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## ASX ANNOUNCEMENT

29 March 2017

### **South American Iron & Steel Corporation Limited enters into agreement to acquire Mulwarra Export Pty Ltd**

South American Iron & Steel Corporation Limited (“SAY”) is pleased to announce it has entered into a Merger Implementation Deed with Mulwarra Export Pty Ltd (“Mulwarra”), whereby SAY will acquire 100% of Mulwarra (“Proposed Transaction”).

#### **Principal activities of Mulwarra**

Mulwarra Export Pty Ltd is a specialist exporter of premium Australian beef, lamb, veal, Wagyu beef, venison, seafood, game meat and other produce. It operates in over 30 countries globally, including Asia, the Middle East and Europe. Mulwarra commenced operations in 1997 and has been profitable in each year it has operated.

#### **Parties to, and material terms of, the transaction**

The terms of the agreement allow the Mulwarra shareholders to sell equity to SAY in return for SAY shares and cash consideration. The Proposed Transaction is subject to due diligence, SAY shareholder approval, regulatory approval, an independent expert report concluding that the Proposed Transaction is in the best interests of the SAY shareholders and execution and completion of a Sale and Purchase Agreement.

In consideration for SAY acquiring 100% of Mulwarra, the Mulwarra shareholders will be entitled to:

- \$10,000,000 cash consideration;
- \$12,500,000 worth of consideration shares in SAY;
- The ability to make a \$4,500,000 pre-completion dividend; and
- \$6,700,000 deferred consideration contingent on the Mulwarra Business meeting a FY18 EBITDA forecast.

The deferred consideration is payable in mix of cash or SAY shares. The ratio of cash and shares is the same ratio as the initial consideration. If SAY shares are issued as part of the deferred consideration, these will be issued upon EBITDA hurdles and be issued at a price equal to the five day VWAP leading up the date of finalisation of the 2018 earnings.

## Effect of the transaction

FY 2016

### Pro-forma consolidated summary income statement

Total income	53,749,809
Cost of sales	46,073,958
Gross profit	7,675,851
Expenses	4,584,922
Profit before tax	3,090,929
Tax	1,127,030
Normalised EBITDA	3,663,885

### Pro-forma consolidated summary balance sheet as at

30/June/2016

Cash & cash equivalents	3,967,342
Total assets	14,479,845
Borrowings	1,062,321
Other liabilities	1,631,119
Total equity interests	11,786,405

The financial information above has been prepared on a consolidated basis assuming the Proposed Transaction completed at 30 June 2016. The consolidation includes contribution from Mulwarra's wholly owned subsidiary in Dubai from 1-Sep-15 at an average exchange rate of 0.36 AUD to 1.00 AED, and a contribution from Mulwarra's wholly owned subsidiary in Oman from 1-Nov-15 and an average exchange rate of 3.5 AUD to 1.00 OMR.

## Capital Structure

The following capital table shows the issued capital of the entity before and after the Proposed Transaction on a pre-consolidation basis.

Pre-transaction capital structure		
Entity	Ordinary shares	Equity ownership
SAY shareholders	458,246,886	100%

Post-transaction capital structure		
Entity	Ordinary shares	Equity ownership
SAY shareholders	458,246,886	3.0%
New investors	15,100,000,000	53.1%
Mulwarra shareholders	12,500,000,000	43.9%

As part of the Proposed Transaction SAY will undergo a share consolidation prior to being reinstated on the ASX. The consolidation will be on a 1 for 200 basis. Existing SAY Shareholders will be given priority on the issue of securities as part of the Proposed Transaction.

### Issue of securities

Prior to the SAY's re-admission and as part of the Proposed Transaction SAY will make a minimum \$10,000,000 public offer of new shares pursuant to a prospectus. The offer is not underwritten at this stage, however SAY will work with its advisors to appoint an underwriter for the issue. Funds from the public offer will be used to fund a \$10,000,000 cash payment to the shareholders of Mulwarra in return for shares in SAY post transaction. The working capital requirements of the business will be confirmed during diligence with any additional subscriptions over the minimum to be retained by SAY post transaction to be used for general working capital.

To fund the transaction costs, SAY will issue \$500,000 in notes which will convert into SAY shares subject to being approved at an Extraordinary General Meeting. Should shareholder approval be gained these notes will convert into 600,000,000 pre-consolidated SAY shares at the time SAY re-complies with the requirements of Chapters 1 & 2 of the ASX Listing Rules.

### Major Shareholders

As part of the Proposed Transaction Mr Greg Darwell and related parties will acquire voting power of 22.8% of SAY as a result of the Proposed Transaction. An acquisition of securities that enables a shareholder to increase its relevant interest in a listed company from below 20% to above 20% is prohibited, except in certain circumstances. One of the exceptions is if the acquisition is approved at a general meeting. The approval of the Proposed Transaction is therefore being sought at a general meeting of SAY's shareholders according to the proposed indicative timetable below.

## Board and management changes

As part of the Proposed Transaction the Company proposes to appoint the following directors to the board of SAY:

- Mr Greg Darwell
- Mr Bruno Von Siebenthal

The following directors are expected to resign from the Company board:

- Mr D. Yu
- Mr P. Chen
- Mr K. Lee

Other directors may be appointed as part of the Proposed Transaction that have not been identified at this stage. The senior management of Mulwarra will become the senior management of SAY. They include:

- Mr Greg Darwell – Managing Director
- Mr Nigel Pyne – General Manager
- Mr Angus Winterflood – General Manager UAE and Oman

## Timetable

The following timetable outlines the key implementation steps for the Proposed Transaction, the process and timetable for seeking the approval of SAY security holders and for re-complying with ASX's requirements for admission and quotation.

Action	Date
Execute Merger Implementation Agreement	27-Mar-17
Mutual due diligence commence	27-Mar-17
SAY and Mulwarra execute SPA	2-May-17
Notice of meeting / explanatory memorandum / independent experts report ( <b>SAY Shareholder Booklet</b> ) provided to ASX for review	2-May-17
SAY Shareholder Booklet despatch date	11-May-17
SAY general meeting is convened	9-Jun-17
SAY lodges prospectus with ASIC and Appendix 1A with ASX	9-Jun-17
The public offer for SAY Shares under the prospectus ( <b>SAY Share Offer</b> ) opens	9-Jun-17

Receipt of ASX Chapters 1 and 2 Confirmation	14-Jul-17
SAY Share Offer closes	17-Jul-17
SAY is reinstated on the ASX	19-Jul-17

Dates are indicative and subject to change.

### **Mulwarra's business model**

Mulwarra is a specialist export marketer of quality Australian perishable meats, seafood and dairy. It employs both an Indirect and Direct customer model. The business buys from approved local suppliers and sells internationally either through an approved range of Distributors or direct to customers in the Airline and Retail industries. The Company also owns distributors in selected locations which allows it to maximise control and influence with the end user, increasing revenues and improving its overall margin. Mulwarra has direct ownership of distribution in Oman and the UAE.

The Mulwarra brand is internationally recognised for quality and reliability and is a registered trademark in 33 countries. The Company also markets alternate brands to maximise market penetration. The majority of produce is sourced directly from the primary producers and processors. Produce is then packed and consolidated to order by outsourced organisations and then freighted direct to export customers. Mulwarra focuses on long term partnerships with suppliers with whom it has excellent relationships based on loyalty, fair price and prompt payment. In country distribution is managed on a 'territory by territory' approach.

### **Risks**

#### **Supply**

The Company is reliant on external suppliers to provide product for sale. At any time, supply shortages may impact on the Company's ability to fulfil an order. Usually this means the order is delayed but in some cases Mulwarra may miss a sale. The Company works with multiple suppliers across all states to maintain supply.

#### **Financial Performance of Distributors**

The nature of the business is such that revenues are linked directly to the financial performance of distributors. Should these companies fail to penetrate the markets as expected or at a price and volume anticipated, the revenues flowing back to Mulwarra will be impacted. Mulwarra seeks to manage this risk by working closely with distributors, marketing directly to end users, and in certain key markets taking an ownership position.

#### **Overseas Country Requirements**

Most overseas markets are subject to local jurisdictional laws and controls that govern imported food products and operating structures for in market distributors. Should a customer have its import quotas reduced or an overseas government alter policy settings around the import of the Company's products, the Company could experience a loss in demand.

#### **Foreign Exchange**

Mulwarra deals in international currencies and as such is subject to movement in world currency exchange rates. An adverse movement in the exchange rate can impact the

Company's profitability. Mulwarra hedges transactional currency risk to ensure that the AUD value of net foreign currency receivables is protected against adverse movements in the foreign exchange market, namely the appreciation of the AUD. Mulwarra aims to protect the budgeted exchange rate of its export sales.

Mulwarra also implements a currency hedging methodology that allows some participation in favourable currency moves in the short to medium term. Overall, Mulwarra's objective is to minimise currency risk when appropriate and not to participate in foreign currency speculation.

#### Seasonal Factors

The Company sells produce that is grown and therefore is subject to seasonal risks that can impact the growing patterns, quality and availability of its produce. Any unseasonal climate conditions could result in lack of supply or produce that cannot be sold at traditional prices both of which can impact the Company's profitability. The Company sources across varied geographic regions to minimise the impact of seasonal factors.

#### International Travel Environment

Mulwarra and its importer/distributor partners supply the premium end of the Hotel, Restaurant and Airline industry with high quality produce. These customers are all in some way connected to the international business and tourism sectors. Should there be political unrest or instability, threats of terrorism, natural disaster or major health scares, the International business travel market can be effected and demand for the Company's product could be reduced.

#### **Shareholder and Regulatory approvals**

Shareholder and regulatory approvals required for the consummation of the Proposed Transaction include:

- Approval of the acquisition of Mulwarra by SAY, and to the change in nature and scale of SAY's activities;
- Approval for Mr Greg Darwell and associated interests to acquire a shareholding in excess of 20% of SAY in accordance with section 611, item 7 of the Corporates Act;
- Approval for the issue of consideration shares to the Vendors of Mulwarra, and approval for the issue of shares to investors pursuant to the proposed capital raising to be undertaken pursuant to a Prospectus;
- Approval for the issue of SAY shares pursuant to the conversion of the notes to raise up to \$500,000;
- Approval for SAY's shares to be consolidated;
- Receipt of approval from the ASX that SAY has met the requirement of Chapters 1 & 2 of the Listing Rules for re-instatement on the ASX.

#### **Issue of securities**

Neither SAY or Mulwarra have issued securities in the 6-months preceding this announcement.

#### **Compliance with ASX Listing Rules**

The Proposed Transaction requires security holder approval under the Listing Rules and therefore may not proceed if that approval is not forthcoming. SAY is required to re-comply with ASX's requirements for admission and quotation and therefore the Proposed Transaction may not proceed if those requirements are not met. The ASX has absolute discretion in deciding whether or not to re-admit the entity to the official list and to quote its securities and therefore the

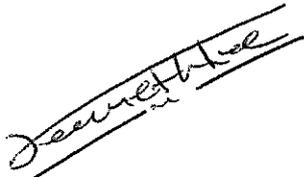
Proposed Transaction may not proceed if ASX exercises that discretion. Investors should take account of these uncertainties in deciding whether or not to buy or sell the entity's securities.

Listing Rule 3.1 states that once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately inform the ASX of that information. SAY confirms it is in compliance with its continuous disclosure obligations under Listing Rule 3.1.

The ASX takes no responsibility for the contents of this announcement.

SAY's securities will remain in suspension until such time as SAY provides the market with supplementary information in relation to the Proposed Transaction and the target company or recompliance with Chapters 1 and 2 of the Listing Rules.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Kenneth Lee", is written over a horizontal line.

**Kenneth Lee**  
Company Secretary