



Wellard

ASX Announcement
6 June 2017

Notice under section 708A(12C)(e) of the Corporations Act 2001 (Cth) (as notionally inserted by ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82)

1 CLEANSING NOTICE

This notice (**Cleansing Notice**) is given by Wellard Limited (**Wellard** or the **Company**, ASX:WLD) under section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as notionally inserted by ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82).

This Cleansing Notice is important and should be read in its entirety. Neither ASIC nor ASX take responsibility for the contents of this Cleansing Notice.

2 BACKGROUND

As announced by the Company on 3 April 2017, the Company has entered into a subscription agreement to issue 20 million unsecured convertible notes (**Convertible Notes**) to sophisticated and institutional investors at US\$1.00 per Convertible Note to raise a total of US\$20 million (before costs) (**Convertible Notes Issue**). The Convertible Notes were issued in two tranches.

The Company issued the first tranche of 7.35 million Convertible Notes (**Tranche 1 Convertible Notes**) on 11 April 2017 to sophisticated and institutional investors to raise a total of US\$7.35 million (before costs). The Tranche 1 Convertible Notes were issued under the Company's ASX Listing Rule 7.1 15% placement capacity.

The Company has today issued the second tranche of 12.65 million Convertible Notes (**Tranche 2 Convertible Notes**) to sophisticated and institutional investors to raise a total of US\$12.65 million (before costs) (**Tranche 2 Convertible Notes Issue**), following receipt of shareholder approval to issue the Tranche 2 Convertible Notes pursuant to ASX Listing Rule 7.1 on 26 May 2017.

The Convertible Notes Issue, along with the recently completed:

- (a) placement to sophisticated and institutional investors to raise \$6 million (before costs); and
- (b) rights issue to raise \$19.7 million (before costs),

provide the Company with a significant capital injection and strengthen the Company's working capital and balance sheet.

The Tranche 2 Convertible Notes have been issued without disclosure under Part 6D.2 of the Corporations Act. The purpose of this Cleansing Notice is to enable the Shares issued on conversion of the Tranche 2 Convertible Notes to be on sold to retail investors without further disclosure.



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3 CONTENTS OF THIS CLEANSING NOTICE

This Cleansing Notice sets out the following:

- (a) in relation to the Tranche 2 Convertible Notes:
 - (i) the effect of the issue on the Company;
 - (ii) a summary of the rights and liabilities attaching to the Convertible Notes; and
 - (iii) a summary of the rights and liabilities attaching to the Shares that will be issued on conversion of the Convertible Notes; and
- (b) any information that:
 - (i) has been excluded from continuous disclosure notice in accordance with the ASX Listing Rules;
 - (ii) is information that investors and their professional advisors would reasonably require for the purposes of making an informed assessment of:
 - (A) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (B) the rights and liabilities attaching to the Shares; and
 - (iii) other information relating to the Company's status as a disclosing entity.

4 EFFECT OF TRANCHE 2 CONVERTIBLE NOTES ISSUE ON THE COMPANY

The principal effect of the issue of the Tranche 2 Convertible Notes Issue on the Company will be to:

- (a) increase the Company's cash reserves by approximately US\$12.65 million (before costs);
- (b) increase the number of Convertible Notes on issue from 7.35 million to 20 million; and
- (c) increase the Company's indebtedness by the amount of the aggregate face value of the Convertible Notes (US\$12.65 million) plus all accrued and unpaid interest.

The holders of the Convertible Notes (**Noteholders**) may convert all or a part of the Convertible Notes into Shares at US\$0.21 per Share, provided that the conditions to conversion are satisfied (see below in respect of the conversion conditions). If the Convertible Notes are converted in whole or in part, this will dilute existing shareholders in the Company who do not participate in the Convertible Notes Issue. The effect of conversion on the Company's capital structure is shown in section 6 below.

5 PRO FORMA BALANCE SHEET

The pro-forma consolidated balance sheet of the Company, as at 31 December 2016, based on the consolidated balance sheet statement of the Company adjusted to reflect the Convertible Notes (before costs), prepared on the basis of the accounting policies normally adopted by the Company is set out below.



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The pro-forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by the Australian Accounting Standards applicable to the Company's annual financial statements. The pro-forma financial information is not audited. The classification of allocations between debt and equity may change in the future.

Pro forma Statement of Financial Position as at 31 December 2016			
	Actual	Convertible	
	31-Dec-16	Notes	Pro forma
	\$'000	Issued¹	31-Dec-16
		\$'000	\$'000
Current Assets			
Cash and cash equivalents	15,015	26,316	41,331
Trade and other receivables	39,999	-	39,999
Inventories and biological assets	33,961	-	33,961
Other assets	15,418	-	15,418
Total Current Assets	104,393	26,316	130,709
Non-Current Assets			
Property, plant and equipment	294,870	-	294,870
Other assets	16,575	-	16,575
Total Non-Current Assets	311,445	-	311,445
Total Assets	415,838	26,316	442,154
Current Liabilities			
Trade and other payables	23,403	-	23,403
Loans and borrowings ²	203,799	-	203,799
Other liabilities	11,976	-	11,976
Total Current Liabilities	239,178	-	239,178
Non-Current Liabilities			
Convertible notes ³	-	26,316	26,316
Other liabilities	3,943	-	3,943
Total Non-Current Liabilities	3,943	26,316	30,259
Total Liabilities	243,121	26,316	269,437
Net Assets	172,717	-	172,717

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Pro forma Statement of Financial Position as at 31 December 2016

	Actual	Convertible	Pro forma
	31-Dec-16	Notes Issued ¹	
	\$'000	\$'000	\$'000
Equity			
Issued capital	548,515	-	548,515
Reserves	(388,363)	-	(388,363)
Retained earnings	12,565	-	12,565
Total Equity	172,717	-	172,717

Notes

(1) US\$20,000,000 translated at an USD/AUD exchange rate of 0.76

(2) The application of AASB 101 to the breach of financial covenants and undertakings on the working capital and ship financing facilities as at 31 December 2016 has meant a reclassification of loans and borrowings of \$150.6 million from non-current to current liabilities.

(3) As per the convertible note terms, events of default section 8.2(e), the cross default only applies if financial indebtedness exceeding A\$5 million is not paid when due or becomes due and payable early as a result of an event of default or review event. As the breach of financial covenants and undertakings in note 2 above have not resulted in any loans and borrowings becoming due and payable prior to their maturity, expiry or repayment date, the convertible notes have been classified as non-current.

6 EFFECT OF THE CONVERTIBLE NOTES ISSUE ON CAPITAL STRUCTURE

The effect of the Convertible Note Issue on the Company's capital structure is as follows:

	Number of Shares	Number of Convertible Notes
TOTAL	531,250,312	20,000,000

Assuming the Convertible Notes are converted to Shares, the overall capital structure (assuming no further Share issues or conversion of any options to Shares) of the Company will be as follows:

	Number of Convertible Notes	Number of Shares
Upon conversion of all Convertible Notes (Tranche 1 Convertible Notes and Tranche 2 Convertible Notes)	-	626,488,407

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RIGHTS AND LIABILITIES ATTACHING TO THE CONVERTIBLE NOTES

A summary of the rights and liabilities attaching to the Convertible Notes is detailed below. The summary does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Noteholders.

Securities offered	Each Convertible Note is convertible into Shares, which will be listed on the ASX and rank equally with all other Shares.
Currency	United States dollars.
Face Value	US\$1.00 per Convertible Note.
Maturity Date	36 months after date of issue.
Conversion price	US\$0.21 per Share (subject to adjustment to the conversion ratio as set out below).
Interest	6% p.a. paid semi annually, provided that any accrued (but unpaid) interest in respect of a Convertible Note will also be paid on any redemption date or conversion date of that Convertible Note.
Ranking of Convertible Notes	Each Convertible Note will rank pari passu with all other unsecured and unsubordinated indebtedness of the Company except indebtedness preferred solely by operation of law.
Conversion	<p>Each Convertible Note is convertible into Shares at the election of the Noteholder, so long as the following conditions are satisfied:</p> <ul style="list-style-type: none">(a) the conversion is for a minimum of 1,000,000 Convertible Notes (or, if less, the balance held by the Noteholder);(b) the conversion must not result in Shares ceasing to be at least 12.50% directly or indirectly owned by Mauro Balzarini, his wife or children and/or entities that are directly or indirectly controlled by Mauro Balzarini, his wife and/or children (Intesa Review Event); <p>This condition ceases to apply 18 months after the issue date of the Tranche 1 Convertible Notes; and</p> <ul style="list-style-type: none">(c) if the Noteholder is a foreign person, it must have obtained any FIRB approval it requires for its acquisition of the Shares. <p>If the Company receives a conversion notice from a Noteholder, the Company (subject to certain conditions) may, but is not obliged to, elect to cash settle instead of issuing Shares, by paying the Noteholder the 15-day volume-weighted-average-price (VWAP) of each Share that would otherwise have been issued. The right to cash settle only</p>

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	<p>applies to the extent that the issue of Shares would result in the Shares ceasing to be at least 13.50% directly or indirectly owned by entities that are directly or indirectly controlled by Mauro Balzarini, his partner and/or children.</p>
<p>Redemption and Repayment</p>	<p><i>At maturity:</i> The Company must redeem all Convertible Notes (to the extent they have not been redeemed or converted earlier) on the maturity date.</p> <p><i>At option of the Company:</i> The Company may at any time after the later of 18 months after the issue date of the Tranche 1 Convertible Notes and the date the Intesa Review Event ceases to apply, redeem Convertible Notes if the 7 day VWAP is equal to at least A\$0.38.</p> <p><i>On default:</i> If an Event of Default occurs and while it is continuing, the Noteholders may demand immediate redemption of their Convertible Notes.</p>
<p>Financial covenant</p>	<p>The Convertible Notes include a financial covenant which requires Wellard Rural Exports Pty Ltd ABN 31 109 866 328 (WRE) to ensure that at all times the 'Working Capital Ratio' is at least 1.20:1.00. The 'Working Capital Ratio' is the ratio of:</p> <p>(a) the sum of (A) all debts (excluding GST) invoiced by WRE that are not past 90 days, plus (B) the value of WRE's inventory, plus (C) all cash held by WRE, plus (D) A\$3,500,000 provided that Wellard Animal Processing Pty Ltd ABN 96 118 342 859 (WAP) owns the Beaufort River Meats business and has no outstanding Financial Indebtedness (essentially amounts incurred in the nature of borrowing) other than the Convertible Notes, the guarantee in favour of CBA for the Company's working capital facility or owing to the Company, WRE or Wellard Feeds Pty Ltd ABN 52 009 248 195 (WF) minus (E) trade creditors of WRE in respect of inventory, minus (F) any 'Financial Indebtedness' of WRE that ranks senior to the Convertible Notes;</p> <p>to</p> <p>(b) the sum of (A) amounts outstanding under the Convertible Notes, plus (B) all other 'Financial Indebtedness' of WRE, minus (C) any 'Financial Indebtedness' of WRE that ranks senior to the Convertible Notes, minus (D) any 'Financial Indebtedness' owed by WRE to the Company, WAP, WF or any other Wellard group company that has agreed that 'Financial Indebtedness' owing to it by WRE will be subordinated while an Event of Default is continuing.</p> <p>Subject to certain conditions, if there is a breach of the financial covenant, it may be cured by a loan or equity being provided to WRE in such amount that the financial covenant (when tested on the basis of that loan or equity) is satisfied.</p>



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Events of Default	<p>Including but not limited to:</p> <ul style="list-style-type: none"> (a) non-payment by the Company or the guarantors of any amounts owing under the Convertible Notes; (b) breach of a financial covenant, that is not cured within 30 days; (c) any other obligation or representation by the Company or the guarantors under the Convertible Notes is breached and is not remedied within 15 business days; (d) cross default in respect of other 'Financial Indebtedness' of the Company or the guarantor, subject to A\$5 million threshold; (e) insolvency or insolvency proceedings of the Company or the guarantors; or (f) the Company is delisted from ASX, or its shares are suspended from ASX for more than 7 consecutive trading days (excluding trading halts).
Security	<p>The Convertible Notes are unsecured.</p> <p>The Convertible Notes are guaranteed by the following subsidiaries of the Company:</p> <ul style="list-style-type: none"> (a) WRE; (b) WF; and (c) WAP.
Transferability	<p>Convertible Notes are transferable to sophisticated investors or professional investors at the election of the Noteholder, subject to minimum transfer parcels of 1,000,000 Convertible Notes (or, if less, the balance held by the Noteholder), provided that the consent of the Company is required (not to be unreasonably withheld) unless an Event of Default has occurred and is continuing.</p>
Adjustment of conversion ratio	<p>If there is a reconstruction (including, consolidation, subdivision, reduction or return) of the issued capital of the Company, the basis for conversion of the Convertible Notes will be reconstructed in the same proportion as the issued capital of the Company is reconstructed and in a manner which will not result in any additional benefits being conferred on the Noteholder which are not conferred on shareholders.</p>



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ASX Listing	The Convertible Notes will not be quoted on the ASX or any other securities exchange.
Governing law	Western Australia, Australia.

8 RIGHTS AND LIABILITIES ATTACHING TO THE SHARES ISSUED ON CONVERSION OF THE CONVERTIBLE NOTES

The Shares to be issued to Noteholders on conversion of the Convertible Notes will rank equally in all respects with all of the Company's existing Shares. A summary of the rights and liabilities attaching to Shares, including the Shares to be issued to Noteholders (who will become shareholders) on conversion of the Convertible Notes, is detailed below. This summary does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of shareholders, and is qualified by the full terms of the Company's Constitution (a full copy of the Constitution is available from Company on request free of charge and can be found in the 'Corporate Governance Policies' section of the Company's website: www.wellard.com.au).

General Meetings	Shareholders are entitled to be present in person, by proxy, attorney or representative to attend and vote at general meetings of the Company. Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Company's constitution.
Voting Rights	Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of shareholders or classes of shareholders: (a) each shareholder entitled to vote may vote in person or by proxy, attorney or representative; (b) on a show of hands, every person present who is a shareholder, or a proxy, attorney or a representative of a shareholder, entitled to vote has one vote; and (c) on a poll, every shareholder entitled to vote who is present in person or by proxy, attorney or representative of a shareholder shall, in respect of each Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each fully paid Share held, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the Share.
Dividends	Dividends may be paid to shareholders as declared by the Board at its discretion, subject to and in accordance with the Corporations Act, the ASX Listing Rules, the Company's Constitution and any restrictions in any of the Company's financing documents (certain of the Company's financing documents restrict the Company from declaring and/or paying a dividend if an event of default, potential event of default or review event is subsisting under the relevant

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	financing. Under the terms of the Convertible Notes, the Company has to meet a minimum net-profit after tax (NPAT) hurdle before paying a dividend, and the dividend cannot be more than 40% of the applicable NPAT).
Rights on winding up	<p>If the Company is wound up, any property that remains after satisfaction of all debts and liabilities of the Company, and the payment of the costs, charges and expenses of winding up, must be distributed among the shareholders in accordance with their respective rights.</p> <p>If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the shareholders in kind the whole or any part of the property of the Company, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders.</p>
Transfer	Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.
Variation of Rights	The rights of Shares in a class may only be varied by consent in writing of the holders of 75% of issued Shares of that class, or by the passing of a special resolution passed at a separate meeting of the holders of the issued Shares of that class.
Alteration of Constitution	The Company's constitution can only be amended by a special resolution.
ASX Listing Rules	To the extent of any inconsistency, the ASX Listing Rules prevail over the Company's constitution.

9 COMPLIANCE WITH CONTINUOUS DISCLOSURE

The Company is a 'disclosing entity' (as defined in section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all Australian listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

The Company, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request:



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- (i) the annual financial report of the Company for the financial year ended 30 June 2016 (**2016 Annual Report**), being the most recent annual financial report of the Company lodged with the ASIC; and
- (ii) the half year financial report of the Company for the six months ended 31 December 2016 lodged with ASIC after the lodgement of the 2016 Annual Report and before the lodgement of this Cleansing Notice with ASX; and
- (iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the 2016 Annual Report and before lodgement of this Cleansing Notice of ASX in accordance with the Listing Rules as referred to in section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours and are also available on the Company's website at www.wellard.com.au under the 'Investor Centre/ ASX Announcements' section.

The Company has lodged the following announcements with ASX since the lodgement of its 2016 Annual Report on 30 September 2016 (which are also available on the Company's website at www.wellard.com.au under the 'Investor Centre/ ASX Announcements' section).

Date	Description of Announcement
05/10/2016	Change in substantial holding
06/10/2016	Change in substantial holding
10/10/2016	M/V Ocean Shearer Gains Australian Approval
17/10/2016	Appointment of Company Secretary
28/10/2016	Ceasing to be a Substantial Holder
28/10/2016	Wellard announces new CFO
28/10/2016	Appendix 4G & Corporate Governance Statement
28/10/2016	Annual Report to shareholders
28/10/2016	Notice of Annual General Meeting/Proxy Form
28/10/2016	Appendix 3B

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Date	Description of Announcement
04/11/2016	New COO Appointment
09/11/2016	Reschedule of Delivery of M/V Ocean Kelpie
10/11/2016	Statement to Shareholders
17/11/2016	Wellard Appoints John Klepec as Director
17/11/2016	Appendix 3X - John Klepec
21/11/2016	Response to The Australian newspaper article
29/11/2016	AGM Presentation
29/11/2016	AGM Chairman's Address
29/11/2016	Results of AGM
01/12/2016	Remedy of Working Capital Facility Covenant Breach
06/12/2016	Amended Results of Meeting
16/12/2016	Operations Update China and Sri Lanka
21/12/2016	Replacement Initial Shareholder Notice - Fulida
03/01/2017	Banking Covenant Waiver Update
31/01/2017	Form 604 Butt Nominees Change of Interests
10/02/2017	Form 604 Butt Nominees Change of Interests
22/02/2017	Form 604 Butt Nominees Change of Interests
28/02/2017	Appendix 4D & Half Year Report
28/02/2017	Half Year Results Announcement

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Date	Description of Announcement
28/02/2017	Half Year Results Investor Presentation
01/03/2017	Heytesbury New Substantial Shareholder
01/03/2017	Form 603 - Heytesbury Pty Ltd
03/03/2017	Form 603 - Ever Blooming International
06/03/2017	Ceasing to be a substantial holder
07/03/2017	Form 604 Butt Nominees Ceasing Substantial Shareholding
10/03/2017	S&P DJ Indices Announces March Quarterly Rebalance
03/04/2017	Wellard to raise \$52 million
03/04/2017	Appendix 3B
03/04/2017	Entitlement Offer Cleansing Notice
07/04/2017	Notification under s708A - Cleansing Notice
07/04/2017	25M New Share Issue - Appendix 3B
11/04/2017	7.35M New Con Note Issue - Appendix 3B
11/04/2017	Cleansing Notice
11/04/2017	Form 604 Change of Substantial Holding - Fulida Group
11/04/2017	Letters to Eligible and Ineligible Shareholders
26/14/2017	Notice of Shareholders General Meeting 26 May 2017
02/05/2017	Update to Shortfall Allocation Policy
11/05/2017	Rights Issue Shortfall Notification

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Date	Description of Announcement
15/05/2017	Appendix 3B
16/05/2017	Wellard Appoints New director
16/05/2017	Appendix 3X - Mr Kanda Lu
16/05/2017	Appendix 3Z Greg Wheeler
16/05/2017	Form 604 - Heytesbury Pty Ltd
17/05/2017	Form 604 - Fulida
26/05/2017	Results of Wellard EGM
1/06/2017	Wellard to sell M/V Ocean Outback for A\$34.9M

10 NO EXCLUDED INFORMATION

As at the date of this Cleansing Notice, other than as set out in this Cleansing Notice, there is no information that:

- (a) has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules of the prescribed financial market whose operator was given the notice; and
- (b) is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (ii) the rights and liabilities attaching to the Convertible Notes and Shares.

For further information:

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Background – Wellard

Wellard is Australia's largest cattle exporter and a vertically integrated agribusiness.

Wellard has supplied quality dairy and beef cattle and sheep and goats to the world for more than 30 years. Based in Fremantle, Western Australia, the company's operations spans the world and cover every aspect of the livestock export chain, including livestock selection and aggregation, pre export quarantine facilities, feed milling, and a modern fleet of specialized "floating farms livestock carriers".

Wellard is also involved in meat trade and owns and operate a modern abattoir in Western Australia, Beaufort River Meats, which processes up to 2500 sheep and lambs a day, enabling Wellard to meet customer demand for both livestock and chilled meat.

Visit www.wellard.com.au

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