

**Australian Natural Proteins Limited  
ACN 095 821 971  
Notice of General Meeting**

Notice is hereby given that a General Meeting of Australian Natural Proteins Limited ACN 095 821 971 will be held at Seasons Botanic Gardens Melbourne, 348 St Kilda Road, Melbourne, VIC, 3004 on Wednesday, 13 July 2016 at 10:30 am AEST.

The attached Explanatory Statement is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

**1. Resolutions**

**Resolution 1 – Change to Nature and Scale of Activities**

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*"That, for the purpose of Listing Rule 11.1.2 and for all other purposes, the Company be authorised to complete the acquisition of the Initial Dairy Farms and consequentially make a significant change in the nature and scale of its activities, as detailed in the Explanatory Statement."*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if this Resolution is passed, together with any associates of those persons. However, the Company need not disregard a 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.

**Resolution 2 – Approve the issue of up to 600,000,000 Shares**

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*"That, subject to the passing of Resolution 1, for the purpose of Listing Rule 7.1 and all other purposes, approval is given for the Company to allot and issue up to 600,000,000 Shares at an issue price of not less than \$0.025 per Share on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by any person who may participate in the issue or might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if this Resolution is passed, together with any associates of those persons. However, the Company need not disregard a 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.

**Resolution 3 – Approve the issue of 28,085,714 Shares and 28,085,714 Options on conversion of Notes**

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*“That, for the purpose of Listing Rule 7.1 and all other purposes, the issue of up to 28,085,714 Shares and 28,085,714 Options on conversion of up to 983,000 Notes, as referred to in the Explanatory Statement, is approved.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by any person who may participate in the issue or might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if this Resolution is passed, together with any associates of those persons. However, the Company need not disregard a 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.

#### **Resolution 4 – Approve the issue of 485,714 Shares and 485,714 Options to Paul Duckett on conversion of Notes**

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*“That, for the purpose of Listing Rule 10.11 and all other purposes, the issue of 485,714 Shares and 485,714 Options to Paul Duckett or his nominee on conversion of 17,000 Notes, as referred to in the Explanatory Statement, is approved.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 4 by:

- Paul Duckett; and
- any associate of Paul Duckett.

However, the Company need not disregard a vote cast on Resolution 4 if it is cast by:

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

#### **Resolution 5 – Approve the issue of 4,285,714 Shares and 4,285,714 Options to Paul Duckett as consideration for fees payable**

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*“That, for the purpose of Listing Rule 10.11 and all other purposes, the issue of 4,285,714 Shares and 4,285,714 Options to Paul Duckett or his nominee, as consideration for fees payable, as referred to in the Explanatory Statement, is approved.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 5 by:

- Paul Duckett; and
- any associate of Paul Duckett.

However, the Company need not disregard a vote cast on Resolution 5 if it is cast by:

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

#### **Resolution 6 – Approve the issue of 942,857 Shares and 942,857 Options to Ray Taylor as consideration for fees payable**

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

*“That, for the purpose of Listing Rule 10.11 and all other purposes, the issue of 942,857 Shares and 942,857 Options to Ray Taylor or his nominee, as consideration for fees payable, as referred to in the Explanatory Statement, is approved.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 6 by:

- Ray Taylor; and
- any associate of Ray Taylor.

However, the Company need not disregard a vote cast on Resolution 6 if it is cast by:

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

### **Resolution 7 – Approve the issue of 942,857 Shares and 942,857 Options to Trevor Kelly as consideration for fees payable**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purpose of Listing Rule 10.11 and all other purposes, the issue of 942,857 Shares and 942,857 Options to Trevor Kelly or his nominee, as consideration for fees payable, as referred to in the Explanatory Statement, is approved.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 7 by:

- Trevor Kelly; and
- any associate of Trevor Kelly.

However, the Company need not disregard a vote cast on Resolution 7 if it is cast by:

- a person as proxy for a person who is entitled to vote, if the vote is cast in accordance with the directions on the proxy form; or
- 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.

## **2. Determination of voting entitlement**

For the purpose of determining a person’s entitlement to vote at the Meeting, a person will be recognised as a Shareholder and the holder of Shares if that person is registered as a holder of those Shares at 7:00 p.m. AEST on Monday, 11 July 2016.

## **3. Votes**

Unless a poll is demanded in advance of voting on a Resolution, voting on each Resolution will initially be by way of a show of hands. On a show of hands, each Shareholder present in person or by proxy or, in the case of a body corporate, by a representative, shall have one vote.

On a poll, every Shareholder present in person or by attorney or by proxy or, in the case of a body corporate, by a representative, shall have one vote for each Share held by him, her or it.

## **4. Proxies**

A Shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of the Shareholder.

Where the Shareholder is entitled to cast two or more votes, 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 number of the Shareholder’s votes that each proxy may exercise, each proxy may exercise half of the votes. A proxy need not be a Shareholder.

To be effective, the instrument of appointment of a proxy (and power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority) must be received by the Company at 21 Wells Road, Mordialloc VIC 3195 or by facsimile on +61 (0)3 9580 2294 by 10:30 a.m. AEST on 11 July 2016.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on Resolutions 1 to 7 by marking either “For”, “Against” or “Abstain” on the form of proxy for that item of business. The Chairperson will vote undirected proxies on, and in favour of each Resolution even if the Chairman of the Meeting has an interest in the outcome of the Resolutions

and that votes cast by the Chairman, other than as proxy holder, would otherwise be disregarded because of that interest.

Subject to the voting restrictions set out in the Voting Exclusion Statements, the Chairperson will vote undirected proxies on, and in favour of all Resolutions.

If the proxy is the Chairman, the Chairman can also vote undirected proxies on Resolutions 5, 6 and 7 provided that the proxy form authorises the Chairman to vote even though Resolutions 5, 6 and 7 are connected with the remuneration of Directors of the Company.

A form of proxy accompanies this Notice of Meeting.

#### **5. Corporate representatives**

A Shareholder that is a corporation may elect to appoint a representative, rather than appoint a proxy, under the Corporations Act, in which case the Company will require written proof of the representative's appointment (which must be lodged with or presented to the Company before the Meeting).

#### **6. Explanatory Statement**

The accompanying Explanatory Statement forms part of this Notice of Meeting and should be read in conjunction with it.

#### **7. Forward Looking Statements**

Some of the statements appearing in this Notice of Meeting are in the nature of forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events.

You should be aware that such statements are not statements of fact and there can be no certainty of outcome in relation to matters to which the statements relate. Forward looking statements and statements in the nature of forward looking statements are only predictions and are subject to inherent risks and uncertainties before actual outcomes are achieved.

Those risks and uncertainties:

- are not all within the control of the Company and cannot be predicted with assured accuracy by the Company;
- include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which the Company, its related bodies corporate and/or joint ventures and associated undertakings operate or propose to operate; and
- include general economic conditions, acts of terrorism, acts of nature, health epidemics, prevailing exchange rates and interest rates and conditions in the financial markets that may cause objectives to change or may cause outcomes not to be realised or realised differently than originally contemplated or described.

Although the Company believes that the expectations reflected in any forward looking statements included in the Notice of Meeting are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual outcomes, events or results are likely to differ – possibly to a material extent - from the outcomes, events or results expressed or implied in any forward looking statement and any statement in the nature of a forward looking statement in this Notice of Meeting.

None of the Company, its officers, persons named in this Notice of Meeting with their consent or any person involved in the preparation of this Notice of Meeting makes any representation or warranty (expressed or implied) as to the accuracy or likelihood of fulfilment of any forward

looking statement, or any outcomes expressed or implied in any forward looking statement (or any statement in the nature of a forward looking statement) contain in this Notice of Meeting.

All Shareholders are cautioned not to place undue reliance on any forward looking statement or any statement in the nature of a forward looking statement having regard to the fact that the outcome may not be achieved. The forward looking statements and statements in the nature of forward looking statements in this Notice of Meeting reflect views held only as at the date of this Notice of Meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'J. Stedwell', written over a horizontal line.

**Justyn Stedwell**  
**Company Secretary**  
**9 June 2016**

## EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in this Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

### 1. Background of AYB

Australian Natural Proteins Limited is an ASX-listed company currently operating in the agriculture industry. From October 2012, the Company's operations have been predominately focused on cropping and the breeding and fattening of lambs for the domestic and international meat markets.

In 2012, the Company underwent a full restructure. This involved ceasing operations of an existing business producing cable ties and other unrelated plastic technologies and completing the acquisition of Agline Pastoral Pty Ltd ("Agline"), an established pastoral business, to capitalise on the growing world demand for red meat. In line with this, the Company changed its name from Millepede International Limited to Australian Natural Proteins Limited.

In June 2014, due to adverse climatic conditions, the compulsory acquisition of water allocations and other market factors, Agline was forced to seek refinancing of its loans by ANZ Bank. Agline actively sought to complete that refinancing. However, due to an inability to meet bank deadlines, Agline was placed into receivership by its secured creditor, ANZ Bank.

Since June 2014, AYB has continued to operate in the agricultural space in a limited capacity, through the utilisation of a leased property in the Riverina district of New South Wales. In addition, the Company has been actively seeking new agriculture assets to acquire and has been conducting due diligence on various acquisition opportunities, with the intention of acquiring suitable new agriculture assets in order to increase the scale of its operations and improve its financial performance.

The Shares were suspended from trading on the ASX on 17 May 2016 as a result of the announcement by the Company of the Proposed Transaction.

### 2. Acquisition of Dairy Farms

#### 2.1. Introduction

AYB has entered into conditional purchase agreements to acquire a portfolio of 5 dairy farms for \$33.3m to create an aggregated dairy complex based in the Murray Valley irrigation region in Northern Victoria & Southern NSW.

At this stage, AYB will be taking steps to purchase 2 of those dairy farms (and AYB is seeking Shareholder approval to proceed with those 2 acquisitions under Resolution 1).

The 2 dairy farms to be initially acquired (**Initial Dairy Farms**) are listed below:

- 137 & 154 Hendersons Road, Strathmerton, Victoria;
- 89 Logie Brae Road, Finley, New South Wales.

In aggregate, the Initial Dairy Farms currently have 1,111 milking cows and produced 7.4 million litres of milk in FY15A (and are anticipated to produce 8.1 million litres of milk for FY16). The Initial Dairy Farms cover 598 hectares of land and also have significant water rights available of 1979 Mega Litres (MGL).

The total consideration payable for the Initial Dairy Farms is \$13,550,000.

If AYB later decides to proceed to acquire the remaining 3 dairy farms, the key statistics for the 5 dairy farms (based on current figures) would increase to 3,402 milking cows which produced 24.4 million litres of milk in FY15A and are anticipated to produce 25.9m litres of milk for FY16. The 5 farms would cover 1,535 hectares of land and the associated water rights would increase to 6,205 MGL.

The acquisition of the Initial Dairy Farms constitutes a significant change in the nature and scale of AYB's activities and the ASX has determined that AYB will need to re-comply with Chapters 1 & 2 of the Listing Rules.

The Initial Dairy Farms are profitable and have the capacity to significantly increase milk production volumes through utilising the agricultural expertise of AYB to increase on-farm feed production, increase milking cow numbers and improve the genetic profile of the herd, ahead of capital infrastructure improvements, namely the introduction of barn technology.

AYB intends to retain the services of the current owners & farm managers to ensure the operational expertise with respect to each dairy farm is maintained.

The Initial Dairy Farms (together) generated consolidated operating cash income of \$4,129,704 and pro-forma EBITDA of \$309,922 in FY15A (and it is anticipated that they will generate operating cash income of \$4,293,000 and pro-forma EBITDA of \$1,057,520 in FY16, based on current milk prices).

All 5 farms are considered to be in the top decile of dairy farms nationally. This is due to the quality of milk produced and premium sale prices achieved (\$0.54/litre in FY15A), the strong genetic profile of the livestock, substantial water rights and good access to infrastructure (rotary and robotic dairies).

The farms also currently count some of the largest global and domestic dairy manufacturers as their customers. The Initial Dairy Farms currently supply to Fonterra and Tatura Milk (Bega). The remaining 3 farms supply Murray Goulburn, Dairy Farmers and Australian Consolidated Milk.

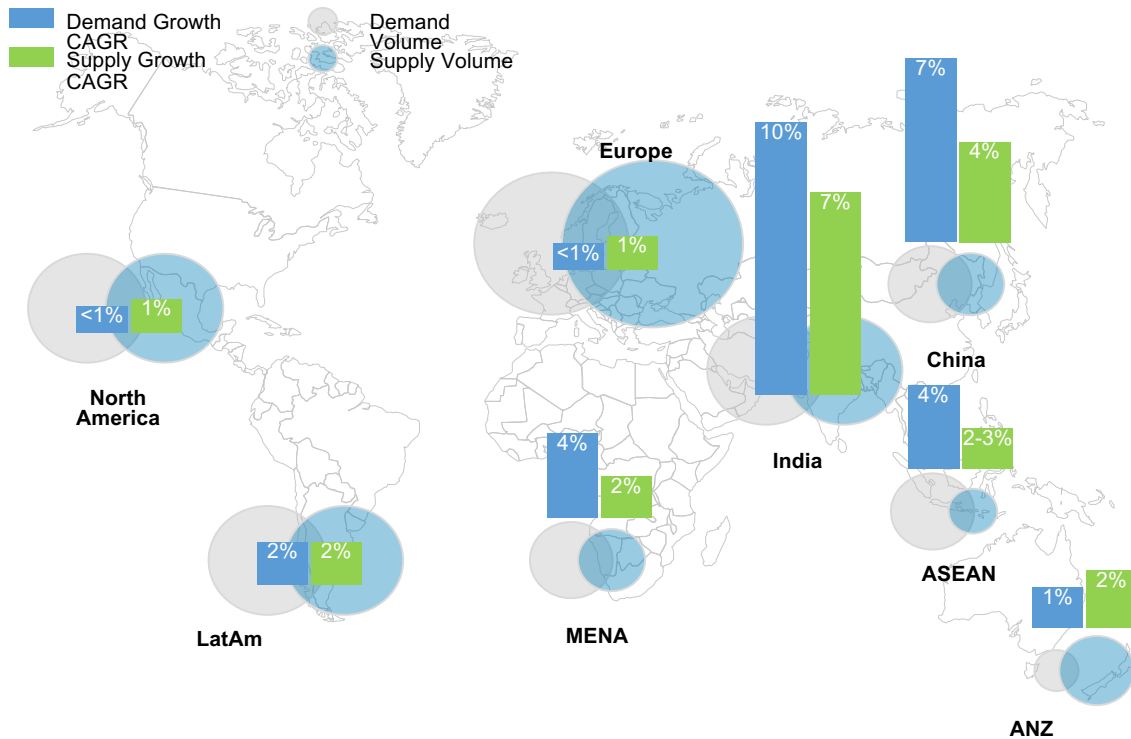
The acquisitions will be funded predominately by debt finance. The debt financing will be supported by a strong tangible asset base and cash flows from the profitable businesses being acquired.

Alternative Debt Solutions (the debt arranging platform of Lusona Capital) has been appointed as exclusive financial advisor in relation to the debt financing process. The Company is currently in the process of finalising its debt financing arrangements to fund the acquisition of all 5 farms.

## 2.2. Summary of the Dairy Industry

### 2.2.1 Global Supply & Demand Forecasts

#### *Global Supply & Demand Forecasts to 2020: Growth Supported by Asia*



*Source: Dairy Australia Horizon 2020 Report*

Global milk output is forecast by the OECD-FAO to only grow at 2% per annum to 2020 while the demand from developing markets will continue to increase much faster than the capacity of exporters to supply. Growth in milk demand is expected to be driven by Asia, particularly China and India.

In China, demand for imported fresh milk, UHT milk, yogurt and other aligned products is forecast to outstrip demand for processed products, such as powders and cheeses. With the introduction and acceptance of the benefits of UHT milk and its very competitive pricing, consumers are increasingly purchasing healthy and safe imported products from Australia.

Prior to a series of quality problems in 2008, fresh, pasteurised milk accounted for just 20% of the milk consumption in China. However, since the occurrence of various quality incidents, the consumption of quality, safe milk has risen to over 40% and is projected to continue to rise further.

In China, imported Australian fresh milk sells for approximately \$10/litre in retail outlets. Demand for UHT milk products is also on the rise among the rapidly expanding middle class in India - in the not-so-distant future, the Indian UHT milk market is expected to be equivalent to the Chinese UHT milk market in terms of size.

### 2.2.2 Australia Dairy Market Overview

#### **Australian Dairy Industry Snapshot**

- \$13 billion industry



- \$4 billion at farm gate
- 43,000 direct jobs
- 100,000 indirect jobs
- 6,686 registered dairy farms
- 9.2 billion litres of milk produced
- 40% of milk production exported, valued at \$2.76 billion

The dairy industry contributes considerably to the Australian economy directly employing an estimated 43,000 Australians. The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) forecasts a regional economic multiplier effect of 2.5, directly driven by the dairy industry.

In FY14, about 6,300 dairy farms in Australia produced approximately 9.2 billion litres of milk, 0.4% higher than the FY13 levels. During the same period, led by high commodity prices, the estimated farmgate value of milk production increased to \$4.7 billion from \$3.7 billion in FY13.

Despite producing just approximately 1.5% of the world's raw milk in 2013, Australia is a net exporter of dairy products; the country ranks fourth with 5% share in globally traded dairy products, after New Zealand, EU and the US. Dairy exports, with a value of \$3.2 billion, were the fourth largest component of Australian agricultural exports in 2013.

Australian dairy exports benefit from Australia's reputation for supplying excellent quality agricultural products along with Australia's proximity to Asia, which accounted for 75% of dairy exports by value in FY14. China and Japan are the two largest export markets (19% and 13%, respectively). Between FY08 and FY14, Australia's export volume to Greater China grew at a CAGR of 10.8%

The Middle East is emerging as a major export market for Australian processors as import volumes are on the rise in the region. In FY14, the Middle East accounted for 12% of Australia's dairy exports.

In the coming decade, milk production volumes in Australia are estimated to grow 2.0% per annum on average, driven by expanding global export demand and higher farmgate milk prices.

### ***2.2.3 Australian Dairy Market – Regional Overview***

The majority of the milk in Australia is produced in the south-eastern region of the country, particularly Victoria, Southern NSW, South Australia and Tasmania, where dairy farming is largely pasture based. This region produces significantly greater volumes of milk than is required for local consumption. The excess milk is processed into dairy products for the bulk export market and into products with a long shelf life or value added products (e.g. UHT milk, cheese, butter) for the domestic market.

The peak in milk production in Australia is influenced heavily by the south-eastern region. Peak production occurs during September–November, after which production tapers off until February/March and tends to flatten over the cooler autumn months, ahead of the build up from July once again.

In Queensland, Northern NSW and Western Australia, calving and stock feed systems are managed to ensure less seasonality of milk production, driven by the requirement to satisfy local demand. However, the seasonality of milk production in Australia is much less pronounced than in New Zealand, which provides for more stable supply levels in Australia over the course of the year.

### ***2.2.4 Target Farm Locations and Milk Production by State***

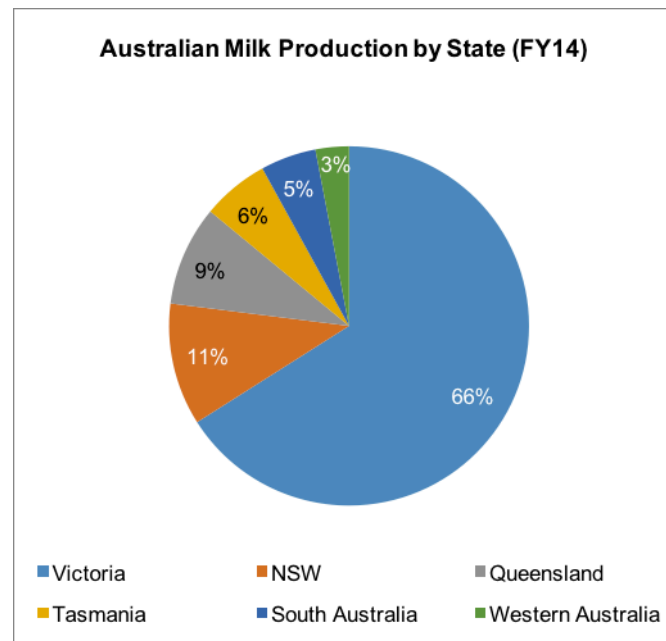
The Initial Dairy Farms are both located in the Riverina region of Australia. One is located in the Murray Valley irrigation area in Northern Victoria, while the other is located in the Finley area in Southern New South Wales. If AYB later decides to proceed with the acquisition of the remaining

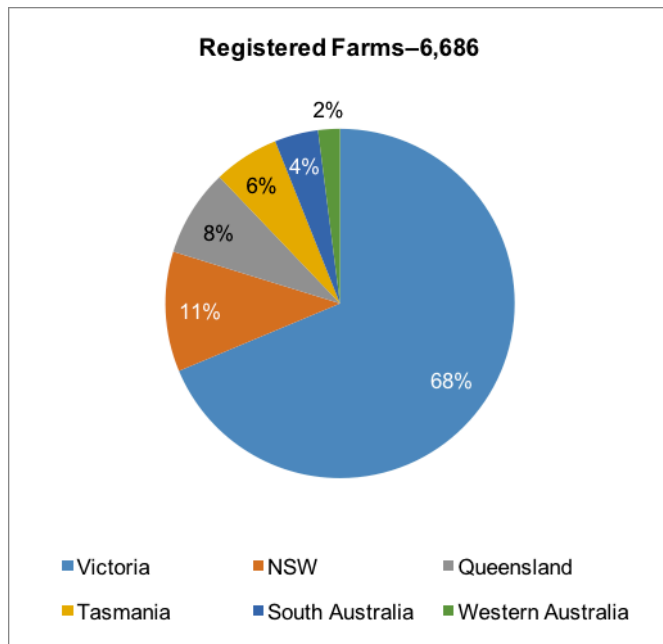
3 farms, AYB will have 2 farms in the Murray Valley irrigation area in Norther Victoria and 3 within the Finley area in New South Wales.

Farm gate milk prices in New South Wales (NSW) have tended to be higher than those in Victoria (by approximately 5c). This reflects the inefficiencies of various areas in Victoria, particularly the Western Districts and Gippsland areas, which rely heavily on weather conditions and produce large quantities of milk during favourable weather months, while producing dramatically lower quantities in adverse weather conditions. This has led to a greater volatility in the farm gate milk price in Victoria as manufacturers in these areas run at overcapacity during some periods and at very low capacity utilisation at other times.

Farms in Southern NSW and Northern Victoria are able to maintain reasonable levels of monthly production by utilising irrigation water. Hence they tend to receive higher prices from manufacturers as they are rewarded for providing consistency of supply which allows manufacturers to better manager their capacity utilisation and unit costs of production.

Farmgate prices in Australia have remained relatively stable in comparison to New Zealand and other jurisdictions given its higher proportion of domestic consumption, and also the lower Australian dollar relative to the USD (Australian export contracts are primarily in USD).





## 2.3. Business Overview

### 2.3.1. Strategic Rationale for Acquisition of Target Farms

The Company is seeking to optimise production at each of the farms by leveraging its agricultural expertise and take advantage of scale benefits (revenue & cost) available through consolidation (as set out in the table below).

<b>Sale Price Volume Bonuses</b>	<ul style="list-style-type: none"> <li>Processors are seeking security of supply</li> <li>Processors currently pay significant premiums / incentives to farm operators which provide large volumes and reliability of production</li> </ul>
<b>Improved Negotiating Power</b>	<ul style="list-style-type: none"> <li>Individual farms have historically been price takers. Processors have had all the power</li> <li>Consolidating farms to produce larger volumes enables those suppliers to become more “price makers”, being able to negotiate higher prices and other incentives from competing processors</li> </ul>
<b>Improve Milk Production Profile</b>	<ul style="list-style-type: none"> <li>Most Australian farms are currently producing beneath their production potential due to limited access to capital and older generation farmers not using modern farming techniques</li> <li>AYB intends to remove inefficiencies and increase milk volumes across all acquired farms by: <ul style="list-style-type: none"> <li>Increasing the number of milking cows through an improved breeding program</li> <li>Increasing and optimising feed to cows</li> <li>Breeding cows with higher milk production potential (improved genetics)</li> <li>Developing of Composting Barns</li> <li>Introducing Robotic Dairies</li> </ul> </li> </ul>
<b>Cost Reduction via Economies of Scale</b>	<ul style="list-style-type: none"> <li>Bulk purchasing power - feed &amp; fodder, trade services</li> <li>Sharing capital equipment across farms</li> <li>Sharing management expertise across farms (including calf rearing)</li> </ul>
<b>Long Term Valuation Support</b>	<ul style="list-style-type: none"> <li>Corporatisation in the Australian agricultural sector is occurring due to an influx of overseas investors</li> <li>The dairy industry is expected to undergo further consolidation</li> </ul>

	as corporates seek to leverage economies of scale which is anticipated will lead to strong long term valuation support for the sector
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### 2.3.2. Farm Acquisition Criteria

The Company has selectively targeted a group of farms situated close to each other to form a dairy complex. Features that apply to the chosen dairy properties are as follows:

- ✓ Profitable: Farms need to be cash flow positive.
- ✓ Irrigation: Located within an established irrigation area with sufficient authority water allocations complimented by ample bore water.
- ✓ Livestock: Need to be of good genetic quality to maintain productive output of overall herd.
- ✓ Scale & Proximity to Other Properties: Significant scale and close enough to other acquired farms to create a dairy complex and realise cost synergies.
- ✓ Infrastructure, Plant & Machinery: Infrastructure available to support additional cow numbers without major capital outlay on buildings, milking parlours and other facilities.
- ✓ Customer Proximity: Reasonable distance to a processing plant.

## 2.4 Consolidated Farm Profiles

### Location:

Of the five farms, three are located in the Finley area of Southern New South Wales, and the other two are located in in the Murray Valley irrigation region of Northern Victoria.

### Customers:

The Initial Dairy Farms currently supply to Fonterra and Tatura Milk (Bega). The remaining 3 farms also supply Murray Goulburn, Dairy Farmers and Australian Consolidated Milk.

### Key operating statistics:

In the tables below, the Initial Dairy Farms are those described as "Farm 1" and "Farm 5".

<i><b>FY15A</b></i>	<i><b>Total Production (litres)</b></i>	<i><b>Total Income (\$)</b></i>	<i><b>Income per litre</b></i>	<i><b>Cost per litre</b></i>	<i><b>Rolling herd average (litres)</b></i>
<i><b>Farm 1</b></i>	<i><b>3,692,794</b></i>	<i><b>1,985,923</b></i>	<i><b>53.0c</b></i>	<i><b>36.0c</b></i>	<i><b>12,000</b></i>
<i><b>Farm 2</b></i>	<i><b>3,867,942</b></i>	<i><b>2,107,562</b></i>	<i><b>53.0c</b></i>	<i><b>36.0c</b></i>	<i><b>8,390</b></i>
<i><b>Farm 3</b></i>	<i><b>7,355,583</b></i>	<i><b>3,772,706</b></i>	<i><b>52.0c</b></i>	<i><b>36.0c</b></i>	<i><b>8,173</b></i>
<i><b>Farm 4</b></i>	<i><b>5,790,072</b></i>	<i><b>3,212,365</b></i>	<i><b>54.0c</b></i>	<i><b>36.0c</b></i>	<i><b>7,647</b></i>
<i><b>Farm 5</b></i>	<i><b>3,673,130</b></i>	<i><b>2,143,781</b></i>	<i><b>55.0c</b></i>	<i><b>36.0c</b></i>	<i><b>7,462</b></i>
<i><b>Total</b></i>	<i><b>24,379,521</b></i>	<i><b>13,222,337</b></i>	<i><b>54.0c</b></i>	<i><b>36.0c</b></i>	<i><b>8,863</b></i>

<i><b>FY15A</b></i>	<i><b>Size</b></i>	<i><b>Water Entitlements</b></i>	<i><b>Cattle</b></i>	<i><b>Stock in Trade of Fodder (\$)</b></i>
<i><b>Farm 1</b></i>	<i><b>210 hectares (520 acres)</b></i>	<i><b>1,010 MGL</b></i>	<i><b>411 adult milking cows 64 R2 Heifers 175 R1 Heifers</b></i>	<i><b>Approx. 180k</b></i>
<i><b>Farm 2</b></i>	<i><b>220 hectares (545 Acres)</b></i>	<i><b>1,624 MGL</b></i>	<i><b>461 adult milking cows 200 R2 Heifers 75 R1 Heifers</b></i>	<i><b>Approx. 150k</b></i>
<i><b>Farm 3</b></i>	<i><b>398 hectares (984 acres)</b></i>	<i><b>1,817 MGL</b></i>	<i><b>980 adult milking cows 140 R2 Heifers 150 R1 Heifers 15 Holstein Bulls</b></i>	<i><b>Approx. 420k</b></i>
<i><b>Farm 4</b></i>	<i><b>518 hectares (1,243 acres)</b></i>	<i><b>1,601 MGL</b></i>	<i><b>850 adult milking cows 320 R2 Heifers 220 R1 Heifers</b></i>	<i><b>Approx. 130k</b></i>
<i><b>Farm 5</b></i>	<i><b>388 hectares (960 acres)</b></i>	<i><b>969 MGL</b></i>	<i><b>700 adult milking cows 200 R2 Heifers 200 R1 Heifers</b></i>	<i><b>Approx. 210k</b></i>
<i><b>Total</b></i>	<i><b>1734 hectares (4,252 acres)</b></i>	<i><b>7,021 MGL</b></i>	<i><b>6,205 adult milking cows 960 R2 Heifers 725 R1 Heifers</b></i>	<i><b>Approx. 1,090k</b></i>

## 2.5 Individual Farm Profiles

### 2.5.1 Farm 1 profile

Farm 1 is one of the Initial Dairy Farms that is the subject of Resolution 1.

**Location:** The farm is located in the Murray Valley irrigation area in Norther Victoria and has been run by the same family for 25 years.

**Description:** It has an elite herd, and is capable of milking 2000 cows. The current owners leased 300 adult cows during FY13 and FY14, while building up their own elite herd. The leased cows have now been phased out. The herd is expanding, with replacements being introduced by the elite genetic herd, with production per cow expected to be maintained at about 12,000 litres over the next 12 months.

**Management:** Farm management is expected to stay on for at least 12 months after completion of the acquisition in order to facilitate an orderly transition.

**General:** With better fodder inputs, it is expected that this farm would be able to milk at least 2,000 cows and maintain production at 12,000 litres per cow.

<i>Particulars</i>	<i>FY13</i>	<i>FY14</i>	<i>FY15</i>
<i>Total Production (litres)</i>	<i>4,138,000</i>	<i>3,980,935</i>	<i>3,692,794</i>
<i>Total Income (\$)</i>	<i>1,973,750</i>	<i>2,159,554</i>	<i>1,985,923</i>
<i>Income per litre</i>	<i>45.0c</i>	<i>54.0c</i>	<i>53.0c</i>
<i>Cost per litre</i>	<i>34.0c</i>	<i>35.0c</i>	<i>36.0c</i>
<i>Rolling herd average (litres)</i>	<i>9,765</i>	<i>9,952</i>	<i>12,000</i>

<i>Particulars</i>	<i>Description</i>
<b><i>Size</i></b>	<i>210 hectares (520 acres)</i>
<b><i>Water Entitlements</i></b>	<i>610 MGL MIL Med Security 400 MGL Spearpoint System</i>
<b><i>Improvements</i></b>	<i>2 x dwellings 50 stand computerised dairy Machinery Shed Fencing 45 kms</i>
<b><i>Cattle</i></b>	<i>411 adult milking cows including 125 in calf heifers to be introduced April/May 2016 64 R2 Heifers 175 R1 Heifers</i>
<b><i>Stock in Trade of Fodder (\$)</i></b>	<i>Approximately \$180k</i>
<b><i>Plant and Machinery</i></b>	<i>Plant includes tractors, mowers, disc ploughs and other machinery</i>

### **2.5.2 Farm 5 profile**

Farm 5 is one of the Initial Dairy Farms that is the subject of Resolution 1.

**Location:** The farm is located in Strathmerton, just outside of Cobram, and is part of the Murray River irrigation area.

**Description:** The farm has the only barn complex in the region with robotic milking. The farm is also running a herringbone dairy.

**Management:** The management is expected to stay on for at least 12 months following the acquisition particularly to assist with the barn's expansion.

**General:** The current owners of this farm sold off some of their herd in FY12 when cattle prices were at a high point. They sold off low producing cows to raise more heifer calves. Consequently, milking cows went to as low as 500 during late 2013. Milking cows have progressively increased to 700 over the last three months and the farm is expected to have 800 cows by the end of FY16 (which would provide an annual output of around 5,600 litres per cow).

The farm's barn is forecast to become fully robotic over the next 12-months, with another shed valued at \$1.7m being installed (already semi-complete). The farm currently operates both the herringbone and robotic processes.

<i>Particulars</i>	<i>FY13</i>	<i>FY14</i>	<i>FY15</i>
<b>Total Production (litres)</b>	3,774,329	3,685,755	3,673,130
<b>Total Income (\$)</b>	1,921,899	1,887,383	2,143,781
<b>Income per litre</b>	50.0c	51.0c	55.0c
<b>Cost per litre</b>	34.0c	36.0c	36.0c
<b>Rolling herd average (litres)</b>	6,885	7,331	7,462

<i>Particulars</i>	<i>Description</i>
<b>Size</b>	388 hectares (960 acres)
<b>Water Entitlements</b>	385 MGL Goulburn Murray High Security 178 MGL Goulburn Murray Low Security 206 MGL Spearpoint Water 200 MGL Drainage Diversion
<b>Improvements</b>	3 x Houses 30 Aside s/o Herringbone Dairy Barn Complex 420 Cows – Robotic Milking Computerised Feed System Feed Pad 420 Cows Sheds – Including calf Auto ID and Drafting
<b>Cattle</b>	700 adult milking cows 200 Rising 2 Heifers 200 Rising 1 Heifers

<b>Stock in Trade of Fodder (\$)</b>	<i>Approximately \$210,000</i>
<b>Plant and Machinery</b>	<i>All plant on the property is bought with the property. Plant includes tractors, mowers, disc ploughs and other machinery</i>

### 2.5.3 Farm 2 profile

**Location:** The farm is located in the Murray River Region of Northern Victoria.

**Management:** Farm management is expected to stay on for at least 12 months after completion of the acquisition in order to facilitate an orderly transition.

**General:** To fully capitalise on infrastructure, this farm would need to increase the size of the feed pad so the stocking rate can be increased to 2,000. The cost of increasing the feed pad for 2,000 cows would be approximately \$200,000. It is recommended that the pad be extended to accommodate at least 2,000 cows (maximum efficient throughput for a dairy) as economies of scale apply.

Farm 2 is not one of the Initial Dairy Farms and AYB has not yet confirmed whether it will proceed with this acquisition. More detailed information relating to this property will be released to the market if AYB decides to proceed with this acquisition.

### 2.5.4 Farm 3 Profile

**Location:** The farm is located in the Finley area of Southern New South Wales.

**Description:** The farm has been owned by the same family for 30 years. It is well run, with a registered stud herd of Holstein cows. This farm is already transitioning to the barn concept as the cows are shedded and fed a total mixed ration.

**Management:** The management is expected to stay on for at least 12 months following acquisition.

Farm 3 is not one of the Initial Dairy Farms and AYB has not yet confirmed whether it will proceed with this acquisition. More detailed information relating to this property will be released to the market if AYB decides to proceed with this acquisition.

### 2.5.5 Farm 4 profile

**Location:** The farm is located in the Finley area of Southern New South Wales.

**Description:** Farm 4 has been owned by the vendors for five years, it is well valued and has a mixed herd..

**Management:** The management is likely to stay on for at least 12 months.

Farm 4 is not one of the Initial Dairy Farms and AYB has not yet confirmed whether it will proceed with this acquisition. More detailed information relating to this property will be released to the market if AYB decides to proceed with this acquisition.

## 2.6 Revenue Growth Opportunities

Once AYB has completed the proposed acquisitions of the farms, AYB intends to pursue the following potential growth opportunities. It is expected that these strategies will still be used if only the Initial Dairy Farms are acquired, but that greater benefits will be achieved if some or all of the remaining 3 farms are also acquired at some time in the future.



#### **2.6.1 Enhance Sale Price for Milk Produced:**

- At present, each farm supplies milk to a different processor.
- The average realised sale price can be enhanced by aggregating the milk produced from multiple dairy farms and selling larger and more stable volumes to a smaller number of processors to attract larger price bonuses.
- Processors actively seek security and consistency of milk supply to smooth out their capacity utilisation and are often willing to pay significant price premiums for larger volumes and reliability of production.

#### **2.6.2 Increase Milking Cow Herd Numbers:**

- AYB intends to increase the number of milking cows at a faster rate through an improved breeding program.
- The increased rate is intended to be achieved through artificial insemination of female cows using semen from high index bulls.

#### **2.6.3 Increase and Optimise Feed to Milking Cow Herd:**

- Optimising the amount and type of feed to the herd can increase the volume of milk produced per cow.
- By utilising the expertise of one of its investments, Soil Management Systems, AYB can access the technology and skills that are expected to significantly increase fodder production on the farms.
- AYB would also use its experience in rationalising grazing across a number of the properties to significantly increase the amount of land available for fodder production.
- By increasing its bulk buying power, it is expected that AYB will be able to secure lower prices for any off-farm fodder needs.

#### **2.6.4 Improve Genetics of Milking Cow Herd:**

- AYB intends to breed cows with higher milk production potential.
- This process is expected to involve the harvesting of embryos from the top milk producing cows in the herd and then implanting those eggs into the lower milk producing cows. This process allows for lower milk producing cows to carry calves with improved genetics.

#### **2.6.5 Development of Composting Barns**

- Composting barns allow growing herds to be housed in less stressful and more climate friendly conditions (resulting in increased milk production per cow).
- Fodder production is also often increased as wastage from cow grazing is eliminated (as high as 40%).

#### **2.6.6 Introduction of Robotic Milking**

- AYB intends to build on its barn based robotic milking to further increase milk production per cow.
- Under barn based robotic milking, cows are generally milked 2.6 times per day (as compared to twice daily under the current practices for most of the farms).
- Barn based robotic milking also reduces labour and animal health costs.

### 3 Acquisition terms

The Company initially intends to acquire Farms 1 and 5 (i.e. the Initial Dairy Farms) in conjunction with re-complying with Chapters 1 and 2 of the Listing Rules. This process will generally require:

- Shareholders to have approved the change to the nature and scale of the Company's activities under Listing Rule 11.1.2 (as contemplated by Resolution 1);
- the Company successfully raising the necessary funds to acquire the Initial Dairy Farms; and
- any conditions precedent set out in the terms of the relevant contracts of sale having been satisfied or waived.

Once the acquisitions of the Initial Dairy Farms have completed, the Company intends to take further steps to progress the acquisitions of the remaining 3 farms. However, it is expected that these acquisitions will not require any further approval from Shareholders under Listing Rule 11.1.2 (or require the Company to re-comply with Chapters 1 and 2 of the Listing Rules).

#### Farm 1

A summary of the key terms relating to the acquisition of Farm 1 are set out in the table below:

<b>Form:</b>	The terms of the acquisition have been documented using a standard form contract for the sale of land in New South Wales.
<b>Vendors:</b>	Russell Eagle and Kerry Eagle
<b>Consideration:</b>	<p>The total consideration is \$4,600,000 (with \$50,000 payable as a deposit). The \$4,550,000 balance is payable in cash on completion of the acquisition.</p> <p>AYB expects that:</p> <ul style="list-style-type: none"><li>• up to 85% of the consideration payable for the acquisition of Farm 1 will be funded through debt facilities (that are in the process of being negotiated); and</li><li>• around 15% of the consideration will be financed through the capital raising that is to be conducted under the Prospectus.</li></ul>
<b>Herd size:</b>	The contract contains restrictions on the vendors increasing the size of the herd on the land before completion of the acquisition in order to prevent the land being de-pastured.
<b>Condition of the property being acquired</b>	The farm and associated assets are being acquired on an "as is, where is" basis – meaning that no warranties relating to the condition, quality or fitness for use are given by the vendors (and these risks are to be assumed by AYB).
<b>Conditions precedent</b>	<p>Completion of the acquisition is subject to (and conditional on) each of the following:</p> <ul style="list-style-type: none"><li>• Murray Irrigation Limited consenting to the transfer to AYB of 610 water entitlements, 1,291 delivery entitlements and 1,415 shares in Murray Irrigation Limited; and</li><li>• the parties agreeing on the terms of a management agreement under which the vendors (or an associate of the vendors) will manage the farm for a period of 12 months after completion.</li></ul>

## **Farm 5**

A summary of the key terms relating to the acquisition of Farm 5 are set out in the table below:

<b>Form:</b>	The terms of the acquisition have been documented using a standard form contract for the sale of land for Victoria.
<b>Vendors:</b>	Henrcus Van Dooren, Richard Van Dooren, Mariette Van Dooren, Van Dooren Enterprises Pty Ltd and Katunga Machinery Pty Ltd
<b>Consideration:</b>	<p>The total consideration is \$8,950,000 (with \$50,000 payable as a deposit). The \$8,900,000 balance is payable in cash on completion of the acquisition.</p> <p>AYB expects that:</p> <ul style="list-style-type: none"><li>• up to 85% of the consideration payable for the acquisition of Farm 5 will be funded through debt facilities (that are in the process of being negotiated); and</li><li>• around 15% of the consideration will be financed through the capital raising that is to be conducted under the Prospectus.</li></ul>
<b>Condition of the property being acquired</b>	The farm and associated assets are being acquired on an “as is, where is” basis – meaning that no warranties relating to the condition, quality or fitness for use are given by the vendors (and these risks are to be assumed by AYB).
<b>Conditions precedent</b>	<p>Completion of the acquisition is subject to (and conditional on) each of the following:</p> <ul style="list-style-type: none"><li>• ministerial approval being obtained to the transfer of the water entitlements and water licences associated with the property; and</li><li>• the parties agreeing on the terms of a management agreement under which the vendors (or an associate of the vendors) will manage the farm for a period of 12 months after completion.</li></ul>

## **Farms 2, 3 and 4**

Following the acquisition of Farms 1 and 5 and re-quotation of the Company’s Shares on ASX, the Company intends to further evaluate Farms 2, 3 and 4 to determine whether to proceed to complete the acquisitions of those properties.

The Company has received confirmation from the ASX that the acquisition of Farms 2, 3 and/or 4 will not require further approvals from Shareholders under Listing Rule 11.1.2 and will not require the Company to again re-comply with Chapters 1 & 2 of the Listing Rules.

## **4 Proposed Changes to Board Composition**

There are currently no proposed changes to the composition of the Company’s Board of Directors as a result of the Proposed Transaction.

## **5 Pro-forma financial information**

Please see Annexure C of this Notice.

## 6 Control

No person or any of their associates are expected to have a relevant interest in 20% or more of the issued voting shares of the Company after completion of the Proposed Transaction and the allotment of securities contemplated by the Resolutions.

## 7 Re-compliance with Chapters 1 and 2 of the Listing Rules

On the assumption that approval pursuant to Resolution 1 will be obtained, the Company intends to seek to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules.

The Company's Shares are currently suspended from trading on the ASX. Even if Resolution 1 is passed at the Meeting, the Company's Shares will remain suspended from trading until such time as the ASX is satisfied that the Company has complied with certain conditions set out in Chapters 1 and 2 of the Listing Rules. These requirements include:

- the Company having at least:
  - 400 Shareholders each holding a parcel of Shares with a value of at least \$2,000 (excluding restricted securities); or
  - 350 Shareholders each holding a parcel Shares with a value of at least \$2,000 (excluding restricted securities), with at least 25% of the Shares being held Shareholders that are not related parties of the Company (excluding restricted securities); or
  - 300 Shareholders each holding a parcel of Shares with a value of at least \$2,000 (excluding restricted securities), with at least 50% of the Shares being held by Shareholders that are not related parties of the Company (excluding restricted securities); and
- the Company having either net tangible assets of at least \$3 million or market capitalisation of at least \$10 million (and working capital of at least \$1.5 million).

If the Company's application for re-admission to the Official List of the ASX is not submitted before 1 September 2016, it is expected that these minimum thresholds will become more difficult to satisfy (as a result of changes to the Listing Rules currently being proposed by the ASX).

To assist with satisfying these conditions and to help finance the acquisition of the Initial Dairy Farms, the Company is proposing to conduct a capital raising involving the allotment of up to 600,000,000 Shares at a minimum issue price of \$0.025 each in order to raise up to \$15,000,000 (**Public Offer**). Resolutions 3 to 7 also contemplate:

- the allotment of Shares with a deemed issued price of \$0.035; and
- the allotment of Options with an exercise price of \$0.045 per Option.

Ordinarily, Listing Rule 2.1 (Condition 2) would require that the Shares under the Public Offer and other associated Resolutions be issued with an issue price of at least \$0.20 per Share. Listing Rule 1.1 (Condition 11) would also ordinarily required that the Options be issued with an exercise price of at least \$0.20 per Option. The ASX has granted waivers from these requirements on the condition that:

- the issue price for all Shares (and the exercise price for all Options) will be no less than \$0.02 each;
- the terms and conditions of the Shares and the Options are clearly disclosed in this Notice and the Prospectus; and
- Shareholders approve the allotment of the Shares and Options at the Meeting.

The terms and conditions of the Shares to be issued are governed by the Company's Constitution, the Corporations Act and the Listing Rules. The key terms and conditions of the Shares have been summarised in Annexure A of this Notice. The key terms and conditions of the Options have been summarised in Annexure B of this Notice.

## 8 Effect of Resolutions on Capital Structure

The Company currently has 305,531,855 Shares on issue and 5,833,333 Options on issue.

The effect of the Resolutions on the capital structure of the Company is as follows:

Resolution	Shares to be Issued	Options to be Issued	Total Shares on Issue	Total Options on issue
Resolution 1	Nil	Nil	305,531,855	5,833,333
Resolution 2	Up to 600,000,000	Nil	Up to 905,531,855	5,833,333
Resolution 3	Up to 28,085,714	Up to 28,085,714	Up to 933,617,569	Up to 33,919,047
Resolution 4	485,714	485,714	Up to 934,103,283	Up to 34,404,761
Resolution 5	4,285,714	4,285,714	Up to 938,388,997	Up to 38,690,475
Resolution 6	942,857	942,857	Up to 939,331,854	Up to 39,633,332
Resolution 7	942,857	942,857	Up to 940,274,711	Up to 40,576,189

## 9 Indicative Timetable

The anticipated timetable for the completion of the acquisitions of the Initial Dairy Farms and re-listing of the Company on the ASX is set out below. These dates are indicative only and may change without notice.

Event	Indicative date
Dispatch of Notice of Meeting seeking Shareholder approval of the Proposed Transaction, change in nature and scale of activities, etc	10 June 2016
Lodge Prospectus with ASIC and ASX	6 July 2016
Date of Meeting	13 July 2016
Opening Date of Public Offer	18 July 2016
Closing date of Public Offer	5 August 2016
Completion of Proposed Transaction (Initial Dairy Farms)	12 August 2016
Issue of Shares under the Prospectus	12 August 2016
Dispatch of holding statements	17 August 2016
Anticipated date ASX trading resumes	22 August 2016

As noted above, the Company's Shares will remain suspended from trading on ASX until such time as the Company re-complies with Chapters 1 and 2 of the Listing Rules.

## **10 Advantages of the Proposed Transaction**

- AYB Shares currently have minimal liquidity. The Proposed Transaction is intended to increase the market capitalisation of the Company and may give rise to a Share price re-rating which (in turn) may result in increased liquidity.
- The Proposed Transaction delivers an opportunity for AYB to invest in a growth industry as the demand for dairy products and dairy farm assets is expected to increase worldwide.
- At present, AYB does not have an operating business of sufficient scale to meet the compliance and administration costs of maintaining its ASX-listing. These costs are currently financed from Shareholder funds and loans. The Proposed Transaction would provide the Company with a profitable operating business of significant scale to contribute to the costs of maintaining a listed company.
- The Proposed Transaction is expected to lead to the development of a viable business operation with the potential to increase Shareholder value and distributions over time.
- AYB has retained the services of the current owners, and the services of a third generation dairy consultant to ensure optimum operational expertise is maintained.

## **11 Disadvantages of the Proposed Transaction and Mitigation of these Disadvantages**

- The Board of AYB has limited experience operating dairy farms. The Company will enter into management agreements with the vendors of each acquired farm requiring them to stay on for a minimum 12-month period to operate the relevant farm and oversee the transition in ownership and management. AYB has also secured the consulting expertise of a third generation dairy consultant to ensure expertise and understanding at all levels of management. In addition, the Company will continue to scour both locally and overseas to seek to obtain the most efficient and best labour available.
- Dairy farm operations are exposed to a number of risks both within and outside the Company's control including weather and commodity prices.
- AYB will have a significant debt position and substantial debt servicing commitments upon completion of the Proposed Transaction. Debt servicing will remain an issue for management in the medium term.

## **12 Risks**

In addition to the general risks associated with any investment in the stock market, there are certain additional risks in investing in entities which participate in the agriculture industry. The income able to be achieved by the Company, the value of its assets and the market price of its securities on ASX may be adversely affected by a number of factors, including risks outside the control of management.

The below list of risk factors is not an exhaustive list of all risks faced by the Company or by investors in the Company. The below factors, and others not specifically referred to below, may in the future materially affect the financial performance of the Company and the value of the Company's securities.

### **12.1 Change in Nature and Scale**

The Proposed Transaction is dependent upon a number of conditions, which include (but are not limited to) the raising of necessary funds to complete the farm acquisitions, re-compliance with Chapters 1 and 2 of the Listing Rules and obtaining the necessary approvals from Shareholders.

If these conditions are not satisfied, the Proposed Transaction will not proceed and the Company will continue with its existing limited portfolio of leased assets whilst seeking out new opportunities and investments.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares. Should this occur, the Company's Shares will not be able to be traded on the ASX until such time as these requirements can be met, if at all. This may adversely affect the financial position of the Company.

## **12.2 Additional Requirements for Capital**

Additional funding may be required in the event that acquisition and/or production costs exceed the Company's estimates. The Company may require further financing to effectively implement its business and operational plans in the future, to take advantage of opportunities for further acquisitions or other business opportunities, and to meet any unanticipated liabilities or expenses.

The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in a delay and indefinite postponement of the Proposed Transaction. There can be no assurance that additional finance will be available when needed or be available on terms which are favourable to the Company.

## **12.3 Commodity Price Volatility and Exchange Rate Risks**

If the Company completes the Proposed Transaction (leading to the commencement of a milk production business), the revenue the Company will derive through the sale of milk products exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices and exchange rates fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for raw dairy milk, technological advancements, forward selling activities and other macro-economic factors.

## **12.4 Milk Price Volatility**

A substantial portion of the Company's revenues and cash flows will be derived from the sale of raw milk. Therefore, the financial performance of the Company will be sensitive to producer contract prices. Milk prices are affected by numerous factors and events that are beyond the control of the Company. These factors and events include general economic activity, world demand, forward selling activity, costs of production by other milk producers and other matters such as inflationary expectations, interest rates, currency exchange rates (particularly the strength of the US dollar) as well as general global economic conditions and political trends.

If milk prices should fall below or remain below the Company's costs of production for any sustained period due to these or other factors and events, this is likely to have a material adverse effect on the Company's earnings and financial position.

## **12.5 Competition Risk**

The industry in which the Company will be involved is subject to domestic and global competition. Although the Company intends to undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

## **12.6 Insurance Risk**

The Company may, where economically practicable and available, endeavour to mitigate some project and business risks by procuring relevant insurance cover. However, such insurance cover may not always be available or economically justifiable and the policy provisions and

exclusions may render a particular claim by the Company outside the scope of the insurance cover.

While the Company intends to undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers, there will remain the risk that an insurer defaults in the legitimate claim by the Company under an insurance policy. Insurance against all risks associated with farming and agricultural production is not always available and where available the cost may be prohibitive.

### **12.7 Workplace Health and Safety Risk**

The Company will be required to employ staff to operate its dairy farms. If an employee is injured in the course of their employment, then the Company may be liable for penalties or damages. This risk has the potential to harm the reputation and future financial performance and position of the Company.

### **12.8 Potential Acquisitions**

As part of its business strategy, the Company may make acquisitions or significant investments in other agricultural or farming companies or businesses. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of agricultural or farming companies or businesses. Further, there is no guarantee that the Company will make any future acquisitions.

### **12.9 Unforeseen Expenses**

The Company is not aware of any expenses that it will be required to incur in the next 2 years which it hasn't already budgeted for.

However, if the Company is required to incur any unforeseen expenses then this may adversely affect the currently proposed expenditure plan and existing budgets for the Company's activities.

### **12.10 The State of Australian and International Economies**

A downturn in the Australian and/or the international economy may negatively impact the performance of the Company and the demand for the Company's dairy products, which in turn may negatively impact the value of securities in the Company.

### **12.11 Changes to Government Policies and Legislative Changes**

Government policy and legislative changes (which are outside the control of the Company) may also have a negative or positive impact on the financial performance of the Company.

## **13 Resolution 1 – Change in Nature and Scale of Activities of the Company**

### **13.1 Purpose of Resolution 1**

Resolution 1 seeks approval from Shareholders for a change in the nature and scale of the activities of the Company. The proposed acquisition of the Initial Dairy Farms constitutes a significant change in the nature and scale of the Company's activities, and consequently requires Shareholder approval pursuant to Listing Rule 11.1.2.

### **13.2 Listing Rule 11.1**

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable. ASX Listing Rule 11.1.2 provides that, if ASX requires, the entity must get the approval of Shareholders and must comply with any requirements of ASX in relation to the notice of meeting.



The ASX has indicated to the Company that, given the significant change in the nature and scale of the activities of the Company upon completion of the acquisition of the Initial Dairy Farms, it will require the Company to obtain the approval of its Shareholders. The ASX will also require the Company to re-comply with Chapters 1 and 2 of the Listing Rules in accordance with Listing Rule 11.1.3.

As required by the Listing Rules, the Company will be required to issue the Prospectus to provide information about the Company and its business and it is intended that the Prospectus will be lodged with ASIC as set out in the indicative timetable in section 9 of this Explanatory Statement.

If Resolution 1 is passed, the Company will have obtained, in compliance with Listing Rule 11.1.2, Shareholder approval to the change in the nature and scale of its activities to the extent described in this Explanatory Statement.

If Resolution 1 is not passed, the Company will not be permitted to change the nature and scale of its activities and the acquisition of the dairy farms will not proceed.

### 13.3 Information Required for the Purpose of Listing Rule 11.1

The table below sets out where in this Explanatory Statement you can find the key information that is relevant to your decision on how to vote on Resolution 1.

<b>Information required</b>	<b>Details</b>
<b>The parties to, an material terms of, the Proposed Transaction</b>	Refer to section 3 of this Explanatory Statement.
<b>All material information that the Company has in its possession about the assets and liabilities, financial position and performance, profits and losses, and prospects of the Initial Dairy Farms</b>	Refer to sections 2, 3 and 5 of this Explanatory Statement.
<b>An assessment of the financial effect of the Proposed Transaction on the Company and on the holders of securities issued by the Company</b>	<p>The Company's assessment of the financial effect of the Proposed Transaction is set out section 5 of this Explanatory Statement.</p> <p>The impact of the Proposed Transaction (and other Resolutions discussed in this Explanatory Statement) on the Company's share capital structure is set out in section 8 of this Explanatory Statement.</p>
<b>Details of how the Company will be modifying its business model to accommodate the change in the nature and scale of its activities</b>	Refer to sections 2.3 and 2.6 of this Explanatory Statement.
<b>Information regarding the Company's need to borrow funds or raise capital</b>	<p>The Proposed Transaction will be funded predominately by debt finance. Alternative Debt Solutions (the debt arranging platform of Lusona Capital) has been appointed as exclusive financial advisor in relation to the debt financing process. The Company is currently in the process of finalising its debt financing arrangements to fund the acquisition of the Initial Dairy Farms and the 3 additional farms currently being considered.</p> <p>In conjunction with the Proposed Transaction and the application for readmission by the Company to the official list of the ASX, the Company will also be seeking to raise up to \$15,000,000 under the Prospectus by offering to issue Shares at a minimum issue price of \$0.025 per Share.</p>
<b>Changes to the Company's board or senior management resulting from the Proposed Transaction</b>	Refer to section 4 of this Explanatory Statement.
<b>The timetable for implementing the Proposed Transaction</b>	Refer to section 9 of this Explanatory Statement.

### 13.4 Directors' recommendation

The Directors unanimously recommend that the Shareholders vote in favour of Resolution 1 for the following reasons:

- the approval of Resolution 1 is a critical requirement of the ASX in order to allow the Proposed Transaction to proceed; and

- the Directors consider that the Proposed Transaction is in the best interest of the Company.

Accordingly, if you would like the Proposed Transaction to occur, you should vote in favour of Resolution 1.

## **14 Resolution 2 – Approve the issue of up to 600,000,000 Shares**

### **14.1 Purpose of Resolution 2**

Resolution 2 seeks Shareholder approval for the allotment and issue of up to 600,000,000 Shares under a prospectus to be issued by the Company in connection with the Company's application for re-admission to the official list of the ASX (and potentially as part of the consideration for the acquisition of additional dairy farms).

The effect of Resolution 2 will be to allow the Directors to issue up to 600,000,000 Shares during the 3-month period after the Meeting (or a longer period, if allowed by the ASX), without the Company using any of the annual 15% placement capacity imposed under Listing Rule 7.1.

### **14.2 Requirements of Listing Rule 7.1**

Listing Rule 7.1 provides that an ASX-listed company must not, subject to certain exceptions, issue or agree to issue more than 15% of its capital within a 12-month period without the approval of shareholders.

By obtaining the prior approval of Shareholders to the issue of the Shares under Resolution 2, the issue of those Shares will not count within the 15% limit under Listing Rule 7.1.

### **14.3 Information Required by Listing Rule 7.3**

Listing Rule 7.3 contains certain content requirements for notices sent to Shareholders for the purpose of Listing Rule 7.1 and the following information is included in this Explanatory Statement for that purpose.

<b>Information required</b>	<b>Details</b>
<b>The names of the persons that will be issued the Shares</b>	<p>The Shares will be issued to members of the public under the Public Offer and (as such) the names of the allottees are unknown at this time.</p> <p>The Company has not yet agreed to issue any Shares to the vendors of any dairy farms (and so, no names can currently be disclosed). However, the Company is pre-emptively seeking approval from Shareholders so that it has the ability to issue scrip consideration to vendors in the future.</p>
<b>The maximum number of Shares the Company will issue</b>	Up to 600,000,000 Shares.
<b>The date by which the Company will issue the Shares</b>	Within 3 months after the date of the Meeting (or such later date if permitted by the ASX).
<b>The issue price of the Shares</b>	<p>The Shares to be issued under the Public Offer will be issued at an issue price not less than \$0.025 per Share.</p> <p>If any Shares are issued as partial consideration for the acquisition of any farms within 3 months after the date of the Meeting, the deemed issue price for those Shares will be no less than \$0.025 per Share.</p>
<b>The terms of the Shares</b>	The Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions of the Company's existing ordinary shares. The key terms and

	conditions of the Shares have been summarised in Annexure A of this Notice.
<b>The intended use of the funds raised</b>	<p>It is intended that funds raised under the Public Offer will be used to fund costs and expenses association with the acquisitions and expansion/upgrading of the farms acquired, the costs and expenses of the Company's application for re-admission to the official list of the ASX and for general working capital purposes.</p> <p>Of the 600,000,000 Shares contemplated by Resolution 2, up to 100,000,000 Shares may be issued by the Company as part consideration for acquisitions (meaning that no funds will be raised from the allotment of those Shares).</p>

#### **14.4 Directors' recommendation**

The Directors unanimously recommend that the Shareholders vote in favour of Resolution 2 for the following reasons:

- the approval of Resolution 2 forms part of the process for allowing the Company to be re-admitted to the official list of the ASX;
- the raising of additional capital will be required for working capital purposes, to assist with the acquisitions contemplated by this Notice and to assist with the Company's intended future operations; and
- the Directors consider the allotment of the Shares contemplated by Resolution 2 to be in the best interests of the Company.

Accordingly, if you would like the Proposed Transaction to occur, you should vote in favour of Resolution 2.

### **15 Resolution 3 – Approve the issue of 28,085,714 Shares and 28,085,714 Options on conversion of Notes**

#### **15.1 Purpose of Resolution 3**

In March 2016, the Company announced a Convertible Loan Note raising of up to \$1,000,000 to fund working capital and the initial cash deposits payable on the Initial Dairy Farms.

Notes have a face value of \$1 per Note and each Note converts into 28.571 Shares (to give an effective Share issue / conversion price of \$0.035 per Share). For each Share issued on conversion of a Note, the noteholder will receive 1 free Option with an exercise price of \$0.045 per Option and an expiry date of 30 June 2017. Notes accrue no interest and automatically convert into Shares and Options on the Company obtaining the necessary approval from Shareholders.

Resolution 3 seeks Shareholder approval for the issue of Shares and Options on conversion of 983,000 Notes. Approval for the issue of securities is sought for the purpose of Listing Rule 7.1 and all other purposes.

#### **15.2 Requirements of Listing Rule 7.1**

Listing Rule 7.1 provides that an ASX-listed company must not, subject to certain exceptions, issue or agree to issue more than 15% of its capital within a 12-month period without the approval of Shareholders.

By obtaining the prior approval of Shareholders to the issue of the Shares and Options on conversion of the Notes, the issuance of those Shares and Options will not count within the 15% limit under Listing Rule 7.1.

### 15.3 Information Required by Listing Rule 7.3

Listing Rule 7.3 contains certain content requirements for notices sent to Shareholders for the purpose of Listing Rule 7.1 and the following information is included in this Explanatory Statement for that purpose.

Information required	Details																																																
<b>The names of the persons that will be issued the securities</b>	<p>Shares and Options will be issued to the below allottees or their nominees:</p> <table><tr><th>Name</th><th>Shares</th><th>Options</th></tr><tr><td>Coldfire Group Pty Ltd</td><td>1,000,000</td><td>1,000,000</td></tr><tr><td>Robert Irvine</td><td>142,857</td><td>142,857</td></tr><tr><td>Amy Proe</td><td>285,714</td><td>285,714</td></tr><tr><td>Robert Proe</td><td>285,714</td><td>285,714</td></tr><tr><td>Aequus Capital Pty Ltd</td><td>285,714</td><td>285,714</td></tr><tr><td>Mary Seebeck</td><td>37,143</td><td>37,143</td></tr><tr><td>Adore Homes Pty Ltd</td><td>10,000,000</td><td>10,000,000</td></tr><tr><td>Necmi Uysal</td><td>3,328,571</td><td>3,328,571</td></tr><tr><td>Sharat Kanthan</td><td>1,028,571</td><td>1,028,571</td></tr><tr><td>Burak Durnaoglu</td><td>257,143</td><td>257,143</td></tr><tr><td>Maclem Pty Ltd</td><td>300,000</td><td>300,000</td></tr><tr><td>Nicholas Lemessurier</td><td>100,000</td><td>100,000</td></tr><tr><td>Kendall Prince</td><td>142,857</td><td>142,857</td></tr><tr><td>James Podarides</td><td>2,857,143</td><td>2,857,143</td></tr><tr><td>To be determined</td><td>Up to 8,034,286</td><td>Up to 8,034,286</td></tr></table>	Name	Shares	Options	Coldfire Group Pty Ltd	1,000,000	1,000,000	Robert Irvine	142,857	142,857	Amy Proe	285,714	285,714	Robert Proe	285,714	285,714	Aequus Capital Pty Ltd	285,714	285,714	Mary Seebeck	37,143	37,143	Adore Homes Pty Ltd	10,000,000	10,000,000	Necmi Uysal	3,328,571	3,328,571	Sharat Kanthan	1,028,571	1,028,571	Burak Durnaoglu	257,143	257,143	Maclem Pty Ltd	300,000	300,000	Nicholas Lemessurier	100,000	100,000	Kendall Prince	142,857	142,857	James Podarides	2,857,143	2,857,143	To be determined	Up to 8,034,286	Up to 8,034,286
Name	Shares	Options																																															
Coldfire Group Pty Ltd	1,000,000	1,000,000																																															
Robert Irvine	142,857	142,857																																															
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Robert Proe	285,714	285,714																																															
Aequus Capital Pty Ltd	285,714	285,714																																															
Mary Seebeck	37,143	37,143																																															
Adore Homes Pty Ltd	10,000,000	10,000,000																																															
Necmi Uysal	3,328,571	3,328,571																																															
Sharat Kanthan	1,028,571	1,028,571																																															
Burak Durnaoglu	257,143	257,143																																															
Maclem Pty Ltd	300,000	300,000																																															
Nicholas Lemessurier	100,000	100,000																																															
Kendall Prince	142,857	142,857																																															
James Podarides	2,857,143	2,857,143																																															
To be determined	Up to 8,034,286	Up to 8,034,286																																															
<b>The maximum number of securities the Company will issue</b>	The number of securities to be issued is up to 28,085,714 Shares and 28,085,714 Options on conversion of up to 983,000 Notes.																																																
<b>The date by which the Company will issue the securities</b>	The Company will issue the securities within 3 months of the date of the Meeting (or such later date if permitted by the ASX).																																																
<b>The issue price of the securities</b>	The Shares issued on conversion of the Notes will be issued with a deemed issue price of \$0.035 per Share. The issue price for Options issued on conversion of the Notes will be NIL.																																																
<b>The terms of the securities</b>	<p>The Shares issued on conversion of the Notes will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares. The key terms and conditions of the Shares have been summarised in Annexure A of this Notice.</p> <p>The Options issued on conversion of the Notes will have an exercise price of \$0.045 per Option and an expiry date of 30 June 2017. The key terms and conditions of the Options have been summarised in Annexure B of this Notice.</p>																																																
<b>The intended use of the funds raised</b>	The funds raised from the allotment of the Notes have been (or will be) used for working capital purposes and to fund transaction costs associated with the Proposed Transaction.																																																

	Any funds raised as a result of the Options be exercised is intended to be used for general working capital purposes.
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#### **15.4 Directors' recommendation**

The Directors unanimously recommend that the Shareholders vote in favour of Resolution 3 for the following reasons:

- the conversion of loans associated with the Notes will reduce the debts of the Company; and
- the Directors consider the allotment of the Shares and Options contemplated by Resolution 3 to be in the best interests of the Company.

### **16 Resolution 4 - Approve the issue of 485,714 Shares and 485,714 Options on conversion of Notes**

#### **16.1 Purpose of Resolution 4**

As referred to in Resolution 3, in March 2016, the Company announced a Convertible Loan Note raising of up to \$1,000,000 to fund working capital and the initial cash deposits payable on the Initial Dairy Farms.

Notes have a face value of \$1 per Note and each Note converts into 28.571 Shares (to give an effective Share issue / conversion price of \$0.035 per Share). For each Share issued on conversion of a Note, the noteholder will receive 1 free Option with an exercise price of \$0.045 per Option and an expiry date of 30 June 2017. Notes accrue no interest and automatically convert into Shares and Options on the Company obtaining the necessary approval from Shareholders.

Of the 1,000,000 Notes, Paul Duckett a director of the Company has subscribed for 17,000 Notes. Resolution 4 seeks Shareholder approval for the issue of Shares and Options to Paul Duckett or his nominee on conversion of 17,000 Notes. In the event Shareholders do not approve resolution 4, the loan sum of \$17,000 will be repayable by the Company to Mr. Duckett.

Approval for the issue of securities is sought for the purpose of Listing Rule 10.11 and all other purposes.

#### **16.2 Corporations Act**

Pursuant to Chapter 2E of the Corporations Act, a public company cannot give a 'financial benefit' to a 'related party' unless one of the specified exceptions apply or shareholders have in a general meeting approved the giving of that financial benefit to the related party.

Section 210 of the Corporations Act provides that one of the exceptions to the requirement to obtain shareholder approval for giving a financial benefit to a related party is where the benefit is given on arm's length terms, that is on terms that:

- would be reasonable in the circumstances if the public company and the related party were dealing at arm's length; or
- are less favourable to the related party than the terms referred to in the previous point.

The Company considers that the proposed issue of securities the subject of Resolutions 4 will be on arm's length terms and, as such, fall within the exception set out in section 210 of the Corporations Act. The Company has reached this view as the Shares and Options are to be issued on identical terms to those being offered on conversion of the Notes contemplated by Resolution 3 (which are being issued to non-related arm's length investors in the Company).

The Listing Rules do not contain a similar exception. Therefore, the Company is seeking approval under Listing Rule 10.11 notwithstanding the proposed issue being on arm's length terms.

### 16.3 Listing Rule 10.11 & 10.13

Listing Rule 10.11 states that an entity must not issue or agree to issue equity securities (including options) to a related party without the approval of holders of ordinary securities.

Mr Duckett, is a related party of the Company by virtue of his position as Directors of the Company.

In accordance with Listing Rule 7.2 (Exception 14) if approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1. Accordingly, the issuance of Shares and Options under Resolution 4 will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

The following information is provided in accordance with Listing Rule 10.13:

Information required	Details
<b>The names of the persons that will be issued the securities</b>	Paul Duckett or his nominee
<b>The maximum number of securities the Company will issue</b>	485,714 Shares and 485,714 Options
<b>The date by which the Company will issue the securities</b>	The Company will issue the Shares and Options within one month from the date of the Meeting (or such later date if permitted by the ASX).
<b>The issue price of the securities</b>	The Shares to be issued to the Directors will be issued with a deemed issue price of \$0.035 per Share. The Options will have a deemed issue price of Nil.
<b>The terms of the securities</b>	<p>The Shares to be issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares. The key terms and conditions of the Shares have been summarised in Annexure A of this Notice.</p> <p>The Options to be issued will have an exercise price of \$0.045 per Option and an expiry date of 30 June 2017. The key terms and conditions of the Options have been summarised in Annexure B of this Notice.</p>
<b>The intended use of funds raised</b>	<p>The funds raised from the allotment of the Notes have been (or will be) used for working capital purposes and to fund transaction costs associated with the Proposed Transaction.</p> <p>Any funds raised as a result of the Options be exercised is intended to be used for general working capital purposes.</p>

### 16.4 Directors' recommendation

The Directors (with Mr. Duckett abstaining from making a recommendation) recommend that the Shareholders vote in favour of Resolution 4 for the following reasons:

- the conversion of loans associated with the Notes will reduce the debts of the Company; and
- the Directors consider the allotment of the Shares and Options contemplated by Resolution 4 to be in the best interests of the Company.

**17 Approve the issue of 4,285,714 Shares and 4,285,714 Options to Paul Duckett as consideration for fees payable (Resolution 5), Approve the issue of 942,857 Shares and 942,857 Options to Ray Taylor as consideration for fees payable (Resolution 6) & Approve the issue of 942,857 Shares and 942,857 Options to Trevor Kelly as consideration for fees payable (Resolution 7).**

**17.1 Purpose of Resolutions 5, 6 and 7**

Shareholders are being asked to approve the issue of 4,285,714 Shares and 4,285,714 Options to Executive Chairman Paul Duckett or his nominee (Resolution 5), 942,857 Shares and 942,857 Options to Non-Executive Director Ray Taylor or his nominee (Resolution 6) and 942,857 Shares and 942,857 Options to Non-Executive Director Trevor Kelly or his nominee (Resolution 7) as part consideration for director's fees which have accrued since February 2015.

Since being appointed to the Board at the beginning of February 2015, the current Directors have not received any payments for director's fees and director's fees have accrued. In order to conserve Company funds and reduce the debt payable to the directors, Paul Duckett, Ray Taylor and Trevor Kelly have agreed to accept Shares and Options as consideration for part of their director's fees which have accrued.

Paul Duckett is currently entitled to be paid director's fee of \$3,000 per month and an additional Executive Chairman's fee of \$10,000 per month. Ray Taylor and Trevor Kelly are currently entitled to be paid director's fees of \$3,000 per month each.

Resolution 5 seeks Shareholder approval for the issue of 4,285,714 Shares (at a deemed issue price of \$0.035 per Share) and 4,285,714 Options (with a deemed issue price of Nil) to Paul Duckett or his nominee to be issued in lieu of the payment of \$150,000 of accrued director's fees.

Resolution 6 seeks Shareholder approval for the issue of 942,857 Shares (at a deemed issue price of \$0.035 per Share) and 942,857 Options (with a deemed issue price of Nil) to Ray Taylor or his nominee to be issued in lieu of the payment of \$33,000 in accrued director's fees.

Resolution 7 seeks Shareholder approval for the issue of 942,857 Shares (at a deemed issue price of \$0.035 per Share) and 942,857 Options (with a deemed issue price of Nil) to Trevor Kelly or his nominee as consideration for \$33,000 in accrued director's fees.

In the event that Shareholders do not approve Resolutions 5, 6, or 7, the outstanding director's fees will remain a liability of the Company and be payable in cash at a future date.

**17.2 Corporations Act**

Pursuant to Chapter 2E of the Corporations Act, a public company cannot give a 'financial benefit' to a 'related party' unless one of the specified exceptions apply or shareholders have in a general meeting approved the giving of that financial benefit to the related party.

Section 210 of the Corporations Act provides that one of the exceptions to the requirement to obtain shareholder approval for giving a financial benefit to a related party is where the benefit is given on arm's length terms, that is on terms that:

- would be reasonable in the circumstances if the public company and the related party were dealing at arm's length; or
- are less favourable to the related party than the terms referred to in the previous point.

The Company considers that the proposed issue of securities the subject of Resolutions 5, 6 and 7 will be on arm's length terms and, as such, fall within the exception set out in section 210 of the Corporations Act. The Company has reached this view as the Shares and Options are to be issued on identical terms to those being offered on conversion of the Notes contemplated by Resolution 3 (which are being issued to non-related arm's length investors in the Company).



The Listing Rules do not contain a similar exception. Therefore, the Company is seeking approval under Listing Rule 10.11 notwithstanding the proposed issue being on arm's length terms.

### 17.3 Listing Rule 10.11 & 10.13

Listing Rule 10.11 states that an entity must not issue or agree to issue equity securities (including options) to a related party without the approval of holders of ordinary securities.

Messrs Duckett, Taylor and Kelly are all related parties of the Company by virtue of their positions as Directors of the Company.

In accordance with Listing Rule 7.2 (Exception 14) if approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1. Accordingly, the issuance of Shares and Options under Resolutions 5, 6, and 7 will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

The following information is provided in accordance with Listing Rule 10.13:

Information required	Details					
The names of the persons that will be issued the securities	Resolution	Shares	Options	Allottee		
	Resolution 5	4,285,714	4,285,714	Paul and/or nominee	Duckett his	
	Resolution 6	942,857	942,857	Raymond and/or nominee	Taylor his	
	Resolution 7	942,857	942,857	Trevor and/or nominee	Kelly his	
The maximum number of securities the Company will issue	Resolution	Shares	Options			
	Resolution 5	4,285,714	4,285,714			
	Resolution 6	942,857	942,857			
	Resolution 7	942,857	942,857			
The date by which the Company will issue the securities	The Company will issue the Shares and Options within one month from the date of the Meeting (or such later date if permitted by the ASX).					
The issue price of the securities	The Shares to be issued to the Directors will be issued with a deemed issue price of \$0.035 per Share. The Options will have a deemed issue price of Nil.					
The terms of the securities	The Shares to be issued to the Directors will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company’s existing Shares. The key terms and conditions of the Shares have been summarised in Annexure A of this Notice.					
	The Options to be issued to the Directors will have an exercise price of \$0.045 per Option and an expiry date of 30 June 2017. The key terms and conditions of the Options have been summarised in Annexure B of this Notice.					
The intended use of funds raised	No funds will be raised from the issuance of the Shares and Options that are the subject of Resolutions 5, 6 and 7 as these Shares and Options are to be issued as part consideration in lieu of the payment of outstanding director’s fees.					

	Any funds raised as a result of the Directors exercising the Options are intended to be used for general working capital purposes.
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#### **17.4 Directors' recommendation**

The Directors have abstained from making any recommendation in relation to Resolutions 5, 6 or 7 on the basis that these Resolutions relate to remuneration payable to the Directors.

## GLOSSARY

In the Notice of Meeting and Explanatory Statement the following terms have the following meanings:

**AEST** means Australian Eastern Standard Time.

**ANZ Bank** means Australia and New Zealand Banking Group Limited ACN 005 357 522 and its related bodies corporate.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691 and the financial market that it operates.

**AYB or Company** means Australian Natural Proteins Limited ACN 095 821 971.

**Board** means the board of Directors of the Company.

**CAGR** means compound annual growth rate.

**Corporations Act** means Corporations Act 2001 (Cth).

**Director** means a current Director of the Company.

**EBITDA** means earnings before interest, taxes, depreciation and amortisation.

**Explanatory Statement** means the explanatory statement to this Notice of Meeting.

**FY** means a financial year commencing on 1 July and finishing on the next 30 June.

**GRS Foods** means GRS Foods Pty Ltd ACN 165 228 277.

**Initial Dairy Farms** has the meaning given in section 2.1 of the Explanatory Statement.

**Listing Rules** means the listing rules of the ASX.

**Meeting** means General Meeting of the Shareholders of the Company to be held on 13 July 2016, to which this Notice of Meeting and Explanatory Statement relate.

**MGL** means megalitres.

**Note** means a convertible loan note issued by the Company convertible into Company securities.

**Notice or Notice of Meeting** means this notice of meeting of the Company dated 9 June 2016.

**Option** means an option acquire a Share.

**Proposed Transaction** means the acquisition by the Company (or related bodies corporate of the Company) or the Initial Dairy Farms (together with the capital raising to be conducted under the Prospectus).

**Prospectus** means the prospectus to be issued by the Company as part of its application for re-admission of the Company's Shares to trading as part of the official list of the ASX and for (among other purposes) conducting the Public Offer.

**Public Offer** means an offer to be made by the Company to allot up to 600,000,000 Shares (or a smaller amount determined by the Company) at an issue price of at least \$0.025 each.

**Resolution** means a resolution referred to in the Notice.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of Shares.

**USD** mean US Dollars.

Words importing the singular include the plural and vice versa.

All references to currency are in Australian dollars.

## ANNEXURE A – TERMS OF ORDINARY CLASS SHARES

<b>Voting at a General Meeting and Notices</b>	Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Company's Constitution, the Corporations Act or the Listing Rules.
<b>Voting Rights</b>	<p>At a general meeting of the Company every holder Shares present in person or by an attorney, representative or proxy has 1 vote on a show of hands (unless a Shareholder has appointed 2 proxies) and 1 vote per Share on a poll.</p> <p>Where there are 2 or more joint holders of a Share and more than one of them is present at a meeting and tenders a vote in respect of the Share, the Company will count only the votes cast by the Shareholder whose name appears first in the Company's register of members.</p>
<b>Issues of further Shares</b>	The Board may, on behalf of the Company, issue, or grant options over or otherwise dispose of, Shares to any person on the terms, with the rights, and at the times that the Board decides. However, the Board must act in accordance with the restrictions imposed by the Company's Constitution, the Listing Rules and the Corporations Act.
<b>Variation of rights</b>	Subject to the Corporations Act, if the Company issues different classes of shares or divides issued shares into different classes, the rights attached to the shares in any class may be varied or cancelled only with the written consent of the holders of at least three quarters of the issued shares of the affected class, or by a special resolution passed at a separate meeting of the holders of the issued shares of the affected class.
<b>Transfer of Shares</b>	<p>Subject to the Company's Constitution, the Corporations Act and the Listing Rules, Shares are freely transferable.</p> <p>The Shares may be transferred by any computerised or electronic system for transferring or dealing with Shares established or recognised by the Corporations Act, the Listing Rules or the Operating Rules of the ASX and is otherwise permitted by the Corporations Act or by a document, the usual form of which is permitted by law.</p> <p>The Board may refuse to register a transfer of Shares only if that refusal would not contravene the Listing Rules or the Operating Rules of the ASX. If the Board refuses to register a transfer, the Company must give the lodging party written notice of the refusal and the reasons for it in accordance with the Listing Rules. The Board must not register a transfer of shares if the Corporations Act, the Listing Rules or the Operating Rules of the ASX forbid registration.</p>
<b>Dividends</b>	Subject to the Company's Constitution and the Corporations Act, the Board may resolve to pay any dividend deemed appropriate and fix the time for payment.
<b>Winding up</b>	If the Company is wound up, Shareholders will be entitled to participate in any surplus assets of the Company in proportion to the percentage of the capital paid up on their Shares.

<b>Dividend reinvestment plan and share plans</b>	The Board may adopt and implement a dividend reinvestment plan (under which any Shareholder may elect that the dividends payable by the Company be reinvested by way of subscription for Shares) and any other share plans (under which any Shareholder may elect to forego any dividends that may be payable on all or some of the Shares held by that Shareholder and instead to receive some other entitlement, including the allotment of additional Shares).
<b>Directors</b>	The Company's Constitution states that the minimum number of Directors is 3 and at least 2 of them must ordinarily reside in Australia.
<b>Powers of the Board</b>	Except as otherwise required by the Corporations Act, any other law, the Listing Rules or the Company's Constitution, the Board has the power to manage the business of the Company and may exercise every right, power or capacity of the Company to the exclusion of the Shareholders (except to sell or dispose of the main undertaking of the Company).

## ANNEXURE B – TERMS OF OPTIONS

<b>Entitlement</b>	Each Option entitles the holder ( <b>Option Holder</b> ) to subscribe for 1 Share ( <b>Option Share</b> ) on exercise of the Option.
<b>Exercise price</b>	\$0.045 for each Option.
<b>Exercise period</b>	The Options are exercisable at any time before 30 June 2017.
<b>Expiry date</b>	Any Option not exercised before the end of the exercise period will automatically lapse.
<b>Exercise notice</b>	The Options may be exercised during the exercise period by notice in writing to the Company.
<b>Shares issued on exercise</b>	Shares issued on exercise of the Options will rank equally with the then issued Shares of the Company.
<b>Quotation of Options</b>	Options will be unlisted options.
<b>Transferability of Consideration Options</b>	Subject to the Corporations Act, the Listing Rules, and the constitution of the Company, each Option is freely transferable.
<b>Bonus issues</b>	If after the date on which the Options are issued, the Company makes a bonus issue of Shares ( <b>Bonus Issue</b> ) before some or all of the Options have been exercised, then the number of Option Shares to be issued on exercising those Options will be increased by the number of additional Option Shares to which the Option Holder would have been entitled had the Options held by the Option Holder at the record time for the Bonus Issue been exercised before the record time for the Bonus Issue.]
<b>Adjustment for rights issue</b>	<p>If after the date on which the Options are issued, the Company makes a pro rata issue of Shares (other than a Bonus Issue to Shareholders, then the exercise price of each unexercised Option will be reduced according to the following formula:</p> $O - \frac{E[P - (S + D)]}{N + 1}$ <p>New exercise price =</p> <p>O = the old exercise price of the Option;</p> <p>E = the number of underlying Shares to which 1 Option is exercisable;</p> <p>P = the average market price per Share (weighted by reference to the volume) of the underlying Shares during the 5 trading days ending on the day before the ex-rights date or ex-entitlements date;</p> <p>S = the subscription price of a Share under the pro rata issue;</p> <p>D = any dividend per Share due but not yet paid on the existing Shares (except those to be issued under the pro rata issue); and</p> <p>N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share under the pro rata issue.]</p>

## ANNEXURE C

### AUSTRALIAN NATURAL PROTEINS LIMITED (ACN 095 821 971) AND CONTROLLED ENTITIES

#### Forward Looking Statement Statement of Financial Position

		AYB		Proposed Acquisition 08/16		
	Note	Audited Accounts at 31/12/15 \$	New Issues (Resolutions 2 - 7) \$	Van Dooren \$	Eagle \$	Total \$
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	3	139,054	15,108,534	(2,826,000)	(1,280,000)	11,141,588
Trade and other receivables		58,326				58,326
Livestock	4	-		1,800,000	1,799,202	3,599,202
<b>Total Current Assets</b>		<b>197,380</b>	<b>15,108,534</b>	<b>(1,026,000)</b>	<b>519,202</b>	<b>14,799,116</b>
<b>Non-current Assets</b>						
Land and Improvements	4			5,503,842	1,530,383	7,034,225
Water rights	4			811,525	870,415	1,681,940
Plant and equipment	4	38,990		834,633	400,000	1,273,623
Intangibles and Acquisition costs	4	-	1,236,000	276,000	80,000	1,592,000
<b>Total Non-current Assets</b>		<b>38,990</b>	<b>1,236,000</b>	<b>7,426,000</b>	<b>2,880,798</b>	<b>11,581,788</b>
<b>TOTAL ASSETS</b>		<b>236,369</b>	<b>16,344,534</b>	<b>6,400,000</b>	<b>3,400,000</b>	<b>26,380,904</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Trade and other payables		67,434				67,434
Loans and borrowings		193,455	(150,000)			43,455
<b>Total Current Liabilities</b>		<b>260,889</b>	<b>(150,000)</b>	<b>-</b>	<b>-</b>	<b>110,889</b>
<b>Long Term Liabilities</b>						
Secured Loans	4			6,400,000	3,400,000	9,800,000
<b>TOTAL LIABILITIES</b>		<b>260,889</b>	<b>(150,000)</b>	<b>6,400,000</b>	<b>3,400,000</b>	<b>9,910,889</b>
<b>NET ASSETS</b>		<b>(24,520)</b>	<b>16,494,534</b>	<b>-</b>	<b>-</b>	<b>16,470,014</b>
<b>EQUITY</b>						
Contributed equity		18,668,260				18,668,260
Share Issues	5		16,494,534			16,494,534
Accumulated losses		(18,692,780)				(18,692,780)
<b>TOTAL EQUITY</b>		<b>(24,520)</b>	<b>16,494,534</b>	<b>-</b>	<b>-</b>	<b>16,470,014</b>

This Statement of Financial Position should be read in conjunction with the accompanying notes.

#### Forward Looking Statement Notes to Statement of Financial Position

##### 1 CORPORATE INFORMATION

The financial report includes the Forward Looking Statement and notes of Australian Natural Proteins Limited and its controlled entities ('Consolidated Group' or 'Group'). The financial report was authorised for issue by the Board of directors in June 2016.

Australian Natural Proteins Limited (the Company) is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares were publicly traded on the Australian Stock Exchange. The Shares were suspended from trading on the ASX on 17 May 2016 as a result of the announcement by the Company of the proposed acquisition of Dairy Farms.



## ANNEXURE C

### AUSTRALIAN NATURAL PROTEINS LIMITED (ACN 095 821 971) AND CONTROLLED ENTITIES

#### 2 Basis of Preparation

The Forward Looking Statement has been prepared in support of Notice of General Meeting where Shareholders' approval is sought for capital raising by way of share issues and in contemplation of the change in the nature and scale of activities by the acquisition of Dairy Farms. It seeks to provide Shareholders with some insight as to the Company's projected financial position immediately after the proposed transactions.

This Statement has been prepared based on the Company's audited accounts at 31 December 2015 and incorporate the proposed transactions (refer to Resolutions 1 to 7). Yours attention is drawn to the risks and uncertainties detailed in Item 12 of the attached Notice of General Meeting.

Detailed information on the dairy farms to be acquired are disclosed in the Explanatory Statement.

#### 3 Cash and cash equivalents

	Resolutions	No of shares	per Share	\$
Shares issued on 15 April 2016 (exercise of options)		18,362,000	\$ 0.007	128,534
Converting Loan (shares and options to be issued)	3,4	28,571,429	\$ 0.035	1,000,000
New Issues of shares	2	600,000,000	\$ 0.025	15,000,000
Expenses relating to Capital Raising				
Brokerage and fees				(750,000)
Legal expenses				(120,000)
Preparation of Prospectus				(150,000)
				<u>15,108,534</u>
Payment on settlement of farms				
Van Dooren				(2,826,000)
Eagle				(1,280,000)
Net increase in Cash				<u>11,002,534</u>
Balance at 31/12/2015				<u>139,054</u>
				<u>11,141,588</u>

#### 4 Acquisitions of Dairy Farms

	Van Dooren	Eagle	\$
Land and Improvements	5,503,842	1,530,383	7,034,225
Water rights	811,525	870,415	1,681,940
Plant and equipment	834,633	400,000	1,234,633
Livestock	1,800,000	1,799,202	3,599,202
Stamp Duty	266,000	70,000	336,000
Legal expenses	10,000	10,000	20,000
	<u>9,226,000</u>	<u>4,680,000</u>	<u>13,906,000</u>
<b>Funded by</b>			
Secured loan on Livestock	1,800,000	1,800,000	3,600,000
Secured loan on Property	4,600,000	1,600,000	6,200,000
Cash	2,826,000	1,280,000	4,106,000
	<u>9,226,000</u>	<u>4,680,000</u>	<u>13,906,000</u>

#### 5 Share Issues

	Resolutions	Number of shares	per share	\$
Shares issued on 15 April 2016 (exercise of options)		18,362,000	\$ 0.007	128,534
Capital raising - share issue	2	600,000,000	\$ 0.025	15,000,000
Converting Loan (shares and options to be issued)	3,4	28,571,429	\$ 0.035	1,000,000
Non-cash issues				
Shares issued on 15 April 2016 (settlement of debt)		7,500,000	\$ 0.020	150,000
Shares to be issued in lieu of Directors Fees	5,6,7	6,171,429	\$ 0.035	216,000
		<u>660,604,858</u>		<u>16,494,534</u>







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## PROXY FORM FOR GENERAL MEETING

I/We \_\_\_\_\_

of \_\_\_\_\_

am/are a Shareholder of Australian Natural Proteins Limited ACN 095 821 971 and I/we appoint as my/our proxy:

\_\_\_\_\_

of \_\_\_\_\_

or failing the individual or body corporate named above (or if no individual or body corporate is named), the Chairperson of the General Meeting of the Company, to vote for me/us at the Meeting to be held at Seasons Botanic Gardens Melbourne, 348 St Kilda Road, Melbourne, VIC, 3004 on Wednesday, 13 July 2016 at 10:30 am AEST and at any adjournment of that Meeting. If 2 proxies are being appointed the proportion of voting rights this proxy is authorised to exercise is .....%. (The Company will supply an additional form on request).

		For	Against	Abstain*
Resolution 1	Change to Nature and Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approve the issue of up to 600,000,000 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approve the issue of 28,085,714 Shares and 28,085,714 Options on conversion of Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approve the issue of 485,714 Shares and 485,714 Options to Paul Duckett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approve the issue of 4,285,714 Shares and 4,285,714 Options to Paul Duckett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approve the issue of 942,857 Shares and 942,857 Options to Ray Taylor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approve the issue of 942,857 Shares and 942,857 Options to Trevor Kelly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\* If you mark the "Abstain" box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

Subject to the voting restrictions set out in the Voting Exclusion Statements, the Chairperson intends to vote undirected proxies on, and in favour of, all Resolutions. If the proxy is the Chairperson, the Chairperson can also vote undirected proxies on Resolutions 5, 6 and 7 provided that the proxy form authorises the Chairperson to vote (by the box below being ticked) even though Resolutions 5, 6 and 7 are connected with the remuneration of Directors of the Company.

If you do not wish to direct your proxy on how to vote, please tick this box: ☐

If your proxy is not the Chairperson and you do not direct your proxy how to vote, your proxy will be able to vote on the Resolutions as they see fit. By ticking this box, I/we expressly authorise the Chairperson of the Meeting to vote in accordance with the Chairperson's voting intentions on Resolutions 1 to 7 (except where I/we have indicated a different voting intention above) and acknowledge that the Chairperson of the Meeting may exercise my/our proxy even if the Chairperson of the Meeting has an interest in the outcome of the Resolutions and that votes cast by the Chairperson, other than as proxy holder, would otherwise be disregarded because of that interest.

If Chairperson is your proxy and you do not mark this box, and you have not otherwise directed the Chairperson how to vote, the Chairperson will not cast your votes on the Resolutions and your votes will not be counted in calculating the required majority if a poll is called on the relevant Resolutions.

Signature of Shareholder(s)

Date: .....

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name: ..... Contact Ph (daytime): .....



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## PROXY FORM FOR GENERAL MEETING

**PROXY INSTRUCTIONS:** A Shareholder entitled to attend and vote at a meeting is entitled to appoint not more than 2 proxies. Where more than 1 proxy is appointed, each proxy may be appointed to represent a specific portion of the Shareholder's voting rights. A proxy need not be a Shareholder of the Company. A proxy form must be signed by the Shareholder or his or her attorney. Proxies given by corporations must either be signed under seal or under the hand of a duly authorised officer of attorney. To be valid, the form appointing the proxy and the Power of Attorney or other authority (if any) under which it is signed (or a certified copy) must be lodged with:

Australian Natural Proteins Limited  
Attention: The Company Secretary  
21 Wells Road, Mordialloc VIC 3195  
Fax: +613 9580 2294  
**Not later than 10:30 a.m. AEST on 11 July 2016**