

ASX Announcement

TOTAL PAGES: 12

4 July 2019

Wellard to sell M/V Ocean Swagman for US\$22M Further standstill with Noteholders

Wellard Limited (ASX:WLD) (**Wellard** or the **Company**) provides the following update regarding a transaction Term Sheet which it has signed as part of its overall strategy to recapitalise its business and restructure its operations, including its position with its Noteholders.

KEY ELEMENTS:

1. Sale of M/V Ocean Swagman:

- Heytesbury Holding Company Pty Ltd or its subsidiary (“Heytesbury”) will purchase the M/V Ocean Swagman (“Swagman”) for US\$22M.
- Wellard will charter the vessel back from Heytesbury for an initial period to 31 March 2021, with options to extend for up to 4 years (1 year extension option on same terms, and further 3 years extension option at market rate to be agreed).
- Heytesbury holds 11.42% of Wellard.
- A break fee of US\$300,000 or of US\$600,000 may be payable in certain circumstances.
- Funds from the sale will be used primarily to retire debt.
- Conditions precedent include due diligence, vessel inspection, satisfactory standstill with Wellard’s Note Holders (see below), Wellard shareholder approval of the sale and lease-back, bank consents, key shareholder support and meeting Singapore law requirements.
- Wellard’s Board proposes to proceed with the transaction and recommend it to shareholders, in the absence of a superior transaction.
- Except for limited clauses (including break fee and exclusivity provisions) the term sheet is non-binding and the sale and charter is subject to documentation.

The Term Sheet for this transaction is attached.

2. Noteholder Standstill arrangement:

- Wellard’s Noteholders have agreed an indicative, non-binding term sheet for a further standstill period
- Noteholders will receive US\$10M from the Swagman sale proceeds, which is anticipated to occur on 31 August 2019

- From 1 October 2019, Noteholders will receive US\$200,000 per month and a balloon repayment on 31 August 2020 (if additional security can be provided) or US\$400,000 per month and a balloon repayment on 28 February 2020 (if no additional security can be provided). All payments will redeem convertible notes.
- The standstill applies until 31 August 2019, subject to a right to extend for a further 15 days in circumstances where the Swagman sale is unconditional other than as to shareholder approval.
- Interest of 14% p.a. will apply during the standstill and repayment period.
- Wellard will pay US\$100,000 in work fees, together with legal and advisory costs.
- The standstill is subject to financial due diligence, internal approvals, agreeing documentation between Wellard and the Noteholders, which is to be negotiated and signed simultaneously with the ship transaction documents, and on Noteholders being satisfied with Wellard's medium term financial forecasts.

RESTRUCTURE PROGRESS

The sale and leaseback of the MV Ocean Swagman represents a further significant step in Wellard's ongoing restructure plan to reduce debt levels and improve financial and operating flexibility. Importantly, Wellard retains management of and access to a fleet of four specialist livestock vessels while releasing significant equity without shareholder dilution.

When completed, the group's overall debt will be reduced from approx. US\$85M to approx. US\$64.0M. It will reduce future finance servicing obligations, in turn improving Wellard's cashflow.

The proceeds from the sale will be used to fully pay out the remaining US\$6.0M Wellard owes to the vessel's financier, Nord LB; US\$10M will be paid to Convertible Noteholders; and the balance to other vessel financiers and transaction costs.

The outstanding balance owed to the Note Holders will be US\$5.5M.

The M/V Ocean Swagman (launched 2009) is the sister ship of the M/V Ocean Outback (launched 2010), which was sold for US\$26M in 2017. The Company will book an accounting loss on sale of approx. US\$7.6M.

The Company will continue to address the need for further balance sheet restructure, and is actively considering all options to achieve that objective.

Wellard's Executive Chairman, Mr John Klepec said the transaction reduces Wellard's debt profile and provides additional time and ability to restructure the Company's balance sheet.

"Heytesbury's purchase of the M/V Ocean Swagman provides an attractive opportunity for Wellard to realise the equity value in the ship while retaining continued use of the vessel for chartering or exporting opportunities. Heytesbury has a deep understanding of the business, and we look forward to continuing our very productive working relationship."

"Wellard will now be able to reduce and retire debts. We will also pay out Nord LB."

"There is still more work to do on the balance sheet to get it to a level where it needs to be, and this remains a priority for the Company. The sale of the M/V Ocean Swagman and the ongoing cooperation of our Convertible Noteholders under the renewed standstill agreement will make additional restructure initiatives more attractive to investors."

For further information:

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ABOUT THE M/V OCEAN SWAGMAN

The MV Ocean Swagman, a new technologically advanced, purpose-built vessel, sailed on its maiden voyage in January 2010. She has the capacity to transport 7,000 cattle or 26,000 sheep, or a combination of both.

The MV Ocean Swagman provided a step change livestock vessel design and construction with a singular focus – enhanced welfare and safety of livestock, vessel and crew.

Its Dual Independent Propulsion System, comprising separate engine rooms and propellers, provides levels of redundancy, and therefore safety, rarely seen in cruise liners and never before built into livestock vessels.

The advanced ventilation system fans an average of 110 air changes per hour, four times the Australian standard and 3.5 times the number of air changes per hour on a commercial airliner.

The MV Ocean Swagman has been classified by the Registro Italiano Navale (RINA) as a 'Green Star Vessel', due to its low emissions and pollution prevention design and systems.

Vessel specifications:

Length: 130 metres

Breadth: 21.6 metres

Keel to mast height: 24 metres

Gross tonnage: 12,892 tonnes

Livestock area: 8,000 m²

Number of decks: 7

Summer draft: 7.8 metres

Freshwater capacity: 2,000,000 litres (almost equivalent of Olympic sized swimming pool)

Freshwater production: 320,000 litres per day from 4 reverse osmosis desalination plants

Fodder capacity: 2,000 cubic metres (equivalent 1,500 tonnes) in two fodder tanks

Air circulation: 110 air changes/hour (3.5 times minimum standard)

Speed: 17 knots

Engines: 2 Wartsila 9L32

Crew: 34

Term Sheet

Sale of MV Ocean Swagman

4 July 2019

This term sheet sets out the key terms and conditions that will form the basis on which binding agreements will be entered into to document the sale by Wellard Ships Pte Ltd of the MV Ocean Swagman (**Swagman**) to Heytesbury Holding Company Pty Ltd or its wholly owned subsidiary and the leaseback of the Swagman by bareboat charter.

This term sheet is indicative, confidential and (except where expressed to the contrary) non-binding and remains among other things, subject to the approval of the respective Parties and the entry into satisfactory transaction documentation.

All amounts in this term sheet are in US Dollars.

1. Parties	<p>Heytesbury Holding Company Pty Ltd or its wholly owned subsidiary as purchaser (Heytesbury)</p> <p>Wellard Ships Pte Ltd as vendor and bareboat charterer (Wellard)</p> <p>Wellard Limited as guarantor (Guarantor)</p>
2. Transaction Documentation	<p>The parties will negotiate in good faith on an exclusive basis in relation to the terms of the following agreements (together the Transaction Documents):</p> <ul style="list-style-type: none">a) Memorandum of Agreement for the sale and purchase of the Swagman for an initial purchase price of US\$22 million (Purchase Price), as further described in clause 3 below (Sale);b) Bareboat Charter for the Swagman, as further described in clause 4 below (BBC); andc) Implementation Agreement setting out standstill arrangements to be entered into with the Guarantor's creditors and other matters relating to the implementation and completion of the Sale, consistent with the terms of this Term Sheet. <p>The exclusivity period to complete the Sale will be 75 days from the date of this Term Sheet (Exclusivity Period). During the Exclusivity Period, each of Wellard and the Guarantor must ensure that neither it nor any of its officers, employees, agents or advisers directly or indirectly solicits, invites, facilitates, encourages or initiates any enquiries, negotiations or discussions, or communicates any intention to do any of these things, in relation to a proposed sale of the Swagman, or other proposed transaction that may reasonably be expected to compete with, or lead to a requirement that Wellard terminate, this Term Sheet or the Transaction Documents (Competing Transaction).</p>

	<p>Notwithstanding the above, Wellard may engage with a party who has proposed either:</p> <ul style="list-style-type: none"> a) a transaction that is not a Competing Transaction; or b) a transaction that is a Competing Transaction which the Board of the Guarantor reasonably concludes, having obtained legal and financial advice, and taking into account all material terms (including but not limited to structure, price and conditions), has or is likely to have the support of Guarantor's creditors and lead to a better outcome for the Guarantor compared with the Sale and BBC (Superior Proposal).
3. Sale of the Swagman	<ul style="list-style-type: none"> a) The Sale will be subject to satisfaction or waiver of the conditions set out in the Implementation Agreement. b) The Sale will be documented using the BIMCO "SALEFORM 2012" Memorandum of Agreement for sale and purchase of ships, modified as required to reflect the relevant terms of this term sheet and the other requirements of the Parties (MOA). c) No deposit will be required. d) Prior to completion of the sale (Completion), Wellard shall make the Swagman (together with its records and documentation) available to Heytesbury for inspection without undue delay. Heytesbury shall undertake the inspection at its cost in accordance with clauses 4(b) and 6(a) of BIMCO "SALEFORM 2012" MOA, but shall not be liable to Wellard for any losses it suffers as a result. In the event that such inspection identifies any issues, Wellard shall rectify such issues prior to Completion or, if such issues would not materially impact the operation of the Swagman, the cost of completing such rectification(s) shall be deducted from the Purchase Price (the Rectification Costs), in accordance with the BIMCO "SALEFORM 2012" MOA form. e) Prior to Completion, Wellard and Heytesbury shall discuss the maintenance plan for the Swagman and, if any, all known improvements, new equipment or upgrades that may become necessary or are legally required (whether due to the vessel's class or by a body such as AMSA) for the continued operation of the Swagman during the Charter Period (as defined in section 4 below) as a livestock carrier servicing its existing markets (Capital Costs). If the cost of completing such improvements, new equipment or upgrades will be for Wellard's account under the BBC, then the Sale will proceed without adjustment to the Purchase Price. If there is or may be, in the reasonable opinion of Heytesbury, an expected cost to Heytesbury as a result of any such improvements, new equipment or upgrades, then the parties may agree to deduct

	<p>those costs from the Purchase Price or, in the absence of agreement, Heytesbury may terminate the Sale.</p> <p>f) Wellard will represent and warrant that it is not aware, having made due enquiry, of any Capital Costs other than as disclosed during due diligence and as taken into account for the purpose of adjusting the Purchase Price.</p> <p>g) At Completion, the Swagman shall be delivered to Heytesbury free of all security interests, maritime liens and any other encumbrances whatsoever, and in a condition in accordance with paragraphs (d) and (e) above, and delivered with the items required under the MOA (including the items described in "Conditions to Completion" below).</p>
4. Bareboat Charter	<p>a) Wellard and Heytesbury will enter into a BBC for the Swagman for a fixed period ending 31 March 2021 (the Charter Period). The BBC shall be based on the BIMCO "Barecon 2001" form, modified as required to reflect the relevant terms of this term sheet and the other requirements of the Parties. The BBC shall contain:</p> <ul style="list-style-type: none"> • an option for Wellard to extend for 1 year from the end of the Charter Period (First Option) such option to be exercised by notice in writing to Heytesbury no later than 6 months before the end of the Charter Period; and • provided Wellard exercises the First Option further option for the parties to extend for up to 3 years as set out at clause (c) below (Second Option). <p>b) Key terms of the BBC during the Charter Period and if exercised, the First Option, will include:</p> <ul style="list-style-type: none"> • The initial daily charter rate shall be US\$7,232.88 per day, payable monthly in advance at the beginning of each month. • All charter rates shall be subject to an annual escalation at Australian CPI. • All charter rates shall be payable "hell or high water". • Guarantor to guarantee Wellard's obligations under the BBC. • Wellard to assume all operations and maintenance costs (including Rectification Costs) including crew, fuel, maintenance, insurance costs, necessary improvements and structural changes etc. as normal for a bareboat charter, save that the amount of any Capital Costs deducted from the Purchase Price shall be for the account of Heytesbury. • The Swagman shall be in the full possession and absolute control of Wellard during the term of the BBC.

	<ul style="list-style-type: none"> • The Swagman shall be delivered simultaneously with delivery under the MOA on an 'as is, where is' basis. Wellard shall have no right to reject the Swagman or bring any claim against Heytesbury by reason of its condition. Heytesbury gives no representations or warranties as to the condition of the Swagman and no terms as to her condition are implied into the BBC. • Wellard shall redeliver the Swagman following the expiry/termination of the BBC in a good and seaworthy condition to an Australian port nominated by Heytesbury unless a different location is mutually agreed by the parties. • Heytesbury shall have the right to mortgage the Swagman (and grant an assignment of its rights under the Transaction Documents) in favour of its financiers provided that the financiers are given notice of and acknowledge the BBC, and Wellard shall assist with actions or documents reasonably required by Heytesbury to perfect or consent to such security. <p>c) At the end of the ,First Option period (if Wellard have exercised the First Option) the parties may elect to further extend the BBC for a period of up to 3 years at a daily charter rate that reflects the market rate. The process for determining the "Market Rate" shall be as follows:</p> <ul style="list-style-type: none"> • During the month of September 2021 Wellard may give Heytesbury notice that it wishes to enter negotiations to extend the BBC. If no notice is given then the BBC will end at expiry of the First Option period. • If notice is given between 1 October 2021 and 31 December 2021 then the parties will meet and attempt to agree in good faith what the market rate is at the time, expressed as a daily bareboat charter rate for the Swagman, and the period of time for which the BBC will be extended. • If the parties are able to agree on the terms for an extension, then an agreement to vary or extend the BBC on the agreed terms shall be entered into prior to 31 December 2021. • If the parties are unable to agree on and document the terms for an extension of the BBC, then the BBC will end at the end of the First Option period. <p>d) Wellard shall, as specified in the BIMCO "Barecon 2001" form issue a bank guarantee in favour of Heytesbury for US\$500,000 to cover all of its obligations under the BBC.</p> <p>e) During the term of the BBC, Wellard and the Guarantor shall provide financial information (to be agreed during negotiation of the Transaction Documents) to Heytesbury regarding its</p>
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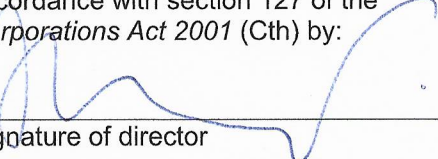
	financial performance and cashflow. This information shall be provided monthly during the first 6 months of the BBC and quarterly thereafter.
5. Conditions to Completion	<p>a) Satisfactory completion of financial, legal and technical due diligence by Heytesbury and its financiers (in their sole discretion). Heytesbury will use best endeavours to complete discretionary due diligence (apart from the inspection provided for in the BIMCO "SALEFORM 2012" MOA) by 29 July 2019. Upon completion of discretionary due diligence, Heytesbury shall, if the results of that due diligence are satisfactory, give notice to Wellard that this condition has been satisfied (DD Notice).</p> <p>b) Execution of the Transaction Documents in terms satisfactory to the parties.</p> <p>c) Guarantor shareholder approval (if required).</p> <p>d) A standstill on agreed terms by the holders of the convertible bonds issued by the Guarantor and required consents from Intesa, UOB and Ruchira.</p> <p>e) All documents necessary to register Heytesbury as the owner of the Swagman with the Singapore ship registry.</p> <p>f) Confirmation that the existing financiers of the Swagman will be fully repaid from the proceeds of the Purchase Price and that such financiers will release all security and financial indebtedness with Wellard (or its affiliates) following Completion.</p> <p>g) The Board of Wellard reasonably concludes, having obtained legal and financial advice, and taking into account all material terms (including but not limited to structure, price and conditions) that Board approval of Wellard's entry into and completion the transactions contemplated by this Term Sheet would not result in the directors breaching any director's duty or Singapore law applicable to them. Wellard must notify Heytesbury in writing once this condition satisfied, and once so notified this condition will cease to apply. If Wellard does not notify Heytesbury in writing that this condition is satisfied on or before the date falling 7 days after the date of Term Sheet, the condition will be deemed to have not been satisfied, in which case the Term Sheet will lapse. In that case, no break fee under clause 7 or costs under clause 9 will be payable.</p>
6. Shareholder Approval	<p>a) The Guarantor will seek shareholder approval under ASX LR 10.1 unless it is not required to do so.</p>


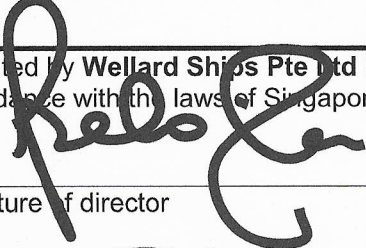
	<p>b) If Guarantor shareholder approval is required, the Guarantor will prepare a Notice of Meeting, and commission an Independent Expert's Report to accompany the Notice as required by ASX LR 10.10. Heytesbury will co-operate in the provision of information and assistance with the preparation of these documents</p> <p>c) Prior to execution of the Implementation Agreement, the Guarantor will use best endeavours to obtain statements of support for the Sale from Fulida on terms acceptable to Heytesbury (which will include consent to disclosure in public documents and in all other respects comply with law and ASIC policy).</p>
7. Exclusivity, Matching Right and Break Fee	<p>a) If Guarantor shareholder approval is required for the Sale, the Implementation Agreement will contain customary exclusivity and break fee arrangements to compensate Heytesbury for costs incurred should there be a Trigger Event.</p> <p>b) The break fee will be:</p> <ul style="list-style-type: none"> • US\$300,000 if the Trigger Event occurs prior to Heytesbury giving a DD Notice; or • Thereafter, US\$600,000, unless the Profit Share Amount is paid. <p>c) The break fee set out in clause 7(b) above will be payable on the occurrence of any of the following (Trigger Event):</p> <ul style="list-style-type: none"> • Breach in any material respect by Wellard or the Guarantor of a binding clause of this Term Sheet or a Transaction Document and such breach is not remedied within 10 business days of notice from Heytesbury; or • A Transaction Document or this Term Sheet being terminated due to a superior proposal; or • If Guarantor shareholder approval is required, the Guarantor board fails to recommend that shareholders vote in favour of the resolutions and commit to vote their shares in favour, subject to there being no Superior Proposal or, having so recommended, any member of the Guarantor board changing his or her recommendation; or - • If statements of support for the Sale from Fulida are obtained, Fulida acting in a manner inconsistent with its statement of support for the Sale; or • A Transaction Document or this Term Sheet lapsing or being terminated for a failure to meet a Condition, where Wellard has not used its best endeavours to meet the Condition.

	<p>No break fee or Profit Share Payment is payable if:</p> <ul style="list-style-type: none"> there has been a breach in any material respect by Heytesbury of a binding clause of this Term Sheet or a Transaction Document and such breach is not remedied within 10 business days of notice from the Guarantor; or the Trigger Event occurs after 29 July 2019 and Heytesbury has not, on or before 29 July 2019, given a DD Notice. 				
8. Profit Share Amount	<p>If, at any time after the date of this Term Sheet and prior to Completion, Wellard receives a Superior Proposal comprising or involving a binding, unconditional offer for the Swagman at a price of more than US\$22 million, which proposal completes after Wellard terminates this Term Sheet or the Transaction Documents, Wellard will pay to Heytesbury of the higher of US\$600,000 or one third of the excess of the gross proceeds of sale of the Swagman over US\$25 million (Profit Share Amount). If a break fee has already been paid it will be offset against the Profit Share Amount.</p>				
9. Cost reimbursement	<p>If, within the Exclusivity Period, Heytesbury submits a final binding offer (as evidenced by Transaction Documents in executable form) that is on terms at least as favourable to the Guarantor as the Sale, which offer is not accepted by the Guarantor, the Guarantor will pay Heytesbury the sum of US\$600,000 by way of reimbursement of costs (other than in the circumstances set out in clause 10). Any payment of costs will be offset against any break fee, and vice versa.</p>				
10.	<p>This Term Sheet will lapse and the parties will be under no further obligation to each other, if the holders of convertible bonds in the Guarantor do not enter into a binding standstill agreement by the time the Transaction Documents are signed, or such other date as agreed between the parties.</p>				
11. Confidentiality and nature of proposal	<p>For the avoidance of doubt, this Term Sheet is indicative, conditional and (with the exception of clauses 2, 6, 7, 8, 9, 10, 11 and 13, which shall be legally binding upon execution of this Term Sheet) not legally binding.</p> <p>Heytesbury and the Guarantor will agree the terms of the announcement to be made by the Guarantor to the ASX in relation to this Term Sheet (Announcement), prior to the release of the Announcement. Except to the extent disclosed in the Announcement, this Term Sheet shall remain strictly confidential, and its content may not be disclosed to any third party (other than a party's officers, employees, agents or advisers) unless and to the extent required by law or any recognised exchange.</p>				
12. Indicative Timetable	<p>The following timetable is indicative only and subject to change:</p> <table border="1"> <thead> <tr> <th>Approximate Date</th><th>Activity/ event</th></tr> </thead> <tbody> <tr> <td></td><td></td></tr> </tbody> </table>	Approximate Date	Activity/ event		
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	12 July	Signing of transaction documents
	26 July	Despatch Notice of Meeting (if required)
	26 August	Shareholder Meeting
	by 31 August	Completion
13. Governing Law	This Term Sheet is governed by Western Australian law. The Transaction Documents will be governed by English or Western Australian law as the context requires.	

Executed by Heytesbury Holding Company Pty Ltd by:
Signature of sole director
Name of director (print)

Executed by Wellard Limited in accordance with section 127 of the Corporations Act 2001 (Cth) by:	
Signature of director 	Signature of director/secretary MICHAEL SILBERT
Name of director (print) JOHN KUEPFER	Name of director/secretary (print) 4-JULY-2019

Executed by Wellard Ships Pte Ltd in accordance with the laws of Singapore:	
Signature of director 	Signature of director/secretary John Stevenson
Name of director (print) PAOLO TRIGLIA	Name of director/secretary (print)

	12 July	Signing of transaction documents
	26 July	Despatch Notice of Meeting (if required)
	26 August	Shareholder Meeting
	by 31 August	Completion
13. Governing Law	This Term Sheet is governed by Western Australian law. The Transaction Documents will be governed by English or Western Australian law as the context requires.	

<p>Executed by Heytesbury Holding Company Pty Ltd in accordance with section 127 of the <i>Corporations Act 2001</i> (Cth) by:</p> 	
Signature of director	
PAUL HOLMES A' COURT.	
Name of director (print)	

<p>Executed by Wellard Limited in accordance with section 127 of the <i>Corporations Act 2001</i> (Cth) by:</p>	
Signature of director	Signature of director/secretary
Name of director (print)	Name of director/secretary (print)

<p>Executed by Wellard Ships Pte Ltd in accordance with the laws of Singapore:</p>	
Signature of director	Signature of director/secretary
Name of director (print)	Name of director/secretary (print)