



NOTICE OF GENERAL MEETING OF SHAREHOLDERS OF WELLARD LIMITED

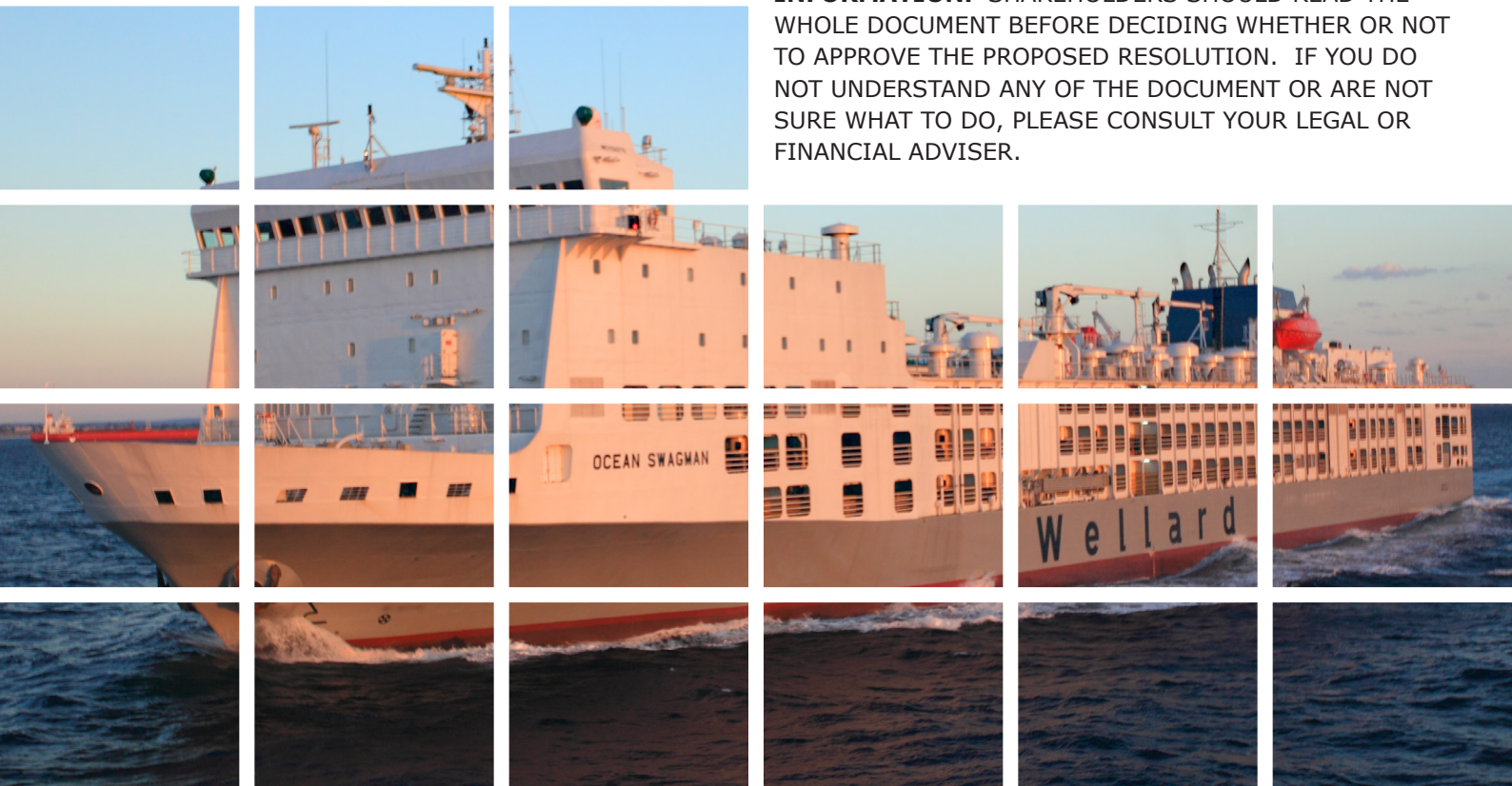
ACN 607 708 190

TO BE HELD AT
1/A PAKENHAM STREET, FREMANTLE
WESTERN AUSTRALIA
ON FRIDAY 25 OCTOBER 2019

WELLARD'S BOARD URGES ELIGIBLE SHAREHOLDERS TO ATTEND THE MEETING OR LODGE PROXIES. **THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE IN FAVOUR OF THE PROPOSED RESOLUTION IN THE ABSENCE OF A SUPERIOR PROPOSAL.**

SHAREHOLDERS SHOULD CAREFULLY CONSIDER THE INDEPENDENT EXPERT'S REPORT PREPARED FOR THE PURPOSE OF THE SHAREHOLDER APPROVAL REQUIRED UNDER ASX LISTING RULE 10.1. THE INDEPENDENT EXPERT'S REPORT COMMENTS ON THE FAIRNESS AND REASONABLENESS OF THE TRANSACTION TO THE NON-ASSOCIATED SHAREHOLDERS. THE INDEPENDENT EXPERT HAS DETERMINED THE TRANSACTION TO BE **NOT FAIR BUT REASONABLE** TO NON-ASSOCIATED SHAREHOLDERS.

THIS DOCUMENT CONTAINS IMPORTANT INFORMATION. SHAREHOLDERS SHOULD READ THE WHOLE DOCUMENT BEFORE DECIDING WHETHER OR NOT TO APPROVE THE PROPOSED RESOLUTION. IF YOU DO NOT UNDERSTAND ANY OF THE DOCUMENT OR ARE NOT SURE WHAT TO DO, PLEASE CONSULT YOUR LEGAL OR FINANCIAL ADVISER.





NOTICE OF GENERAL MEETING WELLARD LIMITED

ACN 607 708 190

Notice is hereby given that a general meeting of Wellard Limited (the **Company**) will be held at 1/A Pakenham Street, Fremantle, Western Australia at 10.30am Perth time on Friday, 25 October 2019 (the **Meeting**).

BUSINESS – APPROVAL OF SALE AND LEASE BACK OF MV OCEAN SWAGMAN

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

*"That the sale by Wellard Ships Pte Ltd (**WSPL**), a wholly owned subsidiary of the Company, to Heytesbury Singapore Pte Ltd (**Heytesbury Singapore**), a wholly owned subsidiary of Heytesbury Holding Company Pty Ltd (**Heytesbury Holding**) of the MV Ocean Swagman and its lease back by WSPL from Heytesbury Singapore on the terms and subject to the conditions outlined in the Explanatory Memorandum accompanying the notice convening this meeting be approved for all purposes including ASX Listing Rule 10.1."*

The accompanying Explanatory Memorandum provides additional information on matters to be considered at the Meeting.

The Explanatory Memorandum, Independent Expert's Report and the Proxy Form are part of this Notice.

Terms and abbreviations used in this Notice (including the Explanatory Memorandum) are defined in Schedule 1.

Shareholders should carefully consider the Independent Expert's Report prepared by the Independent Expert for the purposes of Shareholder Approval required under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the Transaction to non-associated Shareholders. The Independent Expert has determined that the Transaction is **not fair but reasonable** to non-associated Shareholders. Further details are set out in the accompanying Explanatory Memorandum and a copy of the Independent Expert's Report is annexed to the Explanatory Memorandum as Annexure A.

Voting Exclusion

In accordance with the ASX Listing Rules, the Company will disregard any votes cast in favour of the resolution by or on behalf of Heytesbury or any associate of Heytesbury.

However, the Company need not disregard any vote if:

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

Voting intentions of the Chairman

In accordance with the Constitution the Chairman of the Board will be entitled to chair the Meeting. The Chairman intends to vote undirected proxies in accordance with the recommendation of the Board.

The Board unanimously recommends that Shareholders vote in favour of the Proposed Resolution in the absence of a Superior Proposal. Further details are set out in the accompanying Explanatory Memorandum.

Proxy appointments

- (a) A Shareholder who is entitled to attend and to vote at a general meeting of the Company may appoint a person as proxy to attend, speak and vote for that Shareholder.
- (b) A proxy may be, but does not have to be, a Shareholder.
- (c) If a Shareholder is entitled to cast two or more votes at the Meeting, the Shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or the number of votes each proxy may exercise, each proxy may exercise half the votes.
- (d) A proxy is not entitled to vote if the Shareholder who has appointed the proxy is present in person at the meeting.
- (e) An instrument purporting to appoint a proxy is not effective for the Meeting unless it is received, together with any additional documentation, including a copy of any power of attorney pursuant to which the instrument appointing the proxy is signed (certified as a true copy of the original), by the Company at least 48 hours before the Meeting, that is, before 10.30am (Perth time) on 23 October 2019.
- (f) A Shareholder may appoint a proxy by completing and signing the proxy form accompanying this Notice in accordance with the instructions on it. In accordance with the Constitution the following options can be used for lodging your Proxy Form.

You should follow all directions for lodgement of proxies set out on your personalised Proxy Form.

Online:	www.linkmarketservices.com.au Login to the Link Market Services website using the holding details as shown on your Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, Shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).
By mobile device:	Use the QR Code printed on your Proxy Form. Follow the detailed instructions on the back of your personalised Proxy Form.
By delivery to:	Link Market Services Limited* 1A Homebush Bay Drive Rhodes NSW 2138 * <i>only during NSW business hours (Monday – Friday, 9.00am – 5.00pm)</i>
By post:	Wellard Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia
By fax:	+61 2 9287 0309

- (g) An instrument appointing a proxy may direct the way in which the proxy is to vote on the resolution. If the instrument does not contain a direction, the proxy is entitled to vote on the proposed resolution as the proxy considers appropriate.



Corporate representatives

Under section 250D of the Corporations Act, a body corporate that is a Shareholder may appoint an individual as a representative to exercise all or any of the powers the body corporate may exercise at the Meeting. The Company will require written proof of the representative's appointment, which must be lodged with or presented to the Company before the Meeting.

Entitlement to vote

The Board has determined under regulation 7.11.37 of the Corporations Regulations that for the purpose of voting at the Meeting or any adjourned meeting, securities are taken to be held by those persons recorded in the Company's register of Shareholders as at 10.30am (Perth time) on 23 October 2019.

Dated: 19 September 2019

By order of the Board

Mr Michael Silbert
Company Secretary
Wellard Limited

1. INTRODUCTION

This Explanatory Memorandum accompanies the notice of general meeting of the Company to be held at 1/A Pakenham Street, Fremantle, Western Australia at 10.30am Perth time on Friday, 25 October 2019 (the **Meeting**).

The Meeting is convened to consider and, if thought fit, to approve the proposed sale by WSPL to Heytesbury of the *MV Ocean Swagman* (the **Swagman**) for US\$22M (the **Sale**), and its lease back by WSPL from Heytesbury (**Lease Back**), on the terms and subject to the conditions outlined in this Explanatory Memorandum.

Under the ASX Listing Rules, prior Shareholder approval of the Sale and the Lease Back (together, the **Transaction**) is required.

The Board unanimously recommends that Shareholders vote in favour of the Proposed Resolution in the absence of a Superior Proposal. Each director presently intends to vote, or cause to be voted, all their Shares in the Company in which they have a relevant interest in favour of the Proposed Resolution in the absence of a Superior Proposal.

The Explanatory Memorandum is accompanied by a detailed independent expert's report dated 12 September 2019 prepared by Deloitte Corporate Finance Pty Ltd (the **Independent Expert**) on whether the Transaction is fair and reasonable to non-associated Shareholders. Shareholders should carefully consider the Independent Expert's Report prepared by the Independent Expert for the purposes of Shareholder Approval required under ASX Listing Rule 10.1.

The Independent Expert has concluded that the proposed Transaction is not fair but reasonable. Further details are set out in the accompanying Explanatory Memorandum and a copy of the Independent Expert's Report is annexed to the Explanatory Memorandum as Annexure A.

In respect of the Sale, the Independent Expert has concluded that it is not fair; and in respect of the Lease Back, the Independent Expert has concluded that it is fair. Overall, the Independent Expert has concluded that together, the Sale and the Lease Back are not fair. Further details are contained in the Independent Expert's Report.

On balance, in the opinion of the Independent Expert, the Proposed Transaction is reasonable.

Shareholders are referred to section 6.3 of the Explanatory Memorandum, and to the Independent Expert's Report for full details.

This Explanatory Memorandum has been prepared to assist Shareholders in determining how to vote on the Proposed Resolution and ought to be read in conjunction with the Notice of Meeting.

2. SALE AND LEASE BACK OF THE SWAGMAN

2.1 The Swagman



The Swagman (launched 2009) is the sister ship of the MV Ocean Outback (launched 2010), which was sold for US\$26M in 2017. The vessel remains a technologically advanced, purpose-built vessel, and sailed on its maiden voyage in January 2010.

The vessel has the capacity to transport approximately 8,000 cattle or 25,000 sheep¹, or a combination of both.

The Swagman provided a step change in 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 assembled into a purpose-built livestock vessel.

The 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.

The vessel meets all Australian Maritime Safety Authority (AMSA) requirements under Marine Order 43 (Cargo and Cargo Handling – Livestock) which outlines the requirements to carry livestock from Australia by ship, including the vessel's structure and operation. As a vessel permanently equipped for the carriage of livestock the Swagman carries an Australian Certificate for the Carriage of Livestock (ACCL) issued by AMSA.

¹ Livestock capacity should be considered indicative only as actual capacity varies per voyage based on a variety of factors, including species, weight of livestock and approved density for specific voyage & route.

MV Ocean Swagman - Vessel specifications:

Length:	136 metres
Breadth:	21.6 metres
Keel to mast height:	24 metres
Gross tonnage:	13,016 tonnes
Livestock area:	7,967 m ² (cattle) / 8,084 m ² (sheep)
Number of decks:	7
Summer draft:	7.8 metres
Freshwater capacity:	2,664 cubic metres
Freshwater production:	360 cubic metres per day from 4 reverse osmosis desalination plants
Fodder capacity:	2,433 cubic metres (equivalent 1,500 tonnes) in two fodder tanks
Air circulation:	110 air changes/hour (3.5 times minimum standard)
Speed:	15 knots
Engines:	2 x Wartsila 9L32

Wesemann's Report (i.e. The Technical Expert's Report), annexed to the Independent Expert's Report, and included in this Notice of Meeting and Explanatory Memorandum, comprises a detailed report on the Swagman, which Shareholders can refer to for further information.

2.2 The Transaction

The Board has determined that the Company should proceed with the Sale and the Lease Back. To facilitate the Transaction, the Company entered into an implementation agreement with Heytesbury relating to the implementation and completion of the Sale and Lease Back (**Implementation Agreement**). Since then, the Company's wholly owned subsidiary, WSPL, entered into:

- a memorandum of agreement with Heytesbury for the sale and purchase of the Swagman (**MOA**); and
- a bareboat charter agreement for the Swagman with Heytesbury under which WSPL will charter the Swagman from Heytesbury (**Bareboat Charter**).

The Company also agreed to guarantee the due and proper performance by WSPL of its obligations under the MOA and the Bareboat Charter and entered into a guarantee with Heytesbury (**Parent Guarantee**).

In addition, the Company has reached an agreement with noteholders for a standstill period and executed the Third Standstill and Amendment Letter between the Company, and Black Crane Capital Limited and others (as amended) (**Standstill Letter**).

Pursuant to the terms of the MOA and Bareboat Charter, Heytesbury Holding has nominated Heytesbury Singapore as the buyer (in the case of the MOA), the owner (in the case of the Bareboat Charter) and to receive the benefit of the Parent Guarantee. Accordingly, the Company, WSPL, Heytesbury Holding and Heytesbury Singapore will enter into novation deeds to give effect to the nomination on terms that are customary for documents of this nature.

Further details with respect to each of these agreements are set out in Sections 2.3, 2.4, 2.5, 2.6 and 3 below.

2.3 Implementation Agreement

On 5 August 2019, to facilitate the Sale and Lease Back, the Company and Heytesbury entered into the Implementation Agreement setting out certain steps required to implement the Transaction.

(a) Exclusivity

The Implementation Agreement includes exclusivity provisions that from the date of the agreement until 31 October 2019, broadly speaking:

- (i) prohibit the Company from soliciting any enquiries, negotiations or discussions in relation to any "**Competing Proposal**", that is any proposal, transaction or arrangement with a third party which, if entered into or implemented, may reasonably be expected to compete with the Transaction, or lead to a requirement that Wellard terminate the Implementation Agreement or any other Transaction Document or otherwise fail to proceed with or abandon the Transaction (**no-shop obligation**);
- (ii) prohibit the Company participating in negotiations or discussions with, or entering into any agreement or understanding with, any other person in relation to, or that may reasonably be expected to lead to, a Competing Proposal (including by making available confidential information for due diligence purposes for a Competing Proposal) (**no-talk obligation**);
- (iii) require the Company to notify Heytesbury in writing as soon as practicable (and in any event within two business days) if there is a material development with respect to the Nova Proposal or if it (or any of its Representatives) receives a Competing Proposal or an unsolicited approach that the Board reasonably considers could become a Competing Proposal (**notification obligation**); and
- (iv) prohibit the Company from soliciting, facilitating or encouraging any non-Heytesbury party to conduct due diligence on the Company, and member of the Wellard Group or its business or operations in relation to a Competing Proposal, or making available to such persons information which could reasonably be expected to assist in the formulation, development or finalisation of a Competing Proposal (**no due diligence obligation**).

These obligations are subject to a carve out allowing the Company to engage, negotiate or enter into or participate in negotiations or discussions in relation to the Nova Proposal or with a Third Party in relation to a "**Superior Proposal**" (subject to, in the case of the no due diligence obligation, the Third Party executing a confidentiality agreement on no less onerous terms than the confidentiality agreement executed by Heytesbury). A "Superior Proposal" for this purpose is defined to mean the Nova Proposal or any bona fide Competing Proposal which the Board 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 the Wellard Group's creditors and results in or is likely to result in a better outcome for Wellard compared with the Transaction.

It is also recorded in the Implementation Agreement that nothing in the agreement requires the Company or any Director to do or refrain from doing anything where doing or refraining from doing that thing would, in the honest and reasonable opinion of the Board after having taken legal and financial advice, be likely to involve a breach of the duties of any Directors.

The Company had received a proposal from Nova Marine Carriers for Wellard to sell the Swagman to Nova for US\$25.2. The Board had initially assessed this proposal to be a Superior Proposal. However, the Nova Proposal has failed to progress, with the proposed purchaser not meeting the condition precedent requirement to obtain approval of the Nova board by 19 August 2019. Further details of the Nova Proposal have been released to the ASX. Shareholders are referred specifically to the Company's announcements of 20 August 2019 (*Sale of M/V Ocean Swagman to Heytesbury for US\$22M to proceed*) and 6 August 2019 (*Wellard to proceed with Superior Deal to sell M/V Ocean Swagman for US\$25.2M*). Accordingly, the Company is not presently engaged in ongoing discussions with Nova in relation to Nova Proposal.

(b) Break fee and profit share

The Implementation Agreement also provides for certain fees to be paid to Heytesbury in certain circumstances, including as follows:

- (i) the Company has agreed to pay Heytesbury a break fee of US\$600,000² if:
 - (A) there has been a material breach by the Company or WSPL of any Transaction Document which is not remedied within 10 Business Days of written notice and Heytesbury terminates a Transaction Document;
 - (B) the Company announces and enters into an agreement to enter into a Superior Proposal;
 - (C) Wellard fails to use its best endeavours to satisfy any condition precedent (see Section 2.3(c));
 - (D) any Director withdraws, adversely changes or adversely modifies their recommendation before the conclusion of the Meeting (other than where the Independent Expert concludes in the Independent Expert's Report that the Transaction is neither fair nor reasonable to the Shareholders (other than Heytesbury and its Associates) or, having concluded that the Transaction is either fair and reasonable or not fair but reasonable, alters that conclusion to neither fair nor reasonable or withdraws the conclusion);
 - (E) any Director makes a public statement supporting or endorsing a Competing Proposal; or

² For completeness, it is noted that a reduced break fee of US\$300,000 was payable if Heytesbury failed to notify the Company that it has secured or did not require finance approval for the Sale by 19 August 2019. However, as announced on 20 August 2019, Heytesbury confirmed financing had been secured and, accordingly, the break fee is US\$600,000.

- (F) Fulida acts in a manner that is inconsistent with its support statement (as provided to the Company and announced to ASX on 4 September 2019); and
- (ii) if a Superior Proposal (as defined in Section 2.3(a)) with a third party for the sale of the Swagman is entered into and completed and the Transaction with Heytesbury is terminated, the Company has agreed to pay Heytesbury a profit share amount. The profit share amount is the higher of US\$600,000 or one third of the excess of the gross proceeds of a sale to any third party over US\$25 million.

If the break fee has already been paid to Heytesbury by Wellard, the amount of it will be deducted from the profit share amount payable to Heytesbury. However, Heytesbury is not obliged to refund the break fee if the profit share amount is less than the break fee.

(c) **Conditions for Completion under Transaction Documents**

Consistent with the terms of the Implementation Agreement, the Company and Heytesbury have entered into the MOA and the Bareboat Charter for the Sale and the Lease Back, and Wellard has entered into the Standstill Letter. The Transaction was conditional on Wellard entering into the Standstill Letter.

The Implementation Agreement records that completion of the Sale and the Lease Back is subject to certain other conditions being satisfied. (Additional conditions are included in the MOA and Bareboat Charter – see Sections 2.4 and 2.5 below). The key outstanding conditions to completion of the Sale and commencement of the Bareboat Charter are as follows:

- (i) the Company's Shareholders approving the Sale and the Lease Back;
- (ii) if required, consents to the Transaction from Intesa Sanpaolo S.p.A, UOB and Ruchira; and
- (iii) confirmation that the existing financiers of the Swagman will be fully repaid from proceeds of the Consideration and will release all security and financial indebtedness of WSPL (or its affiliates) following completion of the sale and purchase under the MOA.

Heytesbury has confirmed that financing, due diligence and vessel inspection have been achieved, and all other conditions set out in the Implementation Agreement have been satisfied or waived.

(d) **Termination**

Either party may terminate the Implementation Agreement if the Standstill Letter is terminated or ceases to be of full force and effect or Shareholders do not approve the Transaction before 31 October 2019.

Heytesbury may terminate the Implementation Agreement if the break fee becomes payable.

The Company may terminate the Implementation Agreement if:

- (i) Heytesbury commits a material breach of any Transaction Document and such breach is not remedied within 10 Business Days of written notice from the Company to Heytesbury; or

- (ii) all or a majority of the Board publicly withdraws, qualifies or adversely changes their recommendation, provided that:
 - (A) a Competing Proposal has been made or announced, that Competing Proposal is a Superior Proposal, including any variation to the Nova Proposal; or
 - (B) the Independent Expert, having concluded that the Transaction is either fair and reasonable or not fair but reasonable, alters or withdraws their conclusion.

However, each party will retain any rights and remedies that accrued prior to termination and certain provisions, including the break fee and profit share amount provisions, will survive the termination.

2.4 **MOA**

On 23 August 2019, the Company (through its wholly owned subsidiary, WSPL) and Heytesbury entered into the MOA, key terms of which are set out below:

- (a) Heytesbury has agreed to purchase the Swagman from WSPL for consideration of US\$22 million (**Consideration**);
- (b) Heytesbury has the right to nominate one of its affiliates or subsidiaries as the buyer to perform and receive the benefit of the MOA prior to completion. Heytesbury Singapore has been nominated as the buyer under the MOA;
- (c) the Sale is conditional upon:
 - (i) all the conditions precedent of the Implementation Agreement being satisfied or waived;
 - (ii) each Transaction Document remaining in full force and effect, and no default having occurred or continuing under any Transaction Document;
 - (iii) the Company's shareholders approving the Sale and the Lease Back;
 - (iv) delivery of the bank guarantee or deposit to Heytesbury in accordance with the Bareboat Charter (see Section 2.5(f) below);
 - (v) the Swagman being insured in accordance with the Bareboat Charter;
 - (vi) satisfactory physical inspections of the Swagman (As noted above, initial inspection has occurred, and a final diver inspection will be carried out before final transaction settlement);
 - (vii) WSPL providing a letter of confirmation that, to the best of its knowledge, the Swagman is not blacklisted by any nation or international organisation; and
 - (viii) the delivery of certain documents and evidence which are usual for an agreement of this nature and necessary to register Heytesbury or its wholly owned subsidiary as the owners of the Swagman with the Singapore ship registry; and
- (d) WSPL has provided representations and warranties in respect of the Swagman which are usual for an agreement of this nature.

The MOA is otherwise on terms that are customary for an agreement of this nature and is based on the BIMCO "Saleform 2012" Memorandum of Agreement for sale and purchase of ships, modified as required.

2.5 Bareboat Charter

On 23 August 2019, the Company (through its wholly owned subsidiary, WSPL) and Heytesbury entered into the Bareboat Charter, key terms of which are set out below:

- (a) Heytesbury has agreed to charter the Swagman to WSPL for a fixed period ending 31 March 2021 (**Initial Period**), with an option for WSPL to extend for an additional period of one year on the terms of the current Bareboat Charter, subject to written notice being provided to Heytesbury no later than 6 months before the end of the Initial Period (**First Option**). In addition, WSPL may request a further extension of up to a period of three years from the end of the First Option at a daily charter rate that reflects the market rate, as agreed by the parties, subject to written notice being provided to Heytesbury during the month of September 2021. Accordingly, any further extension is subject to agreement being reached with Heytesbury;
- (b) the initial daily charter rate is US\$7,232.88 per day, payable monthly in advance, subject to an annual CPI increase;
- (c) Heytesbury has agreed to give full possession and absolute control of the Swagman to WSPL during the term of the Bareboat Charter;
- (d) WSPL has agreed to assume all operation and maintenance costs during the term of the Bareboat Charter;
- (e) the Swagman is delivered on an 'as is, where is' basis and Heytesbury gives no representations or warranties as to the condition of the Swagman and no terms as to its condition are implied into the Bareboat Charter;
- (f) WSPL has agreed to provide either a bank guarantee in favour of Heytesbury for US\$500,000 or a cash deposit of US\$500,000 to be held by Heytesbury in a separate bank account to cover its obligations under the Bareboat Charter;
- (g) Heytesbury has the right to mortgage the Swagman (and grant an assignment of its rights under the Transaction Documents in favour of its financiers provided the financiers are given notice of and acknowledge the Bareboat Charter; and
- (h) Heytesbury has the right to nominate one of its affiliates or subsidiaries as the owner to perform and receive the benefit of the charter prior to the commencement of the Initial Period. Heytesbury Singapore has been nominated as the owner under the Bareboat Charter.

The Bareboat Charter is otherwise on terms that are customary for an agreement of this nature and is based on the BIMCO "Barecon 2017" Standard Bareboat Charter agreement, modified as required.

Please see Section 6.1(b) for more on the Board's reasons for recommending the Bareboat Charter and the Independent Expert's Report for an analysis of its terms.

2.6 Parent Guarantee

On 23 August 2019, the Company and Heytesbury also entered into the Parent Guarantee under which the Company has agreed to guarantee the due and proper performance by WSPL of its obligations under the MOA and the Bareboat Charter. The Company has also agreed to indemnify Heytesbury on demand if any of the obligations of WSPL under or pursuant to the MOA or Bareboat Charter is or becomes unenforceable, invalid or illegal,

provided such amount will not exceed any amount it would have had to pay in respect of the guarantee.

As noted in Section 2.2, Heytesbury Singapore has been nominated as the buyer (in the case of the MOA) and the owner (in the case of the Bareboat Charter), and to receive the benefit of the Parent Guarantee.

3. **STANDSTILL LETTER**

As noted above in Section 2.3(c), Wellard has entered into the Standstill Letter which satisfies one of the conditions of the Transaction. The key terms of the Standstill Letter entered into on 21 August 2019, as amended on 7 September 2019, are set out below:

- (a) -the noteholders have agreed not to take any steps to enforce their rights under or in connection with their notes, including to require redemption of the notes, in each case, in respect of any existing defaults until:
 - (i) 30 September 2019 (if an extraordinary general meeting in respect of the Transaction has not been scheduled for a date prior to 31 October 2019); or
 - (ii) 31 October 2019 (if an extraordinary general meeting in respect of the Transaction has not been held by 31 October 2019); or
 - (iii) 15 November 2019 (if an extraordinary general meeting in respect of the Transaction is held on or before 31 October 2019),
- (Standstill Period)**
- (b) the Company has agreed to pay US\$10 million to noteholders from the proceeds of the Sale;
- (c) for a period of six months after completion of the Standstill Period (**Repayment Period**), the Company has agreed to redeem notes by monthly payment instalments of US\$400,000 for five months, followed by a final bullet redemption; and
- (d) the Company has agreed to an interest rate on the notes of:
 - (i) 14% per annum during the Standstill Period (capitalised during the Standstill Period) and the Repayment Period; and
 - (ii) 21% thereafter.

The Standstill Letter is otherwise on terms that are customary for an agreement of this nature.

4. **HEYTESBURY**

Heytesbury Singapore Pte Ltd is an entity within the Heytesbury Group, which is ultimately owned and managed by the Holmes à Court family and is headquartered in Perth, Western Australia.

The Heytesbury Group is one of North Australia's leading producers of quality export cattle and has been supplying Asian markets with safe and nutritious beef for over thirty years.

The Heytesbury Group does not own other livestock vessels. However, its proposal to purchase the Swagman indicates that the Holmes à Court family believes in northern Australia's potential to supply safe and nutritious beef to the growing Asian markets. They are committed to both sustainable management practices and the welfare of their cattle and running an efficient business.

Heytesbury Pty Ltd has been a shareholder in the Company since February 2017, and currently holds approximately 11.42% of the Company. As a related party, Heytesbury Pty Ltd (and its associates) will not be voting on the resolution put to Shareholders at this meeting.

Wellard believes that having a substantial shareholder and ship owner which understands the livestock trade will be beneficial.

5. **TRANSACTION IS SUPPORTED BY HONGKONG FULIDA INTERNATIONAL TRADING COMPANY LIMITED**

Hongkong Fulida International Trading Company Limited (**Fulida**) is a substantial holder in the Company. It holds approximately 24.49% of the issued Shares.

By letter dated 3 September 2019, Fulida has informed the Company that it intends to support the Transaction by voting in favour of it in the absence of a Superior Proposal. Fulida's letter was in the following terms:

We refer to the ASX announcement made by Wellard Limited (Wellard) on 4 July 2019 relating to a proposal for Heytesbury to purchase the M/V Ocean Swagman from Wellard and lease it back to Wellard under a bareboat charter.

We note the proposal will be subject to shareholder approval, and Fulida is a holder of approximately 24.49% of the issued Wellard shares.

If the transaction agreements for implementation of the sale and charter of the Swagman are no less favourable overall to Wellard than the proposal as described in the announcement, our intention is to support the proposal and to vote our Wellard shares in favour of resolution to approve it, in the absence of a superior proposal emerging.

We acknowledge that this letter and/or its contents will be released to ASX and referred to in the notice of meeting seeking shareholder approval for the proposed transaction with Heytesbury.

The Company is of the view that the Transaction Documents are no less favourable overall to Wellard than the proposal as described in the Company's 4 July 2019 announcement.

6. **RECOMMENDATION OF BOARD**

Each of the Directors recommends that Shareholders vote in favour of the Proposed Resolution in the absence of a Superior Proposal.

The Board believes the Transaction is in the best interests of the Company and that the Transaction is fair and reasonable to Shareholders as a whole.

6.1 **Reasons to Vote in Favour**

(a) **Debt reduction**

The Board has been continuing to address the need for further balance sheet restructure and is actively considering all options to achieve that objective. The Transaction represents a significant opportunity for the Company to reduce its debt levels, and is considered essential by the Board. Debt reduction is the principal objective, and a key reason for voting in favour, of the Transaction.

As at 30 June 2019, the Company had A\$71.4 million worth of debt becoming due and payable within the following 12 months, including full repayment of debt owed to the Swagman's secured financier (Nord LB) assuming the Transaction proceeds. The cashflow which is forecast to be generated from recurring operations is

insufficient to meet the Company's debt servicing requirements in the coming 12 months.

As reported in our 2019 Financial Report, the Company has embarked on an asset sale plus debt extension program in order to fund its forecast shortfall in free cashflow (i.e. after debt servicing) in the coming 12 months.

As announced by the Company to ASX on 19 August 2019 ("*Extension to Ship Finance Repayment Schedules*"), the Company has executed an agreement to extend the debt repayment profile on two of its vessels for approximately two years, out to December 2021. This was an important first step in the Company's ongoing debt restructure plan.

The Transaction involving the Sale of the Swagman and the Lease Back of it under the Bareboat Charter is a critical next step in ensuring the Company generates enough free cashflow to be able to continue to meet its commitments over the coming 12 months. The Transaction is expected to fund the full repayment of debt owed to the Swagman's secured financier (Nord LB), as well as a partial repayment of principal debt owed to noteholders and to Intesa.

Proposed Use of Funds:

	US\$'m
Repayment of the full balance of Principal and Interest due to Nord LB plus any charges	6.0
Redemption of 10 million notes for US\$1 each (leaving 5.5 million notes on issue)	10.0
Unscheduled prepayment of Principal due to Intesa Sanpaolo S.p.A. ¹	3.0
Performance guarantee or cash deposit payable to Heytesbury under the bareboat charter	0.5
First month charter for the Swagman payable in advance under the bareboat charter	0.2
Estimated transaction costs	0.5
Working capital and future scheduled debt repayments	1.8
Total	US\$ 22.00m

1. Subject to payment terms being agreed.

Upon completion of the Transaction (expected to be on or around 8 November 2019), the Company's total gross debt is expected to reduce from US\$80.24M to US\$61.36M at that time. Debt repayments out of the proceeds of the Transaction are also expected to reduce future finance servicing obligations, in turn improving Wellard's cashflow. The outstanding balance owed to the noteholders after the Transaction is expected to be US\$5.5M.

Forecast Debt before and after the Transaction:

	Forecast Debt at the Transaction date (on or around 8 November 2019) US\$m	
	Before the Transaction	After the Transaction
Nord LB	5.88	Nil
Noteholders	15.50	5.50
Intesa Sanpaolo S.p.A.	39.83	36.83 ¹
Other	19.03	19.03
Total	US\$ 80.24m	US\$ 61.36m

1. Subject to payment terms being agreed.

The Transaction together with the debt extension program mentioned above should significantly reduce the Company's debt maturity profile (including Nord LB in full) within the coming 12 months.

(b) Access to the Vessel under the Bareboat Charter

Following the Transaction, Wellard will retain access to the Swagman and will be able to continue to earn revenue from chartering the vessel for the term of the Bareboat Charter.

Wellard will be substituting the current bank financing costs of the Swagman for the costs of the Bareboat charter. Wellard will be responsible for securing sufficient charters for the Swagman to meet its payment obligations to Heytesbury, together with all other costs attributable to the running of the vessel.

Wellard believes the Swagman will continue to be an attractive livestock transport option for charterers due to its specialised design and its ability to deliver good animal welfare outcomes for customers. It is not possible to predict with certainty whether such charters can be secured for the full term of the Bareboat Charter, however with good utilisation rates, the Swagman should be able to generate profitable business for Wellard.

An analysis of the economics of the Bareboat Charter is contained in the Independent Export's Report.

(c) No other ongoing discussions for Superior Proposals

Presently, the Company is not in discussions in relation to any Superior Proposals. The Company had been in discussions with Trim Shipping SA, a subsidiary of Nova Marine Carriers SA of Lugano, Switzerland (**Nova**) for a Superior Proposal. However, the approval of the board of Nova was not received by the deadline of 19 August 2019 and, consequently, the transaction with Nova is not proceeding. This was announced by Wellard to the ASX on 20 August 2019.

(d) Implications if the Transaction does not proceed

The Board of the Company is of the view that the Transaction is a significant step in its balance sheet restructure, and as discussed above, will reduce the Company's debt. Should the transaction not proceed, and in the absence of a capital raising or other cash injection sufficient to meet both the Company's ongoing operating

expenses and its debt obligations, the Company is likely to experience very low liquidity, and possibly may not be able to continue as a going concern.

The Company's Appendix 4E, containing its Preliminary Financial Report for the 2018/2019 Financial Year³ contains the following note in this regard:

"... a material uncertainty exists that may cast significant doubt as to whether Wellard will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts in this report. However, the Directors believe that there are reasonable grounds to believe that the use of the going concern basis remains appropriate as there is an expectation that the Group:

- will be able to obtain standstills and waivers for any outstanding covenant breaches, or otherwise that the Group's financiers will not take any acceleration or enforcement action in respect of any outstanding covenant breaches or in respect of any cross-defaults that arise as a result of those outstanding covenant breaches;*
- will be able to extend existing finance facilities or establish new facilities; and*
- will be able to raise sufficient amounts of either debt or equity or cash from asset sales if required"*

As is evident from the above excerpt, the Board's position is that the Company's ability to continue as a going concern depends in part on being able to complete the Transaction.

Shareholders are referred to the entire Going Concern note, which can be found on pages 16 and 17 of its Preliminary Financial Report of 29 August 2019.

Should the Transaction not proceed, the Company considers that it will need to continue to seek buyers of its assets, and to seek capital by way of further debt or new equity, which will dilute current shareholders.

A failure to complete the Transaction will result in the interest rate payable to the Company's noteholders rising to 21% p.a., and thereby more rapidly depleting the Company's cash.

6.2 Disadvantages of the Transaction

The following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Proposed Resolution:

- (a) the Company will no longer be the direct legal or beneficial owner of the Swagman. It will, however, charter the Swagman for the term of the Bareboat Charter;
- (b) in making the charter payments to Heytesbury, the Company will no longer be building its equity ownership in the vessel. The Company will also bear the majority of repair and maintenance costs;
- (c) following the period of the Bareboat Charter, the Company will only be able to access the Swagman by competing on the open market, and that price may be higher than

³ Released to the ASX on 29 August 2019

under the Bareboat Charter. A higher charter price may adversely affect the economics of a particular voyage; and

- (d) while the Company is not currently trading livestock as a principal, it will need to ensure that it can find customers who are willing to sub-charter the Swagman at a rate which returns a profitable margin and allows the Company to service its charter payment obligations to Heytesbury.

6.3 The Independent Expert's Report

The Independent Expert's Report set out in Annexure A sets out a detailed independent examination of the Transaction to enable non-associated Shareholders to assess the merits and decide whether to approve the Proposed Resolution.

The Independent Expert's Report concluded that the Transaction is **not fair, but reasonable** to non-associated Shareholders.

- **Assessment of fairness**

The Independent Expert has considered the fairness of each component of the proposed Transaction, and has concluded that the sale of the Swagman **is not fair**.

The Independent Expert engaged Weselmann, a specialist marine and vessel valuation expert to assess, amongst other matters, the market value of the Swagman. Weselmann concluded that the fair market value of the Swagman was between US\$22.8m and US\$25.2m. As the sale price of US\$22.0m is below Weselmann's assessed fair market value of the Swagman, the Independent Expert has concluded that the **Sale is not fair**.

In respect of the Lease Back, Weselmann found that the daily rate payable by Wellard under the Bareboat Charter is not inconsistent with a market rate, and the Independent Expert has concluded that the **Lease Back is fair**.

The Independent Expert has considered both elements of the Transaction in order to reach an overall assessment, and has concluded that while the Lease Back terms are fair, they do not appear to be so preferential to Wellard that the benefit of the bareboat charter rate would outweigh the sale price of the Swagman being not fair. Accordingly, it is the Independent Expert's opinion that the **Transaction is not fair**.

- **Assessment of reasonableness**

The Independent Expert has concluded that Transaction **is reasonable**.

- (i). The Independent Expert's Report has taken into account various factors to assess whether the Transaction is reasonable, including: the Company's ability to continue as a going concern in absence of the Transaction, or an asset sale or a capital injection;
- (ii). the ability of the Company to materially reduce its debt levels with the proceeds of the Transaction;
- (iii). the low likelihood of another offer emerging; and
- (iv). the benefit to the Company of retaining use of the Swagman under the Lease Back.

For the full list of matters considered by the Independent Expert in this respect, shareholders should read the Independent Expert's Report.

On balance, in the Independent Expert's opinion, the Transaction **is reasonable**.

The Independent Expert concluded that:

"If the Proposed Transaction does not proceed, and in the absence of an unconditional, superior offer for the Swagman or another vessel, there is an increased risk of the company entering voluntary administration, or some alternative formal proceedings being commenced by secured lenders or the Noteholders. In an insolvency process, assets are likely to be realised at a higher discount to fair market value than that implied by the Proposed Transaction. Further, we consider there is a low likelihood of WLD successfully raising equity capital in the short time available to enable it to continue as a going concern".

"Based on the above, we consider there are limited alternatives available for WLD, and the Proposed Transaction appears to be the best alternative available to the Non-Associated Securityholders in the absence of an unconditional superior offer for the Swagman or an offer for another vessel".

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made. A full copy of the Independent Expert's Report accompanies this Explanatory Memorandum.

6.4 **Board's Recommendation**

The Wellard Board unanimously recommends that Shareholders vote in favour of the Transaction and considers that the Transaction is in the best interests of the Company for the following reasons:

- (a). After assessment of the advantages and disadvantages and matters referred to above, the Board is of the view that the advantages outweigh the disadvantages;
- (b). the Independent Expert has determined the Transaction to be not fair but reasonable to non-associated Shareholders; and
- (c). Irrespective of the sale price being below US\$22.8 million (i.e. at the low end of the assessed fair market value price range of the Independent Expert and Weselmann), the Board believes that the following are compelling factors which outweigh the sale price being below assessed fair market value price range:
 - i. the Company will earn revenue from the vessel during the charter period, representing an opportunity for ongoing benefit, which has not been taken into account when assessing the fair market value of the sale price of US\$22m;
 - ii. the low number of sale transactions relating to specialised livestock vessels;
 - iii. the closeness of the sale consideration to the fair market value price range;
 - iv. the low likelihood of another offer on the Swagman emerging; and
 - v. the generation of free cashflow from the proposed Transaction, which will allow the Company to meet debt commitments

The Company confirms that it has undertaken appropriate enquiries into the assets and liabilities, financial position and performance, profits and losses and other relevant matters for the Board to be satisfied that the Transaction is in the interest of the Company and its Shareholders.

The Independent Expert's Report is annexed to this Explanatory Memorandum as Annexure A. The conclusions of the Independent Expert are summarised above in Section 6.3. The Board notes that the Independent Experts' methodology, consistent with ASIC regulatory guidance, requires that the Company's ability to earn revenue from the vessel is not taken into account when assessing the "fairness" of the proposed Transaction, but is taken into account in assessing "reasonableness".

Your Board is of the view that its recommendation is supported by the Independent Expert's conclusion that the Transaction **is reasonable**.

Each director presently intends to vote, or cause to be voted, all their Shares in the Company in which they have a relevant interest in favour of the Proposed Resolution in the absence of a Superior Proposal.

7. **ADDITIONAL INFORMATION**

7.1 **Why is Shareholder approval required?**

ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, among others, a substantial holder if that person and the person's associates have a relevant interest in at least 10% of the total votes attached to the voting securities, or an associate of such a person, without the approval of holders of the entity's ordinary securities.

Under ASX Listing Rule 10.2, an asset is substantial if the value of the asset, or the value of the consideration being paid for it is, or in ASX's opinion it is, 5% or more of the Company's equity interests as set out in the latest accounts lodged with ASX.

Heytesbury Pty Ltd is a substantial holder in the Company and has a relevant interest in approximately 11.42% of the issued ordinary shares in the Company. The Consideration under the Transaction represents more than 5% of the Company's equity interests as set out in the latest accounts lodged with ASX.

Therefore, the Transaction is subject to the approval of the Company's Shareholders.

In accordance with the ASX Listing Rules, a voting exclusion will apply in respect of Heytesbury. As noted in the Notice, the Company will disregard any votes cast in favour of the resolution by or on behalf of Heytesbury or any associate of Heytesbury.

7.2 **Consents**

The Independent Expert has given, and not before the date of the Notice withdrawn, its consent to the inclusion of the Independent Expert's Report in this Notice and to the references to the Independent Expert's Report in this Notice being made in the form and context in which each such reference is included.

Fulida has given, and not before the date of the Notice withdrawn, its consent to the inclusion of the references to it in this Notice being made in the form and context in which each such reference is included.

Heytesbury has given, and not before the date of the Notice withdrawn, its consent to the inclusion of the references to it in this Notice being made in the form and context in which each such reference is included. Heytesbury accepts responsibility for all the information contained in this document about Heytesbury.

7.3 **Important notice regarding forward looking statements**

All statements other than statements of historical facts included in this document, including, without limitation, those regarding Wellard's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Wellard, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Wellard's present and future business strategies and the environment in which Wellard will operate in the future.

Among the important factors that could cause Wellard's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others:

- (a) risk factors specific to its business activities, including risks associated with its marketing and export activities, political and regulatory risks and operational and financing risks; and
- (b) risk factors that are of a more general nature, applicable to many listed companies and to the ownership of shares.

The material business risks flow from its current circumstances; the nature of its business activities as an international trader and shipper of live animals; and general risks that apply to international companies involved in cross-border trade.

Some of the principal risks include:

- **Default and Cross Default Risk**

The Company and its subsidiaries are in breach or default under certain of its financing facilities. This gives the relevant lender the right to take acceleration or enforcement action.

The Company and its subsidiaries have various financing facilities in place, which include usual cross-default terms. This means that if there is an event of default or review event under one facility, it may also constitute an event of default under all other facilities, even if the financier under the first facility does not take any action to enforce its facility.

- **Going Concern Risk**

As a consequence of the Group breaching financial covenants on its debt facilities, a material uncertainty exists that may cast significant doubt as to whether Wellard will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business.

- **Shipping Risk**

the operation of ocean-going vessels carries inherent risks. The Company's vessels and their cargoes will be at risk of being damaged or lost because of events such as marine disasters, bad weather, mechanical failures, grounding, fire, explosions, collisions, human error, war, terrorism, piracy, mining of waterways, latent defects, force majeure and other circumstances or events.

The Company seeks to mitigate this risk by taking out relevant insurance policies and in-house management control of vessel maintenance. However, the Company's insurance policies with first class insurers may not cover the full extent of any loss sustained by the Company from a vessel breakdown, including loss of profits.

- **Credit Risk**

The Company's operations generally involve either the buying and selling of a high number of livestock with a large dollar value or charter shipments for third parties to transport livestock a great distance. The inherent nature of these arrangements involves a low number of contracts with a high dollar value. There is a risk therefore that a counterparty to such a contract will default on its contractual obligations, resulting in material financial loss to the Company. The Company is not presently engaged in high volume livestock trading.

- Customer Risk

A number of the Company's material customers have no long-term contract, and so there is a risk the Company's level of sales with customers could decrease. The loss (wholly or partially) of a material customer could negatively impact the Company's financial performance if the Company was not able to replace such a customer.

The Company seeks to mitigate the impact of this risk by having a range of customers in numerous countries, the flexibility to change the destination of shipments by controlling its supply chain, strong customer relationship practices, and the flexibility to utilise ships through chartering to other parties.

Further details with respect of each of these risks and other risks are set out in Wellard's FY 2018 Annual Report.

Each of the risks referred to above and in Wellard's FY 2018 Annual Report could, in isolation or in combination, if they eventuate, have a material adverse impact on Wellard's business, results of operations, financial condition, financial performance, prospects and share price. The risks referred to do not purport to be a list of every risk now or in the future, and that the occurrence or consequences of some of the risks are partially or completely outside the control of Wellard, its Directors and Management.

Forward-looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward-looking statements. These forward-looking statements speak only as of the date of this document.

SCHEDULE 1

DEFINITION AND INTERPRETATION

1. DEFINED TERMS

- (a) **ASX** means ASX Limited (ACN 008 624 691) or, where the context permits, the Australian Securities Exchange operated by ASX.
- (b) **ASX Listing Rules** means the listing rules of ASX.
- (c) **Bareboat Charter** has the meaning given to it in Section 2.2 of this Explanatory Memorandum.
- (d) **Board** means the board of directors of the Company.
- (e) **Company** means Wellard Limited (ACN 607 708 190).
- (f) **Competing Proposal** has the meaning given in Section 2.3(a)(i) of this Explanatory Memorandum.
- (g) **Consideration** has the meaning given in Section 2.3(a)(1) of this Explanatory Memorandum.
- (h) **Constitution** means the constitution of the Company as at the commencement of the Meeting.
- (i) **Corporations Act** means the Corporations Act 2001 (Cth).
- (j) **Director** means a director of the Company.
- (k) **Fulida** means Hongkong Fulida International Trading Company Limited.
- (l) **Heytesbury** means Heytesbury Holding or Heytesbury Singapore, as the context requires.
- (m) **Heytesbury Group** means Heytesbury and its Related Bodies Corporate.
- (n) **Heytesbury Holding** means Heytesbury Holding Company Pty Ltd (ACN 009 218 133).
- (o) **Heytesbury Singapore** means Heytesbury Singapore Pte. Ltd.
- (p) **Implementation Agreement** has the meaning given to it in Section 2.2 of this Explanatory Memorandum.
- (q) **Independent Expert** means Deloitte Corporate Finance Pty Limited (ACN 003 833 127) (AFSL 241457).
- (r) **Independent Expert's Report** means the report prepared by the Independent Expert which is annexed to this Notice as Annexure A.
- (s) **Intesa** means Intesa Sanpaolo S.p.A.
- (t) **Lease Back** has the meaning given to it in Section 1 of this Explanatory Memorandum.
- (u) **MOA** has the meaning given to it in Section 2.2 of this Explanatory Memorandum.
- (v) **Notice** means this notice of meeting, including accompanying Explanatory Memorandum.

- (w) **Nova Proposal** means a proposal for WSPL to sell the Swagman to Trim Shipping SA, Panama (a subsidiary of Nova Marine Carriers SA) for US\$25.2 million or any update or variation of that proposal.
- (x) **Parent Guarantee** has the meaning given to it in Section 2.2 of this Explanatory Memorandum.
- (y) **Proposed Resolution** means the resolution set out in the Notice.
- (z) **Related Body Corporate** has the meaning given to it in the Corporations Act.
- (aa) **Sale** has the meaning given to it in Section 1 of this Explanatory Memorandum.
- (bb) **Schedule** means the schedule to the Explanatory Memorandum.
- (cc) **Share** means a fully paid ordinary share in the capital of the Company.
- (dd) **Shareholder** means a member of the Company.
- (ee) **Standstill Letter** has the meaning given to it in Section 2.2 of this Explanatory Memorandum.
- (ff) **Superior Proposal** has the meaning given in Section 2.3(a) of this Explanatory Memorandum.
- (gg) **Swagman** means the *MV Ocean Swagman*, details of which can be found in Section 2.1 of this Explanatory Memorandum.
- (hh) **Transaction** means the Sale and Lease Back.
- (ii) **Transaction Documents** means the MOA, the Bareboat Charter, the Implementation Agreement and the Parent Guarantee, and **Transaction Document** means any one of them.
- (jj) **Wellard** means the Company or the Company and its subsidiaries, as the context requires.
- (kk) **Wesermann** means Ingenieurbüro Wesermann GmbH & Co. KG.
- (ll) **WSPL** means Wellard Ships Pte Ltd, a wholly owned subsidiary of the Company.

2. **INTERPRETATION**

In the Notice (including Explanatory Memorandum), except where the context otherwise requires:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;
- (b) another grammatical form of a defined word or expression has a corresponding meaning;
- (c) a reference to time is to Perth time; and
- (d) a reference to **A\$** is to Australian currency and a reference to **US\$** is to the currency of the United States of America.



Wellard Limited

Independent Expert's Report and Financial Services Guide

19 September 2019

In our opinion, the Proposed Transaction is not fair but reasonable to the Non-Associated Securityholders of Wellard Limited. This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Why are we providing this FSG to you?

Deloitte Corporate Finance Pty Limited (AFSL 241457) has been engaged by Wellard Limited to prepare an independent expert's report (our **Report**) in connection with the sale and leaseback of the M/V Ocean Swagman to Heytesbury Holding Company Pty Ltd. Wellard Limited will provide our Report to you.

Our Report provides you with general financial product advice. This FSG informs you about the use of general financial product advice, the financial services we offer, our dispute resolution process and our remuneration.

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

In our Report, we provide general financial product advice as we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. You should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is 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 remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. You are not responsible for our fees.

We will receive a fee of approximately \$100,000 exclusive of GST in relation to the preparation of our Report. This fee is not contingent on the outcome of the proposed transaction between Wellard Limited and Heytesbury Holding Company Pty Ltd (the **Proposed Transaction**).

Apart from these fees, Deloitte Corporate Finance Pty Limited, our directors and officers, and 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

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls Deloitte Corporate Finance Pty Limited. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

Over the past two years, entities related to Deloitte Touche Tohmatsu have provided ad-hoc tax services to Wellard Limited, the fees for which were not material to Deloitte Touche Tohmatsu.

None of the services described above were related to the Proposed Transaction.

What should you do if you have a complaint?

If you have a concern about our Report, please contact us:

The Complaints Officer

PO Box N250

Grosvenor Place

Sydney NSW 1220

complaints@deloitte.com.au

Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Financial Ombudsman Service (FOS). FOS provides fair and independent financial services dispute resolution free to consumers.

www.fos.org.au

1800 367 287 (free call)

Financial Ombudsman Service

GPO Box 3 Melbourne VIC 3001

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).

Deloitte Corporate Finance Pty Limited
ACN 003 833 127
AFSL 241457
Brookfield Place, Tower 2
123 St Georges Terrace
Perth, WA, 6000
Australia

Phone: +61 8 9365 7000
www.deloitte.com.au

The Directors
Wellard Limited
1A Pakenham Street
Fremantle WA 6160
Australia

19 September 2019

Dear Directors

Re: Independent expert's report in respect of the sale and leaseback of M/V Ocean Swagman to Heytesbury Holding Company Pty Ltd

Introduction and background

Wellard Limited is listed on the Australian Securities Exchange (**ASX**) and has operations in livestock sourcing, shipping and delivery. Wellard Limited and its subsidiaries (**WLD**) and Heytesbury Holding Company Pty Ltd (**Heytesbury**) have executed a Memorandum of Agreement, Implementation Agreement and Bareboat Charter Agreement (together, the **Transaction Documents**) which collectively set out matters relating to the sale and leaseback of the M/V Ocean Swagman (**Swagman**). Heytesbury holds an 11.42% shareholding in WLD. WLD and Heytesbury are referred to as the **Parties**.

Under the Transaction Documents:

- WLD will sell the Swagman to Heytesbury or its nominee for an initial purchase price of US\$22 million
- WLD will lease back the Swagman from Heytesbury on an exclusive basis under a bareboat charter. WLD will charter the Swagman for an initial period to 31 March 2021 with the option to extend for up to four years.

Conditions precedent to the sale include WLD shareholder approval of the sale and leaseback, bank consents and the meeting of requirements of Singapore law.

Collectively, the sale and leaseback of the Swagman are referred to as the **Proposed Transaction**.

Chapter 10.1 of the ASX Listing Rules (the **Listing Rules**) requires, when the divestment of a substantial asset to a substantial holder is proposed, the preparation of a report by an independent expert stating whether the proposed transaction is fair and reasonable to the non-associated securityholders. The directors of WLD (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 Proposed Transaction is fair and reasonable to those WLD securityholders not associated with Heytesbury (the **Non-Associated Securityholders**).

This Report is to be included in the explanatory memorandum (**Explanatory Memorandum**) to be included in the notice of general meeting (**Notice of Meeting**) prepared by the directors of WLD to be sent to securityholders of WLD (the **Securityholders**) and has been prepared for the exclusive purpose of assisting Non-Associated Securityholders in their consideration of the Proposed Transaction in connection with the resolution being considered at the general meeting (**General Meeting**). Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Securityholders and WLD, in respect of this report, including any errors or omissions however caused.

Basis of evaluation of the Proposed Transaction

Guidance

We have prepared this report having regard to Chapter 10 of the Listing Rules and the Australian Securities and Investments Commission (**ASIC**) Regulatory Guide 76 (**RG 76**), ASIC Regulatory Guide 111 (**RG 111**) and ASIC Regulatory Guide 112 (**RG 112**).

Chapter 10 of the Listing Rules

Neither the Listing Rules, nor the Corporations Act 2001 (Cth) provide a definition of fair and reasonable for the purposes of Listing Rule 10. However, Listing Rule 10 can encompass a wide range of transactions. Accordingly, fair and reasonable must be capable of broad interpretation to meet the particular circumstances of each transaction. This involves judgement on the part of the expert as to the appropriate basis of evaluation to adopt given the particular circumstances of the transaction.

As Chapter 10 of the Listing Rules provides little guidance on how related party transactions should be assessed, we have also had regard to RG 76, as discussed below.

RG 76

According to RG 76, a related party transaction is any transaction through which a public company provides a financial benefit to a related party. As noted in paragraph RG 76.1, related party transactions involve conflicts of interest because related parties are often in a position to influence the decision of whether the benefit is provided to them, and the terms of its provision.

RG 76 refers to RG 111 and RG 112 for guidance on how the independent expert should assess related party transactions.

RG 111 and RG 112

RG 111 provides guidance in relation to the content of independent expert reports prepared for a range of transactions. RG 111 notes that a related party transaction is:

- fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the benefit being received. In valuing the financial benefit given and the consideration received by the entity, an expert should take into account all material terms of the proposed transaction
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should vote in favour of the transaction.

RG 112 primarily focuses on the independence of experts and provides little guidance on evaluating transactions.

Basis of evaluation

In evaluating whether or not the Proposed Transaction is fair and reasonable to Non-Associated Securityholders, pursuant to Listing Rule 10.1, we have made a separate assessment of whether, or not, the Proposed Transaction is 'fair' and 'reasonable' as required by RG 111.56.

We have taken into account the following factors in determining whether, or not, the Proposed Transaction is fair and reasonable to the Non-Associated Securityholders:

Fairness

- whether the fair market value of the Swagman is greater than or less than the price WLD will receive for the sale to Heytesbury under the terms of the Proposed Transaction
- whether the terms of the leaseback are greater than or less than market rates

Reasonableness

- the current circumstances of WLD
- what implications the Proposed Transaction has for WLD
- what are the alternatives to the Proposed Transaction available and what are the consequences of those alternatives.

Role of the technical expert

Given the nature of the Swagman as a specialist livestock vessel, we engaged Ingenieurbüro Weselmann GmbH & Co. KG (**Weselmann**), a specialist marine and vessel valuation expert. Weselmann provided the following services to assist with the preparation of this Report:

- provision of an opinion as to the fair market value of the Swagman vessel
- assistance with the assessment of the leaseback terms, specifically, whether the terms of the leaseback are consistent with market terms, with reference to the overall terms of the agreement, including duration, rates and any other relevant aspects of the agreement.

Weselmann has been engaged by Deloitte Corporate Finance and carried out its work under the direction of Deloitte Corporate Finance. A copy of Weselmann's report is provided in Appendix B.

Summary and conclusion

In our opinion the Proposed Transaction is not fair but reasonable. In arriving at this opinion, we have had regard to the following factors.

The Proposed Transaction is not fair

According to ASIC Regulatory Guide 111, in order to assess whether the Proposed Transaction is fair, the independent expert is required to compare the value of the financial consideration being received by WLD to the value of the benefit being offered to Heytesbury. The benefit being offered to Heytesbury is the ownership and the bareboat charter leaseback of the Swagman. The consideration being received by WLD is the purchase price of US\$22 million and the use of the Swagman under the bareboat charter leaseback.

We have considered below the fairness of each component of the Proposed Transaction.

The sale of the Swagman is not fair

Set out in the table below is a comparison of Weselmann's assessment of the fair market value of the Swagman, with the consideration being offered by Heytesbury.

Table 1: Comparison of Swagman value with consideration offered

	Unit	Low (\$)	High (\$)
Fair market value of the Swagman	US\$m	22.8	25.2
Purchase price to be paid by Heytesbury	US\$m	22.0	22.0

Source: Deloitte Corporate Finance analysis

As the purchase price to be paid by Heytesbury is below the technical expert's assessed fair market value of the Swagman, the sale of the Swagman is not fair.

The leaseback terms are fair

According to Weselmann, the evaluation of the leaseback is difficult due to the limited data available on the earnings of livestock carriers or bareboat charter rates. Because of this limitation, Weselmann was not able to directly benchmark the leaseback rate of US\$7,233 per day against comparable bareboat charter rates. Instead, Weselmann developed implied bareboat charter rates for larger vessels of a similar age (ten year old bulk carriers, tankers and containerships) by deducting operational expenses from time charter rates. Weselmann have then determined the ratio of the implied annual earnings from bareboat chartering to the value of those vessels. Using this approach results in a ratio in the range of 5.8% to 13.4%, with an average of 11.0%.

The corresponding ratio obtained for the Swagman using the US\$7,233 daily bareboat rate and Weselmann's range of fair market values is 10.5% to 11.5%, which is within the range of, and close to the average ratio for the vessels examined.

In addition, Weselmann has considered the historical income and operating cost data for the Swagman for the years ended 30 June 2016 to 30 June 2019 provided by WLD. Weselmann notes that based on this historical financial information, it appears that barring any major changes in the market or in the cost structure, WLD will be able to operate the vessel profitably notwithstanding the agreed bareboat charter rates.

Table 2: Implied daily bareboat charter rate

	Unit	Low	High
Fair market value of the Swagman	US\$m	22.8	25.2
Average ratio of yearly earnings to fair market value ¹		10.5%	11.5%
Annual bareboat charter cost implied by average ratio	US\$m	2.4	2.9
Implied daily bareboat charter rate²	US\$	6,558.9	7,939.7

Source: Weselmann, Deloitte Corporate Finance analysis

Notes:

1. Based on the average ratio of yearly time charter fees less operational costs to fair market value for bulk carriers, tankers and containerships of a similar age (ten years)

2. Calculated using a 365-day year

This suggests the daily rate payable by WLD under the sale and leaseback agreement is not inconsistent with a market rate, and is therefore fair.

Conclusion on fairness

While the leaseback terms are fair, they do not appear to be so preferential to WLD that the benefit of the bareboat charter rate would outweigh the sale price of the Swagman being not fair. Accordingly, it is our opinion that the Proposed Transaction is not fair.

The Proposed Transaction is reasonable

In accordance with ASIC Regulatory Guide 111, an offer is reasonable if it is fair. An offer might also be reasonable if, despite being 'not fair', the expert believes that there are sufficient reasons for Non-Associated Securityholders to accept the offer in the absence of any higher bid before the close of the offer. We have considered the following factors in assessing the reasonableness of the Proposed Transaction.

Absent the sale of a major asset or a capital injection, WLD's ability to continue to operate as a going concern is uncertain

As at 30 June 2019, WLD had A\$119 million in total current loans and borrowings outstanding, comprising A\$66 million in bank loans secured against the Swagman and the M/V Ocean Shearer (**Shearer**) vessels, A\$30 million in finance leases secured against the M/V Ocean Drover (**Drover**) and the M/V Ocean Ute (**Ute**) and A\$23 million in unsecured convertible notes.

Reported net debt as at 30 June 2019 was 8.5x FY19 EBITDA. Given the high level of debt, debt servicing payments are high, and the Group is in breach of covenants on its secured bank loans and convertible notes.

WLD's preliminary financial statements for the year ended 30 June 2019 (**Preliminary FY19 Results**) note that forecast cash flow from continuing operations is expected to be insufficient to meet WLD's debt servicing requirements over the 12 months to 30 June 2020, and that, when audited, the 30 June 2019 financial report is likely to contain an independent auditor's report which includes a material uncertainty over going concern. Without the sale of the Swagman proceeding, or an alternative solution providing a capital injection, the company may not be able to continue as a going concern.

WLD's Preliminary FY19 Results have been prepared on a going concern basis. WLD has reached this position based on the expectation that the Group can achieve a number of things, including completion of the Proposed Transaction.

Other factors identified by WLD as being important to continuing on a going concern basis include:

- the extension of other repayment terms¹
- obtaining standstills and waivers from covenant breaches, or otherwise forbearance by financiers from taking acceleration or enforcement action in respect of breaches or cross-defaults
- being able to extend existing finance facilities or establish new finance facilities, and/or
- accessing cash from further asset sales, debt or equity.

¹ On 19 August 2019, WLD announced it had entered into an agreement with Ruchira Ships Ltd (**Ruchira**) to extend repayment schedules for debt over the Ute and Drover, subject to approval by the board of Ruchira. This is not conditional on the Proposed Transaction proceeding.

We understand the Group might also obtain the return of the M/V Ocean Kelpie (**Kelpie**) bank guarantee of USD\$10 million which would strengthen its position, although the return of this guarantee is highly uncertain at this time.

In the absence of the Proposed Transaction, there is a significantly increased risk of the company not being able to operate as a going concern.

The Proposed Transaction will enable WLD to materially reduce debt levels, meet a key condition of the standstill agreement with Noteholders and avoid significantly higher principal and interest obligations on convertible notes

The Proposed Transaction will allow WLD to materially reduce debt levels. Once transaction costs are accounted for, management intends to fully pay out the remaining US\$5.3 million in vessel finance on the Swagman, pay down the convertible notes from US\$15.5 million to US\$5.5 million and reduce the debt outstanding on the Shearer vessel financing by US\$3.0 million (subject to reaching an agreement regarding this payment with the relevant financier). This reduction in debt levels would provide the company with greater financial flexibility and an improved cash flow position as a result of decreased debt servicing obligations.

The Proposed Transaction would also enable WLD to meet a key condition of the convertible note standstill agreement announced on 22 August 2019. This is the third standstill period agreed with the convertible noteholders, with the first being extended and the second ending following WLD's failure to meet the condition of granting certain security to Black Crane Capital Limited, Penta Asset Management Limited and TradeInvest Asset Management Company (BVI) Ltd (together, the **Noteholders**). Pursuant to the third standstill agreement, interest on the notes amounts to 14% p.a. during the standstill and repayment periods, and WLD is required to make monthly principal repayments of US\$400,000. If the Proposed Transaction does not proceed, a higher interest rate of 21% and accelerated repayments of US\$1 million per month will come into effect pursuant to the terms of the third Noteholder standstill.

The Proposed Transaction represents a partial, but not complete solution

The outlook for WLD is uncertain, and whilst the sale of the Swagman allows the company to continue to operate as a going concern, at least in the short term, the Group may need to sell other assets or raise equity capital to further reduce debt levels. If the livestock export industry faces a further downturn, or if vessel utilisation does not improve, WLD may be in a similar position in the future to the one it currently faces i.e significant going concern issues, albeit with a reduced debt level, even if the Proposed Transaction proceeds.

Likelihood of another offer emerging is low, given the timing imperative facing WLD

In the absence of the Proposed Transaction, it is likely WLD would need to source an alternative transaction for the Swagman or sell another asset in the short term, given that the convertible notes will attract a higher rate of interest and accelerated principal repayments if the Proposed Transaction does not proceed, with the remaining convertible note principal due for repayment in March 2020.

The following factors all indicate a lower rather than a higher likelihood of another offer being received in the short term:

- the Ute was placed on the market in March 2019. No offers to purchase capable of acceptance have been received. After the extension of the Ruchira ship finance repayment schedules announced on 19 August 2019, it was taken off the market
- there is a limited pool of potential purchasers for WLD's vessels, and the parties approached in relation to the potential sale of the Ute would also be likely buyers for the Swagman. Management has advised that they have been open to offers on all vessels in the WLD fleet since marketing of the Ute commenced
- the Swagman has effectively been on the market since 4 July 2019, the date the Proposed Transaction was announced
- a competing offer to purchase the Swagman was received from Nova Marine Holdings SA (**Nova**) for US\$25.2 million, subject to the approval of the Nova board (the **Nova Proposal**). The Nova board did not approve the offer and accordingly the Nova Proposal did not complete
- no other formal offers for any of WLD's vessels have emerged to date
- the financial position of WLD is well known amongst the potential purchasers of WLD's vessels, given that WLD is a public company, and potential purchasers may prefer to wait for a potential opportunity to acquire vessels at a substantial discount to fair market value, for example, should WLD enter into voluntary administration or some alternate formal proceedings.

There is a low likelihood of WLD raising additional debt or equity capital

WLD made a full year net loss after tax of A\$48.4 million in FY19, and stated in its Preliminary FY19 Results announcement on 29 August 2019 that the current outlook for the business is not as certain as it was at the same time in FY18. The Group's net asset position as at 30 June 2019 was A\$57.8 million, with cash and cash equivalents of A\$7.4 million. If the Proposed Transaction does not proceed, the high debt servicing obligations currently faced by the Group will make it difficult for WLD to continue as a going concern, without an alternate asset sale or cash injection by some other means such as an equity raising occurring in the short term.

It is highly unlikely that any further debt raising is possible for WLD, given the current level of debt and existing breaches of various covenants.

An equity raising of a size comparable to the Proposed Transaction would be highly dilutive to existing shareholders, noting that the current market capitalisation of the company is circa A\$27.1 million i.e. less than the value of proceeds from the sale of the Swagman. We also understand that an equity raising is unlikely to attract the support of a number of major shareholders. Notwithstanding issues of dilution and shareholder support, there is a low likelihood WLD will have time to successfully raise equity capital, particularly given the convertible note obligations, comprising monthly principal repayments of US\$1,000,000, penalty interest of 21% p.a. and a final bullet redemption, which would apply should a sale not eventuate.

In an insolvency process, assets are likely to be realised at a higher discount to fair market value than that implied by the Proposed Transaction

The sale price under the Proposed Transaction implies a discount of 3.5% to 12.7% compared to the fair market value of the Swagman estimated by Weselmann. By comparison, in an orderly realisation of assets scenario where assets are realised at a discount and liabilities are paid out at book value, the current market capitalisation of WLD implies a 14.0% discount to the book value of its tangible assets.

Table 3: Market capitalisation discount relative to tangible assets

	Value as at	A\$'000
Market capitalisation	18 September 2019	27,100
Add back: book value of total liabilities	30 June 2019	142,550
Implied value of total assets based on market capitalisation		169,650
Book value of tangible assets	30 June 2019	197,263
Discount to tangible assets implied by market capitalisation		14.0%

Source: Capital IQ, WLD Appendix 4E Preliminary Final Results 2019, Deloitte Corporate Finance analysis

In the circumstances of voluntary administration or formal proceedings by lenders, it is highly unusual for equityholders to receive any meaningful return and in our experience, the realisation of assets once a formal appointment of an administrator has occurred is generally at a material discount to current carrying values. Such a discount is highly likely to be greater than the 14.0% discount to tangible assets implied by the current market capitalisation of WLD, and the 3.5% to 12.7% discount to the fair market value of the Swagman implied by the Heytesbury offer.

The Proposed Transaction will enable WLD to retain use of the Swagman to generate future earnings until at least 2021

While the bareboat charter payments represent an operational cost that will impact the earnings generated by the Swagman for the duration of the leaseback, the net impact of the Proposed Transaction is cash flow positive due to the reduction in interest payments and convertible note principal that would follow the reduction in debt. This is discussed in Section 1.

The Proposed Transaction enables WLD to retain use of the Swagman at a leaseback rate which is not inconsistent with broadly comparable market rates, and on terms that do not include trading and carriage restrictions. We note that the ability of WLD to generate positive earnings from the continued use of the Swagman remains subject to its continued employment of the vessel in chartering operations. Regardless of the utilisation of the vessel or the margin achieved on sub-chartering, the fixed daily bareboat charter cost represents a downside risk, whereby WLD is exposed to a downturn in the industry generally or any under-utilisation of the Swagman. In addition, WLD will continue to bear the majority of repair and maintenance costs under the terms of the bareboat charter. However, this is a risk that WLD would bear even if it were to retain ownership of the vessel, albeit with no charter payments but with continued interest and principal repayment commitments.

Following the initial 18 month leaseback term, the Group may elect to continue the charter at the same rate for another year at their sole discretion. The Parties may also extend the agreement for a further three years past this date at market rates by mutual agreement. These options to extend, particularly for the period 31 March 2021 to 31 March 2022 at WLD's discretion, would allow the company to take advantage of improved industry conditions without incurring additional charter costs. Conversely, were the market for livestock trading and chartering to deteriorate, WLD can elect not to exercise the option and not be subject to the payment of a daily charter for a vessel which is not completely utilised.

We note that the three year option period, if exercised by the Parties, is to be agreed at prevailing market rates at the time of the agreement if it were to occur in March 2022. This market rate may be higher than the daily rate of US\$7,233 payable for the current charter period and the first option period; however, we note that the market rates are to be mutually agreed by both Parties and are therefore unlikely to substantially disadvantage either Party.

WLD will lose long-term control of the Swagman, its most marketable and highly utilised asset

While the leaseback agreement provides WLD with the opportunity to retain use of the Swagman in the short to medium term, it will lose long-term control of the vessel. Given the Swagman is currently the most highly utilised vessel of the company, if mutual agreement to extend is not reached, the earnings potential of WLD beyond the end of the option period in March 2022 could be diminished relative to a hypothetical scenario under which the Proposed Transaction does not occur, which however ignores the going concern issues discussed above. That said, WLD's larger vessels, the Drover and the Shearer, were underutilised during the year ended 30 June 2019,² and could arguably mitigate the impact of the lost capacity of the Swagman in the event the lease term is not extended. This would come at the opportunity cost of planned competing chartering voyages.

Conclusion on reasonableness

On balance, in our opinion, the Proposed Transaction is reasonable.

If the Proposed Transaction does not proceed, and in the absence of an unconditional, superior offer for the Swagman or another vessel, there is an increased risk of the company entering voluntary administration, or some alternative formal proceedings being commenced by secured lenders or the Noteholders. In an insolvency process, assets are likely to be realised at a higher discount to fair market value than that implied by the Proposed Transaction. Further, we consider there is a low likelihood of WLD successfully raising equity capital in the short time available to enable it to continue as a going concern.

Based on the above, we consider there are limited alternatives available for WLD, and the Proposed Transaction appears to be the best alternative available to the Non-Associated Securityholders in the absence of an unconditional superior offer for the Swagman or an offer for another vessel.

² The Shearer was not chartered in the second half of FY19, and the Drover was significantly under-utilised.

Opinion

In our opinion, the Proposed Transaction is not fair but reasonable to Non-Associated Securityholders. An individual Securityholder's decision in relation to the Proposed Transaction may be influenced by his or her particular circumstances. If in doubt the Securityholder 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



Nicki Ivory
Authorised Representative
AR Number: 000461005



Tapan Parekh
Authorised Representative
AR Number: 000461009

Glossary

Reference	Definition
ASEL	Australian Standards for the Export of Livestock
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUASB	The Auditing and Assurance Standards Board
CBA	The Commonwealth Bank of Australia
DD	Due diligence
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
Directors, the	The directors of WLD
Drover	The M/V Ocean Drover
Explanatory Memorandum	Explanatory notes to be included in the notice of general meeting
Fulida	Hongkong Fulida International Trading Company Limited
General Meeting	The general meeting convened to approve the Proposed Transaction
Group	Wellard Limited and its related bodies corporate
Heytesbury	Heytesbury Holding Company Pty Ltd
Intesa	Intesa Sanpaolo S.p.A.
Kelpie	The M/V Ocean Kelpie
Listing Rules, the	The Australian Securities Exchange Listing Rules
MLA	Meat and Livestock Australia
MOP43	Marine Order Part 43
Non-Associated Securityholders, the	Those WLD securityholders not associated with Heytesbury Holding Company Pty Ltd
Nord/LB	Norddeutsche Landesbank Gironzentrale
Noteholders, the	Black Crane Capital Limited, Penta Asset Management Limited and TradeInvest Asset Management Company (BVI) Ltd
Notice of Meeting	Notice of general meeting prepared by the directors of WLD to be sent to securityholders of WLD
Nova	Nova Marine Holdings S.A.
Nova Proposal, the	Nova Marine Holdings S.A.'s proposal to purchase the M/V Ocean Swagman for US\$25.2 million
Outback	The M/V Ocean Outback
Parties, the	Wellard Limited and Heytesbury Holding Company Pty Ltd
Performance Guarantee	A bank guarantee or cash deposit of US\$500,000 made by WLD in favour of Heytesbury to cover its obligations under the charter
Preliminary FY19 Results	WLD's preliminary financial statements for the year ended 30 June 2019
Proposed Transaction, the	Wellard Limited's sale and leaseback of the M/V Ocean Swagman to Heytesbury Holding Company Pty Ltd for US\$22.0 million

Reference	Definition
Report	This independent expert's report
RG 111	ASIC Regulatory Guide 111
RG 112	ASIC Regulatory Guide 112
RG 76	ASIC Regulatory Guide 76
Ruchira	Ruchira Ships Limited
Securityholders, the	Securityholders of Wellard Limited
Shearer	The M/V Ocean Shearer
Swagman	The M/V Ocean Swagman
Transaction Documents, the	The Memorandum of Agreement, Bareboat Charter Agreement and Implementation Agreement
Uljanik	Uljanik D.D.
UOB	United Overseas Bank Limited
Ute	The M/V Ocean Ute
VFA	Vessel Finance Agreement
Wesermann	Ingenieurbüro Wesermann GmbH & Co. KG
WLD	Wellard Limited

Contents

1	Overview of the Proposed Transaction	13
2	Profile of Wellard Limited	16
3	Summary of Weselmann's opinion	29
	Appendix A: Context to the Report	31
	Appendix B: Technical Expert Report	33

1 Overview of the Proposed Transaction

1.1 Summary

On 5 August 2019, WLD entered into an Implementation Agreement with Heytesbury, with execution of the Memorandum of Agreement and Bareboat Charter Agreement completed on 23 August 2019. Pursuant to these Transaction Documents, Heytesbury would acquire the Swagman for US\$22.0 million, with WLD leasing the vessel back until at least March 2021. Funds obtained from the sale will primarily be used to repay debt obligations.

Heytesbury is currently the third largest holder of WLD shares, with an interest of 11.42% as at the date of the announcement. Further information on Heytesbury is set out in Section 4 of the Explanatory Memorandum.

Full details of the Proposed Transaction are also provided in the Explanatory Memorandum.

1.2 Key conditions of the Proposed Transaction

The Proposed Transaction is subject to a number of key conditions, some of which have already been fulfilled:

- WLD obtaining shareholder approval, preparing a Notice of Meeting and commissioning an independent expert's report to accompany the Explanatory Memorandum as required by ASX Listing Rule 10.10. This will be sought at the General Meeting
- WLD finalising a standstill agreement with its Noteholders. This was achieved and subsequently announced to the ASX on 22 August 2019
- WLD obtaining consents, if required, from Intesa Sanpaolo S.p.A. (**Intesa**), United Overseas Bank Limited (**UOB**) and Ruchira. WLD has advised that work is ongoing on these matters, with WLD aiming to achieve a resolution prior to the settlement of the Proposed Transaction
- WLD providing Heytesbury with all documents necessary to register Heytesbury as the owner of the Swagman with the Singapore ship registry. WLD has advised that these documents are to be provided upon settlement of the Proposed Transaction
- confirmation that the Swagman's existing financiers will be fully reimbursed from the proceeds of the sale and that the financiers will release WLD from the security and financial indebtedness related to that vessel. WLD has advised that this confirmation is to be provided at or before settlement of the Proposed Transaction
- WLD's board confirming that completion of the Proposed Transaction would not result in its directors breaching any director's duties under Singapore law that are relevant to them. This condition has been fulfilled.

Some of the above may not be satisfied prior to the General Meeting.

1.3 Key terms of the Proposed Transaction

The key terms of the Proposed Transaction include the following:

- WLD will charter the Swagman from Heytesbury under a bareboat charter agreement for an initial period extending to 31 March 2021, with options to extend this agreement for a further four years from this date. The option to extend for the first year is at WLD's discretion, and would be on the same terms as the initial period, including the same daily rate. The option to extend for a further three years is subject to the Parties' mutual agreement, at a bareboat charter rate to be based on market rates
- during the initial charter period and the first optional year, the charter rate will be US\$7,233 per day, payable monthly. This is payable regardless of the vessel's utilisation. WLD is to bear the risk associated with a 'hell or high water' event, whereby it would need to make the daily charter payments despite the vessel not being utilised. Heytesbury may terminate the leaseback if hire payments are not received within three banking days of the due date, except in situations where notice is given or a grace period is allowed. Both of these terms are favourable to Heytesbury; however, the former is arguably a normal commercial term while the latter likely reflects WLD's current financial position
- at the expiry of the charter period, WLD is to deliver the Swagman to Heytesbury at an Australian port of Heytesbury's nomination

- WLD has agreed to provide either a bank guarantee in favour of Heytesbury for US\$500,000 or a cash deposit of US\$500,000 to cover its obligations under the charter (the **Performance Guarantee**)
- WLD is to assume all operational and maintenance costs for the Swagman and will retain absolute possession and full control of the vessel during the term of the bareboat charter. It must also provide monthly financial updates to Heytesbury regarding the Swagman's financial performance and cash flow during the first six months of the charter and every quarter thereafter
- a profit share amount must be paid if WLD completes a superior transaction for the Swagman, with the higher of US\$600,000 or one third of the excess sale proceeds over US\$25 million being payable. This amount will be offset against any break fee
- there is an exclusivity period until 31 October 2019 during which WLD is to ensure it does not pursue a transaction that would compete with, or lead to a requirement that WLD terminate, the Proposed Transaction. WLD may entertain proposals that are not competing transactions, or which would likely have the support of WLD's creditors and provide a better outcome for WLD than the Proposed Transaction
- if Heytesbury submits a final binding offer that is on terms at least as favourable to WLD as a superior transaction and that offer is not accepted by WLD, WLD will pay Heytesbury US\$600,000 to reimburse any costs incurred. This payment will be offset against break fees, and vice versa.

1.4 Impact of the Proposed Transaction

The Proposed Transaction will allow WLD to reduce its total debt obligations. As set out in Section 6 of the Explanatory Memorandum, WLD forecasts that total gross debt will decrease from approximately US\$80 million to approximately US\$61 million following the Proposed Transaction.

The Group's proposed use of the proceeds of the sale of the Swagman is shown below.

Table 4: Uses of Swagman sale proceeds

US\$m	Sources	Uses
Sale proceeds	22.0	
Repayment of principal and interest due to Nord/LB ¹		6.0
Partial redemption of convertible notes		10.0 ²
Prepayment of principal due to Intesa ³		3.0
Performance Guarantee		0.5
First month charter for the Swagman		0.2
Estimated transaction costs		0.5
Working capital and future debt repayments		1.8
Total	22.0	22.0

Source: Explanatory Memorandum

Notes:

The table above is subject to rounding

1. Norddeutsche Landesbank Girozentrale

2. This one-off redemption of US\$10 million is higher than the monthly US\$1 million principal repayment which would be payable should the Proposed Transaction not proceed, representing an incremental payment of US\$9million in September 2019 as shown in Table 5 below

3. Subject to the agreement of terms between WLD and Intesa

Our analysis indicates that the Proposed Transaction would create additional liquidity and generate positive incremental cash flow for WLD over the twelve months to September 2020 compared to a hypothetical scenario in which the Swagman is not sold. The bareboat charter represents an additional cost; however, the sale proceeds enable accelerated debt reduction, a resulting decrease in payments on vessel finance and a lower interest rate on convertible notes. This analysis is shown in Table 5.

Table 5: Incremental cash flows from the Proposed Transaction

US\$'000	Sep 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Total
Sale proceeds	22,000												22,000
Transaction costs	(500)												(500)
Performance Guarantee	(500)												(500)
Bareboat charter	-	(441)	(217)	(224)	(224)	(210)	(224)	(217)	(224)	(217)	(224)	(224)	(2,647)
Convertible note principal	(9,000)	600	600	600	600	600	6,000	-	-	-	-	-	-
Convertible note interest saved	62	193	174	167	154	132	128	-	-	-	-	-	1,011
Vessel finance principal	(8,846)	(1)	533	(4)	(0)	533	(2)	500	533	(2)	(0)	533	(6,224)
Vessel finance interest saved	(93)	(0)	91	(1)	(0)	83	(1)	(0)	73	(1)	(0)	66	218
Incremental cash flow	3,124	351	1,182	538	529	1,138	5,901	282	382	(220)	(225)	375	13,358

Source: WLD company announcements, WLD annual company reports, WLD Preliminary FY19 Results, Deloitte Corporate Finance analysis

The convertible note interest saved represents the incremental benefit of the interest rate of 14% applying rather than 21%, as well as the earlier repayment of part of the capital amount from part of the Swagman sale proceeds. The vessel finance repayments result in a saving of interest costs.

We have assumed the underlying operational cash flows are constant across both scenarios, and set aside any going concern issues in either scenario for the purposes of this analysis. While the analysis above assumes the convertible note principal repayments are cumulatively equal over the twelve month period, there is a significant timing difference, with the Proposed Transaction involving a sizeable repayment earlier on. Also, were the Proposed Transaction to not proceed, there is uncertainty over WLD being able to fund the bullet redemption in March 2020.

2 Profile of Wellard Limited

2.1 Overview

WLD is an Australian incorporated and registered company which is listed on the ASX and specialises in the sourcing, handling and shipping of livestock. WLD has traded from Australia since 1980, with its principal business traditionally involving the supply of livestock (cattle and sheep) to Asia and the Middle East. WLD operates under both a 'shipping and trading' model and a 'shipping only' model. Under the 'shipping and trading' model, WLD sells livestock to an end customer which it delivers with its own vessels. Under the 'shipping only' model, WLD charters space on its vessels to third parties, but does not otherwise participate in the livestock transaction.

Historically WLD's livestock trading revenue has been much greater than its charter revenue. Earnings from trading can be more volatile than earnings from chartering, and current market conditions have compressed trading margins to a level below that achievable through chartering. WLD undertook a strategic review in FY18, which resulted in WLD limiting its cattle trading activities to the South East Asia region and using a greater percentage of its shipping capacity for third party chartering. The change in strategy to focus on chartering provides greater earnings certainty and utilises less working capital, with the Group still able to pursue select trading opportunities when market conditions allow for an acceptable trading margin and when sufficient working capital is available.

Apart from the trading and chartering businesses, WLD also operated other businesses, such as meat processing and distribution. After breaching debt covenants in FY17 and FY18, WLD announced a non-core asset sale program at its 2018 AGM on 23 November 2018 in order to realise cash and pay off debt. Certain assets were divested prior to the AGM, including the M/V Ocean Outback in July 2017. Assets sold since the announcement of the non-core asset sale program include the Beaufort River Meats, Wongan Hills feed mill and 'La Bergerie' Pre-Export Quarantine businesses. The Group is in the process of selling and then leasing back the M/V Ocean Swagman, as contemplated in the Proposed Transaction. WLD's continuing operations comprise the trading and chartering businesses.

2.2 Livestock export industry

WLD operates in the livestock export industry, which involves the sale and delivery of livestock to international customers. The Group has recently shifted focus from trading livestock to and from each of the Australia, Middle East, Asia and Mediterranean basin regions, to trading cattle from Australia to South-East Asia only. The Group continues to service the Middle East, Asia and the Mediterranean basin through the chartering of vessel capacity to external parties in voyages to those regions.

2.2.1 Regulatory environment

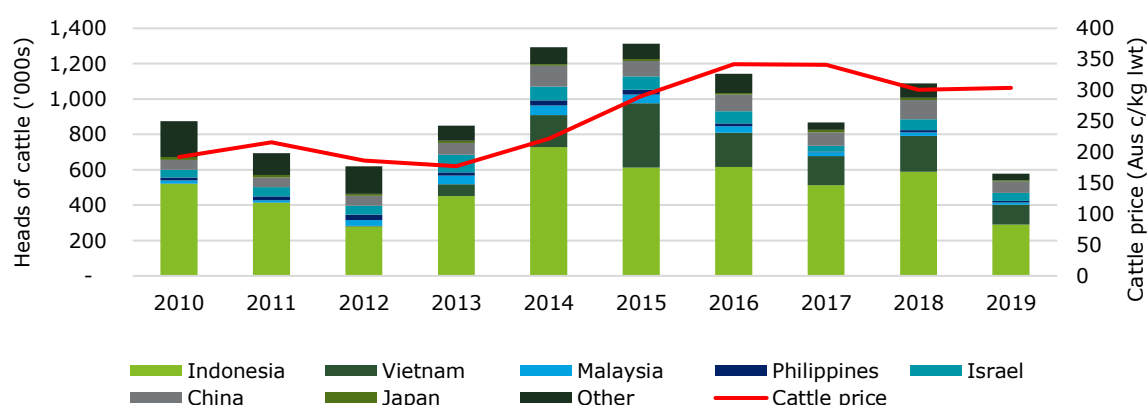
In recent years, there has been increased media and public scrutiny of the livestock export industry in Australia, with a particular focus on animal welfare. Following media coverage in 2018 of the conditions on some livestock carriers, the Australian Greens (an Australian political party centred on environmentalism and ecological sustainability) launched a campaign to ban all live exports from Australia and to strengthen the regulation of the industry.

During 2018 and 2019, amendments were made to regulation of the Australian livestock export industry, in particular to the Australian Standards for the Export of Livestock (**ASEL**) and Marine Order Part 43 (**MOP43**). While these amendments are yet to be implemented, the changes contemplated include a reduction in the stocking density for sheep on livestock carriers, providing more space, and a shift in the accepted daily sheep mortality rate. These amendments also include a halt on the export of sheep from Australia during the northern hemisphere summer (outlined in Section 2.2.2). While ASEL changes relating to cattle are minimal, one new regulation stipulates that the export of European cattle breeds from Australia over the equator will be blocked for six months of the year unless a livestock heat stress risk assessment is satisfied. In addition to the ASEL changes, the MOP43 amendments include the phasing out of certain ships by January 2020, including those with two tiers and/or those with inadequate ventilation. At present, three double-tiered ships are likely to be excluded permanently from the Australian livestock export market due to these regulatory changes, which will reduce the level of competition in the market for WLD. WLD has stated that it is likely to be impacted by these regulatory changes to a smaller extent than the broader industry due to its more modern and bespoke fleet. WLD does not own or operate double-tiered vessels, and all vessels are compliant with current ventilation requirements.

2.2.2 Livestock trading and chartering

International demand for quality livestock has positively impacted Australian exports over the past five years. Australian supply, however, has more recently been impacted by a combination of lost cattle due to floods in Queensland and increased slaughter rates as a result of dry conditions in Western Australia, Queensland and New South Wales. Adverse weather, together with a host of other factors including foreign exchange rates, cheap protein alternatives in South-East Asian markets and volatile import market regulations, has led to challenging market conditions for WLD and other companies in the industry. The figure below shows the average calendar year prices and heads of cattle exported from Australia between January 2009 and June 2019.

Figure 1: Cattle prices and export volumes from Australia (2010 to August 2019)



Source: Meat & Livestock Australia August 2019

Notes:

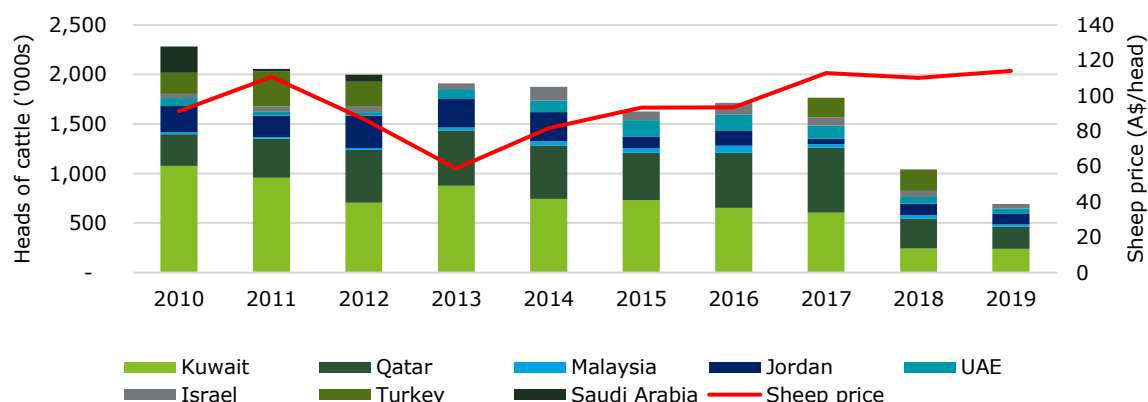
Calendar year data – available to August 2019

The price used is that for Light Steer exported to Indonesia from Darwin as an indicative price

Meat and Livestock Australia (**MLA**) expects cattle exports to decline from a peak of approximately 1.3 million head in 2015, with the outlook for cattle exports broadly flat from 2019 to 2021. One contributing factor is a lack of rainfall in key regions leading to lower supply. On the demand side, international demand for Australian cattle is generally strong, particularly from South-East Asia; however, volumes are heavily influenced by demand from key export markets such as Indonesia and Vietnam. Given the import volumes of both countries are highly sensitive to changes in the price of cattle, an increase in Australian cattle prices driven by continued supply shortages could have the effect of reducing cattle exports in the near term.

Strong sheep prices have been driven by the interplay of limited supply following drought conditions in Australia and high demand for sheep meat and wool from international customers. Live sheep exports, however, face an uncertain outlook. The Australian livestock export industry is currently subject to a trade ban on sheep between the Northern Hemisphere summer months spanning June to August. This development is compounded by the negative public sentiment around live exports that is building in Australia and has led to the regulatory concerns further detailed in Section 2.2.3. Although Middle Eastern demand remains strong, MLA expects overall live sheep export volumes to continue to decrease in the near term.

Figure 2: Sheep prices and export volumes from Australia (2010 to May 2019)



Sources: Meat & Livestock Australia August 2019

Notes:

Calendar year data – available to May 2019

The price used is the live export whether price

On the chartering side, Turkey is a key destination for livestock deliveries. While Turkey has historically been a large market for the importation of livestock, its government halted imports of live feeder cattle on 24 December 2018 due to excess stock. The Turkey market has now reopened, and a back-to-back charter for the Shearer has been secured for two voyages between South America and Turkey in FY20. Given the importance of the South America to Turkey route to WLD's external chartering operations, there may be upside potential in both the volume of livestock exports from international export markets to Turkey and the number of voyages WLD charters to Turkey.

2.2.3 Macroeconomic factors

The price of bunker fuel is a significant direct cost for industry participants, particularly for cattle exports, which achieve a lower sale price per kilo than other livestock such as sheep. The following figure shows that the price of bunker fuel for the period 31 July 2018 to 31 July 2019 was relatively volatile; however, the year on year price decreased only slightly across the period. WLD is exposed to this volatility in the price of fuel. In the past this risk was partially managed through a physical hedge and commodity swaps; however, there are currently no hedges or swaps in place.

Figure 3: Bunker fuel price, 31 July 2018 to 31 July 2019



Source: Thomson Reuters

Notes:

Reflects the USD per metric tonne historical price for 380 centistoke (CST) bunker fuel, free on board (FOB) Singapore (SG)

Australian companies in the livestock export industry are also subject to exchange rate risk, although the impacts can be both positive and negative. With a depreciation in the AUD, livestock become more affordable for importers dealing in USD terms, increasing the heads of cattle traded and/or shipped. Conversely, the purchase of bunker fuel is made more costly, increasing the cost of sales and USD denominated debt repayments. Companies in the industry with a significant trading focus may have difficulty matching trading revenues, which react quickly to changes in the AUD/USD rate, with debt obligations, which are fixed, leading to earnings volatility.

The figure below shows the movement in the AUD/USD exchange rate during the year to 31 July 2019. WLD previously managed its foreign exchange exposure by entering into short-term forward exchange contracts; however, currently it does not have any forward exchange contracts in place.

Figure 4: AUD/USD exchange rate, 31 July 2018 to 31 July 2019



Source: Capital IQ

2.3 Livestock vessel assets

The major assets of the continuing operations of the WLD business are four livestock vessels. A brief overview of these vessels is provided in the table below.

Table 6: WLD livestock carrying vessels

Name	Year built	Capacity (# of sheep) ²	Capacity (# of cattle) ²	Size (square metres)	Maximum speed (knots)	Class
M/V Ocean Swagman	2009	25,000	8,000	8,000	15	Rina
M/V Ocean Ute ¹	1994	7,000	6,500	7,000	14	Bureau Veritas
M/V Ocean Drover	2002	75,000	20,000	23,500	18	Rina
M/V Ocean Shearer	2016	75,000	20,000	23,500	18	Rina

Source: WLD Annual Report 2018, WLD Prospectus 2015

Notes:

1. Converted into a livestock carrier in 2011
2. Indicative guide only. Actual capacity will vary per voyage based on a number of factors, including species, weight of livestock and the approved density for the specific voyage and route

We note that WLD previously owned an additional vessel, the M/V Ocean Outback (**Outback**), which was sold in July 2017 for US\$26.0 million (A\$33.2 million). The Outback was a 'sister vessel' to the Swagman, with specifications as set out in the following table.

Table 7: Specifications for M/V Ocean Outback

Name	Year built	Capacity (# of sheep)	Capacity (# of cattle)	Size (square metres)	Maximum speed (knots)	Class
M/V Ocean Outback	2010	25,000	8,000	8,000	16	Rina

Source: WLD Annual Report 2018, WLD Prospectus 2015

In October 2018, WLD announced that the Croatian shipyard Uljanik D.D. (**Uljanik**) had terminated the build contract for a new vessel, the Kelpie. WLD has subsequently commenced arbitration in London against Uljanik for wrongful termination and repudiation of the contract. The arbitration is progressing, but has been delayed as a result of numerous factors which include the commencement of bankruptcy proceedings against Uljanik. WLD will also be pursuing its rights under a bank refund guarantee in the amount of US\$10 million issued as part of the Kelpie build contract, although the outcome and timing of this action are highly uncertain.

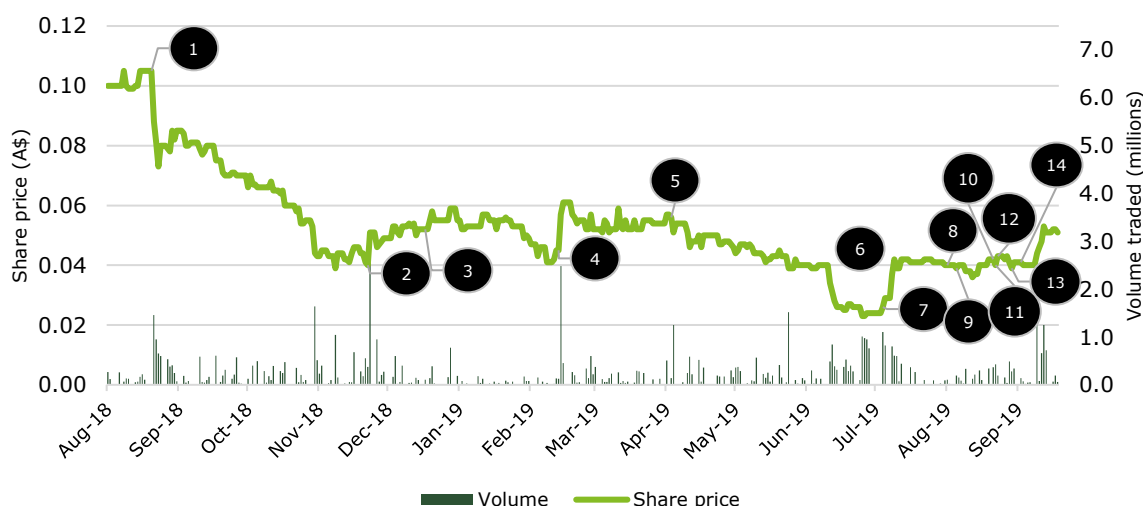
The Swagman was delivered in December 2009 and sailed its maiden voyage in January 2010. The vessel has the capacity to transport up to 7,000 cattle, 26,000 sheep or a combination of the two. Relative to WLD's two largest vessels, the Shearer and Drover, she is a smaller capacity vessel, and is therefore well suited for short haul voyages or for smaller loads of high value animals. This is reflected in the deployment of the vessel, with the South East Asian market accounting for more than 50% of the Swagman's 101 voyages between January 2010 and December 2017. The report prepared by Weselmann, the technical expert, attached in Appendix B provides further detail on the vessel.

The Swagman is financed using traditional debt finance pursuant to a Vessel Finance Agreement (**VFA**), with legal ownership of the vessel retained by Wellard Ships (a subsidiary of WLD) and security over the vessel granted to the financier, Nord/LB. The term of the VFA extends to 27 May 2022, although WLD intends to fully pay out the amount owing should the Proposed Transaction complete. There is no significant cost to early repayment of the Swagman vessel loan. Further details of the VFA are set out in Section 2.8.

2.4 Share price performance

The figure below shows WLD's share trading on the ASX over the period 1 August 2018 to 18 September 2019. Key announcements for the period are set out in Table 8.

Figure 5: WLD share price and trading volume



Source: ASX announcements, Capital IQ

Table 8: WLD key announcements

Ref	Date	Commentary
1	21/08/18	WLD releases FY18 financial results, announcing an improvement on FY17 results but still recording a \$36.4 million net loss after tax (inclusive of impairment losses of \$13.9 million)
2	23/11/18	WLD releases Q1 FY19 results. The business achieved higher trading volumes, improved margins and lower overheads off a low base. A balance sheet rebuild through debt restructuring and the sale of non-core assets is noted as a priority
3	18/12/18	WLD announces it has reached a Standstill agreement with its Noteholders in respect of an early redemption of 3.5 million convertible notes worth US\$3.5 million. The Noteholders agree not to take any enforcement action on covenant breaches until 31 March 2019
4	14/02/19	WLD reports its first period of profit since listing, posting a net profit after tax of \$2.9 million. The cash held by the Group increases and debt is reduced. However, due to the high level of debt servicing, WLD is in breach of banking and convertible note covenants as at 31 December 2018 and all long-term debt continues to be classified as a current liability
5	1/04/19	WLD announces an extension of the Noteholder Standstill announced on 18 December 2018. The expiry of the Standstill is extended from 31 March 2019 to 30 September 2019. WLD commits to redeem a minimum of US\$500,000 worth of convertible notes per month, pay a coupon rate of 14% p.a. and grant certain security to the Noteholders
6	11/06/19	WLD reports that a Noteholder Standstill announced on 1 April 2019 has ended early as WLD was not able to grant certain security to the Noteholders as required under the Standstill terms. Negotiations between WLD and the Noteholders continue; note interest rate and monthly redemptions increase to 21% p.a. and US\$1,000,000 respectively
7	4/07/19	WLD announces that it has signed a non-binding term sheet with Heytesbury agreeing to the sale and leaseback of the Swagman, at a sale price of US\$22 million. The Group agrees an indicative, non-binding agreement for a Noteholder Standstill
8	31/07/19	WLD provides an update on the sale of the Swagman, noting it has commenced negotiations with another party that may lead to a superior offer to the Heytesbury offer. Heytesbury completes technical due diligence; however, transaction due diligence has not been completed, despite the deadline of 29 July 2019 passing. Heytesbury requests an extension
9	6/08/19	Nova offers US\$25.2 million for the Swagman, subject to approval of the Nova board. Heytesbury completes transaction due diligence, and enters into an Implementation Agreement with WLD, whereby the Proposed Transaction would proceed if the Nova Proposal does not complete. Standstill negotiations continue with Noteholders
10	19/08/19	WLD announces conditional agreement reached with Ruchira to extend repayment schedules over Ute and Drover by 24-28 months, conditional on Ruchira Board approval
11	20/08/19	WLD announces it will proceed with the sale of the Swagman to Heytesbury for US\$22.0 million, as approval of the Nova board is not received by the deadline of 19 August 2019
12	22/08/19	WLD reaches agreement with the Noteholders for a further Standstill period to 7 September 2019, satisfying a key condition precedent to the Proposed Transaction. Pursuant to the Standstill, WLD will make principal repayments of US\$400,00, with interest on the notes of 14% p.a.
13	29/08/19	WLD releases its Appendix 4E Preliminary Final Results for FY19. EBITDA and cash flow for the period is positive; however, a combination of poor trading conditions in 2H FY19, vessel impairments and financing costs results in a \$48.4 million net loss after tax
14	4/09/19	WLD announces that Hongkong Fulida International Trading Company Limited (Fulida), a WLD shareholder with a 24.49% interest, will support the Proposed Transaction

Source: ASX announcements

2.5 The Nova Proposal

On 6 August 2019, Nova made a proposal to purchase the Swagman for US\$25.2 million subject to the approval of the Nova board. This offer, which was made within the exclusivity period, was US\$3.2 million higher than the Heytesbury offer, and was considered by WLD to likely lead to a superior outcome than the Proposed Transaction. There was no charter or leaseback arrangement under the Nova Proposal.

Notwithstanding WLD's acceptance of the Nova Proposal, the Proposed Transaction remained on foot, with WLD and Heytesbury entering into an Implementation Agreement. The transaction was broadly subject to the same terms, with the exception of changes to the break fee triggers. In the event that the Nova Proposal completed, the Proposed Transaction would have terminated, and WLD may have needed to pay a break fee. This outcome did not eventuate, however, as Nova did not receive approval of its own Board prior to the deadline of 19 August 2019.

2.6 Financial performance

The table below sets out a summary of the audited profit and loss statements of WLD for the years ended 30 June 2017, 30 June 2018 and the unaudited profit and loss statements from WLD's Preliminary FY19 Results.

Table 9: Statement of financial performance for FY17, FY18 and FY19

A\$'000	Audited Actual 30-Jun-17 FY17²	Audited Actual 30-Jun-18 FY18	Prelim Actual 30-Jun-19 FY19
Revenue	497,851	236,995	235,091
Cost of sales	(470,222)	(204,157)	(196,336)
Gross profit	27,629	32,838	38,755
Other gains/(losses) arising from trading and chartering activities	(1,189)	3,767	(2,078)
Administration expenses	(17,162)	(9,492)	(7,733)
Operating expenses	(33,602)	(16,196)	(15,087)
Other expenses	(1,751)	(1,133)	(1,836)
EBITDA¹	(26,075)	9,784	12,021
Other gains/(losses) arising from other activities	(1,527)	(4,863)	(3,789)
Net finance costs	(10,095)	(9,766)	(11,266)
Depreciation and amortisation expenses	(22,838)	(16,617)	(16,157)
Impairment expense	(13,993)	(13,758)	(22,444)
Profit/(loss) from continuing operations before income tax	(74,528)	(35,220)	(41,635)
Income tax benefit/(expense)	(809)	116	(5,354)
Losses from discontinued operations, net of tax	-	(1,333)	(1,454)
Net (loss)/gain for the period after tax	(75,337)	(36,437)	(48,443)
(Loss)/gain from foreign currency translation	(5,839)	6,773	4,827
Other comprehensive income/(loss) for the period, net of tax	(5,839)	6,773	4,827
Total comprehensive loss for the period	(81,176)	(29,664)	(43,616)

Source: WLD annual company report 2017, 2019 Preliminary FY19 Results

Note:

The table above is subject to rounding

1. EBITDA represents earnings before interest, tax, depreciation and amortisation; it equals gross profit less gains/losses arising from trading and chartering activities, less administration expenses, less operating expenses, less other expenses
2. FY17 results include revenue from operations which have been discontinued as of 30 June 2019 and are therefore not directly comparable

We note the following in relation to the financial performance of WLD:

- charter revenue increased from 3.4% of total revenue in FY17 to 22.1% of total revenue in FY19. While trading revenue has traditionally been higher than charter revenue, recent market conditions have led to volatile trading revenue. Following a strategic review in FY18, WLD's operations now focus on a mix of trading livestock to South-East Asia and chartering of its vessels to external parties. The decrease in revenue observed between FY17 and FY19 is a function of this change in revenue composition from largely trading based to a mix of trading and chartering based
- cost of sales in FY19 was lower than the prior corresponding period as a result of the Group's move away from processing and distribution activities, which contributed \$39 million in FY18. The cost of sales for the trading business increased year on year as a result of improved cattle trading conditions and a corresponding increase in livestock purchasing outlay. The chartering business also experienced an increase in the cost of sales due to higher shipping costs resulting from more voyages. FY19 gross profit was approximately \$5.9 million higher than FY18 due to a reduction in the cost of sales

- administration and operating expenses decreased in FY19 relative to the prior corresponding period due to an ongoing cost-out program being implemented by WLD
- EBITDA of \$12 million in FY19 was 22% higher than the prior corresponding period due to the reduction in cost of sales due partly to the shift away from processing and distribution activities as well as reduced overheads
- other gains and losses primarily relate to changes in the fair value of biological assets, commodities and foreign exchange
- the impairment expenses across FY17 to FY19 relate primarily to the \$13.1 million impairment of the Outback following its sale in July 2017 for US\$26.0 million, a \$13.8 million impairment raised in respect of the Kelpie asset under construction in FY18 and a total impairment of \$20.4 million on the Swagman (\$10.6 million) and Ute (\$9.8 million) vessels in FY19 having regard to the Proposed Transaction for the Swagman and market feedback in relation to the Ute
- the losses from discontinued operations in FY19 and FY18 represent losses from the Beaufort River Meats, Wongan Hills feed mill, 'La Bergerie' Pre-Export and Wellao Feedlot businesses, with all of the sales completed as of 8 April 2019. Note that FY17 results presented include these businesses as part of continuing operations, and are therefore not directly comparable.

2.7 Financial position

The table below sets out a summary of the audited financial position of WLD as at 30 June 2017, 30 June 2018 and the unaudited financial position from WLD's Preliminary FY19 Results.

Table 10: Statement of financial position as at 30 June 2017, 2018 and 2019

A\$'000	Audited Actual 30-Jun-17 FY17	Audited Actual 30-Jun-18 FY18	Prelim Actual 30-Jun-19 FY19
Cash and cash equivalents	33,027	8,297	7,424
Trade and other receivables	31,307	24,947	2,278
Inventories	8,091	18,121	13,127
Biological assets	3,453	18,264	1,941
Derivative financial assets	188	326	-
Other assets	5,425	4,709	1,874
Assets held for sale	33,489	-	31,330
Total current assets	114,980	74,664	57,974
Other assets	751	140	139
Property, plant and equipment	230,735	206,832	139,150
Intangible assets	8,587	8,384	3,082
Deferred tax assets	5,874	5,894	-
Total non-current assets	245,947	221,250	142,371
Total assets	360,927	295,914	200,345
Trade and other payables	24,470	18,796	5,606
Loans and borrowings	176,314	144,945	110,090
Current provisions	1,503	1,100	439
Deferred revenue	10,173	28,248	17,262
Derivative financial liabilities	1,317	1,180	-
Liabilities directly associated with assets held for sale	15,836	-	9,132
Total current liabilities	229,613	194,269	142,529
Non-current provisions	118	150	21
Total non-current liabilities	118	150	21
Total liabilities	229,731	194,419	142,550
Net assets	131,196	101,495	57,795
Net debt ¹	143,287	136,648	102,666
Current ratio	0.50	0.38	0.41

Source: WLD annual company report 2017, 2019 Preliminary FY19 Results

Notes:

The table above is subject to rounding

1. Net debt is calculated by WLD as loans and borrowings less cash and cash equivalents

In relation to WLD's financial position, we note:

- inventories constitute \$4.2 million of raw materials and stores, \$0.4 million of finished goods and \$8.5 million of work in progress
- biological assets represents the fair value of cattle and sheep held for short-term trading and feeding purposes. The reduction from \$18.2 million in biological assets in FY18 to \$1.9 million in FY19 is due to a reduction in trading activity

- the assets held for sale balance of \$31.3 million relates to the fair value less costs to sell of the Swagman, which will be sold for US\$22.0 million pursuant to the terms of the Proposed Transaction. The FY17 balance of \$33.5 million relates to the fair value less costs to sell of the Outback, which was ultimately sold in July 2017 for US\$26.0 million. The book values of both the Swagman and Ute are reported post-impairment
- property, plant and equipment corresponds to the carrying value of freehold land, sheds and buildings, plant and equipment and vessels. Of the \$139.2 million balance, \$138.6 million is pledged as security for loans and borrowings. The US\$ book value of the vessels is outlined in Table 12
- deferred revenue represents payments collected but not yet earned for livestock trading and external charter, and comprises \$14.8 million in sales revenue, \$1.7 million in charter revenue and \$0.7 million in revenue from contracts for services
- derivative financial liabilities relate to an embedded derivative associated with the convertible notes. This figure is nil as at 30 June 2019
- as at 30 June 2019, WLD held \$102.7 million in net debt. In addition, there is a \$9.1 million liability associated with the Swagman, which is disclosed separately to net debt. Given the level of debt held by the company, WLD has been working to reduce loans and borrowings and extend servicing obligations, with net debt decreasing by approximately \$33.9 million in the year to 30 June 2019. While debt servicing has impacted cash flow, funds are anticipated to be realised from the Group's continuing asset sale program which is now focused on selling vessels. Further discussion on WLD's loans and borrowings is set out in Section 2.6.

While WLD's loans and borrowings feature a variety of maturities, all loans and borrowings have been classified as current liabilities since FY17, in accordance with AASB 101, following the breach of working capital and ship finance facility covenants. The convertible note liabilities and associated derivative position are also classified as current liabilities as there is no unconditional right to defer payment for twelve months.

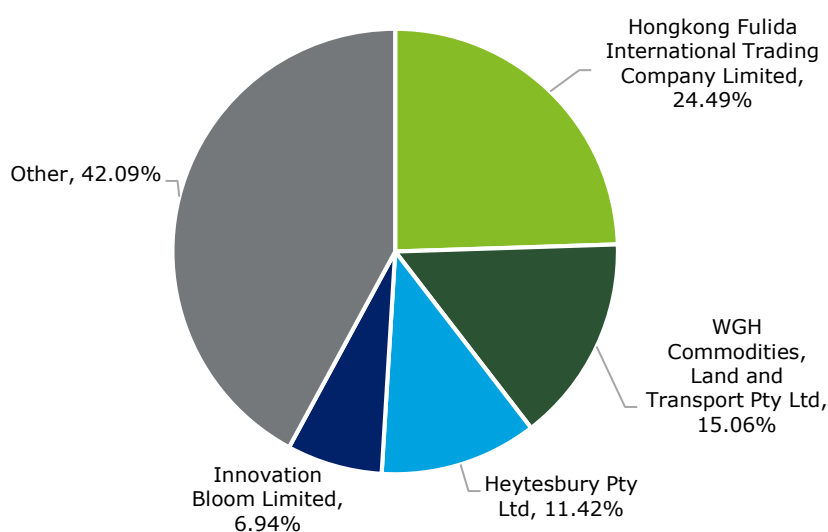
2.8 Equity ownership

WLD had 531,250,312 fully paid ordinary shares on issue and a market capitalisation of \$13.8 million as at 4 July 2019. No options are outstanding as at 30 June 2019. WLD's market capitalisation as at 18 September 2019 was \$27.1 million.

The proposed purchaser of the Swagman, Heytesbury, is a related party as a result of its ownership of 11.42% of WLD's outstanding shares. Heytesbury does not currently appoint any directors to the board of WLD.

WLD's largest four shareholders are shown in the figure below. Together, they hold a total interest of approximately 58% of the company's ordinary shares on issue.

Figure 6: WLD major shareholders



Source: WLD Annual Report 2018, Capital IQ

Note:

As at 18 September 2019

2.9 Loans and borrowings

As at 30 June 2019, WLD held approximately \$111 million in loans and borrowings, as set out below.

Table 11: WLD loans and borrowings

A\$'000	Currency of instrument	Maturity	Audited Actual 30-Jun-17 FY17	Audited Actual 30-Jun-18 FY18	Prelim Actual 30-Jun-19 FY19
<i>Secured</i>					
Bank loans	USD	2022, 2026	97,992	75,327	58,815
Finance leases	USD	2020	55,471	43,313	29,576
<i>Unsecured</i>					
Trade finance	AUD	2019	171	48	-
Other bank loans	USD	2019	1,752	3,340	1,567
Convertible notes	USD	2020	24,571	26,016	22,756
<i>Borrowing costs</i>					
Deferred borrowing costs			(3,643)	(3,099)	(2,624)
Total current loans and borrowings			176,314	144,945	110,090

Source: WLD interim company report, WLD management

Notes:

As at 30 June 2019

The table above is subject to rounding

With respect to WLD's loans and borrowings, we note the following:

- with respect to the secured facilities, bank loans are secured by the Swagman and Shearer vessels, and finance leases are secured over the Drover and Ute vessels. The aggregate carrying value of the Swagman and Shearer vessels is \$74.0 million (see Table 12 below). WLD has also offered corporate guarantees over the bank loans and finance leases. There is currently no security offered over other tangible assets in Australia. The cash and equivalents balance of \$7.4 million at 30 June 2019 is not subject to bank guarantees
- due to the breaches of financial covenants described below, \$84.3 million of long-term debt was reclassified as current debt as at 31 December 2018
- in relation to the convertible notes:
 - in April and June 2017, WLD issued two tranches of convertible notes totaling US\$20 million which rank *pari passu* with all other unsecured debt and attracted an interest rate of 6% p.a. At the time of issue, these notes were convertible into WLD shares at US\$0.21 per share at the option of the holders
 - the Group breached covenants on these notes and announced a standstill agreement with the Noteholders with an initial end date of 31 March 2019
 - WLD announced an extension to this standstill on 1 April 2019 that would have prevented enforcement action prior to 30 September 2019; however, this standstill agreement ended on 7 June 2019 as WLD could not meet the condition precedent of granting certain security (broadly, second security over the vessels) to the Noteholders. The end of the agreement triggered an increase in monthly note redemptions to US\$1 million, along with an increase in the note interest rate to 21% p.a.

- o a new standstill agreement extending to 31 October 2019 (to allow the Proposed Transaction to proceed) was announced on 4 July 2019, pursuant to which the Noteholders will receive US\$10 million from the Swagman proceeds if the Proposed Transaction completes. Once the standstill ends, and if the Swagman is sold, WLD will make monthly repayments of US\$400,000, along with a balloon repayment at the end of the sixth month following the conclusion of the Standstill Period. An interest rate of 14% p.a. will apply during the standstill and repayment periods. We understand the agreement reverts to \$1 million per month repayments and 21% p.a if the Proposed Transaction does not complete.
- WLD entities were in breach of financial covenants on working capital and ship financing facilities as at 30 June 2017, 30 June 2018 and 30 June 2019. Although WLD had remedied certain breaches and was working on waivers for others, WLD's working capital facility with the Commonwealth Bank of Australia (**CBA**) expired on 28 February 2019, with CBA electing not to renew the facility past this date. This facility was previously the primary funding source for Australian livestock purchases. A combination of increased shipping utilisation on external charters and improved performance in 1H FY19 reduced WLD's need to draw on the facility up to expiry. The Group is in discussions with alternative working capital providers to secure a replacement facility prior to the start of the Australian livestock supply season
- as at 30 June 2019, WLD's net debt to EBITDA ratio was 8.5x FY19 EBITDA. If debt associated with the Swagman (classified as an asset held of sale) is included in net debt, this ratio deteriorates to 9.9x. Its interest coverage ratio, defined by the Group as EBITDA to net finance costs, was 1.1x. This ratio is based on net finance costs as they were prior to the standstill agreement announced on 4 July 2019. Finally, WLD's debt to capital ratio, defined by the Group as loans and borrowings divided by the sum of total equity and loans and borrowings, was 65.6%. Based on WLD's market capitalisation on 18 September 2019, the Group's net debt to enterprise value is significantly higher than this book value based gearing figure.

Further detail on the livestock vessels and associated debt is presented in the table below.

Table 12: Debt associated with WLD vessels

Vessel	Facility	Expiry	Book value (US\$) ¹	Outstanding debt (US\$) ¹
M/V Ocean Swagman	Ship loan	May 2022	\$22,000,000 ²	\$6,412,500
M/V Ocean Ute	Sale and leaseback	August 2019	\$14,000,000 ³	\$3,385,592
M/V Ocean Drover	Sale and leaseback	December 2019	\$31,265,390	\$17,382,155
M/V Ocean Shearer	Ship loan	June 2026	\$52,048,388	\$41,300,000

Source: WLD management

Notes:

1. As at 30 June 2019. All book values are after impairment
2. As at 30 June 2019, an impairment of US\$7,580,012 has been recognised for the Swagman
3. As at 30 June 2019, an impairment of US\$6,976,428 has been recognised for the Ute

Both the Ute and the Drover are financed through sale and leaseback agreements with Ruchira, pursuant to which WLD is entitled to buy back the vessels at various stages through the lease, and obliged to buy back the vessels at expiry. Ruchira owns the vessels, with WLD retaining commercial and operational control under bareboat charter agreements whereby WLD pays Ruchira US\$11,050 and US\$21,400 a day for the Ute and Drover respectively. These rates compare to a daily rate of US\$7,233 for the bareboat charter of the Swagman under the terms of the Proposed Transaction. The aggregate ship loan to asset book value has decreased from 61.0% as at 30 June 2018 to 57.4% as at 30 June 2019. We note that WLD announced an agreement with Ruchira to extend the repayment schedules for the Ute and Drover by 24 to 48 months through to December 2021. This extension is conditional on Ruchira Board approval. A waiver of existing defaults has also been reached with Ruchira.

The terms of the convertible notes, which represent unsecured debt, are set out below.

Table 13: Convertible note terms

Facility	Limit	Initial expiry	Initial interest rate	Post-standstill interest rate	Outstanding debt
Tranche 1	\$7,350,000	April 2020	6% p.a.	21% p.a.	\$5,696,250
Tranche 2	\$12,650,000	June 2020	6% p.a.	21% p.a.	\$9,803,750

Source: WLD management

Note:

As at 30 June 2019

3 Summary of Weselmann's opinion

3.1 Experience and appointment

Weselmann is a specialist marine and vessel valuation expert, offering consultancy services for ship valuations, condition and damage surveys, ship repair supervision and new ship build follow-up surveys. They have significant experience in Asia, particularly in China, and work extensively with German and other international vessel financing banks, as well as with international shipping companies, investment funds and insurance underwriters. The firm's owner and Managing Director is Bernd Holst, an expert in vessel damage and ship valuations who is certified by the Hamburg Chamber of Commerce.

Weselmann was engaged by WLD to value the Swagman for the purpose of this report. Deloitte Corporate Finance defined and controlled the scope of Weselmann's work.

To assist us with the preparation of this report, Weselmann performed the following services:

- provision of an opinion as to the fair market value of the Swagman
- assessment of the leaseback terms.

The results of their work, processes and valuation are outlined in their report dated 11 September 2019 in Appendix B.

3.2 Weselmann findings

Weselmann carried out a condition survey on the Swagman on 25 July 2019, with the valuation of the Swagman based on the findings of this condition survey.

In general, the Swagman was found to be in good condition. Weselmann use a rating system of 1 to 5 across a number of factors, with 1 being excellent and 5 being critical, unsafe or inoperable. Weselmann conclude on an overall rating of 'good' with a score of 2.3, and the following ratings across the four broad aspects:

- design, equipment and workmanship: 2.6 (good)
- performance, class and inspections: 2.1 (good)
- operational and technical condition: 2.5 (good)
- general maintenance: 2.2 (good).

3.2.1 Assessment of fair market value

In arriving at a fair market value range of US\$22.8 million to US\$25.2 million, Weselmann adopted two methods.

Comparative sales method

The first method was an analysis of values achieved in sales of comparable vessels. Due to the niche nature of livestock carriers, the universe of comparable vessels is limited. Weselmann indicates that the last transaction for a similar vessel was that for the Outback, a sister vessel to the Swagman which is one year younger and sold for US\$26.0 million in June 2017. By assuming a useful commercial life for livestock carriers of 30 years, Weselmann calculated a yearly depreciation rate for vessels of this type of 3.33%. Noting that the Swagman is one year older than the Outback, and that the sale occurred two years ago, they apply total depreciation of 9.99% to the Outback's sale price of US\$26.0 million to arrive at their comparable vessel valuation.

Weselmann's valuation using the comparative sales method is US\$23.4 million.

New ship build method

The second method relies on the price of recent new ship builds weighted by square metre capacity. Four vessels were examined, with their square metre capacity and USD building price used to obtain a USD per square metre measure. This is multiplied by the Swagman's square metre capacity of 8,045 sqm to arrive at an implied new building price. These four prices were then averaged and depreciated by 10 years at 3.33% per year to account for the age of the Swagman. The resulting figure was grossed up by 5% to account for finance costs during construction, building supervision and equipment, which are not reported in net new build prices.

Weselmann's valuation using the new ship build method is US\$24.3 million.

3.2.2 Assessment of leaseback terms

In the assessment of the leaseback terms, Weselmann notes that data on bareboat charter rates are not publicly available. To surmount this limitation, they developed an implied bareboat charter rate by identifying large vessels of a similar age and then deducting operational expenses from average time charter rates for various vessel classes. The ratio of the implied charter rate to vessel value is then calculated for each vessel class and averaged.

The implied charter rate to vessel value ratio for the comparable classes range from 5.8% to 13.4%, with an average of 11.0%, and a median of 11.9%. This compares to a ratio in the range of 10.5% to 11.5% for the Swagman.

In addition, Weselmann has considered the historical income and operating cost data for the Swagman for the years ended 30 June 2016 to 30 June 2019 provided by WLD. Weselman notes that based on this historical financial information, it appears that barring any major changes in the market or in the cost structure, WLD will be able to operate the vessel profitably notwithstanding the agreed bareboat charter rates.

3.3 Assessment of technical expert opinion

Deloitte Corporate Finance held regular discussions with Weselmann throughout the assessment process to direct the scope of work undertaken and understand the approaches adopted and conclusions reached. We had numerous discussions with Weselmann regarding the appropriateness of the methods employed, the data sources used and the assumptions made, and where appropriate, we challenged Weselmann on their findings.

We consider their scope of work and approach to be appropriate for the purposes of this report.

Appendix A: Context to the Report

Individual circumstances

We have evaluated the Proposed Transaction for the Non-Associated Securityholders as a whole and have not considered the effect of the Proposed Transaction on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

Limitations, qualifications, declarations and consents

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Proposed Transaction is fair and reasonable in relation to Chapter 10 of the Listing Rules.

The report has been prepared at the request of the Directors of WLD and is to be included in an Explanatory Memorandum to be provided to WLD's Non-Associated Securityholders for approval of the Proposed Transaction in accordance with the Listing Rules. Accordingly, it has been prepared only for the benefit of WLD and those persons entitled to receive the Explanatory Memorandum in their assessment of the Proposed Transaction 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 Non-Associated Securityholders and WLD, 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 voting for or against the Proposed Transaction. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

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 WLD and its officers, employees, agents or advisors (as set out below in 'Sources of Information') 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 WLD management for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by WLD and its officers, employees, agents or advisors, WLD has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which WLD 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 WLD and its officers, employees, agents or advisors or the failure by WLD and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Transaction.

Deloitte Corporate Finance also relies on the valuation report prepared by Weselmann. Deloitte Corporate Finance assessed the professional competence and objectivity of Weselmann and believe the work performed is appropriate and reasonable. Deloitte Corporate Finance has received consent from Weselmann for our reliance on and inclusion of their opinion in the preparation of this report.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte Corporate Finance's consideration of this information consisted of enquiries of WLD personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board (**AUASB**) or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte Corporate Finance considers that there are reasonable grounds to believe that the prospective financial information for WLD included in this report has been prepared on a reasonable basis in accordance with RG 111. In relation to the prospective financial information, actual results may be different from the prospective financial information of WLD referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

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 Nicki Ivory, B.Com., CA, CFA and Tapan Parekh, B.Bus, M.Com, CA, F. Fin. Each has many years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Deloitte will receive a fee for preparing this report. This fee is not contingent on the conclusion, content or future use of our report.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of Brookfield Place, Tower 2, 123 St Georges Terrace, Perth WA 6000 acknowledges that:

- WLD proposes to issue an Explanatory Memorandum in respect of the Proposed Transaction between WLD and Heytesbury
- the Explanatory Memorandum will be issued in hard copy and be available in electronic format at the election of individual Securityholders
- it has previously received a copy of the draft Explanatory Memorandum for review
- it is named in the Explanatory Memorandum as the 'independent expert' and the Explanatory Memorandum includes its Report as an Annexure.

On the basis that the Explanatory Memorandum is consistent in all material respects with the draft Explanatory Memorandum received, Deloitte Corporate Finance Pty Limited consents to it being named in the Explanatory Memorandum in the form and context in which it is so named, to the inclusion of its Report as an Annexure to the Explanatory Memorandum and to all references to its Report in the form and context in which they are included, whether the Explanatory Memorandum is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Explanatory Memorandum and takes no responsibility for any part of the Explanatory Memorandum, other than any references to its name and the Report as included as an Annexure.

Sources of information

In preparing this report we have had access to the following principal sources of information:

- the Implementation Agreement associated with the Proposed Transaction between WLD and Heytesbury
- the draft Explanatory Memorandum in relation to the Proposed Transaction
- audited financial statements for WLD for the financial years ending 30 June 2017, 30 June 2018 and unaudited financial statements as at 30 June 2019
- WLD management daily cash flow projections for the period August 2019 to September 2020
- WLD board meeting minutes for calendar year 2019
- WLD management reports, debt amortisation schedules and strategy documents
- WLD company website and ASX announcements
- Weselmann's independent technical expert review report
- other publicly available information, media releases and reports on WLD and the live export industry.

In addition, we have had discussions and correspondence with certain directors and executives, including John Klepec, Executive Chairman; John Stevenson, Chief Financial Officer and Executive Director; Philip Clausius, Independent Non-Executive Director; Kanda Lu, Executive Director; Michael Silbert, General Counsel and Cynthea Pickrell, Group Financial Controller in relation to the above information and to current operations and prospects.

Appendix B: Technical Expert Report



MV “OCEAN SWAGMAN”
IMO NO. 9435076

TECHNICAL EXPERT'S REPORT

Scope of report:	Inspection, Valuation & Assessment of Terms
Report No.	W037/19
Date of survey:	25.07.2019
Date of Report:	11.09.2019

Index of Contents

1	INTRODUCTION.....	3
2	GENERAL INFORMATION OF VESSEL.....	3
2.1	DESCRIPTION OF VESSEL.....	3
2.2	GENERAL PARTICULARS	4
3.	INSPECTION OF VESSEL	4
3.1	DESIGN, CONSTRUCTION AND OUTFITTING	4
3.2	CONDITION AT TIME OF SURVEY.....	5
3.3	CERTIFICATES, CLASS, PSC	6
3.4	ASSESSMENT OF MAINTENANCE AND OPERATION	6
3.5	CONCLUSION CONCERNING TECHNICAL CONDITION.....	6
4.	VALUATION	7
5.	ASSESSMENT OF SALE/LEASE BACK TERMS	14
6.	CONCLUSION	18
7.	APPENDIX.....	18

1 INTRODUCTION

This is to certify that Dipl. Ing Bernd Holst and his staff of Ingenieurbüro Weselmann GmbH & Co. KG did at the request Deloitte Corporate Finance Pty Ltd , Australia and on behalf Wellard Ltd, Australia carried out assessment of the technical condition and value of MV "Ocean Swagman" as well as evaluation of terms in the sale/leaseback agreement. The assessment of the three items are separately described in the chapters below.

2 GENERAL INFORMATION OF VESSEL

2.1 DESCRIPTION OF VESSEL

The vessel is built as a livestock carrier, suitable to carry sheep and cattle in worldwide service and was built at Labroy Shipyard, Batam Island – Indonesia as new building no. T155-169. The vessel was designed by Messrs. Interproge Consulting Engineering Service, Genova, Italy and built according to the rules and under supervision of RINA (Registro Italiano Navale) class society and delivered 29.12.2009.

MV "Ocean Swagman" is equipped with twin screw diesel propulsion units in separate engine rooms located aft. The vessel is designed with two main engines and separate propulsion systems and provides good redundancy for the propulsion and operational systems.

She is designed with seven decks, three of them are exposed. Three side ramps are provided two amidships and one aft part starboard side to allow the loading/ unloading in ports. Furthermore, fixed internal ramps are provided to connect the various decks.

The hull is built with streamlined "soft nose" stem, bulbous bow and wide transom stern.

The accommodation is located forward and designed to meet European and Italian Administration rules.

The vessel is designed with 6 watertight transverse bulkheads.

The double bottom is extended between bow thruster room and aft peak bulkheads.

2.2 GENERAL PARTICULARS

Vessel's name	"Ocean Swagman"
IMO No.:	9360776
Call Sign:	9V8073
Owners:	Wellard Ships PTE LTD
Managers:	Welltech Maritime Pte Ltd
Flag:	Singapore
Port of Registry:	Singapore
Date keel laid:	07.03.2006
Date of delivery:	29.12.2009
Type of vessel:	Livestock Carrier
Classification Society:	RINA (Registro Italiano Navale) – 83181
Class Characters:	C+LSC-AUT-UMS-IS-MON-SHAFT-IL-GREENSTAR- AVM-IPS-GREEN PASSPORT
Length o.a. (m)	136,50
Beam (m)	21,6
Deadweight (t)	7920
Capacity	Net Area 8.084 m ² , approx. 40000 (Sheep) and 7000 (Cattle) - space requirement defined by weight of animal.

For further technical details of the vessel, reference is made to our survey report B87-2019 "Ocean Swagman", Appendix. 1.

3. INSPECTION OF VESSEL

Survey of the vessel was held on 25.07.2019, while the vessel was at anchorage outside the port of Singapore.

3.1 DESIGN, CONSTRUCTION AND OUTFITTING

The vessel is very well designed and optimized for the intended purpose as livestock carrier. The design has been made by an experienced design company. As from the initial project stage the design was already made as livestock carrier, there are many advantages for the

operation in comparison with converted livestock carriers, which are very common in the market.

This is concerning the operation of cargo as well as the redundancy for propulsion and essential systems for the animals.

Steel work is done according to standard and no issues identified.

Machineries and equipment are supplied by reputable manufactures. Equipment is generally kept simple but reliable and the simple outfitting also makes the maintenance easier.

Generally, all equipment is supplied from well-known international makers. The quality of the workmanship for the installation is acceptable and corresponds to the requirement of the Class Society.

3.2 CONDITION AT TIME OF SURVEY

The vessel was found in good condition. The hull was found without damages. Some wear of the hull coating is evident, but this is normal from operation and the vessel is due for docking in December 2019.

All cargo areas were found in order and maintained. The livestock areas and systems are frequently very thoroughly inspected by the Australian authorities. These inspections are very strict, but sighted records show that the vessel has performed very well, and no significant issues found.

Outside decks are sound and outfits well operational. Overall preservation is still in order. Some spot corrosion noted, in particular on some outfits. Standard of initial coating from new building might not have been so high. The on-board maintenance is implemented and touch up painting was noted in many areas and is also in process which is rectifying the lower new building coating quality.

The Class Society surveyed all tanks 24.07.2019 without any remarks. According the Class reports the rating of coating is "good" according to IACS (International Association of Classification Societies) rating system.

As the tanks are also only used for freshwater, the corrosion development is slower compared with tanks used for seawater.

The vessel has also exemption from the ballast water convention, due to the fact she is only carrying fresh water as ballast.

Bridge is well equipped and was found in good condition.

Generally, all machineries and installations were found in proper condition and all appeared satisfactory maintained. No evident deficiencies or defects were ascertained during the survey. According to the crew, all machineries are in good workable order. Maintenance is well implemented, and records shows no issues or give reason for concern.

3.3 CERTIFICATES, CLASS, PSC

All seen documents as well as Class and Statutory Certificates on board were found valid. There are two minor issues from Class but all in hand and will be dealt with during docking. Nothing major / costly.

Records from PSC (Port State Control) and Australian Authorities showed that vessel is performing very well, and no significant issues were noted in the reports.

3.4 ASSESSMENT OF MAINTENANCE AND OPERATION

Maintenance is well implemented on board. The crew made a very competent and motivated impression.

A good PMS (Planned Maintenance System) is implemented and followed by the crew. Intervals for maintenance /overhaul are short and, in many cases, shorter than recommended by the manufacturer.

It can be stated the machineries and equipment are very well maintained, in order to keep a good and reliable operation.

Deck maintenance / touch up painting, could in some areas of the deck be enhanced but this work was now noted being in progress.

3.5 CONCLUSION CONCERNING TECHNICAL CONDITION

The vessel was found overall in good condition. As per WESELMANN rating system, MV "Ocean Swagman" achieved an overall rating of 2,3 (Good). This overall rating is considering design, workmanship, standard of outfitting, condition, implemented maintenance, class/certification status, ISM (International Safety Management Code), risks, etc.

For details of the finding and technical assessment, reference is made to the full condition survey report attached as Appendix 1.

4. VALUATION

Before starting to evaluate MV "Ocean Swagman", a few facts about the world's livestock carrier fleet, such as their size in deadweight, their age profile and the number of ships in service must be considered.

Among the world fleet of about 55.000 merchant vessels, mostly comprising of bulk carriers, tankers, container and dry cargo vessels, the overall fleet of livestock carriers totals **147** vessels only, whereof one vessel is under construction and three livestock carriers are in Lay Up (out of service).

Following tables show the size and age profile of the world's livestock carrier fleet.

Table 1: Amount of the world's livestock carriers listed by vessels deadweight

Livestock carrier listed by deadweight		
deadweight	number of livestock carriers	laid up
250 - 999	13	
1000 - 1999	35	
2000 - 2999	23	
3000 - 3999	22	
4000 - 4999	15	1
5000 - 5999	11	
6000 - 6999	2	1
7000 - 7999	5	
8000 - 8999	7	1
9000 - 9999	1	
10000 - 19999	8	
20000 - 29999	3	
30000 - 39999	1	
40000 - 49999	1	
Total	147	

<= size of MV "Ocean Swagman"

Figure 1: Diagram, showing the spread of deadweight of the world's livestock carrier fleet

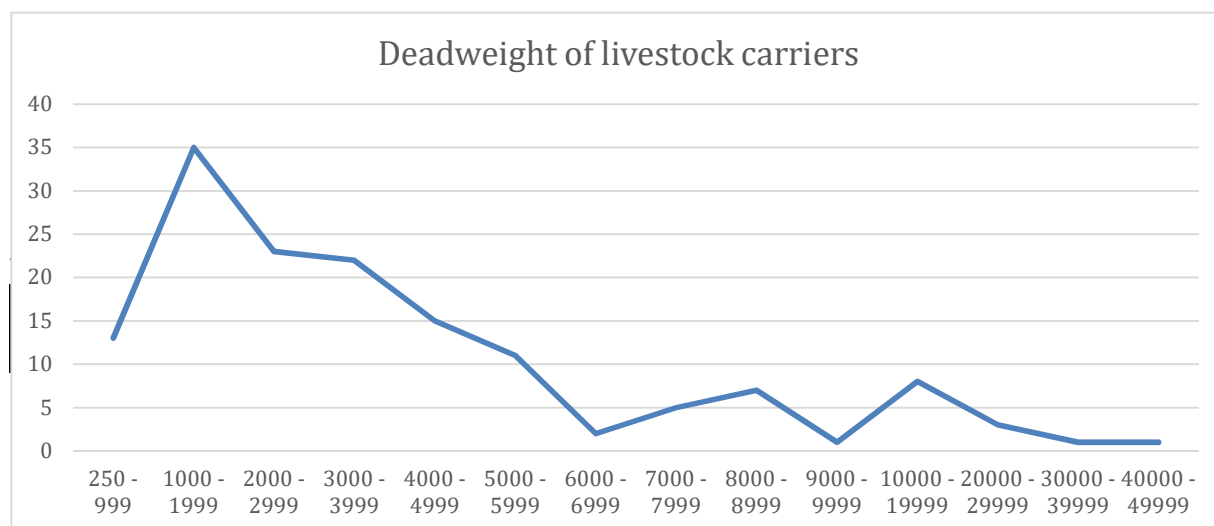
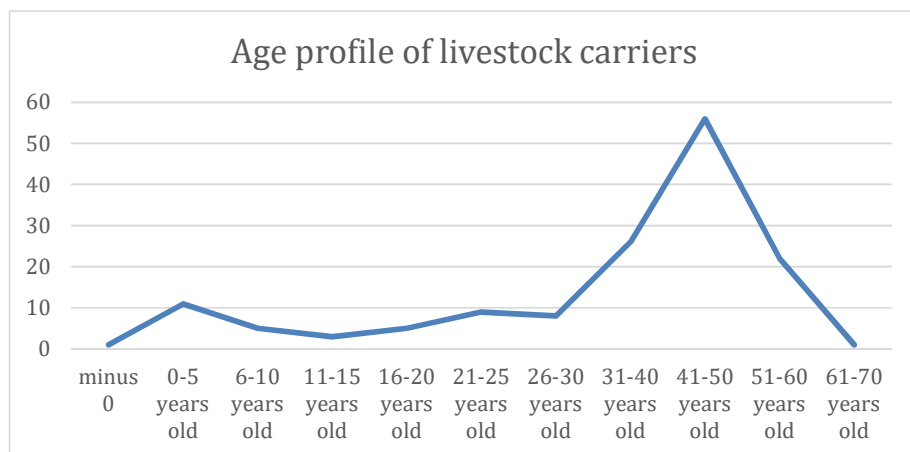


Table 2: Age profile of the world's livestock carrier fleet

Age profile of the livestock carrier fleet			
Age	Years	number of livestock carriers	laid up
under construction	2020 and younger	1	
0-5 years old	2014-2019	11	
6-10 years old	2009-2013	5	
11-15 years old	2004-2008	3	
16-20 years old	1999-2003	5	
21-25 years old	1994-1998	9	
26-30 years old	1989-1993	8	
31-40 years old	1979-1988	26	2
41-50 years old	1969-1978	56	1
51-60 years old	1959-1968	22	
61-70 years old	1948-1958	1	
Total		147	

<= age of MV "Ocean Swagman"

Figure 2: Age profile shown as diagram



Above tables show following major facts:

- 1.) 147 livestock carriers worldwide create a very small niche market.
- 2.) Most of the livestock carriers are small units with a capacity below 6.000 t deadweight.
- 3.) Most livestock carriers are overaged in an age corridor within 30 and 60 years.

This, however, corresponds with the history of origin of a livestock carrier. After major conversion (which can take one to two years) any older livestock carrier generally originates from a merchant vessel, such as a former Roll on - Roll off-vessel, Pure Car

Carrier, Container vessel, Reefer vessel, Oil Tanker or General Cargo Vessel. A livestock carrier, which arose from a conversion, carries on the year of built of the original hull of the originating vessel. This factor may falsify the age profile of the world's fleet of livestock carriers in a certain way. Following table shows the lifespan of elderly livestock carriers, which have been converted in the past.

Table 3: Selected list of converted livestock carriers

Name	hull built	converted	deadweight	demolished	total lifespan	lifespan as livestock carrier	converted from
Rami M	1970	1992	3.600	2018	48 years	26 years	Reefer vessel
Kerry Express	1980	1994	3.862	2013	33 years	19 years	General Cargo Ship
Al Iman	1978	1984	3.980	in service	41 years	35 years	General Cargo Ship
Kamadhenu	1995	2011	4.106	in service	24 years	8 years	Containership
Gulf Livestock 2	1985	2014	4.734	in service	34 years	5 years	RoRo Ship
Nelore	1979	2010	4.984	in service	40 years	9 years	RoRo Ship
Fidelity	1973	1985	5.579	in service	46 years	34 years	Containership
Torrens	1972	1994	9.217	2014	42 years	20 years	Reefer vessel
Kenoz	1970	1982	10.453	in service	49 years	37 years	General Cargo Ship
Al Kuwait	1967	1981	39.266	2012	45 years	31 years	Oil Tanker

Conclusion: A converted vessel may serve for over 30 years after conversion as a livestock carrier like any livestock carrier newbuilding.

Livestock carrier fleet

The ship database of IHS Sea Web World Fleet counts 147 livestock carriers in total, whereof 143 are in service and trading, three are kept in lay-up and one unit is under construction at a Croatian shipyard.

Out of these 147 livestock carriers, 120 vessels (=81,6%) have been converted from another ship type into a livestock carrier and 27 vessels (=18,4%) have been built as a dedicated livestock carrier.

The age profile ranges from 1943 built as the oldest vessel up to the coming newbuilding in 2020.

The deadweight of livestock carriers ranges from very small units with 250t deadweight up to 46.265t deadweight as the biggest livestock carrier.

In the size of 7,000 to 9,000t deadweight - about plus/minus 1,000t around the deadweight of MV "Ocean Swagman" - 12 vessels in total are existing, whereof 11 are in service and 1 is laid up.

MV "Ocean Swagman" is a purpose-built Livestock Carrier. The competition in the same size (by deadweight) around MV "Ocean Swagman" can be considered as very limited

Evaluation process of MV "Ocean Swagman"

The fleet of similar sized livestock carriers (range from 7.000 to 9.000 tons deadweight) to MV "Ocean Swagman" (7.850 tons deadweight) totals to 12 livestock carriers worldwide, whereof 11 vessels are in service and one unit is presently kept in lay-up. Having said that, one can say that a second-hand market is either almost inexistent for this type of tonnage. These vessels are commonly operated on long-term basis by a limited number of market participants. Only in very rare case an owner of a livestock carrier would put his vessel up for sale. The very small market of livestock carriers can therefore be described as a kind of "closed shop". Hardly any information of transactions is reported, except publications of stock listed companies in case such a company becomes active in any way.

In order to come to a certain market value of MV "Ocean Swagman" following methods will be used:

- Evaluation with comparative values
- Evaluation with newbuilding prices

Evaluation with comparative values

The last transaction known in the size of MV "Ocean Swagman" is dated back in June 2017. A sale of a sister vessel of MV "Ocean Swagman", called MV "Bahijah" (ex MV "Ocean Outback"), built 2010 (one year younger than MV "Ocean Swagman" (built 2009) at a reported price of US-\$ 26 Million.

Bearing in mind, that the commercial lifetime of a livestock carrier reaches 30 years at least, 3,33% are taken for depreciation per year. Bringing the vessels age in line, i.e. one-year difference between MV "Bahijah" and MV "Ocean Swagman" and taking into consideration that the sale of MV "Bahijah" took place two years ago, 9,99% are deducted from US-\$ 26 Million and results in US-\$ 23,4 Million.

Any sales to ship recyclers are of no use for this type of evaluation process and are neglected.

Due to missing amount of more market input (sales of livestock carriers), a thorough evaluation of MV "Ocean Swagman" by this common evaluation method, which uses many comparative values of second-hand market transactions from the recent past, cannot be made properly. Sale and purchase transactions for ships of this market segment occur sporadically only and are scattered over long periods of time. In the recent past no sales transactions were reported that could be used for evaluation using comparative values. As the scope for comparative value analysis is severely limited in such a case, we base ourselves, for instance, on older reported sales transactions, or even new building prices.

Under consideration that MV "Ocean Swagman" is a purpose-built, modern livestock carrier which was found in a well-kept, good condition at the time of inspection we estimate the current market value of MV "Ocean Swagman" IMO 9360776 with

US-\$ 23,400,000

(in words: Twenty-Three-Million-Four-Hundred-Thousand US-Dollars)

Despite a careful and comprehensive analysis no warranty can be given that the value determined for the vessel is in fact achievable if the vessel is sold in the market. Depending on actual circumstances at the time of sale the price achieved may diverge substantially from the estimated price in either direction. These variations may reach double-digit percentages for this vessel type.

Evaluation with newbuilding prices

In order to ascertain the market value of the vessel we compare reported newbuilding prices of livestock carriers with their square meter capacity and put the result in relation to the square meter capacity of the MV "Ocean Swagman". Following net newbuilding prices of livestock carrier were reported (Prices were mentioned in confidence. Therefore, no identity of the yards and vessels will be disclosed.)

Table 4: Selected newbuilding prices of livestock carrier

Number	Square meter	Price in US-\$	US-\$/Sqm	Year of order
1	12.500	66.650.000	5.332	2015
2	4.500	30.000.000	6.667	2014
3	23.500	88.000.000	3.745	2010
4	8.000	35.530.000	4.441	2005

Comment to above mentioned newbuilding prices:

New buildings no. 1, 2, 3 are ordered at reputable yards and as common the prices of larger vessel are getting cheaper per earning capacity unit – square meter in this case.

New building no. 4 was ordered at a rather incapable yard and the building time was 4 and a half years after order however we understood not with much cost overrun – 2005 was high fixing season at the building yards and the reputable yards had hardly any interest in building special tonnage.

According to our knowledge all above mentioned new buildings are trading in accordance to Australian and/or Irish rules and are therefore comparable.

Certainly, the prices for steel and equipment vary over the years. However, we ignore this here as the cost for specialized tonnage is considered not as volatile as for merchant vessels. The above newbuilding prices are taken into consideration to calculate the replacement cost of a livestock carrier like MV “Ocean Swagman” with 8,045 square meters. Calculated by the price per square meter the newbuilding price for a livestock carrier with 8,045 square meters would be as follows:

Table 5: Calculated replacement cost per square meters

Nr	Square meter	Price in US-\$	US-\$/Sqm	Ocean Swagman sqm	Newbuilding Price
1	12.500	66.650.000	5.332	8.045	42.8 Million
2	4.500	30.000.000	6.667	8.045	29.5 Million
3	23.500	88.000.000	3.745	8.045	30.1 Million
4	8.000	35.530.000	4.441	8.045	35.7 Million

Newbuilding no.1 is about 155% of the square meter size of MV “Ocean Swagman”, therefore, the building price of a dedicated livestock carrier with 8,045 square meters is likely being in region of US-\$ 42,8 Million.

Newbuilding no. 2 is about 55% of the square meter size of MV “Ocean Swagman”, therefore, the building price of a dedicated livestock carrier with 8,045 square meters is likely being in region of US-\$ 29,5 Million.

Newbuilding no. 3 is about 292% of the square meter size of MV “Ocean Swagman”, therefore, the building price of a dedicated livestock carrier with 8,045 square meters is likely being in region of US-\$ 30,1 Million.

Newbuilding no.4 is very similar to the square meter size of MV "Ocean Swagman"
Therefore, the building price of a dedicated livestock carrier with 8,045 square meters is likely being in the same region of US-\$ 35,7 Million.

The average figure of the above four calculations would result in US-\$ 138,1 Million divided by 4 = US-\$ 34,5 Million.

To calculate more accurate does not make the result better as we hold here indicative values only.

The vessel's hull and machinery of MV "Ocean Swagman" are 10 years old, which would give an adjustment of the value of 33 % (3,3% x 10 years) view to the prospected commercial lifespan of 30 years which results in US-\$ 34,5 Million less 33% = USD 23.1 Million as a net value.

A gross price for a ship newbuilding does also include the cost for finance during construction, building supervision as well as first equipment cost. Such cost are not considered in the above listed net newbuilding prices. Newbuilding side cost vary in each case and are not reported. Usually such additional costs do amount to 2.5% - 10% of the net building price, also depending on the interest rates at the time of contracting.

Under consideration of newbuilding prices of livestock carriers which have been weighted and brought in line with the square meter capacity of MV "Ocean Swagman" we estimate the current market value of MV "Ocean Swagman" IMO 9360776 with

US-\$ 24,255,000

(in words: Twenty-Four-Million-Two-Hundred-Fifty-Five-Thousand US-Dollars)

Final evaluation based on an average of the evaluation methods listed above

The average value of the above-mentioned values is as follows:

Comparative sales:	US-\$ 23,400,000
New building prices:	US-\$ 24,255,000. —
Total:	<u>US-\$ 47,655,000. —</u>
divided by 2:	<u>US-\$ 23,827,500. —</u>

Taking into consideration that the livestock carrier MV “Ocean Swagman” is a

- purpose-built livestock carrier (superior to converted livestock carriers)
- very modern livestock carrier (superior to older livestock carriers)
- which has been found in good and sound condition at the time of inspection
- in a newbuilding market with only one livestock carrier under construction (low supply)

we finally estimate the current market value of MV “Ocean Swagman” IMO 9360776 in a range of

US-\$ 22,800,000 to US-\$ 25,200,000

(in words: between Twenty-Two-Million-Eight-Hundred-Thousand US-Dollars and Twenty-Five-Million-Two-Hundred-Thousand US-Dollars)

It should be mentioned that with special ships in general, also with livestock carriers, price expectations are often over- or underestimated in case of a sale. The main reason is a changing market. Charterer rates and OPEX for livestock carriers are not published in any market reports, as the livestock market can be considered as a small, special and “closed-shop”- like niche market.

There are only a very few players on the market and information shared is very restricted to not existing. In a good charter market hardly any livestock carrier goes to the breaker yards. Stronger regulation of livestock shipments could improve employment and income prospects of MV “Ocean Swagman” as it would likely cause older cargo ships which have been converted to livestock carriers a long time ago and who are of a much lower standard to exit the market sooner or later. However, a total ban on export in contrast would likely reduce the vessel's value to scrap level.

5. ASSESSMENT OF SALE/LEASE BACK TERMS

Wellard entered into an agreement to sell MV “Ocean Swagman” to Heytesbury with a bareboat charter back. The terms of the transaction are outlined in the term sheet dated 4th July 2019.

The sale of the vessel will be done on a BIMCO Saleform 2012 Memorandum of Agreement and the bareboat charter on a BIMCO Barecon 2017 form. Both forms are standard

documents widely used for shipping transactions and generally accepted in the market. They were developed by the Baltic and International Maritime Council (BIMCO), the largest international shipping association. The charterparty and the MOA have now been fully executed and have been seen by Weselmann.

For good order's sake please note our comments cover commercial and operational aspects of the C/P but not a legal analysis, for which we are not qualified.

The charterparty is based on BIMCO Barecon 2017 format, which is the latest revision of a widely used and respected document. As is usual, it contains numerous amendments as well as a number of additional clauses agreed by the parties.

The C/P and MOA are harmonised to reflect the fact that the vessel will be delivered to charterers immediately after transfer of ownership. In view of the circumstances the fact that the vessel is delivered as is/where is without any warranty as to condition is logical as the vessel effectively does not leave Wellard's control (clause 3).

Clause 11 covers trading restrictions and is favourable to Wellard as it provides substantial flexibility as only radioactive substances are explicitly excluded and the vessel can trade worldwide without any restrictions. (Charterparties typically contain a whole list of commodities and ports/countries that are excluded)

Charterers basically are responsible for all costs related to the operation of the vessel, including insurance any modifications that may be required and the drydocking of the vessel for special survey which is due in December (clauses 13 and 17). That charterers should cover the entire cost of the special survey is a little unusual given that fixed duration of the charterparty is only until March 2021 while special survey is carried out only every five years, but presumably this reflects a commercial agreement and Wellard have factored in the expected cost of this.

Clause 15 e was deleted, giving owners the right to terminate the charter party if hire is not received within three banking days of its due date without further notice or grace period. This exposes Wellard to the risk of an accidental default due to an oversight or clerical error. The risk can, of course, be minimised by taking extra care that hire payments are effected promptly and monitored.

Clause 30 states that should the vessel be requisitioned by a governmental authority the charter continues to run and hire must continue to be paid. This exposes charterers to a risk of having to pay hire for an extended period without having use of the vessel. In practice this happens very rarely, though, and the clause is consistent with the principle that hire is payable 'come hell or high water' outlined in the term sheet.

The optional periods are described in clause 41, which is consistent with the term sheet. The options are favourable to Wellard.

The fixed bareboat charter runs until 31st March 2021 at a daily rate of USD 7,232.88 with yearly adjustments for inflation at the Australian CPI rate.

Charterers Wellard have the option to extend the charter for one year at the fixed rate and thereafter for a further three years at a rate to be agreed by both parties.

MV "Ocean Swagman", as a purpose-built livestock carrier, is a highly specialised vessel. It is not commercially usable outside the livestock trade. Given that the trade is subject to animal welfare concerns, there is a possibility that the export of live animals will face further restrictions or an outright ban at some point in the future.

Stronger regulation of livestock shipments could improve employment and income prospects of MV "Ocean Swagman" as it would likely cause older cargo ships converted to livestock carriers of a lower standard to exit the market. A total ban on exports in contrast would likely reduce the vessel's value to scrap level.

In view of the uncertainty over the future employment of the vessel, the optional periods in the bareboat charter agreement create value for charterers/sellers.

In summary, the charterparty is favourable to owners in many details but not to an extent that could be considered excessive or unfair. It is favourable to charterers in two important commercial aspects, namely the agreed option periods and the highly flexible cargo and trading restrictions.

The vessel's operational expenses as reported by Heytesbury are substantially higher than those of a cargo vessel of comparable size. This is to be expected as the characteristics of the trade require a much larger crew complement than container vessels or dry cargo ships. Crew costs are by far the largest cost factor. The fact that the vessel has full redundancy of all equipment including two separate engine rooms also leads to higher maintenance costs.

There are no publicly available data for livestock carrier operating expenses and benchmarking is consequently not possible. However, the costs reported by Wellard appear plausible and in line with what we would expect based on the information provided on crewing levels and operation.

The term sheet also contains a provision for a break fee or profit share in case Wellard obtains a higher offer for the vessel than the price agreed with Heytesbury. This is not a standard term in sale and purchase transactions in the shipping industry but does not appear objectionable.

Evaluating the bareboat charter rate itself is complicated by the fact that there is little or no available data on livestock carrier earnings or on bareboat charter rates in general. To overcome this difficulty, we have worked with implied bareboat charters, i.e. converting time charter rates into a bareboat equivalent by deducting operational expenses and then calculating the ratio of yearly earnings to the value of a ten-year-old vessel. We have used the average time charter rate 2009-2018.

We found fairly ample data for bulk carriers, larger tankers as well as some types of containerships and got the following results:

Table 6: Ratio of yearly earnings to the value of a ten-year-old vessel

Aframax Oil Tanker	13,2%
Panamax Bulkcarrier	13,3%
Handysize Product Tanker	13,4%
Handysize Bulkcarrier	11,9%
1700 TEU Containership	8,7%
1100 TEU Containership	10,7%
600-800 TEU Containership	5,8%
<i>Average</i>	<i>11,0%</i>

The ratio of M/V Ocean Swagman is 11.5% at the lower end of the value range and 10.5% at the upper end using the yearly earnings at the agreed bareboat charter rate. Both values are very close to the average ratio. The range we found is quite broad, of course and the markets not directly comparable, still this would seem to indicate that the rate agreed between Wellard and Heytesbury is within a normal range.

Wellard have made available to us historical income and OPEX data for the years 2016-2019. From the data it appears that barring any major changes in the market or in the cost

structure Wellard will be able to operate the vessel profitably with the bareboat charter agreed.

6. CONCLUSION

MV "Ocean Swagman" is a well-designed, well-built and well-maintained vessel fully suited to its intended purpose, the carriage of livestock.

We estimate its charter-free market value at in a range of US-\$ 22,800,000 to US-\$ 25,200,000

The main risk factor for the future operation of the vessel are possible future restrictions to the livestock trade. Being purpose-built for the trade and comparatively young, MV "Ocean Swagman" is better placed than most other livestock carriers to comply with stricter regulation in the future. A complete ban on the trade would, however, would reduce the vessel's value to scrap level.

The terms of the proposed sale and leaseback arrangement as expressed in the Barecon 2017 charterparty are in accordance with normal market practice. The bareboat charter rate, as far as can be ascertained given the lack of data, appears to be within a normal range.

The terms laid down in the Memorandum of Agreement are in line with normal market practices.

7. APPENDIX

Appendix No. 1 – Condition survey Report

Appendix No. 2 – Photo documentation inspection.

Appendix available via <https://weselmannreport.com/client/572>
Password: 5y6wxW4U

Hamburg, 11.09.2019





About Deloitte Asia Pacific

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms and their affiliated entities are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 286,000 people make an impact that matters at www.deloitte.com.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities provide services in Australia, Brunei Darussalam, Cambodia, East Timor, Federated States of Micronesia, Guam, Indonesia, Japan, Laos, Malaysia, Mongolia, Myanmar, New Zealand, Palau, Papua New Guinea, Singapore, Thailand, The Marshall Islands, The Northern Mariana Islands, The People's Republic of China (incl. Hong Kong SAR and Macau SAR), The Philippines and Vietnam, in each of which operations are conducted by separate and independent legal entities.

About Deloitte Australia

In Australia, the Deloitte Network member is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 8,000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit our web site at <https://www2.deloitte.com/au/en.html>.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Network.

© 2019 Deloitte Corporate Finance Pty Limited

This page has been left blank intentionally

This page has been left blank intentionally



WELLARD LIMITED

ACN 607 708 190

1/A PAKENHAM STREET
FREMANTLE
WESTERN AUSTRALIA

+61 8 9432 2800

info@wellard.com.au

www.wellard.com.au





Wellard

ABN 53 607 708 190

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

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



BY FAX

+61 2 9287 0309



BY HAND

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



ALL ENQUIRIES TO

Telephone: +61 1300 554 474



X99999999999

PROXY FORM

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

APPOINT A PROXY

☐

the Chairman of the Meeting (mark box)

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

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **10:30am (Perth time) on Friday, 25 October 2019 at 1A Pakenham Street, Fremantle, Western Australia** (the **Meeting**) and at any postponement or adjournment of the Meeting.

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

VOTING DIRECTIONS

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

Resolutions

For Against Abstain*

- 1 Approval of Sale and Lease Back of MV Ocean Swagman

☐ ☐ ☐

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

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

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

WLD PRX1901A

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

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

APPOINTMENT OF PROXY

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

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

APPOINTMENT OF A SECOND PROXY

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

To appoint a second proxy you must:

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

SIGNING INSTRUCTIONS

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

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

Joint Holding: where the holding is in more than one name, either shareholder may sign.

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

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

CORPORATE REPRESENTATIVES

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

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am (Perth time) on Wednesday, 23 October 2019**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

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



ONLINE

www.linkmarketservices.com.au

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



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

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



BY FAX

+61 2 9287 0309



BY HAND

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

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



COMMUNICATIONS PREFERENCE

We encourage you to receive all your shareholder communication via email. This communication method allows us to keep you informed without delay, is environmentally friendly and reduces print and mail costs.



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Communications' and click the first button to receive all communications electronically and enter your email address. To use the online facility, securityholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

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