intends to purchase the following properties:

- *Fort Bourke, Darling Farms* and parts of *Allambie* in Bourke, NSW. Bengering has entered into a contract to purchase the leasehold interest in these properties and associated water entitlements for \$32.7 million. Completion is expected in May 2015, prior to Webster's completion of the acquisition of Bengering; and
- *Medgun* at Garah, NSW. Bengering has leased this property until August 2015 and has an option to purchase it (inclusive of water rights) for \$8.0 million until 28 June 2015. It is proposed that this purchase will be settled following Webster's acquisition of Bengering.

Further details in relation to Bengering are set out at section 4 of the Bidder's Statement.

8.5 Webster Group

(a) Webster plus Tandou

Key assets / operations	Webster	Tandou	Combined
Land assets (hectares)			
Irrigated	11,836	19,928	31,764
Orchard	2,692	-	2,692
Grazing	33,122	121,195	154,317

Other	3,446	1,600	5,046
Total	51,096	142,723	193,819

Water assets (ML)

High security	3,868	17,465	21,333
General security	47,843	57,398	105,241
Supplementary / groundwater	25,408	9,150	34,558
Unregulated / other	21,432	-	21,432
Total	98,551	84,013	182,564

Note: Tandou also leases approximately 1,400 hectares of land at Pevensey near Hay, which is included in the above. There are minor differences in the classification of certain Tandou land between the Bidder's Statement and the table above. The table above reflects Tandou's classification of land. Small rounding differences may also exist.

(b) Webster plus Tandou and Bengarang

The combination of Webster, Tandou and Bengarang would result in one the largest cotton and irrigated cropping companies in Australia. The table below highlights the total land and water assets of the enlarged business.

Key assets / operations	Webster & Tandou	Bengarang	Combined
Land assets (hectares)			
Irrigated	31,764	9,559	41,323
Orchard	2,692	0	2,692
Dryland		2,388	2,388
Grazing	154,317	11,892	166,209
Other	5,046	1,793	6,839
Total	193,819	25,632	219,451
Water assets (ML)			
High security	21,333	0	21,333
General security	105,241	17,630	122,871
Supplementary / groundwater	34,558	7,917	42,475
Unregulated / other	21,432	32,622	54,054
Total	182,564	58,169	240,733

9 IMPORTANT ASPECTS OF THE OFFER

9.1 Payment terms

Webster has set out in section 15.7 of the Bidder's Statement the timing for the provision of the Offer Consideration to Shareholders who accept the Offer. In general terms, provided you have validly accepted the Offer, and subject to the Conditions being fulfilled or waived by Webster, you will receive the Offer Consideration to which you are entitled on acceptance of the Offer on or before the earlier of:

- one month after the Offer is accepted or, if the Offer is subject to the Conditions at the time the Offer has been validly accepted by you, one month after the Offer becomes Unconditional; and
- 21 days after the end of the Offer Period.

9.2 Prospects of a Superior Proposal

The Directors' unanimous recommendation of the Offer is qualified as being subject to no Superior Proposal emerging. Under the terms of the Merger Implementation Agreement (see section 9.12 below), Tandou is prohibited from actively soliciting Competing Proposals (but is permitted to respond to unsolicited Competing Proposals where the failure to do so would be a breach of Directors' fiduciary duties).

As at the date of this Target's Statement, no Superior Proposal has been submitted to Tandou or is currently under consideration by the Directors. If a Competing Proposal arises, in accordance with the Merger Implementation Agreement, Tandou must, subject to the Directors' fiduciary obligations, notify Webster of that proposal. The Directors will also keep Tandou Shareholders informed about any Superior Proposals.

9.3 Offer Period and valid acceptance of the Offer

The Offer is open for acceptance from 22 April 2015 to 7.00pm (Sydney time) on 12 June 2015, unless it is withdrawn or the Offer Period is extended in accordance with the Corporations Act. If you decide to accept the Offer, then your acceptance must be received by Webster before the end of the Offer Period.

Instructions on how to accept the Offer are set out in section 4 of this Target's Statement and section 15.5 of the Bidder's Statement and on the Acceptance Form. If you wish to accept the Offer, please follow the instructions carefully to ensure that your acceptance is valid.

Shareholders who accept the Offer give up certain rights to sell or otherwise deal with their Shares, even before the Conditions to the Offer have been satisfied or waived. In particular Shareholders who accept the Offer may lose the opportunity to benefit from any Superior Proposal made by another bidder. The Directors are not currently aware of any Superior Proposal for your Shares.

9.4 Dividends or other Rights in relation to Tandou Shares

Under the terms of the Merger Implementation Agreement, Tandou has agreed not to pay any dividend or other distribution prior to the end of the Offer Period.

Further information about the treatment of Rights under the Offer is set out in sections 15.1 and 15.7 of the Bidder's Statement.

9.5 Offer Conditions

The Offer is subject to a number of Conditions which are set out in full in section 15.8 of the Bidder's Statement.

A summary of the material Conditions of the Offer is set out below.

(a) 50.1% minimum acceptance

At the end of the Offer Period, the Bidder and its Associates together have a Relevant Interest in not less than 50.1% of the Shares on issue.

(b) Webster Shareholder approval

Webster Shareholders in general meeting pass all resolutions under the ASX Listing Rules necessary to permit Webster to complete the acquisition of all Shares under the Offer.

(c) No Tandou Material Adverse Change

From the Announcement Date to the end of the Offer Period, no MAC occurs in respect of Tandou.

(d) FIRB Approval

FIRB Approval is obtained.

(e) No material acquisitions or disposals

Except for any proposed transaction publicly announced by Tandou before the Announcement Date or otherwise agreed under the Merger Implementation Agreement or otherwise agreed in writing with Webster, none of the following events occurs from the Announcement Date until the end of the Offer Period:

- (i) Tandou acquires, offers to acquire or agrees to acquire one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount in aggregate greater than \$1,000,000 or makes an announcement in relation to such an acquisition, offer or agreement outside the ordinary course of business; or
- (ii) Tandou or any controlled entity completes, enters into, offers to enter into or agrees to enter into any agreement, joint venture, partnership or commitment which:
 - (A) would require expenditure, or the foregoing of revenue by Tandou and/or its controlled entities of an amount which is, in aggregate, more than \$1,000,000, other than in the ordinary course of business or makes an announcement in relation to such an entry, offer or agreement; or
 - (B) results in the book value of all water rights held by Tandou falling below \$57.3 million.

(f) No change of control

No person having, as a result of a change of control of Tandou, any right in respect of a material contract relating to Tandou to terminate or alter any contractual relations with Tandou or require the sale of any securities in Tandou, exercises or notifies Tandou that it intends to exercise that right from the Announcement Date until the end of the Offer Period.

Under Tandou's financing facilities a change of control is a *review event* and a delisting is an *event of default*. Either of these events would entitle the financier to require immediate repayment of the facilities and consequently, unless waived by Webster, would result in a breach of this Condition. As at the date of this Target's Statement, neither Tandou's financier nor Webster have advised Tandou how they would act in these circumstances.

(g) No Tandou Prescribed Occurrences

None of the following happens from the Announcement Date until the expiry of the Offer Period (each being a separate Condition):

- (i) the shares of Tandou or any of the controlled entities of Tandou are converted into a larger or smaller number of shares;
- (ii) Tandou or a controlled entity of Tandou resolves to reduce its share capital in any way;
- (iii) Tandou or a controlled entity of Tandou:
 - (A) enters into a buy-back agreement;
 - (B) resolves to approve the terms of a buy-back agreement under sections 257C or 257D of the Corporations Act;
 - (C) makes an issue of or grants an option to subscribe for any of its securities or agrees to make such an issue or grant such an option;
 - (D) issues or agrees to issue convertible notes;
 - (E) disposes or agrees to dispose of the whole or a substantial part of its business or property;
 - (F) grants or agrees to grant an encumbrance over the whole or a substantial part of its business or property; or
 - (G) suffers an Insolvency Event.

(h) No regulatory intervention

From the Announcement Date until the expiry of the Offer Period, no Governmental Agency or any other person takes any action to:

- (i) prohibit, prevent or inhibit the acquisition of, or trading in, Shares;
- (ii) impose conditions on the Offer which impose unduly onerous obligations on Webster or would materially adversely affect the business or capital structure of Tandou;
- (iii) require the divestiture by Webster of securities or assets of Tandou or any of its controlled entities,

other than an application to or a decision or order of ASIC or the Takeovers Panel for the purpose of or in the exercise of the powers and discretions conferred on it by the Corporations Act.

9.6 Consequence of Conditions not being satisfied

Even if the Conditions of the Offer are not satisfied, they may be waived by Webster.

If any Condition is unsatisfied, Webster has the option to proceed or not with the acquisition of Tandou Shares under its Offer (i.e. by waiving the Condition) or allowing the Offer to lapse with unsatisfied Conditions.

9.7 Notice of status of Conditions

Webster has indicated in section 15.8(f) of the Bidder's Statement that it will give a notice of the status of the Conditions on 5 June 2015. It will give this notice by making an announcement on ASX at www.asx.com.au (ASX code: WBA).

The Corporations Act requires that the notice state:

- (a) whether the Offer is free from Conditions;
- (b) whether the Conditions have been fulfilled as at the date of the notice; and
- (c) the voting power of Webster in Tandou.

If the Offer Period is extended before the date the notice is required to be given, the date that Webster must give its notice is taken to be postponed for the same period. In this case, Webster is required, as soon as reasonably practicable after the extension, to notify Tandou and ASX of the new date for giving the notice.

If a Condition is fulfilled (so that the Offer becomes free of that Condition) during the Offer Period but before the date on which the notice of status of Conditions is required to be given, Webster must, as soon as practicable, give Tandou and ASX a notice that states that the particular Condition has been fulfilled.

9.8 Extension of the Offer Period

Webster may extend the Offer Period in accordance with the Corporations Act. If Webster extends the Offer Period, you will receive notice of the extension, unless, at the date the notice is given to Tandou, the Offer has become free from the Conditions.

9.9 Effect of accepting the Offer and limited rights of withdrawal

Accepting the Offer would (subject to the withdrawal rights discussed below):

- (a) prevent you from accepting any higher offer that may be made by a third party or any alternative transaction proposal that may be recommended by the Board;
- (b) relinquish control of your Shares to Webster with no guarantee of payment until the Offer becomes, or is declared, Unconditional. As the Offer Period could be extended by Webster, this could result in further delays in receipt of your Offer Consideration; and

- (c) give Webster the option to keep your Shares (if the Conditions of its Offer are not satisfied (i.e. by waiving the Conditions)) or return your Shares.

If you accept the Offer, you will have a right to withdraw your acceptance in limited circumstances. Those withdrawal rights comprise general statutory withdrawal rights under the Corporations Act. In summary:

- (a) under the Corporations Act, you may withdraw your acceptance of the Offer if Webster varies the Offer in a way that postpones, for more than one month, the time when Webster needs to meet its obligations under the Offer and the Offer is still subject to any Conditions. This will occur if Webster extends the Offer Period by more than one month while the Offer is still subject to any Conditions; and
- (b) in those circumstances, you will have one month after the date that notice of the extension is given to Tandou to withdraw your acceptance. Your statutory withdrawal rights will terminate on the expiry of that one month, although if the Offer Period is then further extended you may receive further statutory withdrawal rights.

If you become entitled to withdraw your acceptance, you will be sent a notice from Webster explaining these rights.

9.10 Lapse of the Offer

The Offer will lapse if the Conditions are not satisfied or waived by the end of the Offer Period. In that event, all contracts resulting from acceptances of the Offer, and all acceptances that have not resulted in binding contracts, will be void and you will be free to deal with your Shares as you see fit.

9.11 Compulsory acquisition

Webster has stated in section 8.4 of the Bidder's Statement that if it becomes entitled to do so under the Corporations Act, it intends to compulsorily acquire any outstanding Shares in accordance with the provisions of the Corporations Act (summarised below).

(a) Compulsory acquisition post takeover bid

Part 6A.1 of the Corporations Act provides for the compulsory acquisition of outstanding shares following a successful off market takeover bid.

To be entitled to compulsorily acquire all Shares Webster (taken together with its Associates) must, during or at the end of the Offer Period:

- (i) have a Relevant Interest in at least 90% (by number) of Shares; and
- (ii) have acquired at least 75% (by number) of Shares for which it has made an Offer.

If these thresholds are met, Webster will have one month from the end of the Offer Period within which to give compulsory acquisition notices to Shareholders who have not accepted the Offer. Webster may choose to commence compulsory acquisition as soon as the relevant thresholds are satisfied rather than wait until the Offer Period has ended.

Shareholders have statutory rights to challenge compulsory acquisition, but a successful challenge will require the relevant Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent *fair value* for their Shares. If compulsory acquisition

occurs, Shareholders who have their Shares compulsorily acquired are likely to receive their Offer Consideration approximately six weeks after the compulsory acquisition notices are sent to them.

(b) General compulsory acquisition

Part 6A.2 of the Corporations Act sets out another procedure for Webster to compulsorily acquire Shares. This procedure may be invoked when and if Webster acquires a full beneficial interest in at least 90% by value of Shares and its voting power in Tandou is at least 90%.

Webster then has six months to exercise general compulsory acquisition rights, which requires the acquisition to take place at a specified price. The price offered by Webster under this procedure would need to be considered by an independent expert who would be asked to determine whether, in its opinion, the terms proposed for the compulsory acquisition give *fair value* for the outstanding Shares.

If Shareholders holding more than 10% of the Shares Webster seeks to acquire object to the acquisition, Webster would need to approach a court for orders to the effect that the acquisition should proceed.

9.12 Merger Implementation Agreement

Tandou and Webster have entered into the Merger Implementation Agreement in respect of the Offer. Consistent with the negotiated and recommended nature of the Offer, this agreement contains certain restrictions on the conduct of Tandou's business, break fees, exclusivity arrangements and notification rights in favour of Webster. Both parties are entitled to claim a break fee from each other in certain circumstances. The maximum break fee payable by either party to the other is A\$800,000. A copy of the Merger Implementation Agreement was contained in Appendix 3 to Tandou's ASX announcement on 27 February 2015.

9.13 Intentions of Webster

The current intentions of Webster (as at the date of the Bidder's Statement) in relation to Tandou, its business, assets and employees are set out in section 8 of the Bidder's Statement. The statements set out in section 8 of the Bidder's Statement are statements of Webster's intentions as at the date of the Bidder's Statement only, which may vary as new information becomes available or circumstances change.

10 TAX IMPLICATIONS

10.1 Introduction

The information in this section is a general summary of the Australian income tax, GST and stamp duty consequences for Shareholders who accept the Offer. This information is relevant only to those Shareholders who hold their Shares on capital account. This information relates only to Shares, and not to other rights held over Shares. Stamp duty and GST information is set out in sections 10.4 and 10.5 of this Target's Statement respectively.

This section does not consider the Australian tax consequences for Shareholders:

- who hold their Shares as trading stock or as revenue assets;
- who hold their Shares as assets used in carrying on a business or who may carry on the business of share trading, banking or investment;
- who acquired their Shares through an employee share scheme;
- that may be subject to special tax rules, such as financial institutions, insurance companies, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents;
- who are Australian residents that hold their Shares at or through a permanent establishment in a foreign country; or
- who are subject to the taxation of financial arrangements rules in relation to gains and losses on their Shares.

The information in this section is based on Australian taxation law and practice in effect as at the date of this Target's Statement. It is not intended to be an authoritative or complete statement or analysis of the taxation laws applicable to the particular circumstances of every Shareholder. Shareholders should seek independent professional advice regarding the taxation consequences of accepting the Offer or otherwise disposing of their Shares.

10.2 Tax consequences of disposal of Shares by Australian residents

(a) General Capital Gains Tax considerations

The disposal of Shares by Shareholders to Webster under the Offer will constitute CGT event.

The disposal of Shares to Webster may result in a capital gain or capital loss for a Shareholder.

A Shareholder will make a capital gain if the Shareholder's capital proceeds for the disposal of the Shares exceed the cost base of their Shares. A Shareholder will make a capital loss if the Shareholder's capital proceeds for the disposal of the Shares are less than the reduced cost base of their Shares.

The capital proceeds received by a Shareholder who accepts the Offer (or has their Shares otherwise acquired under the Offer) will be equal to the market value of the Webster Shares received, determined at the time of the CGT event.

The cost base or reduced cost base of Shares should broadly equal the actual or deemed cost of acquisition, plus certain other non deductible incidental costs associated with the acquisition of

the Shares and disposal to Webster, for example brokerage or stamp duty. The cost base, but not the reduced cost base, of Shares may also include indexation (refer below).

Net capital gain

Subject to the comments below, capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether the taxpayer has a net capital gain or loss for that period. Any net capital gain, after applying carried forward capital losses, is included in the taxpayer's assessable income for the income year.

Capital losses

Capital losses may only be offset against capital gains. A net capital loss for an income year may, subject to satisfaction of the loss recoupment rules, where applicable, be carried forward to be offset against capital gains made in future income years.

(b) Circumstances in which capital gains may be reduced or disregarded

Shareholders who accept the Offer may be able to reduce or disregard a portion of any capital gain made on the disposal of their Shares to Webster in the circumstances set out below.

Pre-CGT Shareholders

If a Shareholder acquired (or is deemed to have acquired) their Shares prior to 20 September 1985, any capital gain or capital loss from the disposal of those Shares should be disregarded. Shareholders should consult their own tax advisers in relation to this matter.

Indexation

If a Shareholder acquired (or is deemed to have acquired) their Shares at or before 11.45 am on 21 September 1999, the cost base of their Shares may be increased for indexation by reference to changes in the Consumer Price Index from the calendar quarter in which the Shares were acquired (or deemed to be acquired) until the calendar quarter ended 30 September 1999. Indexation adjustments are taken into account only for the purposes of calculating a capital gain, not a capital loss.

Where a Shareholder acquired (or is deemed to have acquired) their Shares after 11.45am on 21 September 1999, it is not possible to apply indexation to the cost base of the Shares.

A Shareholder who is an individual, complying superannuation entity, a listed investment company or a trust and has held their Shares for at least 12 months will have the option of applying either the indexation method or the CGT discount (refer below) to calculate the capital gain arising from the disposal of their Shares, but cannot apply both.

Whether any Shareholder should use the indexation method or the CGT discount will depend on their particular circumstances. Shareholders should consult their own tax advisers in relation to this matter.

CGT discount

Shareholders who make a capital gain as a result of accepting the Offer and do not choose to apply the indexation method referred to above may be eligible for the CGT discount.

Broadly the CGT discount can reduce an eligible taxpayer's capital gain if the taxpayer has held the relevant asset (in this case, Shares) for at least 12 months prior to disposal. The CGT discount applies after an eligible taxpayer has applied current year or carried forward capital losses against their capital gains for the income year.

The CGT discount percentage is 50% for individuals and trusts, and 33 1/3% for complying superannuation funds. The CGT discount is not available to companies.

The application of the CGT discount rules to a Shareholder that is a trustee of a trust is complex, particularly where distributions to beneficiaries of the trust are attributable to discounted capital gains. Shareholders that are trustees of trusts should obtain specific tax advice.

(c) Scrip for scrip roll over relief

Shareholders may be able to disregard some or all of a capital gain made on the disposal of their Shares to Webster under the Offer if scrip for scrip roll over relief is available in relation to the exchange of Shares for Webster Shares. The benefit of choosing scrip for scrip rollover relief will depend on the individual circumstances of each Shareholder.

Scrip for scrip roll over relief is not available for Shareholders who accept the Offer and dispose of Shares which were acquired before 20 September 1985. However where a Shareholder who holds Shares acquired before 20 September 1985 acquires Webster Shares under the Offer, any capital gain or loss made on the disposal of the Shares is disregarded and the Shareholder will acquire Webster Shares with a cost base equal to the Webster Shares' market value at the time of the CGT event. The Webster Shares acquired under the Offer will be subject to the CGT rules on any future disposal (assuming they continue to be held on capital account).

Scrip for scrip roll over relief does not apply where Shareholders make a capital loss as a result of acceptance of the Offer and disposing of their Shares to Webster.

Scrip for scrip roll over relief will only be available to Shareholders in relation to the exchange of Shares for Webster Shares if the Offer results in Webster becoming the owner of 80% or more of the voting shares in Tandou.

It is possible that Webster may acquire less than 80% of the voting shares in Tandou at the conclusion of the Offer. In this case those Shareholders who have accepted the Offer and exchanged Shares for Webster Shares will not be entitled to scrip for scrip roll over relief. In these circumstances, Shareholders who accept the Offer may be subject to CGT as discussed above.

All Shareholders should seek independent professional advice regarding whether scrip for scrip roll over relief is available.

Choosing scrip for scrip roll over relief

If Webster becomes the owner of at least 80% of the voting Shares in Tandou at the conclusion of the Offer and other relevant conditions are satisfied for the availability of scrip for scrip rollover relief, eligible Shareholders who wish to obtain roll over relief must make a choice to apply the roll over relief. A Shareholder evidences the choice by the way they prepare their income tax return for the relevant income year.

If scrip for scrip rollover relief is available and the Shareholder chooses to apply the roll over relief, the consequence is that any capital gain made by the Shareholder will be disregarded.

Cost base and reduced cost base of Webster Shares

For Shareholders who obtain scrip for scrip roll over relief, their cost base in the Shares disposed of will be applied proportionately over their replacement Webster Shares in order to determine the cost base in those Webster Shares. If Shareholders are not eligible for scrip for scrip roll over relief or do not make the choice to apply scrip for scrip roll over relief, the cost base of the Webster Shares acquired under the Offer will be the market value of the Shares exchanged at the time of the CGT event. The reduced cost base is similarly calculated.

The cost base (or reduced cost base) of the replacement Webster Shares will be relevant for any CGT event in relation to those Webster Shares in the future (assuming the Webster Shares continue to be held on capital account). For the purposes of determining eligibility for cost base indexation or the CGT discount on a sale of the replacement Webster Shares, a Shareholder will be treated as having acquired the Webster Shares at the time the Shareholder acquired the relevant Shares.

Dividends received in relation to Webster Shares

Webster may declare dividends on Webster Shares in the future. Australian resident holders of Webster Shares must include dividends received on those Webster Shares in their assessable income.

In order for Shareholders to benefit from any franking credits attached to any dividends paid to holders of Webster Shares, in addition to other requirements and subject to certain integrity rules, the Shareholders must satisfy the *holding period rule* in respect of the Webster Shares.

Broadly the holding period rule provides that Webster Shares must be held at risk for a continuous period of at least 45 days during the relevant qualification period, otherwise the Shareholder is not entitled to the benefit of any franking credits attached to those dividends. The 45 day holding period rule does not apply where the Shareholder is an individual and their total franking credit tax offset entitlement is less than \$5,000 for the income year in which the dividend is paid.

10.3 Taxation consequences of disposal of Shares by non residents

Generally a Shareholder who is not a resident for Australian income tax purposes, who does not carry on business in Australia at or through a permanent establishment and who holds their Shares on capital account should not be subject to CGT on the disposal of their Shares unless:

- the foreign resident Shareholder, together with its associates, holds 10% or more of the total issued Shares in Tandou at the time of the CGT event resulting from the disposal of the Shares or for any continuous 12 months within two years preceding the time of the CGT event; and
- more than 50% of the market value of Tandou is represented by real property in Australia (broadly, land situated in Australia).

Importantly, foreign resident Shareholders must assess whether they are subject to CGT at the time of the CGT event resulting from the disposal of their Shares. Foreign resident Shareholders who are subject to CGT on disposal of their Shares will not be entitled to the CGT discount in relation to that portion of the capital gain which arises after 8 May 2012.

Shareholders who are not resident in Australia for income tax purposes should note that the Australian tax consequences from the disposal of Shares may be affected by any double tax agreement between Australia and their country of residence. Foreign resident Shareholders should obtain specific tax advice.

Shareholders who are not residents of Australia for income tax purposes and who receive Webster Shares as consideration for their Tandou Shares should obtain their own advice.

10.4 Stamp Duty

No Australian stamp duty should arise for the Shareholders either in respect of the disposal of their Tandou Shares to Webster or their acquisition of Webster Shares arising from their acceptance of the Offer.

10.5 GST

No GST should be payable by Shareholders in respect of their acceptance of the Offer.

Shareholders may be charged GST on third party costs (such as adviser fees) they incur and which relate to their participation in the Offer. Shareholders may be entitled to input tax credits for such costs, but should seek independent advice in relation to their specific circumstances.

11 ADDITIONAL INFORMATION

11.1 Continuous disclosure

Tandou is a *disclosing entity* under the Corporations Act and therefore has continuous disclosure obligations under that legislation and also under the ASX Listing Rules. Tandou is required to immediately disclose to the market through ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of Tandou's Shares.

Tandou is in compliance with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules. Tandou's announcements are available free of charge from the ASX website at www.asx.com.au (ASX code: TAN).

The most recent financial information regarding Tandou is the *Appendix 4D – Financial Report for the Half-Year Ended 31 December 2014* released to ASX on 27 February 2015. A copy of this document is also available on Tandou's website at www.tandou.com.au.

11.2 Issued capital

As at the date of this Target's Statement, Tandou has the following securities on issue:

Security	Number
Fully paid ordinary shares	196,850,209
\$1.00 ordinary shares partly paid to \$0.20	125,000
\$1.00 ordinary shares partly paid to \$0.01	40,000
Options over fully paid ordinary shares	250,000

Substantial holders

As at the date of this Target's Statement, the following persons held voting power in Tandou of more than 5% as disclosed in substantial holding notices provided to ASX:

Shareholder	Voting Power
REL-Trust Management Limited, Rural Equities Limited, Ashfield Farm Limited and H&G Limited	11.02%
Pacor Secoma Trustees S.A. (as trustee of the Colombiers Trust)	10.0%
Water Asset Management LLC	8.85%
Peter Robin Joy	7.7%
Rodger Finlay and RGH Holdings Limited	7.3%
Andrew Roy Newbery Sisson	6.4%
PF Agriculture Pty Ltd	5.54%

11.3 Interests of Directors, dealings in Shares and intentions

As at the date of this Target's Statement, the Directors had a Relevant Interest in the following Shares and Options including indirectly through their related parties:

Director	Shares	Options
Rob Woolley	516,678	Nil
David Boyd	48,813	Nil
Rodger Finlay	1,861,718	Nil
Guy Kingwill	199,375	250,000

No Director has acquired or disposed of a Relevant Interest in any Shares in the 4 months ending on the date immediately before the date of this Target's Statement.

In accordance with the Merger Implementation Agreement, the Directors' current intention is to accept the Offer in respect of their Shares no later than two Business Days after Webster Shareholders approve, in effect, the Offer, in the absence of a Superior Proposal.

See section 11.5 of this Target's Statement regarding Guy Kingwill's intentions in respect of his Options.

11.4 No litigation

As at the date of this Target's Statement, Tandou does not consider that it is involved in any material litigation or dispute.

11.5 Options

There are 250,000 Options currently on issue with an exercise price of \$0.26 and were issued in April 2008 to Guy Kingwill. These Options have vested.

In accordance with the Merger Implementation Agreement, Tandou has confirmed that Mr Kingwill has agreed to exercise all his Options after Webster achieves a Relevant Interest in at least 50.1% of the Shares and the Offer is Unconditional. He will then accept the Offer in respect of all Shares issued on exercise of the Options.

11.6 Material change in financial position of Tandou

There has been no material change to the financial position of Tandou since the *Appendix 4D – Financial Report for the Half Year Ended 31 December 2014* was released to ASX on 27 February 2015.

11.7 Interests and dealings in Webster

As at the date of this Target's Statement, no Director had a Relevant Interest in any Webster Shares.

No Director has acquired or disposed of a Relevant Interest in any Webster Shares in the 4 months ending on the date immediately before the date of this Target's Statement.

11.8 Benefits and agreements

(a) Directorships

As at the date of this Target's Statement, no director of Tandou is a director of Webster.

In accordance with the Merger Implementation Agreement, Webster will procure the appointment of Rob Woolley or another non executive director of Tandou to the Webster board of directors on Webster acquiring a Relevant Interest in Shares of more than 50.1% and the Offer becoming Unconditional.

(b) Benefits in connection with retirement from office

No person has been or will be given, as a result of the Offer, any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a Board or managerial office of Tandou.

(c) Agreements connected with or conditional on the Offer

There are no agreements made between any director of Tandou and any other person in connection with, or conditional on, the outcome of the Offer, other than in their capacity as a holder of Tandou Shares or Options as set out in this Target's Statement.

11.9 Consents

Minter Ellison has consented to being named in this Target's Statement as the legal adviser to Tandou and has not withdrawn that consent at the date of this Target's Statement.

Miles Advisory Partners has consented to being named in this Target's Statement as the financial adviser to Tandou and has not withdrawn that consent at the date of this Target's Statement.

Deloitte has consented to being named in this Target's Statement as the Independent Expert and has not withdrawn that consent at the date of this Target's Statement. Deloitte has consented to the inclusion of the Independent Expert's Report in this Target's Statement.

Each person named in this section 11.9 of this Target's Statement as having given its consent to the inclusion of a statement or to being named in this Target's Statement:

- (a) has not authorised or caused the issue of this Target's Statement;
- (b) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than a statement included in this Target's Statement with the consent of that person; and
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement or report, any statement or report which has been included in this Target's Statement with the consent of that party.

11.10 Reliance on ASIC Class Orders

As permitted by ASIC Class Orders 01/1543 and 07/429, this Target's Statement contains statements which are made, or based on statements made, in documents lodged by Webster with ASIC or given to ASX and trading data on ASX. In accordance with these class orders, the consent of Webster or ASX (respectively) is not required for the inclusion of such statements or data in this Target's Statement. Any Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting Tandou's Company Secretary on + 61 3 5018 6505.

In addition, as permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or
- (b) from a public official document or published book, journal or comparable publication.

11.11 No other material information

This Target's Statement is required to include all the information that Tandou Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in the Target's Statement; and
- only if the information is known to any Director of Tandou.

The Directors are of the opinion that the only information that Tandou Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- the information contained in Tandou's releases to ASX; and
- the information contained in this Target's Statement.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- (a) the nature of Tandou Shares;
- (b) the matters Tandou Shareholders may reasonably be expected to know;

- (c) the fact that certain matters may reasonably be expected to be known to the professional advisers to Tandou Shareholders;
- (d) the nature of Webster's Offer; and
- (e) the time available to Tandou to prepare this Target's Statement.

12 GLOSSARY AND INTERPRETATION

12.1 Glossary

<i>Term</i>	<i>Meaning</i>
Acceptance Form	the form included with or accompanying the Bidder's Statement
AEST	Australian Eastern Standard Time
Announcement Date	27 February 2015
ASIC	Australian Securities and Investments Commission
Associate	has the same meaning given to that term in section 9 of the Corporations Act for the purposes of Chapter 6 of the Corporations Act
ASX	ASX Limited ACN 008 624 691 or the financial market which it operates, as the context requires
ASX Listing Rules	the listing rules of ASX
ASX Settlement	ASX Settlement Pty Ltd ABN 49 008 504 532, the body which administers the CHESS system in Australia
ASX Settlement Rules	the settlement rules of ASX Settlement
Bengerang	Bengerang Limited ACN 127 984 123
Bengerang Transaction	the proposed acquisition by Webster of all the shares in Bengerang Limited ACN 127 984 123
Bidder or Webster	Webster Limited ACN 009 476 000
Bidder's Statement	Webster's bidder's statement in respect of the Offer dated 16 April 2015 and lodged with ASIC on that date
Board or Tandou Board	the board of directors of Tandou
Business Day	a weekday on which trading banks are open for business in Sydney and Melbourne, Australia, excluding any Saturday, Sunday or public holiday
CGT	capital gains tax

<i>Term</i>	<i>Meaning</i>
CHESS	the Clearing House Electronic Subregister System operated by ASX Settlement, which provides for electronic share transfer in Australia
CHESS Holding	a holding of Tandou Shares on the CHESS subregister of Tandou
Company or Tandou	Tandou Limited ACN 001 014 562
Competing Proposal	<p>any proposal by a third party in relation to a transaction or arrangement under which if the transaction or arrangement is completed:</p> <ul style="list-style-type: none"> (a) a person would acquire (whether directly or indirectly) or become the holder of, or otherwise have a right to acquire or have an economic interest in, all or a material part of the business conducted by Tandou, the assets of Tandou or the water rights of Tandou; (b) a person would acquire (whether directly or indirectly) control of Tandou; (c) a person would acquire a Relevant Interest in, or <i>voting power</i> of, 20% or more of the Shares; (d) a person would otherwise acquire, or merge or amalgamate with, Tandou; or (e) Tandou would be required to abandon or otherwise fail to proceed with the Offer, <p>irrespective of how it is structured including by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital restructure, sale or purchase of assets, joint venture or synthetic merger</p>
Conditions	the conditions of the Offer summarised in section 9.5 of this Target's Statement and set out in full in section 15.8 of the Bidder's Statement
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Deloitte	Deloitte Corporate Finance Pty Limited ACN 003 833 127
Directors or Tandou Directors	the directors of Tandou

<i>Term</i>	<i>Meaning</i>
EBITDA	earnings before interest, tax, depreciation and amortisation
Enlarged Webster Group	Webster assuming the acquisition of Tandou and/or Bengerang depending on Webster Shareholder approval being obtained for the Offer to proceed and the Bengerang Transaction
Exclusivity Period	<p>the period commencing on the date of this Agreement and ending on the first to occur of:</p> <p>(a) the date on which the Merger Implementation Agreement is terminated in accordance with clause 11 of that agreement;</p> <p>(b) the end of the Offer Period;</p> <p>(c) the date on which the Offers are withdrawn by Webster in accordance with section 652B of the Corporations Act; and</p> <p>(d) 31 July 2015</p>
FIRB Approval	<p>either:</p> <p>(a) Webster receives notice from the Treasurer of the Federal Government (or his agent) to the effect that there is no objection under the government's foreign investment policy to Webster acquiring Shares under the Offer; or</p> <p>(b) the period provided under <i>the Foreign Acquisitions and Takeovers Act 1975</i> (Cth) during which the Treasurer may make an order or interim order under that Act prohibiting the acquisition, lapses without that type of order being made</p>
FY	financial year commencing on 1 July and ending on 30 June
Independent Expert	Deloitte
Independent Expert's Report	the report prepared by Deloitte and included in this Target's Statement as to whether the Offer is fair and reasonable to Tandou Shareholders
Ineligible Foreign Shareholder	has the meaning given to that term in section 5.8 of this Target's Statement
Insolvency Event	has the meaning given to that term in the Merger

<i>Term</i>	<i>Meaning</i>
	Implementation Agreement
MAC	<p>a change occurs or is announced that would reasonably be expected to have a material adverse affect on the capital structure, business, financial or trading position, future profitability, condition of assets or liabilities of a Party and which:</p> <ul style="list-style-type: none"> (a) diminishes or could reasonably be expected to diminish the net assets of a Party by \$5,000,000 or more; (b) has resulted in or could reasonably be expected to result in a Party incurring obligations, liabilities, costs, claims or expenses (contingent or otherwise) where the quantum (whether individually or when aggregated) exceeds \$5,000,000, except in the ordinary course of business; (c) diminishes or could reasonably be expected to diminish the net profit after tax of a Party by \$500,000 or more, <p>but does not include any of the following:</p> <ul style="list-style-type: none"> (d) a matter disclosed in writing by one Party to the other including through advisers, agents or employees prior to the execution of the Merger Implementation Agreement; (e) a matter which is publicly known (including on public registers of Supreme Courts and Federal Courts, the PPSR and the registers of ASX and ASIC) or announced to ASX, in each case before the execution of the Merger Implementation Agreement; (f) any event, occurrence, circumstances or matter generally affecting the cotton industry, water rights industry, walnut industry or beef industry; (g) changes in general economic conditions, currency exchange rates, securities markets or commodities prices; (h) changes occurring as a result of any matter, event or circumstance required by Merger Implementation Agreement, the Offer or the transactions contemplated by them or otherwise consented to by the other Party; or (i) arising as a result of any generally applicable change

Term	Meaning
	in accounting standards required by law or government policy in Australia
Merger Implementation Agreement	the Merger Implementation Agreement entered into by Tandou and Webster dated 27 February 2015, a copy of which was an appendix to Tandou's ASX announcement of the Offer on 27 February 2015
Offer or Webster Offer	the offer of: <ul style="list-style-type: none"> (a) 1 Webster Share for every 2.25 Tandou Shares; (b) 1 Webster Share for every 11.25 Tandou shares partly paid to \$0.20; and (c) 1 Webster Share for every 225 Tandou shares partly paid to \$0.01, in accordance with the Bidder's Statement
Offer Consideration	<ul style="list-style-type: none"> (a) 1 Webster Share for every 2.25 Tandou Shares; (b) 1 Webster Share for every 11.25 Tandou shares partly paid to \$0.20; and (c) 1 Webster Share for every 225 Tandou shares partly paid to \$0.01
Offer Period	the period during which the Offer will remain open for acceptance, being between 22 April 2015 and 12 June 2015, unless extended
Options or Tandou Options	options to acquire Tandou Shares
Participant	has the meaning set out in the ASX Settlement Rules
Partly Paid Offer Consideration	<ul style="list-style-type: none"> (a) 1 Webster Share for every 11.25 Tandou shares partly paid to \$0.20; and (b) 1 Webster Share for every 225 Tandou shares partly paid to \$0.01
Partly Paid Shares or Tandou Partly Paid Shares	the partly paid shares in Tandou referred to in section 11.2 of this Target's Statement
Party	Tandou or Webster
Prescribed	the events referred to in section 9.5(f) of this Target's

<i>Term</i>	<i>Meaning</i>
Occurrence	Statement
Related Bodies Corporate	has the meaning given to that term in the Corporations Act
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act
Rights	All accretions, rights or benefits of whatever kind attaching to or arising from Tandou Shares directly or indirectly after the date of the Bidder's Statement, including, without limitation, all dividends, distributions, and all rights to receive dividends, distributions or to receive or subscribe for securities, stock shares, notes, bonds, options or other securities, declared, paid or issued by Tandou or any of its controlled entities
Share Register	the register of Shareholders of Tandou maintained by or on behalf of Tandou in accordance with the Corporations Act
Superior Proposal	<p>a bona fide unsolicited written Competing Proposal received by Tandou after the date of the Merger Implementation Agreement which the Directors have determined, acting in good faith and in accordance with their fiduciary duties, and after the receipt of written advice from Tandou's external legal advisers, is:</p> <p>(a) reasonably capable of being completed, taking into account all aspects of the Competing Proposal and the person making it; and</p> <p>(b) more favourable to Shareholders (as a whole) than the Offer, taking into account all the terms and conditions of the Competing Proposal</p>
Takeover Bid	the off market takeover bid made in accordance with Part 6.5 of the Corporations Act under which Webster offers to acquire all the shares in Tandou in accordance with the Bidder's Statement
Tandou Shares or Shares	fully paid ordinary shares in Tandou
Tandou Shareholder or Shareholder	a person who is registered on the Share Register as a holder of shares in Tandou
Target's Statement	this document, being the statement of Tandou made in accordance with Part 6.5 Division 3 of the Corporations Act

<i>Term</i>	<i>Meaning</i>
Unconditional	that the Offers and any contracts resulting from acceptance of the Offers are no longer subject to fulfilment of the Conditions
VWAP	volume weighted average price
Webster Shares	fully paid ordinary shares in Webster
Webster Shareholder	a person who is registered on the Webster share register as a holder of Webster Shares

12.2 Interpretation

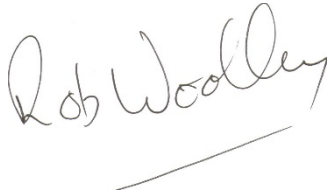
In this Target's Statement, unless the context otherwise requires:

- (a) the singular includes the plural and vice versa and words importing one gender include other genders;
- (b) other parts of speech and grammatical forms of a word or phrase defined in this document have a corresponding meaning;
- (c) terms defined in the Corporations Act as at the date of this Target's Statement have the meanings given to them in the *Corporations Act 2001* (Cth) at that date;
- (d) a reference to dollars, A\$, AUD, \$ and cents is a reference to Australian currency;
- (e) a reference to a statute of any parliament or any section, provision or schedule of a statute of any parliament includes a reference to any statutory amendment, variation or consolidation of the statute, section, provision or schedule and includes all statutory instruments issued under the statute, section, provision or schedule;
- (f) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (g) this Target's Statement includes any appendices, schedules and annexures;
- (h) a reference to time is a reference to time in Melbourne, Victoria; and
- (i) headings and bold type are used for reference only.

13 AUTHORISATION

This Target's Statement has been approved by a resolution passed by the Directors. All Directors voted in favour of that resolution.

Signed for and on behalf of Tandou:

A handwritten signature in black ink that reads "Rob Woolley". The signature is written in a cursive style with a long horizontal line extending from the bottom of the word "Woolley".

Rob Woolley
Chairman

Date: 16 April 2015

APPENDIX – INDEPENDENT EXPERT'S REPORT



Tandou Limited

Independent expert's report and Financial Services Guide

15 April 2015



Financial Services Guide

What is a Financial Services Guide?

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

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

What financial services are we licensed to provide?

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

Our general financial product advice

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

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

How are we and all employees remunerated?

We will receive a fee of approximately \$95,000 exclusive of GST in relation to the preparation of this report. This fee is not contingent upon the success or otherwise of the proposed transaction between Tandou Limited (Tandou) and Webster Limited (Webster).

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

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

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

Deloitte Touche Tohmatsu is the external auditor of Webster. This does not present a conflict of interest as the external audit services are unrelated to the proposed transaction between Tandou and Webster and the experts in this report were not involved in the Webster external audit.

What should you do if you have a complaint?

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

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

The Complaints Officer	FOS
PO Box N250	GPO Box 3
Grosvenor Place	Melbourne VIC 3001
Sydney New South Wales 1220	info@fos.org.au
complaints@deloitte.com.au	www.fos.org.au
Fax: +61 2 9255 8434	Tel: 1300 780 808
	Fax: +61 3 9613 6399

What compensation arrangements do we have?

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

15 April 2015

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL 241457 of 550 Bourke Street, Melbourne VIC 3000

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

Member of Deloitte Touche Tohmatsu Limited

The Directors
Tandou Limited
31 Alan Mathews Drive
Mildura VIC 3500

15 April 2015

Dear Directors

Independent expert's report

Introduction

On 27 February 2015 (the Announcement Date), Tandou Limited (Tandou) announced that it had entered into a merger implementation agreement (MIA) with Webster Limited (Webster) pursuant to which Webster proposes to acquire 100% of Tandou shares via an all scrip takeover offer (the Tandou Offer). Webster will offer Tandou shareholders 1 ordinary share in Webster for every 2.25 fully paid ordinary shares held in Tandou (the Consideration).

In parallel with the Tandou Offer, Webster is seeking to acquire 100% of the equity of Bengerang Limited (Bengerang), a privately owned entity operating in the agricultural sector (the Bengerang Acquisition). Collectively, the Tandou Offer and the Bengerang Acquisition are referred to as the 'Potential Transactions'. While the Potential Transactions are being pursued at the same time, they are not interdependent.

Further details of the Potential Transactions are included in a Bidder's Statement issued by Webster. An overview of the Potential Transactions is provided in Section 1 of this report.

The directors of Tandou (the Directors) will issue a Target's Statement in response to the Bidder's Statement, which includes their recommendation as to whether shareholders in Tandou (Shareholders) should accept the Tandou Offer.

Purpose of the report

Webster does not have any directors in common with Tandou and, as it does not have more than 30% of the voting shares in Tandou, there is no legal requirement for an independent expert's report in respect of the Tandou Offer, as prescribed under Section 640 of the Corporations Act 2001 (Section 640). However, the Directors have requested that Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) provide an independent expert's report advising whether, in our opinion, the Tandou Offer is fair and reasonable to Shareholders. We have assessed the Tandou Offer for shareholders as a whole, and have not had regard to foreign ineligible Tandou shareholders¹ in forming our opinion.

This independent expert's report has been prepared in a manner consistent with Section 640 to assist Shareholders in their consideration of the Tandou Offer. We have prepared this report having regard to Section 640 and relevant Australian Securities and Investments Commission (ASIC) Regulatory Guides.

This report is to be included in the Target's Statement to be sent to Shareholders and has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Tandou Offer. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility

¹ Foreign ineligible shareholders will not be entitled to receive Webster shares on acceptance of the Tandou Offer (unless Webster determines otherwise). Foreign ineligible shareholders who accept the Tandou Offer will receive a cash amount calculated in accordance with Section 15 of the Bidder's Statement

to any person, other than the Shareholders and Tandou, in respect of this report, including any errors or omissions however caused.

Basis of evaluation

Guidance

In undertaking the work associated with this report, we have had regard to ASIC Regulatory Guide 111 in relation to the content of expert's reports and ASIC Regulatory Guide 112 in respect of the independence of experts. The Regulatory Guides prescribe standards of best practice in the preparation of independent expert's reports pursuant to Section 640.

ASIC Regulatory Guide 111

ASIC Regulatory Guide 111 refers to a 'control transaction' as being the acquisition (or increase) of a controlling stake in a company that could be achieved, for example, by way of a takeover offer, scheme of arrangement, approval of an issue of shares using item 7 of s611, a selective capital reduction or selective buy back under Chapter 2J.

In respect of control transactions, under ASIC Regulatory Guide 111 an offer is:

- fair, when the value of the consideration is equal to or greater than the value of the securities subject to the takeover offer. The comparison must be made assuming 100% ownership of the target company (i.e. including a control premium)
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, securityholders should accept the takeover offer, in the absence of any higher bids before the close of the offer.

To assess whether the Tandou Offer is fair and reasonable to Shareholders, we have adopted the tests of whether the Tandou Offer is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

Fairness

ASIC Regulatory Guide 111 defines an offer as being fair if the value of the offer price is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming 100% ownership of the target company.

Accordingly we have assessed whether the Tandou Offer is fair by comparing the value of a share in Tandou with the value of the Consideration.

We have assessed the value of each Tandou share by estimating the current value of Tandou on a control basis and dividing this value by the number of shares on issue. We have assessed the value of a share in Webster on a minority interest basis because Shareholders who accept the Tandou Offer will hold a portfolio interest and therefore will become minority shareholders in Webster. Webster's shares have been valued having regard to Webster's profile after its acquisition of Tandou and, potentially, Bengarang (which we collectively refer to as 'Enlarged Webster').

The shares in Tandou and Webster have been valued at fair market value, which we have defined as the amount at which the shares would be expected to change hands between a knowledgeable and willing but not anxious buyer and a knowledgeable and willing but not anxious seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of a share in Tandou and Webster has not been premised on the existence of a special purchaser.

Reasonableness

ASIC Regulatory Guide 111 considers an offer in respect of a control transaction, to be reasonable if either:

- the offer is fair
- despite not being fair, but considering other significant factors, securityholders should accept the offer in the absence of any higher bid before the close of the offer.

To assess the reasonableness of the Tandou Offer we considered the following significant factors in addition to determining whether the Tandou Offer is fair:

- the extent to which a control premium is being paid to Shareholders

- Shareholders' ability to participate in synergies identified by Webster as being likely to arise from the acquisition of Tandou (and Bengerang)
- any significant shareholdings in Enlarged Webster
- the likely market price and liquidity of Tandou's shares in the absence of the Tandou Offer
- the alternatives available to Shareholders and the likelihood of an alternative offer being made
- other qualitative and strategic issues, risks, advantages and disadvantages associated with the Tandou Offer.

Summary and conclusion

In our opinion the Tandou Offer is fair and reasonable. In arriving at this opinion, we have had regard to the following factors.

The Tandou Offer is fair

According to ASIC Regulatory Guide 111, in order to assess whether the Tandou Offer is fair, we are required to compare the fair market value of a share in Tandou on a control basis with the fair market value of the consideration under the Tandou Offer. The Tandou Offer is fair if the value of the consideration is equal to or greater than the value of the securities subject to the offer.

Set out in the table below is a comparison of our assessment of the fair market value of a Tandou share with the consideration offered by Webster.

Table 1: Assessment of fairness

	Low (\$)	High (\$)
Estimated fair market value of a Tandou share (Section 7)	0.68	0.69
Estimated fair market value of the Consideration offered (Section 8)	0.64	0.73

Source: Deloitte Corporate Finance analysis

Note:

1. All amounts stated in this report are in Australian dollars (\$) or AUD unless otherwise stated and may be subject to rounding.

Our estimate of the fair market value of a Tandou share is within the range of our estimate of the value of the Consideration offered by Webster. Accordingly it is our opinion that the Tandou Offer is fair.

Valuation of Tandou

We have estimated the fair market value of Tandou by applying the net assets on a going concern method, which estimates the value of Tandou by aggregating the fair market value of its assets and liabilities. In applying this method we have also considered the ongoing corporate costs associated with operating Tandou's key assets (being its property and water assets) on a going concern basis.

Our assessment of the fair market value of Tandou's net assets has been based on Tandou's reviewed financial statements as at 31 December 2014, adjusted to reflect fair market values.

In order to determine the fair market values of Tandou's major property and water assets we have referred to the independent valuations of Tandou Farm and the Hay Operations² undertaken by Peter Spackman and the independent valuations of Tandou's water entitlements undertaken by Herron Todd White, which were provided by Tandou.

Both Peter Spackman and Herron Todd White rely on the direct comparison method to determine the fair market value of Tandou Farm, the Hay Operations and Tandou's portfolio of water entitlements, in line with market practice for these types of assets due to the difficulty in applying income or cash flow based methodologies. The valuations are therefore particularly sensitive to metrics implied in observable transactions in these regions.

² The Hay Operations refers to the operations undertaken on the Bundygoola and Glenmea freeholdings and Pevensy leaseholdings. Peter Spackman prepared an independent valuation of Bundygoola and Glenmea

Valuation of the Consideration

We have valued the Consideration as follows.

Table 2: Valuation of the Consideration

	Low (\$)	High (\$)
Value of a share in Enlarged Webster	1.45	1.65
Offer ratio (shares in Webster for every share in Tandou)	1:2.25	1:2.25
Consideration per Tandou share	0.64	0.73

Source: Deloitte Corporate Finance analysis

When assessing the value of the Consideration, being shares in Enlarged Webster, we have considered the prices at which Webster shares have traded since the Potential Transactions were announced on 27 February 2015.

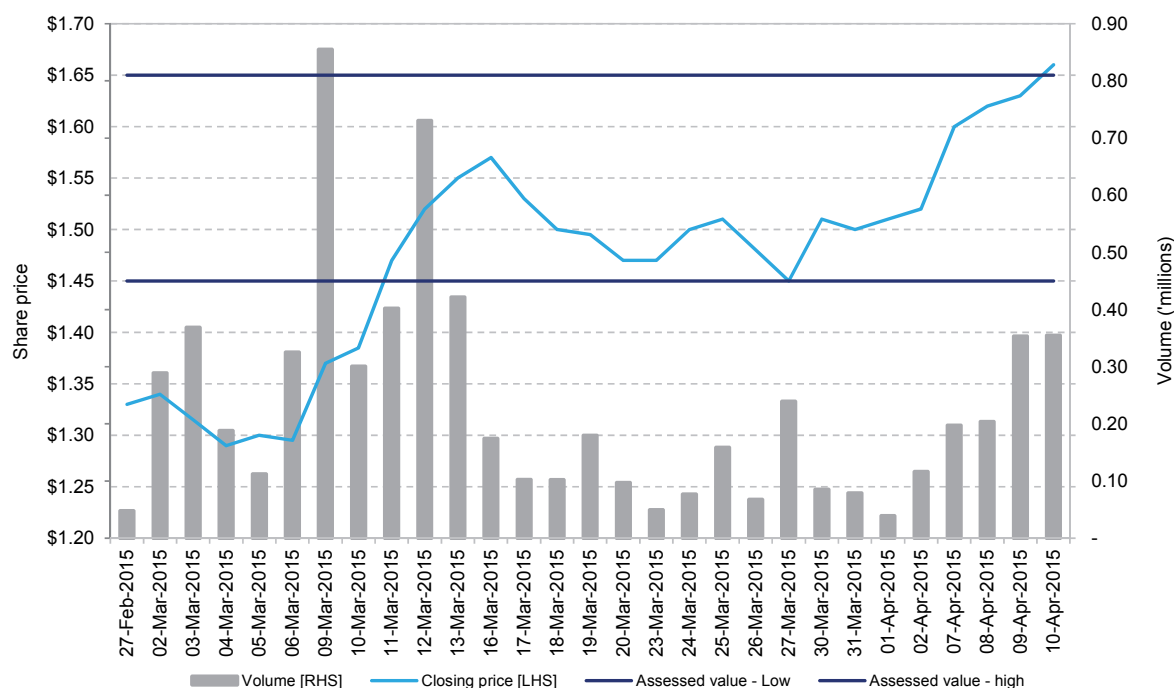
We consider that the most recent trading price of Webster shares is likely to represent a reasonable proxy for the amount that Shareholders could expect to realise by selling the shares in Webster received as consideration after acceptance of the Tandou Offer. This is primarily due to the following:

- Webster's share trading after the Announcement Date has been reasonably liquid with over 6 million shares being traded (approximately 4% of Webster's shares outstanding). Whilst share price volatility has been greater than that immediately prior to the Announcement Date, we have sought to remove any associated distortions by having regard to volume-weighted trading evidence
- Webster and Tandou's financial statements for the half-year ended 31 December 2014 were released to the market on 27 February 2015, providing a recent update regarding the financial performance of Webster and Tandou. The half-year financial statements included reference to directors' valuations of the core assets of Webster and Tandou. Furthermore, we note that Webster is followed by a few equities analysts which have provided some external guidance as to the merits of the Potential Transactions. Hence, arguably the market is fully informed
- by 10 April 2015, the Webster share price had increased by 28% since the Announcement Date, and no other material price-sensitive announcements have been made subsequently, indicating that the Webster share price is likely to reflect the value of Webster post-completion of the Potential Transactions, to the extent that the market believes that the Potential Transactions will proceed
- security prices from market trading do not generally reflect the market value for control of a company as they are for portfolio holdings. Accordingly, trading in Webster shares is likely to reflect the price of minority interest shareholdings.

Having regard to the above observations, we are of the view that any other valuation methodology would provide sub-optimal guidance as to the fair market value of Webster's shares on a minority basis and, therefore, of the Consideration. However, to provide additional evidence of the fair market value of a share in Enlarged Webster, we have also considered an indicative assessment on a sum-of-the-parts basis having regard to confidential financial information provided by Webster and its advisors.

A summary of recent share trading activity in Webster and our selected valuation range is presented in the following figure.

Figure 1: Trading in Webster shares and selected valuation range



Source: Deloitte Corporate Finance analysis

Furthermore, we note that given that there is no current indication, by way of public statements from the Board or shareholders of Webster, that the Bengerang Acquisition will not proceed, we consider that the Bengerang Acquisition is likely to proceed, and the share trading price post-Announcement Date reflects this outcome. Accordingly, we consider that the market trading price of Webster shares reflects a high likelihood that the Bengerang Acquisition will proceed.

Regardless of the outcome of the Potential Transactions, we note that the price of Webster's shares will vary in the future, based on market movements, developments in the walnuts and broader agricultural industries, and changes in Webster's specific circumstances, amongst other factors.

The Tandou Offer is reasonable

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair.

On this basis, in our opinion the Tandou Offer is reasonable. We have also considered the following factors in assessing the reasonableness of the Tandou Offer.

Enlarged Webster will have greater diversification than Tandou on a standalone basis and provides Shareholders with the opportunity to benefit from synergies

Shareholders will realise operational diversification through the consolidation of Tandou's cotton and water operations with the walnut operations of Webster. The acquisition of Tandou's significant portfolio of water entitlements, in particular, will provide Webster greater security over water supply and the ability to apply water resources to their highest and best use by supporting the most profitable production of its portfolio of assets. As a result, Shareholders may benefit from a higher return on Tandou's water entitlements via their consumption in the walnut operations, rather than through cotton operations or on-market trading as is currently the case.

Shareholders may also benefit from being a part of a larger listed player in the agricultural sector, which may generate synergies not otherwise available to them. These include cost savings through lower corporate and administration costs (on a relative basis) and efficient and effective use of water supplies (as discussed above). However, Webster management anticipates that it will take time before these synergies are realised and has not provided guidance as to the expected impact on Enlarged Webster's revenues and costs.

Both Tandou and Webster's core operations are located in southern New South Wales, whilst the properties owned by Bengerang are located in northern New South Wales and Queensland. Should the Bengerang

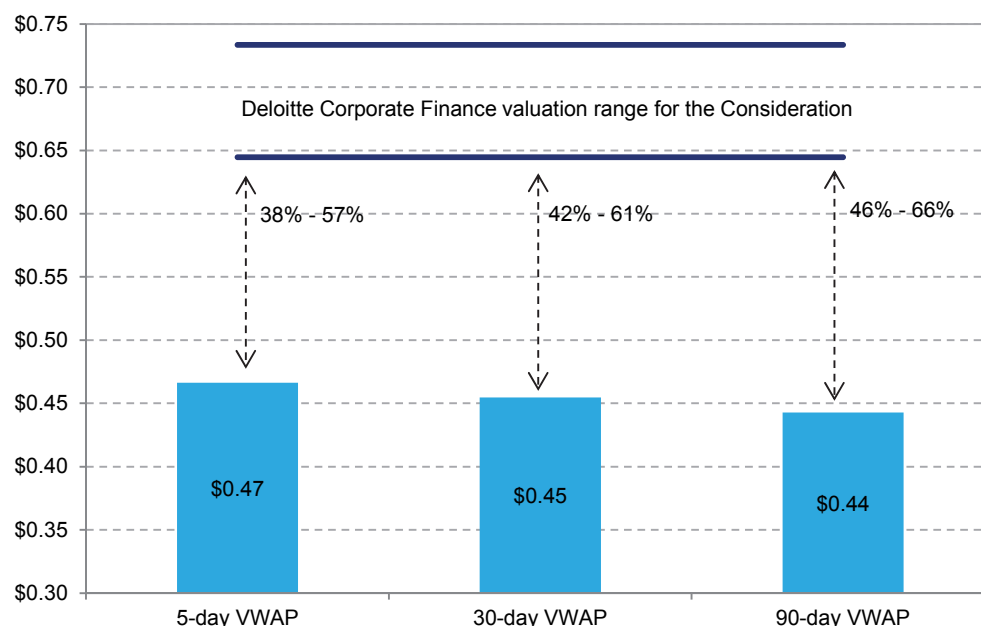
Acquisition proceed, the aggregation of the three companies will consolidate Webster's cotton and water operations and provide geographic diversification.

In summary, the Tandou Offer allows Shareholders to continue to participate in the upside associated with the assets of Tandou, as well as the assets of Webster and potentially Bengerang.

Shareholders will receive a premium

The diagram below illustrates the premium that Shareholders will receive based on our valuation of the Consideration compared with trading in Tandou shares up to the Announcement Date.

Figure 2: Premium received by Shareholders based on trading in Tandou shares¹



Source: Deloitte Corporate Finance analysis

Note:

1. VWAP – volume weighted average price.

The implied premium for control based on trading in Tandou's shares up to the Announcement Date is towards the high end of the typical range we have observed in transactions in Australia over the course of the last ten years (i.e. 20% to 40%).

Enhanced share trading liquidity

The increase in size of Enlarged Webster compared to Tandou on a standalone basis may lead to an enhanced share market profile and may provide increased liquidity and greater depth of trading than that currently available to Shareholders.

Enlarged Webster may be included in the S&P/ASX 300³ Index (subject to meeting certain liquidity thresholds), which may lead to increased interest from institutional investors and greater analyst coverage.

Improved access to debt and equity

Enlarged Webster may have improved access to both debt and equity capital markets, possibly on more attractive terms, compared with those currently available to Tandou on a standalone basis. This may enhance the ability of Enlarged Webster to fund future growth options compared with Tandou standalone. An alternative growth solution for Tandou would likely require the raising of capital via a dilutive equity raising. Through the Tandou Offer, however, Shareholders are receiving a premium to the share trading price of Tandou prior to the Announcement Date whilst preserving their ability to participate in future growth.

³ S&P – Standard & Poor's; ASX – Australian Securities Exchange

Shareholders will still be able to realise a premium for control as shareholders in Webster

The Shareholders will continue to own shares in an Australian agribusiness, albeit in a larger entity, with more attractive investment characteristics than those exhibited by Tandou on a standalone basis. As a result, Shareholders will continue to have an opportunity to realise a premium for control even after the Potential Transactions are implemented.

Webster's shareholder register will be relatively fragmented after the implementation of the Tandou Offer, and further after completion of the Bengerang Acquisition, with no individual shareholder owning more than a 16% interest in the entity. As a result, Enlarged Webster may become a potential takeover target with limited shareholding blocks.

The table below sets out the composition of Webster's shareholdings after the Tandou Offer and after the Bengerang Acquisition under the scenarios where, in addition to full acceptance of the Tandou Offer, the Bengerang Acquisition proceeds or does not proceed.

Table 3: Webster's major shareholders after the Tandou Offer and the Bengerang Acquisition⁴

Substantial holder	Christopher Corrigan and Belfort	AFF ¹	Peter Joy	Verolot	Entities associated with David Cushing	Kaplan Equity Limited	Eagle Securities Limited
Current voting power	15.3%	11.3%	11.4%	8.6%	7.4%	0.0%	3.2%
After the Tandou Offer (100% acceptance)	10.4%	7.2%	10.1%	5.5%	8.3%	0.0%	5.6%
After the Tandou Offer (100%) and the Bengerang Acquisition	12.3%	15.4%	7.0%	9.2%	5.8%	8.7%	5.0%

Source: Draft Shareholder Booklet

Note:

- Refers to Australian Food & Fibre Limited (AFF) and associated persons, being David Robinson and various trusts/family members associated with David Robinson.

The price of Tandou shares may fall in the absence of the Tandou Offer

Since the announcement of the Tandou Offer, Tandou's share price has traded above levels immediately prior to announcement of the Potential Transactions. Tandou's share price may fall if the Tandou Offer is not accepted, in the absence of an alternative proposal eventuating.

A summary of recent trading in Tandou's shares is provided below.

Table 4: Recent trading in Tandou shares

	Low (\$ per share)	High (\$ per share)	VWAP (\$ per share)
Trading in Tandou shares post-Announcement Date			
From the Announcement Date to 10-Apr-2015	0.47	0.67	0.61
Trading in Tandou shares pre-Announcement Date			
5-days to Announcement Date	0.46	0.48	0.47
30-days to Announcement Date	0.44	0.48	0.45
90-days to Announcement Date	0.40	0.48	0.44
6 months to Announcement Date	0.40	0.48	0.44
12 months to Announcement Date	0.40	0.54	0.45

Source: S&P Capital IQ, Deloitte Corporate Finance analysis

⁴ Based on information provided in the Draft Shareholder Booklet prepared by Webster for Webster shareholders (refer to Section 1 for further details)

We note that, since the Tandou Offer was announced on 27 February 2015, no superior offers have emerged of which we are aware.

The potential disadvantages of the Tandou Offer appear relatively minor compared to the identified advantages

The Tandou Offer may result in adverse consequences to Shareholders as owners of shares in Enlarged Webster:

- as the Consideration comprises scrip in Webster, the value of the Consideration may fluctuate up to and after the official date on which Shareholders receive the Consideration. Furthermore, to the extent a large proportion of Shareholders sell their new shares in Webster soon after receipt, this may place downward pressure on the price of Webster's shares
- as for any other acquisition, the Potential Transactions will have post-acquisition integration risks. The consolidation of the operations of Tandou, and potentially those of Bengenang, with Webster may be a complex and time consuming process
- the parties to the AFF Agreement⁵, Webster and AFF, are related by virtue of common directors and shareholders. If Shareholders accept the Tandou Offer, they will become exposed to related party dealings over which they may have limited influence. These related party arrangements may, however, be value accretive to Shareholders
- notwithstanding the diversification benefits associated with owning shares in Enlarged Webster compared with Tandou on a standalone basis, Shareholders will become exposed to risks associated with global supply and demand dynamics for walnuts.

The implications of the Bengenang Acquisition on the market price of Webster's shares are currently unknown

Our valuation of the Consideration is based on the prices at which Webster shares have traded since the Announcement Date. We consider that trading in Webster shares is likely to reflect the value of Webster post-completion of the Potential Transactions, to the extent that the market believes that the Potential Transactions will proceed.

If the Bengenang Acquisition does not proceed, and the Tandou Offer is accepted and Webster acquires all of the outstanding shares in Tandou, the value of the Consideration received by Shareholders may be different to our estimate of value.

However, by the time Shareholders decide on whether or not to accept the Tandou Offer, they will already know if the Bengenang Acquisition will proceed and they will be able to observe the implications thereof on trading in Webster shares.

Tax implications

The tax implications of accepting the Tandou Offer will vary depending on the individual circumstances of each of the Shareholders. Further details of the tax implications to Shareholders are set out in the Target's Statement.

Shareholders should seek advice and evaluate the taxation consequences of the Tandou Offer based on their individual circumstances.

Implications of less than 90% acceptance

The implications of Shareholders rejecting the Tandou Offer, in the minority, are unappealing. If Webster acquires more than 50% but less than 90% of the outstanding shares in Tandou then, assuming all conditions of the Tandou Offer are satisfied or waived, Webster will acquire a majority shareholding in Tandou. Tandou Shareholders who do not accept the Tandou Offer will become minority shareholders of Tandou. This has a number of possible implications for Shareholders who have either accepted or not accepted, including:

- actual or effective control of Tandou will be held by Webster
- the liquidity of the market for Tandou shares is likely to decrease

⁵ Referring to the new management agreement that will be implemented between Enlarged Webster and AFF under the conditions of the Bengenang Acquisition. Refer to Section 5.2.4 for further details

- the prospects of receiving a fully priced offer in the future for Shareholders' interests in Tandou may be greatly reduced
- under certain conditions, Webster may seek to have Tandou removed from the official list of the ASX, which would result in Shareholders owning unlisted shares, reducing their ability to realise value
- Webster may not be capable of realising certain synergies, such as benefits arising from tax consolidation
- if Webster does not own at least 80% of the voting shares in Tandou at the conclusion of the Tandou Offer, Shareholders who have accepted the Tandou Offer will not be able to benefit from scrip-for-scrip rollover relief from Capital Gains Tax.

An individual shareholder's decision in relation to the Tandou Offer may be influenced by his or her particular circumstances. If in doubt the shareholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully



Michele Picciotta
Authorised Representative
AR number: 462446



Rachel Foley-Lewis
Authorised Representative
AR number: 461000

Glossary

Reference	Definition
\$ or AUD	Australian dollars
AFF	Australian Food & Fibre Limited
AFF Agreement	The new management agreement to be implemented between Enlarged Webster and AFF as a condition to the Bengerang Acquisition
AFSL	Australian Financial Services Licence
Announcement Date	27 February 2015
AR	Authorised Representative
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUASB	Auditing and Assurance Standards Board
Belfort	Belfort Investment Advisers Limited
Bengerang	Bengerang Limited
Bengerang Acquisition, the	The transaction by which Webster is seeking to acquire 100% of the equity of Bengerang
Bengerang Vendors, the	Belfort, AFF and Verolot
CBRE	CBRE Valuations Pty Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Consideration, the	1 ordinary share in Webster for every 2.25 fully paid ordinary shares held in Tandou
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
Directors, the	The directors of Tandou
Draft Shareholder Booklet	Shareholder booklet compiled by Webster for Webster shareholders
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Enlarged Webster	Webster after its acquisition of Tandou and potentially Bengerang
Farming Operations	Tandou's cotton and pastoral operations
FFT	Field Fresh Tasmania Pty Limited
FICS	Financial Industry Complaints Service
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY	Financial year
GL	Gigalitre
ha	Hectare
Hay Operations, the	Bundygoola and Glenmea freeholdings and the Pevensey leaseholdings, located near Hay, New South Wales
HY	Half year
ICE	International Commodity Exchange
Kooba Aggregation	Riverina cropping properties; Kooba, Bringagee, Benerembah Station and Booberoi Station
kt	Kilotonnes
LHS	Left hand side
MIA	Merger implementation agreement
MIS	Managed investment scheme
ML	Megalitre
NAB	Net asset backing
n/a	Not available or not applicable
Potential Transactions, the	Collectively, the Tandou Offer and the Bengerang Acquisition
PrimeAg	PrimeAg Australia Limited
RHS	Right hand side
ROA	Return on assets
S&P	Standard & Poor's
Section 640	Section 640 of the Corporations Act 2001
Select Harvest	Select Harvest Limited
Shareholders	Shareholders in Tandou

Reference	Definition
Tandou	Tandou Limited
Tandou Offer, the	Webster proposes to acquire 100% of Tandou shares via an all scrip takeover offer
Tassal	Tassal Limited
USD	United States dollars
Verolot	Verolot Limited
VWAP	Volume weighted average price
Walnuts Australia	Walnuts Australia Pty Limited
Water Operations	Tandou's water business
Webster	Webster Limited

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1 Overview of the Tandou Offer

1.1 Introduction

On the Announcement Date, the Board of Directors of Tandou announced that it had entered into a MIA with Webster pursuant to which Webster proposes to acquire 100% of the fully paid and partly paid shares of Tandou via an all scrip off-market takeover offer. The Board of Directors of Tandou unanimously recommended the Tandou Offer to Shareholders, in the absence of a superior proposal, and subject to the independent expert engaged by the Board of Tandou concluding that the Tandou Offer is reasonable to Shareholders.

On the same day, Webster announced the Bengerang Acquisition, which, together with the Tandou Offer, is subject to approval by the shareholders of Webster.

Whilst the Tandou Offer and the Bengerang Acquisition are not interdependent, before conclusion of the Tandou Offer, Webster shareholders would have approved or rejected the Bengerang Acquisition. As a result, in their consideration as to whether or not to accept the Tandou Offer, Shareholders should also take into account the terms of the Bengerang Acquisition.

An overview of the terms of the Tandou Offer as well as those of the Bengerang Acquisition is set out below.

1.2 The Tandou Offer

1.2.1 Overview

Under the Tandou Offer, Shareholders will receive 1 ordinary share in Webster for every 2.25 fully paid shares held in Tandou. In respect of partly paid shares owned in Tandou:

- owners of partly paid shares paid up to \$0.20 per share will receive 1 fully paid ordinary share in Webster for every 11.25 partly paid shares held in Tandou
- owners of partly paid shares paid up to \$0.01 per share will receive 1 fully paid ordinary share in Webster for every 225 partly paid shares held in Tandou.

As at the date of this report, Mr Guy Kingwill, the Chief Executive Officer (CEO) of Tandou, holds all of the 250,000 unlisted options in Tandou, which have all vested and have an exercise price of \$0.26 per share. Mr Kingwill has agreed that, once Webster achieves a relevant interest in at least 50.1% of Tandou's shares and the Tandou Offer becomes unconditional, he will exercise all of his options to acquire shares in Tandou, and will accept the Tandou Offer in respect of those shares.

A detailed description of the terms of the Tandou Offer is set out in the Target's Statement.

1.2.2 Key conditions

The key conditions of the Tandou Offer are contained in the MIA and include:

- a minimum acceptance condition of 50.1% of the Tandou shares on issue
- receipt of Webster shareholders' approval pursuant to ASX Listing Rule 10.1⁶. Webster's shareholders are scheduled to vote on the Potential Transactions, including the Tandou Offer, on 25 May 2015
- Foreign Investment Review Board approval (to the extent necessary).

⁶ We understand that Peter Joy, a shareholder of Webster (holding more than 10% of Webster), and entities associated with David Cushing, a director of Webster, hold significant parcels of Tandou shares. Having regard to these relationships, approval by Webster's shareholders in respect of the Tandou Offer is required for the purpose of ASX Listing Rule 10.1. Webster prepared a shareholder booklet (Draft Shareholder Booklet) which includes information relevant to Webster's shareholders in their consideration of the Tandou Offer and the Bengerang Acquisition

1.3 The Bengerang Acquisition

1.3.1 Overview

Under the terms of the Bengerang Acquisition, Webster proposes to acquire 100% of Bengerang Limited through the issue of 107,670,120 shares in Webster to the shareholders and other parties of Bengerang. Bengerang shareholders currently comprise Australian Food & Fibre Limited (AFF) (50%), Belfort Investment Advisers Limited (Belfort) (25%) and Verolot Limited (Verolot) (25%).

As part of the Bengerang Acquisition, Webster is also proposing to enter into a management and administration agreement with AFF by which it will provide various farming services in respect of cotton operations to be undertaken by Enlarged Webster (the AFF Management Agreement).

A brief overview of the Bengerang assets the subject of the Bengerang Acquisition is provided in Section 5.2.

1.3.2 Key conditions

The key conditions of the Bengerang Acquisition are contained in a share purchase agreement between Webster and Bengerang and include:

- approval of the Bengerang Acquisition by Webster's shareholders for the purposes of the relevant ASX Listing Rules and the Corporations Act 2001⁷. Webster's shareholders are scheduled to vote on the Potential Transactions, including the Bengerang Acquisition, on 25 May 2015
- receipt of all necessary regulatory and third party approvals and consents
- no regulatory intervention in connection with the transaction
- contracts for the acquisition of properties known as Darling Farm and Medgun (and associated water rights) are either completed or remain in full force and effect as at completion
- completion of an equity injection by the existing Bengerang shareholders in an aggregate amount of \$50 million in the form of cash, transfer of water rights and assumption of liabilities
- key terms of financial assistance being provided to Bengerang shareholders by Eagle Securities Limited and Kaplan Equity Limited for the assumption of liabilities are acceptable to Webster
- execution of a new management agreement between Bengerang and AFF
- no material adverse change in circumstances affecting either Bengerang or Webster.

The share purchase agreement contains an acknowledgement that AFF, Belfort and Verolot have not acquired a relevant interest in each other's holding in Webster shares and that there is no agreement, arrangement or understanding between them which relates to the voting of each other party's holding of Webster shares or any restriction on the rights of those parties to dispose of any Webster shares they may hold.

1.4 Rationale for the Potential Transactions

Webster considers that the acquisition of both Tandou and Bengerang fits within its strategic direction and will ultimately be value accretive to the shareholders of Webster. Webster has outlined a number of key factors that underpin the rationale for undertaking the Potential Transactions, including the following.

Securing water supply and water procurement expertise

Webster will focus on securing access to and control over significant water entitlements. The completion of the Potential Transactions will give Webster security over water supply and the ability to apply water resources to their highest and best use by supporting the most profitable production of its portfolio of assets. Overall, a more strategic use of water should enable Enlarged Webster to expand walnut, cotton and other annual cropping production and decrease volatility in crop yields. In particular, the acquisition of Tandou will provide Webster

⁷ AFF is associated with a director in Webster, Mr David Robinson, whilst Belfort is associated with another Webster director, Mr Chris Corrigan. Verolot is an existing Webster shareholder, holding 8.6% of the issued shares in Webster. The Bengerang Acquisition will result in a significant change in Webster's scale of activities. Accordingly, shareholder approval is required for the purpose of ASX Listing Rule 11.1.2. In addition, in view of the relationship between the Bengerang shareholders and Webster, the approval of non-associated Webster shareholders is also required pursuant to ASX Listing Rules 10.1 and 10.11

with strategic water procurement expertise demonstrated by Tandou's long standing track record in acquiring and divesting water entitlements. Section 2.4 outlines the differing levels of water security available to market participants.

Webster's focus on securing water entitlements has arisen through identifying that it may face a substantial water supply shortfall over the long term. Based on current equity analyst estimates, Webster is approximately 20,000 megalitres (ML) short of its annual long term water requirements in low allocation years, despite the Kooba acquisition partly addressing the overall water shortfall. This shortfall will be exacerbated as the demand for water for the newly planted Avondale West walnut orchard increases over the next three years.

In order to address this, Webster has actively sought to acquire long term water entitlements. We understand this has proven difficult and has resulted in Webster pursuing large scale acquisitions such as those involving the Kooba properties (refer to Section 4.3), Tandou and Bengenang.

The execution of this water strategy is crucial to ensure that yields can be maintained in Webster's walnut business and to remove the volatility in the cost base that is associated with lower than expected water allocations. The addition of water assets to the business allows excess water to be used in other parts of the operations in years where Webster is entitled to a higher allocation of water.

Geographic and product range diversification

Webster intends to expand and diversify (geographically and product range) its current asset base. The additional properties will give Webster the capacity to undertake substantial annual row cropping and potentially expand into other high value horticulture crops. A geographically diversified portfolio of properties will mitigate region-specific climatic risks and enable economies of scale if Enlarged Webster's management and operating staff can be more efficiently employed across its portfolio of assets.

Exploit synergies

Synergies are expected to arise out of the Potential Transactions. This includes a streamlined management structure (including through the new AFF Management Agreement and consolidation of management teams), the consolidation of key business intellectual property and know-how in relation to water entitlements and irrigation agriculture, cost savings through lower corporate and administration costs and efficient and effective use of water supplies. Webster's management anticipates that it will take time before these synergies are realised and has not provided guidance as to the expected impact on Enlarged Webster's revenues and costs.

An improved financial structure

Webster is seeking to lower its overall gearing ratio. As Webster is acquiring Bengenang by issuing shares, if the Bengenang Acquisition proceeds, the enlarged entity will have a lower overall gearing ratio.

1.5 Webster's intentions

Webster will have a number of matters to attend to following completion of the Potential Transactions and achieving 100% control of Tandou, including:

- reconfiguring the boards of both Bengenang and Tandou to comprise only Webster directors. Subject to Webster acquiring more than 50% of Tandou shares, Webster will invite a Tandou nominee to join the Webster board
- if appropriate, arranging for Tandou to be delisted from the ASX
- where possible, consolidating the debt facilities of Webster with those of Tandou and Bengenang, with a view to ensuring Enlarged Webster has access to sufficient expansion and working capital
- completing the acquisition of the Medgun and Darling Farm assets⁸
- relocation of company headquarters to the Riverina, New South Wales.

⁸ Bengenang has contracts to purchase the Medgun and Darling Farm assets and these acquisitions are a condition to the Bengenang Acquisition. Refer to Section 5.2.3 for further details

2 Industry overview

2.1 Introduction

Both Tandou and Webster are Australian-based agribusinesses. Tandou is focused on large scale, irrigated cotton production, whilst Webster's operations comprise the management and harvesting of walnut orchards as well as cotton production. The activities of both companies are heavily influenced by water supply. As a result, each of the companies has in recent years pursued a strategy to build up their portfolio of water entitlements, which are tradeable in their own right.

Below we provide a brief overview of the agribusiness sector as it applies to walnuts and cotton, together with commentary on the market for water entitlements in Australia.

2.2 Overview of the walnut industry

Generally, it takes approximately eight years for walnut trees to reach full maturity, although commercial crop can be harvested from the fourth year. Left to grow, walnut trees can reach heights of up to 25 metres and live for 200 years. Commercially, however, walnut orchards are generally expected to produce their maximum yield for approximately 30 years.

Walnut production is highly mechanised, particularly in Western countries, as orchards require relatively low maintenance and are productive for at least 40 years. Once harvested, nuts will keep for up to two years but are best consumed fresh and best practice is to use them within twelve months.

Walnuts are marketed on two bases: as kernels or in-shell. Kernels are the central part of the walnut, inside the shell, and are predominantly used for immediate food ingredient consumption and sold through major retail chains and into the bakery and confectionary industries. In-shell walnuts refers to the entire walnut, including the outer shell, and is often the form in which walnuts are exported as the shell preserves freshness for longer periods of time. However, walnuts can be exported as either kernels or in-shell, depending on the requirements of the destination market and consumers.

2.2.1 The Australian market

Many parts of southern Australia have a Mediterranean-type climate ideally suited to the growing of walnuts. The irrigation areas which support a highly productive deciduous fruit industry could also support a profitable walnut industry. Compared with several other countries, Australia has the advantages of fewer walnut pests and diseases, clean air and water and a reduced threat from the urbanisation of agricultural land.

The Australian walnut industry is a relatively immature sector of the broader tree nut industry (which comprises varieties such as almonds, macadamias and pecans). Whilst walnuts have been grown in Australia for a number of decades, commercial growth and production has only been occurring for approximately 20 years, and material volumes produced for approximately 10 years.

The major walnut production areas in Australia are on the east coast of Tasmania, the Goulburn Valley, Murray Irrigation Area and Swan Hill in Victoria and in the Riverina in New South Wales. The Australian industry is a mix of small, older orchards, the majority of which are family owned, and new, more extensive orchards. However, the vast majority of area under cultivation (approximately 90%) is owned and operated by Webster, which is the largest walnut grower in Australia⁹.

The Australian walnut industry currently comprises approximately 3,000 hectares of planted area, which produced approximately 11,000 tonnes of in-shell walnuts in 2014. The total planted area is expected to increase to around 4,600 hectares by 2020, by which time production is expected to increase to approximately 16,000 tonnes in-shell¹⁰.

According to the Australian Nut Industry Council, current domestic consumption of in-shell walnuts has risen from 600 tonnes per annum to 800 tonnes per annum with consumption of kernels averaging approximately 9,110 tonnes of in-shell equivalent. Locally produced walnuts now satisfy total domestic demand for in-shell

⁹ Australian Nut Industry Council, Australia's Tree Industry, Growing For Success, 2014

¹⁰ Ibid.

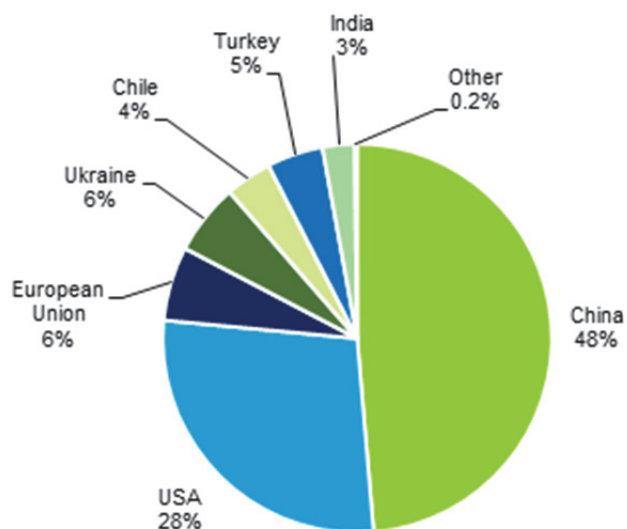
walnuts, however, domestic production of kernels is not expected to replace imports of kernels in the near future due to the relatively low cost of imported kernels, particularly where kernels are used in immediate food consumption where the need for lower costs outweighs the requirement for greater quality.

Walnuts are priced according to their kernel colour and size with prices expressed in United States dollars (USD) for export markets and AUD in Australia, per kilos. With Australia being a net exporter of walnuts, pricing is also influenced by the AUD / USD exchange rate as the United States (California in particular) is the largest exporter globally. Australian walnut prices are benchmarked on the Californian walnut price.

2.2.2 Global market

Australia's output represents an immaterial proportion of total global production, being less than 1% in 2014. China and the United States (in particular, California) together produce over 75% of the world's supply of walnuts, producing 780,000 tonnes and 446,335 tonnes in 2014, respectively. Consequently, walnut pricing is heavily influenced by production and industry conditions in China and the United States.

Figure 3: Global walnut production 2014 – In-shell basis



Source: United States Department of Agriculture

Despite being the largest producer, China only exported approximately 2% of production in 2014. China consumes the vast majority of its production domestically, consolidating domestic consumption with further imports. Chinese demand for imports is expected to grow in the coming years, with an increase of 7% projected in 2015¹¹.

Globally, growth in demand for walnuts has been stable at a steady rate of 4% per annum. This growth rate is expected to be maintained going forward as a result of increased awareness of the health benefits of consuming nuts and the general trend towards healthy living¹².

Australia is a net exporter of walnuts and is expected to remain so in the near future. Much of the exported walnuts are to the northern hemisphere during the counter-season. This provides Australia with an advantage in the global export market as Australian producers are able to market fresh walnuts during the six-month off-season to northern hemisphere consumers, and command a premium in the export market.

The recent weakening of the AUD against the USD is likely to increase Australia's price competitiveness in export markets to further consolidate margins and ease pricing pressures from imports.

¹¹ United States Department of Agriculture, Tree Nuts: World Markets and Trade, October 2014

¹² Australian Nut Industry Council, Australia's Tree Industry, Growing For Success, 2014

2.2.3 Outlook for the Australian walnut industry

The overall outlook for the Australian walnut industry is positive. In particular, we note the following:

- domestic and global consumption of nuts is expected to increase in the coming years in line with greater consumer awareness of the associated health benefits. Further, Australian walnuts have developed a reputation in local markets for having superior flavour and freshness for use as snack food and decoration purposes on bakery items and confectionary. As a result, Australian in-shell walnuts are highly sought after in local markets¹³
- China is expected to increase walnut imports to satisfy domestic demand. Further, the China-Australia Free Trade Agreement enacted in November 2014 will result in current tariffs on Australian nut exports to China reducing to nil in the next five years, which may further stimulate demand from China
- Australia has the opportunity to become a reliable exporter of counter-season walnuts to the northern hemisphere, particularly in time to supply the critical Christmas trading period. Supplying the northern hemisphere during the off season will enable Australian exporters to command a premium in the export market
- Australian walnuts are not typically exposed to many of the pests and diseases affecting other production in other countries and, as a result, the use of chemicals and pesticides is relatively low in Australia. This may increase the global market share of Australian walnuts¹⁴
- the AUD / USD exchange rate is expected to remain at current levels, improving Australia's export competitiveness and easing competitive pressures from imports.

Against this positive backdrop, key risks for the Australian walnut industry include:

- variability in weather patterns: increasing volatility in weather patterns has the potential to impact both the quality and level of production
- availability of water: a sufficient water supply is required during walnut tree growth and variability in water access and supply may impact both the quality and level of production. The typical water requirement per hectare of planted walnut orchards is around 10 to 11 ML per annum
- harvest risk: rainfall during harvesting season can impact the quality and yield of the harvest
- exchange rate volatility: movements in the AUD and USD exchange rate can impact both selling prices and competitiveness in the market
- disease and pests: damage to the orchards from disease and pests can impact yields and production volumes.

2.3 Overview of the cotton industry

Australia is one of the world's largest cotton exporters and accounted for approximately 12% of global cotton traded in the financial year (FY) ended FY2014¹⁵. Cotton is grown predominantly in inland areas of northern New South Wales and southern and central Queensland where it is first ginned before being exported, primarily to Asia. Cotton demand is driven by the textile industry and clothing manufacturers, with the marginal demand growth in recent years stemming primarily from China.

A number of factors underpin the Australian cotton industry. These include:

- Australian cotton is regarded as being of a premium quality and generally commands higher average prices on world markets
- Australian cotton has low contamination levels, making it a sought after blend for spinning mills
- the proximity of Australia to Asian markets increases the general competitiveness of Australian producers relative to producers in other non-Asian countries
- the developed infrastructure and supply chain in the Australian cotton industry

¹³ Australian Nut Industry Council, Australia's Tree Industry, Growing For Success, 2014

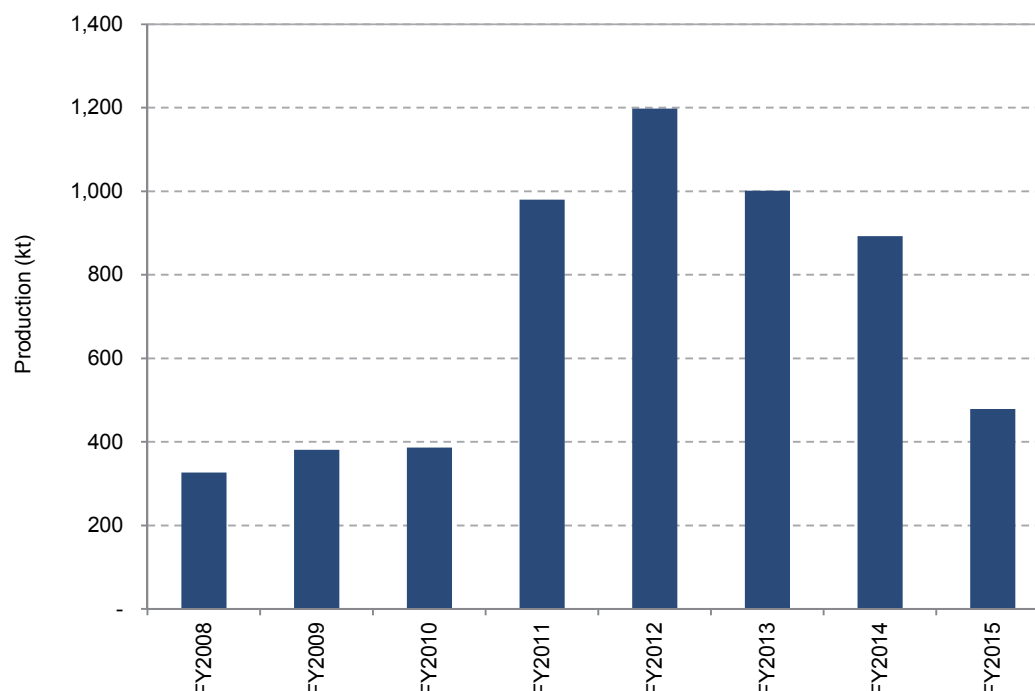
¹⁴ Ibid.

¹⁵ Foreign Agricultural Service, USDA Cotton Supply and Distribution by Country, 2013-14

- globally high cotton primary production yields, which are supported by sophisticated irrigation facilities and agricultural techniques.

A summary of historical cotton production volumes in Australia from FY2008 to FY2014, along with forecast production for FY2015, is provided in the figure below.

Figure 4: Historical and forecast Australian cotton production¹



Source: Foreign Agricultural Service, Official USDA Estimates

Note:

1. Kt = Kilotonne.

The level of Australian cotton production depends largely on the availability of irrigation water. Production in FY2015 is forecast to be lower than to FY2014 due to adverse seasonal conditions¹⁶.

Although it can vary amongst different geographies, the price of cotton is primarily determined by global supply and demand. In the short term, price volatility is largely driven by supply factors related to climatic and macroeconomic conditions. However, long term prices are more likely to be impacted by global population growth and rising per capita demand in developing nations. Given that cotton is a globalised commodity and is priced in United States currency, the level of the AUD relative to the USD also plays a significant role in the margins received by Australian producers.

Australian cotton typically trades at a premium to ICE prices as a result of:

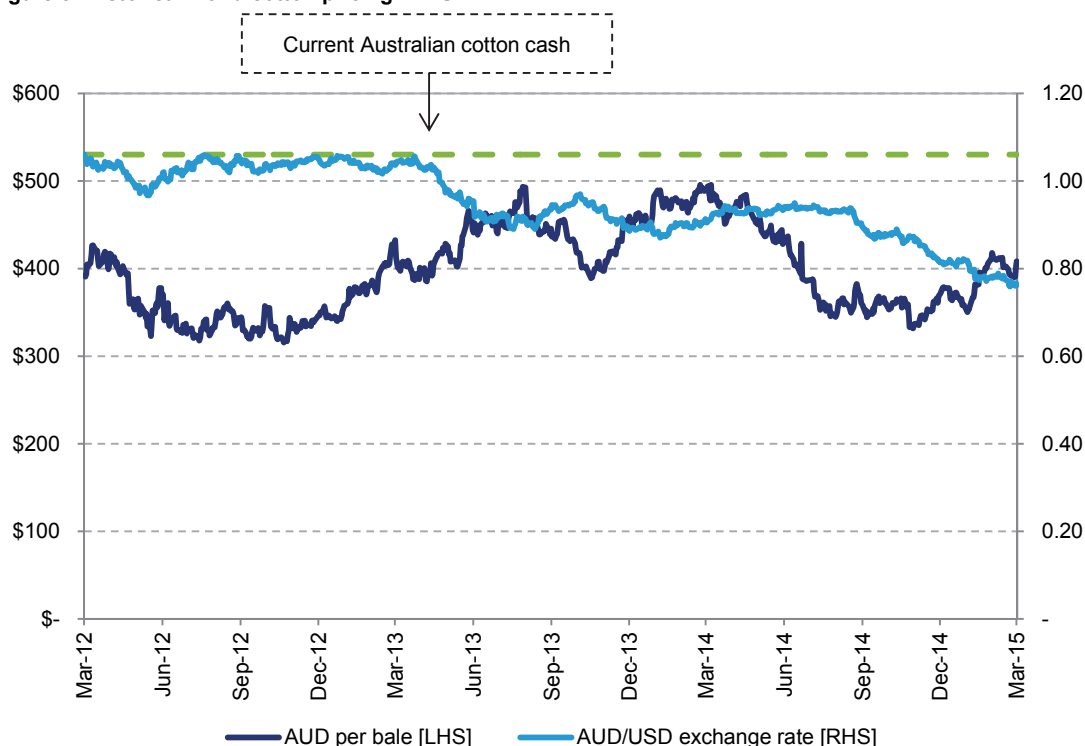
- differences in delivery schedules (Australia typically take delivery in May to July, whereas the ICE benchmark stipulates delivery in March)
- differences in grade (Australian cotton is typically of a higher grade)
- differences in freight terms (Australia typically delivers based on 'freight on truck' the gin yard).

The above adjustments to the benchmark ICE price are referred to as the 'basis'. Global shortages of high basis cotton have led to an increase in demand and, therefore, prices for Australian cotton in recent years. The basis is currently over \$120 per bale, resulting in a current Australian cotton cash price of \$530 per bale.

¹⁶ USDA Foreign Agricultural Service, GAIN report, 2014

A summary of historical movements in the International Commodity Exchange (ICE) Cotton No.2 futures contract (an international cotton price benchmark which closely correlates with prices received by Australian producers) in AUD and the exchange rate between the AUD and the USD is presented in Figure 5 below.

Figure 5: Historical world cotton pricing in AUD



Source: S&P Capital IQ, Deloitte Corporate Finance Analysis

2.4 The market for water access entitlements

A water access entitlement is a registered perpetual or continuing legal entitlement to a share of water from a specified consumptive pool (often a river system) as defined in the relevant water plan. The volume of water available via a water access entitlement may change if the amount of water available in a water management area changes.

The use and regulation of irrigation water is governed by federal and state legislation. Water entitlements exist in both regulated and unregulated systems:

- in regulated systems, flows are controlled through the use of infrastructure that stores and releases water, while flows in unregulated systems are not controlled through the use of infrastructure. Water entitlements to regulated sources have different levels of reliability, such that higher reliability entitlements receive their allocations before lower reliability entitlements
- in unregulated systems water entitlements have no formal reliability. The ability to take water from an unregulated water source is generally specified by stipulating a number of restrictions on extraction (minimum flow conditions, maximum daily extraction and extraction timing).

Consequently, within a given season, the actual water available to an entitlement holder for irrigation will vary according to whether the licence is regulated (and the level of reliability) or unregulated, the rainfall received, dam storage levels and demand in the water catchment area.

There are three main types of regulated water entitlements that can be acquired in the Southern Murray Darling Basin:

1. High Security: the most reliable form of entitlement. Throughout the water cycle, the annual allocation to the licence holder will average 95% of total allocation
2. General Security: a lower security entitlement. Throughout the water cycle, the annual allocation to the licence holder varies, but has generally averaged 65% of the total allocation

3. Supplementary: lowest security entitlement. The allocation yield is only made possible by special announcement of State river managers. Historically, the volumes of available entitlements have corresponded to periods of high rainfall below catchment dams or excess releases from storages.

These resources, once acquired, can be used throughout the resource base of the security holder, i.e. they are not attached to any particular land holding. Holders of predominantly General Security licences need to own the rights to more water than they would need on average, as they are only able to secure an average of 65% of their specified allocation in a 'General Security' environment.

Entitlements can be either bundled or unbundled. 'Unbundling' refers to the separation of bundled entitlements into their individual elements, including separation from land title. Historically, most entitlements were bundled with land. However, most entitlements in significant surface water systems have now been unbundled from land.

Australia, together with the United States and Chile, is considered one of the most significant and mature water markets in the world. Key aspects of the Australian water market are summarised as follows:

- there is increasing demand for water driven by the transfer of significant entitlements away from agricultural use to supply Commonwealth environmental objectives
- the water market is becoming more liquid and transparent. In particular, the knowledge of market participants is increasing as a result of significant disclosure requirements on transactions
- water entitlement and allocation prices are set by market forces and are not regulated
- water entitlements are protected by the rule of law and are registered in jurisdictional water titles offices
- water entitlements are accepted as security by major lending institutions and are legally enforceable and defensible
- 'administrative' trade restrictions between geographic areas are gradually being removed, allowing water markets to function more smoothly
- a complex set of hydrological-based rules and restrictions is necessary to reflect physical infrastructure and geographical realities.

2.4.1 Water entitlements trading

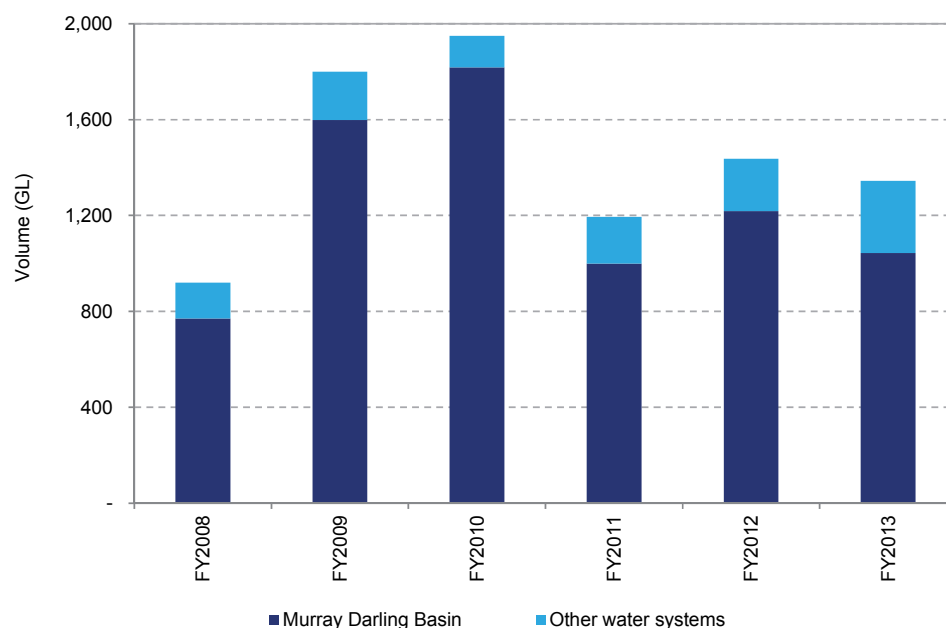
Water entitlement trading is generally driven by changes in demand and in the nature and location of water-using industries. The supply of water entitlements is fixed in the areas in which both Tandou and Webster operate. Entitlements can be purchased as an investment or risk management tool, and trading reflects shifts within agricultural subsectors or between agricultural and/or other industrial sectors, or participants exiting irrigated agriculture. In recent years, demand for water entitlements from coal miners in New South Wales and Queensland has been particularly strong and has impacted pricing for entitlements in these regions.

Trading in water entitlements has declined since the peak of FY2010. This is likely due to improved water availability, a reduction in entitlement purchases by the Australian Government for environmental purposes in the Murray Darling Basin¹⁷ and initial pre-existing demand having being met.

¹⁷The objective of the Australian Government over the course of the last few years was to return more water to the environment, achieved by directly buying water entitlements from the irrigators and also by saving water via efficiency projects. The volume of trade registered as Australian Government environmental water acquisitions across the Murray Darling Basin increased from nil in FY2008 to a cumulative total of 1,600 gigalitres (GL) by the end of FY2013. As a result, the Australian Government holds the largest portfolio of entitlements in the Murray Darling Basin

The figure below sets out the volumes of water entitlements traded in Australia over the past few years.

Figure 6: Historical water entitlement trading volumes in Australia

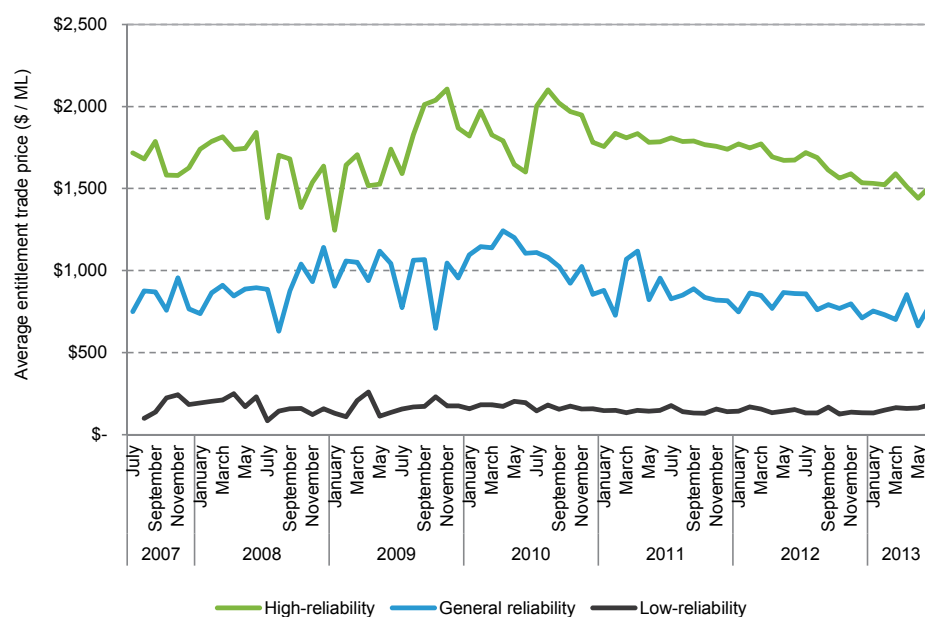


Source: 'Australian water markets: trends and drivers 2007-08 – 2012-13', published by the National Water Commission

Pricing for water entitlements has been relatively volatile since 2007, reflecting both the drought and the Government's initial entry into the market. The Government has reduced its direct role significantly since mid-2010 as a result of an increased period of rainfall and water availability, and the market adjusting to the Government's purchasing requirements. Prices of high reliability entitlements have declined steadily from around \$2,000 per ML to approximately \$1,500 per ML over the three year period to 30 June 2013. This price trend has more recently improved driven by the introduction of the Commonwealth's On Farm Irrigation Efficiency Programs, and irrigators competing for remaining entitlements in a smaller pool.

The figure below illustrates the trend in water entitlement prices in the Southern Murray Darling Basin in recent years.

Figure 7: Historical average prices for entitlement trades in the Southern Murray Darling Basin



Source: 'Australian water markets: trends and drivers 2007-08 – 2012-13', published by the National Water Commission

3 Profile of Tandou

3.1 Introduction

Tandou is an ASX-listed Australian agribusiness primarily focused on large scale, irrigated cotton production, and management of an extensive, and complementary, water rights portfolio. On the day prior to Announcement Date, Tandou had a market capitalisation of \$94 million.

The company conducts its cotton and pastoral operations (referred to as the Farming Operations) from four properties, namely: the Tandou Farm (127,337 hectares), located in Broken Hill, New South Wales; the Glenmea farm (6,222 hectares) located near Hay in New South Wales; the Bundygoola farm (7,764 hectares), also located near Hay; and the 1,400 hectare Pevensey property, in Hay, which is leased under a long term agreement that expires in August 2015.¹⁸

Tandou's increasing focus on maximising the value of its water position follows a shift in strategic direction that commenced towards the end of the last decade, when the company divested its winery and horticulture assets in order to expand its water business (referred to as the Water Operations).

Tandou's water rights portfolio currently comprises 17.5 GL of High Security entitlements, 57.4 GL of General Security entitlements and 9.1 GL of supplementary / ground water entitlements. Together, the company's portfolio of permanent water entitlements equates to around 1.5% of the total Southern Murray Darling Basin volumes.

3.2 Company history

An overview of the company's history is provided in the figure below.

Figure 8: History of Tandou

Period	Commentary
1970 – 1990	<ul style="list-style-type: none">Tandou was founded by Mr Bob Smith and Mr Ian Taylor, holders of Tandou Farm, in 1972, primarily for the purposes of pastoral activityThe company was listed on the ASX in 1987, which marked the commencement of its cropping activities
2003 – 2010	<ul style="list-style-type: none">Over the course of this period, Tandou experienced sustained drought conditions, which resulted in restrictions on water availability and significant write-downs of the value of the company's wine stocks and winery and orchard assetsThe ongoing drought over this period resulted in four consecutive years of minimal cotton plantings, which was somewhat supplemented by wheat / cereal plantingsDuring FY2008, Tandou sold its entire portfolio of supplementary water entitlements to the Federal Government for \$34 million in order to retire all of the company's bank debt at that timeIn addition, the company raised \$29 million in equity through two private placements (in 2005 and 2007) and two entitlements offers (2006 and 2007) to retire debt and fund near term working capital requirements
2011	<ul style="list-style-type: none">In May 2011, Tandou completed the sale of its orchard and vineyard assets located at Menindee, New South Wales, realising their carrying valuesIn May 2011, Tandou made a 5 for 8 non renounceable entitlement offer at \$0.42 per share which implied a discount of 25% to the share price immediately prior to the announcement. The proceeds raised were directed towards strategic acquisitions of water entitlements. By October 2011, Tandou held 46 GL of water entitlementsIn November 2011, Tandou acquired a neighbouring pastoral property, the 47,440 hectare Willotia Station, for approximately \$2.7 million, valuing the property at \$57 per hectare
2012	<ul style="list-style-type: none">In June 2012, Tandou announced the sale of 14 GL of water to the Federal Government (through the Southern Targeted Purchase Initiative) in exchange for \$19.4 million. Five months later, in November 2012, the company sold a further 16 GL of water for \$17.3 millionThe company announced the acquisition of a 6,000 hectare property known as 'Ravensworth East' from the Harris family (later renamed Glenmea), which is located alongside the

¹⁸ Tandou's current three year lease over Pevensey continues until 14 August 2015, however Tandou has the option to renew twice, for equal periods of three years. Tandou intends to renew the lease and does not anticipate any risks in relation to extending the lease

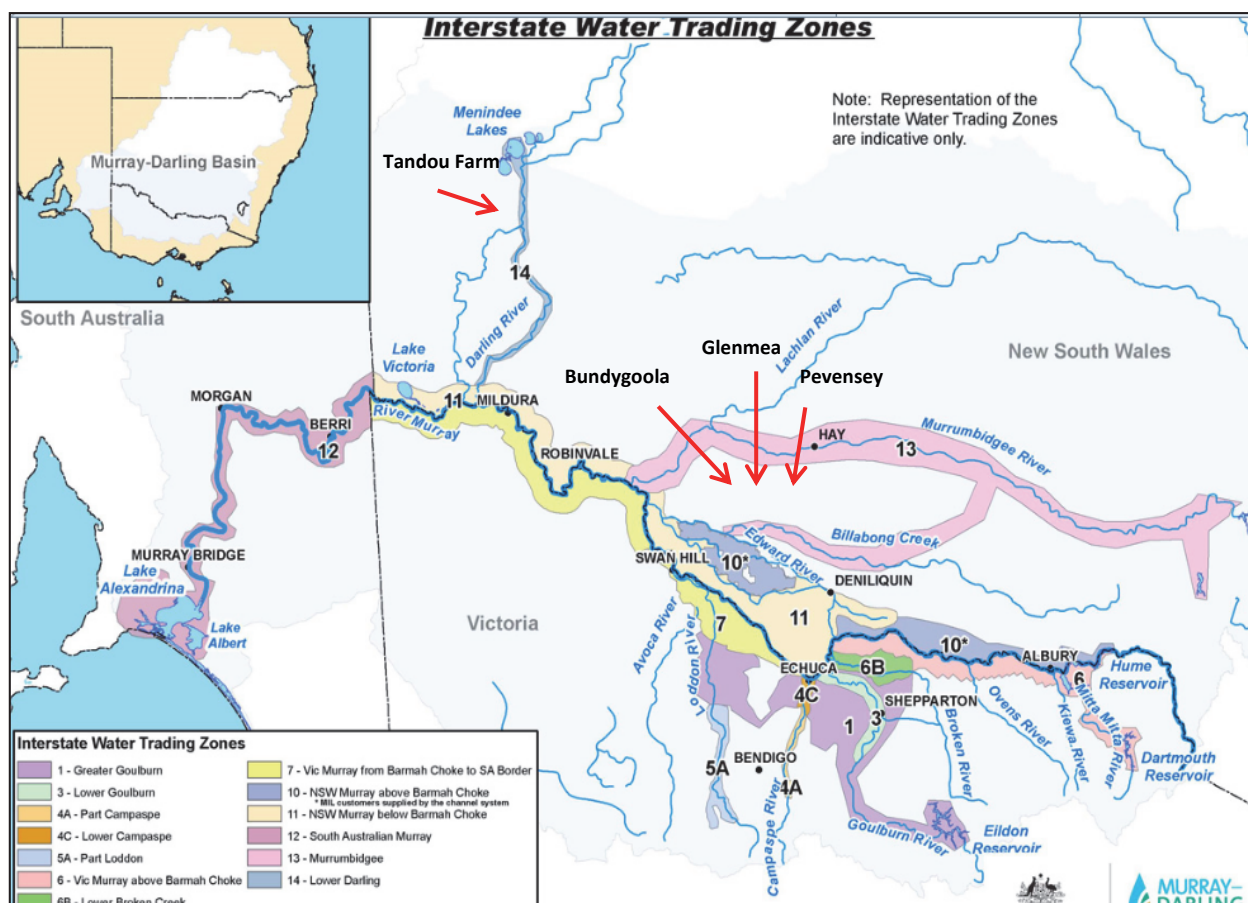
Period	Commentary
	Murrumbidgee River. Tandou noted that the acquisition of the property, when combined with the existing cropping operations at Pevensey, would serve to increase the company's cropping capacity by approximately 40%
2013	<ul style="list-style-type: none"> In December 2013, Tandou announced that it had acquired 35 GL of water for \$24.8 million, comprising General Security (26 GL), supplementary entitlements (6.1 GL) and ground water (2.5 GL) entitlements, from the Harris family. The acquisition also included 8 GL of Murrumbidgee allocations for the 2013 / 2014 season The company announced the interdependent \$8.4 million acquisition of the 'Ravensworth South' property (later renamed Bundygoola) from the Harris family, which comprises 7,450 hectares of land near Hay, located in close proximity to Tandou's existing Riverina properties. The acquisition included approximately 12.5 GL of water storage facilities
2014	<ul style="list-style-type: none"> In March 2014, Tandou announced a fully underwritten, 3 for 8 non-renounceable entitlement offer to raise up to \$25 million. The offer price, at \$0.47 per share, implied a discount of 10.5% to Tandou's closing price on the day prior to the announcement. The proceeds raised were used to pay down debt relating to the acquisition of the Bundygoola property and water assets and to fund general working capital requirements In July 2014, the company announced a change in its accounting policy in relation to land, buildings and property / structural improvements from cost to fair value, recognising a revaluation gain of approximately \$8.5 million in FY2014. The value of water entitlements continue to be recognised on the balance sheet at the lower of cost or net realisable value.

Source: ASX announcements, Tandou management information, Deloitte Corporate Finance analysis

3.3 Tandou's Farming Operations

The location of the properties owned and leased by Tandou is presented in the figure below.

Figure 9: Location of Tandou's properties



Source: Murray Darling Basin Authority, Tandou management information, Deloitte Corporate Finance analysis

Tandou's operations are concentrated in the Murray Darling Basin, New South Wales, located south-east of Broken Hill.

Tandou Farm comprises the ‘Lake Tandou’ irrigation development, located below the Menindee Lakes, and the Willotia acreage that, as a result of its topography, is used for grazing. The unique deep cracking, self-mulching, grey clay soils of the lake bed of Lake Tandou, on the other hand, makes the area well-suited to cotton cultivation. Tandou Farm’s primary water source is the Menindee Lakes.

In total, 13,625 hectares of Tandou Farm is developed for irrigation, whilst the balance is used for grazing and water storage purposes. The gravity-fed furrow system deployed across the majority of the irrigable land provides for low cost irrigation. The company has also developed a sub-surface drip irrigation system on 783 hectares of land, which has also proven very successful at minimising water usage.

The Glenmea, Bundygoola and Pevensey farms are located around Hay in New South Wales, alongside the Murrumbidgee River, and together form the consolidated ‘Hay Operations’ of the company. The combined developed area of the farms totals approximately 6,300 hectares, whilst a further 7,500 hectares is used for grazing purposes. Furthermore, the Glenmea and Pevensey properties include 1,600 hectares which could be used for future cotton cultivation.

A summary of the properties is presented in the following table:

Table 5: Properties overview

	Tandou Farm	Hay Operations			Total Hay Operations
		Glenmea	Bundygoola	Pevensey	
Location	Menindee, New South Wales	Hay, New South Wales	Hay, New South Wales	Hay, New South Wales	
Primary operations	Cropping / water / pastoral	Cropping / water	Cropping / water	Cropping / water	
Carrying values (\$ million)					
Land and irrigation improvements	30				12
Buildings / structures	13				1
Plant and equipment	3				3
Water storage	-				3
Total (\$ million)¹	46				19
Land (ha⁵)					
Drip irrigation	783	n/a	n/a	n/a	n/a
Developed irrigation row crop ²	12,842	1,673	3,430	1,200	6,303
Grazing and service land	113,712	3,149	4,334	n/a	7,483
Potential development	n/a	1,400	n/a	200	1,600
Total (ha)	127,337	6,222	7,764	1,400	15,386
Other information					
Water storage capacity (ML)	n/a	4,500	12,500	1,000	18,000
Water requirement (ML / ha)	10				10 – 11
Cotton gin daily throughput ^{3,4}	600				n/a
Cotton yield (lint bales / ha)	~10.0				~10.5

Source: Tandou management information, Deloitte Corporate Finance analysis

Notes:

1. In 2014, the company changed its accounting policy from cost to fair value for land and buildings; therefore, the carrying value approximates the most recent fair market valuations prepared by an independent property valuer as at 30 June 2014
2. The planting of row crops is an agricultural technique that sees crops planted in rows wide enough to allow the crops to be tilled or cultivated by agricultural machinery
3. Reflects long term budget of 50,000 upland cotton bales per annum, however, following the installation of a new bale press, the gin has demonstrated increased daily throughput
4. The Hay Operations do not have cotton ginning facilities onsite and outsource ginning to local third parties
5. Ha – hectares.

Through its Farming Operations, Tandou is primarily focused on cotton production, although opportunistically grows cereal crops. Tandou has also established itself as one of the largest organic lamb producers in Australia via pastoral activities conducted on Tandou Farm.

Recent and forecast cotton production for the Tandou Farm and the Hay Operations, along with the pre-tax return of assets (ROA) for Tandou's consolidated Farming Operations, is presented below.

Figure 10: Historical and forecast cotton production

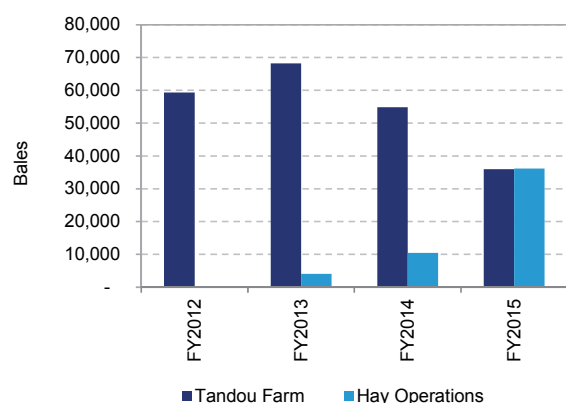
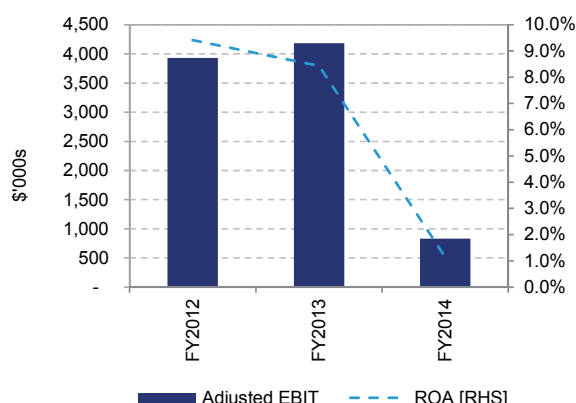


Figure 11: Historical pre-tax ROA¹



Source: Management information

Note:

1. Pre-tax ROA calculated as adjusted segment EBIT divided by segment assets (excluding farming inventories) allocated to the Farming Operations. FY2014 earnings before interest and tax (EBIT) exclude impairment losses recognised in relation to Glenmea.

We note the following in respect of the recent performance of the Farming Operations:

- the Farming Operations acquire water from the Water Operations at a fixed transfer price, which reflects management's view of a long term price for water. To the extent the market price for water is greater than this transfer price, the Farming Operations' performance is artificially supported by the Water Operations, and vice versa
- FY2015 production reflects the addition of the Glenmea and Bundygoola farms in 2014, offset by lower plantings as a consequence of poor cropping conditions forecast for FY2015. Tandou usually forward sells between six and eight bales per hectare half way through the season (equating to approximately 60% to 80% of production) for delivery in six months on harvest
- variable ginning costs decreased in FY2013 following the refurbishment of Tandou Farm's gin. Furthermore, a new third-party gin was recently completed near Hay, which will reduce the transport costs of the Hay Operations
- the company's Farming Operations include organic lamb production, which contributes a relatively small proportion of earnings but has some strategic worth in a high price environment for lamb (which is the case currently).

3.4 Tandou's Water Operations

Tandou's current corporate strategy is underpinned by its water entitlements portfolio. The company has invested heavily in water entitlements over the course of the last decade in order to protect the profitability and viability of its ongoing Farming Operations, but also to capitalise on high water prices when water is scarce.

A summary of Tandou's current water entitlements portfolio is provided in the following table.

Table 6: Tandou's water portfolio as at 31 December 2014

	Size of water entitlement (ML)	Carrying value 31-Dec-2014 (\$'000)	Independent valuation 31-Dec-2014 (\$'000)
Volume per river			
Murrumbidgee	46,174	33,001	41,137
Lower Darling	21,901	6,259	18,712
Murray – Victoria	5,513	7,677	9,809
Goulburn	6,605	9,174	11,533
Murray – New South Wales	3,819	5,651	6,829
Total	84,013	61,761	88,020

	Size of water entitlement (ML)	Carrying value 31-Dec-2014 (\$000)	Independent valuation 31-Dec-2014 (\$000)
Composition of volumes			
High Security / Reliability	17,465	25,276	31,575
General Security	57,398	32,694	52,390
Supplementary & ground water	9,150	3,792	4,055
Total	84,013	61,761	88,020

Source: Management information

Tandou also owned \$1.2 million of water allocations as at 31 December 2014.

In order to maintain the productivity of its irrigable land, Tandou only plants around two thirds of the developed land every year as part of the annual cropping cycle. The maximum plantable summer crop area is approximately 7,000 hectares for Tandou Farm and 4,000 hectares for the Hay Operations in any given year. As the annual cotton planting season occurs in September and October, in July or August Tandou is required to budget that portion of the plantable area that will be cultivated, primarily based on internal views on supply and demand for water entitlements. When water prices are forecast to be too high to make cropping viable, Tandou sells its water to third parties who do not have the flexibility to defer cropping (e.g. tree growers with plantation cycles greater than one year).

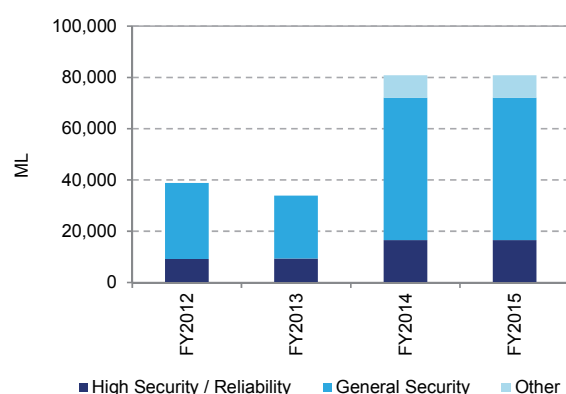
The Farming Operations, and more specifically, the cropping activities, are therefore separated from the Water Operations as the cropping activities have their own intrinsic value since:

- if water is abundant, the return from cropping per ML of water is greater than that achieved by the Water Operations
- if water is scarce, then Tandou is incentivised to retain a portion of its water for trading on-market. In these circumstances, Tandou will make a higher return from trading the water compared with using the water in its cotton operations. The volume of water entitlements Tandou chooses to retain for trade rather than for use in cotton cropping is also influenced by the fixed cost base of the Farming Operations.

Internally, the company refers to the above strategy as the water 'hedge'. Tandou has a policy to maintain the level of water entitlements it owns; only trading that portion it forecasts it will be capable of buying back during the year based on internal views on climatic conditions, preferably at a profit. Tandou is actively seeking to profit from arbitrage: over the course of the past three years, the company has generated an average profit margin equivalent to 10% to 15% of the sale price from trading its water.

A summary of Tandou's historical and forecast water rights position, together with the pre-tax ROA for the Water Operations, is presented below.

Figure 12: Historical and forecast water rights position



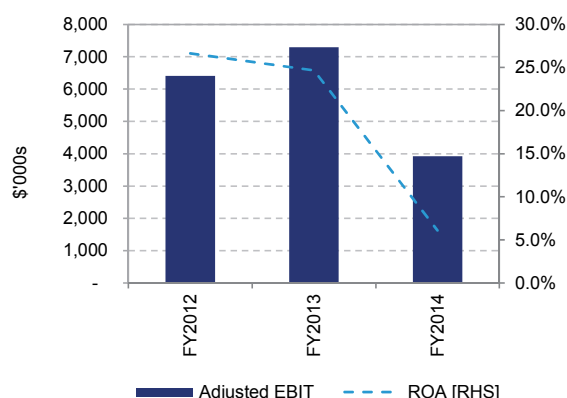
Source: Management information

Note:

1. Pre-tax ROA calculated as adjusted segment EBIT divided by segment assets allocated to the Water Operations.

The company's FY2015 budget for the Water Operations assumes no increase in water entitlements at year end.

Figure 13: Historical pre-tax ROA¹



3.5 Capital structure and substantial shareholders

Tandou currently has 196.9 million ordinary shares on issue.

The following table summarises the top ten individual shareholdings of Tandou as at 3 February 2015.

Table 7: Top ten shareholders of Tandou

Name	No of shares held (‘millions)	Proportion of shares on issue
Eagle Securities Limited	19.7	10.0%
P F Agriculture Pty Limited	15.8	8.0%
Mr Peter Joy	15.1	7.7%
Citicorp Nominees Pty Limited	15.0	7.6%
Mr Andrew Sisson	12.5	6.4%
REL-Trust Management Limited	12.5	6.4%
HSBC Custody Nominees (Australia) Limited	9.9	5.0%
Ashfield Farm Limited	7.3	3.7%
J P Morgan Nominees Australia Limited	6.6	3.4%
LBPC Investments Pty Limited	6.0	3.0%
Top ten shareholdings in Tandou	120.5	61.2%
Other shareholdings	76.4	38.8%
Total shares outstanding	196.9	100.0%

Source: Management information

Through an aggregation of various holdings, the following parties own substantial shareholdings in Tandou as at 3 February 2015:

Table 8: Substantial shareholders of Tandou

Name	No of shares held (‘millions)	Proportion of shares on issue
REL-Trust Management Limited, Rural Equities Limited, Ashfield Farm Limited, H&G Limited & RGH Holdings Limited	21.7	11.1%
Pacor Secoma Trustees S.A. as Trustee of the Columbiens Trust	19.7	10.0%
Water Asset Management LLC	19.5	9.9%
PF Agriculture Pty Limited	15.8	8.0%
Mr Peter Joy	15.1	7.7%
Mr Andrew Sisson	12.5	6.4%
Total substantial shareholdings in Tandou	104.2	53.0%

Source: Management information

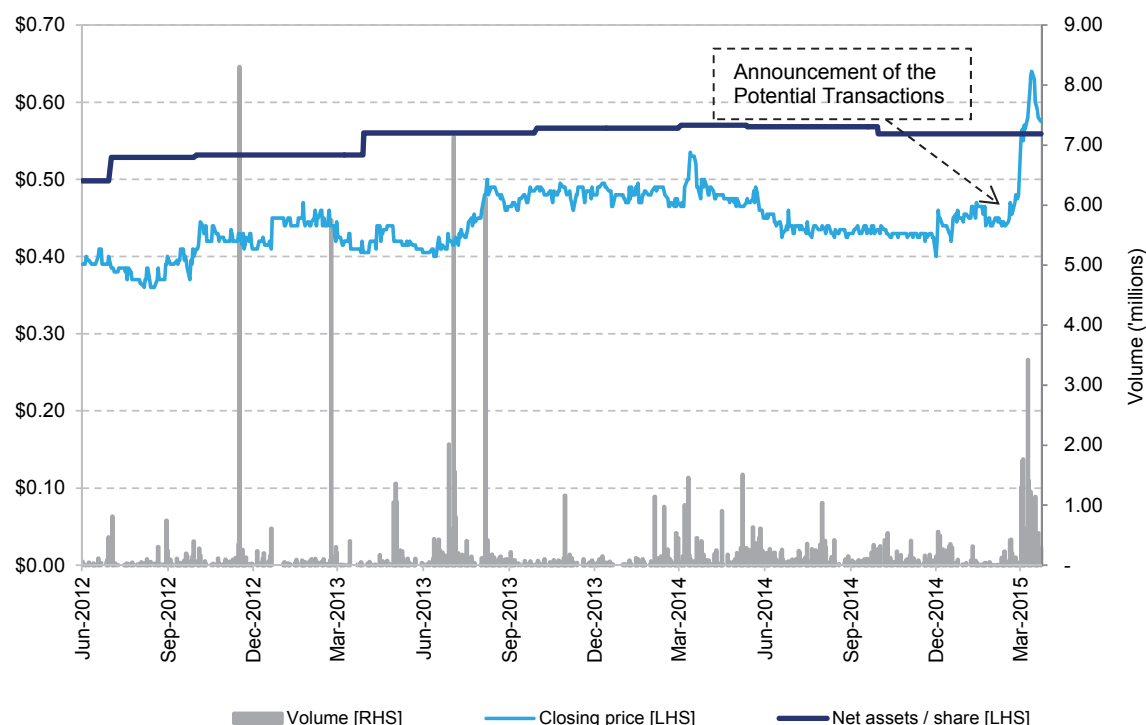
In addition to ordinary shares, the company has the following unlisted securities on issue:

- 250,000 options that were issued in three equal tranches to Mr Guy Kingwill (CEO) under the Employees and Directors Option Plan. The options have an exercise price of \$0.26 per share and have all vested
- 125,000 partly paid \$1 shares, which are paid up to \$0.20 per share
- 40,000 partly paid \$1 shares, which are paid up to \$0.01 per share.

3.6 Share price performance

Tandou's historical share price and net asset backing (NAB, calculated as gross assets minus gross liabilities per share), together with historical volumes of shares traded, are presented graphically in the figure below.

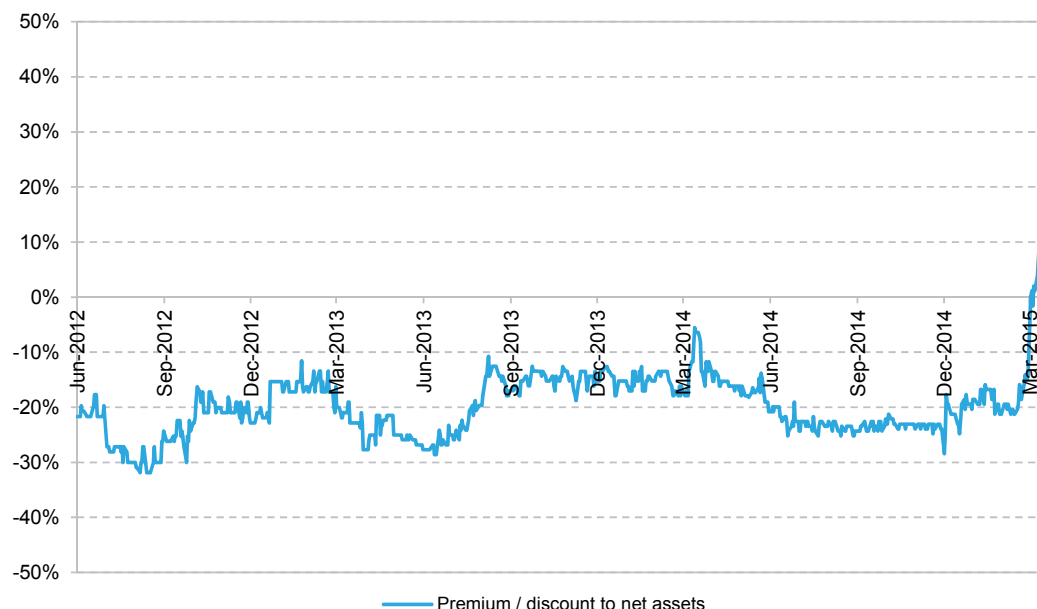
Figure 14: Tandou historical share price, volumes traded and NAB per share



Source: S&P Capital IQ, Deloitte Corporate Finance analysis

Tandou's historical share price premium/(discount) to NAB is presented graphically in the figure below.

Figure 15: Tandou historical share price discount to NAB



Source: S&P Capital IQ, Deloitte Corporate Finance analysis

As set out above, Tandou has consistently traded at a discount to its NAB per share, which averaged 21% over the course of the two years immediately preceding the announcement of the Potential Transactions in late February 2015.

Recent trading in Tandou shares up to the Announcement Date is summarised in the following table:

Table 9: Recent trading in Tandou shares

	Low (\$ per share)	High (\$ per share)	VWAP (\$ per share)	Volume ('millions)	Proportion of shares traded
5-days to Announcement Date	0.46	0.48	0.47	0.4	0.2%
30-days to Announcement Date	0.44	0.48	0.45	2.0	1.0%
90-days to Announcement Date	0.40	0.48	0.44	6.4	3.3%
6 months to Announcement Date	0.40	0.48	0.44	13.2	6.7%
12 months to Announcement Date	0.40	0.54	0.45	35.6	19.1%

Source: S&P Capital IQ; Deloitte Corporate Finance analysis

As set out in the table above, in the 12 month period to 27 February 2015, approximately 35.6 million shares were traded, representing 19.1% of total issued capital. This equates to an average weekly trading volume of approximately 0.4% of issued shares.

3.7 Financial performance

Tandou's historical financial performance is summarised in the following table.

Table 10: Financial performance of Tandou

	FY2012 Audited (\$000)	FY2013 Audited (\$000)	FY2014 Audited (\$000)	HY2015 ⁵ Reviewed (\$000)
Revenue	49,144	65,716	68,860	40,219
<i>Revenue growth (%)</i>	<i>n/a¹</i>	<i>33.7%</i>	<i>4.8%</i>	<i>n/a</i>
EBITDA²	10,246	11,664	4,894	2,164
<i>EBITDA margin</i>	<i>20.8%</i>	<i>17.7%</i>	<i>7.1%</i>	<i>5.4%</i>
Depreciation and amortisation	1,761	2,143	2,571	1,024
EBIT	8,485	9,521	2,323	1,140
<i>EBIT margin</i>	<i>17.3%</i>	<i>14.5%</i>	<i>3.4%</i>	<i>2.8%</i>
Net interest income / (expense)	(982)	(912)	(2,028)	(842)
Profit before tax³	7,503	8,609	295	298
<i>Pre-tax ROA⁴</i>	<i>7.9%</i>	<i>7.3%</i>	<i>0.2%</i>	<i>0.2%</i>
Normalisation adjustments:				
Establishment costs relating to Bundygoola acquisition	-	-	422	n/a
Impairment loss / (reversal) – property, plant and equipment	(475)	-	317	n/a
Gain on disposal of property, plant and equipment	(31)	(52)	(111)	n/a
Total normalisation adjustments	(506)	(52)	628	-
Normalised EBITDA	9,740	11,612	5,522	2,164
<i>Normalised EBITDA margin</i>	<i>19.8%</i>	<i>17.7%</i>	<i>8.0%</i>	<i>5.4%</i>
Normalised EBIT	7,979	9,469	2,951	1,140
<i>Normalised EBIT margin</i>	<i>16.2%</i>	<i>14.4%</i>	<i>4.3%</i>	<i>2.8%</i>
Reconciliation of segment adjusted EBIT and consolidated net profit before tax				
Farming Operations	3,928	4,182	513	(2,483)
Water Operations	6,412	7,297	3,925	4,792
Unallocated corporate costs	(1,855)	(1,958)	(2,115)	(1,169)
Net interest income / (expense)	(982)	(912)	(2,028)	(842)
Net profit before tax	7,503	8,609	295	298

Source: Annual and interim reports, management information

Notes:

1. n/a – not available or not applicable
2. EBITDA – earnings before interest, tax, depreciation and amortisation
3. Land and buildings revaluation gains of \$8.5 million recognised in FY2014 were not classified to the profit and loss
4. ROA – return on assets, calculated as profit before tax divided by gross assets
5. HY – half year.

We note the following in respect of Tandou's financial performance:

- FY2014 was a difficult year for many cropping businesses in the southern region, with Tandou experiencing low yields as a result of fluctuating weather conditions at crucial stages of the crop cycle. However, excellent cotton quality was maintained
- FY2014 performance was also affected by one-off establishment costs associated with the Bundygoola acquisition

- the company's unallocated fixed corporate cost base approximates \$2.1 million per annum, and includes head office salaries (approximately \$1.4 million), compliance expenses (\$0.3 million) and other fixed expenses (\$0.4 million).

Management is of the view that FY2015 will be a difficult year in respect of water availability. Tandou only planted approximately 30% of its available land on Tandou Farm and 60% of the land associated with the Hay Operations. The company did not plant any cereal during the year. As a result, more water will be traded by the company in FY2015 than ever before, reflecting the increasing importance of the Water Operations to Tandou's overall earnings base.

3.8 Financial position

Tandou's balance sheet as at 30 June 2014 and 31 December 2014 are summarised in the following table.

Table 11: Financial position of Tandou

	30-Jun-14 Audited (\$000)	31-Dec-14 Reviewed (\$000)
Cash and cash equivalents	482	60
Trade and other receivables	9,303	5,026
Inventories – farming	27,093	1,284
Inventories – water	56,609	60,941
Investments	50	50
Biological assets	4,561	17,513
Total current assets	98,098	84,874
Property, plant and equipment	64,783	65,340
Loan receivable	2,062	2,132
Inventories – water	2,084	2,084
Total non-current assets	68,929	69,556
Total assets	167,027	154,430
Trade and other payables	8,806	3,874
Interest bearing liabilities	-	25,000
Employee benefits	884	964
Current tax liabilities	-	1,394
Total current liabilities	9,690	31,232
Interest bearing liabilities	41,100	10,000
Deferred tax liabilities	4,247	3,049
Employee benefits	108	135
Total non-current liabilities	45,455	13,184
Total liabilities	55,145	44,416
Net assets	111,882	110,014

Source: Annual and interim reports

We note the following in respect of Tandou's financial position:

- Tandou's business is seasonal, reflecting the annual cropping cycle that commences with planting around September and concludes with picking by May the following year. As a result, the company's debt facilities include a seasonal component. The company's balance sheet as at 31 December 2014 reflects the near term expiry of a portion of the facilities in September 2015. The company is of the view the terms of the facility will be reviewed and renewed in September on similar terms.

The company's total available debt facility of \$68.6 million is secured by first mortgages over all of the company's freehold and leasehold property, and by an equitable charge over water entitlements

- inventories (both farming and water) are measured at the lower of cost or net realisable value. Currently, the fair market value of water inventories is between \$20 million and \$30 million in excess of its book value.

The company classifies approximately 75% of the Lower Darling water entitlements as non-current due to specific lack of market activity, whereas the balance is viewed to be tradeable within twelve months

- the company recognises biological assets (i.e. crops and livestock) at fair value less estimated point of sale costs. The increase in biological assets over the six months to 31 December 2014 reflects the seasonal nature of the cropping business
- the loan receivable of \$2.1 million relates to a loan provided to the Harris family as part of the Bundygoola acquisition. The loan is secured by land and water assets under the terms of the Priority and Subordination Deed between the parties, and is due to be repaid in January 2017
- deferred tax liabilities largely comprise temporary differences between the accounting and tax cost base of inventories and property, plant and equipment, net of deferred tax assets arising from carried forward tax losses (remaining carried forward tax losses are estimated at \$2.7 million).

4 Profile of Webster

Webster is an Australian-based ASX-listed company that primarily engages in the production, processing and marketing of both in-shell walnuts and walnut kernels (out of shell) (referred to as the Walnuts Australia business). On the day prior to Announcement Date, Webster had a market capitalisation of \$202 million.

Webster is the largest vertically integrated walnut business in the southern hemisphere, managing all aspects of the lifecycle (from plantation to marketing of the walnuts) and currently contributing approximately 95% of Australia's annual walnut production. Webster produces approximately 7,000 tonnes (nut in-shell) annually with a plan to increase these levels to around 16,000 tonnes within the next decade, once newly planted orchards reach full maturity.

The location of the walnut operations (in the southern hemisphere) provides Webster with a distinct geographic advantage as the company is able to harvest and sell produce counter-cyclically i.e. "out of season" with respect to its competitors in the northern hemisphere. Webster capitalises on this by selling to export markets, through which 78% of annual revenue is derived.

In November 2014, Webster announced the acquisition of certain Riverina cropping properties referred to as the 'Kooba Aggregation' which included cotton farming operations as well as substantial water entitlements.

4.1 Company history

An overview of the company history is provided below.

Table 12: Company history

Period	Commentary
1831	<ul style="list-style-type: none"> Webster commences operations as a traditional pastoral house
1900's	<ul style="list-style-type: none"> Webster plays a key role in the historical development of the dairy, energy and paper making industries through the supply of generators and refrigeration equipment, as well as ancillary pumps and motors
1970's	<ul style="list-style-type: none"> On 30 October 1974, Webster lists on the ASX under the ticker WBA
1990's	<ul style="list-style-type: none"> In 1996, Webster enters the horticultural industry, acquiring Vecon Pty Limited, an onion exporter In 1999, Webster expands its interests in the food industry by purchasing 50% of Aquatas, a Tasmanian based Atlantic salmon farm
2000 – 2005	<ul style="list-style-type: none"> In 2001, Webster acquires the remaining 50% interest of Aquatas In 2004, Webster expands its fledgling walnut operations in Tasmania to the Riverina area in New South Wales
2005 – 2010	<ul style="list-style-type: none"> In 2005, Aquatas merges with Tassal Group Limited (Tassal). Webster emerges as the largest shareholder of the enlarged entity with a 25% shareholding Between 2006 and 2009 Webster expands its walnut operations through the establishment and maintenance of 1,365 hectares of walnut orchards on behalf of Gunns Limited through a managed investment scheme
2010 – 2014	<ul style="list-style-type: none"> In 2010, Webster sells its interest in Tassal to fund the acquisition of further walnut assets in the Riverina area In December 2010, Webster entered into a heads of agreement with Gunns Limited to acquire all the assets comprising Gunns Limited's walnut division for \$23 million In November 2014, Webster announces the acquisition of the Kooba properties in the Riverina, comprising over 46,000 hectares of land as well as approximately 5,000 head of cattle and water rights. The transaction was funded by the issue of 17.5 million new ordinary shares and an increase in debt On 10 November 2014, Webster announced the divestment of its onion business (operated through its Fresh Field Tasmania (FFT) subsidiary), with completion of the sale expected in June 2015.

Source: Webster, ASX announcements, S&P Capital IQ, Deloitte Corporate Finance analysis

4.2 Walnuts Australia's operations

4.2.1 Overview

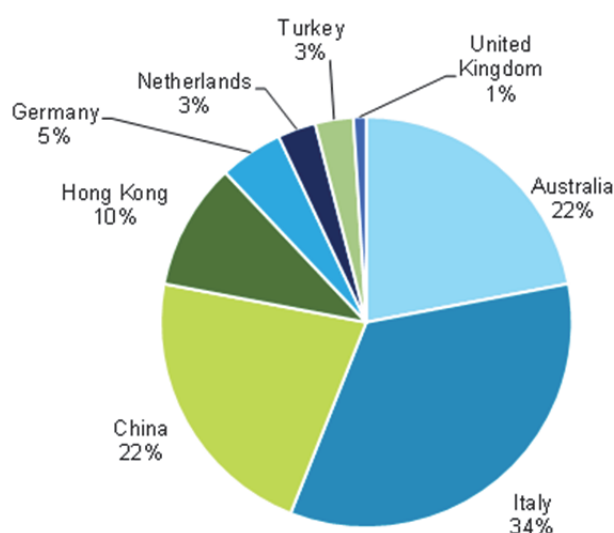
The walnut operations derive revenue through three main revenue streams: owned orchards, managed investment scheme income and management fees. In order to maximise efficiencies and optimise profits, all nuts are pooled together for processing and sale by the walnut operations. Industry specific machinery is owned by the walnut operations, including processing equipment such as hulling, drying, grading and cracking machinery.

Tasmanian grown walnuts are hulled in Tasmania before being shipped to the Leeton orchard in New South Wales, where all walnuts are graded based on both size and quality, and then bagged ready for sale. All sales, both domestic and export, are dispatched from the facility at Leeton. The Leeton facility also has a cracking facility, where nuts are cracked so that kernels can be extracted and marketed.

The walnut operations currently produce approximately 7,000 tonnes (in-shell) of walnuts per annum. The majority of nuts are sold in-shell with the remainder being sold as kernels once they have been processed. Once the Avondale West orchard, in New South Wales, has reached maturity in 2025, sales are forecast to increase to approximately 16,000 tonnes (in-shell) per annum¹⁹.

The vast majority of Webster's walnut production is for the export markets as set out in the figure below.

Figure 16: Sales by Geography (FY2014)



Source: Webster 2014 Annual Report

Walnuts are usually harvested in March and April resulting in a disproportionate amount of revenue being recognised in the month of sale post-harvest. Before they are sold, walnuts must be hulled and dried before being sold as in-shell walnuts or cracked and sold as kernel. The timing of the harvest and the associated procedures outlined above can be affected by the variety of walnut grown, the location of the walnut orchard and the weather conditions leading up to harvest.

Management has strategically planted a number of walnut varieties in order to extend the harvesting season for as long as possible. This staggered ripening strategy allows for the optimisation of machinery usage and the level of infrastructure required, facilitating an efficient harvesting process.

¹⁹ Webster CEO's Presentation, 11 November 2014

The walnut operations are based in two main regions, the New South Wales Riverina area and Eastern Tasmania. The table below outlines the primary operations and locations of these operations.

Table 13: Operations summary

	Leeton Orchard	Tabbita Orchard	Avondale West	Swansea Orchard	Cranbrook Orchard
Location	Leeton, New South Wales	Goolgowi, New South Wales	Tabbita, New South Wales	Swansea, Tasmania	Swansea, Tasmania
Primary operations	Walnut orchard / harvesting / processing / packing / walnut nursery	Walnut orchard / harvesting / processing	Walnut orchard under development	Walnut orchards	Walnut orchard (leased)
Area (ha) ¹	915	972	1,036	1,230	73
Independent valuation ² (\$million)	\$39.9	\$25.4	\$4.9	\$8.4	\$0.2

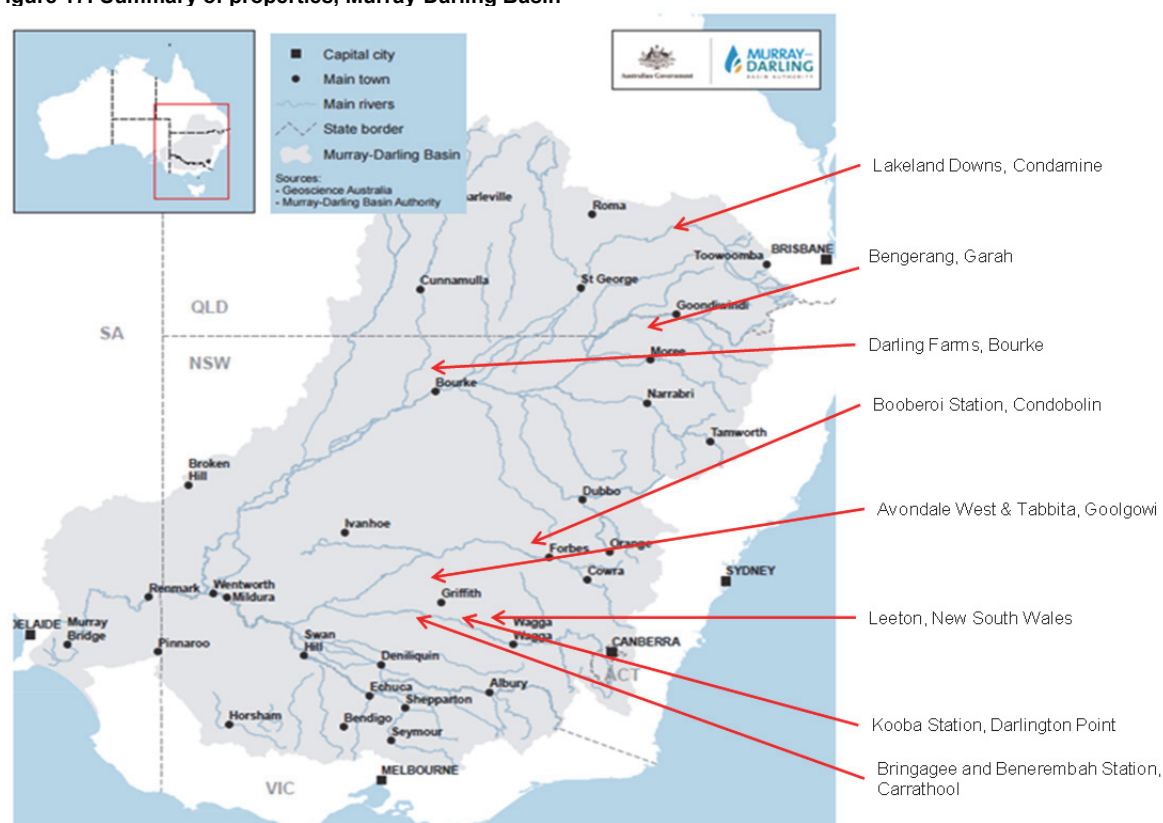
Source: Internal management information

Notes:

1. Total title area
2. As per the valuation report prepared by CBRE Valuations Pty Limited (CBRE) between 28 December 2014 and 5 February 2015.

The location of the properties owned, leased and under offer (Bengerang) by Webster is presented in the figures below.

Figure 17: Summary of properties, Murray-Darling Basin



Source: Murray Darling Basin Authority, Webster management information, Deloitte Corporate Finance analysis

Figure 18: Tasmanian operations



Source: Drainage basins in Tasmania, Webster management information, Deloitte Corporate Finance analysis

We discuss the Avondale West property and the Leeton Orchard below as these properties are currently being actively developed by Walnuts Australia.

4.2.2 Development at Avondale West

Avondale West is a greenfield development in Tabbita, New South Wales. This new orchard will be Walnuts Australia's second largest property, behind Swansea Orchard. An 800 ML on-orchard water storage dam and three phase power installation have been constructed on the property.

Site preparation at Avondale West includes the laser levelling of land, soil nutrition and row and mound formation works. The Avondale West orchard has been divided into four quadrants and will be fully planted over a three year period. There will be approximately 550 hectares established by winter in 2015, with the remaining 350 hectares to be planted the following winter.

Once fully planted, the total planted orchard size will be approximately 900 hectares. Maximum capacity of the orchard will not be fully realised until 2025 when all planted trees reach maturity.

Walnuts Australia recently completed the \$12 million development of a new, state-of-the-art walnut cracking and processing facility at Leeton, New South Wales. The facility handles, packs and cracks walnuts into kernels ready for sale. The new facility also increases the company's storage capacity at Leeton.

The facility reduces production costs and streamlines walnut processing. Before the Leeton facility was built, harvested walnuts were sent to Vietnam to be shelled and graded by hand in an offshore processing facility. This was an expensive process as all walnuts had to be packaged and exported to Vietnam and following processing, the portion to be sold into the domestic market had to be imported back into Australia from Vietnam.

This infrastructure is part of an \$18 million initiative undertaken in respect of the walnut operations. In 2015, further capital expenditure has been allocated to fund an increase in the scale of the current nursery, based at Leeton.

4.2.3 Managed Investment Schemes (MIS)

Webster has established three MIS in place whereby third party walnut growers use Webster's land to grow walnuts, Project 1, Project 2 and Project 3. Growers pay Webster ongoing fees to maintain and manage the orchards and then receive the net proceeds from the sale of walnuts from MIS orchards. Approximately 60% of FY2014 walnut production (in tonnes) comprised MIS grower production.

Webster generated \$11 million of services revenue relating to MIS in FY2014. The table below outlines the operations of the various MIS on Webster land.

Table 14: MIS operations

	Project 1: early growers	Project 1: late growers	Project 2: early growers	Project 2: late growers	Project 3: early growers
Location		Tabbita	Tabbita		Tabbita and Leeton
Varieties		Lara, Vina and Chandler	Serr, Vina, Tulare, Howard, Chandler		Tulare, Lara, Ashley, Serr, Vina, Chandler
Year planted		2006	2006-2007		2006-2009
Expected maturity		2013	2013-2014		2013-2016
Total planted area ¹ (ha)	69	38	73	485	284
FY2014 actual production (tonnes)	245	126	274	1,842	854
FY2014 Yield (tonnes per ha)	3.6	3.3	3.8	3.8	3.0

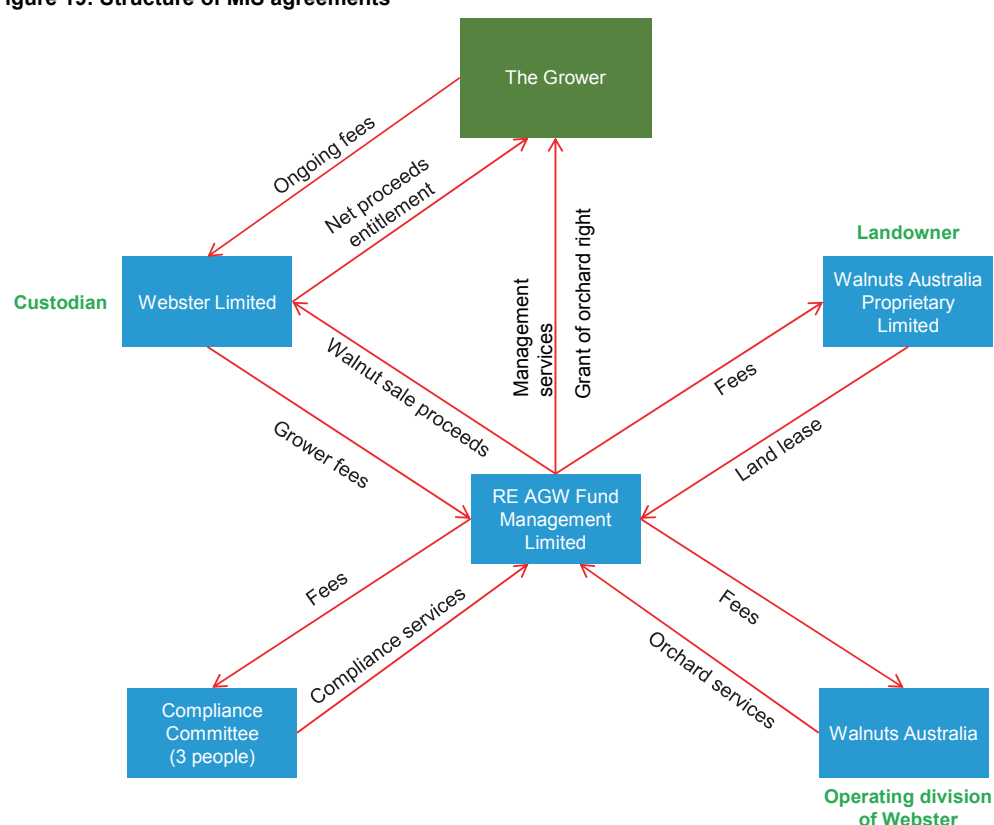
Source: Management information

Note:

1. Total planted area is accurate as at 30 June 2014, however we understand that since this date, AGW Fund Management Limited has terminated a number of grower agreements which has reduced the planted area under MIS to 750 hectares.

The relationship between Webster, the growers and the other parties involved in the MIS can be seen below.

Figure 19: Structure of MIS agreements



Source: Webster management information

4.3 Kooba Aggregation

In November 2014, Webster announced the acquisition of the assets of AgReserves Australia Limited for \$116 million. These assets comprised four properties, namely Kooba, Bringagee, Benerembah Station and Booberoi Station (together, these properties are referred to as the Kooba Aggregation). The properties acquired produce cotton, wheat, corn, amongst other crops, whilst also having capacity to graze over 5,000 head of cattle.

The acquisition was funded through a combination of debt and equity, with AFF subscribing for 17.5 million new ordinary Webster shares, at a price of \$1.03 per share. The remainder of the consideration was funded via new and existing debt facilities held by Webster.

The land acquired constitutes prime agricultural land, with substantial laser levelled cropping ground suitable for both cotton and walnut growing. The assets acquired also included 94 GL of water rights. After the acquisition, Webster now owns 98.5 GL of water entitlements.

The table below outlines the volume of water entitlements associated with the Kooba Aggregation.

Table 15: Kooba Aggregates water entitlements

Water licence	Volume of water entitlements (ML)			
	Kooba	Bringagee	Booberoi	Total
Surface water				
General security	21,725	13,114	9,009	43,848
High security	1,416	478	-	1,894
Supplemental water	4,419	4,961	-	9,380
Unregulated (Lagoon)	10,668	-	-	10,668
Unregulated (Booberoi Creek)	-	-	10,658	10,658
Ground water				
Water access licence	11,222	4,806	-	16,028
Murrumbidgee irrigation				
General security	1,400	-	-	1,400
High security	4	-	-	4
Total	50,854	23,359	19,667	93,880

Source: Management information

Webster intends to plant cotton on the Kooba Aggregation, however a large proportion of the water entitlements acquired can also be transferred amongst other walnut orchards and cotton properties owned by Webster. The land also gives Webster the opportunity to further diversify its operations into other soft commodities given the availability of water and suitability of the land for agricultural use.

4.4 Divestment of the onion operations

Webster's onion operations are operated through a wholly owned subsidiary, FFT, which is based in Forth, northern Tasmania. FFT is a vertically integrated onion producer, producing approximately 20% of Australia's domestic onion crop. FFT grows approximately 45,000 tonnes of brown onions and 5,000 tonnes of red onions per annum.

On 10 November 2014, Webster announced that it had entered into an agreement to sell FFT to Sumich Pty Limited for consideration of \$10.2 million, plus the value of stock on settlement, which implies a small premium (7%) to the book value of FFT. The transaction is expected to settle on 30 June 2015.

4.5 Capital structure

As at the date of this report, Webster had 155.5 million fully paid shares on issue.

The following table summarises the substantial shareholdings of Webster as at 19 March 2015.

Table 16: Major shareholders

Name	No of shares held ('millions)	Proportion of shares on issue
Mr Christopher Corrigan and Belfort	23.8	15.3%
Mr Peter Joy	17.7	11.4%
AFF and associated persons ¹	17.5	11.3%
Verolot Limited	13.3	8.6%
Entities associated with Mr David Cushing	11.4	7.4%
Eagle Securities Limited	4.9	3.2%
Substantial shareholdings	88.7	57.1%
Other shareholdings	66.8	42.9%
Total shares outstanding	155.5	100.0%

Source: S&P Capital IQ, Deloitte Corporate Finance analysis

Note:

1. The Executive Chairman of AFF, Mr. David Robinson, is also a director of Webster

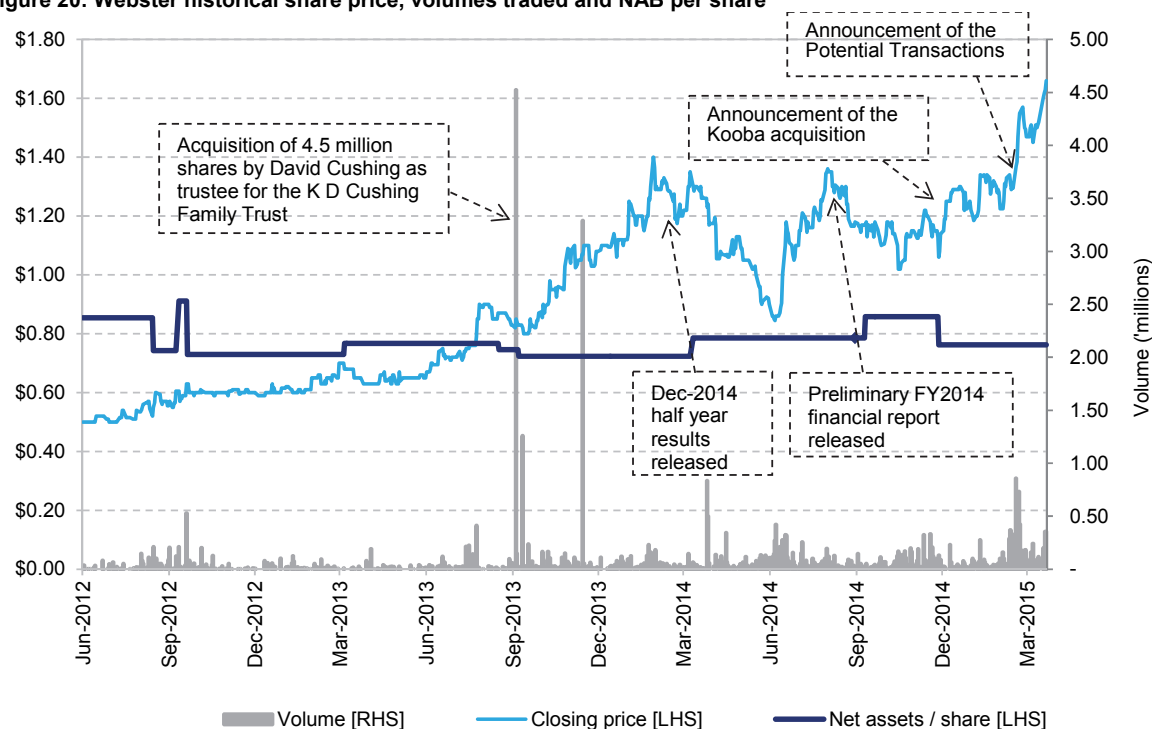
AFF's interest in Webster arose as a result of the issue of 17.5 million fully paid ordinary shares in connection with the purchase of the Kooba Aggregation. AFF is backed by Mr David Robinson and members of his family. Mr Robinson was formerly a director of Webster and served as Chairman from 2006 to 2008.

Webster also has 394,000, 9% non-redeemable cumulative preference shares on issue, which have a par value of \$1.00 per share. Webster records these preference shares as a long term financial liability. Webster paid a fully franked dividend of 4.5 cents per share on the cumulative preference shares at 30 September 2013, 31 March 2014, 30 September 2014 and 31 March 2015.

4.6 Share price performance and liquidity analysis

Webster's historical share price and NAB per share, together with historical volumes of shares traded, are presented graphically in the figure below.

Figure 20: Webster historical share price, volumes traded and NAB per share



Source: S&P Capital IQ, Deloitte Corporate Finance analysis

Webster's historical share price discount to NAB is presented graphically in the figure below.

Figure 21: Webster's historical share price premium and/ or discount to NAB



Source: S&P Capital IQ, Deloitte Corporate Finance analysis

Recent trading in Webster shares up to and after the Announcement Date is summarised in the following table:

Table 17: Recent trading in Webster shares

	Low (\$ per share)	High (\$ per share)	VWAP (\$ per share)	Volume (millions)	Proportion of shares traded
Pre-Announcement Date up to 27-Feb-2015					
5-days to Announcement Date	1.23	1.31	1.26	0.5	0.3%
30-days to Announcement Date	1.18	1.35	1.28	1.3	0.9%
90-days to Announcement Date	1.05	1.35	1.22	4.0	2.7%
6 months to Announcement Date	1.00	1.35	1.19	7.6	5.3%
12 months to Announcement Date	0.83	1.40	1.14	16.7	11.8%
Post-Announcement Date					
5-days to 10-Apr-2015	1.55	1.66	1.63	1.1	0.7%
27-Feb-2015 to 10-Apr-2015	1.28	1.70	1.47	6.7	4.3%

Source: S&P Capital IQ; Deloitte Corporate Finance analysis

As set out in the table above, in the 12 month period to 27 February 2015, approximately 16.7 million shares were traded, representing 11.8% of total issued capital. This equates to an average weekly trading volume of approximately 0.2% of issued shares.

While the volume of Webster shares traded as a proportion of the total number of shares on issue is relatively low compared to the volume of shares traded in ASX-listed companies generally, we note the following:

- share trading volumes have increased since the announcement of the Proposed Transactions, with 6.7 million shares traded in the 31 trading day period between 27 February 2015 to 10 April 2015, representing 4.3% of outstanding share capital. This level of trading is somewhat comparable to the 90-day and 6 month pre-announcement volume of shares traded, displayed in the table above. This implies an increased level of liquidity post-announcement, and is not inconsistent with the liquidity of a number of S&P/ASX 300 Index-listed entities
- we note that in its report on Webster dated 10 March 2015, an equity analyst increased its price target for Webster from \$1.45 per share to \$1.60 per share, which indicates a market view of increased value in Enlarged Webster, and may explain some of the increase in liquidity since the Announcement Date.

Having regard to the above, we consider that Webster share trading has been reasonably liquid subsequent to the Announcement Date.

4.7 Financial performance

Webster's historical financial performance is summarised in the following table.

Table 18: Financial performance of Webster

	FY2012 Audited (\$000)	FY2013 Audited (\$000)	FY2014 Audited (\$000)	HY2015 Reviewed (\$000)
Revenue	44,490	52,127	54,177	13,171
<i>Revenue growth (%)</i>	<i>(5.6)%</i>	<i>14.7%</i>	<i>3.8%</i>	<i>n/a</i>
EBITDA	8,226	15,000	14,691	n/a
<i>EBITDA margin (%)</i>	<i>18.5%</i>	<i>28.8%</i>	<i>27.1%</i>	<i>n/a</i>
Depreciation and amortisation ¹	2,885	5,565	3,142	n/a
EBIT	5,341	9,435	11,549	(6,488)
<i>EBIT margin (%)</i>	<i>12.0%</i>	<i>18.1%</i>	<i>21.3%</i>	<i>(49.3)%</i>
Net interest income / (expense)	(145)	487	428	(392)
Profit before tax	5,196	9,922	11,977	(6,096)
<i>Pre-tax ROA</i>	<i>n/a</i>	<i>n/a</i>	<i>8.7%</i>	<i>(2.4)%</i>
Normalisation adjustments				
Revaluation of non-current biological assets	886	4,165	2,085	-
Impairment of land and building assets	-	(2,486)	-	-
Gain on disposal of property, plant and equipment	647	91	132	-
Write downs on MIS debtors	-	-	(1,605)	-
Total normalisation adjustments	1,533	1,770	612	-
Normalised EBITDA	6,693	13,230	14,079	n/a
<i>Normalised EBITDA margin</i>	<i>15.0%</i>	<i>25.4%</i>	<i>26.0%</i>	<i>n/a</i>
Normalised EBIT	3,808	7,665	10,937	(6,488)
<i>Normalised EBIT margin</i>	<i>8.6%</i>	<i>14.7%</i>	<i>20.2%</i>	<i>n/a</i>

Source: Annual and interim reports, management information

Note:

1. Webster did not report depreciation and amortisation figures in its HY2015 interim report.

Walnut trees usually begin to start producing walnuts at four years of age and take approximately another seven years to reach full maturity. Webster expects 95% of its existing orchards to be mature by FY2016. Walnuts are usually harvested in April in Australia and Webster's interim performance to 31 December 2014 reflects the seasonality of the harvesting process.

In addition to the above, we note the following in relation to the company's historical financial performance:

- in FY2012, the Swansea walnut orchard in Tasmania suffered a major flood event at the start of the harvest period which resulted in the loss of crops, delays with harvesting and a decrease in the quality of walnuts, affecting earnings margins
- in FY2014, a doubtful debts provision of \$1.6 million was raised against receivables due from MIS growers, the majority of which related to bankrupt scheme participants
- historical financial performance includes the onion operations, which Webster has announced will be divested in FY2015. Further, it does not include the impact of the Kooba Aggregation.

In FY2014, Webster declared fully franked dividends of 2.0 cents per ordinary share, and 4.5 cents per preference share. Webster declared a fully franked interim dividend of 1.5 cents per ordinary share, and 4.5 cents per preference share as at 31 December 2014.

4.8 Financial position

Webster's balance sheets as at 30 June 2014 and 31 December 2014 are summarised in the following table.

Table 19: Webster balance sheet

	30-Jun-14 Audited (\$000)	31-Dec-14 Reviewed (\$000)
Cash and cash equivalents	2,242	2,229
Trade and other receivables	22,102	6,784
Other financial assets	309	-
Inventories	18,271	23,985
Current tax assets	-	812
Other assets	547	880
Biological assets	464	786
Assets held for sale	-	9,511
Total current assets	43,935	44,987
Trade and other receivables	2,947	3,167
Property, plant and equipment	50,783	96,001
Biological assets	31,635	33,302
Investment property	819	817
Deferred tax asset	2,586	3,480
Intangibles	5,414	68,698
Total non-current assets	94,184	205,465
Total assets	138,119	250,452
Trade and other payables	10,259	7,367
Borrowings	9,111	55,656
Current tax liability	1,612	-
Other financial liabilities	-	300
Provisions	1,393	780
Total current liabilities	22,375	64,103
Borrowings	489	60,994
Deferred tax liability	6,756	6,756
Provisions	56	162
Total non-current liabilities	7,301	67,912
Total liabilities	29,676	132,015
Net assets	108,443	118,437

Source: Annual and interim reports, management information

We note the following in respect to Webster's financial position:

- assets held for sale as at 31 December 2014 relate to FFT, which is being divested by Webster. This transaction is targeted for settlement in June 2015
- walnut inventory levels are dependent upon the timing of the harvest and are measured at the lower of cost or net realisable value
- property, plant and equipment increased over the six month period to 31 December 2014 as a result of the Kooba Aggregation acquisition, resulting in a large increase in landholdings. The company measures land and buildings at cost less accumulated depreciation and amortisation

- the company recognises non-current (walnut orchard) biological assets at fair value using a discounted cash flow valuation and current (walnut nursery) biological assets at cost. The increase in non-current biological assets over the six months to 31 December 2014 reflects first plantings at the Avondale West orchard. As at 30 June 2014, Webster owned 1,855 hectares of walnut orchards located in New South Wales and Tasmania, 958 hectares of which were leased to growers under MIS
- the deferred tax asset balance predominantly relates to unused income tax losses and financial assets. As at 30 June 2014, the company had \$1.6 million in carried forward income tax losses. The deferred tax liability balance predominantly relates to property, plant and equipment as well as inventory and biological assets
- intangible assets predominantly relate to permanent water rights and contracts. The value of water rights increased over the six month period to 31 December 2014 largely due to the Kooba Aggregation acquisition, through which Webster acquired 94 GL of water entitlements
- the company's total available debt facility of \$147.7 million is secured by a floating charge over Webster's property assets. The table below is a summary of Webster's debt facilities all raised with National Australia Bank.

Table 20: Webster debt facilities

Facility name	Facility limit (\$000)
Business Overdraft	2,000
Business Market Loan	18,000
Purchasing Card	110
Encashment Negotiations Advice	20
Revolving Leasing Limit	1,500
Business Market Corporate Flexi Rate Loan (Facility A)	54,600
Business Market Corporate Flexi Rate Loan (Facility B)	16,000
Business Market Corporate Flexi Rate Loan (Facility C)	55,400
Business Card	40
Total	147,670

Source: Management information

Webster's current net debt to enterprise value ratio is 31% based on the company's market capitalisation and the book value of net debt.

5 Profile of Enlarged Webster

If Shareholders accept the Tandou Offer (and all conditions of the Tandou Offer are satisfied or waived), they will receive scrip in Enlarged Webster. Depending on whether the Bengerang Acquisition is completed, the operations of Enlarged Webster will comprise either:

- Webster and Tandou's²⁰ operations; or
- Webster, Tandou²¹ and Bengerang's operations.

In this section we set out an overview of Enlarged Webster having regard to the above two scenarios. Refer to the Draft Shareholder Booklet for further details, including a pro forma statement of financial position for Enlarged Webster.

5.1 Overview

Pursuant to the Potential Transactions, the size and diversification of Webster will materially increase. As a result of the Potential Transactions, Enlarged Webster could:

- own one the largest private portfolios of water entitlements in Australia
- own up to 11% of the total cotton area planted across Australia, if its entire holding of irrigation land is fully planted
- continue to be the largest walnut producer in Australia with annual production of approximately 7,000 tonnes, as orchards continue to mature.

The portfolio of assets to be held by Enlarged Webster assuming successful completion of both the Tandou Offer and the Bengerang Acquisition is summarised in the table below.

Table 21: Assets of Enlarged Webster¹

Key assets/operations	Webster (status quo)	Tandou	Webster and Tandou	Bengerang	Webster, Tandou and Bengerang
Land assets (hectares)					
• Irrigated	11,836	19,928	31,764	9,559	41,323
• Orchard	2,692	-	2,692	-	2,692
• Dryland	-	-	-	2,388	2,388
• Grazing	33,122	121,195	154,317	11,892	166,209
• Other	3,446	1,600	5,046	1,793	6,839
Total (ha)	51,096	142,723	193,819	25,632	219,451
Water assets (ML)					
• High Security	3,868	17,465	21,333	-	21,333
• General Security	47,843	57,398	105,241	17,630	122,871
• Supplementary/ground water	25,408	9,150	34,558	7,917	42,475
• Unregulated/other	21,432	-	21,432	32,622	54,054
Total (ML)	98,551	84,013	182,564	58,169	240,733

Source: Draft Shareholder Booklet, Tandou management information

Note:

1. We note that there are differences in the classification of certain Tandou land between the Draft Shareholder Booklet and the table above. The table above reflects Tandou's classification of land according to Table 5. Small rounding differences may also apply.

²⁰ Although Webster's interest in Tandou could range between 50.1% and 100% depending on the level of acceptance of the Tandou Offer

²¹ Ibid.

5.2 The Bengerang Acquisition

At the same time as announcing the Tandou Offer, Webster announced its intention to acquire the privately held Bengerang, formerly known as PrimeAg Australia Limited (PrimeAg). PrimeAg was an ASX-listed company before it was delisted in November 2013.

Bengerang produces a number of soft commodities including cotton, wheat and chickpeas. Its portfolio consists primarily of irrigated and dryland farming operations and water.

5.2.1 Overview of the properties

The table below outlines the operations and locations of Bengerang's assets. Deloitte notes that in January 2014, an agreement was signed to lease the Kurrajong Hills property for three years and at the completion of the lease, the property will be sold to the lessee. This lease and option agreement is scheduled for completion in November 2016.

Table 22: Bengerang assets

	Bengerang Aggregation	Darling Farms ¹	Lakeland Downs	Total
Location	Garah, New South Wales	Bourke, New South Wales	Condamine, Queensland	
Title area (ha)	8,177	15,771	1,684	25,632
Irrigated area (ha)	4,593	4,511	455	9,559
Planted area ² (ha)	-	600	90	690
Primary operations	Irrigated & dryland farming	Irrigated cotton	Irrigated & dryland farming	
Independent valuation (\$'million)	79.8	32.6	6.5	118.9

Source: CBRE valuation report: Valuation of Webster Limited, Tandou Limited and Bengerang Limited

Notes:

1. As at 31 December 2014, Bengerang is the operator of Darling Farms however does not own the title to the land
2. Only 7.2% of Bengerang's available irrigated area is currently planted with cotton due to a current water shortage.

5.2.2 Bengerang pro forma balance sheet

Table 23: Bengerang pro forma balance sheet

	Actual 31-Dec-14 Unaudited (\$000)	Pro forma 31-Dec-14 Unaudited (\$000)
Cash and cash equivalents	118	5,118
Trade and other receivables	3,936	436
Inventories	756	756
Biological assets	2,998	2,998
Other assets	141	141
Total current assets	7,949	9,449
Available for sale financial assets	2	2
Land, buildings and property improvements	36,716	53,208
Plant and equipment	3,222	3,222
Water licences	31,990	62,010
Liabilities to be assumed by new investors	n/a	10,570
Deferred tax asset	3,967	3,967
Total non-current assets	75,897	132,979
Total assets	83,846	142,428
Trade and other payables	2,216	1,716
Interest-bearing loans and borrowings	3,962	3,962
Provisions	39	39
Total current liabilities	6,217	5,717
Interest-bearing loans and borrowings	15,769	15,769
Provisions	11	11
Deferred tax asset	3,255	3,255
Total non-current liabilities	19,035	19,035
Total liabilities	25,252	24,752
Net assets	58,594	117,676

Source: Draft Shareholder Booklet

The 'pro forma' column in the balance sheet above takes into account the following adjustments:

- the acquisition of the Darling Farm assets as at 31 December 2014 for \$32.7 million
- the acquisition of Medgun assets as at 31 December 2014 for \$8.0 million
- the acquisition of additional water entitlements from AFF or an associated entity as at 31 December 2014. These entitlements have a market value of \$5.0 million and were acquired for consideration of 3,694,099 Bengerang shares
- the injection of \$5.0 million cash as at 31 December 2014 in subscription for 3,964,099 Bengerang shares
- the issue of 29,552,792 Bengerang shares as consideration for the assumption of liabilities owed by Bengerang in connection with the acquisition of Darling Farm assets, Medgun assets and other liabilities in an aggregate amount of \$40.0 million
- the revaluation of land and water entitlements resulting in an increase of \$12.4 million in the net assets of Bengerang.

5.2.3 Conditions to the Bengerang Acquisition

The Bengerang Acquisition is dependent on a number of conditions that must be satisfied or waived. Some of the key conditions are detailed below.

Recapitalisation of Bengerang

Bengerang has committed to complete a recapitalisation through the issue of share capital. New shares are proposed to be issued to Belfort, AFF and Verolot (the Bengerang Vendors) at an issue price of \$1.35351 per share. Webster will acquire the total share capital of Bengerang, including the newly issued shares.

The subscription price for these shares will be \$50 million and payable as follows:

- transfer of additional water entitlements from AFF to Bengerang for \$5 million
- total cash consideration of \$5 million payable by Belfort and Verolot
- the assumption of Bengerang liabilities by the Bengerang Vendors totalling \$40 million. The assumed liabilities will comprise the outstanding consideration of \$27.2 million relating to the Darling Farms assets and the consideration of \$8 million on the exercise of the call option to acquire the Medgun assets.

The Bengerang Vendors have secured the financial support of two parties, (Eagle Securities Limited and Kaplan Equity Limited), who have agreed to fund in part the assumed obligations of the Bengerang Vendors. In exchange, the Bengerang Vendors will assign a portion of the Webster shares to which they will be entitled under the Bengerang Acquisition to Eagle Securities Limited and Kaplan Equity Limited (3,854,369 shares and 30,434,783 shares, respectively). Eagle Securities Limited is an existing shareholder of Webster. Mr Christopher Corrigan (associated with Belfort and Verolot) is a director of Kaplan Partners, which owns Kaplan Equity Limited.

Existing Contracts

Bengerang currently leases Medgun at Garah, New South Wales. This lease expires in August 2015 and Bengerang currently holds an option to purchase the property, inclusive of the attached water rights, for \$8 million. This option expires on 28 June 2015 and is expected to be exercised by Bengerang following Webster's acquisition of Bengerang. An irrigation capital expenditure program of approximately \$3 million was recently undertaken in order to connect the irrigation system across the length and breadth of the Bengerang aggregation.

Bengerang also intends to purchase the Fort Bourke and Darling Farm assets and parts of Allambie in Bourke, New South Wales. Bengerang management has already entered into an agreement to purchase the leasehold interest in these properties and the accompanying water entitlements for consideration of \$32.7 million. The acquisition of these properties is a condition of Webster's acquisition of Bengerang.

5.2.4 AFF Agreement

Bengerang entered into a management and administration agreement with AFF on 8 January 2014. Under this agreement, AFF provides Bengerang with general management, farm management and administrative services, and is entitled to an annual fee of \$500,000. In addition, Bengerang is required to reimburse AFF for the costs of all employees engaged in providing these services. Webster has also engaged the services of AFF in relation to the management of its Kooba assets.

It is a condition of the Bengerang Acquisition that the agreement between Bengerang and AFF be terminated and a new management agreement is entered into between Enlarged Webster and AFF (AFF Agreement). This agreement will replace the two existing agreements. Enlarged Webster will be required to pay an annual fee of \$550,000 and reimburse the cost of a full time employee managing the Bengerang farms, at a total cost of \$250,000. This management agreement will terminate on 30 June 2017.

5.3 Composition of the Board and management team of Webster

On successful conclusion of the Tandou Offer, Webster intends to invite Mr Rob Woolley, Chairman of Tandou, or another non-executive director of Tandou (as nominated by Tandou) to join the Webster Board.

The table below lists the likely directors and key management personnel of Enlarged Webster.

Table 24: Enlarged Webster Board and management team

Name	Role
Rod Roberts	Non-executive Chairman
Chris Corrigan	Non-executive Director
David Cushing	Non-executive Director
Chris Langdon	Non-executive Director
Joseph Corrigan	Non-executive Director
John Hosken	CEO
Susan Stegmann	Chief Financial Officer (CFO) and Company Secretary
Tandou nominee ¹	Non-executive Director

Source: 2014 Annual Report, S&P Capital IQ

Note:

1. Subject to completion of the Tandou Offer.

5.4 Pro forma capital structure

Assuming that Webster shareholders approve the Potential Transactions, there is an almost infinite number of possible outcomes regarding the capital structure of Enlarged Webster that could eventuate, depending on whether the Bengierang Acquisition is successfully completed and the acceptance rate by Tandou Shareholders of the Tandou Offer. These possible outcomes include:

- Webster acquires Bengierang only
- Webster acquires Tandou only based on the minimum acceptance rate of 50.1%, the maximum of 100% or a point in between
- Webster acquires both Bengierang and Tandou based on the minimum acceptance rate of 50.1%, the maximum of 100% or a point in between.

Having regard to the various permutations, we have presented two scenarios below, however we recognise that various other scenarios to the extent not all Tandou Shareholders accept the Tandou Offer and/or the Bengierang Acquisition is not successfully completed:

- Webster acquires Tandou only based on 100% acceptance by Tandou Shareholders
- Webster acquires Bengierang and Tandou with 100% acceptance by Tandou Shareholders.

The table below outlines the capital structure of Enlarged Webster based on these two scenarios.

Table 25: Pro forma capital structure

Scenario		Webster shares currently on issue	Shares issued pursuant to Tandou Offer ¹	Shares issued pursuant to Bengierang Acquisition	Total Shares
Webster and Tandou only	#	155,463,093	87,611,382		243,074,475
	%	64.0%	36.0%		100.0%
Webster, Tandou and Bengierang	#	155,463,093	87,611,382	107,670,120	350,744,595
	%	44.3%	25.0%	30.7%	100.0%

Source: Draft Shareholder Booklet

Note:

1. The number of shares issued pursuant to the Tandou Offer may vary from those set out above due to rounding of entitlements.

The table below outlines the substantial shareholders in Webster and their relative shareholdings in an Enlarged Webster under these two scenarios.

Table 26: Pro forma capital structure

Substantial Holder	Christopher Corrigan and Belfort	AFF ¹	Peter Joy	Verolot	Entities associated with David Cushing	Kaplan Equity Limited ²	Eagle Securities Limited
Scenario							
Current voting power	15.3%	11.3%	11.4%	8.6%	7.4%	0.0%	3.2%
Webster and Tandou only (100%)	10.4%	7.2%	10.1%	5.5%	8.3%	0.0%	5.6%
Webster, Tandou and Bengelang	12.3%	15.4%	7.0%	9.2%	5.8%	8.7%	5.0%

Source: Draft Shareholder Booklet

Notes:

1. Refers to AFF and associated persons
2. Mr Christopher Corrigan (associated with Belfort) is a director of Kaplan Partners, which owns Kaplan Equity Limited.

As can be seen from the above table, the largest shareholder in Enlarged Webster will not own more than 16% of its share capital.

5.5 Pro forma balance sheet

Table 27: Pro forma balance sheet

	Tandou only ¹ Unaudited (\$000)	Both Bengerang and Tandou ² Unaudited (\$000)
Cash and cash equivalents	2,354	7,472
Trade and other receivables	11,810	12,246
Inventories	25,269	26,025
Inventories – water	86,990	86,990
Current tax assets	812	812
Biological assets	18,299	21,297
Other assets	880	1,021
Investments	50	50
Assets held for sale	9,511	9,511
Total current assets	155,975	165,424
Trade and other receivables	3,167	3,167
Property, plant and equipment	15,216	18,438
Property, biological assets and water rights	238,535	353,753
Liabilities assumed by Bengerang investors	-	10,570
Investment property	817	817
Loan receivable	2,132	2,132
Deferred tax assets	3,480	7,447
Goodwill	-	6,145
Intangibles	2,504	2,506
Total non-current assets	265,851	404,975
Total assets	421,826	570,399
Trade and other payables	13,142	14,858
Borrowings	80,656	84,618
Current tax liability	1,394	1,394
Other financial liabilities	300	300
Provisions	1,744	1,783
Total current liabilities	97,236	102,953
Borrowings	70,994	86,763
Deferred tax liabilities	14,298	17,553
Provisions	297	308
Total non-current liabilities	85,589	104,624
Total liabilities	182,825	207,577
Net assets	239,001	362,822

Source: Draft Shareholder Booklet

Notes:

1. Reflects the Enlarged Webster's position if Webster acquires 100% of the issued capital in Tandou, and assumes transaction costs of \$750,000 in relation to the Tandou Offer
2. Reflects the Enlarged Webster's position if it has completed the acquisition) of both Bengerang and Tandou, and assumes transaction costs of \$750,000 in relation to the Tandou Offer.

The pro forma statement of financial position displayed above has been developed by aggregating the relevant balance sheets of the three entities, which have been sourced from the Draft Shareholder Booklet. Having regard to the Draft Shareholder Booklet, we note that the pro forma financial position is based on the following:

- **Webster:** the auditor-reviewed statement of financial position as at 31 December 2014 adjusted for the CBRE and Colliers' valuations of land, biological assets and water rights as well as Webster's payment of transaction costs (\$750,000)

- **Tandou:** the auditor-reviewed statement of financial position as at 31 December 2014 adjusted for the CBRE valuations of land, buildings and water rights as well as the transaction costs for the Tandou Offer
- **Bengerang:** the unaudited statement of financial position as at 31 December 2014 adjusted for the CBRE valuations of land, biological assets and water rights.

6 Valuation approach

Pursuant to the terms of the Tandou Offer, Shareholders have been offered 1 share in Webster for every 2.25 shares held in Tandou.

In accordance with ASIC Regulatory Guide 111, we have assessed the fairness of the Tandou Offer by comparing the fair market value of the shares in Tandou with the fair market value of the consideration to be received by Shareholders. In particular, ASIC policy requires that *“the comparison should be made between the value of the securities being offered (allowing for a minority discount) and the value of the target entity’s securities, assuming 100% of the securities are available for sale”* and therefore requires the independent expert to:

- assess the fair market value of the shares in Tandou assuming 100% ownership of Tandou. The valuation of the shares in Tandou should therefore include a premium for control
- assess the Consideration (that is, shares in Enlarged Webster) by assessing the fair market value of the scrip in Webster inclusive of a minority interest discount.

In selecting an appropriate methodology to estimate the fair market value of the shares in Tandou and the Consideration, we have considered common market practice and the valuation methodologies recommended by RG 111, which are outlined in Appendix B. Below we set out our selected valuation methodologies.

Valuation of shares in Tandou

In assessing the fair market value of the shares in Tandou on a control basis, we have adopted the net assets approach on a going concern basis. Tandou’s core assets (properties and water entitlements) are regularly transacted in the market such that there is sufficient market data to assess the fair market value of Tandou as a whole based on the sum of the fair market value of its individual parts.

We note that this methodology is premised on the assumption that Tandou’s assets and liabilities can be operated on a full control, going concern basis. Accordingly, our valuation of the shares in Tandou under the net assets value approach is inclusive of a premium for control.

Having regard to the cyclical and relatively volatile financial performance of Tandou’s assets, we are of the view that income-based approaches are less appropriate to estimate the fair market value of Tandou’s business as a whole. Furthermore, whilst Tandou’s shares are regularly traded on the ASX, Tandou’s market capitalisation is likely to reflect a discount for the lack of control that investors trading in Tandou’s shares on-market are able to exercise. Accordingly, we have used share price trading solely to cross-check the reasonableness of our valuation, after making an allowance for a control premium.

Valuation of shares in Enlarged Webster

In assessing the fair market value of a share in Enlarged Webster, we have primarily referred to trading in Webster shares since the announcement of the Tandou Offer and the Benganger Acquisition on 27 February 2015.

We consider that Webster’s recent share trading price provides an appropriate measure of the fair market value of the securities that Shareholders will receive pursuant to the Tandou Offer (i.e. shares in Enlarged Webster), for the following reasons:

- the market can be expected to provide an objective assessment of the fair market value of a listed entity, where the market is liquid and well-informed, and market prices incorporate the influence of all publicly known information relevant to the value of an entity’s securities
- in relation to liquidity, we have set out analysis of the liquidity of Webster’s shares in Section 4.6 above, and conclude that Webster’s shares are sufficiently liquid (post-Announcement Date) for trading prices to be used for the purposes of this analysis
- in relation to whether the market is well-informed, we note that Webster’s financial statements for the half-year ended 31 December 2014 were released to the market on 27 February 2015, providing a recent update regarding Webster’s financial performance, and Webster is followed by two equities analysts, both of whom have issued updated notes on Webster since the Announcement Date
- the Webster share price has increased substantially following the Announcement Date, and no other material price-sensitive announcements have been made subsequently, indicating that the Webster share

price is likely to reflect the value of Webster post-completion of the Potential Transactions, to the extent that the market believes that the Potential Transactions will proceed

- share trading volumes have increased since the announcement of the Proposed Transactions, with 6.7 million shares traded in the period between the Announcement Date to 10 April 2015, representing 4.3% of outstanding share capital. This implies an increased level of liquidity post-announcement, and is not inconsistent with the liquidity of a number of entities included in the S&P/ASX 300 Index
- we note that in its report on Webster dated 10 March 2015, one of the equity analysts increased its price target from \$1.45 per share to \$1.60 per share, which indicates the market, to the extent it believes the Potential Transactions will proceed, is of the view that the value of Enlarged Webster is greater than Webster on a standalone basis, and may explain some of the increase in liquidity since the Announcement Date
- the most recent trading price of Webster shares is likely to represent a reasonable proxy for the amount that Tandou shareholders could expect to realise by selling the shares in Webster received as consideration after acceptance of the Tandou Offer
- security prices from market trading do not generally reflect the market value for control of a company as they are for portfolio holdings. Accordingly, trading in Webster shares is likely to reflect the price of minority interest shareholdings.

For the purposes of our analysis, we have also been granted access to certain confidential financial information by Webster and its advisors. Having regard to this information, we have cross-checked the reasonableness of the share trading analysis with an indicative assessment of the fair market value of Webster on a sum-of-the-parts basis.

We are of the view that income-based approaches are less suitable to estimate the fair market value of a share in Webster following the Proposed Transactions, given the following:

- the cyclical and relatively volatile financial performance of Webster's assets
- the fact that certain of Webster's assets (e.g. Avondale West) are at an early stage of development, and are likely to produce significantly different earnings in the future
- we have not been provided with any earnings forecasts for Webster or Bengelang which take account of the synergies likely to be realised as a result of the Proposed Transactions.

We note that by the time Shareholders accept or reject the Tandou Offer, Webster shareholders would have approved or rejected the Bengelang Acquisition. In reviewing the trading price of Webster shares after the Announcement Date, we also had regard to the likelihood of the Bengelang Acquisition proceeding.

Definition of value

For the purpose of our opinion, fair market value is defined as the amount at which the shares in Tandou and Webster would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell. We have not considered special value in this assessment.

7 Valuation of a Tandou share

7.1 Valuation summary

Deloitte Corporate Finance has estimated the fair market value of Tandou to be in the range of \$134 million to \$136 million, or \$0.68 per share to \$0.69 per share on a control basis.

We have used the net assets on a going concern basis to estimate the fair market value of Tandou by aggregating the fair market value of Tandou's assets and liabilities. In applying this approach we have considered the ongoing corporate costs associated with operating Tandou's property, plant and equipment assets, and water entitlements, on a going concern basis.

7.2 Net assets on a going concern basis

In our assessment of the fair market value of Tandou we have adopted the book value of Tandou's net assets according to its balance sheet as at 31 December 2014, adjusted for any fair value adjustments to the extent the book value of assets and liabilities does not reflect their fair market value.

Tandou's key assets comprise the property, plant and equipment associated with the Tandou Farm and the Hay Operations, and the company's portfolio of water entitlements. The fair market value of Tandou's landholdings, buildings and structures is assessed by an independent valuer (Peter Spackman), most recently as at 30 June 2014. As Tandou's accounting policy is to recognise any change in the fair market value of its properties directly on its balance sheet, the book value of the majority of Tandou's property, plant and equipment is consistent with its fair market value.

Water entitlements, on the other hand, are recognised by Tandou at the lower of cost or net realisable value. An independent valuation of the water entitlements, performed by Herron Todd White, assessed the fair market value of the water entitlements at significantly in excess of their book value as at 31 December 2014. As a result, we have adjusted the book value of Tandou's water entitlements as at 31 December 2014 to reflect their fair market value.

We have undertaken an analysis of the independent valuations prepared by Peter Spackman and Herron Todd White and have concluded that:

- they are independent from Tandou
- based upon statements included in the valuation reports there were no restrictions on their scope
- the reports were prepared by professionals who have sufficient qualifications and competence to provide an informed opinion of the fair market value of assets of this nature
- the valuation methods used in the property and water rights valuations are not inappropriate and appear to have been correctly applied to estimate the fair market values of the assets.

Deloitte Corporate Finance has had regard to the information provided by Peter Spackman and Herron Todd White, which Deloitte Corporate Finance believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information supplied to us by Peter Spackman and/or Herron Todd White.

We have made other adjustments to Tandou's net asset position as appropriate, which are discussed in further detail below. A summary of our assessment of the value of a share in Tandou using the net assets approach is presented in the following table.

Table 28: Fair market value of Tandou

	Section	Book value (\$000)	Assessed fair market value	
			Low (\$000)	High (\$000)
Inventories – farming	7.2.1	1,284	1,284	1,284
Inventories – water	7.2.1	63,025	89,284	89,284
Property, plant and equipment	7.2.2	65,340	65,340	65,340

	Section	Book value (\$000)	Assessed fair market value	
			Low (\$000)	High (\$000)
Biological assets	7.2.3	17,513	21,707	21,707
Net non-property assets	7.2.4	901	901	901
Financial liabilities	7.2.5	(35,000)	(35,000)	(35,000)
Deferred tax liabilities	7.2.4	(3,049)	-	-
Net assets		110,014	143,515	143,515
Add: proceeds from exercise of options	7.2.7	n/a	65	65
Less: corporate costs	7.2.6	n/a	(10,000)	(8,000)
Equity value (on a control basis)			133,580	135,580
Number of shares on issue, adjusted for Kingwill options	7.2.7	n/a	197,100	197,100
Value per Tandou share on a control basis		n/a	0.68	0.69

Source: Deloitte Corporate Finance analysis

We discuss relevant items in further detail below.

7.2.1 Inventories

Tandou's policy in respect of inventories (the most material of which comprises water entitlements) is to recognise them at the lower of cost or net realisable value.

Water inventories

A comparison of the fair market value of water inventories with their book value as at 31 December 2014 is set out in the following table.

Table 29: Fair market valuation of water inventories

	Size of water Entitlement (ML)	Book value 31-Dec-14 (\$000)	Independent valuation ¹ 31-Dec-14 (\$000)	Independent valuation 31-Dec-14 (\$ / ML)
Volume per river				
Murrumbidgee	46,174	33,001	41,137	n/a
Lower Darling	21,901	6,259	18,712	n/a
Murray – Victoria	5,513	7,677	9,809	n/a
Goulburn	6,605	9,174	11,533	n/a
Murray – New South Wales	3,819	5,651	6,829	n/a
Total	84,013	61,761	88,020	n/a
Composition of volumes				
High Security / Reliability	17,465	25,276	31,575	1,808
General Security	57,398	32,694	52,390	913
Supplementary & ground water	9,150	3,792	4,055	443
Total	84,013	61,761	88,020	1,048
Add: water allocations	n/a	1,264	1,264	n/a
Total water inventories	84,013	63,025	89,284	n/a

Source: Deloitte Corporate Finance analysis

Note:

- The independent valuations reflect Directors' valuations, which are primarily based on the actual volumes on hand as at 31 December 2014 multiplied by the value, on a \$ per ML basis, ascribed to each portfolio of water entitlements by Herron Todd White.

Herron Todd White assessed the fair market value of Tandou's water entitlements as at 31 December 2014 using the direct comparison approach, referencing recent sales in entitlements on a dollar per ML basis, specifically

considering transactions in water entitlements based on river zone. Key observations identified by Herron Todd White in respect of the market for water entitlements are summarised as follows:

- water allocations (rather than water entitlements) are currently trading at between \$120 per ML and \$125 per ML in most trading zones in Victoria and New South Wales and approximately \$50 per ML in the Lower Darling Basin. Market activity through the Southern Connected Murray Darling Basin has been steady through 2014, with few sellers in the market, resulting in short supply of permanent water entitlements and strong demand from purchasers
- demand has been driven by improved commodity prices²², government on-farm efficiency²³ and water buyback schemes, and increasing interest from corporate investors seeking to invest in alternative instruments with long term capital growth prospects. The rapid growth of the cotton industry along the Murrumbidgee has also driven increases in the price of entitlements in this zone
- the outlook for water entitlements over the next twelve months is good, with solid commodity prices, a depreciating AUD and water buyback schemes expected to result in continued demand for water.

Key assumptions adopted by Herron Todd White include the following:

- the most likely buyers for the entitlements in each zone, not necessarily in aggregate, would be a corporate investor, irrigator or the Federal Government. The most likely buyers for the portfolio ‘in one line’ (meaning the entire portfolio) would be a corporate water investment fund, superannuation fund or sovereign investment fund looking to enter the Australian water market.

The main water investment funds currently operating in Australia comprise Summit Water Holding Pty Limited, Blue Sky Alternative Investments Limited and Kilter Rural Water Solutions. Water investment funds generally purchase permanent entitlements and sell the temporary allocation for a cash flow return, but target capital growth over the longer term. It is not known to Herron Todd White, however, if these funds would have the financial capacity to purchase a portfolio the size of that held by Tandou. However, Herron Todd White is of the view that existing funds may show an interest towards larger parcels of the portfolio, such as the 37 GL of Murrumbidgee General Security entitlements, as it can take a long period of time to accumulate a holding of this magnitude

- as Herron Todd White was unable to identify any sales evidence of large water portfolios ‘in one line’, it is not known if a portfolio of this size would be sold if offered to the market as a whole, and if sold, whether the purchase price would represent a premium or discount to the sum of the individual values. To the extent a single purchaser could not be found for the portfolio as a whole, the portfolio may need to be split up and sold as smaller parcels, which may take an extended period of time to avoid an oversupply on the market
- given the low volume of trades in the Lower Darling zone and as Tandou owns approximately 47% and 36% of the zone’s General Security entitlements and High Security entitlements, respectively, which are primarily in use for irrigated cropping on parts of the Tandou Farm, Herron Todd White assumed the entitlements would be sold in conjunction with the associated landholdings, rather than on a standalone basis. The value of these entitlements may be different to the extent they were sold ex-land
- Herron Todd White was not instructed to undertake water entitlement certificate searches (Water Access Licence / Water Entitlement Entity searches) to confirm the volume and ownership of the individual water entitlements contained in the valuation. The water entitlement details included in the valuation were provided in spreadsheet format by Tandou management. Herron Todd White’s valuation was therefore subject to full water entitlement searches to verify and confirm that the water entitlement details provided by Tandou were correct and free of any encumbrances or other defects that might affect the selected values.

A summary of the transactions considered by Herron Todd White in their valuation is provided in Appendix D.

Farming inventories

Farming inventories comprise agricultural produce on hand, raw materials and consumables.

²² As temporary allocation prices begin reaching \$125 per ML in most trading zones (up from \$90 per ML in the previous season), it becomes less economical for farmers to grow many commodities, and instead incentivises irrigators to acquire permanent water entitlements to hedge against allocation price fluctuations in the forthcoming season

²³ Under the Federal Government’s on farm efficiency programs, irrigators can exchange water entitlements for irrigation infrastructure and water delivery upgrades

The book value of farming inventories was \$1.3 million as at 31 December 2014. Given the nature of these assets, we have assumed their book value approximates their fair market value as at 31 December 2014.

7.2.2 Property, plant and equipment

Tandou's policy in respect of the majority of property, plant and equipment is to measure them at fair value less accumulated depreciation and impairment losses.

Peter Spackman prepared an independent valuation as at 30 June 2014 of land and irrigation improvements, and buildings and structures (including the cotton gin at Tandou Farm), for the Tandou Farm and Hay Operations. All other property, plant and equipment are recognised at cost, less accumulated depreciation.

We note that Peter Spackman has confirmed in writing that he does not consider that the market for similar properties has changed significantly over the six month period to 31 December 2014. Peter Spackman cited a number of recent, comparable transactions that occurred over this period (e.g. the Kooba Aggregation acquired by Webster in November 2014) which, in his opinion, did not point to any increase or decrease in the prices paid for irrigation properties in the region. Peter Spackman also considered two recent transactions of large scale irrigation properties in northern North South Wales which, although not directly comparable to the Tandou properties, were considered to provide an indication of the overall trends within the market.

A summary of the fair market value of property, plant and equipment as at 31 December 2014 is set out in the following table.

Table 30: Fair market value of property, plant and equipment

	Fair market value (\$000)
Tandou Farm	
Land and irrigation improvements	29,957
Buildings / structures	12,851
Plant and equipment	3,245
Total	46,053
Hay Operations	
Land and irrigation improvements (including water storage)	14,182
Buildings / structures	1,179
Plant and equipment	3,100
Total	18,461
Other	
Administrative head office property, plant and equipment	288
Capital works in progress	538
Total	826
Total property assets	65,340

Source: Deloitte Corporate Finance analysis

Peter Spackman assessed the fair market value of Tandou's landholdings based on transactions in comparable assets, after taking into account differences in the characteristics of the properties, the subject of the benchmark transactions, and the underlying properties owned by Tandou. This approach is in line with market practice for these types of assets due to the difficulty in applying income or cash flow based methodologies. The above valuations are therefore particularly sensitive to observable transactions in these regions.

Buildings and structures were valued by Peter Spackman using the depreciated replacement cost method.

We have presented further details of the transactions considered by Peter Spackman below and in Appendix C.

Summary of valuation

Peter Spackman considered nine transactions involving properties located near Hay, Menindee, Wentworth and Wilcannia (six irrigation land sales and three dryland / grazing area sales) which occurred between November 2012 and April 2014, at gross values between \$1 million and \$25 million.

The range of deduced values per hectare for the transactions are summarised as follows:

Transactions involving irrigated properties

- developed row crop / irrigation lasered row crop: \$1,500 per hectare to \$1,650 per hectare
- irrigated rice bays: \$825 per hectare to \$1,100 per hectare
- service land, grazing and cultivation: \$250 per hectare to \$500 per hectare
- water storage: \$100 per ML to \$150 per ML

Transactions involving grazing properties

- grazing land: \$64 per hectare to \$82 per hectare.

The valuation metrics ascribed to each part of the Tandou Farm, Bundygoola and Glenmea properties are summarised in the following table:

Table 31: Ratios applied in property valuations

	Unit	Tandou Farm	Bundygoola	Glenmea
Structural improvements / buildings	\$000	12,858	n/a	120
Land				
Drip irrigation	\$ / ha	2,500	n/a	n/a
Developed row crop	\$ / ha	1,500	n/a	n/a
Developed irrigation lasered row crop	\$ / ha	n/a	1,650	1,700
Service land, various grazing and support	\$ / ha	75	280	275
Potential development (for irrigated cultivation)	\$ / ha	n/a	n/a	900
Water storage	\$ / ML	n/a	180	205

Source: Deloitte Corporate Finance analysis; Peter Spackman valuation reports

Market observations

Key observations identified by Peter Spackman in respect of the irrigation property market centred alongside the Murrumbidgee include:

- the high AUD in recent years, coupled with poor water availability, had placed considerable strain on producers. This reduced market appetite for land acquisitions significantly, however since then the AUD has depreciated and cotton prices are comparatively higher
- there is increasing interest in irrigation properties along the Murrumbidgee, particularly after the announcement of two proposals for cotton gins, one at Carrathool and the other at Hay. Current land values are exhibiting a similar trend to that achieved towards the end of 2013, however water values appear to have increased
- there does not appear to be a great deal of interest in irrigation properties in the north, with only a few recent sales, which took place at levels similar to those achieved in the last few years
- a number of sales have taken place in the Namoi, Gwydir and Border River districts at prices consistent with those prevailing over the last two to three years
- the recent sale of the Clyde aggregation in Bourke yielded a result below market expectations, indicating a weakness in areas not favoured by funds
- recent fund acquisitions include the Gundaline property, located between Darlington Point and Hay, and the Newmarket property, located between Hay and Maude. Peter Spackman observes this to be an area where there is considerable fund interest, however values in the south of the state are considerably lower than those achieved in the north, both on a land and water basis

- it can be difficult to compare sales from one valley to the next, as each has its own characteristics in respect of water reliability, potential yield and water usage. This is compounded by the valleys having different market participants. On a valley by valley basis:
 - the Gwydir and the MacIntyre regions have generated the best value for water and irrigation farm land. The Namoi region, in comparison, has generally lower water usage and higher water reliability, however lower prices have been paid for Namoi land compared with land located in Gwydir and MacIntyre
 - yields in the Macquarie region are marginally below those of the north, however poor water reliability in Macquarie has slowed participation in this part of the market
 - Bourke is considered to be the cheapest valley in the region, however it suffers from too few participants, resulting in soft prices in recent years
 - Hay land appears to be changing hands relatively cheaply depending on the water use and yield factors adopted, with considerable interest from funds. However, Peter Spackman notes that growth in this market appears to be driven mostly by water values, rather than land values at present

Key observations identified by Peter Spackman in respect of the grazing property market in the south west of New South Wales include:

- good rainfall over the FY2014 summer months has resulted in the region experiencing one of its best seasons, which has contributed to considerable growth in interest from potential purchasers
- although prices paid in the higher rainfall country in the east of the state appear to have eased, the value of grazing land in the western country has remained solid with a number of sales occurring at strong prices.

We note that, based on discussions with Tandou management, that there have been limited transactions that contemplated the purchase of an asset of the same scale and with the same characteristics as the Tandou Farm. Amongst other factors, Tandou Farm is significantly larger than the properties the subject of the observed transactions (127,337 hectares versus the largest transacted irrigated property of around 15,000 hectares) and has direct access to Menindee Lakes water. However, it is geographically isolated and its reliance on Menindee Lakes as a water source makes it vulnerable in periods of low rainfall. These features make the independent assessment of its fair market value subject to a greater degree of uncertainty compared with the other properties.

7.2.3 Biological assets

The company recognises biological assets, the most material of which comprises crops, at fair value less estimated point of sale costs.

Given the short lifecycle of biological assets, we have undertaken an analysis to assess whether the value of the assets has changed since 31 December 2014.

Based on this analysis, we have concluded that the value of cropping assets has grown in line with the maturation profile of the crop, and as a result of cropping costs incurred by Tandou since 31 December 2014. Our estimate of the fair market value of biological assets is summarised below.

Table 32: Value of net non-property assets

	Fair market value (\$000)
Biological assets – 31 December 2014	17,513
Biological assets – current ¹	21,707
<i>Movement in fair market value</i>	<i>4,194</i>

Source: Deloitte Corporate Finance analysis; Peter Spackman valuation reports

Note:

1. The value of biological assets is net of costs incurred since 31 December 2014. Refer to Section 7.2.4 for the rationale for including this adjustment in the valuation of biological assets.

7.2.4 Non-property assets and liabilities

For all other non-property assets and liabilities, with the exception of deferred tax assets, deferred tax liabilities and financial liabilities, we consider that the book value as at 31 December 2014 approximates their current fair market value. We note that we have adjusted the fair market value of biological assets for crop growth, net of

cropping costs, which serves to adjust associated net working capital assets and / or bank overdraft facilities. Therefore, we consider that no further adjustment to non-property assets and liabilities is required.

The book values of these assets and liabilities as at 31 December 2014 are summarised below.

Table 33: Value of net non-property assets

	Fair market value (\$'000)
Cash and cash equivalents	60
Trade and other receivables	5,026
Loan receivable	2,132
Investments	50
Non-property assets	7,268
Trade and other payables	3,874
Employee benefits	964
Current tax liabilities	1,394
Employee benefits	135
Non-property liabilities	6,367
Net non-property assets	901

Source: Deloitte Corporate Finance analysis

The loan receivable of \$2.1 million relates to a loan provided to the Harris family as part of the Glenmea acquisition. The loan is secured by land and water assets under the terms of the Priority and Subordination Deed between the parties, and is due to be repaid in January 2017.

Based on discussions with Tandou management and having regard to the terms of the loan as set out in the Priority and Subordination Deed, we are of the view that the book value of the loan approximates its current fair market value as at 31 December 2014.

We note that Tandou recognised net deferred tax liabilities of \$4.4 million as at 31 December 2014 (refer to Section 3.8), which reflects:

- temporary differences between the accounting and tax cost base of inventories and property, plant and equipment
- deferred tax assets arising from carried forward tax losses. Remaining carried forward tax losses held by Tandou as at 31 December 2014 are estimated at \$2.7 million.

We have not ascribed a value to deferred tax assets or liabilities due to the following:

- we consider it unlikely that a potential purchaser of Tandou would ascribe a value to amounts arising from temporary differences
- based on discussions with Tandou and Webster management, we do not consider that potential purchasers would be capable of utilising the tax losses to their full extent as a result of tax legislation that either limits the ability of potential purchasers to utilise the tax losses, or restricts the portion capable of being utilised.

7.2.5 Financial liabilities

Tandou has the following financial liabilities as at 31 December 2014:

Table 34: Financial liabilities

	Book value (\$'000)
Current borrowings	25,000
Non-current borrowings	10,000
Total borrowings	35,000

Source: Deloitte Corporate Finance analysis

A portion (\$25 million) of Tandou's facilities expires in September 2015. The company is of the view the terms of the facility will be reviewed and renewed in September on broadly similar terms.

Given the relatively short maturity of this debt, we have assumed that the debt would be refinanced in the event of a change of control transaction. We have therefore assumed the book value of the debt approximates its fair market value.

7.2.6 Corporate costs

A separate allowance has been made for corporate costs given these costs are not reflected in the valuation of Tandou's net assets.

Tandou incurred unallocated corporate costs of approximately \$2.1 million in FY2014. This level is consistent with that incurred in previous years (between \$1.9 million and \$2.1 million) and comprises costs associated with running Tandou's head office, including:

- the Tandou executive office (such as costs associated with the offices of the CEO, company secretarial and legal, planning and development and corporate affairs)
- compliance costs (such as director fees, annual reports and shareholder communications, share registry and listing fees).

We note that an acquirer of Tandou could potentially realise significant savings of corporate costs. However, some level of costs would remain and would need to be assumed by the acquirer.

Having regard to the above, we have estimated the value of corporate costs to be in the range of \$8 million to \$10 million.

7.2.7 Number of shares outstanding

Tandou's capital structure comprises ordinary shares (196.8 million), unlisted options issued to Mr Guy Kingwill (250,000) and partly paid \$1 shares (165,000).

We have adjusted the number of ordinary shares outstanding by 250,000 to take into account the dilutive effect of the options held by Mr Kingwill on the basis they have vested and, with an exercise price of \$0.26, are currently in-the-money. We have similarly adjusted the net assets of Tandou to take into account the proceeds to be realised on exercise of these options (\$65,000).

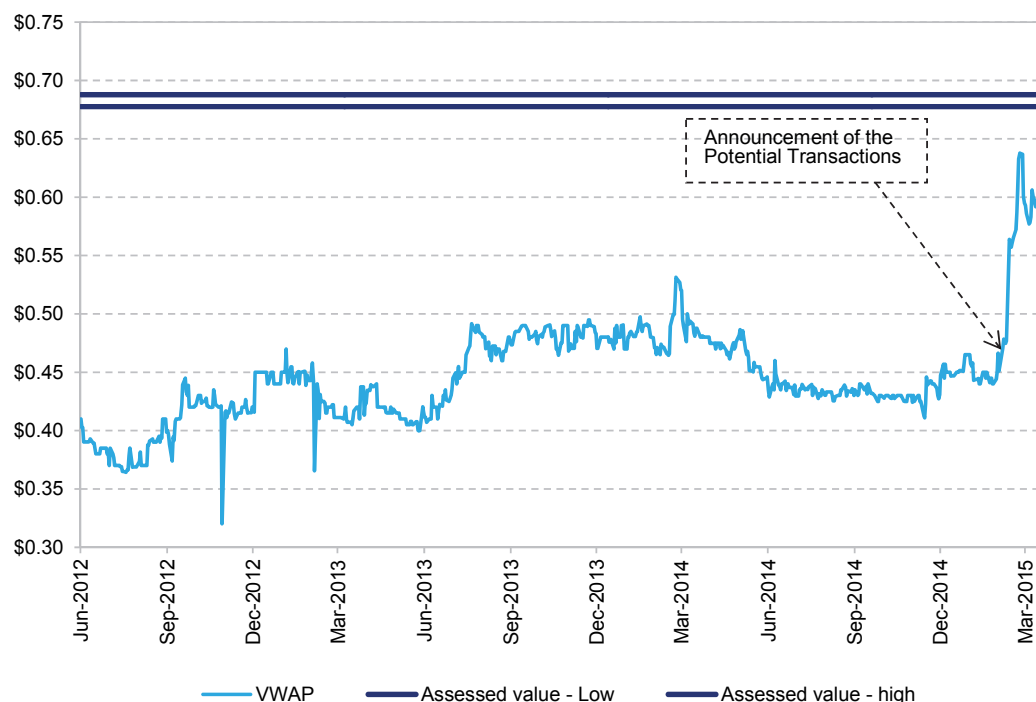
7.3 Valuation cross-check

The share market generally provides an objective measure of the market value of an entity's securities provided that there is an active, well-informed market for the securities and that there are no abnormal factors reflected in market prices, such as takeover speculation. We note that Tandou is followed by at least one equities analyst, and has provided regular announcements to the market on its seasonal financial performance and financial position.

Security prices from market trading do not generally reflect the market value for control of a company as they are for portfolio holdings and, accordingly, would be expected to trade at a discount to a control value. A premium is therefore generally required to obtain a controlling stake in listed entities and such premiums typically range between 20 and 40%.

A comparison of recent trading in Tandou shares with the value of a share in Tandou implied by our valuation is set out below.

Figure 22: Trading in Tandou's shares compared with Deloitte Corporate Finance's assessed valuation range



Source: S&P Capital IQ; Deloitte Corporate Finance analysis

Our assessed value range for a share in Tandou represents a premium of between 38% and 52% to the prices at which Tandou's shares traded in the five days immediately preceding the Announcement Date, which could be explained in part by the control premium required to be paid in order to acquire Tandou on a going concern basis. However, Tandou has consistently traded below its NAB²⁴ on a per share basis (refer to Section 3.6), suggesting some of this premium is likely to be inflated by the following factors:

- Tandou's relatively low ROA (refer to Section 3.7), driven by:
 - the effect of recent unfavourable climatic and drought conditions on the company's cotton cropping business, which are projected to persist in FY2015, although the effect may be somewhat hedged by the company's water portfolio business
 - the company only recently acquiring the Glenmea and Bundygoola properties, the performance of which is yet to be fully demonstrated to the market
 - external factors such as volatility in commodity prices and the AUD / USD exchange rate
- the listed market remaining sceptical of asset values despite independent appraisals supporting the net asset position of Tandou. The market may also attribute less strategic value to Tandou's water assets compared with that ascribed by Tandou and its independent valuers.

Taking the above into account, we consider historical trading in Tandou's shares is not inconsistent with our estimate of the fair market value of a share in Tandou on a control basis.

²⁴ Referring to the book value, rather than the fair market value, of Tandou's net assets. The discount would be even greater to the extent the fair market value of Tandou's net assets was adopted for the purposes of this analysis

8 Valuation of the Consideration

8.1 Valuation summary

We have estimated the fair market value of Enlarged Webster shares to be in the range of \$1.45 to \$1.65 per share. Having regard to the Tandou Offer ratio of 2.25 Tandou shares for each Webster share, this equates to an assessed fair market value of the Consideration of \$0.64 to \$0.73 per Tandou share.

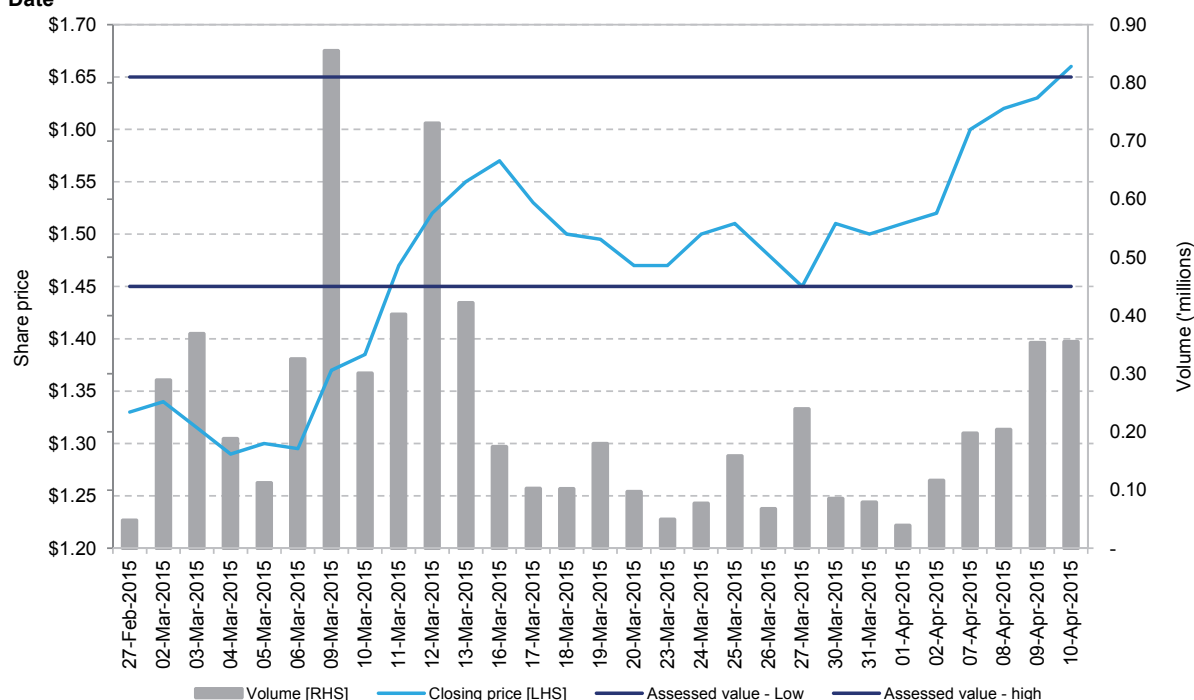
In reaching this conclusion, we have primarily had regard to the trading price of Webster shares subsequent to the Announcement Date. We cross-checked the reasonableness of our selected valuation range having regard to the adjusted net asset value of Webster following the Proposed Transactions and to recent and agreed terms in off-market transactions in Webster' shares.

Discussion of these considerations is set out in the following sections.

8.2 Share trading analysis

The figure below shows trading prices for Webster shares during the post-Announcement Date period, from the Announcement Date up to 10 April 2015, compared to our selected valuation range.

Figure 23: Selected valuation range compared to the Webster share trading volumes and price, post-Announcement Date



Source: S&P Capital IQ, Deloitte Corporate Finance analysis

Shares in Webster have been trading at a higher and wider range post-Announcement Date compared to the range observed in the 90 days prior to the announcement of the Tandou Offer. This suggests that the market is incorporating an uplift in value into the Webster share price in relation to the Proposed Transactions, which may be attributable to the following factors:

- synergistic benefits expected to arise as a result of the Proposed Transactions. Enlarged Webster should be able to derive synergies from the Bengarang and Tandou properties through streamlined management, consolidation of key business intellectual property and know-how in the trading and more efficient and effective use of water rights, and the aggregation of the horticulture and agriculture of the acquired properties
- securing substantial water assets and water access through the Proposed Transactions. Security of supply will decrease volatility in crop yields and will allow Enlarged Webster to direct water supply to the highest margin operations

- Enlarged Webster will have geographically diversified operations following the completion of the Proposed Transactions as well as focus on growing its core walnuts business
- the benefits of the Leeton walnut cracking facility flowing through to Webster's financial results following commissioning in March 2014. This facility has allowed Webster to enter the Australian domestic market where the majority of walnuts are sold as kernels
- establishment and commencement of planting on the new Avondale West orchard, which included infrastructure improvements such as the construction of an 800 ML storage dam on-site
- further depreciation of the AUD / USD exchange rate, which will make sales of Enlarged Webster's products more competitive in the export market and ease import pressures domestically
- Webster expects to have a significantly larger market capitalisation, lower gearing, greater liquidity, a larger asset base, increased earning capacity and an enlarged scale of activities following completion of the Proposed Transactions.

Given that there is no current indication, by way of public statements from the Board or shareholders of Webster, that the Bengerang Acquisition will not proceed, we consider that the Bengerang Acquisition is likely to proceed, and the share trading price post-Announcement Date reflects this outcome.

We note that regardless of the outcome of the Bengerang Acquisition, the market price of Enlarged Webster shares will vary in the future, based on market volatility and changes as a result of, inter alia, the economic climate, developments in the walnut and cotton industries and industry sentiment, commodity prices, economic growth rates and the future financial performance and specific circumstances of Enlarged Webster.

8.3 Cross checks

8.3.1 Off-market transactions in Webster shares

We note that the following two off-market transactions in Webster shares are priced at a significant discount to the share trading price of Webster following the Announcement Date:

- private placement of 17,483,093 shares on 17 December 2014 to AFF for \$1.03 per Webster share. This resulted in AFF holding 11.25% of the total Webster shares outstanding. We note that AFF is a significant shareholder of Bengerang and as part of the Bengerang Acquisition it is proposed that Webster will enter into the AFF Management Agreement with AFF
- as part of the Bengerang Acquisition, Webster shares will be issued to Eagle Securities Limited and Kaplan Equity Limited (3,854,369 shares and 30,434,783 shares, respectively) for \$1.17 per share (refer to Section 5.2.3 for specific details). Following this issue, Eagle Securities Limited and Kaplan Equity Limited will have a shareholding of 5.0% and 8.68%, respectively, in Enlarged Webster assuming the successful completion of the Proposed Transactions.

We note that these transactions were both negotiated prior to the significant increase in the Webster share price following the Announcement Date, and the prices at which they took place are therefore now at a significant discount to the share trading price of Webster following the Announcement Date. Accordingly, we do not consider them to provide a reliable benchmark for the fair market value of a share of Enlarged Webster.

8.3.2 Adjusted net asset value

We have also considered a high-level sum-of-the-parts analysis of the value of a share in Enlarged Webster following the Tandou Offer. We have assessed the adjusted net asset value of a share in Enlarged Webster on two bases, one assuming that the Bengerang Acquisition proceeds, and one assuming that the Bengerang Acquisition does not proceed.

We have derived an adjusted net asset value of Enlarged Webster by aggregating the following on a sum-of-the-parts basis:

- our valuation of Tandou, before adjusting for corporate overheads, as set out in Section 7.2.6
- the assets and liabilities of Webster as at 31 December 2014, based on the pro forma financial statements set out in the Draft Shareholder Booklet, which incorporate independent property valuations prepared by CBRE, with certain adjustments as set out below
- assuming the Bengerang Acquisition proceeds, the assets and liabilities of Bengerang as at 31 December 2014, based on the pro forma financial statements set out in the Draft Shareholder Booklet,

which incorporate independent property valuations prepared by CBRE, with certain adjustments as set out below

- an adjustment for the ongoing corporate overheads associated with operating Enlarged Webster's assets and liabilities on a going concern basis.

This valuation approach is consistent with the methodology used in our assessment of the fair market value of Tandou in Section 6. The following table sets out the outcome of our sum-of-the-parts analysis.

Table 35: Adjusted net asset value of Enlarged Webster

Description	Units	Reference	Enlarged Webster (Webster + Tandou)	Enlarged Webster (Webster + Tandou + Bengerang)
Adjusted net asset values				
Webster	\$'000	Appendix F	123,386	123,386
Tandou	\$'000	Section 7.1	139,387	139,387
Bengerang	\$'000	Appendix F	-	118,370
Adjustment for corporate overheads ¹	\$'000		(18,000)	(20,000)
Total – Enlarged Webster	\$'000		244,773	361,134
Shares outstanding ²	'000		243,074	350,746
Value per share of Enlarged Webster	\$		1.01	1.03

Source: Deloitte Corporate Finance analysis

Notes:

1. Corporate overheads for Enlarged Webster (Webster and Tandou) and Enlarged Webster (Webster, Tandou and Bengerang) have been estimated at \$18.0 million and \$20.0 million, respectively. A separate allowance has been made for corporate overheads given these costs are not reflected in the valuation of Enlarged Webster's net assets. We note that this analysis does not take account of any synergies and/or goodwill over and above corporate overheads which may result from the combination of Webster, Tandou and Bengerang. Corporate overheads have been calculated using the same methodology as Tandou, as set out in Section 7.2.6, and is based on Webster's budgeted FY2015 unallocated corporate costs of \$2.1 million and an estimate of the incremental corporate costs of Tandou and Bengerang of \$0.4 million and \$0.18 million, respectively
2. Shares outstanding based on the information disclosed in Section 5.7 of the Draft Shareholder Booklet

The aggregated adjusted net asset value of Enlarged Webster set out above results in a value per Webster share in the region of \$1.01 to \$1.03. This represents a discount of \$0.44 to \$0.62 per share when compared to our assessed fair market value of Webster shares and represents a value on a control basis. We note that, despite some fluctuations, the share price of Webster has consistently traded at a premium to NAB per share over the course of the last 19 months, averaging 45% between August 2013 and the Announcement Date. This premium to NAB is not inconsistent with the premium calculated based on our valuation range of \$1.45 to \$1.65 per share and the aggregated adjusted net asset value of Enlarged Webster, of 44% to 60%.

We note that the historical share price has consistently traded at a premium to NAB since August 2013 (refer to Section 4.6).

We consider that the difference between our selected valuation range for a share in Webster and the valuation of Enlarged Webster on a sum-of-the-parts basis may be explained by a number of factors, including the following:

- portfolio premium given the scarcity of comparable listed entities by size and portfolio of holdings
- synergies that can be expected to be realised through the combination of Webster (including Kooba), Tandou and Bengerang's assets, which are not specifically factored into an aggregation of values of individual assets
- the ability of Enlarged Webster to grow further in the future through other acquisitions
- positive market perceptions of significant shareholders in Webster and the composition of the Webster Board, including the presence of Chris Corrigan, a high profile Australian investor, and the Robinson family (via the AFF shareholding), both of whom have significant agribusiness expertise, and the market's potential expectation that these shareholders will pursue an aggregation strategy which will realise any available synergies
- the positive implications of the weakening Australian Dollar on export growth

- the market potentially holding a more optimistic view of the walnut operations than has been factored into the independent property valuations of the walnut operations. Specific observations on potential differences between the independent valuation assessment and the market are discussed below.

Review of the independent valuations of the walnut operations

The properties which will be owned by Enlarged Webster comprise agricultural properties, water entitlements, and walnut operations. The largest component of the adjusted net asset value for Webster is the valuation of the property, biological assets and water rights undertaken by CBRE, an independent valuer.

CBRE has used comparable transactions in similar properties and entitlements as the method to value Webster and Bengerang's key properties (excluding the walnut operations). This method is generally in line with the method that has been used to assess the value of Tandou's key properties, which was a key input into our assessment of the fair market value of Tandou. However, CBRE has estimated the fair market value of Webster's walnut operations (excluding Avondale West) based on a discounted cash flow analysis.

The valuation of the walnut operations using discounted cash flow analysis is based on a number of assumptions which are subjective in nature and difficult to benchmark (a summary of these assumptions is set out in Appendix E). In contrast, our assessment of the fair market value of Webster's shares using recent share trading is based on direct market evidence.

Given the subjective nature of valuations based on discounted cash flow analysis, it is possible that market participants are factoring in more optimistic assumptions when pricing Webster shares in on-market trading, possibly in respect of the following:

- **growth in the global walnut demand:** our industry analysis set out in Section 2 notes that global growth in walnut demand has been stable at around 4% per annum, with Chinese demand for imported walnuts expected to grow in the coming years, with an increase of 7% projected in 2015. In contrast, the independent valuer has factored volume growth of 2% p.a. into its forecasts for the valuation of Leeton, Tabbita, Swansea and Cranbrook
- **synergies across Webster's walnut business which may result from the Tandou Offer:** for example, through the highest and best use of Tandou's water entitlements in ensuring stable production from Webster's walnut operations
- **walnut pricing:** the independent valuer has projected future walnut prices in AUD, based on historical sales prices for Webster's walnuts. However, we note two factors that may suggest that walnut prices, and in particular walnut export prices, could be higher than those projected by the independent valuer:
 - reduced global supply as a result of persisting drought conditions in California, the major global exporter of walnuts
 - the prices adopted are lower than the average prices achieved by Webster in 2014, and do not appear to take account of any price increases in AUD terms as a result of the AUD / USD exchange rate having decreased substantially over the course of 2014 and the first three months of 2015
- **future returns from the full development of Avondale West for walnut production:** the current valuation by the independent valuer of Avondale West is \$4.16 million. This is based on comparable sales in properties which the independent valuer noted were inferior to Avondale West, and greenfield horticultural sites which were sold in 2012 to investors planning to develop the properties for nut production. Using these property sales as value benchmarks may not take full account of the development that has taken place at Avondale West since the date of acquisition. The independent valuer's valuation is less than the aggregate amount spent to date on the property by Webster, based on the price paid for the property in October 2012 of \$2.40 million, and expenditure of approximately \$3.0 million to \$3.6 million on the development of the property to date. We note that the value implied by the costs spent to date on the property alone, of up to \$6.0 million, does not factor in any upside in terms of future returns from the full development of Avondale West for walnut production. By way of reference, we note that in its report dated 10 March 2015, one of the equity analysts covering Webster attributed a value of approximately \$60 million to Avondale West. This supports the proposition that the market perceives significant upside in the value of Webster which is not currently reflected in the aggregation of its net assets based on the property valuations prepared by the independent valuer.

In general, we note that as Webster is by far the largest Australian producer of walnuts there is very limited evidence by way of transaction prices or implied valuation parameters which can be inferred from transactions in comparable assets. Accordingly, Webster's share trading price may well represent the most reasonable basis on which to estimate the market-based parameters applicable to the value of Webster's walnuts operations.

In order to test the reasonableness of our selected valuation range, we have isolated the value attributable to Enlarged Webster's walnuts operations as implied by our selected valuation range and have cross-checked it against market evidence available. In particular, we have tested the reasonableness of the resulting acreage multiple (a method widely used in property valuations). The following table sets out the implied multiples analysis.

Table 36: Implied enterprise value per hectare of Enlarged Webster's walnut operations

Description	Units	Enlarged Webster (Webster + Tandou)		Enlarged Webster (Webster + Tandou + Bengerang)	
		Low	High	Low	High
Selected Enlarged Webster Consideration (share price)	\$	1.45	1.65	1.45	1.65
Shares outstanding ¹	'000	243,074	243,074	350,746	350,746
Implied market capitalisation	\$000	352,458	401,073	508,581	578,730
Net debt ²	\$000	149,296	149,296	163,909	163,909
Implied Enterprise Value	\$000	501,754	550,369	672,490	742,639
Adjustments					
FFT	\$000	10,200	10,200	10,200	10,200
Kooba Aggregation	\$000	116,000	116,000	116,000	116,000
Corporate overheads ³	\$000	1,200	1,200	4,200	4,200
Adjusted net assets of Tandou	\$000	139,387	139,387	139,387	139,387
Adjusted net assets of Bengerang	\$000	-	-	118,370	118,370
Adjusted implied enterprise value for Webster's walnut operations	\$000	234,967	283,582	284,333	354,482
Total Webster title area	'000 ha	4.2	4.2	4.2	4.2
Implied enterprise value per hectare	\$ / ha	55,495	66,977	67,155	83,723

Source: Deloitte Corporate Finance analysis

Notes:

1. Shares outstanding based on the information disclosed in Section 5.7 of the Draft Shareholder Booklet
2. Net debt based on the information disclosed in Section 5.5 of the Draft Shareholder Booklet
3. Corporate overheads have been calculated using the same methodology as for Tandou, as set out in Section 7.2.6, and is based on an estimate of the incremental corporate costs of Tandou and Bengerang of \$0.4 million and \$0.18 million, respectively.

The implied enterprise value per hectare for the walnuts operations of Enlarged Webster based on our selected valuation range is \$55k to \$67k per hectare assuming the Bengerang Acquisition does not proceed, and \$67k to \$84k per hectare assuming that the Bengerang Acquisition proceeds (by way of reference, the value per hectare implied by CBRE's valuation is \$17k per hectare).

We note that based on transaction evidence included in the CBRE analysis, the implied enterprise value per hectare appears high. Some of CBRE's selected transaction evidence refers to acquisitions of almond orchards undertaken by Select Harvest Limited (Select Harvest), a large (greater than \$500 million market capitalisation) listed Australian almond producer. However, we note that the current market capitalisation of Select Harvest appears to be supportive of the enterprise value per hectare implied by our valuation of the walnut operations.

The analysis set out in the table below illustrates that Select Harvest is trading at a multiple of \$75k per hectare for its nut operations.

Table 37: Indicative implied enterprise value per hectare of Select Harvest

	Units	
Select Harvest market capitalisation as at 7 April 2015	\$000	539,151
Net debt as at 31 December 2014	\$000	98,652
Enterprise value	\$000	637,803
Adjustments		
Food Division net assets	\$000	69,378
Adjusted enterprise value	\$000	568,425
Total land area	ha	7,601
Implied enterprise value per hectare	\$ / ha	74,783

Source: Deloitte Corporate Finance analysis

Note:

1. Total land area has been sourced from the FY2014 annual report of Select Harvest.

Whilst this analysis is only indicative (Select Harvest's operations include almond orchards rather than walnut orchards), we note a number of similarities that suggest our valuation conclusion is not unreasonable:

- the market capitalisation of Select Harvest is broadly in line with that expected for Enlarged Webster
- the portion of Select Harvest's orchards at an early stage of development is broadly in line with that of Webster's walnut operations (Avondale West)
- Select Harvest's mix of leased and company owned land is broadly similar to that of Webster's walnut operations
- Select Harvest's accounting policy requires an assessment of fair value of its biological assets. Similar to Webster, it has consistently been trading at a premium to its reported net assets backing.

Earnings multiples observed for Select Harvest appear to represent a suboptimal benchmark for valuation purposes as a number of market analysts observe that almond prices currently being realised are relatively high and assume the long-term almond price will decline compared with recent evidence.

Appendix A: Context to the Report

Individual circumstances

We have evaluated the Tandou Offer for Shareholders as a whole and have not considered the effect of the Tandou Offer on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Tandou Offer from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Tandou Offer is fair and reasonable to Shareholders. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

Limitations, qualifications, declarations and consents

The report has been prepared at the request of the Directors of Tandou and is to be included in the Target's Statement to be given to Shareholders as part of their consideration of the Tandou Offer. Accordingly, it has been prepared only for the benefit of the Directors and those persons entitled to receive the Target's Statement in their assessment of the Tandou Offer outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Shareholders and Tandou, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Tandou Offer. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Tandou Offer is fair and reasonable. Deloitte Corporate Finance consents to this report being included in the Target's Statement.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by Tandou and its officers, employees, agents or advisors which Deloitte Corporate Finance believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to Tandou management, and certain extracts of our draft report were issued to Webster management, for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by Tandou and its officers, employees, agents or advisors, Tandou has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which Tandou may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by Tandou and its officers, employees, agents or advisors or the failure by Tandou and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Tandou Offer.

Deloitte Corporate Finance also relies on the valuation reports prepared by Peter Spackman, in relation to Tandou's properties, and Herron Todd White, in relation to Tandou's water entitlements. Deloitte Corporate Finance has received consent from each expert for reliance in the preparation of this report. Deloitte Corporate Finance was provided access to CBRE's valuation reports in relation to the Walnuts Australia and Bengelang properties.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Michele Picciotta, Director, B.Comm (Hons), and Rachel Foley-Lewis, Director, B.Comm, CA, F.Fin. Each has many years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 550 Bourke Street, Melbourne, VIC, 3000 acknowledges that:

- Tandou proposes to issue a disclosure document in respect of the Tandou Offer (the Target's Statement)
- the Target's Statement will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Target's Statement (draft Target's Statement) for review
- it is named in the Target's Statement as the 'independent expert' and the independent expert's report is included in the Target's Statement.

On the basis that the Target's Statement is consistent in all material respects with the draft Target's Statement received, Deloitte Corporate Finance Pty Limited consents to it being named in the Target's Statement in the form and context in which it is so named, to the inclusion of its independent expert's report in the Target's Statement and to all references to its independent expert's report in the form and context in which they are included, whether the Target's Statement is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Target's Statement and takes no responsibility for any part of the Target's Statement, other than any references to its name and the independent expert's report as included therein.

Sources of information

In preparing this report we have had access to the following principal sources of information:

- the MIA and various transaction documents pertaining to the Tandou Offer and the Bengerang Acquisition
- annual reports and interim reports for Tandou and Webster lodged with the ASX
- various internal management information of Tandou and Webster, including material agreements and contracts with third parties
- valuation reports prepared by Peter Spackman on the Tandou properties dated 30 June 2014
- valuation reports prepared by CBRE on the Walnuts Australia properties and the Bengerang properties, prepared between 28 December 2014 and 5 February 2015
- valuation reports prepared by Herron Todd White on the water entitlements owned by Tandou dated 31 December 2014
- company websites for Tandou, Webster and comparable companies
- publicly available information on comparable companies and market transactions published by ASIC, S&P Capital IQ and Mergermarket
- other publicly available information, media releases and brokers reports on Tandou and Webster, comparable companies and the agribusiness sector.

In addition, we have had discussions and correspondence with certain directors and executives in relation to the above information and to current operations and prospects, including: Mr Rob Woolley, Chairman of Tandou Limited; Mr Guy Kingwill, CEO of Tandou Limited; Mr Bernie Woollard, Company Secretary of Tandou Limited; Mr Chris Langdon, Non-executive Director of Webster; Mr John Hosken, CEO of Webster Limited; and Ms Susan Stegman, CFO and Company Secretary of Webster Limited.

Appendix B: Valuation methodologies

To estimate the fair market value of the shares in Tandou and Enlarged Webster we have considered common market practice and the valuation methodologies recommended by ASIC Regulatory Guide 111, which provides guidance in respect of the content of independent expert's reports. These are discussed below.

Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its securities or the market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of a company's recent security trading history
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

The most recent security trading history provides evidence of the fair market value of the securities in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

Asset based methods

Asset based methods estimate the market value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to securityholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies

Appendix C: Transactions considered by the valuers: land and buildings

We set out below a summary of the transactions considered by Peter Spackman in forming his views on the values of the properties owned by Tandou. We note that each property may contain a number of land types such as irrigated land, irrigated rice land and grazing land. The table below sets out the implied value per hectare for each component of land, along with Peter Spackman's observations on transactions in water entitlements attached to the land.

Table 38: Benchmark transactions considered by Peter Spackman

Property	Date	Purchase price (\$'million)	Total hectares	Improvements	Irrigation water	Development	Implied values
Irrigated properties							
Cobran, Hay	26-Nov-12	18.5	7,776	Extensive farm improvements including main house, yards, wool shed, machinery shed, etc	7 GL of ground water; 13.3 GL of water storage	2,617 ha rowed crop; 2,294 ha lasered bays; 2,855 ha border check	Ground water @ \$850 per ML; row crop @ \$1,500 per ha; laser bay @ \$1,100 per ha; border check @ \$500 per ha; service land cultivation @ \$500 per ha; grazing @ \$250 per ha
Glenmea, Hay	29-Jan-13	5.8	6,222	n/a	Nil included in the sale	Nil	Row crop @ \$1,650 per ha; irrigated rice bays @ \$1,000 per ha; border check @ \$600 per ha; grazing and service land @ \$270 per ha
Pevensey Irrigation block, Hay	28-Mar-12	3.1	5,756	n/a	-	450 ha of row crop development; 850 ha irrigated developed rice bays; 50 ha border check	Row crop @ \$1,500 per ha; irrigated rice bays @ \$825 per ha; border check @ \$500 per ha; service land cultivation @ \$330 per ha
Bundygoola (South Farm), Hay	12-Dec-13	8.5	7,759	No structural improvements	2.5 GL of ground water; 26 GL of General Security water; 6.1 GL of supplementary water entitlements	3,425 ha developed for row crop development; 12.5 GL water storage; 4,334 ha grazing	Ground water @ \$700 per ML; General Security water @ \$850 per ML; supplementary water @ \$150 per ML; water storage @ \$150 per ML; row crop @ \$1,500 per ha; service land and grazing @ \$280 per ha

Property	Date	Purchase price (\$'million)	Total hectares	Improvements	Irrigation water	Development	Implied values
Newmarket, located on the Maude side of Hay, on the northern side of the Murrumbidgee	1-Apr-14	8.0	17,485	Large property with tennis court, garage, manager's residence, workers cottage, machinery shed, workshop, wool shed, sheep and cattle yards	1.4 GL of General Security water; 649 ML of supplementary water	1,015 ha of developed row crop irrigation; 2,430 ha of dryland arable; 13,840 ha grazing	Row crop @ \$1,500 per ha; cleared arable @ \$425 per ha; border check @ \$600 per ha; grazing @ \$250 per ha; border check @ \$500 per ha; water storage @ \$100 per ML
Gundaline Station, located between Hay and Darlington Point	1-Jan-14	25.3	14,928	Homestead, with five cottages, quarters, office, workshop, extensive bulk storage, wool shed, hay sheds, yards, etc	18 GL ML of ground water; 6.8 GL of water storage	2,538 ha of irrigation lasered beds @ of developed border check and contour; 1,109 ha of service land and cultivation; 8,012 ha of grazing	Ground water @ \$800 per ML; water storage @ \$150 per ML; developed lasered beds @ \$1,500 per ha; border check @ \$600 per ha; service land and cultivation @ \$500 per ha; grazing @ \$295 per ha
Grazing properties							
Denian Station, Menindee	26-Mar-14	2.5	33,486	Well-established, five-bedroom homestead, plus working farm improvements; sub-divided into nine main paddocks, with five holding paddocks	n/a	n/a	Fenced & watered @ \$63.50 per ha
Coolamen & Quamby Stations, Wentworth	8-Oct-13	2.3	22,130	Five-bedroom, three-bedroom homestead, machinery shed, garage workshop, two four-stand wool sheds and yards	n/a	n/a	Grazing consent @ \$150 per ha; grazing @ \$77 per ha
Alma Park, Wilcannia	5-Aug-13	1.5	14,064	Four-bedroom homestead, lock-up garage, two workshops, machinery shed, four-stand wool shed and sheep yards	n/a	n/a	Grazing @ \$82 per ha

Source: Peter Spackman valuation reports, 30 June 2014

Appendix D: Transactions considered by the valuers: water entitlements

Herron Todd White considered the most relevant individual water entitlement transactions in completing the valuation, which were detailed within its valuation report. We set out below the transaction ranges considered by Herron Todd White in forming its views on the value of the water rights owned by Tandou.

Table 39: Transaction ranges considered by Herron Todd White

Zone and location	Reliability / Security	Lower range (\$ / ML)	Upper range (\$ / ML)	Water broker Dec-14 trades (\$ / ML)	Adopted value (\$ / ML)
1A Victoria Greater Goulburn	High Reliability	1,300	2,000	1,800	1,775
	Low Reliability	150	275	275	270
7 Victoria Murray Barmah Choke to South Australia	High Reliability	1,200	2,000	1,800-1,815	1,800
	Low Reliability	150	300	280-300	275
11 New South Wales Murray Below Barmah Choke	High Security	1,650	2,070	2,070	2,025
	General Security	850	1,050	1,050	975
13 New South Wales Murrumbidgee	High Security	1,350	2,600	2,175	2,150
	General Security	800	1,080	950	950
	Supplementary	245	275	300-350 ¹	300
3 New South Wales Murrumbidgee Ground Water	Continuing	680	891	Nil	825
14 New South Wales Lower Darling	High Security	1,448	1,790	Nil	1,650
	General Security	750	827	Nil	750

Source: Herron Todd White valuation report, 31 December 2014

Note:

1. Indicates buy orders.

Appendix E: Assumptions underpinning CBRE's valuation of Webster's walnut operations

CBRE has valued the walnut operations (excluding Avondale West) using a discounted cash flow analysis, based on a number of assumptions which are subjective in nature, including those in relation to the opportunities and risks associated with the future cash flows projected to be generated from the walnut operations.

CBRE has adopted the following global assumptions for its discounted cash flow valuations of Webster's walnut operations:

- **revenue growth rate:** 2.0% per annum based on the anticipated increase in size and quality of walnuts as the trees mature and the likelihood of a lower AUD in the medium to long term
- **discount rate:** 17.5%
- **terminal value:** based on a capitalisation of EBITDA in year 10, using a capitalisation rate of 15.0% or a multiplier of 6.66 times.
- **additional assets:** the independent valuer has attributed a value in relation to certain property, plant and equipment in addition to the value calculated based on the discounted cash flows. These additional assets relate to the walnut processing facility at Leeton, the hulling and drying facility at Tabbita and vacant and developable and grazing land at Swansea. The facilities at Leeton and Tabbita have been valued based on depreciated replacement cost, and the land at Swansea based on comparable transactions.

The following table sets out the asset-specific assumptions adopted by the independent valuer in its valuations of the walnut operations using the discounted cash flow methodology.

Table 40: Asset-specific assumptions adopted by the independent valuer in its discounted cash flow valuations

Property	Valuation (\$000)	Area (ha)	Net operating profit FY2015 (\$000)	Walnut prices		
				In-shell (\$ per kg)	Cracking grade (\$ per kg)	Mature yield adopted (kg per ha)
Leeton Orchard and processing facility	39,900	915	3,242	\$3.00	\$1.90	5,500
Tabbita Orchard	25,430	979	3,197	\$3.00	\$1.90	5,500
Swansea Orchard	8,430	1,230	1,118	\$3.50	\$2.00	3,500
Cranbrook Orchard	240	73	49	\$3.50	\$2.00	3,500

Source: CBRE valuation reports

Appendix F: Adjusted net asset values of Webster and Bengerang

Adjusted net asset value of Webster

The following table sets out our analysis of the net asset value of Webster as at 31 December 2014.

Table 41: Webster adjusted net assets as at 31 December 2014

	\$'000
Webster pro forma net assets as at 31-Dec-2014	118,621
Fair market value adjustments	
Current tax assets	(812)
Investment property	333
Deferred tax assets	(1,881)
Deferred tax liabilities	6,836
FFT – value uplift on sale	289
Adjusted net asset value of Webster	123,386

Source: Draft Shareholder Booklet, Deloitte Corporate Finance analysis

We note the following in relation to the adjustments made in the table above:

- we have assumed that the fair market value of current tax assets is nil as they reflect temporary tax adjustments for the loss on operations as at 31 December 2014 and will be reversed at 30 June 2015
- the notes to the 30 June 2014 financial statements state that the investment property (which relates to commercial and residential buildings) is considered to have a fair value of \$1.15 million based on directors' estimates. This results in a value uplift of \$0.33 million
- we have assumed that the fair market value of the deferred tax assets is represented by the book value of the carry forward tax losses of Webster of \$1.6 million, as we consider that these losses are likely to be used in the short-term and therefore do not require discounting for the time value of money
- we have adjusted the fair market value of total deferred tax liabilities to nil as they relate to temporary differences in respect of tax and accounting carrying values of property, plant and equipment, inventory and biological assets
- we have incorporated a value uplift associated with the sale of FFT.

Adjusted net asset value of Bengerang

The following table sets out our analysis of the net asset value of Bengerang as at 31 December 2014.

Table 42: Bengerang adjusted net assets as at 31 December 2014

	\$'000
Bengerang pro forma net assets as at 31-Dec-2014	123,821
Fair market value adjustments	
Deferred tax assets	(2,561)
Deferred tax liabilities	3,255
Goodwill	(6,145)
Adjusted net asset value of Bengerang	118,370

Source: Draft Shareholder Booklet, Deloitte Corporate Finance analysis

We note the following in relation to the adjustments made in the table above:

- we have assumed that the fair market value of the deferred tax assets is represented by the book value of the carry forward tax losses of Bengerang of \$1.4 million. Webster has advised that it is likely that these losses will be able to be utilised within Enlarged Webster, pending detailed tax advice
- we have adjusted the fair market value of total deferred tax liabilities to nil as they relate to temporary differences in respect of property, plant and equipment, inventory and biological assets
- we have adjusted for \$6.1 million of Bengerang Acquisition goodwill recognised in the pro forma net assets.

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