



Mareterram

23 May 2016
By ASX online platform
Companies Announcement Office
ASX Limited
Level 40
Central Park
152-159 St George's Terrace
PERTH WA 6000

Dear Sir / Madam

Target's Statement – Off-market takeover bid by Sea Harvest International Proprietary Limited.

In accordance with item 14 of section 633(1) of the Corporations Act 2001 (Cth), we enclose a copy of the target's statement dated 23 May 2016 (Target's Statement) prepared by Mareterram Limited (ABN 87 009 248 720) (Mareterram) in relation to the off-market takeover bid by Sea Harvest International Proprietary Limited (Sea Harvest) for 50% of the fully paid ordinary shares in Mareterram not already owned by Sea Harvest or its related parties.

The Target's Statement has today been lodged with the Australian Securities and Investments Commission and sent to Sea Harvest.

Yours sincerely

Mr Richard Duncan
Company Secretary
Mareterram Limited



Mareterram

TARGET'S STATEMENT

Mareterram Limited

ABN 87 009 248 720

The Independent Directors of Mareterram
unanimously recommend that you

ACCEPT

the Offer by Sea Harvest to acquire 1 out of every 2 of
your ordinary Shares in Mareterram for \$0.35 cash per
Share, in the absence of a Superior Proposal.

The Independent Expert has concluded the Offer is fair
and reasonable to Shareholders.

This is an important document and requires your immediate attention. If you are in any
doubt how to deal with this document, you should consult your legal, financial or other
professional adviser as soon as possible.

EUROZ

Financial Adviser

G | **GILBERT
+ TOBIN**

Legal Adviser

1 Important notices and key dates

Nature of this document

This document is a Target's Statement issued by Mareterram Limited (ABN 87 009 248 720) (**Mareterram** or the **Company**) under Part 6.5 Division 3 of the Corporations Act in response to the Offer by Sea Harvest International Proprietary Limited, formerly SHC Retail Shops Proprietary Limited (a corporation organised and existing under the laws of South Africa with registration number 2012/130812/07) (**Sea Harvest**) to acquire 50% of your Shares.

Sea Harvest

On 8 April 2016, Mareterram entered into the BIA with Sea Harvest Holdings Proprietary Limited (**Sea Harvest Holdings**) under which Sea Harvest Holdings (or a nominated member of the Sea Harvest Group) agreed to make the Offer. Sea Harvest Holdings has nominated Sea Harvest to make the Offer. Sea Harvest is a subsidiary of Sea Harvest Holdings. In this Target's Statement, unless the context requires otherwise, references to Sea Harvest is to Sea Harvest International Proprietary Limited, and references to Sea Harvest Holdings is to Sea Harvest Holdings Proprietary Limited. References to the Sea Harvest Group is to the group comprised of Sea Harvest Holdings and its subsidiaries (which includes Sea Harvest).

Key dates

Date Target's Statement and Bidder's Statement lodged with ASIC	23 May 2016
Date of the Offer	8 June 2016
Commencement of the Offer Period	8 June 2016
Close of Offer Period ¹	5:00pm (AWST) 8 July 2016

The Offer is open until 5:00pm (AWST) on 8 July 2016 (unless the Offer is withdrawn or extended).

ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and sent to ASX on 23 May 2016. None of ASIC, ASX or any of their respective officers takes any responsibility for the content of this Target's Statement.

Proportional takeover bid

Shareholders should note that the Offer is a proportional takeover bid. Sea Harvest is offering to acquire 1 out of every 2 Shares (50%) you hold on the Register Date. If all Shareholders accept the Offer, Sea Harvest will obtain an interest in Mareterram of approximately 59.6% (based on Mareterram's capital structure as at the date of this Target's Statement).

Date of this Target's Statement

This Target's Statement is dated 23 May 2016.

Defined terms

Capitalised terms used in this Target's Statement are defined in Section 12. The rules of interpretation that apply to this Target's Statement are also set out in Section 12.

¹This date is indicative only and may be extended as permitted by the Corporations Act

No account of personal circumstances

The information contained in this Target's Statement does not constitute financial product advice. In preparing this Target's Statement, Mareterram has not taken into account the objectives, financial situation or needs of individual Shareholders. It is important that you consider the information in this Target's Statement in light of your particular circumstances. You should seek advice from your financial, legal or other professional adviser regarding your particular circumstances and the Offer or if you are in doubt as to the contents of this Target's Statement.

Forward-looking statements

This Target's Statement may contain forward-looking statements, including statements of current intention or expectation. As such forward-looking statements relate to future matters, they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by such forward-looking statements. None of Mareterram or its directors, officers and advisers give any representation, assurance or guarantee to Shareholders or any other person that any forward-looking statements will actually occur or be achieved.

Disclaimer as to information

The information on Brimstone and the Sea Harvest Group entities contained in this Target's Statement has been prepared by Mareterram using publicly available information and information from their respective websites. None of the information in this Target's Statement relating to Brimstone and the Sea Harvest Group entities has been commented on or verified by Brimstone or the Sea Harvest Group entities or their directors, or independently verified by Mareterram or its directors for the purposes of this Target's Statement. Accordingly, subject to the Corporations Act, Mareterram does not make any representation or warranty (express or implied) as to the accuracy or completeness of such information. In particular, if the information has been used as the basis for forward looking statements in this Target's Statement, this may add to the risk that actual values, results, performance or achievements will differ materially from those expressed or implied by those forward looking statements. The information on Brimstone and the Sea Harvest Group entities in this Target's Statement should not be considered comprehensive.

Independent Expert's Report

The Independent Expert's Report has been prepared by the Independent Expert for the purposes of this Target's Statement and the Independent Expert is responsible for that report. Neither Mareterram nor any of its officers or advisers assumes any responsibility for the accuracy or completeness of the Independent Expert's Report.

Risk factors

Shareholders should note that there are a number of risks that they should have regard to before deciding how to respond to the Offer. Some of these risks are set out in Section 10.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement may be restricted by law or regulation in some jurisdictions outside Australia. Accordingly, persons outside Australia who come into possession of this Target's Statement should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with laws and regulations outside Australia.

Privacy

Mareterram has collected your information from the Register for the purpose of providing you with this Target's Statement. Such information may include the name, contact details and shareholdings of Shareholders and the names of persons appointed to act as proxy, attorney or corporate representative of Shareholders. Without this information, Mareterram would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Shareholders to be held in a public

register. Personal information of the type described above may be disclosed to Mareterram, Sea Harvest and their registries, print and mail and other service providers, authorised securities brokers, related bodies corporate of Mareterram and Sea Harvest, and may be required to be disclosed to regulators, such as ASIC. Shareholders have certain rights to access personal information that has been collected. Shareholders should contact Automic Registry Services being the Mareterram security registry (the **Registry**) in the first instance, if they wish to access their personal information. Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

Tax implications of the Offer

There will be tax consequences for Shareholders who accept the Offer which may include tax being payable on any gain on disposal of Shares. For further details regarding general Australian tax consequences of the Offer, refer to section 7 of the Bidder's Statement. The tax treatment may vary depending on the nature and characteristics of each Shareholder and their specific circumstances. Accordingly, Shareholders should seek professional tax advice in relation to their particular circumstances.

Diagrams

Diagrams appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in charts, graphs and tables is based on information available at the date of this Target's Statement.

Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

Further queries

If you have any questions in relation to the Offer, please contact the Company Secretary on +61 8 9435 9207 during normal business hours.

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2 Letter from the Chairman of Mareterram

23 May 2016

Dear Fellow Shareholder,

You have recently received an offer from Sea Harvest to acquire one out of every two Mareterram Shares you own for \$0.35 cash each. This Target's Statement is the formal response of the independent directors of Mareterram (**Independent Directors**) to the Offer and sets out the reasons for our unanimous recommendation that you **ACCEPT** the Offer, in the absence of a Superior Proposal.

Mareterram recently completed a re-capitalisation and re-compliance process. This included:

- the acquisition in December 2015 of a commercial fishing business in Carnarvon, Western Australia that was owned by Nor-West and the food services division of the Craig Mostyn Group; and
- an \$18 million capital raising at \$0.20 per Share, in which many of you participated.

The result was Mareterram re-listing on the ASX on 6 January 2016 as a vertically integrated agribusiness with an experienced board and management team and a platform to leverage opportunities within the seafood, and broader agricultural and food sectors.

During the re-listing process Mareterram was introduced to the Sea Harvest Group, one of the largest vertically integrated fishing businesses in South Africa and an important and long-standing supplier to the food services division. Importantly for Mareterram, these discussions resulted in (among other things) Sea Harvest strongly supporting the re-capitalisation by subscribing for a 19.9% shareholding in the Company and subsequently appointing Mr Felix Ratheb to Mareterram's Board.

Both Mareterram and the Sea Harvest Group recognise the potential value to be added by having a strong and close relationship. The Offer now gives Mareterram and its shareholders the opportunity to strengthen that relationship and provide on-going benefits, including leveraging the Sea Harvest Group's customer and supply networks, product range, extensive expertise and global customer base. Further, the Sea Harvest Group has stated it fully endorses Mareterram's current Board and management, its growth strategy and the vision of a diversified agribusiness. The Offer represents attractive value and a premium over historical trading prices of Mareterram's Shares. It also allows accepting Shareholders to continue to retain exposure to, and benefit from, any growth of Mareterram in respect of the Shares you continue to hold.

The Independent Expert engaged by the Independent Directors has concluded the Offer is fair and reasonable to Shareholders. I encourage you to read the Independent Expert's report which is at Annexure A to this Target's Statement.

Each Director of Mareterram, including myself, who holds or controls Mareterram Shares, intends to accept the Offer in full, in the absence of a Superior Proposal. The two largest shareholders of Mareterram (other than Sea Harvest), being Craig Mostyn (who holds 20 million Shares) and Orange Sun (who holds 10 million Shares) have both indicated they intend to accept the Offer, in the absence of a Superior Proposal. Further, two major shareholders who each hold 5 million Shares, have separately indicated they intend to accept the Offer, in the absence of a Superior Proposal.

I encourage you to read this Target's Statement in full and to contact your professional adviser or the Company Secretary if you have any questions.

Peter Hutchinson
Chairman of Mareterram

3 Independent Directors recommendation

3.1 Directors of Mareterram

The Directors of Mareterram, as at the date of this Target's Statement, are Peter Hutchinson (Chairman), David Lock, James Clement, Mark Pitts, and Felix Ratheb.

Under the Sea Harvest Earn Out and Equity Participation Agreement, Sea Harvest Holdings is entitled to appoint one Director for so long as the Sea Harvest Group's voting power in Mareterram is at least 15%. Sea Harvest Holdings has nominated Felix Ratheb to be its nominee Director. Mr Ratheb is currently the Managing Director and Chief Executive Officer of Sea Harvest Holdings and a director of Sea Harvest. Accordingly, Mr Ratheb is not considered to be an independent director of Mareterram. The Independent Directors who considered and responded to the Offer are Peter Hutchinson, David Lock, James Clement and Mark Pitts.

3.2 Recommendation of the Independent Directors

This Target's Statement sets out the formal response of the Independent Directors to the Offer, including the reasons why the Independent Directors unanimously recommend that you **ACCEPT** the Offer, in the absence of a Superior Proposal. The key reasons for the Independent Directors unanimous recommendation are set out in Section 4.

Mr Ratheb is not making a recommendation in relation to the Offer due to his position as a director of Sea Harvest Holdings and Sea Harvest, and of Mareterram.

3.3 Intentions of the Directors

Each of the Directors intend to accept the Offer in respect of all the Shares that they own or control, in the absence of a Superior Proposal.

Details of the relevant interests of each Director in Mareterram Shares are set out in Section 11.5.

4 Reasons why Shareholders should **ACCEPT** the Offer

A. **The Offer has been unanimously recommended by the Independent Directors**

The Independent Directors unanimously recommend that you **ACCEPT** the Offer, in the absence of a Superior Proposal. In reaching its recommendation, the Independent Directors have assessed the Offer, having regard to the reasons to accept, or to reject, the Offer, as set out in this Target's Statement. Each Director who holds or controls Shares intends to accept the Offer in full, in the absence of a Superior Proposal.

B. **The Independent Expert has concluded the Offer is fair and reasonable to Shareholders**

The Independent Directors have appointed RSM Corporate Australia Pty Ltd as the Independent Expert to undertake an independent assessment of the Offer. The Independent Expert has assessed a valuation range for Shares of \$0.253 to \$0.313 per Share. The Offer price is above this range. On this basis, the Independent Expert has concluded that the Offer is fair and reasonable to Shareholders.

Refer to Annexure A of this Target's Statement for the full Independent Expert's Report. The Independent Directors recommend that you read the Independent Expert's Report carefully.

C. **Attractive value and premium**

The cash Offer price of \$0.35 per Share represents a premium over historical trading prices of the Shares. The Offer price represents:

- (a) a 75% premium over the offer price of \$0.20 per Share under the Company's recent re-compliance prospectus dated 12 November 2015;
- (b) an 18.63% premium over the 30 day volume weighted average price (**VWAP**) of \$0.295 per Share up to and including 4 April 2016², the last trading day prior to the Company entering into the trading halt ahead of the execution of the BIA;
- (c) a 9.37% premium over the closing price of \$0.32 per Share on 4 April 2016; and
- (d) a 12.90% premium over the last closing price of \$0.31 per Share on 20 May 2016, the last trading day before the date of this Target's Statement.

D. **The Sea Harvest Group supports the current board, management and strategy of Mareterram**

The Sea Harvest Group has stated it fully endorses Mareterram's current Board and management, its growth strategy and vision of a diversified agribusiness. This support will provide Mareterram access to a broader range of growth opportunities and valuable expertise in identifying and assessing potential acquisitions.

² The VWAP is calculated using the 30 ASX trading days up to and including 4 April 2016. The 30 day VWAP of \$0.2924 noted in the Company's announcement on 8 April 2016 was for the 30 trading days up to and including 4 April 2016, but excluding ASX trading days on which the Company's Shares did not trade.

E. A closer relationship with the Sea Harvest Group will provide benefits to Mareterram

If the Sea Harvest Group obtains an increased shareholding as a result of the Offer, Mareterram expects the resulting closer relationship and alignment between the two companies to provide potential on-going benefits to Mareterram, including:

- (a) being able to better leverage the Sea Harvest Group's long term relationships with established customers and access to international supply chain logistics to sell its own products and to penetrate new markets, as well as better service Mareterram's existing customers. The Sea Harvest Group has a 52 year history in global markets, and sells its product to customers in the US, Europe and Asia (including to customers not currently serviced by Mareterram);
- (b) the opportunity to increase the volume and range of Sea Harvest Group products that Mareterram sells under its existing supply arrangements and to diversify its distribution channels into the marketplace;
- (c) assisting to underpin Mareterram's future capital requirements to fund its strategic objectives. The Sea Harvest Group is controlled by Brimstone Investment Corporation Limited (**Brimstone**), an investment holding company listed on the JSE. Brimstone's strategy is to develop long term partnerships with, and invest alongside, strong management teams running cash generative businesses; and
- (d) working with the Sea Harvest Group to better access the people, systems and expertise of the Sea Harvest Group to achieve operational and other synergies in a number of areas, including purchasing power, maintenance and support of vessels, engineering, sales and marketing, IT, risk management, fishing practices, occupational health and safety and quality control.

F. Cash certainty and continued participation in Mareterram's performance

The Offer provides certainty of cash for half (50%) of your shareholding in Mareterram. If you accept the Offer and the Offer becomes unconditional, you will obtain the certainty of receiving a cash payment of \$0.35 per Share for 1 out of every 2 of your Shares.

As the Offer is a proportional takeover offer, if you accept the Offer, you will continue to retain exposure to and benefit from any growth of Mareterram in respect of the Shares you continue to hold.

As Mareterram Shares have traded on modest volumes on ASX since re-listing on 6 January 2016, the Offer may be more attractive to certain Shareholders who hold a large parcel of Shares, as it gives them an opportunity to dispose of 50% of their Shares at a definite price of \$0.35 cash per Share.

G. The Share price may trade below the Offer price of \$0.35 following close of the Offer

As at the date of this Target's Statement, the Offer price of \$0.35 is equal to the highest price at which the Shares have traded since Mareterram re-listed on ASX on 6 January 2016.

There are many factors that may affect the Share price. In the absence of a Superior Proposal, the Share price may fall below current levels and below the Offer price.

H. The Independent Directors are not aware of any Superior Proposal for your Shares

As at the date of this Target's Statement, the Independent Directors have not received any Superior Proposal for your Shares and there is no certainty that any Superior Proposal will emerge.

5 Possible reasons why Shareholders may choose not to accept the Offer

A. You may disagree with the Independent Directors recommendation or the conclusion of the Independent Expert

You may disagree with the unanimous recommendation of the Independent Directors that you should accept the Offer in the absence of a Superior Proposal, and/or you may disagree with the Independent Expert's opinion that the Offer is fair and reasonable to Shareholders.

B. By accepting the Offer you will lose some exposure to any potential upside in the Share price

If you accept the Offer, you will give up your right to sell 1 in every 2 of your Shares on-market, accept a competing takeover proposal or otherwise deal with those accepted Shares.

C. Potential reduction in liquidity

The reduction in 'free float' which will occur if Sea Harvest becomes a majority shareholder in the Company may lead to a reduction in the liquidity of the Shares. This may adversely affect the value at which you are able to dispose of your Shares in the future.

D. The Sea Harvest Group's ability to exert influence over Mareterram's business

A condition to the Offer is that Sea Harvest and its associates together have a relevant interest in at least 50.1% (by number) of Shares on issue during or at the end of the Offer Period. This would give Sea Harvest the ability to pass ordinary resolutions of the Company (assuming it is not prevented from voting on any such resolution). In addition, under the BIA, if Sea Harvest acquires a relevant interest in 50.1% or more of the Shares and the Offer is declared unconditional, Fred Robertson (a nominee of Sea Harvest) will be appointed to the Board. This would mean that 2 out of the 6 Directors of the Company would be Sea Harvest Group nominees.

E. You may consider there is the potential for a Superior Proposal to be made

You may believe there is a possibility that a Superior Proposal could be made prior to the end of the Offer Period. Once you accept the Offer you have limited rights of withdrawal and may not be able to accept any Superior Proposal that may be forthcoming. As at the date of this Target's Statement, no competing offer has emerged for consideration by the Directors.

F. The potential tax consequences of the Offer may not suit your current financial position or tax circumstances

Acceptance of the Offer may have potential tax consequences for Shareholders. A general outline of the tax implications of accepting the Offer is set out in section 7 of the Bidder's Statement. As the outline is a general outline only, Shareholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.

6 Frequently Asked Questions

This Section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for Shareholders. This Section should be read together with all other parts of this Target's Statement.

Overview of the Offer	
Question	Answer
Who is making the Offer?	<p>Sea Harvest, a wholly owned subsidiary of Sea Harvest Holdings.</p> <p>The Sea Harvest Group is one of the largest vertically integrated fishing businesses in South Africa. Established in 1964 and employing over 2,400 people, the Sea Harvest Group owns 18 fishing trawlers and processes approximately 40,000 tonnes of fish per annum.</p> <p>In addition to its factory freezer trawlers, the Sea Harvest Group has three factories in South Africa, two based on the Atlantic Ocean coast in Saldanha Bay and one on the Indian Ocean coast in Mossel Bay and has considerable expertise in the fishing industry.</p> <p>In addition to being one of the leading suppliers of Hake product in South Africa under the Sea Harvest brand, the Sea Harvest Group markets and sells products in over 22 different countries, predominantly in the developed world, with Australia representing the Sea Harvest Group's second largest international market. The Sea Harvest Group's customer base includes large blue chip retailers around the world.</p> <p>Sea Harvest Holdings is controlled by Brimstone, a diversified investment holding company listed on JSE with investments in the food, healthcare, infrastructure, ICT and financial services sectors.</p> <p>Further information in relation to Sea Harvest, the Sea Harvest Group and Brimstone is set out in Section 9 and section 1 of the Bidder's Statement.</p>
What is the Offer?	<p>The Offer is a proportional off-market takeover bid by Sea Harvest for 1 out of every 2 Shares (50%) of your Shares, at \$0.35 cash per Share.</p> <p>Accordingly, if you accept the Offer, you will receive \$0.35 cash per Share, for 50% of your Shares (rounded down to the nearest whole number of Shares) and retain the remainder of your Shares.</p> <p>For example, if you own 15,000 Shares and accept the Offer, you will receive \$2,625 in cash and continue to own 7,500 Shares.</p> <p>You may only accept the Offer for 50% of your Shares, and not a greater or lesser proportion.</p> <p>However, if by accepting the Offer you will be left holding less than a Marketable Parcel, then Sea Harvest will buy all of your Shares for \$0.35 cash each. In other words, in these limited circumstances the Offer will extend to ALL of your Shares. This rule regarding the Offer applying to all of your Shares will not apply to a parcel of Shares, whether held beneficially or otherwise, that has come into existence, or increased in size because of a transaction entered into (including the creation of one or more trusts), at any time after 10:00am on 8 April 2016 (being the date the BIA was announced).</p> <p>The Acceptance Form includes details of the number of Shares you can accept into the Offer based on your holding at the Register Date.</p>

Why have I received this document?	<p>You have received this Target's Statement because you are a Shareholder.</p> <p>This Target's Statement is the Independent Directors formal response to the Offer and the Bidder's Statement which was sent to Shareholders at the same time as this Target's Statement. The Bidder's Statement was prepared by Sea Harvest and includes information about Sea Harvest and the Sea Harvest Group, together with details of Sea Harvest's Offer to acquire 1 out of every 2 (50%) of your Shares.</p> <p>The Bidder's Statement and this Target's Statement contain important information in relation to your decision whether or not to accept the Offer.</p>
How long will the Offer be open for acceptance?	The Offer is scheduled to close at 5:00pm (AWST) on 8 July 2016 as specified in the Bidder's Statement, unless it is extended.
Can the Offer Period be extended?	<p>Sea Harvest may extend the Offer Period at any time before the end of the Offer Period. The maximum Offer Period is 12 months.</p> <p>There will be an automatic extension if, within the last seven days of the Offer Period:</p> <ul style="list-style-type: none"> • Sea Harvest increases the Offer price; or • Sea Harvest voting power in Mareterram increases to more than 50%. <p>If either of those events occurs, the Offer is automatically extended so that it ends 14 days after the relevant event.</p>
What are the conditions of the Offer?	<p>The Offer is subject to a number of conditions. The conditions to the Offer which have not yet been satisfied or waived as at the date of this Target's Statement are, in summary:</p> <ul style="list-style-type: none"> • there are no regulatory actions by any governmental agency which restrains or prohibits the making or completion of the Offer (see section 9.8(a) of the Bidder's Statement); • Sea Harvest Holdings receives the SARB Approval (see section 9.8(b)(i) of the Bidder's Statement); • Mareterram receives all other approvals that are required by law or by any government agency as a result of the Offer and which are necessary for the continued operation of the business of the Mareterram Group (see section 9.8(b)(ii) of the Bidder's Statement); • Sea Harvest and its associates together have a relevant interest in at least 50.1% (by number) of the Shares (see section 9.8(c)(i) of the Bidder's Statement); • Shareholders holding at least 67% (by number) of Shares that are not voluntary escrowed shares that are the subject of the Offer have accepted the Offer (see section 9.8(c)(ii) of the Bidder's Statement); • the Mareterram Group entities do not make any material acquisitions, disposals or commitments (see section 9.8(d) of the Bidder's Statement); • no prescribed occurrences occur in relation to any Mareterram Group entity (see section 9.8(e) of the Bidder's Statement); • Sea Harvest Holdings does not become aware that Mareterram has failed to file any material documents required by applicable law or the ASX Listing Rules or any documents filed by Mareterram with ASIC or ASX contains a statement which is incorrect or misleading in any material particular or there is a material omission (see section 9.8(f) of

the Bidder's Statement);

- all material licenses and approvals required for the lawful operation of the business conducted by the Mareterram Group entities remain in force and are not revoked, suspended or modified (see section 9.8(g)(i) of the Bidder's Statement);
- Mareterram receives the consent of the Minister for Transport for the deemed assignment of the Carnarvon Boat Harbour Leases as a result of the Offer and does not require any additional action in relation to contamination at the Carnarvon Boat Harbour Leases as a result of the deemed assignment (see sections 9.8(g)(ii) and 9.8(g)(iv) of the Bidder's Statement);
- Mareterram and Sea Harvest do not receive any correspondence from a government agency that any of the fishing licences held by Mareterram Fisheries or the Carnarvon Boat Harbour Leases will be revoked, suspended or amended (see section 9.8(g)(iii) of the Bidder's Statement);
- Mareterram and Sea Harvest do not receive any correspondence from a government agency that Mareterram (or its representatives) is not considered to be a fit and proper person for the purpose of the *Fish Resources Management Act 1994* (WA) (see section 9.8(g)(v) of the Bidder's Statement);
- there is no material adverse change in respect of the Mareterram Group including, without limitation, the group's consolidated net asset value falling below \$20.5 million (see section 9.8(h) of the Bidder's Statement);
- no person asserts or exercises any rights under any agreement to which a Mareterram Group entity is a party which results in any moneys borrowed by any Mareterram Group entity in excess of \$200,000 being repayable; the agreement between terminated or modified; all or substantially all of the assets of the Mareterram Group being sold, transferred or offered for sale; or the business of any Mareterram Group entity being materially adversely affected (see section 9.8(i) of the Bidder's Statement);
- Mydibel, Top Hat, Bayview and Rand Transport 1986 Pty Ltd do not terminate their existing arrangements with Mareterram Trading (see section 9.8(i) of the Bidder's Statement);
- there is no breach of the put and call option deed referred to in section 11.2 of this Target's Statement (see section 9.8(j) of the Bidder's Statement);
- no bona fide litigation is commenced against any Mareterram Group entity which may reasonably result in a judgement against any Mareterram Group entity of more than \$200,000 (see section 9.8(k) of the Bidder's Statement);
- each Mareterram Group entity conducts business in the ordinary course and do not do any of the things referred to in section 9.8(l) of the Bidder's Statement without Sea Harvest Holding's prior written consent (see section 9.8(l) of the Bidder's Statement); and
- the Independent Expert does not change its opinion that the Offer is fair and reasonable to shareholders (see section 9.8(m) of the Bidder's Statement).

The above is a summary of the outstanding conditions only. The full terms of the conditions are set out in Section 9 of the Bidder's Statement.

When will Sea Harvest announce the status of the conditions of the Offer?

Section 9.11 of the Bidder's Statement indicates that Sea Harvest will give a Notice of Status of Conditions on 1 July 2016 (subject to extension in accordance with the Corporations Act if the Offer Period is extended) in accordance with section 630(3) of the Corporations Act.

Sea Harvest is required to set out in this Notice of Status of Conditions:

- whether the Offer is free of any or all of the conditions;
- whether, so far as Sea Harvest knows, any of the conditions have been fulfilled on the date the notice is given; and
- Sea Harvest's voting power in Mareterram.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period and Sea Harvest is required to give notice that states the new date for the giving of the Notice of Status of Conditions.

If a condition is fulfilled (so that the Offer becomes free of that condition) before the date on which the Notice of Status of Conditions is required to be given, Sea Harvest must, as soon as practicable, give ASX and Mareterram a notice that states that the particular condition has been fulfilled.

What happens if the conditions of the Offer are not satisfied or waived?

If the conditions are not satisfied or waived before the end of the Offer Period (or in the case of the condition in section 9.8(e) of the Bidder's Statement (no prescribed occurrences), at the end of the third Business Day after the end of the Offer Period), then your acceptance of the Offer is void and you will retain ownership of the Shares in respect of which you had accepted the Offer.

Can the Offer be withdrawn?

Sea Harvest may be able to withdraw the Offer if it obtains the written consent of ASIC, subject to the conditions (if any) specified in such consent.

Can the Offer be varied?

Sea Harvest may vary the Offer in any of the ways permitted by the Corporations Act, including by extending the Offer Period or by increasing the Offer price, provided the varied terms and conditions are not less favourable to Shareholders than the Offer. If Sea Harvest varies the Offer in any of those ways, it must give written notice to ASIC and Mareterram and send you a copy of that notice (provided, however, that Sea Harvest will not be required to send you a copy of the notice if, at the time of the variation, you have already accepted the Offer, the Offer is unconditional and the variation merely extends the Offer Period).

How to respond to the Offer

Question

Answer

What choices do I have as a Shareholder?

As a Shareholder, you have the following choices:

- **ACCEPT** the Offer for 50% of your Shares (rounded down to the nearest whole number), but for no more or less, and retain 50% of your Shares;
- reject the Offer by doing nothing; or
- sell some or all of your Shares on ASX at the prevailing market price.

There are several implications in relation to each of the above choices. A summary of these implications is set out in Section 7. You should seek legal,

	financial and/or taxation advice before taking any action in relation to the Offer.
How do I accept the Offer?	To accept the Offer, you need to follow the instructions set out in section 9.4 of the Bidder's Statement and on the Acceptance Form accompanying the Bidder's Statement.
Can I accept the Offer for less than 50% of my Shares?	No, you can only accept for the full 50% of your Shares, rounded down to the nearest whole number of Shares.
What can I do with my Remaining Shares?	<p>If you accept the Offer, you will continue to hold the Remaining Shares, being 50% of your Mareterram Shares.</p> <p>While you will be able to sell your Remaining Shares on the ASX during the Offer Period, the sale will not settle (and you will not receive the sale proceeds) until after the end of the Offer Period. The purchaser of the Remaining Shares will not be able to accept the Offer with respect to those Remaining Shares.</p> <p>ASX will put in place special trading and settlement arrangements to facilitate trading in the Remaining Shares. In summary they are as follows:</p> <ul style="list-style-type: none"> • purchasers of the Remaining Shares will not be entitled to accept the Offer and such Shares will trade on the ASX on an "ex-Offer" basis; and • settlement of trades in the "ex-Offer" Shares will be deferred until after the end of the Offer Period. <p>If you do not accept the Offer in respect of your Shares and instead sell some or all of your Shares, the purchaser of those Shares may accept the Offer. In this circumstance, your Shares will trade on a "cum-Offer" basis and in a normal (T+2) settlement process.</p>
What are the consequences of accepting the Offer now?	<p>If you accept the Offer:</p> <ul style="list-style-type: none"> • while it is still conditional, unless withdrawal rights are available, you will not be able to sell the Shares accepted under the Offer on ASX or to any other bidder, or otherwise deal with those Shares; • you will remain entitled to sell your Remaining Shares on ASX; however, the recipients of the Remaining Shares will not be able to accept the Offer with respect to those Shares; and • you will be unable to accept any Superior Proposal if one emerges, except in certain limited circumstances (see below). <p>If the conditions of the Offer are not satisfied or waived and the Offer lapses, you will be free to deal with your Shares.</p>
What happens if accepting the Offer would leave me with less than a marketable parcel of Shares?	The Offer is for 50% of your Shares. However, if accepting the Offer would leave you with less than a Marketable Parcel (that is with a market value of less than \$500) of Shares, the Offer extends to all of your Shares and you will be deemed to have accepted for, and will receive consideration for, all of your Shares, except in certain limited circumstances. Refer to the section entitled "Frequently asked questions" and section 9.1(d) of the Bidder's Statement for further information.
What if a Superior Proposal emerges?	The Independent Directors will carefully consider any competing proposal and will advise you whether the competing proposal affects their recommendation that you accept the Offer in the absence of a Superior Proposal. Importantly, if you accept the Offer, you will be unable to withdraw your acceptance and accept a Superior Proposal if one emerges, except in certain limited circumstances.

If I accept the Offer, can I withdraw my acceptance	<p>You may only withdraw your acceptance in limited circumstances prescribed under the Corporations Act, notably if Sea Harvest extends the Offer Period for more than 1 month and the Offer remains conditional.</p> <p>You may not withdraw your acceptance once the Offer is unconditional.</p>
What happens if Sea Harvest improves the Offer after I have accepted?	If you accept the Offer and Sea Harvest subsequently increases the Offer price, you will be entitled to the increased Offer price.
What happens if I do nothing?	You will remain a Shareholder, retain all of your Shares and will not receive any cash consideration.
What if I want to sell my Shares on-market?	<p>During the Offer Period, you may sell some or all of your Shares on-market for cash provided you have not accepted the Offer for those Shares.</p> <p>Before doing so, you should consider the implications of this course of action, including that you would not receive the benefit of any increase in the Offer price. You will also forfeit the ability to accept any Superior Proposal that may emerge. If you sell your Shares on-market, you may incur a brokerage charge.</p>
If I accept the Offer, when will I get paid?	<p>If you accept the Offer and the Offer becomes unconditional, Sea Harvest will pay you the consideration under the Offer by the earlier of:</p> <ul style="list-style-type: none"> • one month after the later of receipt of your valid acceptance and necessary transfer documents and the date on which the Offer becomes unconditional; or • 21 days after the end of the Offer Period.

Recommendation of the Independent Directors and the Independent Expert Report

Question	Answer
Who are the Independent Directors?	<p>The Independent Directors are Peter Hutchinson, James Clement, Mark Pitts and David Lock. The Independent Directors considered and responded to the Offer.</p> <p>Given that Mr Felix Ratheb, a non-executive director of the Company is also the CEO and Managing Director of Sea Harvest Holdings and a director of Sea Harvest, he was not considered to be an independent director.</p>
What do the Independent Directors recommend?	<p>The Independent Directors unanimously recommend that Shareholders ACCEPT the Offer in the absence of a Superior Proposal.</p> <p>The key reasons for the Independent Directors' recommendation are set out in Section 4.</p> <p>However, you should seek legal, financial and/or taxation advice before taking any action in relation to the Offer.</p>
Why might I not accept the Offer?	Possible reasons for not accepting the Offer are set out in Section 5.
What do the Directors intend to do with their Shares?	<p>Each Director who holds or controls Shares intends to accept the Offer in full, in the absence of a Superior Proposal.</p> <p>The Directors' respective interests in Shares are set out in Section 11.</p>

Is there an Independent Expert's Report?	<p>Yes. The Independent Directors have engaged the Independent Expert to opine on whether the Offer is fair and reasonable to Shareholders and to prepare a report for inclusion in this Target's Statement. That report can be found at Annexure A and Shareholders are encouraged to read it carefully and in its entirety.</p> <p>The Independent Expert has concluded that the Offer is fair and reasonable to Shareholders.</p> <p>The reasons for this conclusion are set out in the Independent Expert's Report.</p>
Other considerations	
Question	Answer
What do the major Shareholders of the Company intend to do?	<p>The two largest shareholders of the Company (other than Sea Harvest) are Craig Mostyn (who holds 20 million Shares representing a 14.83% interest) and Orange Sun (who holds 10 million Shares representing a 7.42% interest). Craig Mostyn and Orange Sun have both indicated they intend to accept the Offer, in the absence of a Superior Proposal. In addition, Wolf Capital Pty Ltd and Oresusa Pty Ltd who each hold 5 million Shares representing a 3.71% interest (respectively) have also separately indicated they intend to accept the Offer, in the absence of a Superior Proposal.</p> <p>The indications of an intention to accept the Offer, in the absence of a Superior Proposal, which have been received by the Company from major shareholders and the Directors, relate to an aggregate total of 23,375,000 Shares, representing 17.33% of the total issued capital of the Company.</p>
What existing commercial arrangements are in place with the Sea Harvest Group?	<p>The Company is party to the following agreements with members of the Sea Harvest Group:</p> <ul style="list-style-type: none"> • Sea Harvest Supply and Distribution Agreement; and • Sea Harvest Earn Out and Equity Participation Agreement. <p>These agreements are summarised in Section 11.9.</p>
What does Sea Harvest intend to do?	<p>Sea Harvest fully supports Mareterram's board and management and its organic and acquisitive growth strategy. It is important to Sea Harvest that Mareterram continues with its current strategy of developing a vertically integrated agribusiness.</p> <p>It is anticipated that Mareterram will therefore continue to operate as is, with Mareterram better able to access the people, systems and expertise of the Sea Harvest Group to achieve synergies in a number of areas including purchasing power, maintenance and support of vessels, engineering, sales and marketing, IT, risk management, fishing practices, OH&S and quality control</p> <p>If Sea Harvest acquires a Relevant Interest in 50.1% or more of the Shares and the Offer is declared unconditional, it is intended that Dr. Fred Robertson, the current Chairman of Brimstone and Sea Harvest Holdings, will be appointed to Mareterram's board of directors as a non-executive director.</p> <p>See section 3 of the Bidder's Statement for further information.</p>
What are the tax implications of accepting the Offer?	<p>A general outline of the tax implications of accepting the Offer is set out in section 7 of the Bidder's Statement.</p> <p>As that section provides a general overview only, Shareholders are encouraged to seek their own personal advice on the taxation implications applicable to their circumstances.</p>

Question	Answer
<p>Will I pay stamp duty or brokerage if I accept the Offer?</p>	<p>You will not pay stamp duty on the disposal of your Shares should you accept the Offer.</p> <p>If your Shares are held on Mareterram's issuer sponsored sub-register in your name and you deliver them directly to Sea Harvest, you will not incur any brokerage in connection with your acceptance of the Offer.</p> <p>If your Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Shares are registered in the name of a broker, bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.</p>
<p>If I have further questions in relation to the Offer, what can I do?</p>	<p>If you have any queries regarding the Offer, please contact the Company Secretary on +61 8 9435 2907 during normal business hours.</p>

7 Your choices as a Shareholder

7.1 Choices relating to your Shares

The Independent Directors unanimously recommend that Shareholders ACCEPT the Offer in the absence of a Superior Proposal.

However, as a Shareholder you have the following choices available to you:

A. Accept the Offer

To accept the Offer, follow the instructions set out in section 9.4 of the Bidder's Statement. In summary:

- (A) For Issuer Sponsored Holdings of Mareterram Shares (*Securityholder Reference Number beginning with "I"*)

To accept the Offer, complete the enclosed Issuer Acceptance Form in accordance with the instructions on it and return it in the enclosed envelope or to an address on the Issuer Acceptance Form so that it is received before 5:00pm (AWST) on 8 July 2016, being the last day of the Offer Period.

- (B) For CHES Holdings of Mareterram Shares (*Holder Identification Number beginning with 'X'*)

To accept the Offer, either contact your Controlling Participant (usually your Broker) and instruct them to accept the Offer on your behalf, or complete the enclosed CHES Acceptance Form in accordance with the instructions on it and return it in the enclosed envelope or to an address on the CHES Acceptance Form so that it is received before 5:00pm (AWST) on 8 July 2016, being the last day of the Offer Period.

Details of the consideration that will be received by Mareterram Shareholders who accept the Offer are set out in section 9.2 of the Bidder's Statement.

Shareholders who accept the Offer are free to deal with their Remaining Shares. Any purchaser of the Remaining Shares will not be able to accept the Offer in respect of those Shares and settlement of that purchase will be deferred until after the end of the Offer Period.

B. Sell some or all of your Shares on-market

During the Offer Period, if you have not accepted the Offer, you can sell some or all of your Shares on ASX. If you choose to sell, settlement will occur on a normal "T+2" basis and the purchaser of those Shares may accept the Offer in respect of 50% of those Shares.

There is no guarantee of the price at which the Shares will trade from time to time, whether before or after the Closing Date. The latest price for the Company's Shares may be obtained from the ASX website www.asx.com.au (ASX: MTM).

If you sell your Shares you:

- (a) will lose the ability to accept the Offer in relation to those Shares (or any other offer for Shares which may eventuate); and
- (b) may incur a brokerage charge.

Shareholders who wish to sell their Shares on market should contact their broker for information on how to effect the sale.

You should seek your own personal advice regarding the taxation consequences for you of selling the Shares on ASX.

C. Do nothing and retain all your Shares

You can reject the Offer by simply doing nothing. If you reject the Offer, you will retain all of your Shares.

7.2 Taxation consequence of accepting the Offer

The taxation consequence of accepting the Offer depends on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation consequences of accepting the Offer are set out in section 7 of the Bidder's Statement. You should carefully read and consider the taxation consequences of accepting the Offer. The outline provided in the Bidder's Statement is of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances. Mareterram, its Directors and advisers take no responsibility for the contents of the Bidder's Statement.

8 Information relating to Mareterram

8.1 Introduction and Business Overview

Mareterram is an Australian public company listed on the ASX. The Company's historical focus was on the research, development, manufacturing and marketing of flooring products. Following a recapitalisation process which involved the Company issuing the Re-compliance Prospectus, the Company acquired, in December 2015, a commercial fishing business in Carnarvon, Western Australia that was owned by Nor-West, and the food services division of the Craig Mostyn Group, and relisted on ASX on 6 January 2016. Mareterram now operates a vertically integrated agribusiness with two divisions:

(i) Commercial fishing division – the Company (through its subsidiary Mareterram Fisheries) holds 10 prawn fishing licenses (each with a Class B scallop endorsement) for the Shark Bay Prawn Managed Fishery (SBPMF), together with 10 trawling vessels. The vessels target two main species, tiger and king prawns, and also retain several material by-catches including coral and endeavour prawns, blue swimmer crab, scallops, squid and cuttlefish. The operations are supported by significant Company owned infrastructure, located on leasehold land in Carnarvon. This division has approximately 30 employees and the vessels are operated by skippers and crew under share fishing arrangements. The 2016 fishing season for the SBPMF commenced on 4 April 2016.

(ii) Food services division (FSD) – the Company (through its subsidiary Mareterram Trading) operates a food services business that distributes both imported and domestic frozen seafood, imported potato products and a domestic range of convenience foods under several brand names including Sea Harvest, Mydibel, Top Hat, Cape Haddie and Royal Greenland. It offers a range of imported seafood products including prawns, fish fillets, lobsters, scallops and a range of value added seafood products and distributes its products to national supermarket chains and food service distributors throughout Australia. It has a national sales force of 10 people. On 2 February 2016, the Company announced it had entered into agreements to acquire the net assets of Focus Fisheries Pty Ltd (**Focus**) with an option to acquire the share capital of Focus within 6 months of the completion of the net asset purchase. Focus commercialises wild caught seafood by providing contract marketing and sales services in export and domestic seafood markets. Focus is a major facilitator of contract offshore processing of Australian wild caught seafood. Over the past two years Focus has also performed a fully integrated assistant marketing and management role in the operations of the Nor-West business prior to the Company acquiring the business and it being the Company's commercial fishing division.

The Company believes it has created a platform to leverage opportunities within the seafood, broader agricultural and food sectors.

Further information regarding Mareterram can be located on the ASX website at www.asx.com.au using Mareterram's ASX code 'MTM' or Mareterram's website www.mareterram.com.au.

8.2 Board of Directors

Mr Peter Hutchinson
(Non - Executive Chairman)

Appointed 16 May 2013

Mr Hutchinson holds a Bachelor of Commerce (UWA) and is a Fellow of both the Australian Institute of Company Directors and Certified Practicing Accountants

He has at the most senior level managed a diverse portfolio of industrial investments in manufacturing, engineering, construction and property over a 30 year period.

Mr Hutchinson chaired listed public company AI Limited and more recently Resource Equipment Ltd. He was a Non-Executive Director of Kumarina Resources Ltd (now Zeta Resources Ltd). Previously founding shareholder, CEO and Chairman of Forge Group Ltd. He holds private equity investments in commercial, industrial and rural real estate, electrical contracting and until recently construction activities in West Africa.

Mr Hutchinson has experience in M&A, prospectus

	<p>preparation, ASX listings, ASIC issues, corporate governance, company secretarial requirements and exit strategies. He has also been a member of Audit Committees, Remuneration and Nomination Committees, often as Chairman.</p>
<p>Mr David Lock (Managing Director and CEO)</p> <p>Appointed 1 January 2016</p>	<p>Mr Lock was appointed the Managing Director and Chief Executive Officer of the Company with effect on 1 January 2016. Mr Lock is a chartered accountant and a Fellow of the Australian Institute of Company Directors. Prior to joining the Company, Mr Lock was the CEO of the Craig Mostyn Group a position he held since 2004.</p> <p>He was appointed to the Board of Food Industry Association of WA in 2007, and chaired that body from 2008 to 2011. In 2012 he was appointed as Chairman of the WA Meat Industry Authority and in January 2014 was appointed as a Non-Executive director of Water Corporation. In 2012, Mr Lock was recognised as the Australian Agribusiness Leader of the year and in 2013 was inducted as an Australian Export Hero by the Export Council of Australia. In 2015, he was appointed to the Curtin Business School Advisory Council.</p>
<p>Mr James Clement (Executive Director and Chief Operating Officer)</p> <p>Appointed 10 August 2015</p>	<p>Mr Clement joined the Board in August 2015 as a Non-Executive Director. Mr Clement holds a Masters of Business Administration, a Bachelor of Science in Aquaculture and Seafood Science, a Graduate Diploma in Agribusiness and is a Graduate of the Australian Institute of Company Directors.</p> <p>Mr Clement has worked in the commercial fishing industry with Focus for three years and was appointed General Manager in 2014. He is also a member of the Western Australian Fishing Industry Council's resource access committee.</p> <p>He has over 10 years' experience in financial services. During that time he has held roles with JM Financial Group, Euroz Securities Limited and Blackswan Equities.</p>
<p>Mr Mark Pitts (Non-Executive Director)</p> <p>Appointed 10 August 2015</p>	<p>Mr Pitts holds a Bachelor degree in Business (Curtin) and is a Fellow of the Institute of Chartered Accountants with more than 25 years' experience working in commercial, corporate finance and public practice roles in Australia and overseas. He has been directly involved with, and consulted to a number of public companies holding senior financial management positions.</p> <p>Mr Pitts is a partner in corporate advisory firm Endeavour Corporate, established in 2004. Endeavour Corporate provides company secretarial support; corporate, governance and compliance advice to a number of ASX listed public companies.</p> <p>Mr Pitts has many years of experience in the Accounting profession and in commerce across a variety of industries. He commenced his career in finance working for KPMG in Australia and overseas, before working in the property, health care and mineral extraction industries.</p>

Mr Felix Ratheb (Non-Executive Director)	Mr Ratheb completed his BSc Engineering degree (Hons) in 1995 at Wits University and holds an MBA from the University of Cape Town.
Appointed 3 March 2016	Mr Ratheb has been the Chief Executive of the Sea Harvest Group since December 2013 and has worked in the fishing and food industry since 2003.

As noted in Section 11.8, under the BIA, Sea Harvest has the right to appoint Mr Fred Robertson as a non-executive director to the Board upon acquiring a relevant interest in 50.1% of Mareterram Shares and the Offer being declared unconditional. A short profile of Mr Robertson is set out below.

Mr Fred Robertson (Proposed Non-Executive Director)	Mr. Robertson is Executive chairman and co-founder of Brimstone Investment Corporation Limited. He is a leading figure in the South African business community, having gained experience on the national and international business stage through his directorships of Remgro Limited, AON Re Africa (Proprietary) Limited and Old Mutual Emerging Markets Limited.
	Mr Robertson is also non-executive chairman of Sea Harvest, Lion of Africa Insurance Company Limited, Lion of Africa Life Assurance Company Limited and House of Monatic (Proprietary) Limited.

8.3 Financial information

On 26 February 2016, Mareterram released its Interim Financial Report for the half year ended 31 December 2015. However, it should be noted that the Company completed the acquisitions of the commercial fishing business owned by Nor-West and the FSD on 18 December 2015, and accordingly there is limited historical financial information on the Company operating in its current line of business as a vertically integrated agribusiness. Further financial information on the Company is provided in section 8 of the Re-compliance Prospectus.

9 Information relating to Sea Harvest Group and Brimstone

9.1 Overview of Sea Harvest

Sea Harvest is a wholly-owned subsidiary of Sea Harvest Holdings, a South African proprietary limited company. Established in 1964 in the fishing village of Saldanha Bay on the west coast of South Africa, the Sea Harvest Group has developed into one of the leading whitefish companies in South Africa. The Sea Harvest Group's principal business is deep-sea trawling of the groundfish species called Hake (*Merluccius paradoxus* & *Merluccius capensis*), processing of the catch into frozen and chilled seafood and the marketing of these products both locally and internationally. The Sea Harvest Group currently operates 18 trawler vessels (14 fresh fish and 4 freezers) in South African territorial waters.

The Sea Harvest Group has rights to approximately 26% of the available annual demersal Hake allowable catch allocated by the South African Department of Agriculture, Forestry and Fisheries and operates three factories in Saldanha Bay and Mossel Bay, has offices in Cape Town, Durban and Johannesburg and employs approximately 2,400 people. Importantly, the Sea Harvest Group targets investments in sustainable fisheries, with the South African operation holding the gold standard Marine Stewardship Council (**MSC**) certification for sustainability.

In addition to being one of the leading suppliers of Hake product in South Africa under the Sea Harvest brand, the Sea Harvest Group's products are sold in over 22 different countries, predominantly in the developed world, with Australia representing the Sea Harvest Group's second largest international market. Its customer base includes large blue chip retailers around the world.

With a 52 year history in fishing, the Sea Harvest Group has significant expertise in fishing, processing, engineering, refrigeration, sales and marketing, brands, distribution and warehousing and back office services.

The Sea Harvest Group's strategy is to invest in well managed, sustainable, vertically integrated fishing and agri-businesses around the world. With populations increasing, and increasing demand for sustainably wild caught products, the Sea Harvest Group believes that capturing this space makes good commercial sense.

Sea Harvest Holding's majority shareholder is Brimstone which holds an 85% interest in the company. In line with Brimstone's philosophy of aligning management and staff with other shareholders, the balance of the shares in Sea Harvest Holdings are held by management and staff.

Further information on Sea Harvest can be found in section 1 of the Bidder's Statement.

9.2 Overview of Brimstone

Brimstone is a diversified investment holding company incorporated in South Africa and listed on JSE (JSE: BRT and BRN). Brimstone holds investments in the food, healthcare, infrastructure, ICT and financial services sectors.

Founded in Cape Town in 1995, Brimstone seeks to achieve above average returns for its shareholders by investing in wealth creating businesses and entering into strategic alliances to which it contributes capital, innovative ideas, management expertise and a value driven corporate identity. Brimstone has been invested in the Sea Harvest Group since 1995 and took control of the Sea Harvest Group in 2009. Brimstone increased its shareholding in Sea Harvest Holdings to 85% in April 2016.

Further information on Brimstone can be found in section 1 of the Bidder's Statement.

10 Risk factors

The Company is subject to a number of risks that Shareholders should be aware of. A brief outline of key risks faced by the Company is set out in this Section, which should be considered in conjunction with the risk factors set out in section 8 of the Re-compliance Prospectus and the Company's ongoing disclosures on ASX.

Set out below are key risks that may affect the Company. There may be additional risks unknown to the Company and other general risks which may affect the Company.

(a) Competition Risk

The Australian seafood market is highly competitive with numerous alternative suppliers of local seafood and a substantial volume of imported wild caught and aquaculture product. In the export market, the Company faces strong competition from the increasing volume and improving quality of aquaculture products (particularly from Asia), as well as other established international wild capture seafood suppliers.

There is no guarantee that the Company will be able to compete effectively with existing and new competitors in the future.

(b) Product Pricing Risk

The Company negotiates prices based on measures of supply and demand and the exchange rate position and it is therefore not able to guarantee the prices and terms of future transactions.

(c) Key Customer Risk

The Company's business depends on securing and maintaining major customers and placing product into the market at competitive prices to achieve acceptable margins and trading terms. There are no written agreements in place in relation to export distribution or sales. As a result it is not possible to guarantee continuation of, or consistency in respect of prices or terms for, future customer transactions.

(d) Seasonal, Environmental, and Disease Risks

As an agribusiness, the Company is exposed to volatility in supply caused by seasonal weather and environmental conditions and the risk of the outbreak of disease, all of which could adversely impact on the fish stocks and biomass growth in the relevant source fisheries or the harvest of various seafood and vegetables.

(e) Security of Supply Chain

There is a risk that the supply chain for one or more of the Company's products could be materially disrupted for various reasons including natural disasters and changes in regulation with the result that sufficient quantities of the Company's products are not available or delivered on time.

(f) Infrastructure Risk

The Company and its subsidiaries lease all land and property that it uses to facilitate its business activities. Continuation of the leases is subject to the relevant lessee complying with the terms of the leases. The key leasehold interests for the Company are the leases at the Carnarvon Small Boat Harbour. Details of these leases (including term and renewal options) are set out in the Re-Compliance Prospectus. There is a risk that the Western Australian Department of Transport will not renew the leases or that the leases may be terminated, either of which will have a material adverse effect on the operating and financial performance of the Company.

(g) Key Suppliers Risk

The financial performance of the Company is subject to the performance of supply obligations under contracts and arrangements with key suppliers, most of which are not the subject of written agreements (except for the Sea Harvest Supply and Distribution Agreement).

If the Company or one of its counterparties fails to adequately perform their obligations this may result in loss of supply, inability to service sales demand, termination of contracts, disputes and/or litigation, all of which could impact the Company's operating and financial performance.

(h) Securing skippers and crew

The operation of the Company's fishing fleet requires the contracting of skippers and crew for each fishing season. There is a risk that suitably experienced and licensed skippers and crew will not be sourced and contracted for one or more vessels in a particular fishing season, which could prevent or restrict the operation of that vessel during that season.

(i) Diesel price risk

Diesel fuel is one of the largest operating costs of the Company. The price of diesel is volatile and subject to market conditions. An increase in the price of diesel which cannot be hedged at a reasonable cost would have a materially negative impact on the Company's business operations and financial performance.

(j) Fishing Licences and regulation in Western Australia

The Company is required to adhere to numerous legislative and regulatory requirements when undertaking commercial fishing in Western Australia, including, but not limited to the FRM Act, the FRM Regulations and the relevant managed fishery plans, such as the SBPMF Management Plan. The Company's fishing licences are also issued subject to certain conditions, including fishing gear restrictions and the payment of licence fees. Further, under the FRM Act, fishing licences are granted for a limited time only (usually 12 months) and the holder must therefore apply to renew them. If a person applies for a renewal, the Chief Executive Officer of the Department of Fisheries (**FCEO**) must renew the relevant licence subject to certain exceptions including where the holder has been convicted of an offence against the FRM Act or any other law relating to fishing and the management of fish resources (including the FRM Regulations and management plans, where a condition of the licence has been contravened or where the FCEO is satisfied the holder is no longer a fit and proper person to hold the licence or any fee payable in respect of the licence has not been paid when it becomes due).

There is no guarantee that the Company's fishing licences will be renewed from year to year (whether on the same terms or otherwise) or that they will remain in full force and effect.

(k) Change in fishing policy and regulation

In addition to the FRM Act and FRM Regulations, fishing in Western Australia is regulated by various legislative instruments, including the management plans, notices, orders and determinations, which are able to be varied, repealed or revoked.

Changes to the Western Australian Government's policy in relation to fishing or to any of this legislation or legislative instruments has the potential to materially impact the Company's operational and financial performance.

In particular, the SBPMF and Shark Bay scallop managed fishery are managed under management plans, which impose a number of input controls designed to ensure the sustainability of the fisheries. Management plans may be varied or revoked by the Minister for Fisheries. There is a risk that variations to, or revocation of, these management plans could have a materially negative impact on the Company's business operations and financial performance.

(l) Closure of fisheries

The fisheries in which the Company will operate are subject to seasonal closure, monthly moon closures and specific area closures which reduce the effective fishing effort in those fisheries. In addition, a significant environmental or biological event may have a substantial impact on the sustainable biomass of the fisheries in which the Company operates and could cause an extended or permanent closure. These closures will materially affect the volume of catch in any season.

(m) Export

To export seafood products out of the country, authorisations and permits are required from the Australian Government. The Company will need to apply for these authorisations and permits and there is a risk that the relevant Governments will not issue these authorisations and permits to the Company on acceptable terms, in a timely manner or at all.

(n) Occupational health and safety

The commercial fishing industry is a high risk industry. Given the nature of the industry that the Company operates in, the Company's employees and contractors are at risk of workplace accidents and incidents.

In the event that an employee of the Company is injured during the course of their employment, the Company may be liable for penalties or damages under the relevant occupation health and safety regulations.

(o) Risk that growth plans cannot be effected

The Company's future growth strategy is to build a diversified agribusiness with a suite of businesses in Australia (and potentially overseas). The Company will examine a range of growth options. There is no guarantee that suitable opportunities will be identified, or completed, or that the Company will be able to access additional capital required for this growth.

11 Other important information

11.1 Issued capital

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

Securities	Number
Shares	134,847,698
Options	5,000,000
Performance Rights	9,375,000

11.2 Performance Rights and Options

All of the Options on issue are held by Molonglo, an entity controlled by Mr Hutchinson. Sea Harvest and Molonglo have entered into a put and call option deed under which Molonglo will be granted a put option to require Sea Harvest (or its nominee) to purchase, and separately, Sea Harvest (or its nominee) will be granted a call option to require Molonglo to sell, 50% of these Options for \$0.15 per Option (being the difference between the Offer price of \$0.35 per Share and the exercise price of the Options of \$0.20 per Option) subject to the Offer being declared unconditional or all of the conditions to the Offer having been satisfied and the Offer Period having expired. Subject to satisfaction of the conditions, the call and put options may be exercised at any time between 19 December 2016 and 23 December 2016. The put and call option deed has been entered into pursuant to clause 9.1 of the BIA.

The Offer will extend to Shares that are issued during the Offer Period due to the vesting of Performance Rights. 3,125,000 of the 6,250,000 Performance Rights held by Mr Lock and 1,562,500 of the 3,125,000 Performance Rights held by Mr Clement will vest subject to the Offer being or being declared unconditional (with Messrs' Lock and Clement able to accept the Offer for 50% of the Shares arising from the vesting of the Performance Rights). Messrs Lock and Clement have indicated that they intend to accept the Offer in respect of these Shares, in the absence of a Superior Proposal. The balance of the Performance Rights will remain in place and be able to vest subject to the satisfaction of the relevant vesting conditions.

11.3 Escrowed Shares

As detailed in section 2.11 of the Re-compliance Prospectus, 20 million Shares held by Craig Mostyn, 10 million Shares held by Orange Sun, and 3,406,250 Shares controlled by Mr Hutchinson are subject to voluntary escrow agreements. Under the agreements, these Shareholders will be permitted to accept the Offer in respect of their escrowed Shares if holders of at least half of the Shares the subject of the Offer (excluding the escrowed Shares) have accepted the Offer and all conditions of the Offer have been satisfied or waived. Each of Craig Mostyn, Orange Sun and Mr Hutchinson intend to accept the Offer, in the absence of a Superior Proposal.

The remaining escrowed Shares which are not acquired by Sea Harvest will continue to be subject to the terms and conditions of the voluntary escrow arrangements.

11.4 Substantial holders

As at the date of this Target's Statement, the substantial shareholders of the Company are as follows:

Name	Number of Shares	Percentage of issued Shares
Sea Harvest	26,834,730	19.90%
Craig Mostyn & Co Pty Ltd	20,000,000	14.83%
Orange Sun Development Corporation Pty Ltd	10,000,000	7.42%

The Shareholdings listed above are as disclosed to Mareterram by Shareholders in substantial holding notices as at the date of this Target's Statement.

11.5 Directors' interests in Shares

The table below sets out the number of Shares, Options and Performance Rights in which each Director has a relevant interest as at the date of this Target's Statement.

Director	Shares	Options	Performance Rights
Peter Hutchinson	5,000,000	5,000,000	Nil
James Clement	250,000	Nil	3,125,000
Mark Pitts	250,000	Nil	Nil
David Lock	750,000	Nil	6,250,000
Felix Ratheb	500,000	Nil	Nil

Other than as disclosed above, the Mareterram Directors hold no other rights or options over Shares.

11.6 Directors' dealings in Shares

There have been no acquisitions or disposals of Shares by any Director in the three months ending on the date of this Target's Statement.

11.7 Benefits and agreements

Directorships

Felix Ratheb, a non-executive director of Mareterram, is the CEO and Managing Director of Sea Harvest Holdings and a director of Sea Harvest.

Benefits in connection with retirement from office

Other than as set out in this Target's Statement, no Director, as a result of the Offer, has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from the board of Mareterram.

Agreements connected with or conditional on the Offer

Other than in their capacity as a holder of Shares or as otherwise disclosed in this Target's Statement, there are no agreements made between any Director and any other person in connection with, or conditional upon, the outcome of the Offer.

Benefits from the Offer

Other than as disclosed in this Target's Statement, no Director has agreed to receive, or is entitled to receive, any benefit from Sea Harvest which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Shares.

11.8 Bid Implementation Agreement

The Company has entered into the BIA with Sea Harvest Holdings. A copy of the full BIA is set out in the Company's ASX announcement on 8 April 2016. Key terms of the BIA are set out below:

(a) Making of the Offer and conditions to the Offer

Sea Harvest Holdings has agreed to make the Offer through its nominee, Sea Harvest. The Offer is subject to the satisfaction or waiver of specified conditions. The conditions are set out in section 9.8 of the Bidder's Statement.

(b) Varying the Offer

Sea Harvest Holdings may vary the terms and conditions of the Offer in any manner permitted by the Corporations Act provided the variation is no less favourable to Shareholders than the Offer terms.

(c) Exclusivity arrangements

The BIA contains certain exclusivity arrangements in favour of Sea Harvest Holdings. In summary, during the Exclusivity Period:

- (i) No shop: the Company must not (and must ensure that each of its related bodies corporate or representatives does not) solicit, invite, encourage or initiate any enquiry, expression of interest, offer, proposal or discussion by any person in relation to, or which would reasonably be expected to encourage or lead to the making of, a Competing Proposal, or communicate any intention to do any of those things.
- (ii) No talk: the Company must not (and must ensure that each of its related bodies corporate or representatives does not):
 - (A) participate in any negotiations or discussions or provide any information to any person with respect to any enquiry, expression of interest, offer or proposal by any person to make a Competing Proposal;
 - (B) accept or enter into, or offer to accept or enter into, any agreement, arrangement or understanding regarding a Competing Proposal;
 - (C) disclose any non-public information about the business or affairs of any Company group entity to a third party (other than a government agency) with a view to obtaining or which may reasonably be expected to lead to receipt of a Competing Proposal, other than in the ordinary course of business or as required by law; or
 - (D) communicate to any person an intention to do anything referred to in (A) to (C) above.
- (iii) Notification of approaches: the Company must immediately notify Sea Harvest Holdings if it receives any unsolicited approaches with respect to a Competing Proposal and include a summary of the material terms of the Competing Proposal, including but not limited to, the details of the proposed consideration, conditions (including status of funding), timing and break fee (if any), but not the identity of the third party.

The Company must not enter into any legally binding agreement (whether or not in writing) in relation to the Competing Proposal unless it has complied with its obligation to notify Sea Harvest Holdings and given Sea Harvest Holdings 5 business days to propose an amendment to the terms of the Offer or propose any other transaction so that the Offer (as amended) would provide at least an equivalent outcome (including with respect to price) for Shareholders when compared to the Competing Proposal (**Counter Proposal**).

If the Independent Board acting in good faith determines the Counter Proposal taken as a whole is no less favourable to Shareholders than the Competing Proposal, then the Company and Sea Harvest Holdings must use all reasonable endeavors to agree and enter into such documentation necessary to give effect to and implement the Counter Proposal as soon as reasonably practicable and the Company must use all reasonable endeavors to procure that the Independent Board unanimously recommends the Counter Proposal to Shareholders (which recommendation may be subject to there being no Superior Proposal and the Independent Expert concluding the Counter Proposal is fair and reasonable to Shareholders) and not recommend the Competing Proposal.

The notification of approaches obligations outlined above have repeat application so that if any further proposal is made after Sea Harvest Holdings has made a Competing Proposal, Sea Harvest will again have the right to match the further proposal.

The no talk and notification of approaches obligations above are subject to a fiduciary out, such that the Company, the Independent Board and the Company's representatives may do something which would otherwise be prohibited by those obligations if the Independent Board determines in good faith and after

consultation with external legal advisers that failure to do so constitutes or would be likely to constitute a breach of any fiduciary or statutory duties of the Independent Directors.

Under the BIA, the Company has also warranted that as at the date of the BIA, it is not in any discussions and has ceased any discussion in respect of any Competing Proposal.

(d) Board appointment

If during the Offer Period, Sea Harvest Holdings acquires a relevant interest in 50.1% or more of the Shares and the Offer is declared unconditional, Sea Harvest Holdings shall have the right to appoint Fred Robertson to the Board as a non-executive director.

(e) Conduct of business

During the Exclusivity Period, the Company must (and must procure that each other Company group entity):

- (i) conduct their business in the usual and ordinary course and on a basis consistent with the manner in which their business was conducted immediately before the execution of the BIA;
- (ii) use reasonable endeavours to preserve and maintain the value of its and their business and assets, and its and their relationships with financiers, customers, suppliers, employees and others with whom it and they have business dealings; and
- (iii) not, without Sea Harvest Holding's prior written consent, enter into any lines of business or other activities in which it is are not engaged as at the date of the BIA.

(f) Break fee

The Company must pay Sea Harvest Holdings a break fee of \$200,000 if:

- (i) during the Exclusivity Period any of the Independent Directors fails to recommend that Shareholders accept the Offer in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Offer is fair and reasonable to Shareholders or, having made such a recommendation, makes a public statement which withdraws, revises, or qualifies that recommendation, or (except in circumstances where the Company has validly terminated this Agreement under paragraphs (h)(i), (ii) or (v) below) a Competing Proposal of any kind is announced during the Exclusivity Period (whether or not such proposal is stated to be subject to any pre-condition) and within 12 months from the date of such announcement, the third party (or an associate) completes a Competing Proposal (of a kind referred to in paragraphs (a) to (c) of the definition of Competing Proposal);
- (ii) the Company or any of its Directors does or omits to do anything which results in any of the Offer conditions being breached or becoming incapable of being fulfilled and Sea Harvest Holdings does not declare the Offer free of the breached conditions (which Sea Harvest Holdings is under no obligation to do); or
- (iii) Sea Harvest Holdings validly terminates the BIA under paragraph (g)(i) below.

(g) Termination

A party (**Terminating Party**) may terminate the BIA at any time if:

- (i) the other party is in material breach of the BIA and, to the extent that the breach is capable of remedy, that breach is not remedied by the other party within 5 business days of receiving notice from the Terminating Party of the details of the breach and the Terminating Party's intention to terminate;
- (ii) an Offer condition is not satisfied or waived or something occurs which will prevent an Offer condition from being satisfied before the end of the Offer Period and the parties are unable to agree on whether the Offer can proceed by way of alternative means or to extend the Offer Period;

- (iii) the Independent Board recommends a Superior Proposal (provided such proposal was not encouraged, solicited, invited, facilitated or initiated by Mareterram or its representatives in breach of the exclusivity arrangements in the BIA);
- (iv) the Independent Board withdraws its recommendation that Shareholders accept the Offer in the absence of a Superior Proposal where the Independent Board determines that a Competing Proposal is superior to the Offer, the Independent Expert changes its opinion that the Offer is fair and reasonable (or having given a report that, in the opinion of the Independent Expert, the Offer is fair and reasonable, gives a report changing that opinion for any reason to conclude that the Offer is not fair and not reasonable, or not fair but reasonable) or the Independent Board determines in good faith, having received expert advice as appropriate, that their duties require them to change their recommendation); or
- (v) Sea Harvest Holdings withdraws the Offer or the Offer lapses for any reason.

11.9 Existing commercial arrangements with Sea Harvest Group

Mareterram currently has several commercial arrangements with the Sea Harvest Group:

(a) Sea Harvest Supply and Distribution Agreement

Parties	Sea Harvest Corporation and Mareterram Trading
Description	<p>Sea Harvest Corporation grants Mareterram Trading the exclusive right to market, sell and distribute certain fish products (Products) in wholesale and bulk formats to the Foodservice market segment within Australia (defined as the hotel, restaurant, and catering sector together with quick service restaurants and clearance discounters but excluding the major retail segment) (Consumers). Mareterram Trading has the exclusive right to market, sell and distribute new and improved Sea Harvest Corporation products within Australia.</p> <p>Mareterram Trading shall purchase the Products from Sea Harvest Corporation and then resell these Products to customers as an independent contractor in its own name and for its own account.</p>
Term	The agreement commenced on the date it was signed (being 4 August 2015) and ends on 18 December 2017 (being 24 months from the date the Company's purchase of the FSD was completed)
Extension	6 months prior to expiry, the parties must either extend the agreement for a minimum of 2 years, or agree to terminate the contract at expiry. If no agreement is reached at this time, an automatic 2 year extension is triggered.
Minimum quantities	To preserve the right for exclusivity, Mareterram Trading must sell (and Sea Harvest Corporation commits to deliver) certain minimum tonnages of Product in year 1 and year 2 following 18 December 2015 (being the date the Company's purchase of the FSD was completed).
Distributor Margin	Sea Harvest Corporation is committed to Mareterram Trading achieving an agreed target distributor margin on average over the Product range. The actual margin achieved will be reviewed regularly and adjustments made to the sell and/or buy price of the Products such that the margin can be achieved in each year of the agreement following 18 December 2015 (being the date the Company's purchase of the FSD was completed).

Sales Promotion	Mareterram Trading shall use its best efforts to promote, increase and extend the sales of the Products and maintain a level of Product support necessary for the proper selling of Products in Australia. Mareterram Trading shall also engage in end user work to present and develop the Products to customers, and ensure there is advertising and marketing of the Products in Australia.
Intellectual property	Mareterram Trading has the right to use certain intellectual property of Sea Harvest Corporation in its marketing and promotional material, however ownership of intellectual property shall remain exclusively with Sea Harvest Corporation and any rights accrued by Mareterram Trading shall promptly be assigned to Sea Harvest Corporation.
Non-compete	<p>Mareterram Trading may not:</p> <ul style="list-style-type: none"> • conduct active sales of the Products outside Australia; and • sell products to Consumers (with the exception of a specific quantity of Atlantic cod) which compete directly with the Products. <p>In addition, Mareterram will:</p> <ul style="list-style-type: none"> • only obtain Products from Sea Harvest Corporation; and • sell a limited volume of Atlantic cod and must not be used to substitute the sale of Products.
Assignment	The agreement may not be assigned by Mareterram Trading without Sea Harvest Corporation's prior written consent.
Termination	<p>Sea Harvest Corporation may terminate the agreement upon 30 days prior written notice if Mareterram Trading fails to fulfil any of its obligations under the agreement and has not remedied the default with 60 days of the date on which written notice of default has been dispatched to Mareterram Trading. Alternatively, if of Mareterram Trading fails to meet minimum sales volumes, Sea Harvest Corporation may choose to make the distribution rights non-exclusive instead of terminating the agreement.</p> <p>Mareterram Trading may terminate the agreement upon 30 days prior written notice, if Sea Harvest Corporation fails to fulfil any of its obligations and has not remedied the default with 60 days of the date on which written notice of default has been dispatched to Sea Harvest Corporation. Alternatively, if Sea Harvest Corporation fails to meet minimum delivery volumes, Mareterram Trading may require Sea Harvest Corporation to release it from non-compete obligations under the agreement.</p> <p>Either party may terminate the agreement in the event of insolvency or bankruptcy of the other party.</p> <p>The agreement may be terminated by Sea Harvest Corporation if there is a major change in the ownership of Mareterram Trading or if Mareterram Trading is reorganised in a way that will, in the reasonable opinion of Sea Harvest Corporation, affect the fulfilment of the agreement negatively.</p>
Governing law	South Africa

(b) Sea Harvest Earn Out and Equity Participation Agreement

Parties	Sea Harvest Holdings, Sea Harvest Corporation, Mareterram Trading and the Company
Description	This agreement sets out Sea Harvest Holding's rights to an incentive payment, to participate in the offer the subject of the Re-compliance Prospectus and appoint a nominee to the Board.
Incentive payment	Mareterram Trading agrees to pay Sea Harvest Holdings an incentive payment of \$500,000 if the EBITDA of the FSD for the first 12 months after completion of the acquisition of the FSD is \$1 million or more, plus \$0.50 for each dollar of EBITDA in excess of \$1 million, up to a maximum of \$750,000 (Incentive Payment). This right is subject to the Sea Harvest Supply and Distribution Agreement remaining in full force and effect (unless terminated because of a breach, insolvency, major change in ownership or reorganisation of Mareterram Trading).
Right to participate in the offer under the Re-compliance Prospectus	Sea Harvest Holdings was given the right to acquire Shares under the offer the subject of the Re-compliance Prospectus, which when aggregated with the maximum number of Consideration Shares, is not more than 19.9% of the Company's issued share capital (on an undiluted basis). Sea Harvest Holdings exercised this right in full, and currently has a relevant interest in 19.9% of the issued capital in the Company.
Board nominee	Sea Harvest Holdings was given the right nominate a director to the Board for so long as the Sea Harvest Group's voting power in the Company is at least 15%. Sea Harvest Holdings elected Mr Felix Ratheb to be its nominee of the Board.
Anti-dilution right	Sea Harvest Holdings was given an anti-dilution right to maintain its shareholding in the Company. The right will fall away if the Sea Harvest Group's voting power in the Company exceeds 25%.

11.10 Continuous disclosure

The Company is a disclosing entity and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Copies of documents filed with ASX may be obtained from the ASX website at www.asx.com.au.

Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office.

11.11 Consents

The following persons have given, and have not withdrawn before the date of this Target's Statement, their consent to be named in this Target's Statement in the form and context in which they are so named:

- (a) Gilbert + Tobin as legal adviser;
- (b) Automic Market Services as share registry; and
- (c) Euroz Securities Limited as financial adviser.

Each of the above persons:

- (d) does not make, or purport to make, any statement in this Target's Statement; and
- (e) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement.

RSM Corporate Australia Pty Ltd consents to be named as Independent Expert and to the inclusion of its Independent Expert's Report as Annexure A of this Target's Statement, as well as statements extracted from or said to be based on statements made in the Independent Expert's Report.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Pursuant to the Class Order, the consent of Orange Sun, Craig Mostyn, Molonglo Pty Ltd, Wolf Capital Pty Ltd and Oresusa, Sea Harvest Holdings and the Sea Harvest Group are not required for, and those persons have not consented to, the inclusion of such statements in this Target's Statement. Shareholders may, during the Offer Period, obtain a copy of those documents (free of charge) by contacting the Company on +61 8 9435 9207 during normal business hours.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72:

- (a) this Target's Statement may include or be accompanied by statements fairly representing a statement by an official person, or statements from a public official document or a published book, journal or comparable publication; and
- (b) this Target's Statement contains security price data sourced from IRESS without its consent.

11.12 Other material information

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

- (a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in this Target's Statement; and
- (b) only if the information is known to any of the Independent Directors.

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

- (a) the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- (b) Mareterram's annual reports and releases to ASX before the date of this Target's Statement;
- (c) documents lodged for Mareterram with ASIC before the date of this Target's Statement; and
- (d) this Target's Statement.

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

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

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

12 Definitions and interpretation

Acceptance Form	Form of acceptance and transfer enclosed with the Bidder's Statement or a replacement of that form.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ACN 008 624 691) or, as the context requires, the financial market operated by it.
ASX Listing Rules	The official listing rules of ASX as amended varied or waived from time to time.
ASX Settlement Operating Rules	The operating rules of the settlement facility provided by ASX Settlement Pty Limited (ACN 008 504 532).
AWST	Australian Western Standard Time
Bayview	Bayview Seafoods Pty Ltd ACN 002 351 920
BIA	The bid implementation agreement between Sea Harvest and the Company dated 8 April 2016.
Bidder's Statement	The statement of Sea Harvest under Part 6.5 of the Corporations Act relating to the Offer.
Brimstone	Brimstone Investment Corporation Limited, an investment holding company listed on JSE under the codes BRT and BRN with registration number 1995/010442/06. Brimstone is the controlling shareholder of Sea Harvest Holdings.
Business Day	A day on which banks are open for general banking business in Perth, Australia (not being a Saturday, Sunday or public holiday in that place).
Carnarvon Boat Harbour Leases	<p>(a) The Regional Facilities Ground Lease for Lots A, B, C, M, N, A1, B1 and C1, Carnarvon Boat Harbour dated 22 January 2010 between the Minister for Transport and Tennereef Pty Ltd; and</p> <p>(b) the Regional Facilities Ground Lease for Lot E and E1, Carnarvon Boat Harbour dated 16 January 2012 between the Minister for Transport and Nor-West, as extended by a Deed of Renewal of Lease dated 25 November 2013 between the Minister for Transport and Nor-West Seafoods Pty Ltd.</p>
CHESS	The Clearing House Electronic Subregister System, which provides for electronic transfer of listed Securities in Australia.
CHESS Holding	A holding of Shares on the CHESS Subregister of Mareterram.
CHESS Subregister	Has the meaning given in the ASX Settlement Operating Rules.

Competing Proposal	<p>Any expression of interest, proposal, offer, transaction or arrangement by or with any person pursuant to which, if the expression of interest, proposal, offer, transaction or arrangement is entered into or completed substantially in accordance with its terms, would result in a third party:</p> <p>(a) directly or indirectly acquiring an interest, a relevant interest in or becoming the holder of:</p> <p>(i) more than 20% of the Shares; or</p> <p>(ii) the whole or a substantial part or a material part of the business or property of Mareterram or the Mareterram group (in either case when considered in aggregate);</p> <p>(b) acquiring control of Mareterram; or</p> <p>otherwise acquiring or merging (including by a takeover bid, scheme of arrangement, capital reduction, reverse takeover bid, security buy-back, sale or purchase of assets, joint venture, partnership or dual listed company structure) with Mareterram.</p>
Controlling Participant	Has the meaning given in the ASX Settlement Operating Rules.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Craig Mostyn	Craig Mostyn & Co Pty Ltd (ACN 000 047 745).
Craig Mostyn Group	Craig Mostyn Holdings Pty Ltd, together with its controlled entities.
Directors	The Directors of the Company.
EBITDA	Earnings before interest, taxation, depreciation and amortisation
Exclusivity Period	The period commencing on 8 April 2016 (being the date of execution of the BIA) and ending on the earlier of the date of termination of the BIA and the end of the Offer Period.
FRM Act	<i>Fish Resources Management Act 1994</i> (WA)
FRM Regulations	<i>Fish Resources Management Regulations 1995</i> (WA)
FSD	The food distribution business formerly conducted by Craig Mostyn as a division of the Craig Mostyn Group, but excluding certain assets, including plant, equipment, machinery, furniture, computer and communications hardware, fixtures, fittings and motor vehicles, cash, computer programs, databases, software and software licences and negatives, certain intellectual property licences, trademarks, domain names, product names and business names.
Independent Directors	Peter Hutchinson, James Clement, David Lock and Mark Pitts.
Independent Expert	RSM Corporate Australia Pty Ltd
JSE	Johannesburg Securities Exchange
Mareterram or the Company	Mareterram Limited ACN 009 248 720.

Mareterram Fisheries	Mareterram Fisheries Pty Ltd ACN 606 006 848, a wholly owned subsidiary of the Company.
Mareterram Group	Mareterram and its subsidiaries.
Mareterram Share or Share	A fully paid ordinary share in the capital of the Company.
Mareterram Trading	Mareterram Trading Pty Ltd ACN 607 380 389, a wholly owned subsidiary of the Company.
Marketable Parcel	Means a holding of Shares with a value of not less than \$500 based on the "cum-Offer" ASX closing price of Mareterram Shares on the date that is the most recent trading day before the relevant acceptance of the Offer is received.
Minister for Transport	The Western Australian Minister for Transport.
Molonglo	Molonglo Pty Ltd ACN 009 305 944 ATF The Peter Hutchinson Family Trust.
Mydibel	N.V. Mydibel S.A
Nor-West	Westralian Marine Group Pty Ltd (Formerly - Nor-West Seafoods Pty Ltd) ACN 060 430 346 and/or Tennereef Pty Ltd ACN 009 309 317, as the context requires.
Offer	The offer by Sea Harvest under Chapter 6 of the Corporations Act contained in the Bidder's Statement and " Offers " means the offers dispatched or to be dispatched to Shareholders.
Offer Period	The period commencing on 8 June 2016 and ending at 5.00pm (AWST) on 8 July 2016, or such later date to which the Offer has been extended during which the Offers will remain open for acceptance.
Offer price	\$0.35 cash per Share (in respect of those Shares the subject of the Offer).
Orange Sun	Orange Sun Development Corporation Pty Ltd ACN 008 765 982
Re-compliance Prospectus	The Company's prospectus dated 12 November 2015.
Register	The Mareterram register of Shareholders.
Register Date	The date set by Sea Harvest under section 633(2) of the Corporations Act, being 5.00pm (AWST) on 31 May 2016.
Remaining Shares	The 50% of the Mareterram Shares held by each Shareholder (other than Sea Harvest) that are not the subject of the Offer.
relevant interest	Has the meaning given to it in the Corporations Act.
SARB Approval	Approval from the Financial Surveillance Department within The South African Reserve Bank for remittance of foreign currency out of South Africa for the purpose of satisfying any consideration payable to Shareholders who accept the Offer pursuant to section B.2(B)(ii) of the rules under the Exchange Control Regulations
SBPMF	Shark Bay Prawn Managed Fishery.

Sea Harvest or Bidder	Sea Harvest International Proprietary Limited, formerly SHC Retail Shops Proprietary Limited (a corporation organised and existing under the laws of South Africa with registration number 2012/130812/07), a subsidiary of Sea Harvest Holdings.
Sea Harvest Corporation	Sea Harvest Corporation Proprietary Limited (a corporation organised and existing under the laws of South Africa with registration number 2008/024147/07).
Sea Harvest Holdings	Sea Harvest Holdings Proprietary Limited (a corporation organised and existing under the laws of South Africa with registration number 2008/001066/07).
Sea Harvest Earn Out and Equity Participation Agreement	The earn out and equity participation agreement between Sea Harvest Corporation, Sea Harvest Holdings, Mareterram Trading and the Company dated 14 August 2015.
Sea Harvest Group	Sea Harvest Holdings and its wholly owned subsidiaries including Sea Harvest and Sea Harvest Corporation and its associate companies.
Sea Harvest Supply and Distribution Agreement	The supply and distribution agreement between Sea Harvest Corporation and Craig Mostyn dated 4 August 2015, as amended by a letter of variation dated 2 October 2015 and novated to the Company on 18 December 2015.
Section	A section of this Target's Statement.
Shareholders	The holders of Shares.
Superior Proposal	<p>A bona fide Competing Proposal which the Independent Directors have determined, in good faith after consultation with their external legal and financial advisers, is likely to be:</p> <ul style="list-style-type: none"> (a) reasonably capable of being valued, taking into account all aspects of the Competing Proposal and the person making it; (b) reasonably capable of being completed on a timely basis; and (c) more favourable to Shareholders (as a whole) than the Offer, taking into account all the terms and conditions of the Competing Proposal.
Target's Statement	This statement issued by Mareterram under Part 6.5 of the Corporations Act relating to the Offer.
Top Hat	Top Hat Fine Foods Pty Ltd ACN 003 330 274.

12.2 Interpretation

- (a) Words and phrases to which a meaning is given by the Corporations Act or the ASX Listing Rules have that meaning in this Target's Statement unless that meaning is inconsistent with the context in which the word or phrase is used.
- (b) Headings are for convenience only and do not affect the interpretation of this Target's Statement.
- (c) The singular includes the plural and vice versa and words importing any gender include the other gender, and references to persons include corporations, other bodies corporate, unincorporated bodies, partnership, joint ventures or associations.
- (d) Where a term is defined, its other grammatical forms have a corresponding meaning.
- (e) References to time are references to the time in Australian Western Standard Time, on the relevant date, unless stated otherwise.
- (f) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (g) "\$" or "A\$" or "AUD" is a reference to the lawful currency of Australia.

13 Authorisation

This Target's Statement has been approved by a resolution passed by the Independent Directors. Each Director (other than Felix Ratheb who did not vote on the resolution because he is not an Independent Director) has voted in favour of the resolution authorising this Target's Statement.

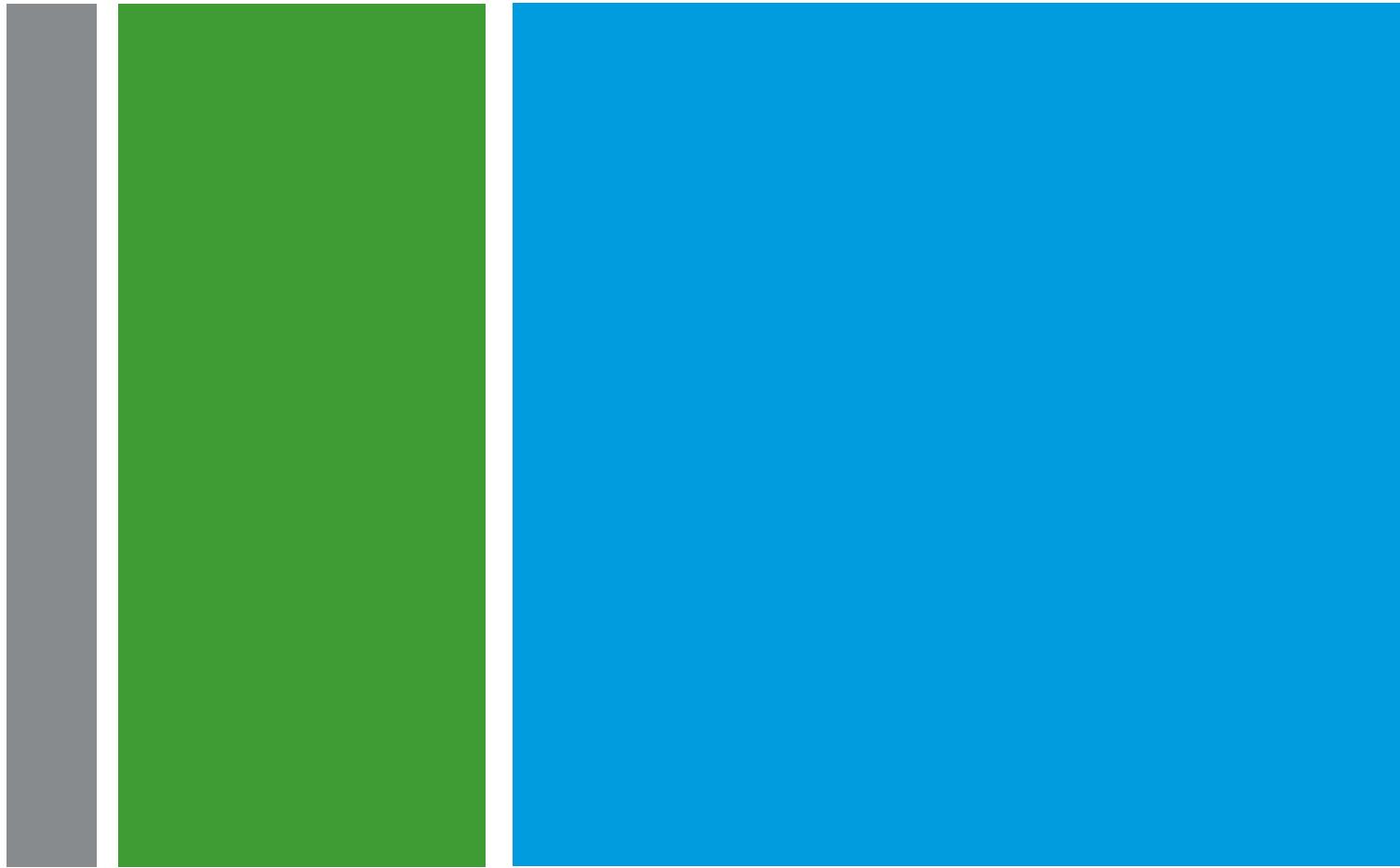
Signed for and on behalf of Mareterram Limited:



Dated 23 May 2016

David Lock
Managing Director
Mareterram Limited

Annexure A – Independent Expert’s Report



MARETERRAM LIMITED

Financial Services Guide and Independent Expert's Report
May 2016

We have concluded that the Offer is Fair and Reasonable to Shareholders of
Mareterram Limited

FINANCIAL SERVICE GUIDE

20 May 2016

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 ("RSM Corporate Australia Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact Details

You may contact us using the details set out at the top of our letterhead on page 1 of this report.

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20 May 2016

The Independent Directors
Mareterram Limited
Unit 4, 24 Mews Road
SOUTH FREMANTLE WA 6160

Dear Sirs

INDEPENDENT EXPERT'S REPORT ("REPORT")

1. INTRODUCTION

- 1.1 On 8 April 2016, Mareterram Limited ("Mareterram" or "the Company") announced to the Australian Securities Exchange ("ASX") that the Company had entered into a Bid Implementation Agreement ("BIA") with the parent entity of its major Shareholder, Sea Harvest Holdings Proprietary Limited ("Sea Harvest Holdings") pursuant to which Sea Harvest Holdings (or a nominated member of the Sea Harvest Group) will make a conditional proportional off-market cash offer to acquire 1 out of every 2 Shares held by Mareterram Shareholders (other than Sea Harvest Holdings and its related entities) for \$0.35 per Share ("Offer"). Sea Harvest Holdings has nominated Sea Harvest International Proprietary Limited ("Sea Harvest") to make the Offer.
- 1.2 Sea Harvest is the largest Shareholder in Mareterram, currently holding voting power of 19.9%. The Offer is conditional upon (amongst other things) achieving a 50.1% Shareholding. If all of Mareterram's Shareholders chose to accept the Offer, Sea Harvest's ownership of Mareterram Shares will increase up to a maximum of approximately 59.6% for a total cash consideration of approximately \$19.7 million.
- 1.3 Further details of the terms and conditions of the key components of the Offer are provided in Section 3 of this Report.
- 1.4 The Company proposes to issue a Target's Statement, being a document prepared by the Independent Directors of Mareterram to assist Mareterram's non-associated Shareholders in making an informed assessment in relation to the Offer. The Independent Directors of Mareterram have requested that RSM Corporate Australia Pty Ltd ("RSMCA") provide an Independent Expert's Report as to the fairness and reasonableness of the Offer for inclusion in the proposed Target's Statement.
- 1.5 Accordingly, we have prepared this Report for the purpose of stating, in our opinion whether or not the Offer is fair and reasonable to Mareterram's Shareholders and to set out the reasons for that opinion. Our Report is to be included in the Target's Statement to be sent to Mareterram Shareholders in respect of the Offer.

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AUDIT | TAX | CONSULTING

RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

- 1.6 This Report represents general financial product advice only and has been prepared without taking into consideration the individual circumstances of Mareterram Shareholders. The ultimate decision whether to participate in the Offer should be based on each Mareterram Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. Mareterram Shareholders should read and have regard to the contents of the Target's Statement which has been prepared by the Independent Directors and management of Mareterram. Mareterram Shareholders who are in doubt as to the action they should take with regard to the Offer and the matters dealt with in this Report, should seek independent professional advice.

2. SUMMARY AND CONCLUSION

Opinion

- 2.1 In our opinion, and for the reasons set out in Sections 10 and 11 of this Report, the Offer is fair and reasonable to the Shareholders of Mareterram.

Approach

- 2.2 In assessing whether the Offer is fair and reasonable to Shareholders, we have considered Australian Securities and Investment Commission (“ASIC”) Regulatory Guide 111 – Content of Expert Reports (“RG 111”), which provides specific guidance as to how an expert is to appraise transactions.
- 2.3 RG111 applies the “fair and reasonable” test as two distinct criteria in the circumstances of a takeover bid, being:-
- A takeover offer is considered “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
 - A takeover offer is considered “reasonable” if it is fair, or where the offer is “not fair” it may still be “reasonable” if the expert believes that there are sufficient reasons for security holders to accept the Offer in the absence of any higher bid before the close of the Offer.

Fairness

- 2.4 As detailed in Section 10 our opinion is that the Offer consideration is fair for the Shareholders of Mareterram as it is greater than the assessed value of Mareterram Shares as shown in Table 1 below. The assessed value of a Mareterram Share has been assessed on a control basis and assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing but not anxious, seller acting at arm’s length in accordance with RG 111.11.

Assessment of fairness	Value per Share	
	Low	High
Assessed fair value of a Mareterram Share	\$0.25	\$0.31
Value of consideration offered	\$0.35	\$0.35

Table 1: Comparison of Consideration with Assessed Value of a Mareterram Share (Source – RSMCA Analysis)

Reasonableness

- 2.6 In accordance with the guidelines provided in RG 111 as the Offer is fair, it is reasonable. Notwithstanding this, we have also considered the following factors in relation to the reasonableness of the Offer:-
- The future prospects of the Company if the Offer is not accepted by Shareholders; and
 - Any other commercial advantages and disadvantages to Shareholders as a consequence of the Offer being accepted.

2.7 The key advantages of the Offer are:-

- The Offer is fair;
- Mareterram expects a closer relationship with Sea Harvest should the Offer be accepted by Shareholders which will provide a number of benefits including:-
 - Ability to better leverage Sea Harvest's long term relationships with established customers;
 - Access to international supply chain logistics;
 - Opportunity to increase the volume and range of Sea Harvest products that Mareterram sells under the existing supply arrangements;
 - Assisting to underpin Mareterram's future capital requirements to fund its strategic objectives; and
 - Working with Sea Harvest to better access the people, systems and expertise of Sea Harvest.

2.8 The key disadvantages of the Offer are:-

- The presence of a controlling Shareholder such as Sea Harvest on the Share register may detract from the attractiveness of Mareterram as a takeover target and accordingly, Shareholders may potentially be foregoing any future control premium in any Shares they continue to hold in Mareterram; and
- Sea Harvest and its associates together will have a relevant interest in at least 50.1% of Shares on issue during or at the end of the Offer period. This would give Sea Harvest the ability to pass ordinary resolutions of the Company (assuming it is not prevented from voting on any such resolution).

2.9 In our opinion and in the absence of any other relevant information and/or a superior proposal, we consider the Offer is reasonable.

3. OUTLINE OF THE OFFER

- 3.1 The Company has entered into a BIA with Sea Harvest, which is subject to a number of conditions precedent, for the acquisition by Sea Harvest of 1 out of every 2 Shares held by Mareterram Shareholders (other than Sea Harvest and its related entities).

Conditions

- 3.2 The Offer is subject to the satisfaction or waiver of the conditions set out in Schedule 1 of the BIA including (but not limited to):-

- During or at the end of the Offer period, Sea Harvest and its associates together have a relevant interest in at least 50.1% (by number) of Mareterram Shares on issue at that time;
- During or at the end of the Offer Period, Mareterram Shareholders holding at least 67% (by number) of the Mareterram Shares that are not voluntary escrow Shares that are the subject of the Offer have accepted the Offer;
- Sea Harvest obtaining approval from the Financial Surveillance Department within The South African Reserve Bank for remittance of foreign currency out of South Africa for the purpose of satisfying any consideration payable to Shareholders who accept the Offer pursuant to section B.2(B)(ii) of the rules under the Exchange Control Regulations;
- All material approvals and licences required to conduct the Mareterram business remains in force;
- The Western Australian Minister for Transport consents to the deemed assignment of the Carnarvon Boat Harbour Leases as a result of the Offer;
- Supply arrangements with key suppliers including Mydibel, Top Hat, Bayview and Rand Transport remain in force and on the same material terms;
- The independent expert concluding that the Offer is fair and reasonable to Shareholders; and
- NAB providing written confirmation that it will not change pricing or any other term of the relevant funding agreement or cancel a facility in connection with the Offer.

- 3.3 In addition:-

- Sea Harvest and Molonglo Pty Ltd as trustee for the Peter Hutchinson Family Trust (“Molonglo”) (an entity controlled by Mr Hutchinson) have entered into a put and call option deed under which Molonglo will be granted a put option to require Sea Harvest to purchase, and separately, Sea Harvest will be granted a call option to require Molonglo to sell 50% of the options held by Molonglo for \$0.15 per option (being the difference between the Offer price of \$0.35 per Share and the exercise price of \$0.20 per Option) subject to the Offer being declared unconditional or all of the conditions to the Offer having been satisfied and the offer period having expired. The call and put options may be exercised at any time between 19 December 2016 and 23 December 2016.
- The Offer will extend to Shares that are issued during the Offer period due to the vesting of Performance Rights. 3,125,000 of the 6,250,000 Performance Rights held by Mr Lock and 1,562,500 of the 3,125,000 Performance Rights held by Mr Clement will vest subject to the Offer being or being declared unconditional (with Messrs’ Lock and Clement able to accept the Offer for 50% of the Shares arising from the vesting of the Performance Rights). The balance of the Performance Rights will remain in place and will vest subject to the satisfaction of the relevant vesting conditions; and
- 20 million Shares held by Craig Mostyn & Co Pty Ltd (“Craig Mostyn”), 10 million Shares held by Orange Sun Developments Corporation Pty Ltd (“Orange Sun”) and 3,406,250 Shares controlled by Mr Hutchinson are subject to voluntary escrow agreements. Under the agreement, these Shareholders will be permitted to accept the Offer in respect of their escrowed Shares if holders of at least half of the

Shares, the subject of the Offer, (excluding the escrowed Shares) have accepted the Offer and all conditions of the Offer have been satisfied or waived.

Shareholdings

- 3.4 Following the completion of the Offer, Sea Harvest is expected to hold between 50.1% and 59.6% of the issued Shares of Mareterram dependent upon the support received for the Offer from the Mareterram Shareholders as shown in the table below.

	Pre Offer		Post Offer			
	Value per Share	Interest	Minimum	Interest	Maximum	Interest
	Shares		Shares		Shares	
Non Associated Shareholders	108,012,968	80.1%	69,628,064	49.9%	56,350,234	40.4%
Sea Harvest	26,834,730	19.9%	69,907,134	50.1%	83,184,964	59.6%
Total	134,847,698	100%	139,535,198	100%	139,535,198	100%

Table 2: Sea Harvest Shareholding Range on Completion of Offer (Source – RSMCA Analysis)

Directors

- 3.5 Under the BIA, if Sea Harvest acquires a relevant interest in 50.1% or more of the Shares and the Offer is declared unconditional, Fred Robertson (a nominee of Sea Harvest) will be appointed to the board of Mareterram as a non-executive director. This would result in 2 out of the 6 directors of the Company being Sea Harvest nominees.

Rationale of the Offer

- 3.6 Sea Harvest Holdings (through a wholly owned subsidiary) is the largest Shareholder in Mareterram. In addition, Mareterram distributes Sea Harvest hake products in Australia under an existing supply arrangement.
- 3.7 The completion of the Offer will more closely align Mareterram with Sea Harvest and enable Mareterram to benefit from Sea Harvest's fishing industry expertise and experience including the ability to leverage Sea Harvest's global supply chain, access to capital and management expertise.
- 3.8 The Offer is consistent with the growth strategy of a diversified agribusiness currently being pursued by Mareterram's current Board and management.

4. SCOPE OF THE REPORT

- 4.1 Section 640(1)(c) of the Corporations Act provides that where a director of a bidder is also a director of the target, the target's statement must include a report by an expert that states whether, in the expert's opinion, the takeover is fair and reasonable and gives reasons for forming that opinion.
- 4.2 Mr Felix Ratheb is a director of both Sea Harvest Holdings Proprietary Limited and Sea Harvest International Proprietary Limited, and is also a director of Mareterram.
- 4.3 Accordingly, the Independent Directors have engaged RSMCA to prepare this independent expert report to satisfy the requirement in Section 640(1)(c) of the Corporations Act and to provide to Shareholders to assist them in deciding whether to accept or reject the Offer.

Basis of Evaluation

- 4.4 In evaluating the Offer we have had regard to the views expressed in RG 111.
- 4.5 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically it gives guidance to experts on how to evaluate whether or not a proposed transaction is "fair and reasonable".
- 4.6 RG 111 states that the expert report should focus on:
 - The issues facing the security holders for whom the report is being prepared; and
 - The substance of the transaction rather than the legal mechanism used to achieve it.
- 4.7 RG 111 applies the "fair and reasonable" test as two distinct criteria in the circumstance of a takeover bid, stating:
 - A takeover offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject to the offer; and
 - A takeover offer is considered "reasonable" if it is fair, or where the offer is "not fair", it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.
- 4.8 Consistent with the guidelines in RG 111, in determining whether the Offer is fair and reasonable to Mareterram Shareholders, the analysis undertaken is as follows:
 - A comparison between the value of a Mareterram Share and the consideration offered by Sea Harvest – fairness; and.
 - A review of other significant factors which Shareholders might consider prior to approving the Offer – reasonableness.
- 4.9 In accordance with RG 111.11 the value of a Mareterram Share is assessed on a control basis and assuming a knowledgeable and willing but not anxious buyer and a knowledgeable and willing but not anxious seller acting at arm's length.
- 4.10 Our assessment of the Offer is based on economic, market and other conditions prevailing at the date of this Report.

5. INDUSTRY OVERVIEW

- 5.1 Given the nature of Mareterram's business activities and in order to provide a context for assessing the value of Mareterram, we set out below an overview of the characteristics and outlook for the principal sectors in which Mareterram operates. More detailed discussion in relation to the characteristics and outlook of these sectors is set out in Appendix C to this report.
- 5.2 The Mareterram business primarily operates in two industry sectors – Fishing in Australia and Fish and Seafood Wholesaling in Australia.

Fishing in Australia

- 5.3 Mareterram's commercial fishing division is classified within the Fishing in Australia sector and we have made reference to provider of industry reports IBIS World ("IBIS") report A0410 Fishing in Australia.
- 5.4 This Australian fishing sector has overcome challenging conditions to record revenue growth of around 2.2% per annum over the past five years. High seafood prices, combined with a slight reduction in government imposed quotas, have offset depleting stocks of fish and seafood. Together with strong demand from overseas markets, particularly in Asia, these factors have helped sustain export revenues over this time.
- 5.5 Challenging conditions are expected to continue for the Fishing industry in Australia over the next five years.
- 5.6 Catchment restrictions will contribute to declining production volumes as the federal and state governments attempt to replenish fish and seafood stocks. As a result, enterprise numbers are expected to decline steadily over this time. The Aquaculture industry, is considered better suited to meet rising fish and seafood demand over the period, because aquaculture is more sustainable and the depletion of wild-fish stocks is still occurring.
- 5.7 Imported fish and seafood will meet an increased portion of domestic demand over the next five years. Rising demand for seafood will help buoy demand for imported fish, despite cost increases associated with the depreciating Australian dollar. Local fishing operators are expected to struggle to compete with the larger quantities overseas operators produce, due to ongoing local catchment restrictions.
- 5.8 Despite these challenges, IBIS is forecasting industry revenue to grow at a compound annual rate of 0.9% over the five years through 2020-21, to \$1.6 billion.

Fish and Seafood Wholesaling in Australia

- 5.9 The Food Services Division of Mareterram is classified within the Fishing and Seafood Wholesaling in Australia industry sector (IBIS report F3604 Fishing and Seafood Wholesaling in Australia). This sector involves selling fresh, frozen or processed seafood to wholesale establishments or specialised seafood retailers and supermarkets.
- 5.10 The Fish and Seafood Wholesaling industry has performed modestly over the past five years. Industry revenue is forecast to rise at an annualised 1.6% over the five years through 2015-16 to reach \$4.3 billion. Rising seafood prices coupled with marginal per capita seafood consumption growth have helped boost revenue over the period.
- 5.11 Operating conditions for the Fish and Seafood Wholesaling industry are likely to remain similar over the next five years. Businesses will continue to battle for limited business from downstream customers as wholesale bypass continues to limit sales to Australia's largest food retailers. Already low profit margins across the industry will continue to endure downward pressure over this period. Operators will be forced to reduce margins further due to strong competition and the industry's saturation. However, profit declines will likely be marginal due to the industry's already minimal margins.
- 5.12 Industry revenue is forecast by IBIS to grow at an annualised 3.0% over the five years through 2020-21 to reach \$4.9 billion.

6. PROFILE OF MARETERRAM LIMITED

Overview

- 6.1 Mareterram is a Western Australian based public company listed on the ASX (ASX code: MTM).
- 6.2 Mareterram was originally incorporated in June 1987 and was admitted to the official list of the ASX on 7 April 2004. The Company's previous focus was on the research, development, manufacturing and marketing of green flooring products based on its strand woven technologies.
- 6.3 On 30 April 2012, the Company's board of directors resolved to place the Company into voluntary administration. In July 2012, the Company entered into a deed of company arrangement which was completed in February 2013 and at which time the pre administration debts of the Company were extinguished. In May 2013, a new Board was appointed and the Company was recapitalised through the issue of recapitalisation securities.
- 6.4 On 12 November 2015, the Company lodged a prospectus with the ASIC to raise up to \$18 million and to effect the completion of the acquisition of the commercial fishing business conducted by Nor-West Seafood's Pty Ltd and Tennereef Pty Ltd ("NWS") and the food services division of the Craig Mostyn Group. The Company was renamed Mareterram Limited.
- 6.5 Mareterram relisted on the ASX on 6 January 2016.
- 6.6 The Company now operates a vertically integrated agribusiness with two divisions, being the commercial fishing division ("CFD") (formerly NWS) and the food services division ("FSD").

Commercial Fishing Division ("CFD")

- 6.7 This division holds and operates 10 of 18 Shark Bay Prawn Managed Fishery ("SBPMF") licences issued by the Western Australian Department of Fisheries relating to the SBPMF in Shark Bay, Carnarvon, Western Australia. It also holds 10 Shark Bay Scallop B Class managed fishery licences of the Shark Bay Scallop Managed Fishery ("SBSMF") and 10 Shark Bay Crab managed Fishing Licenses in the Shark Bay Crab Managed Fishery.
- 6.8 The Company owns 10 trawling vessels which target two major species, king and tiger prawns, with several material by-catches including coral and endeavour prawns, blue swimmer crabs, scallops, squid and cuttlefish.
- 6.9 There is significant business infrastructure in Carnarvon including administration, engineering and slipping facilities in the Carnarvon small boat harbour and an accommodation facility on Babbage Island.
- 6.10 This division has approximately 30 employees and the vessels are operated by skippers and crew under share fishing arrangements.
- 6.11 NWS was acquired by the Company for a consideration of \$19.624 million comprising \$17.624 million cash (after adjustments) and 10,000,000 Mareterram Shares at \$0.20 per Share.

FSD

- 6.12 FSD comprises the acquired food services division of the Craig Mostyn Group and the net assets of Focus Fisheries Pty Ltd (“Focus”).
- 6.13 The food services division of the Craig Mostyn Group, is an importing and trading business buying produce from overseas producers and local manufacturers and selling to wholesalers, distributors, retailers or end users in the food service channel. It has:-
- A national sales presence in Western Australia, New South Wales, Queensland, Victoria and South Australia with a national sales force of 10 people;
 - Key product categories of frozen seafood and potato products; and
 - Key agency and/or supplier relationships with established brands including Sea Harvest, Top Hat, Mydibel, Cape Haddie and Royal Greenland.
- 6.14 The food services division of the Craig Mostyn group was acquired by the Company for a consideration (after adjustments) of up to \$4.441 million comprising 20,000,000 Mareterram Shares of \$0.20 per Share, cash of \$2.815 million, contingent consideration of \$0.75 million less a working capital adjustment of \$3.124 million.
- 6.15 On 2 February 2016, the Company announced it had entered into agreements to acquire the net assets of Focus Fishers Pty Ltd (“Focus”) with an option to acquire the Share capital of Focus within 6 months of the completion of the net asset purchase. Focus commercialises wild caught seafood by providing central marketing and sales services in export and domestic seafood markets and is a major facilitator of contract offshore processing of Australian wild caught seafood.

Directors

6.16 The directors of Mareterram are set out in the table below.

Table 3 MTM Directors

Name	Title	Experience
Peter Hutchinson	Non-Executive Chairman	<p>Mr Hutchinson has 30 years business experience managing a diverse portfolio of industrial investments in manufacturing, engineering, construction and property.</p> <p>Mr Hutchinson has chaired listed public company AI Ltd and more recently Resource Equipment Ltd. He was a Non-Executive Director of Kumarina Resources Ltd (now Zeta Resources Ltd) and previously a founding Shareholder, CEO and Chairman of Forge Group Ltd.</p>
David Lock	Managing Director and Chief Executive Officer	<p>Mr Lock was appointed as Managing Director on 1 January 2016. Prior to this he had worked at Craig Mostyn Group since 1996, a privately owned agribusiness company where he had been CEO since 2004.</p> <p>Mr Lock has been a board member of the Food Industry Association of WA, The WA Meat Industry Authority, the Water Corporation and the Curtin Business School Advisory Council.</p>
James Clement	Executive Director and Chief Operating Officer	<p>Mr Clement joined the Board in August 2015 as a Non-Executive Director. Mr Clement has worked in the commercial fishing industry with Focus Fisheries Pty Ltd for three years and was appointed General Manager in 2014. He is also a member of the Western Australian Fishing Industry Council's resource access committee.</p> <p>He has over 10 years of experience in financial services, in which he held roles with JM Financial Group, Euroz Securities Limited, and Blackswan Equities.</p>
Mark Pitts	Non-Executive Director	<p>Mr Pitts has over 25 years of experience working in commercial, corporate finance and public practice roles in Australia and overseas. Mr Pitts is a partner in the corporate advisory firm Endeavour Corporate, established in 2004. Endeavour Corporate provides company secretarial support as well as corporate, governance and compliance advice to a number of ASX-listed public companies.</p> <p>Mr Pitts commenced his career in finance working for KPMG in Australia and overseas, before working in the property, healthcare and mineral-extraction industries.</p>
Felix Ratheb	Non-Executive Director	<p>Mr Ratheb has been Chief Executive of the Sea Harvest Group since December 2013 and has worked in the fishing and food industry since 2003. Mr Ratheb is a director of Sea Harvest Holdings and Sea Harvest</p>

Table 4: Mareterram directors (Source – Company Investor Presentation March 2016)

Financial Information

6.17 The financial information below provides summaries of the financial performance of Mareterram for the years ended 30 June 2014 and 30 June 2015 and the six months ended 31 December 2015 extracted from the audited financial statements of the Company for the years ended 30 June 2014 and 30 June 2015 and from the reviewed financial statements of the Company for the six months ended 31 December 2015.

Financial Position

6.18 The table below sets out the financial position of Mareterram as at 30 June 2015 and 31 December 2015 extracted from the financial statements. It should be noted that the completion of the Company's acquisition of NWS and the food services division of the Craig Mostyn Group, and the \$18 million capital raising, was on 18 December 2016, and accordingly these transactions are not reflected in the Company's 30 June 2015 Statement of Financial Position.

	Ref	Reviewed As at 31 Dec 15 \$'000	Audited As at 30 Jun 15 \$'000
Cash and cash equivalents		797	1,134
Trade and other receivables		6,928	30
Inventory		4,285	-
Other current assets		575	8
Total current assets		12,585	1,172
Property, plant and equipment	6.22	8,822	6
Fishing licences	6.23	22,241	-
Goodwill	6.24	1,510	-
Deferred tax assets		1,018	-
Total non-current assets		33,591	6
Total Assets		46,176	1,178
Trade and other payables		3,679	220
Employee liabilities		493	-
Other liabilities	6.25	2,147	-
Other payables	6.27	2,357	-
Total current liabilities		8,676	220
Borrowings	6.28	4,909	-
Other liabilities	6.25	10,088	-
Employee entitlements		206	-
Total non-current liabilities		15,203	-
Total Liabilities		23,879	-
Net Assets		22,297	958
Equity			
Issued capital		64,484	41,528
Reserves		358	1
Accumulated losses		(43,545)	(40,571)
Total equity		22,297	958

Table 5: Mareterram Financial Position (Source – Mareterram Financial Statements)

- 6.19 At 31 December 2015, the Company had net assets of approximately \$22.3 million and a working capital balance (current assets less current liabilities) of approximately \$3.9 million.
- 6.20 The financial position as at 31 December 2015 reflects the acquisitions of NWS and the food service division of the Craig Mostyn Group and the raising of \$18million equity before costs which were completed on 18 December 2015.
- 6.21 As at 31 December 2015 the initial accounting for the acquisition of NWS and the food service division of the Craig Mostyn Group had only been provisionally determined. At the date of finalisation of the financial report for the six months ended 31 December 2015 the necessary market valuations and other calculations had not been finalised and the fair market value of the plant and equipment, associated deferred tax liabilities and goodwill had only been provisionally determined based on the Directors' best estimate of the likely fair value of the plant and equipment.
- 6.22 Property, plant and equipment as at 31 December 2015 comprises principally of assets acquired as part of the acquisition of NWS and includes 10 trawling vessels with a book value of approximately \$6.6 million and buildings of approximately \$2.0 million.
- 6.23 The fishing licences represent the 10 SBPMF licences which are held in perpetuity subject to compliance with regulatory and financial obligations (refer paragraph 6.25). They are shown at the fair value acquired.
- 6.24 Goodwill primarily comprises the following two items:
- Under the terms of the business purchase agreement with the Craig Mostyn Group for the acquisition of the FSD, Mareterram must pay the Craig Mostyn Group an additional cash payment based upon the achievement of a specified level of EBITDA (in the 12 months following completion of the acquisition) as defined in this business purchase agreement. The maximum potential undiscounted amount that could be required is \$750,000; and
 - Under the terms of the earn out and equity participation agreement with Sea Harvest, upon reaching the EBITDA target (in the 12 months following completion of the FSD acquisition) Sea Harvest is entitled to receive an incentive payment of up to \$750,000.
- 6.25 The SBPMF is subject to the SBPMF Voluntary Fisheries Adjustment Scheme ("VFAS") which was established on 12 November 2010 pursuant to the *Fisheries Adjustment Scheme Act 1987 (WA)*. The VFAS operates from 12 November 2010 until 1 July 2021 and for the period 2015 to 2021 an annual fee of \$215,474 per licence is payable by the holder of a licence that authorises fishing in the SBPMF.
- 6.26 At 31 December 2015 the fair value of the liability under the VFAS was \$12.235 million

	As at 31-Dec-15 \$'000
Current liability	2,147
Non-current liability(1)	10,088
Total liability – VFAS	<u>12,235</u>

(1) The non-current Liability is the present value discounted at the 5 Year Commonwealth Bank Rate

Table 6: Total Liability VFAS (Source – Mareterram Financial Statements)

- 6.27 Included in Other Liabilities is the Earn Out liabilities to the Craig Mostyn Group and Sea Harvest Holdings totalling \$1.5 million arising out of the acquisition of the FSD.
- 6.28 The Company has borrowing facilities totalling \$17.7 million of which \$5.081 million was utilised as at 31 December 2015. The borrowings liability of \$4.909 million is stated net of borrowing costs incurred of \$172,000. The majority (\$17.0 million) of the borrowing facilities are available for working capital and acquisition finance.

Financial Performance

- 6.29 The table below sets out the financial performance of Mareterram for the years ended 30 June 2014 and 30 June 2015 and for the six months ended 31 December 2015 extracted from the relevant financial statements.

	Reviewed Six months ended 31-Dec-15 Ref \$'000	Audited Year ended 30-Jun-15 \$'000	Audited Year ended 30-Jun-14 \$'000
Revenue	511	80	-
Cost of sales	(471)	-	-
Gross profit	40	80	-
Consultant and contractors	(177)	(59)	(20)
Depreciation and amortisation expense	(19)	(1)	(1)
Employee expenses	(588)	(100)	-
Joint development marketing	-	(30)	-
Occupancy costs	(39)	-	(12)
Other expenses	(389)	(249)	(188)
Gain on deconsolidation of foreign controlled subsidiaries	-	-	653
Business acquisition costs	(1,241)	-	-
Operating profit/(loss)	(2,413)	(359)	432
Finance income	4	26	32
Finance costs	(16)	-	-
Net finance cost	(12)	26	32
Profit/(loss) before tax	(2,425)	(333)	-
Income tax benefit	450	-	-
Profit/(loss) after tax	(1,975)	(333)	464

Table 7: Mareterram Financial Performance (Source – Mareterram Financial Statements)

- 6.30 The financial performance of Mareterram for the two years and six months ended 31 December 2015 reflects the recent history of the Company with the recapitalisation of the Company out of administration and the acquisition of the business of NWS and the FSD in the six months ended 31 December 2015. Given that the acquisitions of both NWS and the food services division of the Craig Mostyn Group completed on 18 December 2015, there is very little operational impact on the results for the six months ended 31 December 2015.

Pro forma Historic and Forecast Trading Results

- 6.31 In the Second Replacement Prospectus dated 12 November 2015 lodged with the ASIC, the Directors and management of Mareterram provided a summary of the pro forma historical income statements for the years ended 30 June 2013 (FY13), 30 June 2014 (FY14), 30 June 2015 (FY15) and the pro forma forecast income statement for the year ending 30 June 2016 (FY16).
- 6.32 The principal assumption underpinning the pro forma income statements in the Prospectus was that the business and operations of NWS and the FSD Group had been acquired on 1 July 2012.
- 6.33 The pro forma historic income statements in the Prospectus were extracted from the financial information and financial reports of NWS, the food services division of the Craig Mostyn Group and Mareterram. The forecast income statement was prepared by the Directors. The information provided below has been summarised from the Prospectus.
- 6.34 The pro forma historical and forecast trading results for FY13, FY14, FY15 and FY16 to the earnings before interest, taxation, depreciation and amortisation ("EBITDA") level are provided in the table below.

	FY13 Pro forma Historical \$'000	FY14 Pro forma Historical \$'000	FY15 Pro forma Historical \$'000	FY16 Pro forma Historical \$'000
Revenue				
CFD (formerly NWS)	13,842	12,857	14,413	17,762
FSD	38,858	34,536	34,145	28,282
Total revenue	52,700	47,393	48,558	46,044
Cost of sales				
CFD	(8,207)	(7,745)	(9,053)	(8,681)
FSD	(32,952)	(29,601)	(29,053)	(23,472)
Total cost of sales	(41,159)	(37,246)	(38,106)	(32,153)
Gross profit	11,541	10,147	10,452	13,891
Employee benefits expense	(3,724)	(3,785)	(3,754)	(3,692)
Other operating expense	(1,496)	(1,803)	(1,683)	(1,525)
Sales and marketing expense	(3,014)	(2,897)	(2,611)	(2,171)
Total expenses	(8,234)	(8,485)	(8,048)	(7,388)
EBITDA	3,307	1,662	2,404	6,503

Table 8: Pro forma Historical and Forecast Trading Results (Source – Mareterram Prospectus)

- 6.35 The EBITDA generated by NWS, FSD and Mareterram for each of these years is shown below:-

	FY13 Pro forma Historical \$'000	FY14 Pro forma Historical \$'000	FY15 Pro forma Historical \$'000	FY16 Pro forma Historical \$'000
NWS	2,663	1,718	1,757	6,099
FSD	858	195	978	1,327
Mareterram	(214)	(251)	(331)	(923)
Total	3307	1,662	2,404	6,503

Table 9: Pro forma Historical and Forecast EBITDA by division (*Source – Mareterram Prospectus*)

CFD

- 6.36 CFD revenue is derived from the fishery operations in the SBPMF and the sale of caught stock consisting of four key categories being king prawns, tiger prawns, scallops and by catch (being any other species allowable under SBPMF and SBSMF licences).
- 6.37 Scallops historically provided a material income stream, however no scallops were available while the SBSMF was closed from 2012 to 2014 due to environmental factors which had a negative impact on scallop stocks with no revenue being generated from scallop sales from FY13 to FY15.
- 6.38 Given the nature of the major revenue streams, the key drivers underpinning the results of CFD are related to total catch volumes and prices realised for the catch stock in the domestic and international seafood markets. Catch volumes fluctuate from season to season and depend upon the biomass in the fishery which varies with environmental conditions. Given the exposure to international markets, the Australian dollar exchange rate against both the US dollar and Japanese yen can have a significant bearing on sales revenue.
- 6.39 CFD cost of sales relate to the costs of operating and maintaining the Vessels, driven by the following key factors:-
- payments to the skippers and crew under Share-fishing arrangements (crew Share) based on catch volumes and species;
 - fuel costs based on total fuel usage in litres and cost of diesel fuel. Fuel costs fluctuate and are affected by international oil prices and the exchange rate of the Australian dollar against the US dollar;
 - significant repairs and maintenance costs including vessel refit at the end of each fishing season to meet survey requirements and to keep the operating assets in good working order; and
 - other costs including harbour dues and consumables (including nets, gear and packaging).
- 6.40 Crew Share and consumables costs are the main outgoings that are directly variable with volumes of catch. The other costs of operating the Vessels tend to be driven by fishing effort rather than volume achieved.
- 6.41 The decrease in EBITDA between FY13 and FY14 was caused primarily by an 11% fall in prawn sales income in FY14 and increased expenditure on crew Share and diesel fuel in line with higher catch volumes in FY14.
- 6.42 The forecast was based on the actual catch achieved in the 2015 fishing season to the end of September 2015, expectations to the end of the 2015 season in November 2015 and expectations that the 2016 season commencing in March 2016 would be comparable to the 2015 season in terms of volumes, mix and prices. Sales volumes and catch volumes forecast were significantly higher than FY15 with sales volumes being approximately 15% higher and catch volumes approximately 12% higher than FY15.
- 6.43 In addition, the 2015 season saw the re-opening of the scallop fishery and the generation of scallop sales.
- 6.44 Costs are forecast to reduce particularly diesel fuel, due to price reductions, cold storage costs with cold storage activities being outsourced and the Babbage Island cold storage facilities not being utilised and some management costs being reflected in Mareterram's costs rather than CFD costs.

FSD

- 6.45 FSD generates its revenue through the sale and distribution of imported and domestic food products, achieving a margin on turnover of product handled. The key drivers of FSD's revenue and gross profit are the ability to secure supply of a quality product range and maintain an acceptable gross profit percentage by

a combination of negotiation of appropriate product costs from suppliers, management of exchange rate exposures on imported product and market activity to support sales and pricing in the market.

- 6.46 The decrease in revenue, gross profit and EBITDA between FY13 and FY14 was driven by reduced product volumes being available from a key supplier due to lower catch and competition for the product from alternate global markets, higher product costs for another key category due to price increases and an unfavourable movement in exchange rate which could not be fully passed on to customers and highly competitive market conditions in certain commodity product lines. FSD was also undertaking a process to exit underperforming products and reduce the working capital investment in slow-moving categories.
- 6.47 During FY15 FSD's revenue remained comparable with FY14 in overall terms while the business continued the rationalisation of the product range and focus on higher margin products. The renegotiation of the supply terms with a key supplier supported higher volumes with better margins and offset the impact of the exit of under-performing products.
- 6.48 FSD also achieved \$0.6 million in cost savings between FY14 and FY15 with lower selling and distribution costs from the full year effect of a new national logistics and storage contract and savings in staff costs. The overall impact was an increase in EBITDA of \$0.8 million between FY14 and FY15.
- 6.49 The forecast for FSD for FY16 is based on:-
- continuation of existing core imported and domestic product lines;
 - minimum volume under the Sea Harvest Supply and Distribution Agreement taking effect from December 2015;
 - substitution of commodity products with lower volume, higher margin product; and
 - additional distributor margin for handling the NWS prawn product.
- 6.50 Discussions with management indicate that trading conditions in FY17 will be comparable with FY16.

Capital Structure

- 6.51 The Share structure of Mareterram as at 13 April 2016 is outlined below:

Shareholders	No of Shares
Total Ordinary Shares on issue	134,847,698
Top 20 Shareholders	99,659,899
Top 20 Shareholders - % of Share on issue	74%

Table 10: Top 20 Shareholders - Mareterram (Source – Automatic Registry Services and RSMCA Analysis)

6.52 The ten largest Shareholders hold 61.7% of the Shares on issue as at 13 April 2016 as set out in the table below:-

Shareholders	No of Shares	Percentage of Issued Shares (%)
Sea Harvest International Pty Ltd	26,834,730	19.9%
Craig Mostyn	20,000,000	14.8%
Orange Sun	10,000,000	7.4%
Molonglo Pty Ltd	5,000,000	3.7%
Oresusa Pty Ltd	5,000,000	3.7%
Wolf Capital Pty Ltd	5,000,000	3.7%
National Nominees Limited	3,286,900	2.4%
Pollac Pty Ltd	3,125,000	2.3%
Robert Mostyn	2,500,000	1.9%
Chesapeake Capital	<u>2,500,000</u>	<u>1.9%</u>
Total Top 10	83,246,630	61.7%
Others	51,601,068	38.3%
Total Ordinary Shares on Issue	134,847,698	100%

Table 11: Largest Shareholders in Mareterram (Source – Automatic Registry Service and RSMCA Analysis)

6.53 The 20 million Shares held by Craig Mostyn, the 10 million Shares held by Orange Sun and 3,406,250 of the 5,000,000 Shares controlled by Mr Hutchinson are subject to voluntary escrow agreements.

Performance Rights

6.54 There are 9,375,000 Performance Rights on issue of which 6,250,000 are held by Mr David Lock (Managing Director) and 3,125,000 by Mr James Clement (Director and Chief Operating Officer).

Options

6.55 There are 5,000,000 options on issue with an exercise price of \$0.20 held by an entity controlled by Mr Peter Hutchinson.

Share Price Performance

6.56 The figure below sets out a summary of Mareterram's daily closing Share price between 6 January 2016 and 30 April 2016 and the volume of Shares traded.

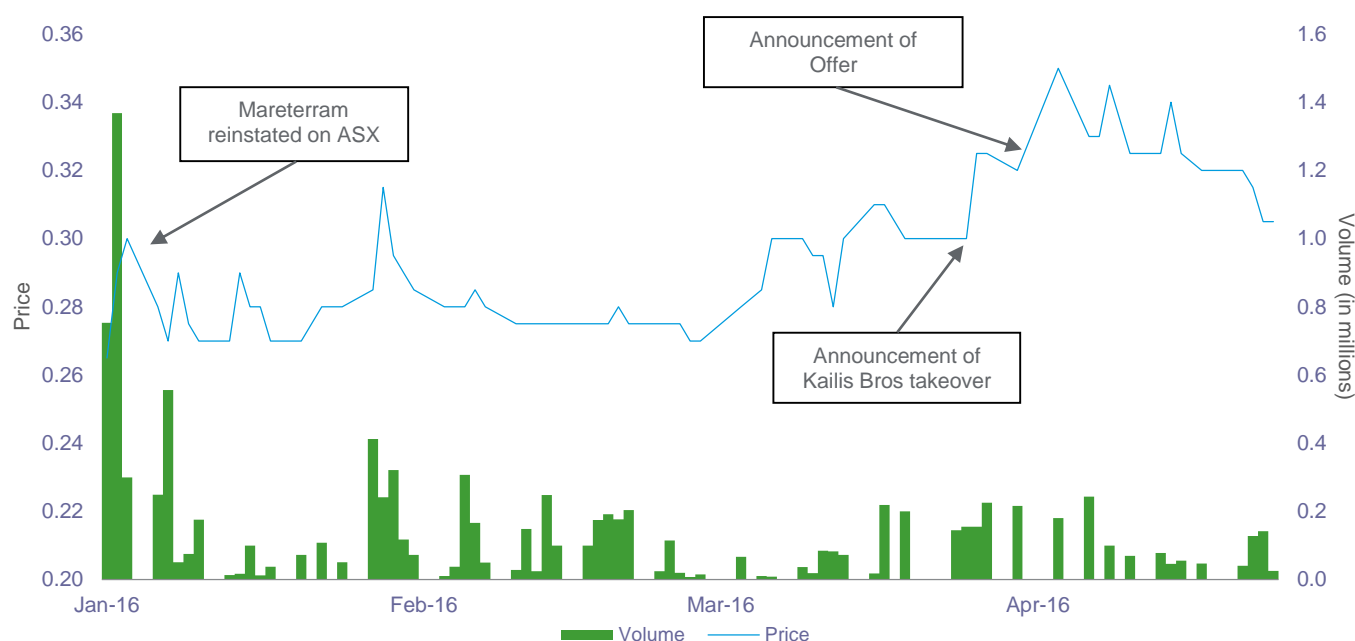


Figure 1: Mareterram Share Price Volume Graph (Source – S&P Capital IQ)

- 6.57 Mareterram was reinstated on the ASX on 6 January 2016 and closed that day at a price of \$0.265 per Share following the completion of the \$18 million capital raising at \$0.20 per Share.
- 6.58 Mareterram's Shares experienced elevated trade volumes on 7 January 2016 and immediately after its reinstatement on the ASX. In the period following this, Mareterram's stock experienced very low trade volumes; generally trading at around \$0.29 per Share.
- 6.59 On 31 March 2016 Kailis Bros, a Western Australian based business operating in the same industry as Mareterram, announced the proposed sale of 90% of its seafood processing, wholesale and export business for an estimated \$180m to Legend Holdings Corporation, a Chinese investment company listed on the Hong Kong Stock Exchange. Mareterram's Share price increased to \$0.33 per Share that day from an opening price of \$0.30.
- 6.60 On 5 April 2016 the Company entered into a trading halt and following the announcement of the Offer on 8 April 2016, Mareterram's Share price continued to rise to \$0.35 per Share on 8 April 2016 and 13 April 2016 before subsiding back to around \$0.30 per Share as at the end of April 2016.
- 6.61 Mareterram's Share price performance is discussed further at 9.23.

7. PROFILE OF SEA HARVEST PTY LTD

Overview

- 7.1 Sea Harvest Holdings and its related entities (together the Sea Harvest Group) is a South African deep sea trawling company established in 1964 in the harbour town of Saldanha on the west coast of South Africa. Its principal business is deep-sea trawling of the ground fish species called Hake (*Merluccius paradoxus* and *Merluccius capensis*), processing of the catch into frozen and chilled seafood and the marketing of these products both locally and internationally.
- 7.2 The Sea Harvest Group is vertically integrated and owns all its fishing vessels and processing facilities. The Sea Harvest Group employs more than 2,400 people and has the capacity to catch over 40,000 tons of Cape Hake each year.
- 7.3 The Sea Harvest Group is one of the largest hake producers in South Africa and offers its own brand of Cape Hake products such as fillets and value added products. The Sea Harvest Group has rights to approximately 26% of the available annual demersal hake allowable catch allocated by the South African Department of Agriculture, Forestry and Fisheries. The Company is also one of South Africa's leading importers and distributors of frozen seafood to the catering and hospitality industry.
- 7.4 The Sea Harvest Group operates a fleet of single and twin fresh fish trawlers, in-shore trawlers and a factory freezer trawler in South Africa. The factory freezer trawler is unique in South African and international hake fisheries, enabling the production of high quality deboned frozen fillets at sea.
- 7.5 The Sea Harvest Group's processing facilities are on the quay-side, ensuring the fastest possible transfer from fresh fish trawlers to land-based factories.
- 7.6 The Sea Harvest Group's global footprint includes Australia, the USA, the United Kingdom, France, Spain, Sweden, Switzerland, Italy, Germany and Holland.

Ownership

- 7.7 Sea Harvest is a wholly owned subsidiary of Sea Harvest Holdings. Sea Harvest Holdings is a South African proprietary limited company controlled by Brimstone Investment Corporation Limited ("Brimstone"), who hold 85% of the issued capital through a wholly owned subsidiary Brimco (Pty) Ltd, with the balance of the equity held by the two Sea Harvest Management Investment Trusts (10.63%) and Sea Harvest Employee Share Trust (4.37%).
- 7.8 Brimstone is incorporated and domiciled in the Republic of South Africa, employing in excess of 3,400 employees in its subsidiaries and in excess of 26,500 in its associates and investments.
- 7.9 Brimstone is primarily an investment holding company with investments in food, health care, financial services, infrastructure, ICT and property.
- 7.10 Brimstone is listed on the Johannesburg Stock Exchange with a market capitalisation as at 12 May 2016 of approximately 3.39 billion South African rand.
- 7.11 Brimstone was founded by Mustaq Ahmed Enus-Brey and Frederick Robertson in 1995 and is headquartered in Cape Town, South Africa.

8. VALUATION APPROACH

Valuation methodologies

8.1 In assessing the value of an ordinary Share in Mareterram, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies.

- the discounted cash flow method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

8.2 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows

Market based methods

8.3 Market based methods estimate the Fair Market Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include:

- the quoted price for listed securities; and
- industry specific methods.

8.4 The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.

8.5 Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income based

8.6 Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- capitalisation of future maintainable earnings ("FME"); and
- discounted cash flow methods ("DCF").

Capitalisation of FME method

- 8.7 The Capitalisation of FME method estimates the value of an entity's equity by capitalising the underlying business' FME, adding the values of any surplus or non-operating assets (or deducting any excess or non-operating liabilities), deducting net debt (or adding net cash).
- 8.8 The capitalisation of earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings ("FME") of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies. The capitalisation of earnings methodology is commonly used in valuing businesses and is appropriate where the earnings of the business are regular and sufficient to justify a value exceeding the value of the underlying assets.

DCF

- 8.9 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

Asset based methods

- 8.10 Asset based methodologies estimate the fair market value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
 - liquidation of assets method; and
 - net assets on a going concern basis.
- 8.11 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 8.12 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.
- 8.13 The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies:

Selection of Valuation Methodologies

8.14 In assessing the value of Mareterram and a Mareterram Share we have selected the following valuation methodologies:-

- Capitalisation of FME – primary methodology; and
- Quoted prices of listed securities – secondary methodology.

8.15 In our opinion, these are the most appropriate methodologies for the following reasons:-

- The businesses acquired by Mareterram have a history of earnings;
- There is an adequate number of publicly listed companies with operations sufficiently similar to Mareterram to provide meaningful analysis;
- There are no long term cashflow projections available which we regard as sufficiently robust to enable a DCF valuation to be undertaken;
- An asset based method is not appropriate as the businesses acquired by the Company are profitable, a significant proportion of the Company's assets are not liquid and it's not an asset holding company; and
- Mareterram's securities are listed on the ASX, which provides an indication of the market value where an observable market for the securities exists.

9. VALUATION OF MARETERRAM

- 9.1 As stated in Section 8 of this Report, we have adopted the capitalisation of future maintainable earnings (“FME”) as the primary basis of valuation of Mareterram Shares. We have cross-checked this value for reasonableness to valuations adopting the net tangible assets on a going concern methodology and the quoted market price of a Mareterram Share.
- 9.2 Our valuation of Mareterram has been prepared on the basis of fair market value being the value that should be agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm’s length.

Capitalisation of future maintainable earnings (primary methodology)

- 9.3 We have assessed the value of 100% of Mareterram on a control basis to be in the range of approximately \$34.0 million and \$42.1 million and the value of a Mareterram Share on a control basis to be in the range of \$0.253 and \$0.313 based on the capitalisation of FME methodology, as summarised in the table below:

	Ref	Assessed Values	
		Low	High
Assessed EBITDA (\$000)		6,000	6,500
Assessed EBITDA Multiple		7	8
Enterprise value (minority interest)		42,000	48,750
Control premium		20%	20%
Enterprise value (controlling basis)		50,400	58,500
Less: Net debt (\$000)		(4,112)	(4,112)
Less: Net excess liabilities (\$000)		(12,235)	(12,235)
Equity value (100% interest) (\$000)		34,053	42,153
Value per Share (control basis)		\$ 0.253	\$ 0.313

Table 12: Summary of Valuation of Mareterram Shares (Source – RSMCA Analysis)

Key Assumptions

- 9.4 The capitalisation of earnings methodology estimates the value of the equity of a company by capitalising the FME of the underlying business at an appropriate multiple, which reflects the underlying risk profile and growth prospects of the business applying a premium for control where necessary, adding the value of any surplus or non-operating assets (or deducting any excess or non-operating liabilities) and deducting net debt (or adding net cash). Accordingly, valuing Mareterram using the capitalisation of maintainable earnings methodology requires the determination of the following variables:-
- future maintainable earnings;
 - an appropriate capitalisation multiple;
 - an appropriate premium for control;
 - the current level of net debt or net cash; and
 - the value of surplus assets or excess liabilities.
- 9.5 Our considerations with regard to each of these factors is presented below:

Future maintainable earnings

- 9.6 Our calculation of future maintainable earnings is based on Mareterram's future maintainable EBITDA. We have used future maintainable EBITDA as it allows Mareterram's earnings and therefore appropriate capitalisation rates to be compared to other companies as:
- A company's EBITDA is unaffected by capital structure (level of gearing), tax structure or income tax rates; and
 - EBITDA can be viewed as a better representation of the actual cost that flows through a company than earnings and depreciation and amortisation are non-cash charges against earnings.
- 9.7 In assessing the future maintainable earnings we have had regard to the pro forma forecast results for the year ending 30 June 2016.
- 9.8 In order to establish future maintainable earnings we have considered adjustments to revenue and expenditure items to eliminate revenue or expense items that are abnormal, one-off or non-commercial in nature. We have not identified any such items.
- 9.9 On the basis of our review of forecast financial information and from discussions with management, we consider the normalised level of EBITDA to be in the range of \$6.0 million to \$6.5 million.

Assessment of Capitalisation Multiple

- 9.10 In selecting an appropriate capitalisation multiple to value Mareterram we have considered the trading multiples of equities of companies which are listed on the ASX and New Zealand Stock Exchange ("NZSE") whose operations are the same as, or comparable to, Mareterram.

Comparable Companies

- 9.11 The table below sets out a summary of the historic and forecast EBITDA multiples of entities listed on the ASX and NZSE whose operations and activities are comparable to those of Mareterram. Brief descriptions of each of the comparable companies are set out at Appendix D.

		Enterprise Value (\$M) (15/4/16)	Forecast FY16 EBITDA (\$M)	Forecast EV/EBITDA Multiple	Historic EV/FY15 Multiple
	Country				
Huon Aquaculture Group	Australia	344	28	12	9
Clean Seas Tuna	Australia	42	n/a	n/a	16
Freedom Foods Group	Australia	614.2	22.1	27.5	53.2
Tassal Group	Australia	693.7	89.9	7.7	7.3
Sanford	New Zealand	710	79	9	11
Average (excl Freedom Foods ⁽¹⁾)				9.7	10.8
Median (excl Freedom Foods ⁽¹⁾)				9.0	9.9

Table 13: Summary of comparable company enterprise values, FY16 EBITDA and EV/EBITDA multiples

(Source: S&P Capital IQ, RSMCA analysis)

(1) /Freedom Foods has been excluded as it is an outlier

- 9.12 In relation to the above trading multiples, we note that the Share price of a listed company represents the market value of a non-controlling interest in that company and as such any earnings multiple derived from those Share prices are consequently non-controlling multiples and they do not reflect a premium for control.

Conclusion on capitalisation multiple

- 9.13 Based on our analysis of comparable company multiples, we consider an appropriate non-controlling multiple for Mareterram to be in the range of 7.0 to 7.5 times. In assessing this range, we have considered inter-alia:-
- The relative small size and scale of Mareterram compared to the comparable companies;
 - The relative volatility in historic earnings of the acquired businesses;
 - The lack of a trading history of the two acquired businesses operating together;
 - The strong credentialed and experienced Board and senior management; and
 - The involvement of Sea Harvest as major Shareholder and supplier.

Premium for Control

- 9.14 Obtaining control of an entity usually provides the acquirer with a number of advantages including the following:-
- Access to potential synergies;
 - Control over decision making and strategic direction;
 - Access to underlying cash flows; and
 - Control over dividend policies.
- 9.15 In the case of publicly traded securities, given the advantages control of an entity provides an acquirer, they are usually expected to pay a premium to the quoted market price to achieve control, which is often referred to as a control premium. Consequently earnings multiples for listed companies do not reflect the market value of a controlling interest in the company as they are derived from market prices which usually represent the buying and selling of non-controlling portfolio holdings (small parcels of Shares).
- 9.16 In selecting a control premium we have given consideration to the RSM 2013 Control Premium Study and recent updates. The study performed an analysis of control premiums paid over a 7-year period to 31 December 2012 in 345 successful takeovers and schemes of arrangements of companies listed on the ASX. Our study concluded that, on average, control premiums in takeovers and schemes of arrangements involving Australian companies was in the range of 25% to 40%.
- 9.17 In valuing an ordinary Share in Mareterram we have been cognisant of the level of net debt and excess liabilities and consequently have selected a premium for control of 20%.

Net Debt

- 9.18 We have assessed the net debt position to be approximately \$4.1 million as summarised in the table below:-

	Ref	Reviewed As at 31-Dec-15 \$'000
Cash and cash equivalents		797
Debt		(4,907)
Net debt		(4,112)

Table 14: Assessment of Net Debt (Source – Mareterram Financial Statements)

Excess Liabilities

9.19 Surplus assets and excess liabilities are those assets and liabilities not required to sustain the adopted level of earnings. At 31 December 2015 Mareterram had excess liabilities of \$12.235 million representing the fair value of the liability under the VFAS (refer paragraphs 6.25 and 6.26).

Quoted price of listed securities (secondary method)

9.20 In order to provide a comparison and cross check to our valuation of a Mareterram Share derived using the capitalisation of FME methodology, we have considered the recent quoted market price for Mareterram Shares on the ASX prior to the announcement of the Offer.

9.21 RG 111.69 indicates for the Quoted Price of Listed Securities methodology to represent a reliable indicator of Fair Value, there needs to be an active and liquid market for the Shares.

9.22 The following characteristics may be considered to be representative of a liquid and active market:

- Regular trading in the company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The bid / ask spread of a company's Shares must not be so great that a single minority trade can significantly affect the market capitalisation of the company; and
- There are no significant but unexplained movements in the Share price.

Trading Prior to the Announcement of the Offer

9.23 The figure below sets out a summary of Mareterram's closing Share price and volume of Mareterram Shares traded in the period from reinstatement of Mareterram's Shares on the ASX on 6 January 2016 to 4 April 2016, the date prior to the trading halt of the Shares preceding the announcement of the Offer on 8 April 2016. This assessment only reflects trading prior to the announcement of the Offer in order to avoid the influence of any movement in price that may have occurred as a result of the announcement.

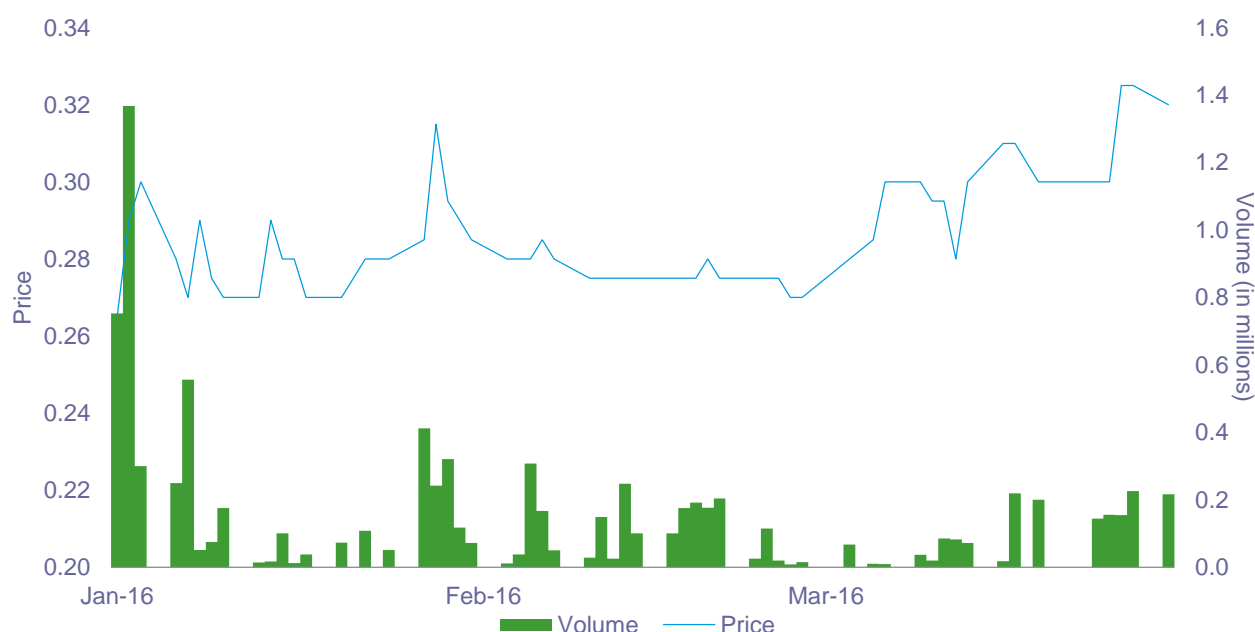


Figure 2: Mareterram Share Price Volume Graph (Source – S&P Capital IQ)

9.24 Over the trading period prior to the announcement of the Offer, Mareterram Shares have traded at a high of \$0.35 and a low of \$0.25. With the exception of the period immediately after the reinstatement of

Mareterram on the ASX on 6 January 2016, trading volumes have been low. In March 2016 the Share price began to increase from around \$0.27 but there is no explanation of this increase. A 10% increase in the Share price from \$0.30 to \$0.33 occurred following the announcement of the acquisition of 90% of Kailis Bros by Legend Holdings Corporation.

- 9.25 To provide further analysis of the quote market prices for Mareterram's Shares, we have considered the VWAP over a number of trading day periods ending 4 April 2016. An analysis of volume in trading in Mareterram's Shares for 1, 5, 10, 30 and 60 days trading periods is set out in the table below.

Period	VWAP	Low Price	High Price	Total Volume (000's)	Total Volume as a % of Total Shares
1 Day	0.3201	0.3100	0.3250	216.4	0.21%
5 Day	0.3151	0.3000	0.3450	896.1	0.88%
10 Day	0.3118	0.2950	0.3450	1,405.3	1.39%
30 Day	0.2949	0.2700	0.3450	2,844.6	2.80%
60 Day	0.2907	0.2500	0.3450	8,216.0	8.10%

Table 15: Mareterram Share values (Source S&P Capital IQ)

- 9.26 The table shows that 8.10% of Mareterram Shares have been traded in the 60 days to 4 April 2016. This is indicative of an illiquid stock.

Valuation of a Mareterram Share (Quoted Price of listed securities methodology)

- 9.27 Our valuation of a Mareterram Share on the basis of the recent quoted market price including a premium for control is between \$0.359 and \$0.369 as summarised in the table below:

	Ref	Low	High
Quoted market price (non-control basis)	9.27	0.2907	0.2949
Control premium		25%	25%
Value of a Mareterram Share on a control basis		\$ 0.363	\$ 0.369

Table 16: Assessed value of a Mareterram Share – Quoted price of listed securities (Source – RSMCA Analysis)

Key assumptions

Value of a Mareterram Share on a non-control minority basis

- 9.28 Based on the analysis: of the recent trading in Mareterram's Shares (paragraphs 9.23 to 9.26) we have assessed the value of a Mareterram Share on a non-control basis, to be in the range of \$0.2907 and \$0.2949 being the 60 day and 30 day VWAP respectively.

Control Premium

- 9.29 We have applied a control premium of 25% which is consistent to that applied in our assessment of the value of a Mareterram Share derived using the capitalisation of FME methodology with the high control premium applied to the quoted market price factoring in the fact that the premium is being applied at the equity level and not the enterprise level. Paragraphs 9.11 to 9.13 sets out our basis for the selected control premium.

Valuation summary and conclusion

- 9.30 A summary of our assessed values of an ordinary Mareterram Share on a control basis derived under the two methodologies, is set out in the table below:

	Ref	Low \$	High \$
Capitalisation of FME		0.253	0.313
Quoted market price		0.363	0.369
Assessed value of a Mareterram Share		0.253	0.313

Table 17: Valuation of a Share in Mareterram (Source – RSMCA Analysis)

- 9.31 We consider that the value of a Mareterram Share on a control basis is in the range of \$0.253 to \$0.313 which has been derived using the capitalisation of FME methodology. Whilst the recent quoted market prices of Mareterram provide a useful cross check to the value we have derived using the capitalisation of FME methodology, based on our analysis of the recent volume of trading in Mareterram Shares we do not consider the market to be sufficiently liquid to provide a reliable assessment of their value on a stand-alone basis.
- 9.32 In our opinion we consider that the capitalisation of FME methodology provides a better indicator of the value of a Mareterram Share as we consider our analysis of the trading of Mareterram's Shares prior to the announcement of the Offer indicates that the market for Mareterram's Shares is not deep enough to provide an assessment of their value.
- 9.33 Therefore, in our opinion, the value of a Mareterram Share pre the offer is approximately \$0.253 to \$0.313 on a control basis.

10. IS THE OFFER FAIR?

- 10.1 RG 111 defines a takeover offer as being fair if the value of the consideration offered under the takeover offer is equal to or greater than the value of the securities being the subject of the offer. Set out in the table below is a comparison of our assessment of the value of a Mareterram Share on a control basis with the consideration being offered?

	Ref	Low \$	High \$
Value of a Mareterram Share		0.253	0.313
Value of consideration offered		0.350	0.350

Table 18: Comparison of Consideration with Assessed Value (Source RSMCA Analysis)

- 10.2 The value of the consideration which Mareterram Shareholders will receive for each Share held is greater than the assessed value of their existing Shares in Mareterram.
- 10.3 Therefore, for the above reasons, in our opinion, the Offer is Fair to Mareterram Shareholders.

11. IS THE OFFER REASONABLE?

11.1 RG111 establishes that an offer is reasonable if it is fair. Given that we have concluded that the Offer is Fair the Offer is reasonable. Notwithstanding our conclusion of the fairness of the Offer we have given consideration to:

- The future prospects of Mareterram if the Offer is not accepted; and
- Other commercial advantages and disadvantages to Shareholders as a consequence of the Offer proceeding.

Stated intentions of Sea Harvest in relation to the Offer

11.2 Sea Harvest has informed Mareterram that it strongly endorses Mareterram's current Board and management, its growth strategy and vision of a diversified agribusiness. This support will provide Mareterram access to a broader range of growth opportunities and valuable expertise in identifying and assessing potential acquisitions.

Future Prospects of Mareterram if the Offer is not accepted by Shareholders

11.3 If the Offer is not accepted by sufficient Mareterram Shareholders for Sea Harvest to own 50.1% of the issued Shares of Mareterram and Sea Harvest does not waive this requirement, the Offer will not proceed and Mareterram shareholders will retain ownership of the Shares in respect of the Offer

Advantages and Disadvantages

11.4 In assessing whether the Shareholders are likely to be better off if the Offer is accepted than if it is not, we have also considered the various advantages and disadvantages that are likely to accrue to Mareterram Shareholders.

Advantages

Advantage 1 – Offer is Fair

11.5 RG111 states that a transaction is reasonable if it is fair.

Advantage 2 - Closer relationship with Sea Harvest

11.6 Mareterram expects a closer relationship with Sea Harvest should the Offer be accepted by Shareholders. The identified ongoing benefits of this close relationship includes:-

- being able to better leverage Sea Harvest's long term relationships with established customers and access to international supply chain logistics to sell Mareterram's products and to penetrate new markets, as well as better service Mareterram's existing customers;
- the opportunity to increase the volume and range of Sea Harvest products that Mareterram sells under the existing supply arrangements and to diversify its distribution channels into the marketplace;
- assisting to underpin Mareterram's future capital requirements to fund its strategic objectives. Sea Harvest is controlled by Brimstone, an investment holding company listed on the Johannesburg Stock Exchange; and
- working with Sea Harvest to better access the people, systems and expertise of Sea Harvest to achieve operational and other synergies in a number of areas, including purchasing power, maintenance and support of vessels, engineering, sales and marketing, IT, risk management, fishing practices, occupational health and safety and quality control.

Advantage 3 – Equal Opportunity to All Shareholders

- 11.7 The Offer provides each Shareholder with an equal opportunity to sell 50% of their Shares at \$0.35 per Share with consideration received in cash. Shareholders accepting the Offer continue to retain exposure to and benefit from any growth of Mareterram in respect of the Shares retained.

Advantage 4 – Opportunity to Larger Shareholders

- 11.8 The Offer provides an opportunity for those Shareholders who hold large Shareholdings to dispose of and receive cash for 50% of their Shareholding. It may not be possible for these Shareholders to dispose on a timely basis this level of Shares on market due to the liquidity of Mareterram Shares in the marketplace.

Disadvantages

Disadvantage 1 – Loss of Control Premium

- 11.9 Following the completion of the Offer, Sea Harvest will hold between 50.1% and 59.6% of Mareterram Shares. Shareholders may be foregoing any future control premium in any Shares they continue to hold in Mareterram in that the presence of a controlling Shareholder such as Sea Harvest on the Share register may detract for the attractiveness of Mareterram as a takeover target.

Disadvantage 2 – Liquidity of Mareterram Shares

- 11.10 The liquidity of Mareterram Shares may be lower than at present due to one Shareholder holding a large amount of Shares. This may affect the ability of Shareholders to dispose of their Shares in the future..

Disadvantage 3 – Sea Harvest will control Mareterram

- 11.11 One of the conditions is that Sea Harvest and its associates together have a relevant interest in at least 50.1% of Shares on issue during or at the end of the Offer period. This would give Sea Harvest the ability to pass ordinary resolutions of the Company. In addition, under the BIA, Fred Robertson (a nominee of Sea Harvest) will be appointed to the board of Mareterram (assuming it is not prevented from voting on any such resolution). This would mean that 2 out of the 6 directors of the Company would be Sea Harvest nominees.

Other key items – Alternative Proposal

- 11.12 We are not aware of any alternative offer that might provide the Shareholders of Mareterram with a higher value than that provided by this Offer.

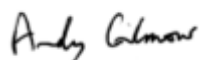
Taxation Implications

- 11.13 The sale of Mareterram Shares under the Offer will constitute a capital gains tax event and it is therefore possible that Mareterram Shareholders could incur a capital gains tax liability on their disposal.
- 11.14 Shareholders are advised to seek their own independent tax advice in relation to the implications for their Shareholding.

Conclusion on Reasonableness

- 11.15 In our opinion, the position of Mareterram Shareholders is more advantageous if the Offer is accepted than if it is not. Therefore in the absence of any other relevant information and/or a superior offer, we consider the Offer is reasonable.
- 11.16 An individual Shareholder's decision in relation to the Offer may be influenced by his or her individual circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt Shareholders should consult an independent advisor.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Andy Gilmour'.

Andrew Gilmour
Director

A handwritten signature in blue ink, appearing to read 'Glynn Yates'.

Glynn Yates
Director



APPENDICES

APPENDIX A

Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by the ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or Share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Mr. Andrew Gilmour and Mr Glyn Yates are directors of RSM Corporate Australia Pty Ltd. Both Mr Gilmour and Mr Yates are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert’s reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting the Shareholders of Mareterram in considering the Offer. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of Mareterram and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM Australia, Andrew Gilmour, Glyn Yates, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM Australia has any interest in the outcome of the Offer, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of \$37,500 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of the outcome of the Offer.

Prior to accepting this engagement RSM Corporate Australia Pty Ltd considered its independence with respect to Mareterram and Sea Harvest and any of their respective associates with reference to ASIC Regulatory Guide 112 “Independence of Experts”. In RSM Corporate Australia Pty Ltd’s opinion it is independent of Mareterram and Sea Harvest and their respective associates. Neither RSM Corporate Australia Pty Ltd, RSM Australia, nor the signatories of this report Mr Andrew Gilmour and Mr Glyn Yates, has had within the past two years any relationship with the Company, except as follows:-

- Tax consulting and compliance; and
- Preparation of the Investigating Accountant’s Report for inclusion in the Prospectus of Style Limited (renamed Mareterram) dated 12 November 2015.

A draft of this report was provided to Mareterram and its advisors for confirmation of the factual accuracy of the contents. No significant changes were made to this report as a result of this review.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included in the Target’s Statement to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia has been involved in the preparation of the Target’s Statement. Accordingly, we take no responsibility for the content of the Target’s Statement.

APPENDIX B

Sources of Information

In preparing this Report and arriving at our opinion, we have considered amongst others, the following principal sources of information:

- Drafts of Sea Harvest's Bidders Statement in relation to the Offer;
- Drafts of Mareterram's Target's Statement in relation to the Offer;
- Reviewed Financial Statements for Mareterram for the six months ended 31 December 2015;
- Audited Financial Statements for Mareterram for the years ended 30 June 2013, 30 June 2014 and 30 June 2015;
- Information on the operations and activities of Mareterram provided by Mareterram's management and directors;
- Announcements by Mareterram to the ASX;
- Mareterram Second Replacement Prospectus dated 12 November 2015;
- Mareterram Share Registry Information;
- The following IBIS World Industry Reports:-
 - Fishing in Australia – A0410 (February 2016); and
 - Fish and Seafood Wholesaling in Australia – F3604 (October 2015);
- Reserve Bank of Australia – Statement and Monetary Policy, February 2016;
- Various information obtained from S&P Capital IQ; and
- Information in the public domain.

APPENDIX C

Industry Profile

Current Economic Conditions

The Australian economy has continued to grow at a moderate pace and activity and is rebalancing away from the resources sector towards non-resource sectors according to the Reserve Bank of Australia in its Statement of Monetary Policy for February 2016. Even though the available data suggest that GDP continued to grow at a below-trend pace over 2015, employment growth was above average and the unemployment rate fell by around 0.5%. In part, employment growth appears to have reflected the relatively strong growth of output in the more labour-intensive sectors of the economy, such as household services. Growth of goods-related production has picked up more recently, but remains modest overall.

The economy continues to be affected by a range of different forces.

- Low interest rates are supporting growth in household consumption and dwelling investment
- The depreciation of the exchange rate has helped to improve the competitiveness of Australian producers. This is particularly apparent in the services sector, where Australia's exports of services have grown, while imports of services have fallen noticeably over the past couple of years.
- At the same time, non-mining investment has remained subdued and mining investment has been declining sharply, as the significant expansion in Australian mining production capacity – prompted by the earlier strength in commodity prices – reaches completion. This has facilitated a significant increase in resource exports, although resource companies' earnings are being adversely affected by the large decline in commodity prices.

Australia's terms of trade have declined substantially from their peak of around four years ago and, over the course of the past year or so, the Australian dollar has been adjusting to lower commodity prices. As a result of the decline in bulk commodity prices from late last year, the forecast for Australia's terms of trade has been revised down a little further, although the exchange rate has been little changed since then. The path for commodity prices is uncertain and will depend, in part, on the outlook for the Chinese industrial sector. It will also depend on the responsiveness of the global supply of commodities to the decline in prices seen to date. While the possibility of significant cuts to global production represents an upside risk to commodity prices, the possibility of unexpected cuts to Australian production represents a downside risk to the forecast for export growth.

Economic activity has generally strengthened in non-resource sectors. Growth in output has been strongest in the services sector. An increase in the provision of services, particularly household services, generally requires less investment and more labour than an increase in the output of goods-related industries, which are generally more capital intensive. Hence, the relatively strong growth in the production of services may help to explain why employment growth has been strong even though GDP growth overall has been below average.

Strong employment growth has also been supported by a protracted period of low wage growth which, along with the exchange rate depreciation, may have encouraged firms to employ more people than otherwise. At the same time, growth in the supply of labour has increased through a rise in the participation rate, notwithstanding lower population growth. The unemployment rate declined to around 5.75% in late 2015, having been within a range between 6% and 6.25% since mid-2014. Nevertheless, there is evidence of spare capacity in the labour market, as the unemployment rate is still above recent lows, the participation rate remains below its previous peak and wage growth continues to be low.

Outlook

A further decline in commodity prices has contributed to downward revisions to the outlook for Australia's terms of trade in recent months. The forecasts for iron ore and coal prices are lower, reflecting a weaker outlook for Chinese steel demand and an expectation that there will be only a limited reduction in global supply from high-cost miners, particularly those in China. The sharp fall in the oil price has also affected the terms of trade and its outlook

Year-ended GDP growth is forecast to be 2.5%–3.5% over the year to December 2016, and to increase to 3.0%–4.0% per cent over the year to June 2018.

Industry sector Analysis

Through its Mareterram Fishing and Mareterram Foods Businesses, Mareterram primarily operates in the following industries:

- Fishing in Australia
- Fish and Seafood Wholesaling in Australia

We set out a profile of each industry sector below.

Fishing in Australia

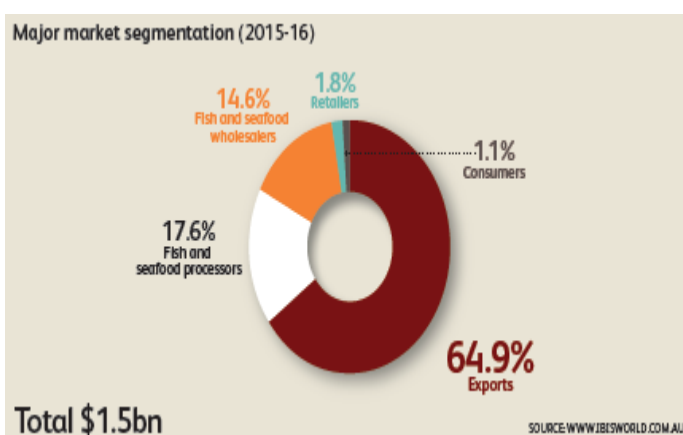
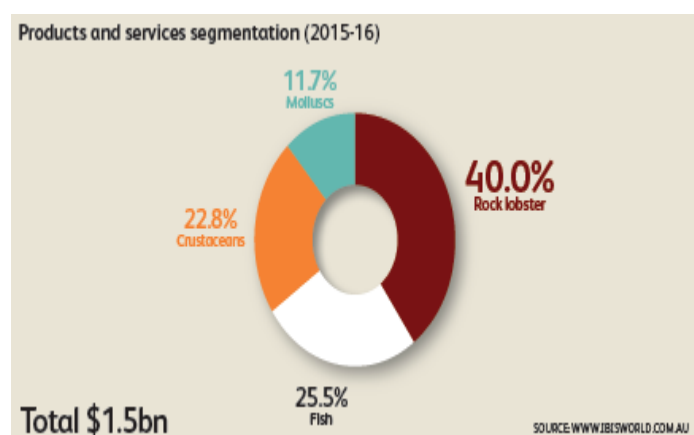
Overview

Operators within this industry are primarily involved in the capture of ocean fish and seafood products, including finfish, molluscs, crustaceans, prawns, rock lobsters and pearls (IBIS report A0410 Fishing in Australia).

High seafood prices, combined with a slight reduction in government imposed quotas, have offset depleting stocks of fish and seafood to boost the Fishing industry over the past five years. Strong demand from overseas markets, particularly in Asia, has helped sustain export revenue over the past five years.

However increasing competition from imports and the rapidly growing Aquaculture industry have constrained revenue growth over the period. Fish farming is more sustainable than wild-catch fishing as it enables operators to monitor fish and seafood stocks in a controlled environment. Furthermore, lower priced imports have flooded the market, making higher priced local produce less desirable. Declining fish stocks have forced industry operators to navigate waters much further from the shore than in previous years, increasing the burden of fuel costs on the industry. However, the falling crude oil price has helped alleviate these cost pressures. Despite reduced cost pressures, the impact of quotas has forced some industry operators to leave the industry.

Higher domestic prices for fish and other seafood and expected rising export demand in response to the depreciating Australian dollar, will help boost revenue in 2015-16.



Key external drivers

The industry is sensitive to the following external factors:

Demand from seafood processing

- Seafood processing companies are the industry's largest domestic market. Changes in demand from downstream processing companies affect industry revenue and profitability. Demand from seafood processing has increased over the past five years. This trend is forecast to continue in 2015-16, helping to support industry revenue.

Domestic price of fish and other seafood

- Domestic fish and seafood prices influence the amount of revenue operators earn. Higher prices increase earnings per catch, while lower prices reduce catchment earnings. However, the domestic price of fish and other seafood can affect consumption. A price increase will generally decrease consumption, while a price fall will typically boost consumption. Domestic prices tend to track those of the global fish and seafood market. The domestic price of fish and other seafood is forecast to increase in 2015-16.

Seafood Consumption

- Industry operators depend on domestic demand for fish and seafood products. Consumption of seafood has increased over time, but declining production volumes mean that operators have been unable to capitalise on increasing demand. Seafood consumption is forecast to rise only marginally in 2015-16, threatening potential revenue growth.

Domestic Price of poultry

- The domestic price of poultry greatly affects demand for the industry's products, as it can be considered a substitute for seafood. During times of tough economic conditions, consumers will scale back spending and opt for lower priced protein options such as poultry. In 2015-16, the domestic price of poultry is forecast to increase.

Competitive landscape

The level of industry concentration is low, with no player holding a commanding proportion of the industry and the largest estimated to be just 2.1% market Share, by A Raptis & Sons Pty Ltd.

The industry is extremely diverse and operators are involved in a range of segments. This makes it difficult to operate as a major player across the entire industry, as a player would need to have expertise across a wide array of catchment techniques. In addition, the overwhelming majority of players, over 75% of businesses in the industry, are owner-operators, that do not employ anyone. These operators are largely solo divers, with licences for produce such as abalone and oysters, who only catch enough produce to support their own livelihood.

Current Performance

Australia's Fishing industry has overcome challenging conditions over the past five years. Despite the growth of the Aquaculture industry, and pressure from imported products, strong fish and seafood prices have helped boost industry revenue. As a result, industry revenue is projected to increase at a compound annual rate of 2.2% over the five years through 2015-16, to reach \$1.5 billion.

Despite falling catch numbers, industry revenue grew from 2012-13 through 2014-15. This was due to a substantial increase in the price received per kilogram of high-value produce, such as salmon and prawns. The majority of these high-value products were destined for overseas markets, with growth in export revenue also recorded over the same period. Strong demand from export markets is expected to remain a strong driver of revenue growth. High fish and other seafood prices are expected to persist in 2015-16, benefiting the industry. Industry revenue is forecast to increase by 1.1% in 2015-16.

Industry Outlook

Challenging conditions are expected to continue for the Fishing industry over the next five years.

Catchment restrictions will contribute to declining production volumes as the federal and state governments attempt to replenish fish and seafood stocks. As a result, enterprise numbers are expected to decline steadily over this time.

The Aquaculture industry is better suited to meet rising fish and seafood demand over the period, because aquaculture is more sustainable and the depletion of wild-fish stocks is still occurring. Consequently, the Aquaculture industry is anticipated to grow at more than twice the pace of the Fishing industry over the next five years.

Imported fish and seafood will meet an increased portion of domestic demand over the next five years. Rising demand for seafood will help buoy demand for imported fish, despite cost increases associated with the depreciating Australian dollar. Fish and seafood caught in countries that do not have catchment restrictions, or are rife with illegal fishing operations will account for a substantial portion of these products. Local fishing operators are expected to struggle to compete with the larger quantities overseas operators produce, due to ongoing local catchment restrictions.

The diversity of operations in the Fishing industry will continue to contribute to varying profit margins among operators. Ongoing catchment restrictions will limit operator ability to improve economies of scale, hurting profitability. While, falling fuel costs are expected to positively affect profit margins, an increasing reliance on expensive machinery and technologies, such as satellite navigation systems, is expected to drive input costs upwards. Overall, the industry's average profit margin is forecast to decrease over the next five years.

Declining industry revenue and limited profitability are expected to contribute to cutbacks in the total industry wage spend. Increased pressures on profitability will contribute to employing businesses cutting back on full-time employees in favour of part-time workers. Operators will also have greater control over workers' hours. This will enable operators to better manage wage costs.

Despite these challenges, industry revenue is forecast to grow at a compound annual rate of 0.9% over the five years through 2020-21, to \$1.6 billion.

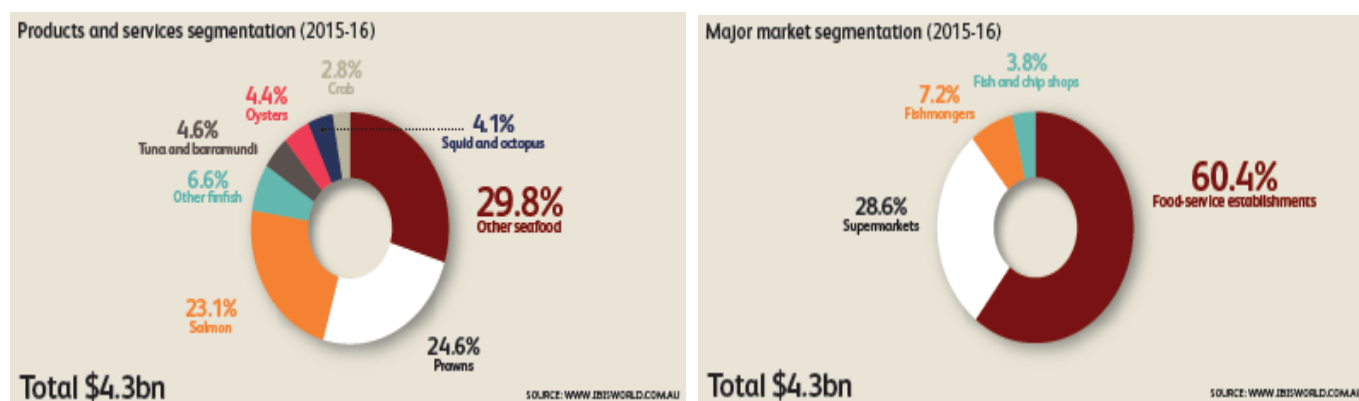
Fish and Seafood wholesaling in Australia

Overview

The Fish and Seafood Wholesaling industry primarily purchases fish and seafood from the aquaculture and wild fishing industries, and from seafood processors. These products may be repackaged or sold straight to specialist fish and seafood retailers, supermarkets, food catering companies, cafes, hotels and restaurants. The industry includes establishments that wholesale fresh, frozen or processed fish or other seafood (IBIS report F3604 Fishing and Seafood Wholesaling in Australia).

A range of external factors influence the performance of the Fish and Seafood Wholesaling industry. Local and international seafood production has determined the amount of seafood that wholesalers have access to. Disposable incomes and health consciousness have influenced domestic demand for fish and seafood, reflected in per capita seafood consumption. Wholesale bypass among major supermarkets has resulted in limited downstream markets for fish and seafood wholesalers. However, the growing popularity of eating out, which is driving growth in food-service industries, has had a positive effect on the industry. Restaurants, cafes and small takeaway outlets rely on wholesalers for high-quality produce, providing a growing market for fish and seafood wholesalers.

Over the five years through 2015-16, industry revenue is forecast to grow at an annualised 1.6% to reach \$4.3 billion.



Key external drivers

The industry is sensitive to the following external factors:

Seafood Consumption

- Seafood consumption measures the amount of fish, crustaceans and molluscs eaten per capita each year. Rising seafood consumption rates contribute to increased demand for fish and seafood, leading to growth in revenue. Seafood consumption has grown due to healthy diet trends. Seafood consumption is forecast to increase in 2015-16.

Domestic price of fish and other seafood

- The price of fresh, chilled, frozen, dried, smoked or salted fish and seafood has a significant effect on the industry's performance. Higher fish and seafood prices inflate industry revenue as consumers pay more for the same quantity of produce. However, if prices rise significantly, this can hurt demand and restrict revenue growth. Domestic fish and seafood prices are forecast to rise in 2015-16.

Real Household disposable income

- Household disposable incomes determine the quality and quantity of food purchased both for home consumption and eating out at restaurants. During times of subdued growth, consumers tend to opt for cheaper protein alternatives, such as poultry. When disposable incomes are on the rise, consumers are more likely to purchase higher quality food products such as lobster and other seafood products. Disposable income is forecast to increase in 2015-16, providing an opportunity for increased demand and therefore revenue.

Demand from cafes, restaurants and takeaway food services

- Food-service establishments, such as cafes, restaurants and takeaway food outlets, are a major downstream market for the industry. Consequently, demand from this market heavily influences industry revenue. Increased demand from cafes, restaurants and takeaway food outlets typically leads to higher revenue for wholesalers. Conversely, reduced demand typically depresses revenue. Demand from cafes, restaurants and takeaway food is projected to increase in 2015-16.

Demand from supermarkets and grocery stores

- Despite ongoing wholesale bypass, supermarkets and grocery stores remain an important market for the industry. Wholesale bypass is affecting all wholesale industries across the grocery sector. Supermarkets frequently secure direct purchase agreements with seafood processors to gain greater control over the supply chain. However, rising sales of fresh fish and other seafood at the retail level have boosted wholesale demand for some products that are more difficult to obtain. Demand from supermarkets and grocery stores is forecast to rise in 2015-16. This could threaten the industry if supermarkets choose to source fish and seafood directly, rather than through wholesalers.

Health consciousness

- Consumers are becoming increasingly aware of the negative effects of an unhealthy diet that is high in fat, sugar and sodium. This has contributed to a shift away from traditionally high-fat sources of protein (such as red meat) in favour of healthier sources of protein (such as poultry, fish and seafood). Rising consumption of fish and other seafood can drive growth in demand for wholesaling services. Health consciousness is anticipated to strengthen in 2015-16.

Competitive landscape

Product line diversification has contributed to larger wholesalers participating in the General Line Grocery Wholesaling industry. Consequently, most operators in the Fish and Seafood Wholesaling industry are small to medium-size businesses. Just over 90% of businesses employ fewer than 20 people or do not employ any staff at all. Fish and seafood wholesalers can operate as brokers and agents that never physically see the product, or as traditional wholesalers that purchase from fishermen and on-sell to processors or food services.

Current Performance

On the surface, the Fish and Seafood Wholesaling industry has performed modestly over the past five years. Industry revenue is forecast to rise at an annualised 1.6% over the five years through 2015-16 to reach \$4.3 billion. Rising seafood prices coupled with marginal per capita seafood consumption growth have helped boost revenue over the period. However, not all seafood consumed is sold through wholesalers. Wholesale bypass remains a problem for the industry, particularly for processed fish and other seafood.

Total domestic seafood production has increased over the past five years, largely due to rising aquaculture production. Dwindling natural stocks of fish and seafood across the world are causing concern across seafood industries. Wild fish catchments are being heavily restricted in Australia to encourage natural breeding and improve

stocks. Consequently, growth in the Aquaculture industry has been strong as fish farmers attempt to meet shortfalls in supply of fish and seafood. Imports of fish and other seafood have also increased to meet growing demand.

Growing disposable incomes and the popularity of eating out have led to solid performances from restaurants, cafes and takeaway outlets over the past five years. Most of these businesses rely on specialty wholesalers for their food products to obtain the highest quality produce. This is particularly true for fine-dining businesses. Consequently, fish and other seafood wholesalers have benefited from this growth. Food-service establishments, already the industry's largest market, have grown as a portion of revenue over the past five years.

The industry is becoming saturated and operators are fiercely competing for sales. Given the limited nature of product differentiation, operators are forced to compete on price. Industry wholesalers have faced growing pressure from downstream buyers to minimise price increases. Fishmongers in particular are pressuring wholesalers on prices to compete with the dominant supermarkets. Fierce competition, falling profitability and reduced reliance on wholesalers have forced a rising number of operators to exit the industry. Remaining industry operators have been closing additional establishments to reduce overheads and preserve profit margins. Despite these efforts, wage costs have increased over the period due to increased reliance on skilled workers, such as sales staff, rather than unskilled manual labour staff.

Industry Outlook

Operating conditions for the Fish and Seafood Wholesaling industry are likely to remain similar over the next five years. Businesses will continue to battle for limited business from downstream customers as wholesale bypass continues to limit sales to Australia's largest food retailers.

Already low profit margins across the industry will continue to endure downward pressure over this period. Operators will be forced to reduce margins further due to strong competition and the industry's saturation. However, profit declines will likely be marginal due to the industry's already minimal margins.

Industry revenue is forecast to grow at an annualised 3.0% over the five years through 2020-21 to reach \$4.9 billion.

APPENDIX 4D

Comparable Company Analysis

Table 19 Comparable company multiple analysis

ASX Ticker	Company Name	Mkt Cap	Net Debt	EV	EBITDA			EBITDA Multiple		
					FY2014	FY2015	FY2016	FY2014	FY2015	FY2016
		\$m	\$m	\$m	\$m	\$m	\$m	x	x	x
ASX:HUO	Huon Aquaculture Group Limited	296.9	47.1	344.0	59.1	39.0	27.8	5.8	8.8	12.4
ASX:CSS	Clean Seas Tuna Limited	42.0	0.0	42.0	3.8	2.6	-	11.0	16.0	-
ASX:CVS	Cervantes Corporation Limited	0.9	0.6	1.5	(0.2)	(0.3)	-	(9.6)	(6.0)	-
ASX:FNP	Freedom Foods Group Limited	646.6	(32.3)	614.2	14.3	11.6	22.1	43.0	53.2	27.9
ASX:TGR	Tassal Group Limited	559.4	134.3	693.7	81.6	95.5	89.9	8.5	7.3	7.7
NZSE:SAN	Sanford Ltd.	560.2	149.8	710.0	69.4	64.6	79.0	10.2	11.0	9.0
Summary - All										
	Average	418.3	105.6	523.9	44.5	54.8	54.4	12.5	11.8	8.2
	Median	296.9	52.6	404.7	33.8	39.0	32.0	11.0	8.8	7.7
	Low	0.9	(32.3)	1.5	(0.2)	(0.3)	-	(9.6)	(6.0)	-
	High	1,838.5	754.0	2,592.5	192.3	246.0	255.2	43.0	53.2	27.9
Summary - excluding top and bottom 2, and/or all negatives										
	Average	507.3	106.9	589.7	56.9	71.0	69.0	13.1	12.1	10.1
	Median	559.4	110.7	614.2	59.1	64.6	71.6	13.5	11.0	10.2
	Low	402.3	75.6	461.2	42.2	52.9	56.5	12.2	10.5	9.0
	High	560.2	134.3	693.7	69.4	95.5	79.0	13.7	14.8	11.0

Source: S&P Capital IQ

Table 20 Comparable company business description

Company Name	Business Description
Huon Aquaculture Group Limited	Huon Aquaculture Group Limited farms, processes, markets, and sells salmon and ocean trout in Australia. The company also exports its products to Asian markets. Huon Aquaculture Group Limited was founded in 1986 and is headquartered in Dover, Australia.
Clean Seas Tuna Limited	Clean Seas Tuna Limited operates in the aquaculture industry in Australia and internationally. It operates in Finfish and Tuna Operations segments. The company produces and sells fingerlings and growout, as well as Hiramasa yellowtail kingfish. It is also involved in the research and development activities to produce juveniles of southern bluefin tuna. Clean Seas Tuna Limited was incorporated in 2000 and is headquartered in Port Lincoln, Australia.
Freedom Foods Group Limited	Freedom Foods Group Limited manufactures, distributes, and markets allergen free cereals, nutritional snacks and ingredients, and long life beverages in Australia and internationally. The company operates through four segments: Freedom Foods, Freedom Foods North America, Seafood, and Pactum Australia. It offers gluten free, wheat free, nut free, low sugar or salt, or highly fortified products, such as breakfast cereals, snack bars, and other complimentary products. It also provides canned seafood products covering sardines, salmon, and specialty seafood products. In addition, the company offers UHT food and beverage products, including liquid stocks, soy, rice, almond, and dairy milk beverages. The company is based in Taren Point, Australia. Freedom Foods Group Limited operates as a subsidiary of Arrovest Pty Limited.
Tassal Group Limited	Tassal Group Limited, together with its subsidiaries, engages in the hatching, farming, processing, marketing, and selling Atlantic salmon. It offers salmon products in fresh, smoked, canned, and frozen categories. The company provides its products under the Tassal, Superior Gold, and Tasmanian Smokehouse brands through retail and wholesale channels in Australia and internationally. It operates a salmon shop in Kew Melbourne. Tassal Group Limited was founded in 1986 and is headquartered in Hobart, Australia.

Company Name	Business Description
Sanford Ltd.	Sanford Limited engages in harvesting, farming, processing, storing, and marketing seafood and aquaculture products. It operates through Inshore Fishing, Deepwater Fishing, and Aquaculture segments. It also provides fish catching and auction, wharf, and research services; wholesales seafood; and retails ready fish products. The company operates in New Zealand, Australia, Europe, North America, Japan, China, Korea, the rest of Asia, Africa, the Middle East, the Pacific, and internationally. Sanford Limited was founded in 1881 and is headquartered in Auckland, New Zealand.

Source: S&P Capital IQ

APPENDIX E

Glossary of Terms and Abbreviations

Unless expressly defined in this Report, terms defined in the Explanatory Memorandum accompanying the Notice have the same meaning in this Report.

Term or Abbreviation	Definition
\$ or A\$	Australian Dollar
Act	Corporations Act 2001 (Cth)
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
BIA	Bid Implementation Agreement
CFD	Commercial Fishing Division of Mareterram
Company or Mareterram	Mareterram Limited
Control basis	As assessment of the fair value on an equity interest, which assumes the holder or holders have control of entity in which the equity is held
Craig Mostyn	Craig Mostyn & Co Pty Ltd
Directors	Directors of Mareterram
EBITDA	Earnings before interest, taxation, depreciation, and amortisation
EV	Enterprise Value, meaning, the total value of the equity in a business plus the value of its debt or debt-related liabilities, minus any cash or cash equivalents available to meet those liabilities
Fair Value	the amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY##	Financial year ended 30 June
Independent Directors	The independent directors of the Company being Peter Hutchinson, David Lock, James Clement and Mark Pitts.
Mareterram Share or Share	Fully paid ordinary share in the capital of the Company
Mareterram Shareholder or Shareholders	Holders of shares
Non-Associated Shareholders	Shareholders other than Sea Harvest and its related entities
Non control basis	As assessment of the fair value on an equity interest, which assumes the holder or holders do not have control of entity in which the equity is held
NWS	Nor-West Seafoods
Offer	Conditional proportional off market cash offer made by Sea Harvest to acquire 1 out of every 2 Shares held by Mareterram Shareholders (other than Sea Harvest and its related entities) for \$0.35 cash per Share
Orange Sun	Orange Sun Development Corporation Pty Ltd
RG 111	ASIC Regulatory Guide 111 Contents of Expert's Reports
RSMCA	RSM Corporate Australia Pty Ltd
Sea Harvest Group	Sea Harvest and its related entities
Sea Harvest Holdings	Sea Harvest Holdings Proprietary Limited

Term or Abbreviation	Definition
Sea Harvest	Sea Harvest International Proprietary Limited
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information
SBPMF	Share Bay Prawn Managed Fishing
SBSMF	Share Bay Scallop Managed Fishing
US\$	US dollars
VWAP	Volume weighted average Share price

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