



11 October 2018

COMPANY ANNOUNCEMENT

Registration of Scheme Booklet with ASIC and Court Approval of Scheme Meeting for 15 November 2018

Capilano Honey Limited (ASX:CZZ) (**Capilano**) is pleased to announce that the Federal Court of Australia, New South Wales Registry, has approved the convening of a meeting of the Capilano shareholders to consider a vote on the scheme of arrangement (**Scheme**) for the proposed acquisition of Capilano by Bravo BidCo Pty Limited (**BidCo**), an entity owned by Bravo HoldCo Pty Limited (**HoldCo**), which is indirectly owned by Wattle Hill RHC Fund 1 and ROC Capital Pty Limited (the **Consortium**), together with its affiliates and funds managed by it, its affiliates or its co-investors.

The Scheme Meeting will take place at 11.00am (Brisbane time) on Thursday, 15 November 2018 (**Scheme Meeting Date**) at the Spring Lake Hotel & Function Centre, 1 Springfield Lakes Boulevard, Springfield Lakes, Queensland.

Information relating to the Scheme, including the notice convening the Scheme Meeting and an Independent Expert's Report, will be included in the Scheme Booklet. The Scheme Booklet has been registered by the Australian Securities and Investments Commission (**ASIC**) on 11 October 2018 and is attached to this announcement. The Scheme Booklet will be posted to the Capilano website on 11 October 2018. Copies of the Scheme Booklet and proxy form will be dispatched to Capilano shareholders in due course. Shareholders who have previously nominated an electronic means of notification to Capilano's share registry will receive an email where they can download the Scheme Booklet and lodge their proxy online.

The Scheme Booklet also annexes updated versions of the Scheme Implementation Agreement (with amendments made on 11 October 2018 to the fiduciary carve-out as described in Section 13.1 of the Scheme Booklet), the Scheme of Arrangement, HoldCo's Constitution and the Shareholders' Deed reflecting minor amendments.

Key dates

Key dates for implementing the Scheme are set out in the Scheme Booklet and are as follows:

Event	Time and date
Election Time Latest time and date for Eligible Capilano Shareholders to submit their election for Scrip Consideration and, if eligible, to apply for HoldCo Shares under the HoldCo Share Offer (subject to the Scaleback Arrangements)	Monday, 5 November 2018 at 5.00pm (Sydney time) or 4.00pm (Brisbane time)
Capilano announces indicative Scaleback based on the Elections lodged by the Election Date This announcement will also confirm, on an indicative basis, whether a custodian will be required to hold HoldCo Shares on Implementation	Tuesday, 6 November 2018
Latest time and date for receipt of Proxy Forms (including proxies lodged online) or powers of attorney by the Capilano Share Registry for the Scheme Meeting	Tuesday, 13 November 2018 at 11.00am (Brisbane time)
Time and date for determining eligibility to vote at the Scheme Meeting	Tuesday, 13 November 2018 at 7.00pm (Sydney time) or 6.00pm (Brisbane time)
Scheme Meeting	Thursday, 15 November 2018, 11.00am (Brisbane time)
Suspension of Trading Date <i>Assuming the Scheme is approved by Capilano Shareholders at the Scheme Meeting, this will be the last day for trading in Capilano Shares (Capilano Shares will be suspended from trading on ASX from close of trading on this date)</i>	Thursday, 15 November 2018

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If the Scheme is approved by the Requisite Majorities of Capilano Shareholders at the Scheme Meeting:

Event	Time and date
Second Court Date	Thursday, 22 November 2018
Effective Date	Friday, 23 November 2018
Scheme Record Date (for determining entitlements to Scheme Consideration)	Wednesday, 28 November 2018 at 5.00pm (Sydney time) or 4.00pm (Brisbane time)
Expected ASX announcement of final Election results, including final scaleback if applicable This announcement will also confirm whether a custodian will be required to hold HoldCo Shares on Implementation	Thursday, 29 November 2018
Implementation Date (Scheme Shareholders will receive the Scheme Consideration on the Implementation Date)	Wednesday, 5 December 2018

Note: Assuming the Scheme is approved by Capilano Shareholders at the Scheme Meeting, the last day for trading in Capilano Shares is earlier than usual and will occur from close of trading on the Scheme Meeting Date.

For further information, please contact Capilano Shareholder Information Line on 1300 795 998 (within Australia) or +61 1300 795 998 (outside Australia).

For more information contact:

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Capilano Scheme Booklet

For a scheme of arrangement between Capilano Honey Limited (**Capilano**) and its shareholders in relation to the proposed acquisition by Bravo BidCo Pty Limited (**BidCo**), an entity owned by Bravo HoldCo Pty Limited (**HoldCo**), which is indirectly owned by Wattle Hill RHC Fund 1 and ROC Capital Pty Limited (the **Consortium**), together with its affiliates and funds managed by it, its affiliates or its co-investors.

NOTICE OF SCHEME MEETING

Notice is hereby given that an Extraordinary General Meeting of Shareholders of Capilano Honey Limited 'Scheme Meeting' will be held at 11.00am (Brisbane time) on Thursday 15 November 2018 at the Spring Lake Hotel & Function Centre, 1 Springfield Lakes Boulevard, Springfield Lakes, Queensland.

The Capilano Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of Capilano Shareholders.

A Notice of Scheme Meeting is included as **Annexure G** to this Scheme Booklet, and a Proxy Form for the Scheme Meeting accompanies this Scheme Booklet.

This is an important document and requires your immediate attention.

You should read this Scheme Booklet carefully and in its entirety before deciding whether or not to vote in favour of the Scheme.

If you are in any doubt as to what you should do, you should consult your broker, financial adviser or legal adviser immediately.



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IMPORTANT NOTICES

General

This Scheme Booklet is important and requires your immediate attention. You should read this Scheme Booklet in full before making any decision as to how to vote at the Scheme Meeting.

Nature of this Scheme Booklet

This Scheme Booklet includes the explanatory statement for the Scheme required by sub-section 412(1) of the Corporations Act.

Other than with respect to the offer to subscribe for HoldCo Shares under the HoldCo Share Offer (which forms part of the Scheme Consideration), this Scheme Booklet does not constitute or contain an offer to Capilano Shareholders, or a solicitation of an offer from Capilano Shareholders, in any jurisdiction. This Scheme Booklet is not a disclosure document required by Chapter 6D of the Corporations Act. Sub-section 708(17) of the Corporations Act provides that Chapter 6D of the Corporations Act does not apply in relation to arrangements under Part 5.1 of the Corporations Act approved at a meeting held as a result of an order under sub-section 411(1). Instead, Capilano Shareholders asked to vote on an arrangement at such a meeting must be provided with an explanatory statement as referred to above.

ASIC and ASX

ASIC appeared at the First Court Hearing and raised concerns regarding the Scheme. ASIC has expressed concerns that HoldCo is a proprietary company rather than a public company and that, through the custodian arrangements, HoldCo will remain a proprietary company even if more than 48 Capilano Shareholders take up the Scrip Consideration. The practical effect for individual shareholders of HoldCo's status as a proprietary company and the custodian arrangements is disclosed in the Scheme Booklet. ASIC's concern is with public policy issues that arise from those characteristics of the Scheme. If the Scheme is approved at the Scheme Meeting, ASIC has indicated that it intends to appear and raise those matters at the Second Court Hearing.

ASIC has also asked, and Capilano has undertaken, that the votes of significant shareholders (being those with a 3.67% or greater interest in Capilano) be tagged so that any difference in interests between significant shareholders and other shareholders can be the subject of submission at the Second Court Hearing. Significant shareholders who take up the Scrip Consideration will have additional rights under the Shareholders' Deed which other shareholders who take up the Scrip Consideration will not have. Those additional rights are described in the Scheme Booklet at Section 9.9. The tagging of votes will permit the Court to know the extent to which shareholders who are not significant shareholders approved the Scheme and to take that into account in considering whether it is appropriate for the Court to approve the Scheme.

The question of whether the Scheme should be approved is ultimately one for shareholders and the Court.

Important notice associated with Court order under sub-section 411(1) of the Corporations Act

The fact that, under sub-section 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the Notice of Scheme Meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how Capilano Shareholders should vote (on this matter Capilano Shareholders must reach their own conclusion); or
- has prepared, or is responsible for the content of, the explanatory statement.

Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Annexure G.

Notice of Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting.

Any Capilano Shareholder may appear at the Second Court Hearing, expected to be held at 10.15am (Sydney time) on 22 November 2018 at The Federal Court of Australia, Law Courts Building, 184 Phillip Street Sydney, NSW 2000.

Any Capilano Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Capilano a notice of appearance in the prescribed form together with any affidavit that the Capilano Shareholder proposes to rely on.

Defined terms

Capitalised terms used in this Scheme Booklet are defined in Section 14.1 of this Scheme Booklet. Section 14.2 of this Scheme Booklet also sets out some rules of interpretation which apply to this Scheme Booklet. Some of the documents reproduced in the annexures to this Scheme Booklet have their own defined terms, which are sometimes different to those set out in Section 14.1.

No investment advice

This Scheme Booklet has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any Capilano Shareholder or any other person. The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as, financial product advice. The Capilano Directors encourage you to seek independent financial and taxation advice before making any investment decision and any decision as to whether or not to vote in favour of the Scheme. This Scheme Booklet should be read in its entirety before making a decision on whether or not to vote in favour of the Scheme. In particular, it is important that you consider the potential risks if the Scheme does not proceed, as set out in Section 7.10 of this Scheme Booklet, and the views of the Independent Expert set out in the Independent Expert's Report contained in Annexure A. If you are in doubt as to the course you should follow, you should consult your legal, financial, taxation or other professional adviser.

Forward looking statements

Some of the statements appearing in this Scheme Booklet (including in the Independent Expert's Report) may be in the nature of forward looking statements. Forward looking statements or statements of intent in relation to future events in this Scheme Booklet (including in the Independent Expert's Report) should not be taken to be forecasts or predictions that those events will occur. Forward looking statements generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals, intentions or expectations of Capilano, the Consortium, HoldCo or BidCo are or may be forward looking statements. You should be aware that such statements are only opinions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to Capilano, the Consortium, HoldCo or BidCo or the industries in which they operate, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of Capilano, the Consortium, HoldCo or BidCo or any of their respective officers, directors, employees or advisers or any person named in this Scheme Booklet or involved in the preparation of this Scheme Booklet makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

The forward looking statements in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. Subject to any continuing obligations under the Listing Rules or the Corporations Act, Capilano, the Consortium, HoldCo and BidCo, and their respective officers, directors, employees and advisers, disclaim any obligation or undertaking to distribute after the date of this Scheme Booklet any updates or revisions to any forward looking statements to reflect (a) any change in expectations in relation to such statements; or (b) any change in events, conditions or circumstances on which any such statement is based.

Responsibility statement

Capilano has prepared, and is responsible for, the Capilano Information. Neither the Consortium, HoldCo or BidCo nor any of their respective Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

HoldCo has prepared, and is responsible for, the HoldCo Information. Neither Capilano nor any of its Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

BDO has prepared the Independent Expert's Report (as set out in Annexure A of this Scheme Booklet) and takes responsibility for that report. None of Capilano, the Consortium, HoldCo or BidCo or any of their respective Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or

completeness of the information contained in the Independent Expert's Report.

No consenting party has withdrawn their consent to be named before the date of this Scheme Booklet.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with the laws of Australia and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of a jurisdiction outside of Australia. This Scheme Booklet and the Scheme do not constitute an offer of securities in any place which, or to any person whom, it would not be lawful to make such an offer.

A Scheme Shareholder whose address shown in the Capilano Share Register is a place outside Australia or New Zealand as at the Scheme Record Date will be an Ineligible Foreign Shareholder unless HoldCo agrees otherwise in writing that it is lawful and not unduly onerous or impracticable to issue HoldCo Shares to that Scheme Shareholder under the Scheme.

If you are an Ineligible Foreign Shareholder, you will not receive the Scrip Consideration or be able to subscribe for HoldCo Shares under the HoldCo Share Offer. If you elect to receive the Scrip Consideration, including to subscribe for additional HoldCo Shares under the HoldCo Share Offer, your election will be invalid and have no effect and you will receive the Cash Consideration for all of your Capilano Shares held on the Scheme Record Date.

Charts and diagrams

Any diagrams, charts, graphs or tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available as at the Last Practicable Date. Any discrepancies in any chart, graph or table between totals and sums of amounts presented or listed therein or to previously published financial figures are due to rounding.

Timetable and dates

All times and dates referred to in this Scheme Booklet are times and dates in Brisbane, Queensland, Australia, unless otherwise indicated. All times and dates relating to the Implementation of the Scheme referred to in this Scheme Booklet may change and, among other things, are subject to all necessary approvals from Government Agencies.

External websites

Unless expressly stated otherwise, the content of the websites of Capilano, the Consortium, HoldCo and BidCo do not form part of this Scheme Booklet and Capilano Shareholders should not rely on any such content.

Privacy

Capilano may collect personal information in the process of implementing the Scheme. The type of information that it may collect about you includes your name, contact details and information on your shareholding in Capilano and the names of persons appointed by you to act as a proxy, attorney or corporate representative at the Scheme Meeting as relevant to you. The collection of some of this information is required or authorised by the Corporations Act.

The primary purpose of the collection of personal information is to assist Capilano to conduct the Scheme Meeting and implement the Scheme. Without this information, Capilano may be hindered in its ability to issue this Scheme Booklet and implement the Scheme. Personal information of the type described above may be disclosed to the Capilano Share Registry, Third Party service providers (including print and mail service providers and parties otherwise involved in the conduct of the Scheme Meeting), authorised securities brokers, professional advisers, Related Bodies Corporate of Capilano, Government Agencies, and also where disclosure is otherwise required or allowed by law. Capilano Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them.

If you would like to obtain details of the information about you held by the Capilano Share Registry in connection with Capilano Shares, please contact the Capilano Share Registry. Capilano Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should ensure that they inform such an individual of the matters outlined above. Further information about how Capilano collects, uses and discloses personal information is contained in Capilano's Privacy Policy located at <https://www.capilanooney.com/au-en/privacy-policy>.

Date of Scheme Booklet

This Scheme Booklet is dated 11 October 2018.

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Annexure C
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Annexure E
Shareholders' Deed

Annexure F
HoldCo's Constitution

Annexure G
Notice of Scheme Meeting

Annexure H
Corporate Directory

1 Key Dates

Event	Time and date
Date of this Scheme Booklet	Thursday, 11 October 2018
First Court Date	Thursday, 11 October 2018
Election Time Latest time and date for Eligible Capilano Shareholders to submit their election for Scrip Consideration and, if eligible, to apply for HoldCo Shares under the HoldCo Share Offer (subject to the Scaleback Arrangements)	Monday, 5 November 2018 at 5.00pm (Sydney time) or 4.00pm (Brisbane time)
Capilano announces indicative Scaleback based on the Elections lodged by the Election Date This announcement will also confirm, on an indicative basis, whether a custodian will be required to hold HoldCo Shares on Implementation	Tuesday 6 November 2018
Latest time and date for receipt of Proxy Forms (including proxies lodged online) or powers of attorney by the Capilano Share Registry for the Scheme Meeting	Tuesday, 13 November 2018 at 11.00am (Brisbane time)
Time and date for determining eligibility to vote at the Scheme Meeting	Tuesday, 13 November 2018 at 7.00pm (Sydney time) or 6.00pm (Brisbane time)
Scheme Meeting	Thursday, 15 November 2018, 11.00am (Brisbane time)
Scheme Meeting Date <i>Assuming the Scheme is approved by Capilano Shareholders at the Scheme Meeting, this will be the last day for trading in Capilano Shares (Capilano Shares will be suspended from trading on ASX from close of trading on this date)</i>	Thursday, 15 November 2018
<i>If the Scheme is approved by the Requisite Majorities of Capilano Shareholders at the Scheme Meeting:</i>	
Second Court Date	Thursday, 22 November 2018

Effective Date Friday, 23 November 2018

Scheme Record Date (for determining entitlements to Scheme Consideration) Wednesday, 28 November 2018 at 5.00pm (Sydney time) or 4.00pm (Brisbane time)

Expected ASX announcement of final Election results, including final scaleback if applicable Thursday, 29 November 2018

This announcement will also confirm whether a custodian will be required to hold HoldCo Shares on Implementation

Implementation Date (Scheme Shareholders will receive the Scheme Consideration on the Implementation Date) Wednesday, 5 December 2018

All times and dates in the above timetable are references to the time and date in Brisbane, Queensland, Australia unless otherwise stated and all such times and dates are subject to change. Capilano may vary any or all of these dates and times and will provide notice of any such variation on ASX. Certain times and dates are conditional on the approval of the Scheme by Capilano Shareholders and by the Court. Any changes will be announced by Capilano to ASX.

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11 October 2018

Dear fellow Capilano Shareholder,

I am pleased to provide Capilano Shareholders with this Scheme Booklet which contains important information in relation to a proposed transaction.

On 13 August 2018, Capilano announced it had entered into a Scheme Implementation Agreement with Bravo HoldCo Pty Limited (**HoldCo**) and its wholly-owned Subsidiary, Bravo BidCo Pty Limited (**BidCo**) for the acquisition of 100% of the share capital of Capilano by way of a Scheme of Arrangement. HoldCo is owned by Wattle Hill RHC Fund 1 and ROC Capital Pty Limited (the **Consortium**).

Overview

If the Scheme is approved and implemented, Capilano Shareholders will receive the following (based on their choice made prior to the Election Time):

- **Cash Consideration:** cash of \$20.06 per Capilano Share in respect of all of their Capilano Shares held as at the Scheme Record Date; or
- **Scrip Consideration:** 1 HoldCo Share for each Capilano Share they hold as at the Scheme Record Date; and
- **HoldCo Share Offer:** if they have elected to receive the Scrip Consideration, an additional right to subscribe for 0.5 HoldCo Shares for each Capilano Share they hold as at the Scheme Record Date at a subscription price of \$20.06 cash per HoldCo Share.

There are some important points to note in relation to these alternatives, and particularly risks in relation to the Scrip Consideration and the HoldCo Share Offer:

- The Independent Expert's conclusion that the Scheme is fair and reasonable and in the best interests of Capilano Shareholders (detailed below) was formed on the basis of the Cash Consideration. If the Independent Expert had assessed the fairness of the Scheme based solely on the Scrip Consideration, the Independent Expert would have concluded that the Scheme is not fair to the Capilano Shareholders.
- The Independent Expert calculated the value of a HoldCo Share to be in the range of \$11.36 and \$15.65 on a minority interest basis. This is less than the subscription price of \$20.06 which a Capilano Shareholder would need to pay for HoldCo shares under the HoldCo Share Offer.
- Capilano Shareholders who wish to apply for HoldCo Shares under the HoldCo Share Offer will need to make that Election and pay the subscription price by the Election Time, currently scheduled to be Monday 5 November 2018 at 5.00pm (Sydney time) or 4.00pm (Brisbane time). Capilano Shareholders who wish to elect Scrip Consideration will also need to make their Election by that deadline.
- If required to maintain the status of HoldCo as an Australian proprietary company, HoldCo will nominate a Custodian to hold HoldCo Shares on behalf of former Capilano Shareholders who would otherwise be HoldCo Shareholders (other than Substantial Shareholders, that is holders of 5% or more of HoldCo Shares) as described in Section 9.4(j) of this Scheme Booklet. This means that, depending on the number of Capilano Shareholders who Elect to receive Scrip Consideration and to participate in the HoldCo Share Offer, a Custodian may hold those HoldCo Shares as bare trustee on their behalf rather than the relevant former Capilano Shareholder being the registered owner of the HoldCo Shares.
- Ineligible Foreign Shareholders will receive the Cash Consideration and will not be entitled to elect to receive the Scrip Consideration or subscribe for additional HoldCo Shares under the HoldCo Share Offer.
- Any Election for the Scrip Consideration and application for HoldCo Shares under the HoldCo Share Offer may be subject to the Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet.

- The funds raised under the HoldCo Share Offer will be used by HoldCo and BidCo to fund part of the Scheme Consideration payable to those Scheme Shareholders who receive Cash Consideration under the Scheme. This means that the funds raised under the HoldCo Share Offer will not be used to fund the working capital or other capital requirements of HoldCo or the Capilano business after Implementation.

The subscription for HoldCo Shares under the HoldCo Share Offer will not give rise to a binding contract or require HoldCo to issue HoldCo Shares to any Capilano Shareholder unless and until the Scheme becomes Effective, and subject always to the terms of the Scheme and the Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet.

All Subscription Monies received from Scrip and Offer Participants will be held in the HoldCo Trust Account (by Capilano as trustee) as described in the Scheme of Arrangement attached as Annexure C of this Scheme Booklet.

Value of Cash Consideration

The total cash payment of \$20.06 per Capilano Share values Capilano's equity at approximately \$189.7 million and represents a:

- 28.2% premium to Capilano's closing share price of \$15.65 on 10 August 2018¹;
- 25.3% premium to Capilano's VWAP for the 30-day period (\$16.01) ended 10 August 2018²;
- 22.8% premium to Capilano's VWAP for the 3-month period (\$16.33) ended 10 August 2018;
- a P / E³ multiple of 19.3x (financial year ended 30 June 2018); and
- an EV / EBITDA⁴ multiple of 12.5x (financial year ended 30 June 2018).

The Cash Consideration under the Scheme provides you with an opportunity to immediately realise a value for your investment in Capilano at a premium to trading prices in the period prior to the announcement on 13 August 2018. The Cash Consideration provides a certain value outcome for Capilano Shareholders. Capilano Shareholders should note that trading prices of Capilano Shares, while Capilano is ASX-listed, vary on a daily basis and can be accessed at www.asx.com.au.

Scrip Consideration alternative and HoldCo Share Offer

As an alternative to the Cash Consideration, Eligible Capilano Shareholders may elect to receive Scrip Consideration in respect of all the Capilano Shares which they hold as at the Scheme Record Date. If they elect the Scrip Consideration, Eligible Capilano Shareholders may also elect to subscribe for all (and not some only) of the additional HoldCo Shares which they are eligible to subscribe for under the HoldCo Share Offer (subject to the Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet) by paying the subscription price of \$20.06 per HoldCo Share to HoldCo.

HoldCo is a newly incorporated unlisted Australian company which will provide HoldCo Shareholders with a continuing indirect minority interest in Capilano.

Subject to the Implementation of the Scheme, Eligible Capilano Shareholders who validly elect to receive the Scrip Consideration will be issued 1 HoldCo Share for every 1 Capilano Share they hold at the Scheme Record Date (subject to the Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet). If required to maintain the status of HoldCo as an Australian proprietary company, HoldCo will nominate a Custodian to hold HoldCo Shares on behalf of HoldCo Shareholders (other than

¹ Being the last trading day prior to announcement of the Scheme.

² Volume weighted average price for the 30 calendar days prior to 10 August 2018.

³ Price/earnings multiple is based on the \$20.06 offer price. Earnings per share is based on Net Profit After Tax for the year ended 30 June 2018 of \$9.8m divided by shares on issue.

⁴ Enterprise Value calculated using shares on issue and net debt of \$11.4 million as at 30 June 2018. EBITDA is equal to earnings before interest, tax, depreciation and amortisation. EBITDA for the period ended 30 June 2018 is \$16.1m.

Substantial Shareholders, that is holders of 5% or more of HoldCo Shares) as described in Section 9.4(j) of this Scheme Booklet. This means that, depending on the number of Capilano Shareholders who Elect to receive Scrip Consideration and to participate in the HoldCo Share Offer, a Custodian may hold those HoldCo Shares on their behalf as bare trustee rather than the relevant former Capilano Shareholder being the registered owner of the HoldCo Shares.

HoldCo will have an equivalent number of ordinary shares to Capilano, which as at the Implementation Date will be 9,457,481.

Eligible Capilano Shareholders who have elected to receive the Scrip Consideration may also elect to subscribe for all (and not some only) of the additional HoldCo Shares which they are eligible to subscribe for under the HoldCo Share Offer, at the ratio of 0.5 HoldCo Shares for every 1 Capilano Share they hold at the Scheme Record Date, at a cash subscription price equal to the cash offer price of \$20.06 for each HoldCo Share (See Section 9.4 for more information in relation to the HoldCo Share Offer).

If Elections for the Scrip Consideration and subscriptions for HoldCo Shares under the HoldCo Share Offer collectively exceed 49.9% of HoldCo's issued share capital, the HoldCo Shares received by Capilano Shareholders will be subject to the Scaleback Arrangements. Capilano Shareholders subject to the Scaleback Arrangements will receive the Cash Consideration instead for the portion which has been scaled back. This ensures that Wattle Hill and ROC will together hold a minimum of 50.1% of HoldCo's issued share capital immediately post-Implementation of the Scheme. For more information in relation to the Scaleback Arrangements, please refer to Section 7.4(c) of this Scheme Booklet.

Minimum Scrip Consideration Condition

It is a condition of the Scheme that Capilano Shareholders representing at least 15.0% of existing Capilano Shares elect to receive HoldCo Shares (**Minimum Scrip Consideration Condition**)⁵. Australian Capital Equity Pty Limited and its wholly-owned Subsidiary Wroxby Pty Limited have a Relevant Interest in approximately 21.67% of issued shares in Capilano. As mentioned below, Wroxby Pty Limited has indicated to Capilano that, in the absence of a Superior Proposal (as defined in the Scheme Implementation Agreement), it intends to vote in favour of the Scheme and to elect to receive Scrip Consideration rather than Cash Consideration. Accordingly, there is a reasonable basis to expect that the Minimum Scrip Consideration Condition under the Scheme will be satisfied.

Additional risks of electing the Scrip Consideration and participating in the HoldCo Share Offer

The risks that apply to an investment in HoldCo following Implementation are materially different from, and in addition to, those that apply to your existing investment in Capilano. If the risks that apply to an investment in HoldCo following Implementation conflict with a Capilano Shareholder's individual risk profile, that Capilano Shareholder should strongly consider electing to receive the Cash Consideration.

As noted in the "Overview" above, there are significant risks in electing to receive the Scrip Consideration or to subscribe for additional HoldCo Shares under the HoldCo Share Offer. In addition to those risks, please note the points below and refer to Section 5.5 (Reasons you may not want to elect the Scrip Consideration or participate in the HoldCo Share Offer):

Importantly, Eligible Capilano Shareholders should be aware that if they elect to receive the Scrip Consideration or subscribe for their **full** entitlement to additional HoldCo Shares under the HoldCo Share Offer:

- they will face a lack of liquidity in respect of their HoldCo Shares given there will be no active market for the sale and purchase of HoldCo Shares; and
- they will become a party to the Shareholders' Deed which restricts the ability of a holder of HoldCo Shares to transfer or Dispose of HoldCo Shares.

⁵ The 15.0% minimum uptake will be calculated on the basis of the aggregate of the total number of HoldCo Shares issued to Scheme Shareholders electing to receive Scrip Consideration and the total number of HoldCo Shares issued under the HoldCo Share Offer.

In particular, the Consortium does not intend to be an active buyer of HoldCo Shares after Implementation. This means that if you want to sell your HoldCo Shares at any time in the future, you should not assume that the Consortium will purchase any of your HoldCo Shares (including in an 'emergency' scenario).

Accordingly, there is a risk that a holder of HoldCo Shares may not be able to transfer or sell the HoldCo Shares issued to them other than through an Exit, and there is no guarantee if or when an Exit will take place.

Further, the conditions relating to Disposal of any HoldCo Shares are onerous, particularly as they involve relatively long timing requirements of 30 days for a transfer and a further 60 days holding time. These onerous restrictions mean that, if the pre-emptive rights procedure is adhered to, it could be at least 90 days before a HoldCo Shareholder is able to Dispose of their HoldCo Shares.

This means that if you want to sell your HoldCo Shares at any time in the future, you should not assume that you will be able to do so in a timely manner (including in an 'emergency' scenario).

Accordingly, there is a risk that a holder of HoldCo Shares may not be able to transfer or sell the HoldCo Shares issued to them if and when they would like to do so.

Please refer to Section 9.9 which sets out a summary of the Shareholders' Deed and the rights attaching to HoldCo Shares.

The value of the Scrip Consideration is less certain than the Cash Consideration. It is important to understand that any investment in the unlisted shares in HoldCo following Implementation of the Scheme is fundamentally different from your current investment in Capilano as an ASX-listed company and does not involve various protections which shareholders experience when investing in an ASX-listed company. There is no assurance that the future value of HoldCo Shares will be equal to or higher than the value of the Cash Consideration.

A copy of the Shareholders' Deed is included as Annexure E to this Scheme Booklet. You should carefully read Sections 9 ('Information about BidCo and HoldCo'), 10.3 ('Risks associated with an investment in HoldCo following Implementation'), 10.4 ('General risks relating to the Scheme'), 11 ('Tax Considerations') and the Independent Expert's Report in Annexure A. You should also obtain appropriate legal, financial, tax or other professional advice before electing the Scrip Consideration or to participate in the HoldCo Share Offer.

Directors' recommendation

The Capilano Directors unanimously recommend that Capilano Shareholders approve the Scheme by voting in favour of the Scheme Resolution, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders. The basis for the Independent Expert's conclusion is solely in relation to the Cash Consideration. The Independent Expert has not made a conclusion in relation to the Scrip Consideration or the HoldCo Share Offer. However, if the Independent Expert had assessed the fairness of the Scheme based solely on the Scrip Consideration, the Independent Expert would have concluded that the Scheme is not fair to the Capilano Shareholders. In determining the value of the Scrip Consideration, the Independent Expert has had regard to the value of a HoldCo Share on a minority interest basis. The Capilano Directors have recommended that you approve the Scheme by voting in favour of the Scheme Resolution based on the quantum of the Cash Consideration.

Each Director intends to vote in favour of the Scheme Resolution in respect of all Capilano Shares they own or control, which in aggregate are approximately 1.3% of all Capilano Shares on issue as at the date of this Scheme Booklet.

The Capilano Directors make no recommendation in relation to the Scrip Consideration and the HoldCo Share Offer, due to the speculative nature of the HoldCo Shares and that whether it is an appropriate choice will depend significantly on the characteristics and risk profile of the individual investor. Eligible Capilano Shareholders who are considering making an Election for Scrip Consideration for their Scheme Shares or to participate in the HoldCo Share Offer should:

- take into account the Scaleback Arrangements set out in Section 7.4(c) which may affect the number of HoldCo Shares that will actually be received;

- take into account that the HoldCo Shares would be subject to the rights and restrictions under the Shareholders' Deed (which, importantly, restrict the ability for a holder of HoldCo Shares to sell or Dispose of their HoldCo Shares) and the HoldCo Constitution as described in Section 9.9 of this Scheme Booklet;
- take into account the onerous provisions under the Shareholders' Deed and the HoldCo Constitution, as described in Section 9.9 of this Scheme Booklet, which include a pre-emptive rights procedure that requires a material waiting period before HoldCo Shares can be Disposed of;
- carefully consider the matters set out in Section 9 of this Scheme Booklet and the risk factors set out in Section 10 of this Scheme Booklet, noting that an investment in HoldCo does not involve some liquidity and other protections which shareholders experience when investing in an ASX-listed company;
- note that their subscription for HoldCo Shares under the HoldCo Share Offer will not give rise to a binding contract or require HoldCo to issue HoldCo Shares unless and until the Scheme becomes Effective, and subject always to the terms of the Scheme and the Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet;
- carefully consider the tax considerations set out in Section 11 and how they apply to the Scrip Consideration and the HoldCo Share Offer in comparison to the Cash Consideration;
- take into account the Independent Expert's Report and their views expressed in relation to the HoldCo Shares set out in Annexure A of this Scheme Booklet, noting that the value of a HoldCo Share was calculated by the Independent Expert to be in the range of \$11.36 and \$15.65 on a minority interest basis and while no conclusion has been made in relation to the Scrip Consideration or the HoldCo Share Offer, if the Independent Expert had assessed the fairness of the Scheme based solely on the Scrip Consideration, the Independent Expert would have concluded that the Scheme is not fair to the Capilano Shareholders. In determining the value of the Scrip Consideration, the Independent Expert has had regard to the value of a HoldCo Share on a minority interest basis; and
- consult their appropriate legal, financial, tax or other professional advisers about whether an investment in HoldCo meets their individual investment objectives.

Intention of Wroxby Pty Limited

Australian Capital Equity Pty Limited and its wholly-owned Subsidiary Wroxby Pty Limited have a Relevant Interest in approximately 21.67% of issued shares in Capilano. Wroxby Pty Limited has indicated to Capilano that, in the absence of a Superior Proposal (as defined in the Scheme Implementation Agreement), it intends to vote in favour of the Scheme and to elect to receive Scrip Consideration rather than Cash Consideration.

Independent Expert

Your Directors' unanimous recommendation of the Scheme is based on the conclusion of BDO, the Independent Expert engaged by the Capilano Board, to opine on whether the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders.

The Independent Expert has assessed the market value of a Capilano Share, on a controlling interest basis, to be in the range of \$18.93 and \$22.35 prior to the Implementation of the Scheme. The Cash Consideration of \$20.06 per Capilano Share is within the Independent Expert's valuation range. The Independent Expert has concluded that, in the absence of a Superior Proposal, the Scheme is fair and reasonable, and in the best interests of, Capilano Shareholders.

The basis for the Independent Expert's conclusion is solely in relation to the Cash Consideration. The Independent Expert has not made a conclusion in relation to the Scrip Consideration or the HoldCo Share Offer. However, the Independent Expert has calculated the value of a HoldCo Share to be in the range of \$11.36 and \$15.65 on a minority interest basis. Accordingly, if the Independent Expert had assessed the fairness of the Scheme based solely on the Scrip Consideration, the Independent Expert would have concluded that the Scheme is not fair to the Capilano Shareholders. In determining the value of the Scrip Consideration, the Independent Expert has had regard to the value of a HoldCo Share on a minority interest basis.

Please refer to the Independent Expert's Report in Annexure A to this Scheme Booklet for further information.

Vote at the Scheme Meeting

On behalf of the Capilano Board, I encourage you to vote on the proposed transaction. Your vote is important. In order for the Scheme to proceed, the Requisite Majorities of Capilano Shareholders must vote in favour of the Scheme. The Scheme Meeting is to be held at 11.00am (Brisbane time) on Thursday 15 November 2018 at the Spring Lake Hotel & Function Centre, 1 Springfield Lakes Boulevard, Springfield Lakes, Queensland.

You may vote by attending the Scheme Meeting in person, or by appointing a proxy, attorney or corporate representative (if applicable) to attend the Scheme Meeting and vote on your behalf. A Proxy Form is provided with this Scheme Booklet. Alternatively, you may lodge a proxy online at www.linkmarketservices.com.au or by mail to Capilano Honey Limited, C/- Link Market Services Limited, PO Box 1519, Sydney South NSW 1234. Further information on how to vote is provided in Section 4 of this Scheme Booklet.

How to make an Election

To make an Election for the Scrip Consideration or to participate in the HoldCo Share Offer, you will need to lodge Subscription and Election forms by the Election Time (being 4.00pm (Brisbane time) or 5.00pm (Sydney time) on Monday, 5 November 2018). Please refer to instructions on how to make an Election and how to vote are provided in Section 4 of this Scheme Booklet.

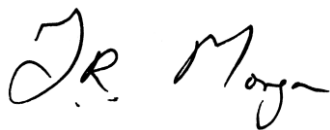
Further information

This Scheme Booklet contains important information regarding the proposed transaction including further detail behind your Directors' recommendation and the Independent Expert's Report.

I encourage you to read this booklet in full before making any decision on the Scheme, in particular you should refer to Section 5 for information on the advantages and disadvantages of the Scheme. Each Capilano Shareholder will have different circumstances and the Scheme Booklet does not take into account the specific financial situation, investment objectives and risk profile of any particular Capilano Shareholder, and you should consult your legal, financial, taxation or other professional adviser concerning the impact your decision may have on your own circumstances.

On behalf of Capilano, I would like to thank you again for your dedication and support of Capilano. I look forward to your participation at the Scheme Meeting.

Yours sincerely,



Mr Trevor Morgan

Chairman

Capilano Honey Limited

3 Overview of the Scheme

3.1 What is the Scheme?

- The Scheme is for BidCo to acquire all of the Capilano Shares by way of a scheme of arrangement in return for the Cash Consideration or Scrip Consideration.
- If the Scheme is approved and implemented, Capilano Shareholders will receive the following (based on their choice made prior to the Election Time):
 - **Cash Consideration:** cash of \$20.06 per Capilano Share in respect of all of their Capilano Shares held as at the Scheme Record Date; or
 - **Scrip Consideration:** 1 HoldCo Share for each Capilano Share they hold as at the Scheme Record Date; and
 - **HoldCo Share Offer:** if they have elected to receive the Scrip Consideration, an additional right to **subscribe** for 0.5 HoldCo Shares for each Capilano Share they hold as at the Scheme Record Date at a subscription price of \$20.06 cash per HoldCo Share.
- To subscribe for their entitlement to the additional HoldCo Shares, Eligible Capilano Shareholders will have to pay the subscription price of \$20.06 per HoldCo Share to HoldCo at the time of the Election⁶ (see Section 9.4 for more information in relation to the HoldCo Share Offer). The Independent Expert calculated the value of a HoldCo Share to be in the range of \$11.36 and \$15.65 on a minority interest basis. This is less than the subscription price of \$20.06 which a Capilano Shareholder would need to pay for HoldCo shares under the HoldCo Share Offer.
- Scheme Shareholders may only elect to receive the Cash Consideration or the Scrip Consideration in respect of **all of** their Capilano Shares held on the Scheme Record Date.
- Scheme Shareholders who have elected the Scrip Consideration in respect of all of their Capilano Shares may elect to subscribe for their **full** entitlement to additional HoldCo Shares under the HoldCo Share Offer. Scheme Shareholders may not make a partial election in respect of the HoldCo Share Offer.
- Any Election for the Scrip Consideration and to participate in the HoldCo Share Offer may be subject to the Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet.
- If required to maintain the status of HoldCo as an Australian proprietary company, HoldCo will nominate a Custodian to hold HoldCo Shares on behalf of HoldCo Shareholders (other than Substantial Shareholders) as set out in Section 9.4(j). This means that, depending on the number of Capilano Shareholders who Elect to receive Scrip Consideration and to participate in the HoldCo Share Offer, a Custodian may hold those HoldCo Shares on their behalf

⁶ If a Scrip and Offer Participant holds fewer Scheme Shares at the Scheme Record Date than it did on the date on which it made its Election, then a portion of the Subscription Monies will be refunded to the Scrip and Offer Participant where it subscribed for a number of HoldCo Shares under the HoldCo Share Offer that is greater than the number which it would have been entitled to subscribe for under the terms of the HoldCo Share Offer based on its holding of Scheme Shares at the Scheme Record Date. See Section 9.4(i) for more detail.

as bare trustee rather than the relevant former Capilano Shareholder being the registered owner of the HoldCo Shares.

- The subscription for HoldCo Shares under HoldCo Share Offer will not give rise to a binding contract or require HoldCo to issue HoldCo Shares to any Capilano Shareholder unless and until the Scheme becomes Effective, and subject always to the terms of the Scheme and the Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet.
- Capilano Shareholders considering an Election for the Scrip Consideration or to participate in the HoldCo Share Offer should carefully consider the matters set out in Section 9 of this Scheme Booklet and the risk factors set out in Section 10 of this Scheme Booklet.
- Any Scheme Shareholder that is subject to the Scaleback Arrangements will:
 - receive the Cash Consideration for those Capilano Shares for which it would have received Scrip Consideration but for the application of the Scaleback Arrangements; and
 - have any portion of its Subscription Monies which represents the HoldCo Shares which it subscribed for under the HoldCo Share Offer which were not issued to it as a result of the application of the Scaleback Arrangements, returned to it as soon as practicable following the Implementation Date.

3.2 What is the recommendation of the Capilano Directors

This table sets out the Capilano Board’s recommendation in respect of each of these matters.

Voting in favour Scheme Resolution	Electing the Cash Consideration	Electing the Scrip Consideration or participating in the HoldCo Share Offer
<p>The Capilano Directors unanimously recommend that Capilano Shareholders approve the Scheme by voting in favour of the Scheme Resolution, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders.</p> <p>The basis for the Independent Expert’s conclusion is solely in relation to the Cash Consideration. The Independent Expert has not made a conclusion in relation to the Scrip Consideration or the HoldCo Share Offer. However, the Independent Expert has calculated the value of a HoldCo</p>	<p>The Capilano Directors have recommended that you approve the Scheme by voting in favour of the Scheme Resolution based on the quantum of the Cash Consideration.</p> <p>The Capilano Directors note that since the announcement of the Scheme and the recent acquisitions of Capilano shares by Bega, as set out in Section 8.7, Capilano Shares have at times been trading higher than the Cash Consideration. On the other hand, if the Scheme is not implemented and no Superior Proposal emerges, the price of Capilano Shares may fall. You may ascertain the current trading prices of Capilano Shares through ASX website (www.asx.com.au).</p>	<p>The Capilano Directors make no recommendation in relation to the Scrip Consideration and the HoldCo Share Offer, due to the speculative nature of the HoldCo Shares and that whether it is an appropriate choice will depend significantly on the characteristics and risk profile of the individual investor. Eligible Capilano Shareholders who are considering making an Election for Scrip Consideration for their Scheme Shares or electing to subscribe for HoldCo Shares under the HoldCo Share Offer should:</p> <ul style="list-style-type: none"> • take into account the Scaleback Arrangements set out in Section 7.4(c) which may affect the number of HoldCo Shares that will actually be received; • take into account that the HoldCo Shares would be subject to the

Share to be in the range of \$11.36 and \$15.65 on a minority interest basis. Accordingly, if the Independent Expert had assessed the fairness of the Scheme based solely on the Scrip Consideration, the Independent Expert would have concluded that the Scheme is not fair to the Capilano Shareholders. In determining the value of the Scrip Consideration, the Independent Expert has had regard to the value of a HoldCo Share on a minority interest basis.

rights and restrictions under the Shareholders' Deed (which, importantly, restrict the ability for a holder of HoldCo Shares to sell or Dispose of their HoldCo Shares) and the HoldCo Constitution as described in Section 9.9 of this Scheme Booklet;

- take into account the onerous provisions under the Shareholders' Deed and the HoldCo Constitution, as described in Section 9.9 of this Scheme Booklet, which include a pre-emptive rights procedure that requires a material waiting period before HoldCo Shares can be Disposed of;
- carefully consider the matters set out in Section 9 of this Scheme Booklet and the risk factors set out in Section 10 of this Scheme Booklet, noting that an investment in HoldCo does not involve some liquidity and other protections which shareholders experience when investing in an ASX-listed company;
- carefully consider the tax considerations set out in Section 11 and how they apply to the Scrip Consideration and the HoldCo Share Offer in comparison to the Cash Consideration;
- note that their subscription for HoldCo Shares under the HoldCo Share Offer will not give rise to a binding contract or require HoldCo to issue HoldCo Shares unless and until the Scheme becomes Effective, and subject always to the terms of the Scheme and the Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet;
- carefully consider the tax considerations set out in Section 11 and how they apply to the Scrip Consideration and the HoldCo Share Offer in comparison to the Cash Consideration;
- take into account the Independent Expert's Report and their views expressed in relation to the HoldCo Shares set out in Annexure A of this Scheme Booklet, noting that the value of a HoldCo Share was calculated by the Independent

Expert to be in the range of \$11.36 and \$15.65 on a minority interest basis and that the Independent Expert has not made a conclusion in relation to the Scrip Consideration or the HoldCo Share Offer; and

- consult their appropriate legal, financial, tax or other professional advisers about whether an investment in HoldCo meets their individual investment objectives.

The risks that apply to an investment in HoldCo following Implementation are materially different from, and in addition to, those that apply to your existing investment in Capilano. If the risks that apply to an investment in HoldCo following Implementation conflict with a Capilano Shareholder's individual risk profile, that Capilano Shareholder should strongly consider electing to receive the Cash Consideration.

Importantly, Eligible Capilano Shareholders should be aware that if they elect to receive the Scrip Consideration or subscribe for their **full** entitlement to additional HoldCo Shares under the HoldCo Share Offer:

- they will face a lack of liquidity in respect of their HoldCo Shares given there will be no active market for the sale and purchase of HoldCo Shares; and
- they will become a party to the Shareholders' Deed which restricts the ability of a holder of HoldCo Shares to transfer or Dispose of HoldCo Shares.

In particular, the Consortium does not intend to be an active buyer of HoldCo Shares after Implementation. This means that if you want to sell your HoldCo Shares at any time in the future, you should not assume that the Consortium will purchase any of your HoldCo Shares (including in an 'emergency' scenario).

Accordingly, there is a risk that a holder of HoldCo Shares may not be able to transfer or sell the HoldCo Shares issued to them other than through an Exit, and there is no guarantee if or when an Exit will take place.

Further, the conditions relating to Disposal of any HoldCo Shares are onerous, particularly as they involve relatively long timing requirements of 30 days for a transfer and a further 60 days holding time. These onerous restrictions mean that, if the pre-emptive rights procedure is adhered to, it could be at least 90 days before a HoldCo Shareholder is able to Dispose of their HoldCo Shares.

This means that if you want to sell your HoldCo Shares at any time in the future, you should not assume that you will be able to do so in a timely manner (including in an 'emergency' scenario).

Accordingly, there is a risk that a holder of HoldCo Shares may not be able to transfer or sell the HoldCo Shares issued to them if and when they would like to do so.

Please refer to Section 9.9 which sets out a summary of the Shareholders' Deed and the rights attaching to HoldCo Shares.

- In considering whether to vote in favour of the Scheme, the Capilano Directors encourage you to:

- carefully read all of this Scheme Booklet (including the Independent Expert's Report);
- consider the choices available to you as outlined in Section 7.11 of this Scheme Booklet;
- have regard to your individual risk profile, portfolio strategy, taxation position and financial circumstances; and
- obtain financial advice from your broker or financial adviser on the Scheme and obtain taxation advice.

3.3 What is the conclusion of the Independent Expert?

The Independent Expert has concluded that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders, in the absence of a Superior Proposal.

- The Independent Expert has valued Capilano at \$18.93 to \$22.35 per Capilano Share on a controlling interest basis.
- The Cash Consideration of \$20.06 per Capilano Share is within the valuation range of the Independent Expert.
- The Independent Expert has not made a conclusion in relation to the Scrip Consideration or the HoldCo Share Offer.
- If the Independent Expert had assessed the fairness of the Scheme based solely on the Scrip Consideration, the Independent Expert would have concluded that the Scheme is not fair to the Capilano Shareholders. In determining the value of the Scrip Consideration, the Independent Expert has had regard to the value of a HoldCo Share on a minority interest basis.
- The Independent Expert calculated the value of a HoldCo Share to be in the range of \$11.36 and \$15.65 on a minority interest basis. This is less than the subscription price of \$20.06 which a Capilano Shareholder would need to pay for HoldCo shares under the HoldCo Share Offer.

3.4 Summary of reasons why you may want to vote in favour of or against the Scheme

- (a) **What are the reasons you may want to vote in favour of the Scheme by voting in favour of the Scheme Resolution?**
- (1) The Capilano Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders.
 - (2) The Independent Expert has concluded that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders, in the absence of a Superior Proposal. The basis for the Independent Expert's conclusion is solely in relation to the Cash Consideration. The Independent Expert has not made a conclusion in relation to the Scrip Consideration or the HoldCo Share Offer. However, the Independent Expert has calculated the value of a HoldCo Share to be in the range of \$11.36 and \$15.65 on a minority interest basis. Accordingly, if the Independent Expert had assessed the fairness of the Scheme based solely on the Scrip Consideration, the Independent Expert would have concluded that the Scheme is not fair to the

Capilano Shareholders. In determining the value of the Scrip Consideration, the Independent Expert has had regard to the value of a HoldCo Share on a minority interest basis.

- (3) The Cash Consideration of \$20.06 per Capilano Share represents a premium to trading prices of Capilano Shares before the Scheme was announced. While Capilano Share prices have at times been trading higher than the Cash Consideration, if the Scheme is not implemented and no Superior Proposal emerges, the price of Capilano Shares may fall.
- (4) The Cash Consideration will deliver immediate and certain value for your Capilano Shares.
- (5) The Scrip Consideration provides the flexibility for Eligible Capilano Shareholders who wish to maintain an indirect interest in the privatised Capilano, having regard to the risks involved, to do so.
- (6) You will not incur any stamp duty or brokerage charges on transfer of your shares under the Scheme.
- (7) If the Scheme does not proceed and no Superior Proposal emerges, the price of Capilano Shares may fall, and you will continue to be subject to the risks associated with owning Capilano Shares.
- (8) No Superior Proposal has emerged as at the date of this Scheme Booklet.

The reasons you may want to vote in favour of the Scheme are discussed in more detail in Section 5.1 of this Scheme Booklet.

(b) **What are reasons you may want to vote against the Scheme?**

- (1) You may disagree with the Capilano Directors' unanimous recommendation or the Independent Expert's conclusion.
- (2) You may believe that there is potential for a Superior Proposal to be made in the foreseeable future.
- (3) You may wish to maintain your direct investment in Capilano as an independent ASX-listed company.
- (4) The tax consequences of the Scheme may not suit your current financial circumstances.

The reasons you may want to vote against the Scheme are discussed in more detail in Section 5.2 of this Scheme Booklet.

4 What should you do in relation to the Scheme?

Step 1: Read this Scheme Booklet in its entirety

- This Scheme Booklet contains information that is material to your decision whether or not to approve the Scheme by voting in favour of the Scheme Resolution. Accordingly, you should read this Scheme Booklet in its entirety before making a decision on how to vote on the Scheme Resolution.
- You should also consult your legal, financial, tax or other professional adviser in relation to voting and making Elections in relation to the Scheme. Answers to

some common questions are contained in Section 6 of this Scheme Booklet titled 'Frequently asked questions'.

- If you have any questions, please contact the Shareholder Information Line on 1300 795 998 (within Australia) or +61 1300 795 998 (outside Australia). The Shareholder Information Line is open Monday to Friday between 8.30am and 5.30pm (Brisbane time).

Step 2: Vote on the Scheme Resolution

Proxy Forms and powers of attorney must be lodged by 11.00am on Tuesday, 13 November 2018.

- The Scheme Meeting at which Capilano Shareholders will vote on whether to approve the Scheme will be held at 11.00am (Brisbane time) on Thursday 15 November 2018 at the Spring Lake Hotel & Function Centre, 1 Springfield Lakes Boulevard, Springfield Lakes, Queensland.
- As a Capilano Shareholder, it is your right to vote on whether the Scheme proceeds. Your vote is important and you are strongly encouraged to vote on the Scheme Resolution. A Capilano Shareholder can vote by doing one of the following:

- **vote in person** – by attending the Scheme Meeting;
- **vote by proxy** – by completing and returning to the Capilano Share Registry the enclosed Proxy Forms for the Scheme Meeting, which must be received by the Capilano Share Registry at:

Mailing Address

Capilano Honey Limited
C/- Link Market Services Limited
PO Box 1519
SYDNEY SOUTH NSW 1234

Hand Delivery

Link Market Services Limited
1A Homebush Bay Drive
RHODES NSW 2138
or
Level 12, 680 George Street
SYDNEY NSW 2000

so that it is received by no later than 11.00am (Brisbane time) on Tuesday, 13 November 2018.

Alternatively, you can lodge your proxy online at www.linkmarketservices.com.au by no later than 11.00am (Brisbane time) on Tuesday, 13 November 2018;

- **vote by attorney** – by providing the Capilano Share Registry the original (or certified copy) of the instrument appointing an attorney by no later than 11.00am (Brisbane time) on Tuesday, 13 November 2018 (unless a copy has already been provided to the Capilano Share Registry); or
- **vote by corporate representative** – (in the case of a body corporate) by appointing a corporate representative to act as its representative. The appointment must comply with section 250D of the Corporations Act. A corporate Capilano Shareholder or corporate proxy should

obtain a "Certificate of Appointment of Corporate Representative" form from the Capilano Share Registry, and complete and sign the form in accordance with the instructions on it. The corporate representative must attend the Scheme Meeting in person.

Step 3: Decide whether you wish to Elect the Cash Consideration or the Scrip Consideration and subscribe for additional HoldCo Shares under the HoldCo Share Offer

NOTE: IF YOU DO NOT MAKE AN ELECTION FOR SCRIP CONSIDERATION, YOU WILL BE DEEMED TO HAVE ELECTED THE CASH CONSIDERATION FOR ALL OF YOUR CAPILANO SHARES HELD ON THE SCHEME RECORD DATE

- The default Scheme Consideration is the Cash Consideration if a Capilano Shareholder does not make an Election before the Election Time (being 4.00pm (Brisbane time) or 5.00pm (Sydney time) on Monday, 5 November 2018).
- **The Election and Subscription Forms (sent with this Scheme Booklet) consist of two forms:**
 - **an Election Form for the Election of the Cash Consideration or Scrip Consideration in respect of all your Scheme Shares; and**
 - **a Subscription Form for the Election to subscribe for your full entitlement of additional HoldCo Shares under the HoldCo Share Offer (if you are an Eligible Capilano Shareholder who has elected the Scrip Consideration in full).**
- If you are only electing to receive either the Cash Consideration or Scrip Consideration in respect of all your Schemes Shares, you will only need to submit the Election Form.
- However, if you are an Eligible Capilano Shareholder and:
 - you have elected to receive the Scrip Consideration with the Election Form; and
 - you are electing to subscribe for all (and not some only) of the additional HoldCo Shares which you are entitled to subscribe for under the HoldCo Share Offer (and to pay the subscription price of \$20.06 per HoldCo Share in respect of your full entitlement to additional HoldCo Shares under the HoldCo Share Offer,

you will need to submit **both** the Election Form and the Subscription Form (in accordance with the terms of each form) and pay the Subscription Monies at the same time as submitting the Election and Subscription Forms.

Please do not make an Election for HoldCo Shares without carefully reading Sections 9 ('Information about BidCo and HoldCo'), 10.3 ('Risks associated with an investment in HoldCo following Implementation'), 10.4 ('General risks relating to the Scheme'), 11 ('Tax Considerations') and the Independent Expert's Report in Annexure A. You should also obtain appropriate legal, financial, tax or other professional advice before electing to receive the Scrip Consideration or to participate in the HoldCo Share Offer.

Please return the completed Election Form and Subscription Form (where applicable) and return it/them in the manner indicated on each of the forms, so that it is received by the Capilano Share Registry no later than the Election Time (being 4.00pm (Brisbane time) or 5.00pm (Sydney time) on Monday, 5 November 2018).

- You may only elect to receive Cash Consideration or Scrip Consideration in respect of **all** of your Capilano Shares held on the Scheme Record Date.
- If you are an Eligible Capilano Shareholder and you have elected the Scrip Consideration and you would like to subscribe for your all (and not some only) of your entitlement to additional HoldCo Shares under the HoldCo Share Offer, you will have to **pay the subscription price of \$20.06** per HoldCo Share to HoldCo at the same time as submitting your Election and Subscription Forms (sent with this Scheme Booklet) (see Section 9.4 for more information in relation to the HoldCo Share Offer). You may only elect to subscribe for **your full entitlement to the additional HoldCo Shares**. You may not make a partial election to subscribe for additional HoldCo Shares under the HoldCo Share Offer.
- If required to maintain the status of HoldCo as an Australian proprietary company, HoldCo will nominate a Custodian to hold HoldCo Shares on behalf of HoldCo Shareholders (other than Substantial Shareholders) as set out in Section 9.4(j). This means that if you have elected the Scrip Consideration or elected to participate in the HoldCo Share Offer, depending on the number of Capilano Shareholders who Elect to receive Scrip Consideration and to participate in the HoldCo Share Offer, a Custodian may hold your HoldCo Shares on your behalf as bare trustee rather than you being the registered owner of the HoldCo Shares.
- Any Election for the Scrip Consideration and subscription for HoldCo Shares under the HoldCo Share Offer may be subject to the Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet.
- Ineligible Foreign Shareholders will not receive the Scrip Consideration nor be eligible to subscribe for HoldCo Shares under the HoldCo Share Offer even if they make an Election for the Scrip Consideration or subscribe for HoldCo Shares under the HoldCo Share Offer. Any Election and Subscription Forms received by the Capilano Share Registry from an Ineligible Foreign Shareholder in respect of the Scrip Consideration or the additional HoldCo Shares will be invalid and the Ineligible Foreign Shareholder will receive the Cash Consideration in respect of all of its Capilano Shares, unless HoldCo determines otherwise in its absolute discretion.
- If you are unsure if you are eligible to elect the Scrip Consideration or to subscribe for the HoldCo Share Offer, you should contact the Shareholder Information Line on 1300 795 998 (within Australia) or +61 1300 795 998 (outside Australia) to enquire as to whether you may be an Eligible Capilano Shareholder.
- **A Capilano Shareholder who makes an invalid Scrip Consideration Election or makes an Election after the Election Time, will, if the Scheme becomes Effective, receive the Cash Consideration in respect of all of their Capilano Shares held on the Scheme Record Date.**
- Once made, you may vary, withdraw or revoke your Election by lodging a replacement Election Form or Subscription Form so that it is received by the Capilano Share Registry by no later than the Election Time (being 4.00pm (Brisbane time) or 5.00pm (Sydney time) on Monday, 5 November 2018). The last valid Election and Subscription Forms received by the Capilano Share Registry before the Election Time will be used to determine your Election and will apply to all Capilano Shares which you hold on the Scheme Record Date.
- If you elect to receive the Scrip Consideration or to subscribe for HoldCo Shares under the HoldCo Share Offer, a transaction confirmation statement will be issued to you as soon as practicable after the Implementation Date to your

address as shown on the Capilano Share Register. You will receive a share certificate in respect of your HoldCo Shares unless there is a Custodian required, as described in Section 9.4(j). If there is a Custodian required, the Custodian will receive the share certificate in respect of your HoldCo Shares and you will be sent a confirmation that this has occurred.

- You should read this Scheme Booklet in full before electing the Scrip Consideration or to participate in the HoldCo Share Offer. In particular, you should carefully read Sections 9 ('Information about BidCo and HoldCo'), 10.3 ('Risks associated with an investment in HoldCo following Implementation'), 10.4 ('General risks relating to the Scheme'), 11 ('Tax Considerations') and the Independent Expert's Report in Annexure A. You should also obtain appropriate legal, financial, tax or other professional advice before electing the Scrip Consideration or to participate in the HoldCo Share Offer.

5 Key considerations relevant to your vote or to your Election

5.1 Reasons you may want to vote in favour of the Scheme by voting in favour of the Scheme Resolution

This Section 5.1 sets out a number of reasons why you may want to approve the Scheme by voting in favour of the Scheme Resolution. This Section 5.1 should be read in conjunction with the 'Reasons you may want to vote against the Scheme' set out in Section 5.2 of this Scheme Booklet, and the 'Other Considerations' set out in Section 5.6 of this Scheme Booklet.

- (a) **The Capilano Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders**

The Capilano Directors unanimously recommend that, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders, you vote in favour of the Scheme Resolution required to implement the Scheme at the Scheme Meeting to be held on Thursday 15 November 2018, at 11.00am (Brisbane time). In reaching their recommendation, the Capilano Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Scheme Booklet.

In the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders, each Capilano Director intends to vote all the Capilano Shares held or controlled by them in favour of the Scheme. The interests of the Capilano Directors are set out in Section 12 of this Scheme Booklet.

- (b) **The Independent Expert has concluded that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders, in the absence of a Superior Proposal**

Capilano appointed BDO to prepare an Independent Expert's Report providing an opinion as to whether the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders.

The Independent Expert has assessed the value of a Capilano Share to be in the range of \$18.93 to \$22.35 per Capilano Share on a controlling interest basis. The Cash

Consideration of \$20.06 per Capilano Share is within this range. Accordingly, the Independent Expert has concluded that the Scheme is fair and reasonable, and in the best interests of Capilano Shareholders. The Independent Expert did not have reference to the Scrip Consideration as part of their assessment of the fairness of the Scheme.

The Independent Expert has not made a conclusion in relation to the Scrip Consideration or the HoldCo Share Offer. However, the Independent Expert has calculated the value of a HoldCo Share to be in the range of \$11.36 and \$15.65 on a minority interest basis. Accordingly, if the Independent Expert had assessed the fairness of the Scheme based solely on the Scrip Consideration, the Independent Expert would have concluded that the Scheme is not fair to the Capilano Shareholders. In determining the value of the Scrip Consideration, the Independent Expert has had regard to the value of a HoldCo Share on a minority interest basis.

The reasons why the Independent Expert reached these conclusions are set out in the Independent Expert's Report, a copy of which is included in Annexure A of this Scheme Booklet. Capilano Shareholders should carefully review the Independent Expert's Report in its entirety before deciding whether to approve the Scheme by voting in favour of the Scheme Resolution.

- (c) **The Cash Consideration of \$20.06 per Capilano Share represents a premium to trading prices of Capilano Shares before the Scheme was announced. While Capilano Share prices have at times been trading higher than the Cash Consideration, if the Scheme is not implemented and no Superior Proposal emerges, the price of Capilano Shares may fall**

The Cash Consideration of \$20.06 per Scheme Share, which will be paid to Scheme Shareholders who elect or are deemed to elect to receive the Cash Consideration if the Scheme is approved and implemented, represents a premium to Capilano's recent historical trading prices prior to the announcement of Scheme Implementation Agreement on 13 August 2018.

The Cash Consideration of \$20.06 per Scheme Share represents a:

- 28.2% premium to Capilano's closing share price of \$15.65 on 10 August 2018⁷;
- 25.3% premium to Capilano's VWAP for the 30-day period (\$16.01) ended 10 August 2018⁸; and
- 22.8% premium to Capilano's VWAP for the 3-month period (\$16.33) ended 10 August 2018.

The Capilano Directors note that since the announcement of the Scheme and the recent acquisitions of Capilano shares by Bega, as set out in Section 8.7, Capilano Shares have at times been trading higher than the Cash Consideration. On the other hand, if the Scheme is not implemented and no Superior Proposal emerges, the price of Capilano Shares may fall. You may ascertain the current trading prices of Capilano Shares through ASX website (www.asx.com.au).

- (d) **The Cash Consideration will deliver immediate and certain value for your Capilano Shares**

The Cash Consideration of \$20.06 per Capilano Share provides certainty of value for your Capilano Shares (subject to the Scheme becoming Effective) and the opportunity for

⁷ Being the last trading day prior to announcement of the Scheme.

⁸ Volume weighted average price for the 30 calendar days prior to 10 August 2018.

you to realise certain value in the near term which may not be achieved if the Scheme does not proceed.

In contrast, if the Scheme does not proceed, the amount which Capilano Shareholders will be able to realise for their investment in Capilano Shares will be subject to certain risks, including but not limited to the risks set out in Sections 8.8 and 10.2.

(e) **The Scrip Consideration provides the flexibility for Eligible Capilano Shareholders who wish to maintain an indirect interest in the privatised Capilano to do so, having regard to the risks involved**

The Scheme provides flexibility for Eligible Capilano Shareholders to elect to receive the Scrip Consideration instead of the Cash Consideration, and if they do so, to subscribe for all (and not some only) of the additional HoldCo Shares which they are entitled to subscribe for under the HoldCo Share Offer, instead of the cash payments in respect of all of their Capilano Shares held as at the Scheme Record Date by paying HoldCo the Subscription Monies, and thereby maintaining an ownership interest in the Capilano business following Implementation of the Scheme (although the extent of this interest is subject to the Scaleback Arrangements).

Eligible Capilano Shareholders who make a valid Scrip Consideration Election will receive 1 HoldCo Share for each Capilano Share held as at the Scheme Record Date (subject to the Scaleback Arrangements described in Section 7.4(c)). If an Eligible Capilano Shareholder makes a valid Scrip Consideration in respect of all their Capilano Shares, they may also subscribe for all (and not some only) of the additional HoldCo Shares which they are eligible to subscribe for under the HoldCo Share Offer, being an additional 0.5 HoldCo Shares for each Capilano Share held as at the Scheme Record Date at a price of \$20.06 per HoldCo Share (subject to possible Scaleback Arrangements described in Section 7.4(c)). Refer to Sections 7.4 and 9.4 for further details on the Scrip Consideration and the HoldCo Share Offer.

An Eligible Capilano Shareholder, who elects to receive Scrip Consideration and who would otherwise make a capital gain on the disposal of their Capilano Shares under the Scheme may choose scrip-for-scrip roll-over relief to the extent that the capital gain made on the disposal of their Capilano Shares is attributable to the receipt of new HoldCo Shares. Please refer to the Australian taxation considerations outlined in Section 11 ('Tax Considerations') of this Scheme Booklet for more information.

You should read this Scheme Booklet in full before electing either the Scrip Consideration or to participate in the HoldCo Share Offer. In particular, you should carefully read Sections 9 ('Information about BidCo and HoldCo'), 10.3 ('Risks associated with an investment in HoldCo following Implementation'), 10.4 ('General risks relating to the Scheme'), 11 ('Tax Considerations') and the Independent Expert's Report in Annexure A. You should also obtain appropriate legal, financial, tax or other professional advice before electing the Scrip Consideration or to participate in the HoldCo Share Offer.

(f) **You will not incur any stamp duty or brokerage charges on transfer of your shares under the Scheme**

You will not incur any brokerage or stamp duty costs on the transfer of your Capilano Shares to BidCo pursuant to the Scheme.

(g) **If the Scheme does not proceed and no Superior Proposal emerges, the price of Capilano Shares may fall, and you will continue to be subject to the risks associated with owning Capilano Shares**

If the Scheme is not implemented, and in the absence of a Superior Proposal, Capilano Shares may trade below the price at which they have traded since the announcement of the Scheme Implementation Agreement on 13 August 2018. In addition, the future trading price of Capilano Shares will continue to be subject to market volatility compared to the certain value of \$20.06 cash per Capilano Share available under the Scheme.

(h) **No Superior Proposal has emerged as at the date of this Scheme Booklet**

Since Capilano's announcement of the Scheme on 13 August 2018, no Superior Proposal has emerged.

The Capilano Directors are, as at the date of this Scheme Booklet, not aware of, and have not received, any Superior Proposal. Bega's recent on-market acquisitions (as described in Section 8.7) have instigated media speculation that there may be an alternative proposal for control of Capilano made in the future. At the date of this Scheme Booklet, Capilano has not received any alternative proposal for control of Capilano from any person.

5.2 **Reasons you may want to vote against the Scheme**

This Section 5.2 sets out a number of reasons why you may want to vote against the Scheme. The Capilano Directors believe that the reasons to vote in favour of the Scheme outweigh the reasons against the Scheme and that the Scheme is in the best interests of the Capilano Shareholders, in the absence of a Superior Proposal. However, the Capilano Directors believe that Capilano Shareholders should take into consideration these factors when deciding whether or not to vote in favour of the Scheme.

(a) **You may disagree with the Capilano Directors' unanimous recommendation or with the Independent Expert's conclusion**

Notwithstanding the unanimous recommendation of the Capilano Directors and the conclusions of the Independent Expert, you may believe that the Scheme is not in your best interests.

There is no obligation to follow the recommendation of the Capilano Directors or to agree with the opinion of the Independent Expert.

(b) **You may consider that there is a possibility that a Superior Proposal could emerge in relation to Capilano in the foreseeable future**

You may consider that a Superior Proposal, which is more attractive to Capilano Shareholders than the Scheme, could emerge in the foreseeable future. The Capilano Directors are, as at the date of this Scheme Booklet, not aware of, and have not received, any Superior Proposal. Bega's recent on-market acquisitions (as described in Section 8.7) have instigated media speculation that there may be an alternative proposal for control of Capilano made in the future. At the date of this Scheme Booklet, Capilano has not received any alternative proposal for control of Capilano from any person.

As provided in Section 13.1(c) of this Scheme Booklet, Capilano is subject to exclusivity obligations. A copy of the Scheme Implementation Agreement is also contained in Annexure B of this Scheme Booklet.

(c) **You may wish to maintain your direct investment in Capilano as an independent ASX-listed company**

If the Scheme is approved and implemented and you receive the Cash Consideration, you will cease to hold an interest in Capilano and will no longer have the rights of a Capilano Shareholder. In particular, you will forego any future capital growth and dividends from Capilano (although there is no certainty as to the quantum of capital growth or payment of dividends). As such, you will no longer be able to participate in Capilano's future financial performance, potential upside or the future prospects of its business with the added benefit of liquidity and the same level of information available to you, due to the continuous disclosure obligations on Capilano, that you have now.

Under the Scrip Consideration and the HoldCo Share Offer, Eligible Capilano Shareholders can elect to invest in HoldCo, a newly formed, unlisted Australian Company, in respect of all of their Capilano Shares, which will provide HoldCo Shareholders with an

indirect, minority equity interest in Capilano if the Scheme is implemented. However, an investment in HoldCo is not the same as an investment in Capilano, and an investment in HoldCo will have different characteristics (including with respect to your rights and the returns and liquidity profiles) than your current investment in Capilano. In particular, an investment in HoldCo will not involve various protections which shareholders experience when investing in an ASX-listed company, and as with all investments in securities, there can be no guarantee as to Capilano's future performance.

Further information on the Scrip Consideration and the HoldCo Share Offer is provided in Sections 7.4 and 9.4 of this Scheme Booklet.

(d) **The tax consequences of the Scheme may not suit your current financial circumstances**

Implementation of the Scheme may trigger different or adverse tax consequences for certain Capilano Shareholders. The tax treatment may vary depending on the nature and characteristics of each Capilano Shareholder and their specific circumstances. The tax consequences of the Scheme may not suit a Capilano Shareholder's financial position. Capilano Shareholders should seek financial, tax and other professional advice as necessary for their specific circumstances.

Capilano Shareholders should read the taxation considerations outlined in Section 11 ('Tax Considerations'). Section 11 is general in nature and Capilano Shareholders should consult with their professional tax adviser regarding their particular circumstances.

5.3 **Reasons you may want to elect the Cash Consideration**

This Section 5.3 sets out a number of reasons why you may want to elect the Cash Consideration, as opposed to electing the Scrip Consideration. You may only elect to receive Cash Consideration or Scrip Consideration in respect of all of your Capilano Shares held on the Scheme Record Date.

This Section 5.3 should be read in conjunction with Section 5.4 ('Reasons you may want to elect the Scrip Consideration').

(a) **The Cash Consideration will deliver immediate and certain value for your Capilano Shares**

The Cash Consideration of \$20.06 per Capilano Share represents a premium to trading prices for Capilano Shareholders before the Scheme was announced on 13 August 2018. The Cash Consideration under the Scheme provides you with an opportunity to immediately realise a certain value for your investment in Capilano at this premium trading price (see Section 5.1(c)).

(b) **The Independent Expert has valued the Cash Consideration to be higher than the value of the Scrip Consideration**

The Independent Expert has assessed the value of a Capilano Share to be in the range of \$18.93 to \$22.35 per Capilano Share on a controlling interest basis. The Independent Expert has calculated the value of a HoldCo Share to be in the range of \$11.36 and \$15.65 on a minority interest basis. The Cash Consideration of \$20.06 per Capilano Share is therefore higher than the value of the Scrip Consideration as assessed by the Independent Expert.

The Independent Expert did not have reference to the Scrip Consideration as part of their assessment of the fairness of the Scheme. The Independent Expert has not made a conclusion in relation to the Scrip Consideration or the HoldCo Share Offer. However, if the Independent Expert had assessed the fairness of the Scheme based solely on the Scrip Consideration, the Independent Expert would have concluded that the Scheme is not fair to the Capilano Shareholders. In determining the value of the Scrip Consideration,

the Independent Expert has had regard to the value of a HoldCo Share on a minority interest basis.

See the Independent Expert's Report in Annexure A for more information in relation to the valuation of the Cash Consideration and Scrip Consideration.

(c) **Electing the Cash Consideration avoids the significant risks associated with the Scrip Consideration**

Capilano Shareholders who elect the Cash Consideration will not be subject to the significant risks associated with holding shares in a private company and those further risks described in Section 10. The risks that apply to an investment in HoldCo following Implementation may conflict with your individual risk profile.

5.4 Reasons you may want to elect the Scrip Consideration or subscribe for additional HoldCo Shares under the HoldCo Share Offer

This Section 5.4 sets out a number of reasons why you may want to elect the Scrip Consideration or subscribe for additional HoldCo Shares under the HoldCo Share Offer. This Section should be read in conjunction with the 'Reasons you may not want to elect the Scrip Consideration' set out in Section 5.5 of this Scheme Booklet, and the 'Other Considerations' set out in Section 5.6 of this Scheme Booklet.

The Capilano Board notes that there are significant risks involved in an investment in unlisted shares in a proprietary limited company which are additional to the risks you currently have as a shareholder in Capilano as a listed company. The Capilano Directors therefore make no recommendation in relation to the Scrip Consideration and the HoldCo Share Offer, due to the speculative nature of the HoldCo Shares and that whether it is an appropriate choice will depend significantly on the characteristics and risk profile of the individual investor. Eligible Capilano Shareholders who are considering making an Election for Scrip Consideration for all of their Scheme Shares or to subscribe for their full entitlement to additional HoldCo Shares under the HoldCo Share Offer should:

- take into account the Scaleback Arrangements set out in Section 7.4(c) which may affect the number of HoldCo Shares that will actually be received;
- take into account that the HoldCo Shares would be subject to the rights and restrictions under the Shareholders' Deed (which, importantly, restrict the ability for a holder of HoldCo Shares to sell or Dispose of their HoldCo Shares) and the HoldCo Constitution as described in Section 9.9 of this Scheme Booklet;
- take into account the onerous provisions under the Shareholders' Deed and the HoldCo Constitution, as described in Section 9.9 of this Scheme Booklet, which include a pre-emptive rights procedure that requires a material waiting period before HoldCo Shares can be Disposed of;
- carefully consider the matters set out in Section 9 of this Scheme Booklet and the risk factors set out in Section 10 of this Scheme Booklet, noting that an investment in HoldCo does not involve some liquidity and other protections which shareholders experience when investing in an ASX-listed company;
- note that their subscription for HoldCo Shares under the HoldCo Share Offer will not give rise to a binding contract or require HoldCo to issue HoldCo Shares unless and until the Scheme becomes Effective, and subject always to the terms of the Scheme and the Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet;

- carefully consider the tax considerations set out in Section 11 and how they apply to the Scrip Consideration and the HoldCo Share Offer in comparison to the Cash Consideration;
- take into account the Independent Expert's Report and their views expressed in relation to the HoldCo Shares set out in Annexure A of this Scheme Booklet, noting that the value of a HoldCo Share was calculated by the Independent Expert to be in the range of \$11.36 and \$15.65 on a minority interest basis, and that the Independent Expert has not made a conclusion in relation to the Scrip Consideration or the HoldCo Share Offer; and
- consult their appropriate legal, financial, tax or other professional advisers about whether an investment in HoldCo meets their individual investment objectives.

(a) **You may wish to retain an investment that has exposure to Capilano**

If you make an Election to receive the Scrip Consideration, you will receive one HoldCo Share for each Capilano Share which you hold on the Scheme Record Date (subject to the Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet). HoldCo is an unlisted company that will provide an ongoing financial exposure to Capilano and, if you make an Election to receive Scrip Consideration, you will become a party to the Shareholders' Deed upon Implementation of the Scheme.

BidCo has stated that it intends for Capilano to be delisted from ASX following Implementation of the Scheme (see Section 9.7(b)). While you will retain an ownership interest in the Capilano business, your exposure to Capilano will have different and additional risks, and a different investment and financial profile compared to your existing investment in Capilano as an ASX-listed company. Please refer to Section 9.9 which sets out a summary of the Shareholders' Deed and the HoldCo Constitution, and the rights attaching to HoldCo Shares. Please also refer to Sections 10.3 and 10.4 which set out a summary of the risks relating to holding HoldCo Shares. A copy of the Shareholders' Deed is included as Annexure E and a copy of the HoldCo Constitution is included as Annexure F to this Scheme Booklet.

However, your ability to maintain your exposure to Capilano through an investment in HoldCo Shares is subject to the provisions of the Shareholders' Deed. Those provisions provide that you may be forced to participate in an Exit at a time determined by the Consortium, for example, HoldCo Shareholders' shares may be compulsorily sold or "dragged" in the context of an asset sale or trade sale under the Shareholders' Deed in the short to medium term. In those circumstances, you will no longer have a continued exposure to Capilano through an investment in HoldCo Shares.

The majority holder in HoldCo will be the Consortium. Consistent with usual private equity practice, the Consortium may seek to Exit their investment in HoldCo or Capilano at some time in the future (and are thus unlikely to hold their investment in HoldCo indefinitely). This is subject to prevailing market conditions, the performance of the business and other factors which may be considered relevant by the Consortium at the time. HoldCo Shareholders may not agree with the Exit timing or strategy adopted by the Consortium, may prefer to hold their HoldCo Shares rather than Exit, and may not receive the price and return on investment they expect.

See section 10.3 for further information regarding the risks relating to an investment in HoldCo following Implementation.

(b) **You may be eligible for CGT roll-over relief**

Eligible Capilano Shareholders who elect to receive the Scrip Consideration and are Australian tax residents may make a capital gain or a capital loss on the disposal of particular Capilano Shares in exchange for HoldCo Shares. Those Capilano Shareholders who elect to receive the Scrip Consideration may be eligible to make a choice whether or not to apply CGT roll-over relief.

An Eligible Capilano Shareholder, who Elects to receive the Scrip Consideration and who would otherwise make a capital gain on the disposal of their Capilano Shares, may choose scrip-for-scrip roll-over relief, to the extent that the capital gain made on the disposal of their Capilano Shares is attributable to the receipt of new HoldCo Shares.

Capilano Shareholders should read the Australian taxation considerations outlined in Section 11 ('Tax Considerations') of this Scheme Booklet. The tax treatment may vary depending on the nature and characteristics of each Capilano Shareholder and their specific circumstances, including whether they are a tax resident in a jurisdiction other than Australia. Accordingly, Capilano Shareholders should seek professional tax advice in relation to their particular circumstances.

(c) **You may benefit from a future Exit by a HoldCo Group Member**

You may be in a position to participate in any future Exit by a HoldCo Group Member of its investment in Capilano if you hold HoldCo Shares at the time of that Exit. However, please be aware that there is no guarantee if or when an Exit will occur.

If the future value of Capilano at the time of Exit is higher than the value of Capilano today, you may be able to participate in the benefit of the Exit at that higher value. In those circumstances, you may realise greater value over the longer term through electing to receive Scrip Consideration rather than receiving Cash Consideration under the Scheme.

However, you will have no control over the timing or circumstances of any Exit, and there is no assurance that the future value of HoldCo Shares will be equal to or higher than the value of the Cash Consideration. Eligible Capilano Shareholders who elect the Scrip Consideration will also become parties to the Shareholders' Deed upon Implementation of the Scheme. You should carefully read Sections 9 ('Information about BidCo and HoldCo'), 10.3 ('Risks associated with an investment in HoldCo following Implementation'), 10.4 ('General risks relating to the Scheme') and 11 ('Tax Considerations') and obtain legal, financial, tax or other professional advice before making any election to receive either the Scrip Consideration or HoldCo Shares under the HoldCo Share Offer.

As at the date of this Scheme Booklet, HoldCo has not determined the timing of any potential Exit or the Exit mechanism. Any future value of Capilano will only be known at the time of any future Exit. See Section 10.3(e) for further details.

Importantly, Eligible Capilano Shareholders should be aware that if they elect to receive the Scrip Consideration or subscribe for their **full** entitlement to additional HoldCo Shares under the HoldCo Share Offer:

- they will face a lack of liquidity in respect of their HoldCo Shares given there will be no active market for the sale and purchase of HoldCo Shares; and
- they will become a party to the Shareholders' Deed which restricts the ability of a holder of HoldCo Shares to transfer or Dispose of HoldCo Shares.

In particular, the Consortium does not intend to be an active buyer of HoldCo Shares after Implementation. This means that if you want to sell your HoldCo Shares at any time in the future, you should not assume that the Consortium will purchase any of your HoldCo Shares (including in an 'emergency' scenario).

Accordingly, there is a risk that a holder of HoldCo Shares may not be able to transfer or sell the HoldCo Shares issued to them other than through an Exit, and there is no guarantee if or when an Exit will take place.

Further, the conditions relating to the Disposal of any HoldCo Shares are onerous, particularly as they involve relatively long timing requirements of 30 days for a transfer and a further 60 days holding time. These onerous restrictions mean that, if the pre-

emptive rights procedure is adhered to, it could be at least 90 days before a HoldCo Shareholder is able to Dispose of their HoldCo Shares.

This means that if you want to sell your HoldCo Shares at any time in the future, you should not assume that you will be able to do so in a timely manner (including in an 'emergency' scenario).

Accordingly, there is a risk that a holder of HoldCo Shares may not be able to transfer or sell the HoldCo Shares issued to them if and when they would like to do so.

Please refer to Section 9.9 which sets out a summary of the Shareholders' Deed and the rights attaching to HoldCo Shares.

5.5 **Reasons you may not want to elect the Scrip Consideration or subscribe for additional HoldCo Shares under the HoldCo Share Offer**

This Section sets out a number of reasons why you may not want to elect the Scrip Consideration or subscribe for additional HoldCo Shares under the HoldCo Share Offer.

(a) **The current and future value of the Scrip Consideration may be materially less than the value of the Cash Consideration**

Capilano Shareholders should be aware that the Independent Expert did not have reference to the Scrip Consideration as part of their assessment of the fairness of the Scheme. Notwithstanding, to assist the Shareholders, the Independent Expert has calculated the value of HoldCo Shares following Implementation of the Scheme for any Capilano Shareholder who elects the Scrip Consideration or participates in the HoldCo Share Offer.

The Independent Expert has calculated the value of a HoldCo Share to be in the range of \$11.36 and \$15.65 on a minority interest basis. The Independent Expert has not made a conclusion in relation to the Scrip Consideration or the HoldCo Share Offer. The Independent Expert's valuation of the Scrip Consideration is lower than the Independent Expert's valuation range of Capilano on a controlling interest basis, which is \$18.93 to \$22.35 for each Capilano Share.

The Independent Expert has considered that a minority interest holding in HoldCo under the terms of the Scrip Consideration and the HoldCo Share Offer, is generally regarded as less valuable than a controlling interest. The Independent Expert also considered that HoldCo Shares, which will no longer be listed on an exchange, are likely to have a lower level of marketability relative to Capilano Shares prior to the Implementation of the Scheme, which are listed on ASX. See the Independent Expert's Report in Annexure A for more information in relation to the valuation of the Scrip Consideration. There is no assurance that the future value of the Scrip Consideration will be higher than the value of the Cash Consideration.

(b) **There will be a lack of liquidity in respect of HoldCo Shares given that there will be no active market for HoldCo Shares and various restrictions on transferring or Disposing of HoldCo Shares**

HoldCo is not publicly listed on a financial market and there will be no active market for the sale of HoldCo Shares.

If the Scheme is implemented, no Disposal of or transfer HoldCo Shares will be permitted except in very limited circumstances as set out in the Shareholders' Deed.

Please refer to Section 9.9 which sets out a summary of the Shareholders' Deed (which, importantly, restricts the ability for a holder of HoldCo Shares to sell or Dispose of their HoldCo Shares) and the rights attaching to HoldCo Shares. Please also refer to Sections

10.3 and 10.4 which set out a summary of the risks relating to holding HoldCo Shares. A copy of the Shareholders' Deed is included as Annexure E to this Scheme Booklet.

(c) There is no guarantee that there will be any dividend or distribution

If the Scheme is implemented, the Consortium's intention is that HoldCo will not pay or declare any dividends following Implementation of the Scheme. Under the Shareholders' Deed, the HoldCo Board has the flexibility to not declare or pay any dividends during the investment period.

Please refer to Section 9.9 which sets out a summary of the Shareholders' Deed and the rights attaching to HoldCo Shares. Please also refer to Sections 10.3 and 10.4 which set out a summary of the risks relating to holding HoldCo Shares. A copy of the Shareholders' Deed is included as Annexure E to this Scheme Booklet.

(d) There is no guarantee that there will be any Exit and you will face a lack of liquidity in respect of your HoldCo Shares

There is no guarantee of a future Exit by a HoldCo Group Member of its investment in Capilano. Consistent with common private equity practice, the Consortium may seek to exit their investment in HoldCo and Capilano at some time in the future. However, this is subject to the Consortium's preferences, prevailing market conditions, the performance of the business and other factors which may be considered relevant by the Consortium at the time.

As at the date of this Scheme Booklet, HoldCo has not determined the timing of any potential Exit or the Exit mechanism. Any future value of Capilano will only be known at the time of any future Exit.

There is no guarantee that HoldCo Shareholders will be able to achieve an Exit in respect of their HoldCo Shares if a decision for Exit is not made by the Consortium. In particular, there will be no active market for the sale and purchase of HoldCo Shares following Implementation.

For more information, please refer to Section 10.3(e) of this Scheme Booklet.

(e) There is no guarantee that any Exit will be at a price higher than the value of Capilano Shares today

Further to the above, there is no guarantee that there will be an opportunity for you to Dispose of your HoldCo Shares at a price higher than the value of Capilano Shares today.

There is no assurance that the future value of HoldCo Shares will be equal to or higher than the value of the Cash Consideration. HoldCo Shareholders may also not agree with the Exit strategy adopted by the Consortium or receive the price and return on investment they expect.

If the future value of Capilano at the time of Exit is lower than the value of Capilano today, you may be forced to participate in an Exit that is of a lower value than the Cash Consideration, for example, HoldCo Shareholders' shares may be compulsorily sold or "dragged" in the context of an asset sale or trade sale under the Shareholders' Deed. In those circumstances, you may lose value on your investment over the longer term through electing to receive Scrip Consideration rather than receiving Cash Consideration under the Scheme.

You should carefully read Sections 9 ('Information about BidCo and HoldCo'), 10.3 ('Risks associated with an investment in HoldCo following Implementation'), 10.4 ('General risks relating to the Scheme') and 11 ('Tax Considerations') and obtain legal, financial, tax or other professional advice before making any election to receive either the Scrip Consideration or HoldCo Shares under the HoldCo Share Offer.

(f) **As a HoldCo Shareholder, you may have fewer rights and you are not guaranteed board representation**

Eligible Capilano Shareholders who elect the Scrip Consideration will automatically become parties to the Shareholders' Deed upon Implementation of the Scheme. The terms of the Shareholders' Deed may not be acceptable to you.

For example, certain decisions can be made with the approval of a simple majority of HoldCo Shareholders or a simple majority of HoldCo Directors. HoldCo Shareholders who are unrelated to the Consortium are not guaranteed representation on the HoldCo Board. Under the Shareholders' Deed, the Consortium, CBL and HoldCo Shareholders which hold at least 25% of HoldCo Shares will be entitled to HoldCo Board representation. However, any other shareholders who hold at least 10% of HoldCo Shares collectively are only entitled to appoint a director if there is no single HoldCo Shareholder with 25% or more of HoldCo Shares, and if the total holding of those HoldCo Shareholders which are unrelated to the Consortium fall below 10%, they will have no director appointment rights. HoldCo Board decisions may be made that Original Capilano Shareholders do not agree with, and that do not serve their particular personal interests.

Holders of HoldCo Shares who are not Substantial Shareholders (that is holders of less than 5% HoldCo Shares) are also at greater risk of being diluted under the Shareholders' Deed because they will not be offered the opportunity to participate in future capital raisings and do not have a right of first refusal in the event a HoldCo Shareholder is proposing to sell their HoldCo Shares. Therefore, their stakes would be diluted relative to other HoldCo Shareholders who have the right to participate in any capital raisings and right of first refusal acquisitions of HoldCo Shares. For more information, see Sections 10.3(h) and 10.3(i) of this Scheme Booklet.

(g) **There are significant risks associated with holding shares in HoldCo**

Section 9.9 sets out the rights afforded to the holders of HoldCo Shares, which should be carefully considered. In particular, you should consider the risks associated with an investment in HoldCo set out in Sections 10.3 and 10.4, specifically:

- you will be subject to a different regulatory regime when compared to your current investment in Capilano;
- you will receive less information about Capilano than you currently receive;
- you will face a lack of liquidity in respect of your HoldCo Shares given there will be no active market for the sale and purchase of HoldCo Shares – you may not be able to transfer or sell the HoldCo Shares you hold other than through an Exit, and there is no guarantee if or when an Exit will take place;
- you will have fewer rights as a minority shareholder;
- you may be subject to dilution of your interests or have some or all of your interests compulsorily sold or “dragged” if majority shareholders determine to transfer their HoldCo Shares to a Third Party, each under certain circumstances as set out in the Shareholders' Deed;
- you may be a shareholder in a company that may become highly leveraged with a gearing ratio that is greater than the gearing ratio of Capilano and other similar ASX-listed companies;
- you may not receive any dividends or distributions from HoldCo; and
- there is no guarantee that HoldCo Shareholders will be able to achieve an exit in respect of their HoldCo Shares or receive their expected price and return on their investment.

Please refer to Section 9.9 which sets out a summary of the Shareholders' Deed and the rights attaching to HoldCo Shares. A copy of the Shareholders' Deed is included as Annexure E to this Scheme Booklet.

Note that any investment in the unlisted shares in HoldCo following Implementation of the Scheme is fundamentally different from your current investment in Capilano as an ASX-listed company and does not involve various protections which shareholders experience when investing in an ASX-listed company.

(h) You may be subject to the Scaleback Arrangements

Eligible Capilano Shareholders who elect to receive the Scrip Consideration or to participate in the HoldCo Share Offer may be subject to the Scaleback Arrangements, as described under Section 7.4(c) of this Scheme Booklet.

Therefore, you may not receive any HoldCo Shares, or as many HoldCo Shares as you would receive if the Scaleback Arrangements did not apply. You may receive a combination of Cash Consideration and HoldCo Shares, which is inconsistent with your preferences.

5.6 Other considerations

(a) The Scheme may be implemented even if you vote against the Scheme or you do not vote at all

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the Requisite Majorities of Capilano Shareholders and the Court. If this occurs, your Capilano Shares will be transferred to BidCo and you will receive the Scheme Consideration even though you did not vote on, or voted against, the Scheme.

(b) Implications for Capilano if the Scheme is not implemented

If the Scheme is not implemented, and in the absence of a Superior Proposal being implemented, Capilano Shareholders will retain their Capilano Shares and will not receive the Scheme Consideration. Capilano will continue to operate as it does currently and will remain listed on ASX.

Capilano has incurred significant costs in respect of the Scheme, including those to conduct negotiations with the Consortium, retain advisers, provide information to the Consortium, engage the Independent Expert and prepare this Scheme Booklet. If the Scheme is not implemented, transaction related costs of approximately \$2 million (exclusive of GST) are expected to be incurred by Capilano – this assumes no break fee is payable by Capilano to HoldCo (see Section 13.1(e)). Further details of the estimated costs are set out in Section 13.9 of this Scheme Booklet.

(c) Exclusivity obligations

The Scheme Implementation Agreement includes certain exclusivity arrangements between Capilano and HoldCo. These arrangements include no shop and no talk arrangements, and obligations to notify the other party of a Competing Transaction. Refer to Section 13.1(c) of this Scheme Booklet for further information on these arrangements.

(d) Reimbursement fees

Under the Scheme Implementation Agreement, Capilano has agreed, in certain circumstances, it will be liable to pay the Consortium a break fee of \$1,450,000 (plus GST). Such circumstances are set out in clause 11 of the Scheme Implementation Agreement (see Annexure B) and are summarised in Section 13.1(e) of this Scheme Booklet. Those circumstances will not include the failure by Capilano Shareholders to

pass the Scheme Resolution at the Scheme Meeting. Nor would the break fee be payable simply because the Court declined to approve the Scheme.

(e) Warranty by Scheme Shareholders about their Scheme Shares

Each Scheme Shareholder is deemed to have warranted to Capilano and BidCo that all of their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the date of the transfer of them to BidCo, be fully paid and free from all Encumbrances.

The Scheme also provides that, to the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under the Scheme to BidCo will, at the time of transfer of them to BidCo vest in BidCo free of all Encumbrances and interests of Third Parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.

In addition, the Scheme Shareholders are deemed to have provided the additional warranties and authorities set out in Sections 7.15 and 9.4(k) to BidCo and HoldCo.

6 Frequently Asked Questions

This Section 6 answers some frequently asked questions about the Scheme. It is not intended to address all relevant issues for Capilano Shareholders. This Section 6 should be read together with all other parts of this Scheme Booklet.

Question	Answer	More information
Background and overview of the Scheme and the Scheme Consideration		
What is the Scheme?	The Scheme involves BidCo, an entity indirectly owned by the Consortium, acquiring all of the Capilano Shares by way of a scheme of arrangement between Capilano and the Capilano Shareholders.	Section 3.1 and the Scheme of Arrangement attached as Annexure C
What is a “Scheme of Arrangement”?	A scheme of arrangement is a way of implementing an acquisition of shares under the Corporations Act. It requires a vote in favour of the Scheme by the Requisite Majorities of Capilano Shareholders at a meeting of Capilano Shareholders convened by the Court, followed by Court approval at the Second Court Hearing.	N/A
Who are BidCo, HoldCo and the Consortium?	BidCo is a special purpose company that was incorporated for the purpose of holding 100% of the Capilano Shares following Implementation. HoldCo is a special purpose company that was incorporated for the purpose of holding all of the	Section 9

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Question	Answer	More information
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shares in BidCo, as well as issuing HoldCo Shares to Capilano Shareholders who validly elect to receive the Scrip Consideration and to Capilano Shareholders who validly elect to participate in the HoldCo Share Offer.

The Consortium is comprised of Wattle Hill and ROC who each own 50% of the HoldCo Shares as at the date of this Scheme Booklet.

The Scheme Consideration

<p>What is the Scheme Consideration?</p>	<p>If the Scheme is approved and implemented, Capilano Shareholders (other than those who have made an Election to receive the Scrip Consideration) will receive the Cash Consideration of \$20.06 per Capilano Share in respect of all of their Capilano Shares held at the Scheme Record Date.</p> <p>As an alternative to receiving the Cash Consideration for all of their Capilano Shares held at the Scheme Record Date, Eligible Capilano Shareholders can make an Election to:</p> <ul style="list-style-type: none"> • receive the Scrip Consideration – 1 HoldCo Share for each Capilano Share they hold as at the Scheme Record Date; and • if they have elected to receive the Scrip Consideration to subscribe for all (and not some only) of the additional HoldCo Shares which they are eligible to subscribe for under the HoldCo Share Offer, which comprise 0.5 HoldCo Shares for each Capilano Share held by the Eligible Capilano Shareholder at the Scheme Record Date at a subscription price of \$20.06 cash per HoldCo Share. To subscribe for their entitlement to the additional HoldCo Shares, Eligible Capilano Shareholders will have to pay the subscription price of \$20.06 per HoldCo Share to HoldCo at the time of the Election⁹ (see Section 9.4 for more information in relation to the HoldCo Share Offer). <p>Any Election for the Scrip Consideration and subscription for the HoldCo Shares under the HoldCo Share Offer may be subject to the</p>	<p>Section 7.2</p>
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⁹ If a Scrip and Offer Participant holds fewer Scheme Shares at the Scheme Record Date than it did on the date on which it made its Election, then a portion of the Subscription Monies will be refunded to the Scrip and Offer Participant where it subscribed for a number of HoldCo Shares under the HoldCo Share Offer that is greater than the number which it would have been entitled to subscribe for under the terms of the HoldCo Share Offer based on its holding of Scheme Shares at the Scheme Record Date. See Section 9.4(i) for more detail.

Question	Answer	More information
	<p>Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet.</p> <p>The subscription for HoldCo Shares under the HoldCo Share Offer will not give rise to a binding contract or require HoldCo to issue HoldCo Shares to any Capilano Shareholder unless and until the Scheme becomes Effective, and subject always to the terms of the Scheme and the Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet.</p>	
<p>What is the HoldCo Share Offer?</p>	<p>If you elect to receive Scrip Consideration in respect of all of your Capilano Shares, you also have the opportunity to subscribe for all (and not some only) of the additional HoldCo Shares which you are eligible to subscribe for under the HoldCo Share Offer at the ratio of 0.5 HoldCo Shares for every 1 Capilano Share you hold at the Scheme Record Date, at a subscription price equal to \$20.06 per HoldCo Share payable in cash.</p> <p>If you are an Eligible Capilano Shareholder and you have elected to receive Scrip Consideration, you must also pay the subscription price of \$20.06 per HoldCo Share to HoldCo at the time of the Election to participate in the HoldCo Share Offer (see Section 9.4 for more information in relation to the HoldCo Share Offer).</p>	<p>Sections 7.4(b) and 9.4</p>
<p>What will the proceeds of the HoldCo Share Offer be used for?</p>	<p>The funds raised under the HoldCo Share Offer will be used by HoldCo and BidCo to fund part of the Scheme Consideration payable to those Scheme Shareholders who receive Cash Consideration under the Scheme.</p> <p>This means that the funds raised under the HoldCo Share Offer will not be used to fund the working capital or other capital requirements of the Capilano business after Implementation.</p>	<p>Section 9.2(d)</p>
<p>What are the HoldCo Shares being issued as Scheme Consideration?</p>	<p>The HoldCo Shares being issued as Scheme Consideration under the Scrip Consideration and HoldCo Share Offer will be fully paid ordinary shares in HoldCo, an unlisted proprietary company incorporated in Australia.</p> <p>The Capilano Board notes that there are significant risks involved in an investment in unlisted shares in a proprietary limited company which are additional to the risks you currently have as a shareholder in Capilano as a listed company.</p> <p>The risks that apply to an investment in HoldCo</p>	<p>Section 7.4</p>

Question	Answer	More information
	<p>following Implementation are materially different from, and in addition to, those that apply to your existing investment in Capilano. If the risks that apply to an investment in HoldCo following Implementation conflict with a Capilano Shareholder's individual risk profile, that Capilano Shareholder should strongly consider electing to receive the Cash Consideration. See the risk factors set out in Section 10 of this Scheme Booklet for further details.</p> <p>The Capilano Directors make no recommendation in relation to the Scrip Consideration and the HoldCo Share Offer, due to the speculative nature of the HoldCo Shares and that whether it is an appropriate choice will depend significantly on the characteristics and risk profile of the individual investor. Eligible Capilano Shareholders who are considering making an Election for Scrip Consideration for their Scheme Shares or to participate in the HoldCo Share Offer should:</p> <ul style="list-style-type: none"> • take into account the Scaleback Arrangements set out in Section 7.4(c) which may affect the number of HoldCo Shares that will actually be received; • take into account that the HoldCo Shares would be subject to the rights and restrictions under the Shareholders' Deed (which, importantly, restrict the ability for a holder of HoldCo Shares to sell or Dispose of their HoldCo Shares) and the HoldCo Constitution as described in Section 9.9 of this Scheme Booklet; • take into account the onerous provisions under the Shareholders' Deed and the HoldCo Constitution, as described in Section 9.9 of this Scheme Booklet, which include a pre-emptive rights procedure that requires a material waiting period before HoldCo Shares can be Disposed of; • carefully consider the matters set out in Section 9 of this Scheme Booklet and the risk factors set out in Section 10 of this Scheme Booklet, noting that an investment in HoldCo does not involve some liquidity and other protections which shareholders experience when investing in an ASX-listed company; • note that their subscription for HoldCo Shares under the HoldCo Share Offer will not give rise to a binding contract or require HoldCo to issue HoldCo Shares unless and until the Scheme becomes Effective, and subject always to the terms of the Scheme and the Scaleback Arrangements described in Section 7.4(c) of 	

Question	Answer	More information
	<p>this Scheme Booklet;</p> <ul style="list-style-type: none"> carefully consider the tax considerations set out in Section 11 and how they apply to the Scrip Consideration and the HoldCo Share Offer in comparison to the Cash Consideration; take into account the Independent Expert's Report and their views expressed in relation to the HoldCo Shares set out in Annexure A of this Scheme Booklet, noting that the value of a HoldCo Share was calculated by the Independent Expert to be in the range of \$11.36 and \$15.65 on a minority interest basis and that the Independent Expert has not made a conclusion in relation to the Scrip Consideration or the HoldCo Share Offer; and consult their appropriate legal, financial, tax or other professional advisers about whether an investment in HoldCo meets their individual investment objectives. <p><u>Consider, in particular, that the Consortium does not intend to be an active buyer of HoldCo Shares after Implementation. This means that if you want to sell your HoldCo Shares at any time in the future, you should not assume that the Consortium will purchase any of your HoldCo Shares (including in an 'emergency' scenario).</u></p> <p>Accordingly, there is a risk that a holder of HoldCo Shares may not be able to transfer or sell the HoldCo Shares issued to them other than through an Exit, and there is no guarantee if or when an Exit will take place.</p>	
<p>What are the Scaleback conditions?</p>	<p>If Elections for the Scrip Consideration and subscriptions for HoldCo Shares under the HoldCo Share Offer collectively exceed 49.9% of HoldCo Shares, Capilano Shareholders will be subject to the Scaleback Arrangements. This means that Wattle Hill and ROC will together hold a minimum of 50.1% of HoldCo's issued share capital post-Implementation of the Scheme.</p> <p>The Scaleback Arrangements will first apply to Scrip Only Participants on a pro rata basis. Scrip and Offer Participants will also be scaled back on a pro rata basis if further scaleback is necessary.</p> <p>Any Capilano Shareholder that is subject to the Scaleback Arrangements will:</p> <ul style="list-style-type: none"> receive the Cash Consideration for those HoldCo Shares which it would have received as Scrip Consideration but which 	<p>Section 7.4</p>

Question	Answer	More information
	<p>it will not be issued as a result of the application of the Scaleback Arrangements; and</p> <ul style="list-style-type: none"> • have any portion of its Subscription Monies, which represents the HoldCo Shares that it applied for under the HoldCo Share Offer which were not issued to it as a result of the application of the Scaleback Arrangements, returned to it as soon as practicable following the Implementation Date. 	
<p>How will fractional entitlements under the HoldCo Share Offer be treated?</p>	<p>Where the calculation of the number of HoldCo Shares to be issued to a particular Scheme Shareholder under the HoldCo Share Offer would result in the Scheme Shareholder becoming entitled to a fraction of a HoldCo Share, the fractional entitlement will be rounded down to the nearest whole number of HoldCo Shares.</p>	<p>Clause 6.5 of the Scheme attached as Annexure C</p>
<p>Who is an Ineligible Foreign Shareholder?</p>	<p>If your address, as shown in the Capilano Share Register as at the Scheme Record Date, is a place outside Australia or New Zealand, you will be an Ineligible Foreign Shareholder unless HoldCo agrees in writing that it is lawful and not unduly onerous or impracticable to issue HoldCo Shares to you under the Scheme.</p>	<p>Section 7.14</p>
<p>How will an Ineligible Foreign Shareholder be treated under the Scheme</p>	<p>If you are an Ineligible Foreign Shareholder, you will receive the Cash Consideration for all of your Capilano Shares.</p>	<p>Section 7.14</p>
<p>Making an Election</p>		
<p>How can I obtain the Election and Subscription Forms?</p>	<p>Your Election and Subscription Forms are sent with this Scheme Booklet.</p> <p>The Election and Subscription Forms (sent with this Scheme Booklet) consist of two forms:</p> <ul style="list-style-type: none"> • an Election Form for the Election of the Cash Consideration or Scrip Consideration in respect of all your Scheme Shares; and • a Subscription Form for the Election to subscribe for your full (and not some only) entitlement of additional HoldCo Shares under 	

Question	Answer	More information
	<p>the HoldCo Share Offer (if you are an Eligible Capilano Shareholder who has elected to receive the Scrip Consideration in respect of all of the Scheme Shares which you hold on the Scheme Record Date).</p> <p>If you need a replacement form, contact the Shareholder Information Line on 1300 795 998 (within Australia) or +61 1300 795 998 (outside Australia) (Monday to Friday between 8.30am and 5.30pm (Brisbane time)).</p>	
<p>How do I make an Election?</p>	<p>You can make an Election by lodging the Election Form and the Subscription Form (where applicable) with the Share Registry by the Election Time (being 4.00pm (Brisbane time) or 5.00pm (Sydney time) on Monday, 5 November 2018).</p> <ol style="list-style-type: none"> 1 If you are only electing to receive either the Cash Consideration or Scrip Consideration in respect of all your Schemes Shares, you will only need to submit the Election Form. 2 However, if you are an Eligible Capilano Shareholder and: <ul style="list-style-type: none"> • you have elected to receive the Scrip Consideration with the Election Form; and • you are electing to subscribe for all (and some only) of the additional HoldCo Shares which you are entitled to subscribe for under the HoldCo Share Offer and pay the subscription price of \$20.06 per HoldCo Share in respect of your full entitlement of additional HoldCo Shares, <p>you will need to submit both the Election Form and the Subscription Form (in accordance with the terms of each form) and pay the Subscription Monies at the same time as submitting the Election and Subscription Forms.</p> <p>The subscription for HoldCo Shares under the HoldCo Share Offer will not give rise to a binding contract or require HoldCo to issue HoldCo Shares to any Capilano Shareholder unless and until the Scheme becomes Effective, and subject always to the terms of the Scheme and the Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet.</p> <p>Please do not make an Election for HoldCo Shares without carefully reading Sections 9 ('Information about BidCo and HoldCo'), 10.3 ('Risks associated with an investment in HoldCo following</p> 	<p>Sections 7.4(d) and 9.4</p>

Question	Answer	More information
	Implementation'), 10.4 ('General risks relating to the Scheme'), 11 ('Tax Considerations') and the Independent Expert's Report in Annexure A. You should also obtain appropriate legal, financial, tax or other professional advice before electing the Scrip Consideration or to participate in the HoldCo Share Offer.	
<p>If I make an Election, can I later withdraw or change it?</p>	<p>Yes. You may subsequently vary, withdraw or revoke an election by lodging a replacement Election Form or Subscription Form so that it is received by the Capilano Share Registry by no later than the Election Time (being 4.00pm (Brisbane time) or 5.00pm (Sydney time) on Monday, 5 November 2018). The last valid Election and Subscription Forms received by the Capilano Share Registry before the Election Time will be used to determine your Election and will apply to all Capilano Shares which you hold on the Scheme Record Date, even if you held more or less Capilano Shares on the date when you made your Election.</p>	<p>Section 4</p>
<p>Can I elect to receive the Scrip Consideration or to subscribe for additional HoldCo Shares under the HoldCo Share Offer for some but not all of my Capilano Shares?</p>	<p>No. Both the Scrip Consideration and the HoldCo Share Offer may only be accepted in respect of all of your Capilano Shares and you must subscribe for all of your entitlement to HoldCo Shares under the HoldCo Share Offer if you wish to participate in the HoldCo Share Offer.</p>	<p>Section 4</p>
<p>What happens if I do not make an Election in time or if the Election is invalid?</p>	<p>If the Scheme becomes Effective, and your Election is not received by the Capilano Registry prior to 4.00pm (Brisbane time) or 5.00pm (Sydney time) on Monday, 5 November 2018, being the Election Time, you will receive the Cash Consideration for all of your Capilano Shares held on the Scheme Record Date.</p> <p>If you make an invalid Election or become a Capilano Shareholder after the Election Time, and the Scheme becomes Effective, you will receive the Cash Consideration for all of your Capilano Shares held on the Scheme Record Date.</p>	<p>Section 4</p>
<p>When and how will I receive my Scheme</p>	<p>If the Scheme becomes Effective, the Scheme Consideration will be sent to Scheme Shareholders on the Implementation Date (currently proposed to</p>	<p>Sections 7.5 and 9.4</p>

Question	Answer	More information
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Consideration? be 5 December 2018).

Scheme Shareholders who have, before the Scheme Record Date, made an Election, or are deemed to have made an Election, to receive Cash Consideration, and who have validly registered their bank account details with the Capilano Share Registry will have the cash transferred directly to their bank account by electronic funds transfer. Scheme Shareholders who have not registered their bank account details with the Capilano Share Registry will have the cash sent by cheque to their address as shown on the Capilano Share Register.

For those Scheme Shareholders who elect to receive the Scrip Consideration and to subscribe for HoldCo Shares under the HoldCo Share Offer, transaction confirmation statements will be issued as soon as practicable after the Implementation Date to the Scheme Shareholder's address as shown on the Capilano Share Register. You will receive a share certificate in respect of your HoldCo Shares unless there is a Custodian required, as described in Section 9.4(j). If there is a Custodian required, the Custodian will receive the share certificate in respect of your HoldCo Shares and you will be sent a confirmation that this has occurred.

Voting recommendations and considerations

What do the Capilano Directors recommend? The Capilano Directors unanimously recommend to Capilano Shareholders to vote in favour of the Scheme, subject to no Superior Proposal emerging and the Independent Expert continuing to conclude that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders.

The Capilano Directors have recommended that you approve the Scheme by voting in favour of the Scheme Resolution based on the quantum of the Cash Consideration.

Section 3.2 and 7.6

Do the Capilano Directors have any specific views or recommendations for Capilano Shareholders on the Scrip Consideration? No.

The default form of Scheme Consideration under the Scheme is the Cash Consideration, which provides Capilano Shareholders with the opportunity to receive \$20.06 cash per Capilano Share for all of their Capilano Shares held on the Scheme Record Date. Your Directors have recommended that you approve the Scheme by voting in favour of the Scheme Resolution based

Section 3.2 and 7.6

Question	Answer	More information
	<p>on the quantum of the Cash Consideration.</p> <p>Your Directors make no recommendation regarding the Scrip Consideration and the HoldCo Share Offer, due to the speculative nature of the HoldCo Shares and that whether it is an appropriate choice will depend significantly on the characteristics and risk profile of the individual investor, Eligible Capilano Shareholders who are considering to elect to receive the Scrip Consideration or subscribe for HoldCo Shares under the HoldCo Share Offer should:</p> <ul style="list-style-type: none">• take into account the Scaleback Arrangements set out in Section 7.4(c) which may affect the number of HoldCo Shares that will actually be received;• take into account that HoldCo Shares would be subject to the rights and restrictions under the Shareholders' Deed (which, importantly, restrict the ability for a holder of HoldCo Shares to sell or Dispose of their HoldCo Shares) and the HoldCo Constitution, as described in Section 9.9 of this Scheme Booklet;• take into account the onerous provisions under the Shareholders' Deed and the HoldCo Constitution, as described in Section 9.9 of this Scheme Booklet, which include a pre-emptive rights procedure that requires a material waiting period before HoldCo Shares can be Disposed of;• carefully consider the matters set out in Section 9 of this Scheme Booklet and the risk factors set out in Section 10 of this Scheme Booklet, noting that an investment in HoldCo does not involve some liquidity and other protections which shareholders experience when investing in an ASX-listed company;• carefully consider the tax considerations set out in Section 11 and how they apply to the Scrip Consideration and the HoldCo Share Offer in comparison to the Cash Consideration;• note that their subscription for HoldCo Shares under the HoldCo Share Offer will not give rise to a binding contract or require HoldCo to issue HoldCo Shares unless and until the Scheme becomes Effective;• take into account the Independent Expert's Report and their views expressed in relation to the HoldCo Shares set out in Annexure A of this Scheme Booklet, noting that the value of a HoldCo Share was calculated by the Independent Expert to be in the range of \$11.36 and \$15.65 on a minority interest basis,	

Question	Answer	More information
	<p>and that the Independent Expert has not made a conclusion in relation to the Scrip Consideration or the HoldCo Share Offer; and</p> <ul style="list-style-type: none"> consult their appropriate legal, financial, tax or other professional advisers about whether an investment in HoldCo meets their individual investment objectives. 	
<p>What is the opinion of the Independent Expert?</p>	<p>The Independent Expert has concluded that in the absence of a Superior Proposal, the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders. The basis for the Independent Expert's conclusion is solely in relation to the Cash Consideration. The Independent Expert has not made a conclusion in relation to the Scrip Consideration or the HoldCo Share Offer. However, if the Independent Expert had assessed the fairness of the Scheme based solely on the Scrip Consideration, the Independent Expert would have concluded that the Scheme is not fair to the Capilano Shareholders. In determining the value of the Scrip Consideration, the Independent Expert has had regard to the value of a HoldCo Share on a minority interest basis.</p>	<p>Annexure A contains the Independent Expert's Report</p>
<p>What are the reasons you may want to vote in favour of the Scheme?</p>	<p>Reasons you may want to vote in favour of the Scheme include:</p> <ul style="list-style-type: none"> The Capilano Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders. The Independent Expert has concluded that the Scheme is fair and reasonable, and in the best interests of the Capilano Shareholders, in the absence of a Superior Proposal. The Cash Consideration of \$20.06 cash per Capilano Share represents a premium to trading prices of Capilano Shares before the Scheme was announced. While Capilano Share prices have at times been trading higher than the Cash Consideration, if the Scheme is not implemented and no Superior Proposal emerges, the price of Capilano Shares may fall. The Cash Consideration will deliver immediate and certain value for your Capilano Shares. The Scrip Consideration provides the flexibility 	<p>Section 5.1</p>

Question	Answer	More information
	<p>for Eligible Capilano Shareholders who wish to maintain an indirect interest in the privatised Capilano to do so, having regard to the risks involved.</p> <ul style="list-style-type: none"> You will not incur any stamp duty or brokerage charges on transfer of your shares under the Scheme. If the Scheme does not proceed and no Superior Proposal emerges, the price of Capilano Shares may fall, and you will continue to be subject to the risks associated with owning Capilano Shares. No Superior Proposal has emerged as at the date of this Scheme Booklet. 	
<p>What are the reasons you may want to vote against the Scheme?</p>	<p>Reasons you may want to vote against the Scheme include:</p> <ul style="list-style-type: none"> You may disagree with the Capilano Directors' unanimous recommendation or with the Independent Expert's conclusion and believe that the Scheme is not in your best interests. You may believe that there is potential for a Superior Proposal to be made in the foreseeable future. You may wish to maintain your direct investment in Capilano as an independent ASX-listed company. The tax consequences of the Scheme may not suit your current financial circumstances. 	<p>Section 5.2</p>
<p>What are the reasons you may want to elect the Cash Consideration?</p>	<p>The Capilano Directors believe that the reasons to elect the Cash Consideration outweigh the reasons against.</p> <p>Reasons you may want to elect the Cash Consideration include:</p> <ul style="list-style-type: none"> The Cash Consideration will deliver immediate and certain value for your Capilano Shares. The Independent Expert has valued the Cash Consideration to be higher than the value of the Scrip Consideration. Electing the Cash Consideration avoids the significant risks associated with the Scrip Consideration. 	<p>Section 5.3</p>
<p>What are the reasons you may</p>	<p>The Capilano Board notes that there are significant risks involved in an investment in unlisted shares in</p>	<p>Sections 5.4, 9,</p>

Question	Answer	More information
<p>want to elect the Scrip Consideration and subscribe for additional HoldCo Shares under the HoldCo Share Offer?</p>	<p>a proprietary limited company which are additional to the risks you currently have as a shareholder in Capilano as a listed company.</p> <p>The Capilano Directors therefore do not recommend that Capilano Shareholders elect to receive the Scrip Consideration, including to participate in the HoldCo Share Offer, without first obtaining legal, financial, tax or other professional advice.</p> <p>Reasons you may want to elect the Scrip Consideration and subscribe for additional HoldCo Shares under the HoldCo Share Offer include:</p> <ul style="list-style-type: none"> • You may wish to retain an investment that has exposure to Capilano. • You may be eligible for CGT roll-over relief. • You may benefit from a future Exit by a HoldCo Group Member. 	<p>9.9, 10.3 and 10.4</p>
<p>What are the reasons you may not want to elect the Scrip Consideration or subscribe for additional HoldCo Shares under the HoldCo Share Offer?</p>	<p>Reasons you may not want to elect the Scrip Consideration or subscribe for additional HoldCo Shares under the HoldCo Share Offer include:</p> <ul style="list-style-type: none"> • The current and future value of the Scrip Consideration may be materially less than the value of the Cash Consideration. • There will be a lack of liquidity in respect of HoldCo Shares given that there will be no active market for HoldCo Shares and various restrictions on transferring or Disposing of HoldCo Shares. Accordingly, there is a risk that a holder of HoldCo Shares may not be able to transfer or sell the HoldCo Shares issued to them other than through an Exit, and there is no guarantee if or when an Exit will take place. • There is no guarantee that there will be any dividend or distribution. • There is no guarantee that there will be an Exit and you will face a lack of liquidity in respect of your HoldCo Shares. • There is no guarantee that any Exit will be at a price higher than the value of Capilano Shares today. • As a HoldCo Shareholder, you may have fewer rights and you are not guaranteed board representation. • There are significant risks associated with holding shares in HoldCo. • You may be subject to the Scaleback 	<p>Sections 5.5 and 9</p>

Question	Answer	More information
Arrangements.		
Conditions to the Scheme and approval of the Scheme		
Are there any conditions to the Scheme?	<p>The Implementation of the Scheme is subject to a number of Conditions Precedent, including:</p> <ul style="list-style-type: none"> • approval of the Scheme by the Court; • approval of the Scheme by the Requisite Majorities of Capilano Shareholders at the Scheme Meeting; • no Court or Regulatory Authority restraining or preventing the Implementation of the Scheme; • no Material Adverse Effect occurring; and • the aggregate number of HoldCo Shares received under valid Scrip Consideration Elections and issued under the HoldCo Share Offer to represent not less than 15% of the issued share capital in HoldCo (on a fully diluted basis). 	Section 7.9 and clause 3.1 of the Scheme Implementation Agreement attached as Annexure B
What is required for the Scheme to become Effective?	<p>The Scheme will become Effective if:</p> <ul style="list-style-type: none"> • the Scheme is approved by the Requisite Majorities of Capilano Shareholders at the Scheme Meeting; • the Court approves the Scheme at the Second Court Hearing; and • all other Conditions Precedent are satisfied or waived (as applicable). 	Section 7.12
When and where will the Scheme Meeting be held?	<p>The Scheme Meeting is to be held at 11.00am (Brisbane time) on Thursday, 15 November 2018 at the Spring Lake Hotel & Function Centre, 1 Springfield Lakes Boulevard, Springfield Lakes, Queensland.</p>	The Notice of Scheme Meeting contained in Annexure G contains further information on the Scheme Meeting.
What will Capilano Shareholders be asked to vote on at the Scheme Meeting?	<p>Capilano Shareholders will be asked to vote on the Scheme Resolution to approve the Scheme. It will be voted on at the Scheme Meeting and is set out in the Notice of Scheme Meeting (Annexure G).</p>	The Scheme Resolution is set out in the Notice of Scheme Meeting contained in Annexure G

Question	Answer	More information
What is the Capilano Shareholder approval threshold for the Scheme?	<p>The Scheme needs to be approved by the Requisite Majorities of Capilano Shareholders at the Scheme Meeting, which are:</p> <ul style="list-style-type: none"> at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting; and a majority in number (more than 50%) of Capilano Shareholders present and voting (in person or by proxy, attorney or corporate representative). 	Section 7.12
Am I entitled to vote at the Scheme Meeting?	If you are registered as a Capilano Shareholder on the Capilano Share Register on Tuesday, 13 November 2018 at 6.00pm (Brisbane time) or 7.00pm (Sydney time) you will be entitled to vote at the Scheme Meeting.	The Notice of Scheme Meeting contained in Annexure G contains further information on your entitlement to vote.
How can I vote if I can't attend the Scheme Meeting?	If you would like to vote but cannot attend the Scheme Meeting in person, you can vote by appointing a proxy, attorney or corporate representative (if applicable) (including by lodging your proxy online at www.linkmarketservices.com.au) to attend and vote on your behalf.	The Notice of Scheme Meeting contained in Annexure G contains further information on how to vote.
When will Capilano Shares cease trading on ASX	Capilano Shares will cease trading on ASX from the close of trading on ASX on the Scheme Meeting Date. After this time, Capilano Shares will be suspended from trading on ASX.	
When will the results of the Scheme Meeting be known?	<p>The results will be announced to ASX shortly after conclusion of the Scheme Meeting, and will be accessible from ASX's website at www.asx.com.au.</p> <p>If the Scheme is approved by reason of the Scheme Resolution being passed at the Scheme Meeting, the Scheme will not become Effective unless it is approved by the Court at the Second Court Date and the relevant Court order is lodged with ASIC.</p>	Section 7.12(c)
What happens if the Court does not approve the Scheme or the	If the Scheme is not approved by the Requisite Majorities of Capilano Shareholders, or the Court, the Scheme will not proceed.	Section 7.10

Question	Answer	More information
Scheme does not otherwise proceed?	<p>If the Scheme does not proceed:</p> <ul style="list-style-type: none"> Capilano Shareholders will continue to hold Capilano Shares and will be exposed to general risks as well as risks specific to Capilano or the industries in which it operates, including those set out in Section 10.2 of this Scheme Booklet; Capilano Shareholders will not receive the Scheme Consideration; a break fee of \$1.45 million (excluding GST) may be payable by Capilano to HoldCo under certain circumstances. Those circumstances will not include the failure by Capilano Shareholders to pass the Scheme Resolution at the Scheme Meeting or the Court declining to approve the Scheme. <p>In the absence of a Superior Proposal, Capilano will continue as an ASX-listed entity with management continuing to implement the business plan, and financial and operating strategies it had in place prior to the Announcement Date.</p> <p>If the Scheme is not implemented, the advantages of the Scheme described in Section 5.1 of this Scheme Booklet will not be realised and the potential disadvantages and risks of the Scheme described in Sections 5.2, 10.3 and 10.4 of this Scheme Booklet will not arise.</p>	
What happens to my Capilano Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes Effective and is implemented?	<p>If you do not vote, or vote against the Scheme and the Scheme becomes Effective and is implemented, any Scheme Shares held by you on the Scheme Record Date (currently expected to be Wednesday, 28 November 2018) will be transferred to BidCo and you will be sent the Scheme Consideration, despite not having voted or having voted against the Scheme.</p>	<p>Section 7.11</p>
When will the Scheme become Effective and when will it be implemented?	<p>Subject to satisfaction or waiver (as applicable) of the Conditions Precedent, the Scheme will become Effective on the Effective Date (currently expected to be Friday, 23 November 2018).</p>	<p>7.12(f)</p>
<p>Information about BidCo, HoldCo, HoldCo Shares and the Consortium</p>		
Who is BidCo?	<p>BidCo is a special purpose company that was</p>	<p>Section 9.3</p>

Question	Answer	More information
	<p>incorporated for the purpose of holding 100% of the Capilano Shares following Implementation of the Scheme.</p>	
<p>Who is HoldCo?</p>	<p>HoldCo is a special purpose company that was incorporated for the purpose of holding all of the shares in BidCo, as well as issuing HoldCo Shares to Capilano Shareholders who validly elect to receive the Scrip Consideration and to Capilano Shareholders who validly elect to participate in the HoldCo Share Offer.</p>	<p>Section 9.2</p>
<p>Who is the Consortium?</p>	<p>The Consortium is comprised of Wattle Hill and ROC who each currently own 50% of the HoldCo Shares.</p>	<p>Section 9.1</p>
<p>What are BidCo's intentions if the Scheme is implemented?</p>	<p>If the Scheme is implemented, BidCo currently intends to:</p> <ul style="list-style-type: none"> • remove Capilano from the official list of ASX and subsequently convert it into a proprietary company limited by shares; • continue Capilano's business; • maintain its current head office in Brisbane, Australia; • continue the employment and supplier relationships of Capilano's present employees and beekeepers; • work with the Capilano management team to ensure that Capilano is appropriately set up to pursue the growth opportunities in the market; • replace Capilano's existing constitution with a constitution appropriate for a proprietary company limited by shares; • retain and further invest in Capilano's portfolio of high quality brands; and • enhance the position of Capilano's brands in key domestic markets as well as drive expansion of brands in offshore growth markets. <p>Final decisions will only be made by BidCo after having conducted a detailed review of Capilano's business after Implementation. The above intentions are therefore statements of current intention only and may change as new information becomes available or as circumstances change.</p>	<p>Section 9.7</p>

Question	Answer	More information
What is the Shareholders' Deed?	<p>Capilano Shareholders who receive HoldCo Shares under the Scrip Consideration or under the HoldCo Share Offer will become parties to the Shareholders' Deed. This will occur by automatic operation of the Scheme, without the need for any action on their part.</p> <p>The Shareholders' Deed sets out the rights and obligations of shareholders in HoldCo. A full copy of the Shareholders' Deed is attached as Annexure E.</p>	Section 9.9
Other questions		
What happens if a Competing Transaction is received?	<p>Under the Scheme Implementation Agreement, Capilano is bound by certain exclusivity obligations, including in relation to a Competing Transaction. Subject to Capilano's exclusivity obligations under the Scheme Implementation Agreement, the Capilano Directors will carefully consider a Competing Transaction and advise you of their recommendation.</p> <p>As at the date of this Scheme Booklet, the Capilano Directors are not aware of any Competing Transaction. If the Capilano Directors withdraw or adversely modify their recommendation concerning the Scheme, Capilano may be obliged to pay a break fee of approximately \$1.45 million.</p>	Sections 13.1(c) and 13.1(e)
Can I sell my Capilano Shares now?	<p>Yes. You can sell your Capilano Shares on market at any time before the close of trading on ASX on the Scheme Meeting Date (assuming the Scheme is approved by Capilano Shareholders at the Scheme Meeting) at the prevailing market price at that time (which may vary from the Cash Consideration). If you do so, you will not receive the Scheme Consideration and you may incur brokerage costs.</p> <p>Since the announcement of the Scheme and the recent acquisitions of Capilano Shares by Bega, as set out in Section 8.7, Capilano Shares have at times been trading higher than the Cash Consideration. On the other hand, if the Scheme is not implemented and no Superior Proposal emerges, the price of Capilano Shares may fall.</p>	Section 8.7
Will I have to pay brokerage or stamp	No, you will not have to pay brokerage or stamp duty on the transfer of Scheme Shares under the	

Question	Answer	More information
duty?	Scheme.	
<p>What are the taxation implications of the Scheme?</p>	<p>There may be tax consequences for Scheme Shareholders if the Scheme becomes Effective and is implemented, including tax being payable on any gain or disposal of Capilano Shares.</p> <p>For further detail on the Australian taxation consequences of the Scheme, please refer to Section 11 ('Tax Considerations') of this Scheme Booklet. The tax treatment may vary depending on your nature and characteristics as a Capilano Shareholder, including whether you are a resident in a jurisdiction other than Australia. You should therefore seek professional tax advice in relation to your particular circumstances.</p>	<p>Section 11</p>
<p>Where can I get further information?</p>	<p>You can get further information about the Scheme by contacting the Shareholder Information Line on 1300 795 998 (within Australia) or +61 1300 795 998 (outside Australia). The line is open Monday to Friday from 8.30am to 5.30pm (Brisbane time).</p> <p>If you would like further information about your personal circumstances, please consult with your financial, legal, tax and other professional advisers.</p>	

7 Summary of the Scheme

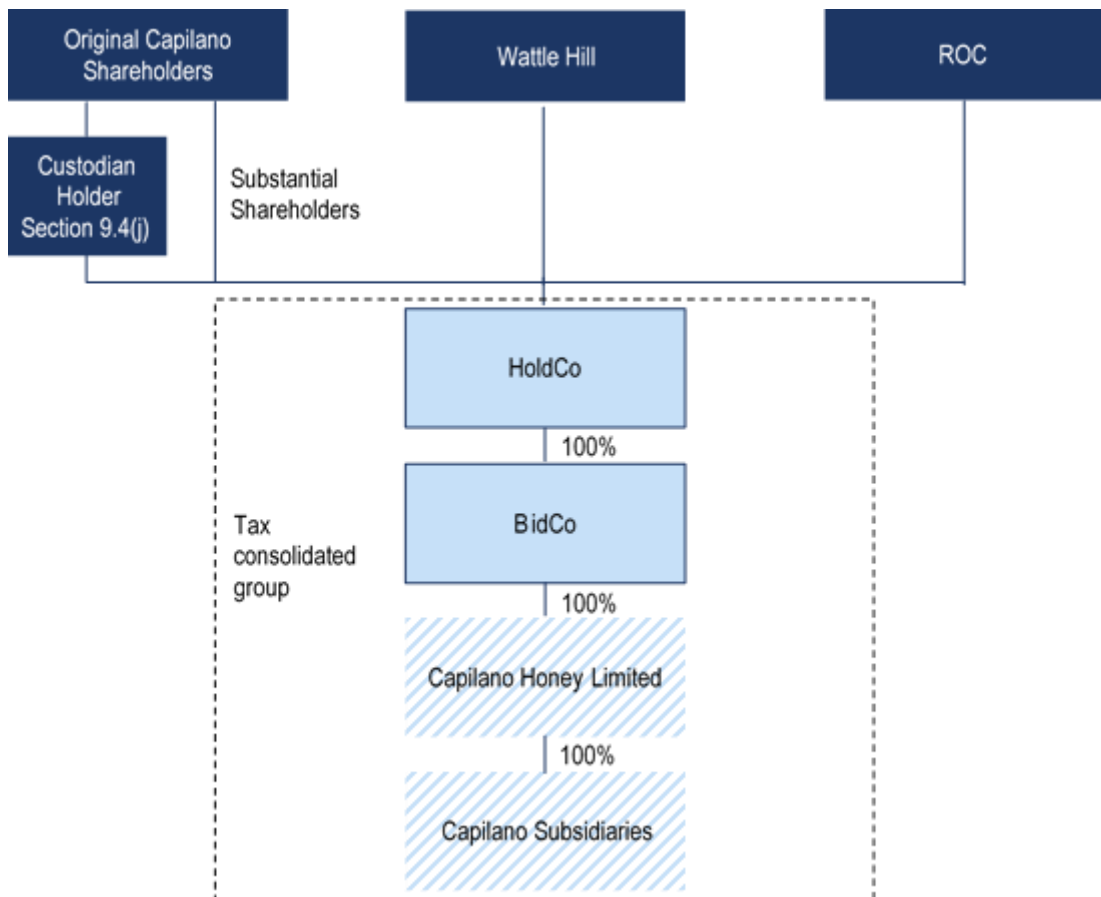
7.1 Background

On 13 August 2018, Capilano announced that it had entered into the Scheme Implementation Agreement with HoldCo and BidCo, in relation to the acquisition, by way of a scheme of arrangement under Part 5.1 of the Corporations Act, of all of the Capilano Shares by BidCo, a wholly owned Subsidiary of HoldCo.

A brief summary of the Scheme Implementation Agreement is included in Section 13.1 of this Scheme Booklet and a copy of the Scheme Implementation Agreement is attached as Annexure B. This Section 7 contains an overview of the Scheme.

If the Scheme becomes Effective and is implemented, Capilano will be delisted from ASX and become a wholly owned Subsidiary of BidCo.

The following diagram shows the proposed ownership structure of Capilano following Implementation of the Scheme.



7.2 What you will receive – an overview of Scheme Consideration

(a) Scheme Consideration

If the Scheme becomes Effective, and is implemented, Scheme Shareholders will be entitled to receive the Scheme Consideration from HoldCo, being either:

- the Cash Consideration of \$20.06 for each Capilano Share held by a Capilano Shareholder as at the Scheme Record Date; or
- as an alternative to receiving the Cash Consideration for all of their Capilano Shares held on the Scheme Record Date, Eligible Capilano Shareholders (which excludes Ineligible Foreign Shareholders) can make an Election to:
 - receive the **Scrip Consideration** – 1 HoldCo Share for each Capilano Share they hold as at the Scheme Record Date; and
 - if they have elected to receive the Scrip Consideration to subscribe for all (and not some only) of the additional HoldCo Shares which they are eligible to subscribe for under the **HoldCo Share Offer**, which comprise 0.5 HoldCo Shares for each Capilano Share held by the Eligible Capilano Shareholders on the Scheme Record Date at a subscription price of \$20.06 cash per HoldCo Share. To subscribe for their entitlement to the additional HoldCo Shares, Eligible Capilano Shareholders will have to pay the subscription price of \$20.06 per HoldCo Share to HoldCo at the time of the Election¹⁰ (see Section 9.4 for more information in relation to the HoldCo Share Offer).

Scheme Shareholders may only elect to receive the Cash Consideration or the Scrip Consideration in respect of **all** their Capilano Shares held on the Scheme Record Date.

Scheme Shareholders who have elected the Scrip Consideration in respect of all of their Capilano Shares may elect to subscribe for their **full** entitlement to additional HoldCo Shares. Scheme Shareholders may not make a partial election when subscribing for HoldCo Shares under the HoldCo Share Offer.

Any Election for the Scrip Consideration and application for HoldCo Shares under the HoldCo Share Offer may be subject to the Scaleback Arrangements as described in Section 7.4(c) below.

A subscription for HoldCo Shares under the HoldCo Share Offer will not give rise to a binding contract or require HoldCo to issue HoldCo Shares to any Capilano Shareholder unless and until the Scheme becomes Effective, and subject always to the terms of the Scheme and the Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet.

Capilano Shareholders considering an Election for the Scrip Consideration or participating in the HoldCo Share Offer should carefully consider the matters set out in Section 9 of this Scheme Booklet and the risk factors set out in Section 10 of this Scheme Booklet.

(b) Fractional entitlements

¹⁰ If a Scrip and Offer Participant holds fewer Scheme Shares at the Scheme Record Date than it did on the date on which it made its Election, then a portion of the Subscription Monies will be refunded to the Scrip and Offer Participant where it subscribed for a number of HoldCo Shares under the HoldCo Share Offer that is greater than the number which it would have been entitled to subscribe for under the terms of the HoldCo Share Offer based on its holding of Scheme Shares at the Scheme Record Date. See Section 9.4(i) for more detail.

Where the calculation of the number of HoldCo Shares to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a HoldCo Share, the fractional entitlement will be rounded down to the nearest whole number of HoldCo Shares.

The details regarding fractional entitlements are set out in full in clause 6.5 of the Scheme of Arrangement attached as Annexure C of this Scheme Booklet.

(c) **HoldCo Shares to rank equally**

All HoldCo Shares issued to Scheme Shareholders under the Scheme will rank equally in all respects with all existing HoldCo Shares on issue as at the Implementation Date.

(d) **Ineligible Foreign Shareholders**

HoldCo will be under no obligation to issue any HoldCo Shares to any Ineligible Foreign Shareholder and will instead pay Cash Consideration to each of them.

(e) **Transaction confirmation statements**

For those Scheme Shareholders who elect to receive the Scrip Consideration and to subscribe for HoldCo Shares under the HoldCo Share Offer, transaction confirmation statements will be issued as soon as practicable after the Implementation Date to the Scheme Shareholder's address as shown on the Capilano Share Register. You will receive a share certificate in respect of your HoldCo Shares unless there is a Custodian required, as described in Section 9.4(j). If there is a Custodian required, the Custodian will receive the share certificate in respect of your HoldCo Shares and you will be sent a confirmation that this has occurred.

7.3 **Cash Consideration**

The Cash Consideration is \$20.06 per Capilano Share. A Capilano Shareholder can elect to receive the Cash Consideration by completing the Election Form only.

This is also the default Scheme Consideration - if a Capilano Shareholder does not make an Election before the Election Time to receive the Scrip Consideration, they will be deemed to have made an Election to receive Cash Consideration.

In addition, a Scheme Shareholder who:

- is an Ineligible Foreign Shareholder; or
- acquires Scheme Shares after the Election Time,

will, subject to Capilano and HoldCo agreeing otherwise, receive the Cash Consideration for their Scheme Shares.

7.4 **Scrip Consideration and the HoldCo Share Offer**

If required to maintain the status of HoldCo as an Australian proprietary company, HoldCo will nominate a Custodian to hold HoldCo Shares on behalf of HoldCo Shareholders (other than Substantial Shareholders) as set out in Section 9.4(j). This means that, depending on the number of Capilano Shareholders who Elect to receive Scrip Consideration and to participate in the HoldCo Share Offer, a Custodian may hold those HoldCo Shares on their behalf as bare trustee rather than the relevant former Capilano Shareholder being the registered owner of the HoldCo Shares.

(a) **Scrip Consideration**

If a Scheme Shareholder makes an Election for Scrip Consideration in respect of all of its Capilano Shares held on the Scheme Record Date, it will be entitled to receive the Scrip

Consideration, being 1 HoldCo Share for each Capilano Share held by that Scheme Shareholder, unless the Scrip Consideration is subject to the Scaleback Arrangements.

(b) **HoldCo Share Offer**

If a Scheme Shareholder has made an Election for Scrip Consideration in respect of all of its Capilano Shares, it may also elect to subscribe for all (and not some only) of the additional HoldCo Shares which it is entitled to subscribe for under the HoldCo Share Offer, being 0.5 HoldCo Shares for each Capilano Share held by that Scheme Shareholder on the Scheme Record Date at \$20.06 cash per HoldCo Share, unless the HoldCo Share Offer is subject to the Scaleback Arrangements. Eligible Capilano Shareholders who have elected to subscribe for their **full** entitlement to additional HoldCo Shares under the HoldCo Share Offer will have to pay the subscription price of \$20.06 per HoldCo Share to HoldCo at the time of the Election, that is the same time as submitting their Election and Subscription Forms.

Please refer to Section 9.4 for further information in relation to the HoldCo Share Offer.

(c) **Scaleback Arrangements**

As set out in the Scheme, both the Scrip Consideration and the HoldCo Share Offer will be subject to the Scaleback Arrangements if the total number of HoldCo Shares validly elected by the Scheme Shareholders, including for the Scrip Consideration and subscriptions under the HoldCo Share Offer (**Aggregate HoldCo Share Elections**), exceed the Maximum Available HoldCo Shares (being 4,719,283 HoldCo Shares).

There are three possible outcomes under the Scaleback Arrangements – which will be determined after the Scheme Record Date. This will ensure that the Consortium will hold an equity interest in HoldCo on Implementation of no less than 50.1% and Scheme Shareholders will hold an equity interest in HoldCo on Implementation of no more than 49.9%. A Scheme Shareholder that is subject to the Scaleback Arrangements will:

- receive the Cash Consideration for those HoldCo Shares which it would have received as Scrip Consideration but which will not be issued as a result of the application of the Scaleback Arrangements; and
- have any portion of its Subscription Monies which represents HoldCo Shares that it applied for under the HoldCo Share Offer which were not issued to it as a result of the application of the Scaleback Arrangements, returned to it on the Implementation Date.

As set out below in the first possible outcome, (“1”), the Scaleback Arrangements will first apply to Capilano Shareholders electing Scrip Consideration only but **not** electing to subscribe for HoldCo Shares under the HoldCo Share Offer (a **Scrip Only Participant**) on a pro rata basis. In that case, Capilano Shareholders electing both the Scrip Consideration and to participate in the HoldCo Share Offer (a **Scrip and Offer Participant**) will receive their elected HoldCo Shares in full.

In the second possible outcome, (“2”), Scrip Only Participants will be scaled back completely and will receive the Cash Consideration in respect of all of their elected HoldCo Shares, but Scrip and Offer Participants will receive their elected HoldCo Shares in full.

In the third possible outcome (“3”), Scrip Only Participants will be scaled back completely and Scrip and Offer Participants will be scaled back on a pro rata basis. See Section 9.2(c) for worked examples.

No.	Condition	Scrip and Offer Participants	Scrip Only Participant
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1

- The total number of HoldCo Shares elected by Scrip and Offer Participants is less than the Maximum Available HoldCo Shares; and
- The Aggregate HoldCo Share Elections exceed the Maximum Available HoldCo Shares.

Scrip and Offer Participants will receive their elected HoldCo Shares in full.

A Scrip Only Participant will receive a reduced number of HoldCo Shares (X) calculated as follows, and the balance of their Scheme Consideration in the form of Cash Consideration:

$$X = D \left(\frac{B-C}{E} \right)$$

where:

B is the Maximum Available HoldCo Shares.

C is the aggregate number of HoldCo Shares elected as the Scrip Consideration and subscribed for under the HoldCo Share Offer by all the Scrip and Offer Participants.

D is the number of HoldCo Shares elected by that Scrip Only Participant.

E is the aggregate number of HoldCo Shares elected by all Scrip Only Participants.

2

- The total number of HoldCo Shares elected by Scrip and Offer Participants is equal to the Maximum Available HoldCo Shares; and
- The Aggregate HoldCo Share Elections exceed the Maximum Available HoldCo Shares.

Scrip and Offer Participants will receive their elected HoldCo Shares in full.

A Scrip Only Participant will not receive any HoldCo Shares but will receive Cash Consideration in respect of all of their Capilano Shares.

3

- The total number of HoldCo Shares elected by Scrip and Offer Participants is more than the Maximum Available HoldCo Shares; and
- The Aggregate HoldCo Share Elections exceed the Maximum Available HoldCo Shares.

A Scrip and Offer Participant will receive a reduced number of HoldCo Shares (X) calculated as follows and the balance of their Scheme Consideration in the form of Cash Consideration:

$$X = F \left(\frac{G}{H} \right)$$

where:

F is the number of HoldCo Shares elected by that Scrip

Scrip Only Participants will not receive any HoldCo Shares and will instead receive the Cash Consideration for each Scheme Share held by them.

and Offer Participant pursuant to the HoldCo Share Offer.

G is the Maximum Available HoldCo Shares.

H is the aggregate number of HoldCo Shares elected by all Scrip and Offer Participants pursuant to the HoldCo Share Offer.

(d) **How to make an Election**

Capilano Shareholders (other than Ineligible Foreign Shareholders) may make an Election for all of their Scheme Shares through lodging the Election Form and Subscription Form (where applicable) (sent with this Scheme Booklet) with the Share Registry.

The Election and Subscription Forms consist of two forms:

- an Election Form for the Election of the Cash Consideration or Scrip Consideration in respect of all your Scheme Shares; and
- a Subscription Form for the Election to subscribe for your full entitlement of additional HoldCo Shares under the HoldCo Share Offer (if you are an Eligible Capilano Shareholder who has elected the Scrip Consideration).

Note that if a Capilano Shareholder is electing only to receive either the Cash Consideration or Scrip Consideration in respect of all their Schemes Shares, they will only need to submit the Election Form.

However, if an Eligible Capilano Shareholder:

- has elected to receive the Scrip Consideration with the Election Form; and
- is electing to subscribe for their **full** entitlement to additional HoldCo Shares under the HoldCo Share Offer and pay the subscription price of \$20.06 per HoldCo Share in respect of their full entitlement to additional HoldCo Shares under the HoldCo Share Offer,

they will need to submit **both** the Election Form and the Subscription Form (in accordance with the terms of each form) and pay the Subscription Monies at the same time as submitting the Election and Subscription Forms.

If the election is invalid for any reason whatsoever (including if it is received from an Ineligible Foreign Shareholder), those Election and Subscription Forms will have no effect and the Capilano Shareholders will receive the Cash Consideration for all their Capilano Shares.

(e) **What are the HoldCo Shares**

The HoldCo Shares being issued as Scheme Consideration under the Scrip Consideration and HoldCo Share Offer will be fully paid ordinary shares in HoldCo, an unlisted proprietary company incorporated in Australia. HoldCo is a newly incorporated unlisted Australian company which will provide HoldCo Shareholders with a continuing indirect minority interest in Capilano.

The Capilano Board notes that there are significant risks involved in an investment in unlisted shares in a proprietary limited company which are additional to the risks you

currently have as a shareholder in Capilano as a listed company. Please see Sections 10.3 and 10.4 for more information in relation to the risks associated with an investment in HoldCo.

7.5 Provision of Scheme Consideration

(a) Provision of the Cash Consideration

The Cash Consideration will be sent to Scheme Shareholders on the Implementation Date. Scheme Shareholders who have validly registered their bank account details with the Capilano Share Registry may have their Cash Consideration sent directly to their bank account. Otherwise, Scheme Shareholders will have their Cash Consideration sent by cheque to their address as shown on the Capilano Share Register.

(b) Provision of the Scrip Consideration and issue of HoldCo Shares under the HoldCo Share Offer

On the Implementation Date and subject to the Scaleback Arrangements, HoldCo is required to issue HoldCo Shares to each Scheme Shareholder who makes an Election for Scrip Consideration or who has made a valid application for HoldCo Shares under the HoldCo Share Offer and procure that their name and address is entered in the HoldCo Register in respect of those HoldCo Shares.

For those Scheme Shareholders who elect to receive the Scrip Consideration and to subscribe for HoldCo Shares under the HoldCo Share Offer, transaction confirmation statements will be issued as soon as practicable after the Implementation Date to the Scheme Shareholder's address as shown on the Capilano Share Register. You will receive a share certificate in respect of your HoldCo Shares unless there is a Custodian required. If there is a Custodian required, the Custodian will receive the share certificate in respect of your HoldCo Shares and you will be sent a confirmation that this has occurred.

For more information about the provision of the Scrip Consideration and the HoldCo Share Offer, please see Section 9.4.

7.6 The Capilano Directors' unanimous recommendation

The Capilano Directors unanimously recommend that Capilano Shareholders vote in favour of the Scheme at the Scheme Meeting to be held on Thursday 15 November 2018 at 11.00am (Brisbane time), in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders.

If the Scheme is implemented, Capilano Shareholders will receive the Cash Consideration unless they make an Election for Scrip Consideration. Capilano Shareholders who are considering making an Election for Scrip Consideration for their Scheme Shares or subscribing for HoldCo Shares under the HoldCo Share Offer should:

- take into account the Scaleback Arrangements set out in Section 7.4(c) which may affect the number of HoldCo Shares that will actually be received;
- take into account that HoldCo Shares would be subject to the rights and restrictions under the Shareholders' Deed (which, importantly, restrict the ability for a holder of HoldCo Shares to sell or Dispose of their HoldCo Shares) and the HoldCo Constitution as described in Section 9.9 of this Scheme Booklet;
- take into account the onerous provisions under the Shareholders' Deed and the HoldCo Constitution, as described in Section 9.9 of this Scheme Booklet, which include a pre-emptive rights procedure that requires a material waiting period before HoldCo Shares can be Disposed of;

- carefully consider the matters set out in Section 9 of this Scheme Booklet and the risk factors set out in Section 10 of this Scheme Booklet, noting that an investment in HoldCo does not involve some liquidity and other protections which shareholders experience when investing in an ASX-listed company;
- carefully consider the tax considerations set out in Section 11 and how they apply to the Scrip Consideration and the HoldCo Share Offer in comparison to the Cash Consideration;
- note that their subscription for HoldCo Shares under the HoldCo Share Offer will not give rise to a binding contract or require HoldCo to issue HoldCo Shares unless and until the Scheme becomes Effective;
- take into account the Independent Expert's Report and their views expressed in relation to the HoldCo Shares set out in Annexure A of this Scheme Booklet, noting that the value of a HoldCo Share was calculated by the Independent Expert to be in the range of \$11.36 and \$15.65 on a minority interest basis, and that the Independent Expert has not made a conclusion in relation to the Scrip Consideration or the HoldCo Share Offer; and
- consult their appropriate legal, financial, tax or other professional advisers about whether an investment in HoldCo meets their individual investment objectives.

In considering whether to vote in favour of the Scheme, the Capilano Directors encourage you to:

- carefully read all of this Scheme Booklet (including the Independent Expert's Report);
- consider the choices available to you as outlined in Section 7.11 of this Scheme Booklet;
- have regard to your individual risk profile, portfolio strategy, taxation position and financial circumstances; and
- obtain advice from your legal, financial, tax or other professional advisers on the effect of the Scheme becoming Effective.

Each Capilano Director's Relevant Interests are disclosed in Section 12.1 of this Scheme Booklet.

7.7 Voting intentions of the Capilano Directors

Each Capilano Director intends to vote, or procure the voting of, any Capilano Shares held or controlled by them, in favour of the Scheme at the Scheme Meeting to be held on Thursday 15 November 2018 at 11.00am (Brisbane time), in the absence of a Superior Proposal and assuming the Independent Expert continues to conclude that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders.

Details of the Relevant Interests of each Capilano Director in Capilano Shares are set out in Section 12.1 of this Scheme Booklet.

7.8 Independent Expert's conclusion

The Independent Expert has assessed the value of a Capilano Share to be in the range of \$18.93 to \$22.35 per Capilano Share on a controlling interest basis. The Cash Consideration of \$20.06 per Capilano Share is within this range and the Independent Expert formed the view that the Scheme is fair. The Independent Expert also considered a range of other matters, including the advantages and disadvantages of the Scheme, and formed the view that the Scheme is reasonable. Accordingly, the Independent

Expert has concluded that the Scheme is fair and reasonable, and is in the best interests of Capilano Shareholders.

The Independent Expert did not have reference to the Scrip Consideration as part of their assessment of the fairness of the Scheme. Notwithstanding, to assist the Capilano Shareholders, the Independent Expert has calculated the value of HoldCo Shares following Implementation of the Scheme for any Capilano Shareholder who Elects the Scrip Consideration or to participate in the HoldCo Share Offer. If the Independent Expert had assessed the fairness of the Scheme based solely on the Scrip Consideration, the Independent Expert would have concluded that the Scheme is not fair to the Capilano Shareholders. In determining the value of the Scrip Consideration, the Independent Expert has had regard to the value of a HoldCo Share on a minority interest basis.

The Independent Expert has calculated the value of a HoldCo Share to be in the range of \$11.36 and \$15.65 on a minority interest basis. The Independent Expert's valuation of the Scrip Consideration is lower than the Independent Expert's valuation range of Capilano on a controlling interest basis, which is \$18.93 to \$22.35 for each Capilano Share. The Independent Expert has not made a conclusion in relation to the Scrip Consideration or the HoldCo Share Offer.

The Independent Expert has considered that a minority interest holding in HoldCo under the terms of the Scrip Consideration and the HoldCo Share Offer is generally regarded as less valuable than a controlling interest. The Independent Expert also considered that HoldCo Shares, which will no longer be listed on an exchange, are likely to have a lower level of marketability relative to Capilano Shares prior to the Implementation of the Scheme, which are listed on ASX.

The reasons why the Independent Expert reached these conclusions are set out in the Independent Expert's Report, a copy of which is included in Annexure A. The Capilano Directors encourage Capilano Shareholders to read the Independent Expert's Report in full before deciding whether to vote in favour of the Scheme.

7.9 Conditions to the Scheme

The Implementation of the Scheme is subject to a number of Conditions Precedent, including:

- approval of the Scheme by the Court;
- approval of the Scheme by the Requisite Majorities of Capilano Shareholders at the Scheme Meeting;
- no Court or Regulatory Authority restraining or preventing the Implementation of the Scheme;
- no Material Adverse Effect occurring; and
- the aggregate number of HoldCo Shares received under valid Scrip Consideration Elections and issued under the HoldCo Share Offer, to represent not less than 15% of the issued share capital in HoldCo (on a fully diluted basis).

The Conditions Precedent are set out in full in clause 3.1 of the Scheme Implementation Agreement, a copy of which is attached as Annexure B of this Scheme Booklet.

The Scheme will not proceed unless all the Conditions Precedent are satisfied or waived (as applicable) in accordance with the Scheme Implementation Agreement.

Wroxby Pty Limited has indicated to Capilano that, in the absence of a Superior Proposal (as defined in the Scheme Implementation Agreement), it intends to vote in favour of the Scheme and to elect to receive Scrip Consideration rather than Cash Consideration.

Accordingly, there is a reasonable basis to expect that the Minimum Scrip Consideration Condition under the Scheme will be satisfied.

In addition, as at the Last Practicable Date, none of the Capilano Directors are aware of any circumstances which would cause any Condition Precedent not to be satisfied.

HoldCo and BidCo have confirmed that they are aware of the recent adverse media allegations in relation to the Allowrie honey and honey which Capilano supplies under supermarket brands, and the nuclear magnetic resonance testing method, including the matters described in the ASX announcement released by Capilano on 3 September 2018 (**Allowrie Allegations**). HoldCo and BidCo have confirmed that, to the extent they are aware of the Allowrie Allegations, the Allowrie Allegations do not constitute a "Material Adverse Effect" for the purposes of the Scheme Implementation Agreement, and have waived their rights in respect of them being a breach or non-fulfillment of the "No Material Adverse Effect" condition in the Scheme Implementation Agreement (see 13.1(b) of this Scheme Booklet) and a right to terminate (see 13.1(g) of this Scheme Booklet). For further detail, please refer to Section 13.2.

Capilano will make an announcement on ASX's website (www.asx.com.au) as and when the Conditions Precedent are satisfied or waived.

7.10 Implications if the Scheme does not proceed

If the Scheme is not implemented, and in the absence of a Superior Proposal being implemented:

- Capilano Shareholders will continue to hold Capilano Shares and will be exposed to general risks as well as risks specific to Capilano or the industries in which it operates, including those set out in Section 10.2 of this Scheme Booklet;
- Capilano Shareholders will not receive the Scheme Consideration; and
- a break fee of \$1.45 million (excluding GST) may be payable by Capilano to HoldCo under certain circumstances. Those circumstances will not include the failure by Capilano Shareholders to pass the Scheme Resolution at the Scheme Meeting.

In the absence of a Superior Proposal, Capilano will continue as an ASX-listed entity with management continuing to implement the business plan, and financial and operating strategies it had in place prior to the Announcement Date.

If the Scheme is not implemented, the advantages of the Scheme described in Section 5.1 of this Scheme Booklet will not be realised and the potential disadvantages and risks of the Scheme described in Sections 5.2, 10.3 and 10.4 of this Scheme Booklet will not arise.

Prior to the Scheme Meeting, costs will have been incurred, or committed to, by Capilano in relation to the Scheme. Those costs will be payable by Capilano regardless of whether or not the Scheme becomes Effective and is implemented. If the Scheme is not implemented, transaction related costs of approximately \$2 million are expected to be incurred by Capilano – this assumes no break fee is payable by Capilano to HoldCo (see Section 13.1(e) of this Scheme Booklet for more information as to when such a break fee may be payable). These amounts do not include transaction or other similar costs that may be incurred by HoldCo.

7.11 Your choices as a Capilano Shareholder

As a Capilano Shareholder, you have four choices currently available to you, which are as follows.

1) Vote in favour of the Scheme

This is the course of action unanimously recommended by the Capilano Directors, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders.

To follow the Capilano Directors' unanimous recommendation, you should vote in favour of the Scheme Resolution at the Scheme Meeting on 15 November 2018. For a summary on how to vote, please refer to Section 7.12(c) of this Scheme Booklet and the Notice of Meeting contained in Annexure G.

If the Scheme is implemented, unless you have made an Election for Scrip Consideration, you will receive the Cash Consideration.

In order to make an Election for Cash Consideration or Scrip Consideration, you should complete and return the Election Form in accordance with the instructions on that form.

The Election and Subscription Forms consist of two forms:

- an Election Form for the Election of the Cash Consideration or Scrip Consideration in respect of all your Scheme Shares; and
- a Subscription Form for the Election to subscribe for your full entitlement of additional HoldCo Shares under the HoldCo Share Offer (if you are an Eligible Capilano Shareholder who has elected the Scrip Consideration).

The deadline for receipt of the Election and Subscription Forms (if applicable) by the Capilano Share Registry is the Election Time, being 4.00pm (Brisbane time) or 5.00pm (Sydney time) on the day which is ten days prior to the Scheme Meeting (such deadline currently being 5 November 2018).

Before making an Election in respect of your Scheme Shares you should:

- take into account the Scaleback Arrangements set out in Section 7.4(c) which may affect the number of HoldCo Shares that will actually be received;
- take into account that HoldCo Shares would be subject to the rights and restrictions under the Shareholders' Deed (which, importantly, restrict the ability for a holder of HoldCo Shares to sell or Dispose of their HoldCo Shares) and the HoldCo Constitution as described in Section 9.9 of this Scheme Booklet;
- carefully consider the matters set out in Section 9 of this Scheme Booklet relating to the features and risks of HoldCo Shares that comprise the Scrip Consideration or the HoldCo Share Offer, and the risk factors set out in Section 10 of this Scheme Booklet, noting that an investment in HoldCo does not involve some liquidity and other protections which shareholders experience when investing in an ASX-listed company;
- take into account the onerous provisions under the Shareholders' Deed and the HoldCo Constitution, as described in Section 9.9 of this Scheme Booklet, which include a pre-emptive rights procedure that requires a material waiting period before HoldCo Shares can be Disposed of;
- carefully consider the tax considerations set out in Section 11 and how they apply to the Scrip Consideration and the HoldCo Share Offer in comparison to the Cash Consideration;
- take into account the Independent Expert's Report and their views expressed in relation to the HoldCo Shares set out in Annexure A of this Scheme Booklet, noting that the value of a HoldCo Share was calculated by the Independent Expert to be in the range of \$11.36 and \$15.65 on a minority interest basis, and that the Independent Expert has not made a conclusion in relation to the Scrip Consideration or the HoldCo Share Offer; and
- consult your appropriate legal, financial, tax or other professional advisers

about whether an investment in HoldCo meets your individual investment objectives.

2) Vote against the Scheme

If, despite the Capilano Directors' unanimous recommendation and the Independent Expert's conclusion that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders, you do not support the Scheme, you may vote against the Scheme at the Scheme Meeting on 15 November 2018.

However, if all the Conditions Precedent for the Scheme are satisfied or waived (as applicable) and the Scheme becomes Effective, the Scheme will bind all Capilano Shareholders, including those who vote against the Scheme Resolution at the Scheme Meeting and those who do not vote at all. In addition, if you have not made an Election, you will receive the Cash Consideration for your Scheme Shares.

3) Sell or transfer your Capilano Shares

The existence of the Scheme does not preclude you from selling some or all of your Capilano Shares on market for cash, if you wish, provided you do so before close of trading on ASX on the Scheme Meeting Date (currently proposed to be 15 November 2018), when trading of Capilano Shares will end.

If you are considering selling some or all of your Capilano Shares:

- you should have regard to the prevailing trading prices of Capilano Shares (see Sections 8.6 and 8.7 below). You may ascertain the current trading prices of Capilano Shares through ASX website (www.asx.com.au) - the Directors note that since the announcement of the Scheme and the recent acquisitions of Capilano shares by Bega, as set out in Section 8.7, Capilano Shares have at times been trading higher than the Cash Consideration. On the other hand, if the Scheme is not implemented and no Superior Proposal emerges, the price of Capilano Shares may fall; and
- you should contact your stockbroker for information on how to effect that sale, and you should also contact your financial, tax, legal or other professional adviser.

Capilano Shareholders who sell some or all of their Capilano Shares on ASX:

- may receive payment (which may vary from the Scheme Consideration) for the sale of their Capilano Shares sooner than they would receive the Scheme Consideration under the Scheme;
- may incur a brokerage charge;
- will not be able to participate in the Scheme or, if one emerges, a Superior Proposal, in respect of those Capilano Shares they have sold; and
- may be liable for CGT on the disposal of their Capilano Shares (as you also may be under the Scheme – see Section 11 ('Tax Considerations') of this Scheme Booklet).

4) Do nothing

Capilano Shareholders who elect not to vote at the Scheme Meeting on 15 November 2018 or do not sell their Capilano Shares on market will:

- if the Scheme is implemented and they have not made an Election, have their Scheme Shares transferred to BidCo by operation of the Scheme and receive the Cash Consideration under the Scheme of \$20.06 per Scheme
-

Share;

- if the Scheme is implemented and they have made a valid Election, have their Scheme Shares transferred to BidCo by operation of the Scheme and receive the Scheme Consideration, which they have elected (subject to the Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet) under the Scheme; or
- if the Scheme is not implemented, retain their Capilano Shares.

7.12 Transaction procedure

(a) Scheme approval requirements

The Scheme will only become Effective and be implemented if it is:

- approved by the Requisite Majorities of Capilano Shareholders at the Scheme Meeting to be held on 15 November 2018 at 11.00am (Brisbane time);
- approved by the Court at the Second Court Hearing; and
- the conditions in relation to the Scheme outlined in Section 7.9 of this Scheme Booklet are satisfied or waived (as appropriate).

The Requisite Majorities of Capilano Shareholders necessary to approve the Scheme are:

- a majority in number (more than 50%) of Capilano Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate Capilano Shareholders, body corporate representative) – it should be noted that the Court has the power to waive this requirement; and
- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Capilano Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate Capilano Shareholders, body corporate representative).

(b) Scheme Meeting

The Court has ordered Capilano to convene the Scheme Meeting at which Capilano Shareholders will be asked to approve the Scheme.

The terms of the Scheme Resolution to be considered at the Scheme Meeting are contained in the Notice of Scheme Meeting in Annexure G of this Scheme Booklet.

The fact that the Court has ordered the Scheme Meeting to be convened and has approved this Scheme Booklet required to accompany the Notice of Scheme Meeting does not mean that the Court has prepared, or is responsible for the content of, this Scheme Booklet or has any view as to the merits of the Scheme or as to how Capilano Shareholders should vote. On these matters Capilano Shareholders must reach their own decision.

(c) Attendance at Scheme Meeting

The entitlement of Capilano Shareholders to attend and vote at the Scheme Meeting is set out in the Notice of Scheme Meeting in Annexure G of this Scheme Booklet.

Instructions on how to attend and vote at the Scheme Meeting to be held on 15 November 2018 at 11.00am (Brisbane time) (in person, by proxy, or in person through an attorney or corporate representative) are set out in the Notice of Scheme Meeting.

Voting is not compulsory. However, the Capilano Directors unanimously recommend that Capilano Shareholders vote in favour of the Scheme in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders.

The results of the Scheme Meeting will be available as soon as possible after the conclusion of the Scheme Meeting and will be announced to ASX (www.asx.com.au) once available.

(d) Scheme Meeting Date

Capilano intends to apply to ASX for Capilano Shares to be suspended from trading on ASX from close of trading on the Scheme Meeting Date.

(e) Court approval of the Scheme

In the event that:

- the Scheme is approved by the Requisite Majorities of Capilano Shareholders at the Scheme Meeting (see Section 7.12(a) of this Scheme Booklet for the Scheme approval requirements); and
- all Conditions Precedent (except Court approval of the Scheme) have been satisfied or waived (if they are capable of being waived),

then Capilano will apply to the Court for orders approving the Scheme.

Each Capilano Shareholder has the right to appear at the Second Court Hearing.

(f) Effective Date

If the Court approves the Scheme, the Scheme will become Effective on the Effective Date, being the date an office copy of the Court order from the Second Court Hearing approving the Scheme is lodged with ASIC. Capilano will, on the Scheme becoming Effective, announce that on ASX.

(g) Scheme Record Date and entitlement to Scheme Consideration

Those Capilano Shareholders on the Capilano Share Register on the Scheme Record Date (currently proposed to be 5.00pm (Sydney time) or 4.00pm (Brisbane time) on 28 November 2018) will be entitled to receive the Scheme Consideration in respect of the Capilano Shares they hold at that time.¹¹

(h) Implementation Date

Scheme Shareholders will be issued the Scheme Consideration on the Implementation Date (currently proposed to be 5 December 2018). Immediately after the Scheme Consideration is sent or issued to Scheme Shareholders the Scheme Shares will be transferred to BidCo.

For those Scheme Shareholders who elect to receive the Scrip Consideration and to subscribe for HoldCo Shares under the HoldCo Share Offer, transaction confirmation statements will be issued as soon as practicable after the Implementation Date to the Scheme Shareholder's address as shown on the Capilano Share Register. You will receive a share certificate in respect of your HoldCo Shares unless there is a Custodian required. If there is a Custodian required, the Custodian will receive the share certificate in respect of your HoldCo Shares and you will be sent a confirmation that this has occurred.

¹¹ The Scheme Consideration is subject to rounding for fractional entitlements. Ineligible Foreign Shareholders will not be entitled to receive any HoldCo Shares and will instead receive the Cash Consideration.

(i) **Deed Poll**

As at the date of this Scheme Booklet, a Deed Poll has been entered into by HoldCo and BidCo, in favour of the Scheme Shareholders, to:

- provide the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme; and
- undertake all other actions attributed to it under the Scheme.

A copy of the Deed Poll is contained in Annexure E of this Scheme Booklet.

7.13 Copy of the Capilano Share Register

Under sections 169 and 173 of the Corporations Act, any Capilano Shareholder has a right to inspect, and to ask for a copy of, the Capilano Share Register which contains details of the name and address of each Capilano Shareholder. Capilano may require a Capilano Shareholder to provide reasons for their request prior to providing a copy of the Capilano Share Register, and a Capilano Shareholder must not use any information obtained for an improper purpose. A copy of the Capilano Share Register will be given to any Capilano Shareholder upon request and payment of the prescribed fee under the Corporations Act where Capilano is satisfied that the details provided are not likely to be used for an improper purpose.

7.14 Ineligible Foreign Shareholders

If you are an Ineligible Foreign Shareholder and you elect to receive the Scrip Consideration or subscribe for additional HoldCo Shares under the HoldCo Share Offer, your election will be invalid and have no effect, and you will receive the Cash Consideration for all your Capilano Shares if the Scheme becomes Effective and is implemented.

7.15 Warranty by Scheme Shareholders

Under the terms of the Scheme, each Scheme Shareholder is deemed to have warranted to BidCo and HoldCo, and is deemed to have authorised Capilano as its attorney and agent to warrant to BidCo and HoldCo, on the Implementation Date, that:

- (a) all their Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all Encumbrances; and
- (b) they have full power and capacity to transfer their Capilano Shares to BidCo together with any rights and entitlements attaching those shares.

Under the terms of the Scheme, Capilano undertakes that it will provide that warranty to BidCo as agent and attorney of each Scheme Shareholder.

Additional warranties and authorities which are deemed to have been provided to BidCo and HoldCo by Scheme Shareholders are set out in Section 9.4(k).

7.16 Delisting of Capilano

Following the Implementation Date, Capilano will subscribe for the termination of the official quotation of Capilano Shares on ASX and for Capilano to be removed from the official list of ASX.

8 Information on the Capilano Group

8.1 Overview of Capilano

(a) Introduction

Capilano Honey Limited (**Capilano**) (ASX:CZZ) was established in 1953 by apiarists Tim Smith MBE and his brother Bert, who began the business by packing and selling the Capilano brand of honey to grocery stores in Brisbane, Australia.

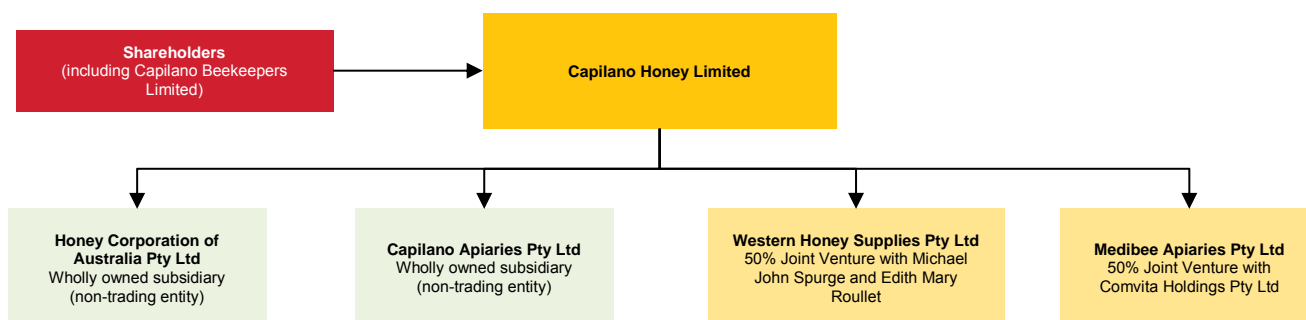
Capilano's principal business activity is the packaging and marketing of honey on a global basis. Capilano's other business activities include the sale of unprocessed beeswax and health and wellness products.

Currently, Capilano has business centres for honey packaging, warehousing and distribution functions at Richlands, Queensland, Maryborough, Victoria and Perth, Western Australia. The Capilano business has grown to be the largest packer and marketer of honey in Australia, and receives honey supply from approximately 600 beekeepers nationally.

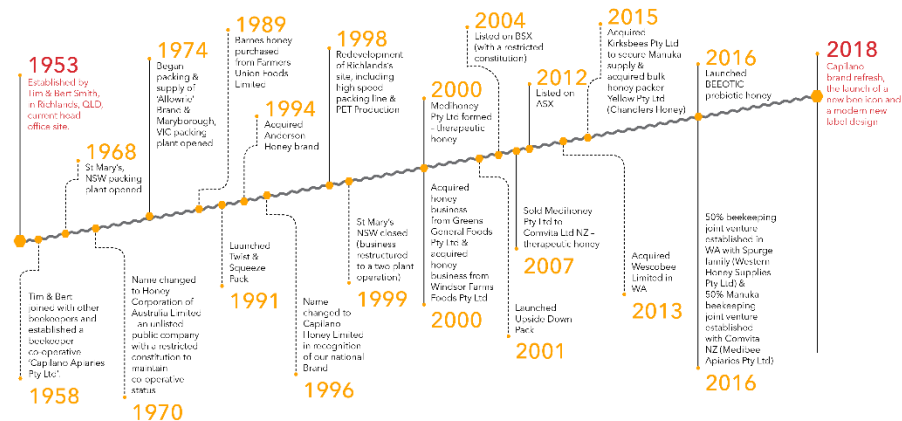
(b) Corporate structure

Originally listed on Bendigo Stock Exchange in 2004, Capilano was subsequently delisted from Bendigo Stock Exchange and relisted on ASX in 2012.

Capilano's corporate structure and timeline of key milestones is outlined below.



Timeline of Key Milestones



(c) Capilano’s business

Capilano’s principal business activity is the packaging and marketing of honey on a global basis.

Capilano’s other business activities include the sale of unprocessed beeswax and health and wellness products, mainly into export markets, and the packing and marketing of these products.

Capilano exports to over 30 countries worldwide.

In FY18, Capilano generated revenue of \$138.5 million and earnings before interest, tax and depreciation of \$16.1 million, an increase of 4% and 2%, respectively, from the prior year.

(d) Overview of brands

Capilano owns a range of trademarks and honey brands across domestic and international markets, including "Capilano", "Barnes", "Barnes Naturals", "Bee Vital", "Chandlers Honey", "Cloverdale", "Glenrock", "Heather", "Smiths" and "Wescobee". Capilano also holds a licence to use the "Allowrie" trademark for honey products.

Capilano-branded products are premium 100% pure Australian honey sourced from Australian beekeepers. Barnes Naturals branded products are a health and wellness range, including Manuka honey, jarrah honey and apple cider vinegar. Allowrie branded products are a value-driven brand that contains a blend of Australian and quality assured imported honey from accredited suppliers. Wescobee branded products are premium 100% Western Australian honey for the Western Australia market.

(e) Overview of assets and operations

Capilano owns business centres for honey packaging, warehousing and distribution functions at Richlands, Queensland and Maryborough, Victoria, and leases a facility in Bayswater, Western Australia. The corporate head office is located at the Richlands business centre.

Each location is close to main honey producing regions of Australia and within reach of major domestic markets and shipping ports for exports. The Richlands site receives and packs honey, and is the only site to pack Beotic and manufacture PET bottles. The Maryborough and Bayswater sites receive and pack honey, ACV and glass products.

Capilano is the largest and most active purchaser of pure Australian honey in Australia. Australian honey purchases in FY18 were 16.2% higher than FY17. Closing financial year at 30 June 2018, honey stocks have improved from 5,953 tonnes to 6,746 tonnes. As at

FY18, the book value of inventory has also increased from \$44.2 million in FY17 to \$51.3 million.

Capilano has joint venture arrangements with Medibee Apiaries and Western Honey Supplies.

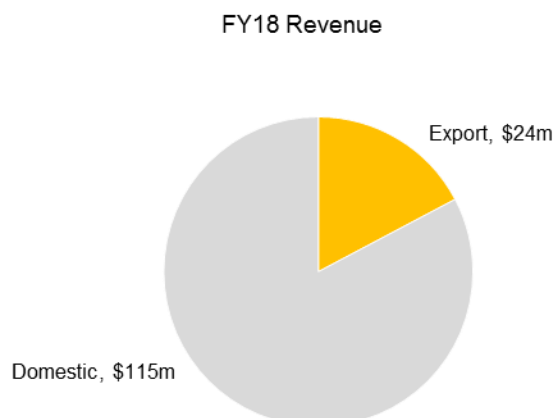
- Medibee Apiaries is a 50:50 joint venture with New Zealand Manuka specialist Comvita Limited (NZE:CVT) focusing on increasing the production and security of Australian Manuka honey supply. Medibee Apiaries was the single largest supplier of Manuka honey to Capilano in FY18.
- Western Honey Supplies is a joint venture with a large existing supplier base in Western Australia. Its main focus is increasing the honey supply security of premium floral and organic honey from pristine environments in Western Australia. Western Honey Supplies was the single largest supplier of Western Australian honey to Capilano in FY18 and is one of Capilano's top five suppliers nationally.

(f) **Customer overview**

Capilano operates across domestic and export segments. Capilano's revenues are predominately driven by its domestic revenue, which represents approximately 83% of total revenues derived by the business.

The Capilano Group has a number of customers to whom it provides products. Capilano supplies ten major customers, accounting for 75.2% of Capilano's revenue in FY18. The next most significant customer accounted for 1.12% of Capilano's revenue in FY18.

In FY18, Capilano's domestic revenues were \$115 million, up from \$111 million in FY17 (a 4% increase from the prior year). Export revenues increased by 5% to \$24 million in FY18, from \$22.5 million in FY17. The information above is available in Capilano's 2018 Annual Report (including its audited financial statements in respect of the year ended 30 June 2018), which is available from ASX's website (www.asx.com.au) and from Capilano's website (<https://www.capilano.com.au/en/corporate>).



Capilano's largest export channels are Asia (excluding China), Canada, Middle East and China. China represents one of Capilano's largest export growth markets and is a primary focus of its strategic outlook.

(g) **Capilano's strategy**

Capilano's key strategic themes are operational and supply chain excellence, protecting and growing domestic share in all channels and delivering growth of premium high value natural health products internationally. Capilano is focused on delivering innovative

products to health and wellness and premium segments across its brand portfolio to fuel growth and favourably re-shape the sales mix.

Capilano has established a modest position in the primary production sector that remains targeted at delivering an increased level of support for the industry, improving supply security and ensuring that premium Australian floral resources are not lost to overseas and domestic buyers. Capilano continues to invest significantly in a range of initiatives to promote bee health, effective biosecurity and to support beekeeper education and development.

International customer attention towards honey continues to grow as part of a broader interest in natural, health and wellness foods and Capilano continues to service these markets. Capilano has invested in international honey category data to provide support to marketing and innovation pursuits.

Capilano is investing in an innovation capability to allow it to better appeal to emerging markets and build market value by moving sales to higher value product segments. In conjunction with a range of executive upgrades, Capilano has established a new marketing and innovation team aimed at creating value from its existing product offering and to bring new innovations to market, both domestically and internationally.

Capilano will continue to concentrate on the core strategies of meeting its consumers' expectations, providing choice, leading innovation and delivering consistent premium quality in both flavour and packaging.

8.2 Board and senior management

(a) Capilano Board

The directors of Capilano (as at the Last Practicable Date) are listed below. Further information on each of the directors who will be on the HoldCo Board is contained in Section 9.8 of this Scheme Booklet.

Name	Current position
Trevor R. Morgan	Chairman, Independent Non-Executive Director, Commercial Apiarist
Phillip F McHugh	Deputy Chairman, Independent Non-Executive Director, Commercial Apiarist
Benjamin A McKee	Managing Director
Robert N Newey	Independent Non-Executive Director
Brian F O'Donnell	Non-Executive Director
Julie A Pascoe	Independent Non-Executive Director
Simon L Tregoning	Independent Non-Executive Director
Valentina Tripp	Independent Non-Executive Director

(b) Capilano senior management

Capilano's current senior management comprises the following members.

Name	Current position
Benjamin McKee	Managing Director
Annette Zbasnik	Company Secretary
Dirk Kemp	General Manager - Finance
Kym Holloway	Operations Director
Peter McDonald	International Sales Director
Jamie Henderson	Domestic Sales Director
Tanya Watt	Marketing and Innovation Director
Keryn Austin	National Human Resources Manager

8.3 Historical financial information

(a) Basis of preparation

The historical financial information set out in this Section 8.3 has been extracted from Capilano's audited financial statements for the financial years ended 30 June 2015 to 30 June 2018, which were audited by William Buck, and should be read in conjunction with the notes included in those financial reports.

Those reports have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act.

The historical financial information of Capilano presented is in an abbreviated form and does not contain all the disclosures, presentation, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act. Capilano considers that for the purposes of this Scheme Booklet the historical financial information presented in an abbreviated form is more meaningful to Capilano Shareholders. The recent full statutory financial reports, including all notes to those accounts, are publicly disclosed on Capilano's ASX profile located on ASX's website at www.asx.com.au.

(b) Historical consolidated statement of profit or loss

Capilano Honey Limited – consolidated statement of profit or loss				
\$	FY15	FY16	FY17	FY18
Revenue	120,863,001	133,617,041	133,143,583	138,517,861
Gain on disposal of Manuka beekeeping assets	-	-	2,073,703	-
Share of profit (loss) of joint venture (equity accounted)	-	-	(61,087)	65,426
Finance costs	(645,831)	(871,725)	(434,148)	(399,732)

Other expenses	(109,089,286)	(119,302,654)	(120,909,075)	(124,137,863)
Profit before income tax	11,127,884	13,442,662	13,812,976	14,045,692
Income tax expense	(3,282,837)	(3,959,199)	(3,478,166)	(4,221,888)
Net profit for the year	7,845,047	9,483,463	10,334,810	9,823,804
Total comprehensive income for the year	7,845,047	9,483,463	10,334,810	9,823,804
Earnings per share (cents)	91.3	110.2	109.3	103.9
Dilute earnings per share (cents)	91.3	110.2	108.9	103.2

(c) **Historical consolidated statement of financial position**

Capilano Honey Limited – consolidated statement of financial position				
\$	FY15	FY16	FY17	FY18
Current assets				
Cash and cash equivalents	1,424,491	8,695,629	1,192,711	1,909,134
Trade and other receivables	20,933,909	22,850,501	24,209,622	25,018,945
Inventories	23,344,295	38,792,713	44,152,632	51,265,335
Other assets	1,336,259	176,395	-	-
Prepayments	-	-	199,896	115,071
Income tax receivable	-	-	82,805	-
Non-current assets classified as held for sale	-	7,425,442	-	-
Total current assets	47,038,954	77,940,680	69,837,666	78,308,485
Non-current assets				
Property, plant & equipment	21,395,309	21,499,578	21,236,371	20,656,319
Intangibles	-	-	214,275	214,275
Receivables	-	-	2,500,000	2,500,000
Investments	-	109,397	2,511,148	2,576,574
Deferred tax assets	67,069	185,565	49,423	-
Total non-current assets	21,462,378	21,794,540	26,511,217	25,947,168
Total assets	68,501,332	99,735,220	96,348,883	104,255,653
Current liabilities				

Trade, other payables and provisions	22,483,212	20,671,941	20,845,265	17,333,978
Short term borrowings	2,267,729	8,120,105	1,990,902	6,347,300
Provision for dividend	3,224,167	3,783,238	3,783,238	3,972,387
Income tax payable	2,642,811	836,226	-	735,491
Total non-current liabilities	30,617,919	33,411,510	26,619,405	28,389,156
Non-current liabilities				
Long term borrowings	3,821,843	10,201,648	6,997,500	6,997,500
Long term provisions	356,530	357,940	400,013	498,513
Provision for dividend	-	-	-	52,558
Deferred tax liabilities	-	-	7,397,513	7,548,571
Total liabilities	34,796,292	43,971,098	34,016,918	35,937,727
Net assets	33,705,040	55,764,122	62,331,965	68,317,926
Equity				
Issued capital	8,228,221	24,586,832	24,532,157	24,532,157
Reserves	4,042,851	4,042,851	4,113,551	4,247,851
Retained earnings	21,433,968	27,134,439	33,686,257	39,537,918
Total equity	33,705,040	55,764,122	62,331,965	68,317,926

(d) **Historical consolidated statement of cash flows**

Capilano Honey Limited – consolidated statement of financial position				
\$	FY15	FY16	FY17	FY18
Cash flows from operating activities				
Receipts from customers	114,817,936	131,526,686	128,781,477	134,996,828
Payments to suppliers and employees	(107,236,398)	(136,197,792)	(124,503,047)	(132,702,596)
Interest received	1,641	16	40	1,503
Goods and services tax received	2,171,410	2,613,953	2,886,701	2,612,934
Income tax paid	(1,707,720)	(5,704,962)	(4,237,624)	(3,301,611)
Interest paid	(426,125)	(625,394)	(297,888)	(313,990)
Net cash (used in) generated from operating activities	7,620,744	(8,387,493)	2,629,659	1,293,068
Cash flows from investing activities				
Payment for	-	(109,397)	(2,462,838)	-

For personal use only

investments				
Payment for intangibles	-	(2,722,219)	(214,275)	-
Payment for biological assets, property, plant and equipment	(3,524,837)	(6,865,917)	(1,376,404)	(1,247,322)
Loan to joint venture	-	-	(500,000)	-
Proceeds from sale of Manuka beekeeping assets	-	-	7,588,116	-
Proceeds from sale of property, plant and equipment	36,355	168,611	27,273	97,273
Net cash used in investing activities	(3,488,482)	(9,528,922)	3,061,872	(1,150,049)
Cash flows from financing activities				
Issue of shares	500,000	16,777,020	-	-
Capital raising costs	-	(597,727)	(78,106)	-
Dividend paid	(1,704,040)	(3,223,921)	(3,782,992)	(3,782,994)
Proceeds from (repayment of) borrowings	(3,291,907)	12,916,798	(9,333,351)	4,356,398
Net cash generated from (used in) financing activities	(4,495,947)	25,872,170	(13,194,449)	573,404
Net increase (decrease) in cash and cash equivalents held	(363,685)	7,955,755	(7,502,918)	716,423
Cash and cash equivalents at the beginning of the financial year	1,103,559	739,874	8,695,629	1,192,711
Cash and cash equivalents at the end of the financial year	739,874	8,695,629	1,192,711	1,909,134

(e) **Material changes in financial position (since 30 June 2018)**

To the knowledge of the Capilano Directors, there have been no material changes to the financial position of Capilano since 30 June 2018, except as publicly disclosed on Capilano's ASX profile located on ASX's website at www.asx.com.au or in this Scheme Booklet.

8.4 Capital structure

As at the Last Practicable Date, the issued securities of Capilano are as follows:

Type of security	Number on issue
Capilano Shares	9,457,481
Capilano Options	60,000
Foundation Share	1

Additional details about the Capilano Options are set out in Section 13.3 of this Scheme Booklet.

8.5 Capilano's Substantial Shareholders

As extracted from filings released on ASX, in each case prior to the Last Practicable Date, the following persons were substantial holders of Capilano Shares:

Substantial holder	Number of Capilano Shares	Voting power
Wroxby Pty Limited	2,049,906	21.67%
Bega Cheese Limited	1,062,968	11.24%

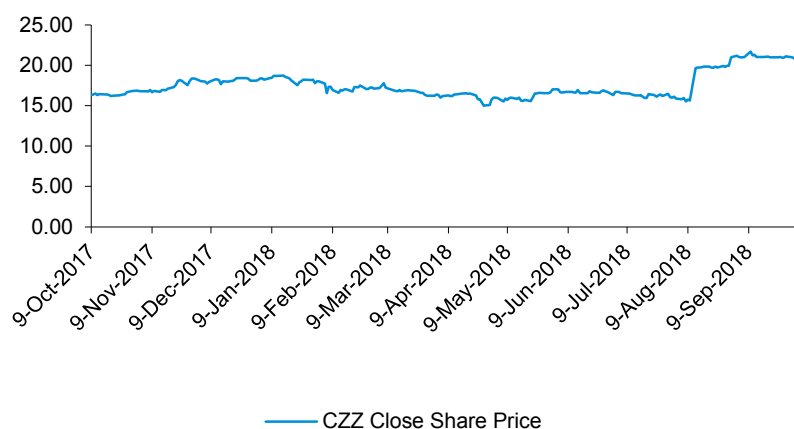
8.6 Recent share price performance

Capilano Shares are listed on ASX under the trading symbol "CZZ".

The closing price of Capilano Shares on ASX on 10 August 2018 (i.e. the last trading day prior to the Announcement Date) was \$15.65. The closing price for Capilano Shares on ASX on 5 October 2018, being the Last Practicable Date was \$20.57.

During the three months ending the Last Practicable Date:

- the highest recorded daily closing price for Capilano Shares was \$21.71 on 10 September 2018; and
- the lowest recorded daily closing price for Capilano Shares was \$15.51 on 8 August 2018.



8.7 Bega’s recent acquisitions

Since the announcement of the Scheme and the recent acquisitions of Capilano Shares by Bega (latest disclosed on 26 September 2018), Capilano Shares have at times been trading higher than the value of the Cash Consideration (see Section 8.6 above). On the other hand, if the Scheme is not implemented and no Superior Proposal emerges, the price of Capilano Shares may fall.

Capilano Shareholders should have regard to the prevailing trading prices of Capilano Shares. You may ascertain the current trading prices of Capilano Shares through ASX website (www.asx.com.au).

8.8 Risks

If the Scheme does not proceed, Capilano will continue to be subject to a number of risks and uncertainties. One or more or a combination of these risks could materially impact the Capilano Group’s businesses, its operating and financial performance, the price of Capilano Shares or any dividends which might be paid in respect of Capilano Shares.

You should carefully consider the risk factors described in Section 10, as well as the other information contained in this Scheme Booklet before voting on the Scheme. You should also consult the appropriate legal, financial, tax or other professional advisers on the effect of this Scheme becoming Effective.

8.9 Publicly available information about Capilano

Capilano is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on ASX, Capilano is subject to Listing Rules which require (subject to some exceptions) continuous disclosure of any information that Capilano has that a reasonable person would expect to have a material effect on the price or value of Capilano Shares.

ASX maintains files containing publicly disclosed information about all entities listed on ASX. Information disclosed to ASX by Capilano is available on ASX’s website at www.asx.com.au.

In addition, Capilano is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Capilano may be obtained from an ASIC office.

Capilano's Shareholders may obtain a copy of Capilano's 2018 Annual Report (including its audited financial statements in respect of the year ended 30 June 2018) from ASX's website (www.asx.com.au), from Capilano's website (<https://www.capilano-honey.com/au-en/corporate>) or by calling the Capilano Shareholder Information Line on 1300 795 998 (within Australia) or +61 1300 795 998 (outside Australia).

Capilano's announcements to ASX after the lodgement with ASX of its financial statement for FY18 to the Last Practicable Date are listed in the table below.

Capilano ASX announcements since 13 August 2018

This table does not contain announcements on ASX relating to notices of change of interests of substantial holders.

Date	Announcement
13/08/2018	Scheme Implementation Agreement
13/08/2018	Announcement – Scheme Implementation Agreement
13/08/2018	Corporate Governance Statement
13/08/2018	Appendix 4G – Corporate Governance
13/08/2018	Annual Report to shareholders
13/08/2018	Preliminary Final Report
03/09/18	Capilano stands behind testing regime
04/09/18	Annual General Meeting details
13/09/18	Capilano Beekeepers Ltd support announced transaction

8.10 Litigation

Capilano is from time to time involved in disputes and litigation.

As at the Last Practicable Date, the Capilano Group is not involved in any ongoing litigation or dispute which is material in the context of the Capilano Group taken as a whole.

8.11 Adverse media allegations

Since 3 September 2018, and as disclosed by Capilano in its announcement on the same date, there have been adverse media allegations in relation to the Allowrie honey and honey which Capilano supplies under supermarket brands, and the nuclear magnetic resonance testing method.

HoldCo and BidCo have confirmed that they are aware of the recent adverse media allegations in relation to the Allowrie honey and honey which Capilano supplies under supermarket brands, and the nuclear magnetic resonance testing method, including the matters described in the ASX announcement released by Capilano on 3 September 2018 (**Allowrie Allegations**). HoldCo and BidCo have confirmed that, to the extent they are aware of the Allowrie Allegations, the Allowrie Allegations do not constitute a “Material Adverse Effect” for the purposes of the Scheme Implementation Agreement, and have waived their rights in respect of them being a breach or non-fulfillment of the “No Material Adverse Effect” condition in the Scheme Implementation Agreement (see 13.1(b) of this Scheme Booklet) and a right to terminate (see 13.1(g) of this Scheme Booklet). For further detail, please refer to Section 13.2.

9 Information about BidCo and HoldCo

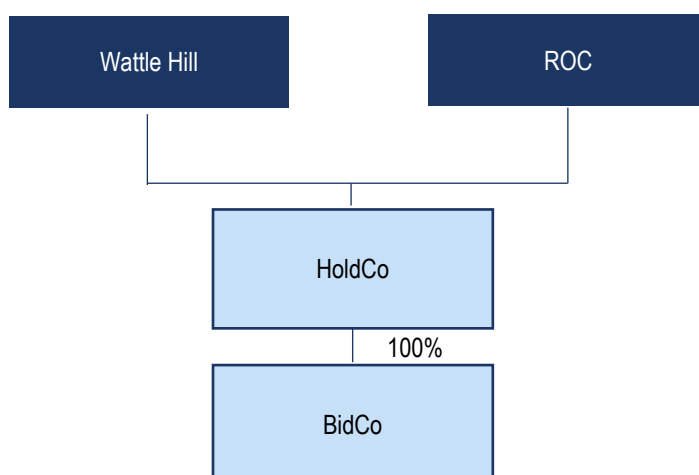
This Section 9 has been prepared by BidCo and HoldCo. The information concerning the Consortium, BidCo, HoldCo and the intentions, views and opinions contained in this Section 9 are the responsibility of HoldCo and BidCo.

9.1 Overview of the Consortium

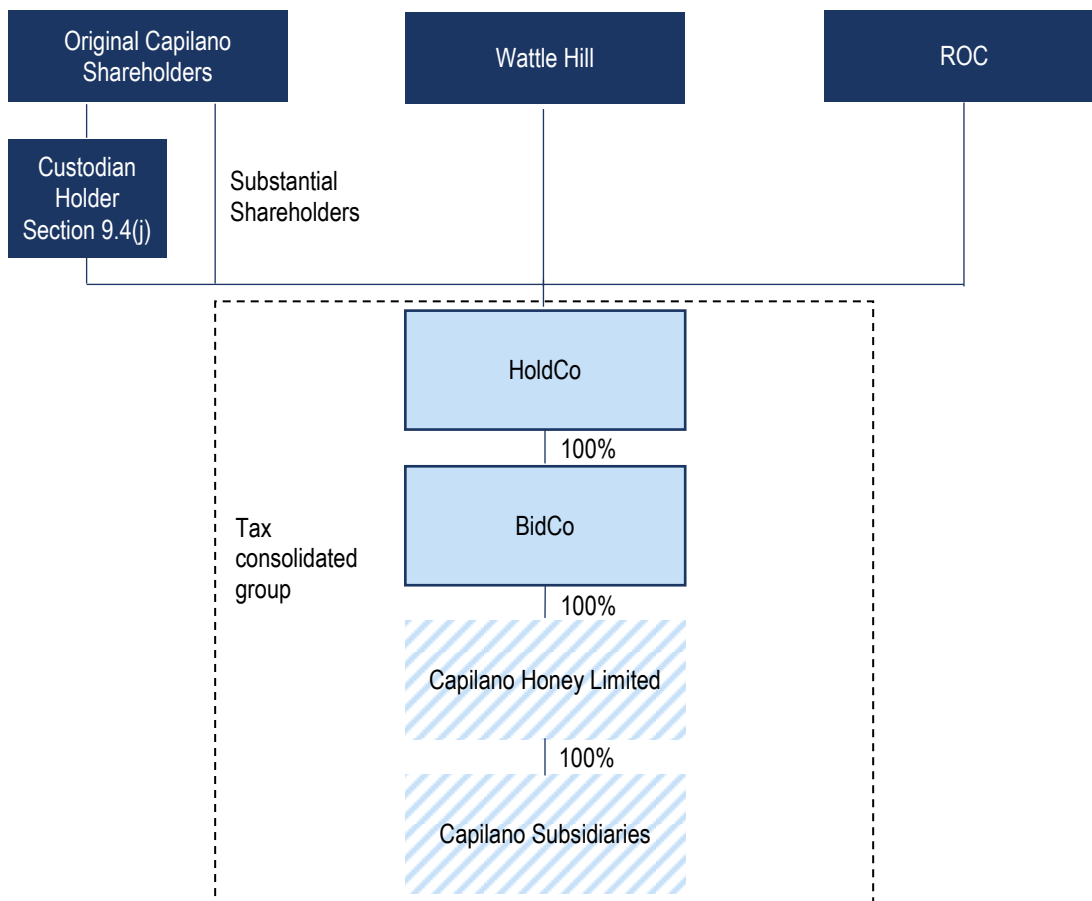
(a) Ownership structure

As at the date of this Scheme Booklet, BidCo is a wholly owned Subsidiary of HoldCo. As at the date of this Scheme Booklet, Wattle Hill and ROC each own 50% of the HoldCo Shares. BidCo will acquire 100% of the Capilano Shares under the Scheme. The ownership structure of the HoldCo Group, both before and after Implementation is shown in the diagram below:

Before Implementation of the Scheme:



After Implementation of the Scheme:



(b) Overview of Wattle Hill

Headquartered in Sydney, with offices in Hong Kong, Wattle Hill is a private equity fund focused on investments in Australian businesses that offer products and services in demand by Chinese consumers.

Wattle Hill identifies enterprises that will benefit from China’s economic growth and development then helps them prepare for and navigate Chinese market entry and expansion. Wattle Hill is an investment firm with a defined concurrent focus on the Chinese and Australian markets.

Wattle Hill aims to enhance portfolio companies’ value through the team’s Chinese market expertise and connections, leveraging the marketing and distribution resources of strategic partners in Australia and China. Food-related investments by Wattle Hill and its associated entities include Eco-Farms, Australia’s organic food wholesaler, organic

product brand "Absolute Organic", and Buderim Group, an Australian brand that manufactures and wholesales macadamias and ginger-based products.

Wattle Hill was founded by Albert Tse and Lisa Fang, both Australian educated and cross-border investment professionals between Australia and China, with significant experience across M&A, IPO and principal investments. Wattle Hill combines an experienced team to bridge the business and cultural gap between the two countries.

Wattle Hill established its Australian fund in March 2016 with two of the largest insurance groups from Europe and China, as well as family office investors from China's leading private e-commerce and fast moving consumer goods companies.

Wattle Hill's investment will be made through Wattle Hill RHC Fund 1, using pre-committed investor capital. Wattle Hill RHC Fund 1 is an Australian incorporated limited partnership (NSW ILP1500016), registered in New South Wales as a venture capital limited partnership.

(c) **Overview of ROC**

ROC is an alternative investment manager specialising in private equity investments across the Asia Pacific region. It was established in June 2014 following a management buy-out of Macquarie Group's private markets business unit that has been in continuous operation since 1998. ROC has over 30 staff members across three offices and has total funds under advice (**FUA**) of approximately \$5.8 billion.

While most of ROC's investment activities are in Australia, ROC has also invested significant capital in other markets across Asia Pacific, including China, India, Japan and South-East Asia. ROC has invested in over 65 direct investments alongside its investment partners across the Asia Pacific region.

ROC has strong capabilities in the agricultural industry. ROC invested in Stone Axe Pastoral in May 2017, an owner of prime pastoral land with a wagyu breeding herd. ROC also invested in Australia's Oyster Coast in 2018, a NSW headquartered vertically integrated oyster grower, processor and marketer.

ROC's investment in HoldCo will be made through Roc Capital Pty Limited in its capacity as trustee of the ROC B&Y Investment Trust. ROC's clients that are predominantly Australian superannuation funds complemented by some high net worth individuals will be investing in in this vehicle. Investors in this vehicle bring patient capital with a long investment horizon which we believe is necessary to facilitate the execution of the investment thesis.

(d) **Governance arrangements between the Consortium**

The governance arrangements between Wattle Hill and ROC following Implementation are set out in the HoldCo Constitution as detailed in Annexure F and the Shareholders' Deed as detailed in Annexure E.

(e) **Acquisition rationale and strategy**

The Consortium sees the potential to refocus Capilano's brands towards the premium market, especially in China, improving brand awareness, customer engagement, and ultimately transforming a commodity honey seller into an international, high margin focused business. Should Implementation occur, the Consortium anticipates working with senior management and the HoldCo Board to research, prepare and approve a corporate and operating strategy for the short, medium and long term.

9.2 Overview of HoldCo

(a) General

HoldCo is a special purpose company that was incorporated for the purpose of holding all of the shares in BidCo, as well as issuing HoldCo Shares to Scheme Shareholders who validly elect to receive the Scrip Consideration and to Scheme Shareholders who validly elect to subscribe for additional HoldCo Shares under the HoldCo Share Offer.

HoldCo is an unlisted proprietary limited company incorporated in Australia that has not commenced trading or conducted business prior to the date of this Scheme Booklet. As at the date of this Scheme Booklet, HoldCo does not own any assets, and does not have any liabilities, other than: its holding of shares in BidCo, in connection with its incorporation, the entry into documents in connection with the Scheme and the taking of actions to facilitate the Implementation of the Scheme.

None of the securities of HoldCo are granted official quotation on any securities exchange, nor will they be granted official quotation on any securities exchange following Implementation for the foreseeable future.

The affairs of HoldCo are regulated under the HoldCo Constitution, a copy of which is set out in Annexure F, and the Shareholders' Deed, a copy of which is set out in Annexure E.

A summary of the rights and liabilities attaching to HoldCo Shares under the HoldCo Constitution and Shareholders' Deed is set out in Section 9.9. The summary is not exhaustive. Capilano Shareholders considering making an Election to receive the Scrip Consideration, including to subscribe for HoldCo Shares under the HoldCo Share Offer, should read and understand the HoldCo Constitution and Shareholders' Deed in full and seek their own independent advice before making a decision.

(b) Current share capital structure of HoldCo

As at the date of this Scheme Booklet, all HoldCo Shares are owned 50% by Wattle Hill and 50% by ROC, as shown in the diagram in Section 9.1.

(c) Illustrative share capital structure of HoldCo at the Implementation Date

Under the terms of the Scheme, Scheme Shareholders may make an Election to receive the Scrip Consideration, and those Scheme Shareholders who have made an Election to receive the Scrip Consideration may also elect to apply for all (and not some only) of the additional HoldCo shares which they are eligible to subscribe for under the HoldCo Share Offer. To subscribe for their entitlement to the additional HoldCo Shares, Eligible Capilano Shareholders will have to pay the subscription price of \$20.06 per HoldCo Share to HoldCo at the time of the Election (see Section 9.4 for more information in relation to the HoldCo Share Offer).

It is a Condition Precedent to the Scheme that the total number of HoldCo Shares to be issued to Scheme Shareholders who have made an Election to receive the Scrip Consideration, together with the total number of HoldCo Shares to be issued to Scheme Shareholders who have applied for HoldCo Shares under the HoldCo Share Offer, represents a minimum of 15.0% of HoldCo Shares (**Minimum Scrip Consideration Condition**).

Under the terms of the Scheme, a proportional scaleback will apply if the number of HoldCo Shares to be issued to Scheme Shareholders who have made an Election to receive the Scrip Consideration, together with the total number of HoldCo Shares to be issued to Scheme Shareholders who have validly applied for HoldCo Shares under the HoldCo Share Offer, would (assuming that there were no Scaleback Arrangements) exceed 49.9% of the HoldCo Shares on issue immediately after Implementation. See Section 7.4(c) for further information on the Scaleback Arrangements.

Importantly, the Scaleback Arrangements apply in different ways to those Scheme Shareholders who make an Election to only receive the Scrip Consideration, and to those Scheme Shareholders who make a valid Election to both receive the Scrip Consideration and to apply for additional HoldCo Shares under the HoldCo Share Offer.

As such, if the Scheme is implemented, Scheme Shareholders will in aggregate own between 15.0% and 49.9% of all HoldCo Shares and the Consortium will own between 85.0% and 50.1% of all HoldCo Shares. However, the exact number of HoldCo Shares issued to Scheme Shareholders under the Scheme will vary depending on:

- whether the Minimum Scrip Consideration Condition is satisfied or waived; and
- whether and how the Scaleback Arrangements apply.

Each of those two matters depends on the exact combinations of Elections to only receive the Scrip Consideration, and of valid Elections to both receive the Scrip Consideration and to apply for additional HoldCo Shares under the HoldCo Share Offer. There can be many possible combinations of such Elections.

The following scenarios are shown to illustrate the potential share capital structure of HoldCo which may eventuate at the Implementation Date. Each of these scenarios is based on a number of assumptions which are unlikely to reflect the actual outcome of events at the Implementation Date and should be considered as illustrative only.

Wroxby Pty Limited has indicated to Capilano that, in the absence of a Superior Proposal (as defined in the Scheme Implementation Agreement), it intends to vote in favour of the Scheme and to elect to receive Scrip Consideration rather than Cash Consideration. Accordingly, there is a reasonable basis to expect that the Minimum Scrip Consideration Condition under the Scheme will be satisfied.

As such, while HoldCo has the right to waive any non-fulfilment of the Minimum Scrip Consideration Condition, a scenario in which less than 15.0% of HoldCo Shares are held by Scheme Shareholders has not been provided.

i) Elections in respect of 10.0% of Scheme Shares to both receive the Scrip Consideration and to participate in the HoldCo Share Offer

If the Scheme is implemented, assuming that Scheme Shareholders who hold 10.0% of all Scheme Shares make Elections to receive the Scrip Consideration and all of those Scheme Shareholders also make Elections to participate in the HoldCo Share Offer:

- Scheme Shareholders who made such Elections will in aggregate own 15.0% of all HoldCo Shares (being 10.0% of HoldCo Shares issued as Scrip Consideration and 5.0% of HoldCo Shares issued under the HoldCo Share Offer); and
- the Consortium will own 85.0% of HoldCo Shares.

In this scenario, the illustrative share capital structure of HoldCo immediately after Implementation can be depicted as follows:

Assumptions and scaleback application	
Cash Elections	90.0%
Scrip Elections:	
Shareholders electing Scrip only and not participating in the HoldCo Share Offer	-%
Shareholders electing Scrip and participating in the HoldCo Share Offer	10.0%
Total Scrip Elections	10.0%
HoldCo Share Offer shares applied for	5.0%
Total Scrip and HoldCo Share Offer shares applied for	15.0%
<i>Excess shares applied for (above 49.9% available)</i>	-%

Scaleback of Shareholders electing Scrip only and not participating in the HoldCo Share Offer	
Shares applied for by Scrip Only Participants	-%
Scaleback of Scrip Only Participants	-%
Shares to be issued to Scrip Only Participants	-%
<i>Excess shares applied for after scaling back Scrip Only Participants</i>	-%

Scaleback of Shareholders electing Scrip and also participating in the HoldCo Share Offer	
Shares applied for by Scrip and Offer Participants	15.0%
Scaleback of Scrip and Offer Participants	-%
Shares to be issued to Scrip and Offer Participants	15.0%

Total shares to be issued to Original Capilano Shareholders	15.0%
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Post scaleback shareholding structure		
	Shares	% of total
Total Consortium Shares	8,038,858	85.0%
Total Scrip Consideration to Original Capilano Shareholders	945,749	10.0%
Total HoldCo Share Offer shares to Original Capilano Shareholders	472,874	5.0%
Total HoldCo Shares on issue	9,457,481	100.0%

ii) Elections in respect of 15.0% of Scheme Shares to receive the Scrip Consideration only, and no Elections to participate in the HoldCo Share Offer

If the Scheme is implemented, assuming that Scheme Shareholders who hold 15.0% of all Scheme Shares make Elections to receive the Scrip Consideration and none of those Scheme Shareholders make Elections to participate in the HoldCo Share Offer:

- Scheme Shareholders who made such Elections will in aggregate own 15.0% of all HoldCo Shares (being 15.0% of HoldCo Shares issued as Scrip Consideration and no HoldCo Shares issued under the HoldCo Share Offer); and
- the Consortium will own 85.0% of HoldCo Shares.

In this scenario, the illustrative share capital structure of HoldCo immediately after Implementation can be depicted as follows:

Assumptions and scaleback application	
Cash Elections	85.0%
Scrip Elections:	
Shareholders electing Scrip only and not participating in the HoldCo Share Offer	15.0%
Shareholders electing Scrip and participating in the HoldCo Share Offer	-%
Total Scrip Elections	15.0%
HoldCo Share Offer shares applied for	-%
Total Scrip and HoldCo Share Offer shares applied for	15.0%
<i>Excess shares applied for (above 49.9% available)</i>	-%

Scaleback of Shareholders electing Scrip only and not participating in the HoldCo Share Offer	
Shares applied for by Scrip Only Participants	15.0%
Scaleback of Scrip Only Participants	-%
Shares to be issued to Scrip Only Participants	15.0%
<i>Excess shares applied for after scaling back Scrip Only Participants</i>	-%

Scaleback of Shareholders electing Scrip and also participating in the HoldCo Share Offer	
Shares applied for by Scrip and Offer Participants	-%
Scaleback of Scrip and Offer Participants	-%
Shares to be issued to Scrip and Offer Participants	-%

Total shares to be issued to Original Capilano Shareholders	15.0%
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Post scaleback shareholding structure		
	Shares	% of total
Total Consortium Shares	8,038,858	85.0%
Total Scrip Consideration to Original Capilano Shareholders	1,418,623	15.0%
Total HoldCo Share Offer shares to Original Capilano Shareholders	-	-%
Total HoldCo Shares on issue	9,457,481	100.0%

iii) Elections in respect of 30.0% of Scheme Shares to receive the Scrip Consideration only, and Elections in respect of 30.0% of Scheme Shares to both receive the Scrip Consideration and to participate in the HoldCo Share Offer

If the Scheme is implemented, assuming that Scheme Shareholders who hold 30.0% of all Scheme Shares make Elections to only receive the Scrip Consideration and Scheme Shareholders who hold 30.0% of all Scheme Shares make Elections to both receive the Scrip Consideration and to participate in the HoldCo Share Offer:

- Scheme Shareholders who made such Elections will in aggregate own 49.9% of all HoldCo Shares (being 34.9% of HoldCo Shares issued as Scrip Consideration and 15.0% of HoldCo Shares issued under the HoldCo Share Offer); and
- the Consortium will own 50.1% of HoldCo Shares.

In this scenario, Scheme Shareholders who made Elections to only receive the Scrip Consideration will be partially scaled back under the Scaleback Arrangements, but Scheme Shareholders who made Elections to both receive the Scrip Consideration and to participate in the HoldCo Share Offer will receive their full allocation.

In this scenario, the illustrative share capital structure of HoldCo immediately after Implementation can be depicted as follows:

Assumptions and scaleback application	
Cash Elections	40.0%
Scrip Elections:	
Shareholders electing Scrip only and not participating in the HoldCo Share Offer	30.0%
Shareholders electing Scrip and participating in the HoldCo Share Offer	30.0%
Total Scrip Elections	60.0%
HoldCo Share Offer shares applied for	15.0%
Total Scrip and HoldCo Share Offer shares applied for	75.0%
<i>Excess shares subscribed for (above 49.9% available)</i>	<i>25.1%</i>

Scaleback of Shareholders electing Scrip only and not participating in the HoldCo Share Offer	
Shares applied for by Scrip Only Participants	30.0%
Scaleback of Scrip Only Participants	(25.1%)
Shares to be issued to Scrip Only Participants	4.9%
<i>Excess shares applied for after scaling back Scrip Only Participants</i>	<i>-%</i>

Scaleback of Shareholders electing Scrip and also participating in the HoldCo Share Offer	
Shares applied for by Scrip and Offer Participants	45.0%
Scaleback of Scrip and Offer Participants	-%
Shares to be issued to Scrip and Offer Participants	45.0%

Total shares to be issued to Original Capilano Shareholders	49.9%
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Post scaleback shareholding structure		
	Shares	% of total
Total Consortium Shares	4,738,199	50.1%
Total Scrip Consideration to Original Capilano Shareholders	3,300,660	34.9%
Total HoldCo Share Offer shares to Original Capilano Shareholders	1,418,622	15.0%
Total HoldCo Shares on issue	9,457,481	100.0%

iv) Elections in respect of 10.0% of Scheme Shares to receive the Scrip Consideration only, and Elections in respect of 50.0% of Scheme Shares to both receive the Scrip Consideration and to participate in the HoldCo Share Offer

If the Scheme is implemented, assuming that Scheme Shareholders who hold 10.0% of all Scheme Shares make Elections to only receive the Scrip Consideration and Scheme Shareholders who hold 50.0% of all Scheme Shares make Elections to both receive the Scrip Consideration and to participate in the HoldCo Share Offer:

- Scheme Shareholders who made such Elections will in aggregate own 49.9% of all HoldCo Shares (being 33.3% of HoldCo Shares issued as Scrip Consideration and 16.6% of HoldCo Shares issued under the HoldCo Share Offer); and
- the Consortium will own 50.1% of HoldCo Shares.

In this scenario, Scheme Shareholders who made Elections to only receive the Scrip Consideration will receive no HoldCo Shares under the Scaleback Arrangements, but Scheme Shareholders who made Elections to both receive the Scrip Consideration and to participate in the HoldCo Share Offer will be partially scaled back.

In this scenario, the illustrative share capital structure of HoldCo can be depicted as follows:

Assumptions and scaleback application	
Cash Elections	40.0%
Scrip Elections:	
Shareholders electing Scrip only and not participating in the HoldCo Share Offer	10.0%
Shareholders electing Scrip and participating in the HoldCo Share Offer	50.0%
Total Scrip Elections	60.0%
HoldCo Share Offer shares applied for	25.0%
Total Scrip and HoldCo Share Offer shares applied for	85.0%
<i>Excess shares applied for (above 49.9% available)</i>	<i>35.1%</i>

Scaleback of Shareholders electing Scrip only and not participating in the HoldCo Share Offer	
Shares applied for by Scrip Only Participants	10.0%
Scaleback of Scrip Only Participants	(10.0%)
Shares to be issued to Scrip Only Participants	-%
<i>Excess shares applied for after scaling back Scrip Only Participants</i>	<i>25.1%</i>

Scaleback of Shareholders electing Scrip and also participating in the HoldCo Share Offer	
Shares applied for by Scrip and Offer Participants	75.0%
Scaleback of Scrip and Offer Participants	(25.1%)
Shares to be issued to Scrip and Offer Participants	49.9%

Total shares to be issued to Original Capilano Shareholders	49.9%
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Post scaleback shareholding structure		
	Shares	% of total
Total Consortium Shares	4,738,199	50.1%
Total Scrip Consideration to Original Capilano Shareholders	3,146,188	33.3%
Total HoldCo Share Offer shares to Original Capilano Shareholders	1,573,094	16.6%
Total HoldCo Shares on issue	9,457,481	100.0%

v) Elections in respect of the largest current Capilano Shareholder, holding approximately 21.7% of Scheme Shares, to both receive the Scrip Consideration and to participate in the HoldCo Share Offer

If the Scheme is implemented, assuming that the largest current Capilano Shareholder who holds 2,049,906 Scheme Shares (approximately 21.7%) makes an Election to both receive the Scrip Consideration and to participate in the HoldCo Share Offer and all other Scheme Shareholders elect the Cash Consideration:

- That Scheme Shareholder will own 32.5% of all HoldCo Shares (being 21.7% of HoldCo Shares issued as Scrip Consideration and 10.8% of HoldCo Shares issued under the HoldCo Share Offer); and
- the Consortium will own 67.5% of HoldCo Shares.

Please note that Wroxby Pty Limited's shareholding used in the example is as disclosed in its change in substantial holding notice in respect of Capilano dated 12 September 2018. Wroxby Pty Limited may have acquired or disposed of Capilano Shares before the date of this Scheme Booklet and may acquire or dispose of Capilano Shares before the Scheme Record Date.

In this scenario, the illustrative share capital structure of HoldCo immediately after Implementation can be depicted as follows:

Assumptions and scaleback application	
Cash Elections	78.3%
Scrip Elections:	
Shareholders electing Scrip only and not participating in the HoldCo Share Offer	-%
Shareholders electing Scrip and participating in the HoldCo Share Offer	21.7%
Total Scrip Elections	21.7%
HoldCo Share Offer shares applied for	10.8%
Total Scrip and HoldCo Share Offer shares applied for	32.5%
<i>Excess shares applied for (above 49.9% available)</i>	-%

Scaleback of Shareholders electing Scrip only and not participating in the HoldCo Share Offer	
Shares applied for by Scrip Only Participants	-%
Scaleback of Scrip Only Participants	-%
Shares to be issued to Scrip Only Participants	-%
<i>Excess shares applied for after scaling back Scrip Only Participants</i>	-%

Scaleback of Shareholders electing Scrip and also participating in the HoldCo Share Offer	
Shares applied for by Scrip and Offer Participants	32.5%
Scaleback of Scrip and Offer Participants	-%
Shares to be issued to Scrip and Offer Participants	32.5%

Total shares to be issued to Original Capilano Shareholders	32.5%
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Post scaleback shareholding structure		
	Shares	% of total
Total Consortium Shares	6,382,622	67.5%
Total Scrip Consideration to Original Capilano Shareholders	2,049,906	21.7%
Total HoldCo Share Offer shares to Original Capilano Shareholders	1,024,953	10.8%
Total HoldCo Shares on issue	9,457,481	100.0%

(d) **Illustrative sources and uses of funds of the HoldCo Group at the Implementation Date**

The following scenarios are shown to illustrate the potential sources and uses of funds of the consolidated HoldCo Group (including Capilano) which may eventuate at the Implementation Date. Each of these scenarios is based on a number of assumptions which are unlikely to reflect the actual outcome of events at the Implementation Date and should be considered as illustrative only.

The sources and uses of funds shown in the tables below are based on both BidCo and Capilano assumptions around various items as at the Implementation Date including:

- the number of Scheme Shareholders who make a valid Election to receive the Scrip Consideration and who make a valid Election to participate in the HoldCo Share Offer; and
- that no Capilano Shares will be issued or required to be issued on or after the Scheme Record Date as a result of the exercise of any convertible securities on issue as at the date of this Scheme Booklet, including the Employee Share Right.

In addition:

- under the Scheme Implementation Agreement, subject to the Scheme becoming Effective and any required Capilano and HoldCo Group shareholder approvals being obtained after the Effective Date, Capilano will pay or reimburse all of HoldCo's external adviser costs incurred in connection with the Scheme, which were estimated to be \$5.11 million plus GST. As such, the

sources and uses of funds shown in the tables below do not include any transaction costs being paid by HoldCo; and

- HoldCo and BidCo do not intend that any of Capilano's existing debt is repaid on or after Implementation, and do not intend to raise any debt financing to fund the Scheme Consideration. As such, the sources and uses of funds shown in the tables below do not include any such matters.

It is important to understand that the funds raised under the HoldCo Share Offer will be used by HoldCo and BidCo to fund part of the Scheme Consideration payable to those Scheme Shareholders who receive Cash Consideration under the Scheme.

This means that the funds raised under the HoldCo Share Offer will not be used to fund the working capital or other capital requirements of the Capilano business after Implementation.

i) Elections in respect of 10.0% of Scheme Shares to both receive the Scrip Consideration and to participate in the HoldCo Share Offer

If the Scheme is implemented, assuming that Scheme Shareholders who hold 10.0% of all Scheme Shares make Elections to receive the Scrip Consideration and all of those Scheme Shareholders also make Elections to participate in the HoldCo Share Offer:

- BidCo will pay (or procure the payment of) the Cash Consideration in respect of 90.0% of the Scheme Shares; and
- HoldCo will issue 472,874 HoldCo Shares under the HoldCo Share Offer for a cash subscription price of \$20.06 per HoldCo Share.

In this scenario, the illustrative sources and uses of funds can be shown as follows:

Sources & uses of funds	
Sources	Amount
Cash provided by Consortium (\$20.06 for 8,038,858 shares)	\$ \$161,259,491
Cash provided by shareholders participating in the HoldCo Share Offer (\$20.06 for 472,874 shares)	\$ \$9,485,852
Total sources of funds	\$ \$170,745,344
Uses	
Payment of cash to Scheme Shareholders (\$20.06 for 8,511,732 shares)	\$ \$170,745,344
Total uses of funds	\$ \$170,745,344

ii) Elections in respect of 15.0% of Scheme Shares to receive the Scrip Consideration only, and no Elections to participate in the HoldCo Share Offer

If the Scheme is implemented, assuming that Scheme Shareholders who hold 15.0% of all Scheme Shares make Elections to receive the Scrip Consideration and none of those Scheme Shareholders make Elections to participate in the HoldCo Share Offer:

- BidCo will pay (or procure the payment of) the Cash Consideration in respect of 85.0% of the Scheme Shares; and
- HoldCo will not receive any cash proceeds under the HoldCo Share Offer.

In this scenario, the illustrative sources and uses of funds can be shown as follows:

Sources & uses of funds	
Sources	Amount
Cash provided by Consortium (\$20.06 for 8,038,858 shares)	\$ \$161,259,491
Cash provided by shareholders participating in the HoldCo Share Offer (\$20.06 for - shares)	\$ \$0
Total sources of funds	\$ \$161,259,491
Uses	
Payment of cash to Scheme Shareholders (\$20.06 for 8,038,858 shares)	\$ \$161,259,491
Total uses of funds	\$ \$161,259,491

iii) Elections in respect of 30.0% of Scheme Shares to receive the Scrip Consideration only, and Elections in respect of 30.0% of Scheme Shares to both receive the Scrip Consideration and to participate in the HoldCo Share Offer

If the Scheme is implemented, assuming that Scheme Shareholders who hold 30.0% of all Scheme Shares make Elections to only receive the Scrip Consideration and Scheme Shareholders who hold 30.0% of all Scheme Shares make Elections to both receive the Scrip Consideration and to participate in the HoldCo Share Offer:

- BidCo will pay (or procure the payment of) the Cash Consideration in respect of 65.1% of the Scheme Shares; and
- HoldCo will issue 1,418,622 HoldCo Shares under the HoldCo Share Offer for a cash subscription price of \$20.06 per HoldCo Share.

In this scenario, the illustrative sources and uses of funds can be shown as follows:

Sources & uses of funds	
Sources	Amount
Cash provided by Consortium (\$20.06 for 4,738,199 shares)	\$ \$95,048,272
Cash provided by shareholders participating in the HoldCo Share Offer (\$20.06 for 1,418,622 shares)	\$ \$28,457,557
Total sources of funds	\$ \$123,505,829
Uses	
Payment of cash to Scheme Shareholders (\$20.06 for 6,156,821 shares)	\$ \$123,505,829
Total uses of funds	\$ \$123,505,829

iv) Elections in respect of 10.0% of Scheme Shares to receive the Scrip Consideration only, and Elections in respect of 50.0% of Scheme Shares to both receive the Scrip Consideration and to participate in the HoldCo Share Offer

If the Scheme is implemented, assuming that Scheme Shareholders who hold 10.0% of all Scheme Shares make Elections to only receive the Scrip Consideration and Scheme Shareholders who hold 50.0% of all Scheme Shares make Elections to both receive the Scrip Consideration and to participate in the HoldCo Share Offer:

- BidCo will pay (or procure the payment of) the Cash Consideration in respect of 66.7% of the Capilano Shares; and
- HoldCo will issue 1,537,094 HoldCo Shares under the HoldCo Share Offer for a cash subscription price of \$20.06 per HoldCo Share.

In this scenario, the illustrative sources and uses of funds can be shown as follows:

Sources & uses of funds	
Sources	Amount
Cash provided by Consortium (\$20.06 for 4,738,199 shares)	\$ \$95,048,272
Cash provided by shareholders participating in the HoldCo Share Offer (\$20.06 for 1,537,094 shares)	\$ \$31,556,266
Total sources of funds	\$ \$126,604,538
Uses	
Payment of cash to Scheme Shareholders (\$20.06 for 6,311,293 shares)	\$ \$126,604,538
Total uses of funds	\$ \$126,604,538

v) Elections in respect of the largest current Capilano Shareholder, holding approximately 21.7% of Scheme Shares, to both receive the Scrip Consideration and to participate in the HoldCo Share Offer

If the Scheme is implemented, assuming that largest current Capilano Shareholder who holds approximately 21.7% of all Scheme Shares makes an Election to both receive the Scrip Consideration and to participate in the HoldCo Share Offer and all other Scheme Shareholders elect the Cash Consideration:

- BidCo will pay (or procure the payment of) the Cash Consideration in respect of 78.3% of the Scheme Shares; and
- HoldCo will issue 1,024,953 HoldCo Shares under the HoldCo Share Offer for a cash subscription price of \$20.06 per HoldCo Share.

In this scenario, the illustrative sources and uses of funds can be shown as follows:

Sources & uses of funds	
Sources	Amount
Cash provided by Consortium (\$20.06 for 6,382,622 shares)	\$ \$128,035,397
Cash provided by shareholders participating in the HoldCo Share Offer (\$20.06 for 1,024,953 shares)	\$ \$20,560,557
Total sources of funds	\$ \$148,595,955
Uses	
Payment of cash to Scheme Shareholders (\$20.06 for 7,407,575 shares)	\$ \$148,595,955
Total uses of funds	\$ \$148,595,955

(e) Potential impact of acquisition accounting

If the Scheme is Implemented, a formal purchase price allocation exercise will be carried out by HoldCo and BidCo in accordance with AASB3 Business Combinations. This exercise requires the identifiable net assets of the Capilano Group to be fair value at the date of implementation, and any excess of the fair value of the Scheme Consideration transferred over the fair value of net assets acquired (including identifiable intangibles) is recognised as goodwill.

The impact of fair value accounting cannot be accurately determined at this time, as a formal purchase price allocation exercise has not been carried out.

However, the formal purchase price allocation exercise is likely to result in the consolidated HoldCo Group's goodwill on acquisition being materially different to the goodwill that is currently contained in the Capilano Group's consolidated balance sheet. In addition, the formal purchase price allocation exercise may result in an increase in depreciation and amortisation charges for the consolidated HoldCo Group from those currently contained in the Capilano Group's consolidated income statement due to fair value adjustments or additional intangible assets that are recognised.

Further, the tax carrying value of Capilano's assets will also be required to be reset once 100% ownership has been achieved, which may result in a change in the deferred tax balances of the consolidated HoldCo Group compared to those currently held by the consolidated Capilano Group.

Other than the formal purchase price allocation exercise carried out in accordance with AASB3 Business Combinations, HoldCo and BidCo expect to continue with the same accounting policies as the Capilano Group's existing accounting policies, adjusted where appropriate for the HoldCo Group's unlisted, proprietary company status.

9.3 Overview of BidCo

BidCo is a special purpose company that was incorporated for the purpose of holding 100% of the Capilano Shares following Implementation.

BidCo is an unlisted proprietary limited company incorporated in Australia that has not commenced trading or conducted business prior to the date of this Scheme Booklet. As at the date of this Scheme Booklet, BidCo does not own any assets, and does not have any liabilities, other than in connection with its incorporation, the entry into documents in connection with the Scheme and the taking of actions to facilitate the Implementation of the Scheme.

As at the date of this Scheme Booklet, all the shares in BidCo are owned by HoldCo. If the Scheme is implemented, all the shares in BidCo will remain owned by HoldCo.

9.4 HoldCo Share Offer

(a) What is the HoldCo Share Offer?

The HoldCo Share Offer is an offer made by HoldCo to Scheme Shareholders who make an Election to receive Scrip Consideration (**Scrip and Offer Participants**) to apply for all (and not some only) of the additional HoldCo shares which they are eligible to subscribe for under the HoldCo Share Offer, being 0.5 HoldCo Shares for each Scheme Share held by the Scheme Shareholder (rounded down to the nearest whole number) on the Scheme Record Date at a subscription price of \$20.06 per HoldCo Share under the Scheme, subject to the Scaleback Arrangements (details of which are set out in Section 7.4(c)).

As set out in Section 9.2 above, it is a Condition Precedent to the Scheme that the total number of HoldCo Shares to be issued to Scheme Shareholders who have made an Election to receive the Scrip Consideration, together with the total number of HoldCo Shares applied for by Scheme Shareholders who have made an Election to participate in the HoldCo Share Offer, represents at least 15.0% of HoldCo Shares.

Scrip and Offer Participants should note that a scaleback will apply if the number of HoldCo Shares to be issued to Scheme Shareholders who have made an Election to receive the Scrip Consideration, together with the total number of HoldCo Shares applied for by Scheme Shareholders who have made an Election to participate in the HoldCo Share Offer, would (assuming that there were no Scaleback Arrangements) exceed 49.9% of the HoldCo Shares on issue immediately after the Implementation Date.

An Election to participate in the HoldCo Share Offer will not give rise to a binding contract or require HoldCo to issue HoldCo Shares to any Capilano Shareholder unless and until the Scheme becomes Effective, and subject always to the terms of the Scheme and the Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet.

Scheme Shareholders should also be aware that an investment in HoldCo involves risks. The key risks associated with an investment in HoldCo are set out in Sections 10.3 and 10.4.

(b) Who is eligible to apply for HoldCo Shares under the HoldCo Share Offer?

To be eligible to apply for HoldCo Shares under the HoldCo Share Offer, a Scheme Shareholder must:

- have made an Election to receive Scrip Consideration in respect of all of the Scheme Shares held by the Scheme Shareholder on the Scheme Record Date; and
- have a Registered Address in Australia or New Zealand as recorded on the Register on the Scheme Record Date. Participation in the HoldCo Share Offer is not open to persons with a Registered Address, as recorded in Capilano Share Register as at the Scheme Record Date, outside Australia or New Zealand, unless HoldCo agrees in writing that it is lawful and not unduly onerous or impracticable to issue HoldCo Shares to that Scheme Shareholder under the Scheme.

HoldCo will only accept applications from Scheme Shareholders who satisfy the above criteria and are Scheme Shareholders on the Scheme Record Date.

If a Scheme Shareholder has more than one holding of Scheme Shares registered on the Capilano Share Register, it will be sent more than one set of Election and Subscription Forms and will be able to complete separate Election and Subscription Forms in respect each registered holding of Scheme Shares which it holds.

(c) What is the purpose of the HoldCo Share Offer?

The purpose of the HoldCo Share Offer is to fund part of the Cash Consideration payable by BidCo under the Scheme.

(d) What are the funds raised under the HoldCo Share Offer being used for?

Please see Section 9.2(d) for information on the use of funds raised the HoldCo Share Offer.

(e) What are the terms and conditions of the HoldCo Share Offer?

Topic	Summary
What is the type of security being offered under the HoldCo Share Offer?	HoldCo Shares (being fully paid ordinary shares in HoldCo).
What are the rights and liabilities attached to the HoldCo Shares?	<p>A description of the HoldCo Shares, including the rights and liabilities attaching to them, and the Shareholders' Deed is set out in Section 9.9.</p> <p>Eligible Capilano Shareholders should be aware that if they elect to subscribe for additional HoldCo Shares under the HoldCo Share Offer:</p> <p>(a) they will face a lack of liquidity in respect of their HoldCo Shares given there will be no active market for the sale and purchase of HoldCo Shares; and</p> <p>(b) they will become a party to the Shareholders' Deed which severely restricts the ability of a holder of HoldCo Shares to transfer or Dispose of HoldCo Shares. Accordingly, there is a risk that a holder of HoldCo Shares may never be able to transfer or sell the HoldCo Shares issued to them.</p> <p>Please refer to Section 9.9 which sets out a summary of the Shareholders' Deed and the rights attaching to HoldCo</p>

Topic	Summary
	Shares.
What is the consideration payable for each HoldCo Share being offered?	\$20.06 per HoldCo Share.
How do I apply for HoldCo Shares under the HoldCo Share Offer?	<p>Scrip and Offer Participants may subscribe for their full entitlement to HoldCo Shares under the HoldCo Share Offer by completing the Election Form and Subscription Form (where applicable) and returning the forms in accordance with the instructions on them by no later than 4.00pm (Brisbane time) or 5.00pm (Sydney time) on 5 November 2018, being the Election Time.</p> <p>A subscription for HoldCo Shares under the HoldCo Share Offer will not give rise to a contract or require HoldCo to issue HoldCo Shares to any Capilano Shareholder unless and until the Scheme becomes Effective, and subject always to the terms of the Scheme and the Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet.</p> <p>That portion of Subscription Monies received from Scrip and Offer Participants in respect of HoldCo Shares which they have subscribed for under the HoldCo Share Offer but not received will be refunded in full (without interest) as soon as practicable following the Implementation Date.</p>
How many HoldCo Shares can I apply for under the HoldCo Share Offer?	<p>Scheme Shareholders who make an Election to receive Scrip Consideration will be able to apply for all (and not some only) of the additional HoldCo Shares which they are eligible to subscribe for under the HoldCo Share Offer, being 0.5 HoldCo Shares for each Scheme Share held by the Scheme Shareholder (rounded down to the nearest whole number) on the Scheme Record Date.</p> <p>In order to be eligible to participate in the HoldCo Share Offer, Scheme Shareholders must meet the criteria referred to in Section 9.4(b) and be a Scheme Shareholder on the Scheme Record Date.</p> <p>Applications should be based on the number of Scheme Shares held on the date of Election. If a Scrip and Offer Participant holds fewer Scheme Shares at the Scheme Record Date than the number of Scheme Shares which it is required to hold in order to entitle it to apply for the number of HoldCo Shares it has applied for under the HoldCo Share Offer, it will be taken to have applied for the Maximum Available HoldCo Shares which it would have been entitled to apply for under the terms of the HoldCo Share Offer based on its holding of Scheme Shares at the Scheme Record Date.</p> <p>HoldCo reserves the right to reject any Election and</p>

Topic	Summary
	Subscription Forms or to allocate a lesser number of HoldCo Shares than applied for in accordance with the terms of the Scheme.
What are the Scaleback Arrangements?	Please see Section 7.4(c) in relation to the Scaleback Arrangements which may apply in respect of the HoldCo Shares which you have elected to apply for under the HoldCo Share Offer and Section 9.2(c) for worked examples of how the Scaleback Arrangements may occur.
When will I receive confirmation that my application for HoldCo Shares has been successful?	<p>It is expected that the transaction confirmation statements for the HoldCo Shares which have been issued to you under the HoldCo Share Offer (if any) will be issued as soon as practicable after the Implementation Date. You will receive a share certificate in respect of your HoldCo Shares unless there is a Custodian required. If there is a Custodian required as described in Section 9.4(j), the Custodian will receive the share certificate in respect of your HoldCo Shares and you will be sent a confirmation that this has occurred.</p> <p>That portion of Subscription Monies received from Scrip and Offer Participants in respect of HoldCo Shares which they have subscribed for under the HoldCo Share Offer but not received will be refunded in full (without interest) as soon as practicable following the Implementation Date.</p>
Will the HoldCo Shares be quoted on ASX?	None of the securities of HoldCo has been granted official quotation on any securities exchange, nor will they be granted official quotation on any securities exchange following Implementation for the foreseeable future.
Are there any tax considerations?	Yes. Refer to Section 11.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable in respect of the application for HoldCo Shares under the HoldCo Share Offer.
What should I do with any enquiries?	<p>All enquiries in relation to the Scheme and the HoldCo Share Offer should be directed to the Shareholder Information Line on 1300 795 998 (within Australia) or +61 1300 795 998 (outside Australia). The line is open Monday to Friday from 8.30am to 5.30pm (Brisbane time).</p> <p>If you have any questions about whether to apply for HoldCo Shares under the HoldCo Share Offer, you should seek professional advice from your accountant, financial</p>

Topic	Summary
	advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest in HoldCo.

(f) How do I apply for HoldCo Shares under the HoldCo Share Offer?

Scrip and Offer Participants may subscribe for HoldCo Shares under the HoldCo Share Offer by completing the Election and Subscription Forms at any time between receipt of the Election and Subscription Forms (which is expected to occur on or around 12 October 2018) and the Election Time (being 4.00pm (Brisbane time) or 5.00pm (Sydney time) on Monday, 5 November 2018). Please note that if you do not hold any Scheme Shares on the Scheme Record Date, you will not be entitled to make any Election to receive Scrip Consideration, including to subscribe for additional HoldCo Shares under the HoldCo Share Offer. If you have not made an Election to receive Scrip Consideration, you will receive the Cash Consideration in respect of any Scheme Shares which you hold on the Scheme Record Date.

Please note that it is a condition of the Scheme, that once you have made an Election and submitted your Election and Subscription Forms you may not vary, withdraw or revoke that Election and Subscription Forms after the Election Time (except as permitted by law or with the prior written consent of HoldCo, which HoldCo may withhold in its absolute discretion).

No cooling off rights apply to an application for HoldCo Shares under the HoldCo Share Offer. Scrip and Offer Participants cannot withdraw their Election and Subscription Forms after the Election Time.

(g) Notice to nominees and custodians

Participation in the HoldCo Share Offer is being made to Scheme Shareholders:

- who have made an Election to receive Scrip Consideration in respect of all of the Scheme Shares held by the Scheme Shareholder on the Scheme Record Date; and
- who have a Registered Address in Australia or New Zealand as recorded on the Capilano Share Register on the Scheme Record Date.

Nominees or custodians may also be able to participate in the HoldCo Share Offer in respect of some or all of the beneficiaries on whose behalf they hold Scheme Shares, provided that the applicable beneficiary would satisfy the eligibility criteria set out above for participating in the HoldCo Share Offer.

Nominees and custodians who hold Scheme Shares as nominees or custodians will have received, or will shortly receive, a letter from Capilano. Nominees and custodians should consider carefully the contents of that letter and note in particular that participation in the HoldCo Share Offer is not available to:

- beneficiaries on whose behalf they hold Scheme Shares who would not satisfy the criteria for participation in the HoldCo Share Offer as set out in this Section 9.4(g); and
- Scheme Shareholders who are not eligible under all applicable securities laws to receive an invitation to subscribe for HoldCo Shares under the HoldCo Share Offer.

In particular, persons acting as nominees or custodians for other persons may not subscribe for HoldCo Shares under the HoldCo Share Offer on behalf of, or send any documents relating to the Scheme or the HoldCo Share Offer to, any person in the United States.

HoldCo is not required to determine whether or not any registered holder is acting as a nominee or custodian or the identity or residence of any beneficial owners of Scheme Shares. Where any holder is acting as a nominee or custodian for a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the HoldCo Share Offer is compatible with applicable foreign laws. HoldCo is not able to advise on foreign laws.

(h) How do I pay for HoldCo Shares under the HoldCo Share Offer?

A Scrip and Offer Participant's application for HoldCo Shares under the HoldCo Share Offer will only be a valid application if the Election and Subscription Forms are, at the time it is provided to Capilano, accompanied by the full amount of the Subscription Monies payable by that Scrip and Offer Participant in respect of the number of HoldCo Shares which they have applied for under the HoldCo Share Offer (before the application of any Scaleback Arrangements) and such payment is otherwise made in accordance with the instructions set out on, and the terms and conditions of, the Election and Subscription Forms.

If a Scrip and Offer Participant wishes to subscribe for HoldCo Shares, payment of the Subscription Monies for the HoldCo Shares which it has applied for must be made via BPAY® or by cheque payable to 'Capilano Honey Limited' in Australian currency and crossed 'Not Negotiable'. Cash payments will not be accepted and receipts for payment will not be issued.

Payment of Subscription Monies is due by no later than the Election Time (i.e. 4.00pm (Brisbane time) or 5.00pm (Sydney time) on Monday, 5 November 2018).

Payment of Subscription Monies by BPAY®

For payment by BPAY®, please follow the instructions on the Subscription Form. You can only make payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

If you are paying by BPAY®, please make sure you use the specific Biller Code and your unique Customer Reference Number (**CRN**) on your Subscription Form. If you have multiple holdings of Scheme Shares and consequently receive more than one set of the Election and Subscription Forms, when applying for HoldCo Shares under the HoldCo Share Offer in respect of one of those holdings only use the CRN specific to that holding. If you do not use the correct CRN specific to that holding your subscription for HoldCo Shares under the HoldCo Share Offer will not be recognised as valid.

Payment of Subscription Monies by cheque

If a Scrip and Offer Participant wishes to make a payment by cheque, it should complete the Election and Subscription Forms in accordance with the instructions on the forms and return it accompanied by a cheque in Australian currency for the amount of the Subscription Monies, payable to 'Capilano Honey Limited' and crossed 'Not Negotiable'.

It is a Scrip and Offer Participant's responsibility to ensure that its payment by cheque is received by the Registry by no later than 4.00pm (Brisbane time) or 5.00pm (Sydney time) on Monday, 5 November 2018 at the address set out below:

Mailing Address

Capilano Honey Limited

C/-Link Market Services Limited
GPO Box 3560
SYDNEY NSW 2001

Hand Delivery

Capilano Honey Limited
C/-Link Market Services Limited
1A Homebush Bay Drive
RHODES NSW 2138

Scrip and Offer Participants must ensure cleared funds are held in their account as their cheque will be banked as soon as it is received. Please note that Scrip and Offer Participants should consider postal and cheque clearance timeframes in meeting this deadline.

Cheques for Subscription Monies must be:

- for an amount equal to \$20.06 multiplied by the number of HoldCo Shares that the Scrip and Offer Participant is applying for under the HoldCo Share Offer in order to participate in the HoldCo Share Offer (being the Scrip and Offer Participant's full entitlement to HoldCo Shares under the HoldCo Share Offer); and
- in Australian currency drawn on an Australian branch of a financial institution.

Scrip and Offer Participants should ensure that sufficient funds are held in the relevant account(s) to cover their Subscription as their cheque will be processed on the day of receipt. If the amount of a Scrip and Offer Participant's cheque for Subscription Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of HoldCo Shares that they are required to subscribe for to participate in the HoldCo Share Offer (being their full entitlement to HoldCo Shares under the HoldCo Share Offer), their subscription for HoldCo Shares will not be accepted.

Payment through BPAY® or submission of Election and Subscription Forms is binding

A payment made through BPAY® or a completed and lodged Election and Subscription Forms together with the payment of requisite Subscription Monies constitutes a binding offer to acquire HoldCo Shares under the HoldCo Share Offer on the terms and conditions set out in this Scheme Booklet, the Scheme and the accompanying Election and Subscription Forms and, once lodged or paid, cannot be withdrawn. If the Election and Subscription Forms are not completed correctly, they may still be treated as a valid application for HoldCo Shares under the HoldCo Share Offer. HoldCo's decision whether to treat an application for HoldCo Shares under the HoldCo Share Offer as valid and how to construe, amend or complete the Election and Subscription Forms is final.

Refunds of Subscription Monies

Refunds of any Subscription Monies, if any, will be paid in Australian dollars and will be made by either by direct credit to the relevant Scheme Shareholder's nominated bank account as noted on the Capilano Share Register as at the Scheme Record Date or by cheque sent by ordinary post to the Scheme Shareholder's address as recorded on the Capilano Share Register (the Registered Address of the first-named in the case of joint holders). If a Scheme Shareholder wishes to advise or change its banking instructions with the Capilano Share Registry it may do so by going to www.linkmarketservices.com.au and logging into the Investor Centre before the Scheme Record Date.

If an amount is received from a Scrip and Offer Participant which is less than the price payable for each HoldCo Share under the HoldCo Share Offer multiplied by the number

of HoldCo Shares which the Scrip and Offer Participant is required to subscribe for under the HoldCo Share Offer (being their full entitlement to HoldCo Shares under the HoldCo Share Offer), that Scrip and Offer Participant's subscription for HoldCo Shares will not be accepted.

If an amount is received from a Scrip and Offer Participant which is in excess of the price payable for their full entitlement under the HoldCo Share Offer, they will be deemed to have applied for that number of HoldCo Shares which reflects their maximum entitlement to HoldCo Shares under the HoldCo Share Offer (**Scrip Adjustment**). Any excess Subscription Monies received by (or on behalf of) Capilano from a Scrip and Offer Participant in respect of those HoldCo Shares which it has applied for under the HoldCo Share Offer which is in excess of that Scrip and Offer Participant's entitlement to HoldCo Shares under the HoldCo Share Offer will be refunded (without interest) to that Scrip and Offer Participant as soon as practicable after the Implementation Date.

All Subscription Monies received from Scrip and Offer Participants will be held in the HoldCo Trust Account until released as described in the Scheme of Arrangement attached as Annexure C of this Scheme Booklet.

(i) **What if the number of Scheme Shares I hold changes between my Election and the Implementation Date?**

If a Scrip and Offer Participant holds fewer Scheme Shares at the Scheme Record Date than it did on the date on which it made its Election, then a portion of the Subscription Monies will be refunded to the Scrip and Offer Participant if it subscribed for a number of HoldCo Shares (**Original Application Shares**) under the HoldCo Share Offer than is greater than the number which it would have been entitled to apply for under the terms of the HoldCo Share Offer based on its holding of Scheme Shares at the Scheme Record Date (**Excess Application**). Each Scrip and Offer Participant that has made an Excess Application will be taken to have applied for the maximum number of HoldCo Shares which it would have been entitled to apply for under the terms of the HoldCo Share Offer based on its holding of Scheme Shares at the Scheme Record Date (**Deemed Application Shares**), and Subscription Monies referable to a number of HoldCo Shares equal to the difference between the number of Original Application Shares and the number of Deemed Application Shares will be refunded (without interest) to the Scrip and Offer Participant.

If a Scrip and Offer Participant holds more Scheme Shares at the Scheme Record Date than it did on the date on which it made its Election (and no separate Election is made in respect of the additional Scheme Shares), the Scrip and Offer Participant will be taken to have applied only for the Original Application Shares.

The amount of Subscription Monies to be refunded in the event of an Excess Application can be expressed as a formula. In particular, if a Scrip and Offer Participant holds fewer Scheme Shares at the Scheme Record Date than it did at the date on which it makes its Election and if:

$$\frac{A}{2} < B$$

then HoldCo must return to that Scrip and Offer Participant that portion of the Subscription Monies (without interest) which accompanied such Scrip and Offer Participant's Election and Subscription Forms which is calculated as 'X' in accordance with the following formula:

$$X = \left(B - \frac{A}{2} \right) \times \$20.06$$

where:

- A** is the number of Scheme Shares held by the Scrip and Offer Participant on the Scheme Record Date.
- B** is the number of HoldCo Shares which the Scrip and Offer Participant applied for under the HoldCo Share Offer (as adjusted for the Scrip Adjustment, if applicable).

In the event that Subscription Monies are required to be returned to a Scrip and Offer Participant as a result of the operation of the above formula, that Scrip and Offer Participant will be taken to have applied for that number of HoldCo Shares under the HoldCo Share Offer which is calculated in accordance with the following formula:

$$\frac{A}{2}$$

where 'A' is the number of Scheme Shares held by the Scrip and Offer Participant on the Scheme Record Date.

Any Subscription Monies which are required to be returned to a Scrip and Offer Participant will be returned in full (without interest) to that Scrip and Offer Participant on the Implementation Date.

The subscription for HoldCo Shares under the HoldCo Share Offer, including any payment of Subscription Monies, will not give rise to a binding contract or require HoldCo to issue HoldCo Shares to any Capilano Shareholder unless and until the Scheme becomes Effective, and subject always to the terms of the Scheme and the Scaleback Arrangements described in Section 7.4(c) of this Scheme Booklet.

(j) Issue of HoldCo Shares – no more than 50 shareholders in HoldCo

If the number of Scheme Shareholders who have elected to receive Scrip Consideration and to subscribe for HoldCo Shares under the HoldCo Share Offer would result in there being more than 50 shareholders in HoldCo, HoldCo may elect that a Scheme Shareholder who would otherwise receive HoldCo Shares pursuant to the Scheme (other than a Substantial Shareholder) will have those HoldCo Shares registered in the name of a custodian nominated by HoldCo in accordance with the terms of a custody agreement as specified by HoldCo (**Custodian Holder**) in accordance with clauses 9.18 and 25.1(d) of the Shareholders' Deed.

This is intended to ensure that HoldCo is able to comply with section 45A of the Corporations Act, which provides that a proprietary company must have no more than 50 non-employee shareholders. As such, the only shareholders in HoldCo are expected to be:

- Wattle Hill and ROC;
- any holders of HoldCo Shares who are Substantial Shareholders (that is holders of 5% or more of HoldCo Shares); and
- any other Eligible Capilano Shareholders who are issued HoldCo Shares pursuant to a valid Election or application for HoldCo Shares under the HoldCo Share Offer, or, if this would result in more than 50 shareholders in HoldCo, the Custodian Holder,

as described in the figure in Section 9.1 of this Scheme Booklet.

Subject to the Scheme becoming Effective and to the Scaleback Arrangements, on the Implementation Date HoldCo must issue HoldCo Shares:

- to Scheme Shareholders who have made Elections to subscribe for HoldCo Shares pursuant to the HoldCo Share Offer; or
- if required to ensure that the issue of HoldCo Shares will not result in HoldCo having more than 50 shareholders, to the Custodian Holder on

behalf of those Scheme Shareholders who have made Elections to subscribe for HoldCo Shares pursuant to the HoldCo Share Offer.

Each HoldCo Share issued pursuant to the HoldCo Share Offer will:

- rank equally in all respects with each other HoldCo Share and will have the rights set out in the HoldCo Constitution and the Shareholders' Deed (which, importantly, restrict the ability for a holder of HoldCo Shares to sell or Dispose of their HoldCo Shares); and
- be fully paid and free from any mortgage, charge, lien, Encumbrance or other Security Interest.

Any Scheme Shareholder who becomes a HoldCo Shareholder will be taken automatically to have agreed to be bound by the HoldCo Constitution and will become a party as a "Non-Investor Party" to the Shareholders' Deed.

(k) Warranties and authorities by Scheme Shareholders

Each Scrip and Offer Participant warrants to BidCo and HoldCo and is deemed to have authorised Capilano to warrant to BidCo and HoldCo as agent and attorney for the Scheme Shareholder, that:

- it agrees to become a member of HoldCo and to be bound by the terms of the HoldCo Constitution and the Shareholders' Deed;
- it agrees to comply with the terms and conditions of the Scheme (including the HoldCo Share Offer) as they relate to the Scrip and Offer Participant;
- all details and statements in its Election Form and Subscription Form are complete and accurate;
- it understands that once the Election Form and Subscription Form have been submitted, it may not be varied, withdrawn or revoked after the Election Time without HoldCo's written consent which HoldCo may withhold in its absolute discretion;
- it agrees to subscribe for the number of HoldCo Shares at the Australian dollar subscription price shown on the front of the Subscription Form which forms part of the Election and Subscription Forms;
- it agrees to being allocated and issued the number of HoldCo Shares which it has applied for under the HoldCo Share Offer (or a lower number determined in accordance with the Scheme); and
- it authorises each of Capilano, BidCo and HoldCo and their respective officers or agents, to do anything on behalf of the Scheme Shareholder necessary for HoldCo Shares to be issued to it in accordance with the Scheme.

(l) Restrictions on distribution

No action has been taken to register or qualify this Scheme Booklet, the HoldCo Shares or the HoldCo Share Offer or otherwise to permit a public offering of the HoldCo Shares in any jurisdiction outside Australia and New Zealand.

This Scheme Booklet does not constitute an offer or invitation to subscribe for HoldCo Shares under the HoldCo Share Offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue HoldCo Shares under the HoldCo Share Offer.

This Scheme Booklet may not be released or distributed in the United States or elsewhere outside Australia or New Zealand, unless it has attached to it the selling restrictions applicable in the jurisdictions outside Australia or New Zealand and may only

be distributed to persons to whom the HoldCo Share Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

This Scheme Booklet does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The HoldCo Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold, pledged or transferred in the United States except in accordance with US Securities Act registration requirements or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable state securities laws.

9.5 Funding of the Scheme Consideration

(a) Maximum Scheme Consideration payable by BidCo

The consideration for the acquisition of the Capilano Shares to which the Scheme relates will be satisfied by a combination of cash paid by BidCo and the issue of HoldCo Shares.

Based on the number of Capilano Shares to which the Scheme relates (being all Capilano Shares on issue):

- the maximum Cash Consideration that will be payable by BidCo is:
 - approximately \$170,745,344 in the scenario where 10% minimum Elections of the Scrip Consideration are received all validly electing to participate in the HoldCo Share Offer – this would be satisfied by the Consortium funding \$161,259,509 (see paragraph (b) below) and the remainder being funded through the proceeds of the HoldCo Share Offer; and
 - approximately \$161,259,509 in the scenario where 15% minimum Elections of Scrip Consideration without electing to participate in the HoldCo Share Offer are received – this would be satisfied by the Consortium funding \$161,259,509 (see paragraph (b) below) and the remainder being funded through the proceeds of the HoldCo Share Offer; and
- the Maximum Available HoldCo Shares that would be issued by HoldCo (on the assumption that Scaleback Arrangements apply) is 4,719,282 HoldCo Shares.

The Scheme is not subject to a financing condition.

(b) Cash funding arrangements

Equity commitment letter

HoldCo has a legally binding equity commitment letter from the Consortium dated 27 September 2018 under which each of Wattle Hill and ROC irrevocably commits to pay to HoldCo its respective proportion of the lower of:

- \$161,259,509 (note that this is less than the maximum Cash Consideration that will be payable by BidCo as described in Section 9.5(a) above given that the maximum holding of the Consortium is 85% of the HoldCo Shares under the terms of the Scheme); and
- the aggregate of all Cash Consideration amounts payable under the Scheme, provided that such amount will be reduced to the extent covered by the cash subscription amounts received under HoldCo Share Offer.

The respective proportion of each of Wattle Hill and ROC for that purpose is 50%, or such other percentage as may be agreed by Wattle Hill and ROC (which must total 100%).

The commitment is conditional on the Conditions Precedent being satisfied or waived in accordance with the Scheme Implementation Agreement, and the Scheme Implementation Agreement not having been terminated.

The cash amounts:

- provided to HoldCo by each of Wattle Hill and ROC pursuant to the equity commitment letter; and
- received by HoldCo from subscriptions for HoldCo Shares under the HoldCo Share Offer,

will be used by HoldCo to fund BidCo, following which BidCo will pay the total Cash Consideration to Scheme Shareholders in accordance with HoldCo's and BidCo's obligations under the Scheme Implementation Agreement, the Scheme and the Deed Poll.

No debt financing will be used by HoldCo or BidCo to fund any Cash Consideration payable under the Scheme.

Wattle Hill

Wattle Hill RHC Fund 1 is an Australian incorporated limited partnership that is registered in New South Wales as a venture capital limited partnership. The general partner of Wattle Hill RHC Fund 1 is Wattle Hill RHC Fund 1 GP (**General Partner**), another NSW incorporated limited partnership. The general partner of the General Partner is Wattle Hill RHC GP Management Pty Ltd. Wattle Hill RHC GP Management Pty Ltd is owned by Wattle Hill RHC Management Pty Ltd. "Wattle Hill" means Wattle Hill RHC Fund 1 and if the context permits, includes its associated entities and investment vehicles.

Wattle Hill's investors include two of the largest insurance groups from China and Europe, as well as family-office investors from founders of a leading Chinese private e-commerce company and a leading Chinese fast moving consumer goods company.

The investors in Wattle Hill will have no influence over the ongoing operations of the HoldCo Group (including Capilano) except through Wattle Hill RHC Management Pty Ltd, which is an adviser to Wattle Hill with broad powers to advise on and administer Wattle Hill and its investments.

The respective proportion of funds payable by Wattle Hill to HoldCo pursuant to the equity commitment letter are intended to be funded by Wattle Hill RHC Fund 1 calling from its investors' pre-committed capital. Each investor has entered into a subscription deed for Wattle Hill which requires it to contribute capital to fund investments, with only very limited excuse rights, none of which are expected to apply in this case.

The pre-committed capital amounts to be called by Wattle Hill will be drawn down on 20 business days' notice as and when needed by the General Partner during the investment period to satisfy the requirements of the funding. The terms of the investors' capital commitments are binding on the investors. If an investor does not have sufficient funds to satisfy its obligations regarding its pre-committed capital at the time it is required to pay those funds, the General Partner has avenues available to compel that defaulting investor to pay and can furthermore oblige non-defaulting investors to make up any shortfall required to complete the investment.

It is intended that the pre-committed capital payable under the subscription agreements will be called more than 20 business days prior to the Scheme becoming Effective (subject to adjustments in accordance with the final required amount) and paid to Wattle Hill after the Scheme becomes Effective and shortly before the Scheme Consideration is payable by BidCo under the terms of the Scheme.

On the basis of and subject to the above, as at the date of this Scheme Booklet, Wattle Hill has uncalled pre-committed capital in excess of its respective proportion of the

maximum amount of funds potentially payable by Wattle Hill to HoldCo pursuant to the equity commitment letter.

Amounts called by Wattle Hill are payable in Australian dollars.

As such, on the basis of and subject to the above, Wattle Hill is able to meet its funding obligations under the equity commitment letter.

No external debt financing will be used by Wattle Hill to fund any of the respective proportion of funds payable by Wattle Hill to HoldCo pursuant to the equity commitment letter.

ROC

ROC (AFSL 460464) is the trustee of the ROC B&Y Investment Trust and ROC is ultimately owned by the partners of the Roc Partners Group.

The ROC B&Y Investment Trust is an unregistered unit trust governed by the laws of New South Wales.

The respective proportion of funds payable by ROC to HoldCo pursuant to the equity commitment letter will be funded by ROC as trustee of the ROC B&Y Investment Trust calling pre-committed capital under the ROC B&Y Investment Trust.

The pre-committed capital under the ROC B&Y Investment Trust is subject of subscription agreements in respect of the application for interests in the trust by various investors entered into between ROC as trustee of the ROC B&Y Investment Trust and each of the relevant investors (**Subscription Agreements**).

There are a total of seven investors who have entered into Subscription Agreements and consist of wholesale trusts which are ultimately owned by Australian superannuation funds.

The investors will have no influence (themselves or by associates) over the conduct of the Scheme or the ongoing operation of the HoldCo Group (including Capilano). Those matters will be controlled by ROC through its investment committee and management (together with Wattle Hill).

Under the Subscription Agreements, the investors will be issued units in the ROC B&Y Investment Trust in return for the payment of cash consideration to ROC as trustee of the ROC B&Y Investment Trust.

The cash subscription amounts payable under the Subscription Agreements will be called and paid pursuant to the terms of the trust deed for the ROC B&Y Investment Trust. Under the terms of the trust deed, ROC as trustee of the ROC B&Y Investment Trust may make a capital call on seven days' written notice.

There are no conditions to payment of the subscription amounts payable under the Subscription Agreements and trust deed, and each investor must meet the capital call.

The funds called under the ROC B&Y Investment Trust will be called in Australian dollars.

The aggregate amount of the cash subscription amounts payable under the Subscription Agreements is in excess of the respective proportion of funds payable by ROC to HoldCo pursuant to the equity commitment letter.

The terms of the Subscription Agreements are binding on the parties and the investors have given representations as to the availability of funding.

It is intended that the cash subscription amounts payable under the Subscription Agreements will be called and paid to ROC as trustee of the ROC B&Y Investment Trust after the Scheme becomes Effective and shortly before the Scheme Consideration is payable by BidCo under the terms of the Scheme (it is intended that this is at least 7 days before the Scheme Consideration is payable). On the basis of and subject to the above,

as at the date of this Scheme Booklet, the ROC B&Y Investment Trust has uncalled pre-committed capital in excess of the respective proportion of funds payable by ROC to HoldCo pursuant to the equity commitment letter.

As such, on the basis of and subject to the above, ROC is able to meet its funding obligations under the equity commitment letter.

No debt financing will be used by ROC to fund any of the respective proportion of funds payable by ROC to HoldCo pursuant to the equity commitment letter.

(c) Scrip Consideration arrangements

BidCo and HoldCo have each entered into the Deed Poll to covenant in favour of the Scheme Shareholders to perform their respective obligations in relation to the Scheme.

One such obligation is to provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with the Scheme, including to issue all HoldCo Shares required to be issued in respect of Elections to receive the Scrip Consideration and Elections to participate in the HoldCo Share Offer.

The Deed Poll is set out in Annexure D.

(d) Conclusion

On the basis of the arrangements described above, the HoldCo Group believes it has reasonable grounds for holding the view, and holds the view, that BidCo will be able to satisfy its obligation to fund the Scheme Consideration as and when it is due and payable under the terms of the Scheme.

9.6 Treatment of the Foundation Share and Beekeeper Supplier representation following Implementation

(a) Background

Capilano's Constitution provides for Beekeeper Supplier representation through the use of a Foundation Share which entitles the holder to certain rights.

There is only one Foundation Share on issue. Foundation Shares may only be held by the foundation shareholder, CBL.

Most relevantly, the Foundation Share entitles CBL to:

- appoint two beekeeper directors to the Capilano Board; and
- receive notice of, and to attend, any general meeting of Capilano, but without a right to vote.

Under the Capilano Constitution, a Foundation Share cannot be transferred except to a 'successor body', being a body approved by the Capilano Board established to succeed CBL or any successor to CBL with similar objects to CBL for the purposes of holding the Foundation Share, unless CBL has provided written consent to alter this right and the Capilano Constitution has subsequently been amended to remove this restriction.

(b) Preservation of Beekeeper Supplier representation following Implementation

BidCo plans to preserve Beekeeper Supplier representation following Implementation.

BidCo intends to achieve Beekeeper Supplier representation following Implementation by including in the Shareholders' Deed a right for CBL to appoint 1 director to the HoldCo Board.

The Shareholders' Deed provides that CBL's right to appoint 1 director to the HoldCo Board applies until the earlier of:

- CBL ceasing to be controlled by Beekeeper Suppliers; and
- the completion of an exit in respect of HoldCo, being a sale of all or substantially all of the business and assets of the HoldCo Group, or of the HoldCo Shares, or an initial public offering of the HoldCo Shares (or another IPO vehicle).

The Shareholders' Deed reserves certain decisions of HoldCo to certain majorities of the HoldCo Board that must include at least 1 vote in favour of the resolution by the director appointed by CBL.

A summary of the rights and liabilities attaching to HoldCo Shares under the HoldCo Constitution and Shareholders' Deed, including those rights that are specifically granted to CBL, are set out in Section 9.9.

The above means that BidCo's plan to preserve beekeeper representation following Implementation is achieved without the need for CBL to hold a Foundation Share, or any securities in HoldCo.

(c) Transitional arrangements

As the Foundation Share is not required to give effect to beekeeper representation following Implementation, BidCo and CBL have agreed in principle to deal with the Foundation Share in connection with the Scheme.

As at the date of this Scheme Booklet, BidCo and CBL have not entered into a formal agreement in relation to the treatment of the Foundation Share. CBL has approved, subject to certain formalities, the transfer of the Foundation Share to BidCo for \$1 and the right to appoint a nominee to the HoldCo Board (as described in section 9.6(b)), to be implemented subject to and immediately following scheme Implementation occurring. That is, the transfer will only occur if the Scheme proceeds.

As the Capilano Constitution provides that the Foundation Share cannot be transferred except to a 'successor body', it will be necessary to amend the Capilano Constitution to first remove that restriction before the Foundation Share is transferred to BidCo.

To give effect to the necessary amendment to the Capilano Constitution, CBL has agreed in principle to provide to Capilano and BidCo a written consent to the amendment. BidCo intends that the amendment to the Capilano Constitution will then take place on the Implementation Date.

BidCo intends that the transfer of the Foundation Share to BidCo will then take place on the Implementation Date immediately after amendment of the Capilano Constitution.

BidCo intends that, upon transfer of the Foundation Share to BidCo, the current CBL nominees appointed to the Capilano Board will resign.

9.7 Intentions of BidCo

(a) Introduction

This Section 9.7 sets out BidCo's current intentions in relation to:

- the continuation of Capilano's business;
- any major changes to Capilano's business, including any redeployment of Capilano's fixed assets;
- the future employment of Capilano's present employees; and
- the future supplier arrangements with Capilano's present suppliers, including beekeepers,

if the Scheme is implemented.

The intentions of BidCo are the same as the intentions of the other members of the HoldCo Group and of the Consortium.

As discussed in Section 9.2(c), if the Scheme is implemented:

- the Consortium will own between 50.1% and 85.0% of the HoldCo Shares;
- HoldCo will own 100% of the shares in BidCo; and
- BidCo will own 100% of the shares in Capilano.

Accordingly, the ability of the HoldCo Group and the Consortium to give effect to its intentions as described in this Section 9.7 is subject to the terms of the HoldCo Constitution and the Shareholders' Deed as detailed in Section 9.9.

The statements made in this Section 9.7 are statements of present intention only and are based on the information concerning Capilano and the general business environment which is known to BidCo at the time of preparation of this Scheme Booklet. Final decisions will only be made by BidCo after having conducted a detailed review of Capilano's business after Implementation. Accordingly, the statements set out in this Section 9.7 may change as new information becomes available or as circumstances change.

(b) Removal from ASX

BidCo currently intends for Capilano to be removed from the official list of ASX after Implementation and subsequently converted into a proprietary company limited by shares.

(c) Head office

BidCo currently intends for Capilano to maintain its current head office in Brisbane, Australia following Implementation.

(d) Employees and Beekeeper Suppliers

BidCo has no present plans to make changes to existing employee roles and intends to work with the Capilano management team to ensure that Capilano is appropriately set up to pursue the growth opportunities in the market.

BidCo intends to continue the existing form of supplier arrangements that Capilano has with its suppliers, particularly with Beekeeper Suppliers, with no present plans to make changes outside the normal course of business from time-to-time.

BidCo intends to work with the Capilano management team and Beekeeper Suppliers (who will be represented on the HoldCo Board by the CBL Director) to ensure that the policies regarding the sourcing and testing of honey (in particular as they relate to imported honey) are appropriate for Capilano's business, its brands, and its consumers.

(e) Changes to Capilano's Constitution

Consistent with its current intention to convert Capilano into a proprietary company limited by shares, BidCo intends to replace Capilano's existing constitution with a constitution appropriate for a proprietary company limited by shares following Implementation.

Section 9.6 sets out details of the intended arrangements regarding CBL as well as details regarding the continued representation of Beekeeper Suppliers on the HoldCo Board.

BidCo intends that the new constitution of Capilano will not feature a Foundation Share or any rights for directors to be appointed to represent Beekeeper Suppliers (given that they will be represented on the HoldCo Board), on the basis that CBL has agreed to equivalent rights in respect of HoldCo in the Shareholders' Deed.

(f) **Business, operations and assets**

BidCo believes that Capilano has a tremendous portfolio of high quality brands and BidCo intends to retain and further invest in those brands on a demand-led basis. BidCo's key aim is to continue to enhance the position of Capilano's brands in domestic markets as well as drive expansion of brands in offshore growth markets, such as China, as a producer of premium Australian-sourced product. The focus will be on delivering innovative products with therapeutic and digestive health benefits in demand by Asian consumers.

BidCo intends to continue to operate Capilano under its current name. BidCo does not intend to redeploy any of Capilano's fixed assets.

The Consortium acknowledges the emergence of Bega Cheese Limited as a substantial shareholder in Capilano. The Consortium considers that there would be benefits to HoldCo if Bega became a HoldCo shareholder by Electing to receive Scrip Consideration (and potentially also to participate in the HoldCo Share Offer) since Bega has considerable industry experience, and a shareholding in HoldCo may incentivise Bega to work with HoldCo to the mutual benefit of their respective businesses. However, as at the date of this Scheme Booklet, the Consortium does not know whether Bega will support the Scheme, make any such Election or whether any agreement to work together in the future will be reached, and there can be no assurance that any such outcome will be achieved.

As described previously, BidCo will undertake a full review of Capilano and its operations following Implementation to determine how best to operate and further develop and grow the company. Decisions regarding future business operations of Capilano will be made following the completion of that review.

The Consortium may seek to exit their investment in Capilano in the future. Any decision to exit will be subject to prevailing market conditions, the businesses performance and other factors which may be considered relevant at the time, including the terms of the HoldCo Constitution and Shareholders' Deed applicable to exits (see the table in Section 9.9 for further details on the rights and obligations applicable to Disposals of HoldCo Shares, including on an exit).

(g) **Other intentions**

Other than as set out in this Section 9.7, it is BidCo's intention to the extent possible:

- to continue Capilano's business;
- not to make any major changes to Capilano's business, nor to redeploy any of Capilano's fixed assets; and
- to continue the employment and supplier relationships of Capilano's present employees and beekeepers.

9.8 Director profiles following Implementation

(a) **HoldCo Directors**

As at the date of this Scheme Booklet, the directors of HoldCo are Albert Tse, Lisa Fang and Shaw Ng.

It is proposed that the directors of HoldCo, following Implementation, will be:

- two nominees to be appointed by Wattle Hill, currently intended to be Albert Tse and Lisa Fang;
- one nominee to be appointed by ROC, currently intended to be Shaw Ng;

- one nominee to be appointed by CBL. No such nominee has been identified as at the date of this Scheme Booklet; and
- one nominee to be appointed by each Non-Investor Party who holds at least 25% of the HoldCo Shares. No such nominee has been identified as at the date of this Scheme Booklet.

If no single Non-Investor Party holds 25% or more of the HoldCo Shares, then for so long as the Non-Investor Parties (in aggregate) hold at least 10% of the HoldCo Shares, they will be able to appoint 1 nominee (**Non-Investor Director**) by written notice to HoldCo. The Non-Investor Director can be appointed by holders of a majority of HoldCo Shares held by the Non-Investor Parties either:

- voting in favour of the appointment at a meeting; or
- signing a document approving the appointment.

It is currently intended that Albert Tse, being a nominee of Wattle Hill, will act as Chairman of HoldCo following Implementation.

See the 'HoldCo Board composition' Section of the table in Section 9.9 for further details on HoldCo Director appointment rights.

The profiles of the proposed directors of HoldCo following Implementation are set out below:

Name	Profile
<p>Albert Tse</p>	<p>Mr Tse is a Founding Partner of Wattle Hill.</p> <p>Born in Hong Kong and raised in Brisbane, Australia, Mr Tse is one of Australia's pre-eminent cross-border investment principals.</p> <p>Mr Tse was the former Legal Representative of Macquarie Group in Beijing and led transactions including the historic \$22.1 billion Hong Kong and Shanghai initial public offering of the Agricultural Bank of China in 2010.</p> <p>Prior to working in China, Mr Tse worked in London for Macquarie Capital, focused on European infrastructure, as well as at PricewaterhouseCoopers in Australia where he qualified as a Chartered Accountant. Mr Tse is also admitted as a solicitor of the Supreme Court of Queensland.</p>
<p>Lisa (Yuan) Fang</p>	<p>Ms Fang is a Founding Partner of Wattle Hill.</p> <p>Born in China and educated in Sydney, Australia, Ms Fang is an experienced private equity investor with over 15 years of private equity, investment banking and legal experience in Australia, Hong Kong and China. She has extensive experience in investments into consumer products and services companies in Australia and China.</p> <p>Ms Fang has previously worked with Goldman Sachs, Macquarie Capital, APG Investments Asia and Wilson Sonsini Goodrich & Rosati in Australia and Hong Kong.</p> <p>Ms Fang holds a Bachelor of Commerce and Laws from the University of New South Wales, postgraduate law certificates from Australia and Hong Kong, and is a qualified</p>

Name	Profile
	solicitor in both.
Shaw Ng	<p>Mr Ng is a Senior Partner of ROC based in the Sydney office.</p> <p>Mr Ng has over 15 years' experience in private equity and strategy. Prior to the formation of ROC, Mr Ng spent 10 years in Macquarie Group in its private equity advisory business as well as on acquisitions on behalf of Macquarie Group's funds management business.</p> <p>Mr Ng spends a considerable amount of time with ROC's Asia team and also serves on the investment committee.</p> <p>Mr Ng holds a Bachelor of Commerce (honours) from the University of Sydney and is a Chartered Financial Analyst.</p>

(b) BidCo Directors

As at the date of this Scheme Booklet, the directors of BidCo are Albert Tse, Lisa Fang and Shaw Ng.

The Shareholders' Deed provides that the board of directors of each member of the HoldCo Group (other than HoldCo) will be comprised of such persons as appointed by the HoldCo Board from time to time. As such, the directors of BidCo following Implementation have not been determined as at the date of this Scheme Booklet, and will not be determined until after the HoldCo Board is determined following Implementation. See Section 9.8(a) for the profiles of these directors.

(c) Capilano Directors

See Section 8.2(a) for details of Capilano's current directors.

The Shareholders' Deed provides that the board of directors of each member of the HoldCo Group (other than HoldCo) will be comprised of such persons as appointed by the HoldCo Board from time to time. As such, the directors of Capilano following Implementation have not been determined as at the date of this Scheme Booklet, and will not be determined until after the HoldCo Board is determined following Implementation.

9.9 Rights and liabilities attaching to HoldCo Shares and the Shareholders' Deed

A summary of the key rights and liabilities attaching to HoldCo Shares is set out below.

The below summary is not exhaustive. Capilano Shareholders considering making an Election to receive the Scrip Consideration, including to participate in the HoldCo Share Offer should read and understand the HoldCo Constitution (see Annexure F to this Scheme Booklet) and Shareholders' Deed (see Annexure E to this Scheme Booklet) in full and seek their own independent advice before making a decision.

The HoldCo Constitution provides that the terms of the Shareholders' Deed will prevail in the event of any inconsistency between the provisions of the HoldCo Constitution and the Shareholders' Deed.

Topic	Summary
Issue and Ranking	<p>HoldCo Shares issued as consideration under the Scheme will be issued as fully paid ordinary shares in accordance with the terms of the Scheme, and will rank equally in all respects with each other ordinary HoldCo Share.</p> <p>For further details, see clause 2.1 of the HoldCo Constitution.</p>
Variation of class rights	<p>Subject to the terms of the HoldCo Constitution, the Shareholders' Deed and the terms of which any shares in HoldCo are issued, the rights attaching to a class of shares may only be varied or cancelled by a Special Majority Directors' Resolution of HoldCo and:</p> <ul style="list-style-type: none"> • by a Special Majority Directors' Resolution passed at a meeting of HoldCo Shareholders entitled to vote and holding shares in that class; or • with the written consent of holders entitled to vote in respect of at least 75% of the issued shares in that class. <p>For further details, see clause 2.2 of the HoldCo Constitution.</p>
Dividends	<p>HoldCo must not declare, determine, make or pay a dividend or other distribution of profits or assets or make any change to the dividend policy of a HoldCo Group Company without an Ordinary Directors' Resolution passed at a meeting of the HoldCo Board.</p> <p>Payment of any dividends will be at the discretion of the HoldCo Board subject to retention of such reasonable and proper reserves, to be subscribed at the discretion of the HoldCo Board, and carrying forward so much of the profits that are not included in the sums set aside as a reserve.</p> <p>For further details, see clause 16 of the HoldCo Constitution and clause 8 and Schedule 2 of the Shareholders' Deed.</p>
HoldCo Shareholder meetings and voting	<p>A quorum for a meeting of HoldCo Shareholders is constituted by the presence of 2 HoldCo Shareholders, who between them hold shares representing not less than 60% of the total number of votes attaching to all HoldCo Shares.</p> <p>Subject to the other terms of the HoldCo Constitution, the Shareholders' Deed, the Corporations Act and to any rights or restrictions for the time being attached to any class or classes of shares, each HoldCo Shareholder present in person or by proxy, attorney, or representative and entitled to vote has 1 vote on a show of hands and has 1 vote for each fully paid HoldCo Share held by the HoldCo Shareholder on a poll.</p> <p>For further details, see clauses 9.1 and 9.14 of the HoldCo Constitution.</p>
Winding up	<p>A HoldCo Board Special Majority Directors' Resolution is required in order to take any step to dissolve or wind up any HoldCo Group Company other than where the dissolution or winding up is required to prevent insolvent trading by a HoldCo Group Company. A Special Majority Directors' Resolution means a resolution passed by more than half of the votes cast by the HoldCo Board. If there is at least 1 Non-Investor Party Director or 1 CBL Director, then at least 1 vote must be cast in favour of the resolution by a Non-Investor Party Director or CBL Director.</p> <p>If HoldCo is wound up, the liquidator may, with the approval of a Special Majority Directors' Resolution of HoldCo, divide among the HoldCo Shareholders in kind the whole or any part of the property of HoldCo. The liquidator may for that purpose set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between the HoldCo Shareholders or different classes of HoldCo Shareholders.</p>

For further details on winding up, see clause 19 of the HoldCo Constitution and paragraph (i) of Part B of Schedule 2 of the Shareholders' Deed.

Amendments to HoldCo Constitution	<p>HoldCo may not amend or vary the HoldCo Constitution unless by Special Resolution of HoldCo Shareholders.</p> <p>For further details, see paragraph (c) of Part C of Schedule 2 of the Shareholders' Deed.</p>
Consortium Investors	<p>Any right or power conferred on the Consortium Investors by the Shareholders' Deed may only be exercised by:</p> <ul style="list-style-type: none"> • Wattle Hill on behalf of all Consortium Investors if Wattle Hill, or at least 1 of Wattle Hill's Affiliates, is a HoldCo Shareholder; or • if neither Wattle Hill nor any of Wattle Hill's Affiliates is a HoldCo Shareholder, then by all Consortium Investors. <p>For further details, see clause 1.5(a) of the Shareholders' Deed.</p>
HoldCo Board Composition	<ul style="list-style-type: none"> • The HoldCo Board will consist of a maximum of 6 HoldCo Directors, unless otherwise approved in writing by the Consortium Investors. • For so long as the Consortium Investors have an aggregate Share Ownership Percentage of 45% or greater and Wattle Hill, or at least 1 of its Affiliates, is a HoldCo Shareholder, Wattle Hill will have the right to appoint 2 HoldCo Directors. • For as long as the Consortium Investors have an aggregate Share Ownership Percentage of 45% or greater and ROC, or at least 1 of its Affiliates, is a HoldCo Shareholder, ROC will have the right to appoint 1 HoldCo Director. • CBL will have the right to appoint 1 HoldCo Director until the earlier of (i) CBL ceasing to be Controlled by a Beekeeper Supplier or collectively by Beekeeper Suppliers and (ii) completion of an Exit. • For so long as a Non-Investor Party has a Share Ownership Percentage of 25% or greater, the Non-Investor Party will have the right to appoint 1 Director. • If no single Non-Investor Party has a Share Ownership Percentage of 25% or greater but the Non-Investor Parties have an aggregate Share Ownership Percentage of 10% or more, the Non-Investor Parties will collectively have a right to appoint 1 Director. • If the Consortium Investors have an aggregate Share Ownership Percentage of at least 45% and Wattle Hill or at least 1 of its Affiliates is a HoldCo Shareholder, Wattle Hill will have the right to nominate any of the HoldCo Directors to become the HoldCo Chairman. If the HoldCo Chairman nominated by Wattle Hill is absent or unwilling to act, then the Consortium Investor Directors present at that meeting may nominate any of the HoldCo Directors to act as the HoldCo Chairman. <p>For further details, see clause 4.2 and Schedule 1 of the Shareholders' Deed.</p>

<p>HoldCo Board matters</p>	<p>HoldCo must not do, commit or approve, and must ensure that no other HoldCo Group Company does, commits or approves, anything listed in:</p> <ul style="list-style-type: none"> • Part A of Schedule 2 of the Shareholders' Deed without an Ordinary Directors' Resolution of the HoldCo Directors - these matters include, but are not limited to, adoption of the HoldCo Business Plan, variations to the HoldCo Business Plan for adverse events, certain reorganisation events, borrowings of more than a specified threshold, making loans outside the ordinary course of business, giving guarantees of more than a specified threshold, certain matters relating to HoldCo Shareholder resolutions, entry into partnerships and joint ventures, declare a dividend or make any changes to the dividend policy of any HoldCo Group Company, entering into, terminating or materially varying contracts outside the ordinary course of business, creating a Security Interest over assets other than in the ordinary course of business, adopt or vary any incentive plan of any HoldCo Group Company, settle disputes or conduct litigation above certain threshold amounts other than in the ordinary course of business. • Part B of Schedule 2 of the Shareholders' Deed without a Special Majority Resolution of the HoldCo Directors - these matters include, but are not limited to, certain acquisitions and Disposals in respect of the Business, any Securities and certain assets, proposing a buy-back or a redemption of HoldCo Shares or capital reduction of any HoldCo Group Company, dealing in HoldCo Shares, the issue of HoldCo Shares, appointment or removal of an auditor of any HoldCo Group Company, Related Party Proposals, changing the nature of the Business, winding up and certain restructuring events. • Part C of Schedule 2 of the Shareholders' Deed without a Special Resolution of the HoldCo Shareholders - variation of rights attaching to HoldCo Shares, effecting a buy-back or redemption of HoldCo Shares or capital reduction of any HoldCo Group Company, and amending the constitution of any HoldCo Group Company. <p>For further details, see clause 5.1 and Schedule 2 of the Shareholders' Deed.</p>
<p>HoldCo Board meetings and voting</p>	<p>A quorum for a meeting of the HoldCo Board is at least 1 Consortium Investor Director and, for so long as any Non-Investor Party Directors are appointed to the HoldCo Board, 1 HoldCo Non-Investor Party Director and, for so long as a CBL Director is appointed to the HoldCo Board, 1 HoldCo CBL Director. At a meeting of the HoldCo Board:</p> <ul style="list-style-type: none"> • on each resolution, each HoldCo Director has 1 vote; • subject to the below paragraph, the HoldCo Chairman, if any, will have a casting vote in addition to his deliberative vote if on a resolution there are an equal number of votes in favour of and against a resolution but will not otherwise have a casting vote; and • all decisions are by majority vote, unless otherwise expressly provided in Shareholders' Deed. <p>For further details, see clause 5 of Schedule 1 of the Shareholders' Deed.</p>
<p>Company management</p>	<p>The HoldCo Group CEO or CFO must submit to the HoldCo Board for consideration a draft Business Plan for the next Financial Year at least 6 weeks before the end of each Financial Year.</p> <p>If the HoldCo Board approves the Business Plan, HoldCo must conduct, and must procure that each of its Group Members conduct, the Business in each Financial Year in accordance with that Business Plan.</p> <p>If the HoldCo Board does not approve the Business Plan, HoldCo will continue the Business on the basis of the previous Financial Year's Business Plan and will be entitled to incur expenses in amounts of up to</p>

	<p>105% of those in the previous Financial Year's Business Plans until a new Business Plan is adopted.</p> <p>The HoldCo Board may at any time review and resolve to amend the Business Plan provided that any material amendments to the Business Plan is approved by an Ordinary Directors' Resolution of the HoldCo Board.</p> <p>For further details, see clauses 6.3 to 6.6 of the Shareholders' Deed.</p>
Issue of further HoldCo Shares	<p>Subject to compliance with all applicable laws and the Shareholders' Deed, if HoldCo proposes to issue new HoldCo Shares to any person after the Implementation Date, it must offer the HoldCo Shares to each HoldCo Substantial Shareholder on a pro rata basis except in certain circumstances, including pursuant to transaction documents in relation to the Scheme, pursuant to the conversion of convertible HoldCo Securities, pursuant to an Exit, pursuant to an incentive plan, as non-cash consideration for an acquisition by a HoldCo Group Company, pursuant to emergency funding, to a provider of debt finance or pursuant to certain reorganisation events or certain restructuring events.</p> <p>For further details, see clause 9 of the Shareholders' Deed.</p>
Emergency Matter Funding	<p>If an Emergency Matter occurs:</p> <ul style="list-style-type: none"> • a Consortium Investor may elect to subscribe for new HoldCo Shares at an issue price per HoldCo Share determined by the Consortium Investors acting reasonably in consultation with the HoldCo Board, having regard to the earnings, assets, liabilities and prospects of the HoldCo Group and the previous issue prices of HoldCo Shares; • promptly following any issue of such HoldCo Shares to a Consortium Investor in response to an Emergency Matter, each other HoldCo Substantial Shareholder (Catch-up Offeree) must be offered the opportunity to subscribe, or acquire from the Consortium Investor (as the Consortium Investor elects in its discretion), HoldCo Shares; <ul style="list-style-type: none"> • at the same price per HoldCo Share as the price paid by the Consortium Investor and of the same class, type and terms per HoldCo Share; and • in the number(s) which would result in the Catch-up Offeree (if it chose to accept the offer in full) having the same Share Ownership Percentage as it had prior to the Consortium Investor subscribing for HoldCo Shares. <p>For further details, see clauses 9.20 and 9.21 of the Shareholders' Deed.</p>
Restrictions on transfer and granting security interests	<p>A HoldCo Shareholder may not Dispose of any HoldCo Shares, except pursuant to:</p> <ul style="list-style-type: none"> • a Disposal of HoldCo Shares to a Catch-up Offeree under the Emergency Matter funding provisions; • Exit provisions; • Pre-emptive rights; • a transfer to a Consortium Investor Affiliate or a Non-Investor Party Disposal of any HoldCo Shares to a Permitted Holder of the Non-Investor Party (explained below) at any time; • a Custodian Transfer at any time; or • pursuant to a transaction which has been approved in advance by a Special Majority of the HoldCo Board. <p><u>A 'Disposal' of a HoldCo Shares includes granting a security interest over such Holdco Share. As such, a HoldCo Shareholder is</u></p>

prevented from granting a security interest over HoldCo Shares except in the above very limited circumstances. This may severely restrict the ability of a HoldCo Shareholder to use their HoldCo Shares as collateral for borrowing money.

A Non-Investor Party may Dispose of any HoldCo Shares to an Affiliate of the Non-Investor Party, a Special Relative of the Non-Investor Party (if applicable), a self-managed superannuation fund for the relevant Non-Investor Party (the trustee of which is, or is controlled by, the Non-Investor Party) or any other person consented to by the Consortium Investors.

For further details, see clause 10 of the Shareholders' Deed.

Importantly, the above means that Eligible Capilano Shareholders should be aware that if they elect to receive the Scrip Consideration or subscribe for additional HoldCo Shares under the HoldCo Share Offer, they will face a lack of liquidity in respect of their HoldCo Shares given there will be no active market for the sale and purchase of HoldCo Shares.

In particular, the Consortium does not intend to be an active buyer of HoldCo Shares after Implementation. This means that if you want to sell your HoldCo Shares at any time in the future, you should not assume that the Consortium will purchase any of your HoldCo Shares (including in an 'emergency' scenario).

Accordingly, there is a risk that a holder of HoldCo Shares may not be able to transfer or sell the HoldCo Shares issued to them other than through an Exit, and there is no guarantee if or when an Exit will take place.

Pre-emptive rights

If a HoldCo Shareholder proposes to Dispose of any of its HoldCo Shares, it must first offer its HoldCo Shares to each HoldCo Substantial Shareholder. If the HoldCo Substantial Shareholder does not accept the offer within 30 days, the unaccepted shares must be offered to each other remaining HoldCo Substantial Shareholder on the same terms as initially offered to the HoldCo Substantial Shareholder and in the proportions equal to their respective Share Ownership Percentages. This process is repeated in respect of any remaining unaccepted HoldCo Shares in respect of each HoldCo Substantial Shareholder. If this procedure has been adhered to and there are still HoldCo Shares which have not been accepted by the HoldCo Substantial Shareholders, the seller may, within the following 60 days, transfer all of the outstanding HoldCo Shares to any person, on terms no more favourable than those offered to the HoldCo Substantial Shareholders.

For further details, see clause 11 of the Shareholders' Deed.

Importantly, the above conditions on Disposal of any HoldCo Shares are onerous, particularly as they involve relatively long timing requirements of 30 days for a transfer and a further 60 days holding time. These onerous restrictions mean that, if the pre-emptive rights procedure is adhered to, it could be at least 90 days before a HoldCo Shareholder is able to Dispose of their HoldCo Shares.

This means that if you want to sell your HoldCo Shares at any time in the future, you should not assume that you will be able to do so in a timely manner (including in an 'emergency' scenario).

Accordingly, there is a risk that a holder of HoldCo Shares may not be able to transfer or sell the HoldCo Shares issued to them if and when they would like to do so.

Tag along rights	<p>Following the pre-emptive rights procedure (see above), if one or more Consortium Investors (Selling Investor) wishes to Dispose of 10% or more, by number, of the HoldCo Shares on issue to a Third Party or Third Parties, the Selling Investor must issue a notice to each other HoldCo Shareholder (Tag Shareholder) inviting them to sell the same proportion of their HoldCo Shares to the Third Party on terms no less favourable to the Tag Shareholder (taken as a whole) than the terms offered by the Third Party to the Selling Investor.</p> <p>For further details, see clause 12 of the Shareholders' Deed.</p>
Drag along rights	<p>Following the pre-emptive rights procedure (see above), if a Consortium Investor wishes to sell all or a proportion of their HoldCo Shares to a Third Party (other than an IPO), they may require the other HoldCo Shareholders to sell all or substantially all of their HoldCo Shares to the Third Party on terms no less favourable than the terms offered by the Third Party to the Consortium Investor.</p> <p>For further details, see clause 13 of the Shareholders' Deed.</p>
Exit	<p>The Consortium Investors may require that HoldCo implement an asset sale, trade sale or an Initial Public Offering (Exit) at any time at the equity valuation of HoldCo at the Exit (which if less than the equity value of HoldCo at the Implementation Date, must be approved by a Special Majority of the HoldCo Board) or to commence preparations for an Exit by giving an Exit Notice.</p> <p>If the Consortium Investors issue an Exit Notice, among other things, each party must (and HoldCo must ensure that the other HoldCo Group Companies), use their best endeavours and exercise all rights it has in relation to the Company and any HoldCo Shares to ensure that the Exit occurs in accordance with the Exit Notice and the Consortium Investors' other requirements, approve all matters appropriate to ensure that the Exit occurs in accordance with the Exit Notice, provide certain other assistance for the Exit, appoint any Financial Advisor requested by the Consortium Investors, and in the case of an IPO, co-operate and use best endeavours to effect the IPO.</p> <p>If the HoldCo Board pursues an IPO, HoldCo must allow the HoldCo Shareholders who are interested to participate in the IPO to Dispose of their HoldCo Shares in the IPO Vehicle, subject to the below two paragraphs:</p> <ul style="list-style-type: none"> • Each Non-Investor Party agrees to such restrictions on the number of Securities in HoldCo or IPO Vehicle, as applicable, it is permitted to realise for cash as part of an IPO as HoldCo (with approval by the HoldCo Board) may reasonably require provided that, subject to applicable escrow arrangements (see paragraph immediately below), each Non-Investor Party will be entitled to realise for cash the same proportion of their HoldCo Shares as the proportion of the Consortium Investors' HoldCo Shares which the Consortium Investors realise for cash in the IPO; and • Each HoldCo Shareholder agrees to such escrow arrangements for its securities in HoldCo or IPO Vehicle, as applicable, on completion of the IPO as HoldCo (with the approval of an Ordinary Directors' Resolution of the HoldCo Board) may reasonably require. <p>For further details, see clause 14 of the Shareholders' Deed.</p>

Fair Market Value	<p>The term Fair Market Value is relevant to various provisions of the Shareholders' Deed, including the determination of:</p> <ul style="list-style-type: none"> the issue price per new HoldCo Share on or following the 12 month anniversary of the Implementation Date (clause 9.3 of the Shareholders' Deed); and the price at which a HoldCo Sale Share is purchased under the Defaulting Shareholder provisions (clause 19.2 of the Shareholders' Deed). <p>Unless agreed between the HoldCo Shareholders, the Fair Market Value is to be determined by an independent expert who will determine the Fair Market Value by conducting a valuation in accordance with the criteria set out in clause 15.2 of the Shareholders' Deed.</p> <p>For further details, see clause 15 of the Shareholders' Deed.</p>
Power of Attorney	<p>Each of the Non-Investor Parties appoints HoldCo and each of the Wattle Hill Directors from time to time, with power to act individually or jointly, as its attorney to:</p> <ul style="list-style-type: none"> take any action on behalf of the Non-Investor Party to remedy certain breaches of the Shareholders' Deed by the Non-Investor Party which have not been remedied by the Non-Investor Party within 2 Business Days of written notice from HoldCo or, if the breach arises in connection with a drag transaction under clause 13 of the Shareholders' Deed or an Exit, a Consortium Investor (or any longer period specified in the Shareholders' Deed for remedy of the breach) or which is not capable of remedy; take all actions appropriate to negotiate any offer or contract in respect of any Disposal of HoldCo Shares held by the Non-Investor Party in accordance with the Shareholders' Deed, and actions necessary or appropriate to initiate, facilitate, and negotiate any drag transaction under clause 13 of the Shareholders' Deed or and/or Exit (but not extending to executing any document providing for or completing, such Disposal); and take any action to implement a Custodian Transfer. <p>For further details, see clause 17 of the Shareholders' Deed.</p>
HoldCo Shareholder Default	<p>A Defaulting Shareholder means a HoldCo Shareholder who:</p> <ul style="list-style-type: none"> becomes insolvent or any of its Related Body Corporate becomes insolvent; commits a breach of clause 10 of the Shareholders' Deed, and within 30 days of receiving notice of the breach from HoldCo or another HoldCo Shareholder, if curable, fails to remedy that breach or if non-curable, fails to adequately compensate HoldCo or another HoldCo Shareholder; or suffers a Change of Control which has the effect of circumventing the pre-emptive rights provision. <p>A Defaulting Shareholder is deemed to have given a Transfer Notice to the Unrelated Substantial Shareholders on the date it becomes a Defaulting Shareholder in accordance with the terms set out in clause 19.2 of the Shareholders' Deed.</p> <p>If any HoldCo Substantial Shareholder does not take up all of its entitlement to the Sale Shares, the Unaccepted Shares must be offered to each other remaining HoldCo Substantial Shareholder on the same terms specified in the relevant Transfer Notice and in the proportions equal to their respective Share Ownership Percentages. This process is repeated in respect of any remaining Unaccepted Shares in respect of</p>

each HoldCo Substantial Shareholder. If the Unrelated Substantial Shareholders do not take up all of the Unaccepted Shares, the Defaulting Shareholder may, within 30 days following completion of the Sale Shares, sell the remaining Unaccepted Shares to any Third Parties the directors determine, on terms no more favourable than those offered in the Transfer Notice. If a Third Party buyer is not found, the HoldCo Board will, subject to the Corporations Act, determine how the remaining Unaccepted Shares will be dealt with (i.e. by way of cancellation, buy-back or selective reduction of capital) and the Defaulting Shareholder must cooperate in implementing that decision.

The rights attaching to HoldCo Shares held by a Defaulting Shareholder (including rights to voting and to be counted in a quorum) are suspended and any Director appointed by the Defaulting Shareholder will be taken to have been removed by the Defaulting Shareholder and any HoldCo Director appointment rights of the Defaulting Shareholder are suspended, until such time as the default has been remedied or the HoldCo Shares have been cancelled or sold.

For further details, see clause 19 of the Shareholders' Deed.

Deadlocked Matters

If a Deadlocked Matter arises:

- 2 Consortium Investor Directors, the Non-Investor Party Director and the CBL Director will meet within 10 Business Days of the Deadlocked Matter arising and in good faith attempt to reach an agreement on the Deadlocked Matter. If an agreement is reached, no further approval of the HoldCo Board or any HoldCo Shareholder is required to implement the Deadlocked Matter.
- If agreement is not reached within 30 Business Days, the Deadlocked Matter may be put again before the HoldCo Board or HoldCo Shareholders for consideration (as applicable) at least 40 Business Days after the date of the Deadlocked Matter was first put before the relevant body.
- If the Deadlocked Matter remains unsolved, any HoldCo Director may appoint an independent expert to consider the Deadlocked Matter based on the views of the Consortium Investor Director, the Non-Investor Party Director and the CBL Director and any other factors the independent expert deems relevant and make a written recommendation within 20 Business Days.
- The recommendation of the independent expert is not binding.

For further details, see clause 20 of the Shareholders' Deed.

Bare Trusts (Custodian Holder)

If requested by HoldCo (with HoldCo Board approval), a Non-Investor Party which is not a Substantial Shareholder must Dispose of the HoldCo Shares which it holds to the Custodian. Each Non-Investor Party must comply with the directions of HoldCo for the purposes of facilitating the Disposal of its HoldCo Shares to the Custodian.

This is intended to ensure that HoldCo is able to comply with section 45A of the Corporations Act, which provides that a proprietary company must have no more than 50 non-employee shareholders. As such, the only shareholders in HoldCo are expected to be:

- Wattle Hill and ROC;
 - any holders of HoldCo Shares who are Substantial Shareholders (that is holders of 5% or more of HoldCo Shares); and
 - any other Eligible Capilano Shareholders who are issued HoldCo Shares pursuant to a valid Election or application for HoldCo Shares under the HoldCo Share Offer, or, if this would result in more than 50 shareholders in HoldCo, the Custodian Holder.
-

	<p>The terms of the custodian arrangements will be governed by the Shareholders' Deed and the Custodian Deed.</p> <p>Broadly, the key terms of the custodian arrangements under the Shareholders' Deed and the Custodian Deed are as follows:</p> <ul style="list-style-type: none"> • the Custodian holds the right, title and interest in the relevant HoldCo Shares of an Appointing Beneficiary on a separate bare trust for that Appointing Beneficiary; • the Custodian must act on the instructions of the Appointing Beneficiaries in relation to voting, Disposals and payment of dividends and distributions; • an Appointing Beneficiary must not direct the Custodian to Dispose of legal title to any of its Beneficial Shares to itself or any other person unless it is in accordance with clause 10.1 of the Shareholders' Deed; • the Custodian is released from any claim or Liability in respect of any Directed Breach; and • any Liability of the Custodian arising in connection with the Shareholders' Deed is limited to the extent it can be satisfied out of the assets of the Bare Trust from which the Custodian is actually indemnified for the Liability or to the extent that under the Custodian Deed the Custodian is actually indemnified for the Liability. <p>For further details, see clause 25 of the Shareholders' Deed.</p>
Costs	<p>The parties will pay for their own legal and other costs and expenses in connection with the preparation, negotiation, execution and completion of the Shareholders' Deed, the Custodian Deed and the transaction documents.</p> <p>In the event:</p> <ul style="list-style-type: none"> • of Trade Sale, each HoldCo Shareholder will pay its proportionate share of costs (determined based on the proportion of the trade sale proceeds the HoldCo Shareholder would be entitled to receive before any deduction); • of IPO, HoldCo will pay the IPO Costs unless the HoldCo Board determines that the IPO Costs be borne by each HoldCo Shareholder in its Share Ownership Percentage; and • the Trade Sale or IPO is aborted prior to its completion, HoldCo will pay all Trade Sale Costs and IPO Costs to the maximum extent permitted by applicable laws. <p>For further details, see clause 29 of the Shareholders' Deed.</p>
Amendment to the Shareholders' Deed	<p>The Shareholders' Deed may be amended only by a document signed by:</p> <ul style="list-style-type: none"> • HoldCo (with approval from the HoldCo Board by a Special Majority); and • each Consortium Investor; and • approved by a HoldCo Shareholders Special Resolution. <p>For further details, see clause 31 of the Shareholders' Deed.</p>
Accession Deed	<p>No person may be registered as a holder of shares in HoldCo unless they execute and deliver an accession deed (in the form set out in Schedule 3 of the Shareholders' Deed) agreeing to be bound by the terms of the Shareholders' Deed.</p> <p>For further details, see clauses 9.14 to 9.16 of the Shareholders' Deed.</p>
Provision of	<p>HoldCo must deliver to the Consortium Investors and each HoldCo</p>

information

Director:

- the monthly management accounts within 15 Business Days after the end of each calendar month; and
- the HoldCo Group audited consolidated profit and loss account, consolidated balance sheet, consolidated cash flow statement and notes and reports of HoldCo Directors and auditors within 3 months after the end of each Financial Year.

For further details, see clause 2 of Schedule 4 of the Shareholders' Deed.

9.10 Prospects of HoldCo, BidCo and Capilano following Implementation

Section 9.1(e) sets out the acquisition rationale and strategy for the Scheme, and Section 9.7 sets out BidCo's intentions as to the operation of Capilano's business following Implementation.

The future prospects of HoldCo's and BidCo's investment in Capilano will largely be determined by the financial and operational performance of Capilano. The financial and operational characteristics of Capilano are described in Section 8.

For further information on the risks associated with an investment in Capilano and specifically those risks impacting on the prospects of Capilano see Section 10.2. For further information on the risks associated with an investment in HoldCo following Implementation see Section 10.3. You should carefully consider these risks before deciding whether to make an Election to receive the Scrip Consideration, including to participate in the HoldCo Share Offer.

9.11 Additional information of Wattle Hill, ROC, HoldCo and BidCo

(a) Interests in Capilano Shares

As at the date of this Scheme Booklet:

- the voting power of BidCo and its Associates in Capilano is 0%; and
- the Bidder and its Associates have no Relevant Interests in any Capilano Shares or any other class of securities of Capilano.

(b) Dealings in Capilano Shares in the previous four months

Neither BidCo nor any of its Associates has provided, or agreed to provide, consideration for Capilano Shares under a purchase or agreement during the period of four months before the date of this Scheme Booklet except for the Scheme Consideration which BidCo and HoldCo have agreed to provide under the Scheme (as reflected in the Scheme Implementation Agreement and the Deed Poll).

(c) No inducing benefits given during previous four months

Except as described below, neither BidCo nor any of its Associates, during the period of four months before the date of this Scheme Booklet, gave, or offered to give or agreed to give, a benefit to another person which was likely to induce the other person, or an Associate, to:

- vote in favour of the Scheme; or
- dispose of Capilano Shares,

and which benefit was not offered to all Capilano Shareholders under the Scheme.

As described in Section 9.6, BidCo, HoldCo and CBL have agreed in principle to the transfer of the Foundation Share to BidCo for nominal consideration and the right to

appoint a nominee to the HoldCo Board (as described in section 9.6(b)) if the Scheme becomes implemented. As part of that in principle agreement, BidCo intends that the new constitution of Capilano will not feature a Foundation Share or any rights for directors to be appointed to represent beekeepers, on the basis that CBL has the right to appoint a nominee director to the HoldCo Board immediately following Implementation in the Shareholders' Deed. The in principle agreement reached with CBL does not require any person to vote in favour of the Scheme, and does not require any person to dispose of Capilano Shares (other than the Foundation Share).

(d) **Benefits to Capilano Directors**

BidCo will not be making any payment or giving any benefit to any current Capilano Director as compensation or consideration for, or otherwise in connection with, their resignation from the Capilano Board, if the Scheme becomes Effective and the Capilano Board is accordingly reconstituted, other than as required under the relevant person's employment contract with Capilano.

(e) **No interests of Wattle Hill, ROC, HoldCo and BidCo directors in Capilano Shares**

As at the date of this Scheme Booklet none of Wattle Hill, ROC, HoldCo and BidCo, nor any of their directors has a Relevant Interest in any Capilano Shares.

(f) **No other agreements or inducements**

Neither the Consortium nor the HoldCo Group have made any agreement or arrangement between a Capilano Director in connection with or conditional on the outcome of the Scheme.

(g) **Disclosure of interests and fees of certain people**

Other than as set out in this Scheme Booklet or pursuant to existing employment agreements, consulting arrangements, directorships (including, in the case of the directors of the HoldCo Group, arrangements for staff participation in the Consortium) no:

- directors or proposed directors of HoldCo or BidCo; or
- person named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet,

holds, or held at any time during the last two years, any interests in:

- the formation or promotion of HoldCo or BidCo;
- property acquired or proposed to be acquired by HoldCo or BidCo in connection with its formation or promotion or the offer of HoldCo Shares under the Scheme; or
- the offer of HoldCo Shares under the Scheme.

(h) **Fees and benefits**

Other than as set out in this Scheme Booklet or pursuant to existing employment agreements, consulting arrangements, directorships (including, in the case of the directors of the HoldCo Group, arrangements for staff participation in the Consortium), no one has paid or agreed to pay any amount, or given or agreed to give any benefit to a director, or proposed director, of HoldCo or BidCo:

- to induce them to become, or to qualify as, a director of HoldCo or BidCo; or
- for services provided in connection with the formation or promotion of HoldCo or BidCo or the offer of HoldCo Shares under the Scheme.

10 Risk Factors

10.1 Introduction

In considering the Scheme, you should be aware that there are a number of risk factors, both general and specific, associated with the Scheme.

This Section outlines some of the risks relating to:

- the business and operations of Capilano (see Section 10.2 of this Scheme Booklet);
- HoldCo and the HoldCo Shares (see Section 10.3 of this Scheme Booklet); and
- the Scheme (see Section 10.4 of this Scheme Booklet).

If the Scheme is implemented, the risks in Section 10.3 will not apply to Capilano Shareholders who do not elect to receive HoldCo Shares under the Scrip Consideration, and receive instead the Cash Consideration (or to Capilano Shareholders who have validly elected the Scrip Consideration, but who are scaled back to acquire no HoldCo Shares), as they will not hold HoldCo Shares.

The risk factors in Sections 10.2 and 10.3 will apply to Capilano Shareholders who elect the Scrip Consideration, including to participate in the HoldCo Share Offer as they will hold HoldCo Shares. If the Scheme is not implemented, and in the absence of a Superior Proposal being implemented, Capilano Shares will remain quoted on ASX and all Capilano Shareholders will continue to be subject to the risks in Section 10.2.

The outline of risks in this Section 10 is a summary only and should not be considered exhaustive. This Section 10 does not purport to list every risk that may be associated with an investment in Capilano now or in the future or which may prevent the Scheme from becoming Effective or being Implemented. The occurrence or consequences of some of the risks described in Section 10 may be partially or completely outside the control of Capilano Group or HoldCo Group or their respective directors and senior management teams.

Capilano Shareholders should be aware that these risk factors do not take into account the individual investment objectives, financial situation, position or particular needs of Capilano Shareholders.

Before making any Election for the Scrip Consideration, including applying for HoldCo Shares under the HoldCo Share Offer, you should have a sufficient understanding of these matters having regard to your own individual risk profile, portfolio strategy, investment objectives, financial circumstances and taxation position.

If you do not understand any part of this Scheme Booklet or are in any doubt as to how to vote in relation to the Scheme, it is recommended that you obtain appropriate legal, financial, tax or other professional advice before deciding how to vote.

You should carefully consider the matters set out in Section 9 of this Scheme Booklet and the risk factors set out in Section 10 of this Scheme Booklet, as well as the other information contained in this Scheme Booklet before voting on the Scheme.

10.2 Risks relating to the business and operations of Capilano

In considering the Scheme, you should be aware that there are a number of general risk factors, as well as risks specific to Capilano and the industries in which it operates, which

could materially and adversely affect the future operating and financial performance of Capilano.

Many of these risks are currently relevant to Capilano Shareholders and will only continue to be relevant to Capilano Shareholders if:

- the Scheme does not proceed and they retain their current investment in Capilano; or
- the Scheme proceeds and they have made a valid Election to receive the Scrip Consideration, including subscribing for HoldCo Shares under the HoldCo Share Offer, so that they receive HoldCo Shares which gives them an exposure to the business of Capilano through HoldCo's shareholding in BidCo and BidCo holding 100% of an unlisted Capilano.

(a) **Fall in Capilano Share price**

If the Scheme is not implemented, and in the absence of a Superior Proposal being implemented, Capilano Shares will remain quoted on ASX and will continue to be subject to market volatility, including as a result of general stock market movements, and the impact of general economic conditions.

If the Scheme is not implemented, and in the absence of a Superior Proposal being implemented, the price at which Capilano Shares trade may fall.

(b) **Unpredictable and cyclical honey supply**

Honey tonnage and availability of honey varieties is highly dependent on climatic conditions. A decline in honey tonnage and variety availability may adversely affect the operations and financial performance of the business. A fall in supply of higher margin honey may adversely affect the overall margin of the business.

Long term climate change may alter the supply characteristics for Australian honey, adversely impacting Capilano's ability to service supply demands at a price point that is acceptable to consumers and at the current rate of profitability. This may also have an additional impact on the ongoing business operations, costs and business strategy.

(c) **Bee disease and parasites**

Introduction of bee disease or parasites may adversely impact supply of Capilano branded products, and therefore the operations and financial performance of the business. Additionally, bee disease and parasites may impact the quality and taste of honey produced, adversely impacting brand perception and generating negative publicity, in turn potentially resulting in lost customers and revenue.

(d) **Product contamination**

Product contamination may adversely impact perceptions of the Capilano brand(s) in the market. It may also have an adverse impact on demand, and consequently the operations and financial performance of Capilano.

(e) **Honey price mechanism**

Capilano's honey supply is underpinned by Honey Supply Agreements (HSAs), which establish an annual quota with its beekeeper supply base. Under the terms of HSAs, Capilano agrees to purchase an annual quota quantity at the quota price.

The quota and pricing structure utilised for purchasing honey may disadvantage Capilano by removing the flexibility to purchase honey on an as-needs basis and take advantage of declines in price.

Conversely, the structure may also adversely impact Capilano's ability to acquire honey above the set quota in the HSAs, as this is not contracted. Additionally, a portion of Capilano's supply base are uncontracted.

(f) **Beekeeper business diversification to pollination services**

Demand for pollination services is increasing. The transfer of beehives from honey production to pollination reduces the amount of honey produced and collected. This may adversely impact the operations and financial performance of the business.

(g) **Supplier discontent**

Discontent from suppliers can negatively impact domestic supply patterns and result in suppliers leaving to compete in Capilano's markets. This may adversely affect the operations and financial performance of the business, as Capilano may not be able to service demand, potentially resulting in lost revenue and customers. Additionally, Capilano may face pricing pressure arising from its suppliers entering the market as a competitor. Supplier discontent may arise from a variety of reasons, including but not limited to, unfavourable pricing, unfavourable quotas and poor brand reputation.

(h) **Consumer sentiment**

The demand for Capilano's products is highly dependent on consumer sentiment, dietary habits and perception of products in the market. Honey is high in sugar content, which can be viewed negatively in the market. Additionally, consumers at both retail and industrial levels are able to substitute other products for honey.

A shift in consumer perception around the healthiness of honey or a general shift away from high-sugar content foods may adversely impact demand for Capilano products, resulting in a potential financial impact. Similarly, any adverse media reporting in relation to honey or high-sugar content foods may shift consumer sentiment away from honey products.

As the food market evolves to offer greater optionality around functional food, fast food and less fat or sugar content foods, there is a risk that consumers will shift away from honey products, impacting the financial performance and operations of the business.

(i) **Currency volatility**

Capilano's financial reports are prepared in Australian dollars. Capilano operates in various export markets. Capilano from time to time may hedge foreign denominated earnings. The volatility of international currencies adds to the unpredictability of foreign market transactions and may adversely impact sales or costs denominated in a foreign currency.

(j) **Customer risk**

Capilano's key customers have significant buying power and are increasingly promoting their own private label products. This may adversely impact Capilano's financial performance and brand recognition, as Capilano branded products are awarded less shelf space. Additionally, as private label substitutes become increasingly available, there may be a shift in consumer sentiment toward non-branded honey, particularly if these offer a cheaper price point for consumers.

Capilano's customer concentration is high, causing a high dependence on key customers. If a customer were lost or terms unfavourably re-negotiated for Capilano, this may adversely impact financial performance.

No formal contracts exist between Capilano and its key customers. There is a risk that Capilano's customers may engage with competitors in the local or foreign markets.

(k) **Recoverability in fluctuations of honey pricing**

Honey is a commodity and therefore pricing is influenced by external factors. High honey costs that are not recovered through consumers may negatively drive down profitability. Additionally, low honey costs that are passed on to the retailer or end customer may not improve profitability.

(l) **Regulations**

There is a risk that laws or regulations may be introduced or amended in Australia, or in foreign jurisdictions in which Capilano is looking to sell or export, or from which Capilano is sourcing ingredients or products.

Changes to laws on handling chemicals to treat bees may affect supply. Similarly, changes to the testing methods and regulation of honey products may affect Capilano's supply of honey products. Environmental regulations may result in closed or reduced access to national parks at some or all times.

Regulation of labels in export countries (including China) may prevent shipments into export countries if incorrect. Future or sudden regulatory changes in export countries (including China) may prevent or restrict access to those export markets.

(m) **Imports**

Cheap imports into the market may adversely impact demand for the Capilano product, particularly as major retailers are shifting toward non-branded private label products. Cheap imports may also affect the perceived quality of the honey industry as a whole affecting multiple honey packers, including Capilano. A decrease in demand for Capilano products may have an adverse effect on Capilano's financial performance and operations.

(n) **Personnel risk**

The successful operation of Capilano including, but not limited to, new product innovation, is dependent on Capilano's ability to attract and retain skilled employees. A failure to appropriately recruit and retain employees may adversely affect Capilano's ability to develop and implement its business strategies and could materially adversely affect Capilano's business, operating and financial performance.

(o) **Liquidity risk**

Capilano may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

(p) **Credit risk**

Capilano is subject to credit risk through bank deposits, trade and other receivables and potential non-performance by counterparties of contract obligations that could lead to a financial loss to the business.

(q) **Litigation risk**

Capilano may in the ordinary course of business be involved in litigation and disputes, for example with activists, suppliers or customers. Any litigation or

dispute could be costly and damaging to Capilano's reputation and business relationships, which could have an adverse effect on its financial performance and industry standing.

(r) **Reputational matters**

Capilano is highly dependent on its reputation in the successful marketing and consumer take-up of its products. Capilano manages risks relating to legal and regulatory requirements, environmental considerations, and ethical issues, which may cause harm to its reputation. Any adverse perception may materially impact Capilano's business, operating or financial performance.

(s) **Competition**

Capilano operates in a competitive market and there are a number of global honey based businesses seeking to grow and increase market share, including in the Australian and Asian regions. In addition, as mentioned in Section 10.2(g) above, there is a chance that supplier discontent may drive suppliers to cease supplying to Capilano and instead operate in the market as a competitor. These competitors could impact the ability of Capilano to enter new markets and maintain its existing market share position, thereby impacting its financial performance.

(t) **Intellectual Property**

While Capilano seeks to protect its brands and intellectual property rights, if it fails to enforce these rights, this could diminish the value of its brands and products, and harm its business, future growth prospects and financial and operating performance.

Third parties may assert claims of misappropriation of trade secrets or infringement of intellectual property rights against Capilano or against its end users for which Capilano may be liable.

10.3 Risks relating to an investment in HoldCo following Implementation

(a) **Overview**

The material risks of an investment in HoldCo which are known to BidCo as at the date of this Scheme Booklet are set out in this Section 10.3.

While Capilano Shareholders are already exposed to the risks set out in Section 10.2 through their existing direct investment in Capilano, Capilano Shareholders who are considering making an Election to receive the Scrip Consideration, including to subscribe for HoldCo Shares under the HoldCo Share Offer, should also bear in mind the risks associated with holding an investment in HoldCo, specifically in addition to the risks set out in Section 10.2 which may affect Capilano's (and therefore HoldCo's) future financial performance.

The risks that apply to an investment in HoldCo following Implementation are materially different from, and in addition to, those that apply to your existing investment in Capilano.

The risks that apply to an investment in HoldCo following Implementation may, individually or in combination, have a material adverse effect on HoldCo's future financial performance, financial position, cash flows distributions or your ability to Dispose of HoldCo Shares if you wish to do so and, consequently, on the outcome of an investment in HoldCo and the value of your HoldCo Shares.

Each Capilano Shareholder should carefully consider the risks that apply to an investment in HoldCo following Implementation in the light of their personal

circumstances and seek professional advice from their accountant, tax adviser, stockbroker, lawyer or other professional adviser before deciding whether to elect to receive the Scrip Consideration, including to participate in the HoldCo Share Offer.

If the risks that apply to an investment in HoldCo following Implementation conflict with a Capilano Shareholder's individual risk profile, that Capilano Shareholder should strongly consider electing to receive the Cash Consideration.

Capilano Shareholders should note that this Section 10.3 is not an exhaustive list of the risks associated with an investment in HoldCo following Implementation, and that many of these risks are outside the control of the Consortium or any member of the HoldCo Group and either cannot be mitigated or can only be partially mitigated.

Capilano Shareholders should read the Scheme Booklet in its entirety and specifically consider the risks contained within the entirety of Section 10 before deciding whether to elect to receive the Scrip Consideration, including to participate in the HoldCo Share Offer.

(b) Changes in business strategy

As noted in Section 9.7, BidCo's key aim is to continue to enhance the position of Capilano's brands in domestic markets as well as drive expansion of the brands in offshore growth markets, such as China, as a producer of premium Australian-sourced product. The focus will be on delivering innovative products with therapeutic and digestive health benefits in demand by Asian consumers.

BidCo's strategic focus for Capilano may be, to some extent, different to Capilano's current strategy as outlined in Section 9.7.

As a result, there is a risk that the future strategic direction of Capilano after Implementation may not be successful and may not achieve the hoped for financial performance for Capilano, and therefore for HoldCo.

In particular, given that BidCo intends to drive expansion of Capilano's brands in offshore growth markets, such as China, any unexpected changes in applicable regulation or of the interpretation or enforcement of existing regulation in these markets in the future will be a business risk to a greater extent than it currently is for Capilano. Further, a failure by Capilano to predict or respond to changes in consumer preferences in these markets or a decrease in demand for the Company's products in these markets will be a business risk to a greater extent than it currently is for Capilano. Such risks could materially adversely impact Capilano's future financial and operating performance.

(c) Different regulatory regime

As HoldCo will be an unlisted company following Implementation, the ASX Listing Rules will not apply. In addition, as HoldCo will be a proprietary limited company following Implementation, certain provisions of the Corporations Act that apply only to public companies will not apply.

The effect of these changes in structure means that investor protections currently available to Capilano Shareholders in respect of their Capilano Shares under the ASX Listing Rules and the provisions of the Corporations Act that apply only to public companies will not apply to HoldCo Shareholders in respect of their HoldCo Shares.

There is a risk that, because of the different regulatory regime that applies to an investment in HoldCo following Implementation, HoldCo Shareholders may not realise the outcome with respect to their investment that they intended, or which might have been available were their investment in a listed entity.

A summary of some of the key types of investor protections that will no longer apply is set out in the table below. The summary is not exhaustive:

Capilano at present	Description of lost protection following Implementation
Continuous disclosure (ASX Listing Rules – Chapter 3)	
Chapter 3 of the ASX Listing Rules contains obligations on listed entities to immediately disclose material price sensitive information to the market.	HoldCo will not have an obligation to disclose to its shareholders any material price sensitive information following Implementation.
Securities (ASX Listing Rules – Chapter 6)	
Chapter 6 of the ASX Listing Rules provides that each class of equity security must be appropriate and equitable in the ASX's view. It also provides protections in relation to voting rights of holders of ordinary and preference shares.	The terms of the HoldCo Shares are not subject to ASX's approval.
Changes in capital and share issues (ASX Listing Rules – Chapter 7)	
Chapter 7 of the ASX Listing Rules requires issuers who issue more than 15% of a listed entity's capital in a 12 month period to seek security holder approval, subject to certain exceptions. It also imposes limits on the ability of listed entities to issue securities under a rights issue, dividend or distribution plan or during a takeover unless prescribed conditions are met.	Holdings of HoldCo Shares may be more easily diluted.
Transactions with persons of influence (ASX Listing Rules – Chapter 10)	
Chapter 10 of the ASX Listing Rules imposes restrictions on persons in a position of influence, such as related parties, a subsidiary, or a substantial holder, from entering into certain transactions with the listed entity unless certain conditions are met. In prescribed cases, transactions of this nature will require security holder approval.	Transactions between HoldCo, BidCo, Capilano and/or their related parties may not require shareholder approval.
Significant transactions (ASX Listing Rules – Chapter 11)	

Capilano at present	Description of lost protection following Implementation
<p>Chapter 11 of the ASX Listing Rules requires a listed entity to obtain the approval of securityholders in certain circumstances (and where required by the ASX), if it proposes to make a significant change to the nature or scale of its activities.</p>	<p>A significant change to the operations of HoldCo, BidCo and/or Capilano may not require shareholder approval.</p>

Related Party Transactions (Corporations Act – Chapter 2E)

<p>Chapter 2E of the Corporations Act imposes restrictions on related parties of the public company, such as a director or controlling shareholder, from entering into certain transactions with the public company, unless the transaction is on arm's length terms or shareholder approval is obtained.</p>	<p>Transactions between HoldCo, BidCo, Capilano and/or their related parties that are not on arm's length terms may not require shareholder approval.</p>
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Takeovers (Corporations Act – Chapter 6)

<p>Chapter 6 of the Corporations Act sets out Australia's takeover regime. This regime is supplemented by ASIC Regulatory Guides and guidance notes issued by the Australian Takeovers Panel.</p> <p>Chapter 6 prohibits a person from acquiring relevant interests in a listed company's securities where it would have the effect of causing the person's or someone else's voting power in the company to increase from 20% or below to above 20% or from a starting point of above 20% and below 90% unless an exception, such as a takeover bid or scheme of arrangement, applies.</p> <p>The takeover regime in Chapter 6 contains a range of rules designed to provide investors with sufficient time and detailed disclosure requirements relating to a takeover bid so that they may assess the offer put to them by the bidder.</p> <p>In addition, the takeover regime in Chapter 6 includes rules designed to provide for shareholders in a company which is the subject of a takeover to have an equal opportunity to participate in the offer and any takeover premium offered by the bidder.</p>	<p>A person may acquire control of HoldCo, BidCo or Capilano in a manner that would have not been permitted had Chapter 6 of the Corporations Act applied, for example without making a takeover bid or proposing a scheme or arrangement.</p> <p>A person may acquire control of HoldCo, BidCo or Capilano in circumstances where less information was disclosed to HoldCo Shareholders or where less time was given to them to assess the offer put to them about the control transaction, than would have been permitted had Chapter 6 of the Corporations Act applied.</p> <p>A person may acquire control of HoldCo, BidCo or Capilano in a manner that does not give shareholders equal opportunity to participate in the offer and any takeover premium offered by the bidder.</p>
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(d) **Risks relating to the Capilano business in the future**

As the main asset of HoldCo is the Capilano business, BidCo also considers the following risks to be material risks associated with the Capilano business and the industry in which it operates under HoldCo ownership:

Australia made labelling laws

The Australian Government has in place country of origin labelling laws aimed at providing additional transparency and certainty in relation to the country of origin of ingredients used in consumer products to be sold in Australia. Food (including honey) to be sold in Australia must be labelled according to the requirements set out in the Country of Origin Food Labelling Information Standard 2016. These labelling requirements require Capilano to provide consumers with further transparency about the source of key ingredients used in its products. If Capilano were required to source honey for its products outside Australia, this may affect consumer demand for Capilano's products as consumers look to purchase those products which use Australian ingredients. Changes in consumer demand for Capilano's products in Australia could adversely affect the operating and financial performance of Capilano.

Product concentration

Capilano's revenues are highly dependent on sales of, and demand for, honey. Adverse changes in consumer demand for honey could have a material adverse impact on Capilano's financial performance and future prospects of its business.

Intellectual property

While HoldCo will continue to seek to ensure that Capilano protects its brands and intellectual property rights, a failure to enforce Capilano's intellectual property rights could diminish the value of Capilano's brands and products and harm Capilano's business, future growth prospects and financial and operating performance. The industry in which the Company operates is characterised by vigorous pursuit and protection of intellectual property rights, which may result in protracted and expensive litigation. Third parties may assert claims of misappropriation of trade secrets or infringement of intellectual property rights against Capilano or against its customers or supplier for which Capilano may be liable.

Retail environment

There may be an economic downturn in Australia, China or other overseas markets that Capilano competes in that may cause the retail environment to deteriorate as consumers reduce their retail spending on discretionary items. This may result in reduced turnover or Capilano not achieving its financial forecasts in Australia or overseas markets.

(e) **Exit**

Consistent with usual private equity practice, the Consortium may seek to Exit their investment in HoldCo and/or Capilano at some time in the future.

This is subject to prevailing market conditions, the performance of the business and other factors which may be considered relevant by the Consortium at the time.

As such, the time period for Exit is currently unknown and is in the discretion of the Consortium.

There is no guarantee that HoldCo Shareholders will be able to achieve an Exit in respect of their HoldCo Shares if a decision for Exit is not made by the Consortium. In particular, there will be no active market for the sale and purchase of HoldCo Shares following Implementation.

Conversely, there is no guarantee that HoldCo Shareholders will want to Exit their investment at the same time as a decision for Exit is made by the Consortium. HoldCo

Shareholders may not agree with the Exit strategy adopted by the Consortium or receive the price and return on investment they expect.

(f) **Less information**

As HoldCo will be an unlisted company following Implementation, HoldCo Shareholders may receive significantly less information and reports about HoldCo than Capilano Shareholders currently receive.

A summary of some of the key information differences is set out in the table below. The summary is not exhaustive.

Capilano at present	Position for HoldCo
Financial reporting (Corporations Act – Chapter 2M)	
<p>Chapter 2M of the Corporations Act requires public companies of every size to disclose their annual financial report and directors' report. The financial report includes the audited financial statements for the year, and the director's declaration about the statements.</p> <p>A listed public company's annual financial report and directors' report must include additional information specified by the Corporations Act.</p> <p>A listed public company's financial statements must include a declaration by the CEO and CFO regarding those financial statements, including that they give a true and fair view.</p> <p>A listed public company's directors' report must include an 'operating and financial review' which contains information that shareholders would reasonably require to make an informed assessment of the company's operations, financial position, business strategies, and prospects for future financial years.</p> <p>If the public company is listed, they must also make their remuneration report available, which is voted on at its Annual General Meeting.</p> <p>A disclosing entity must also provide a financial report and directors' report for each half-year.</p>	<p>The consolidated HoldCo Group, being a large proprietary company, must lodge with ASIC an annual financial report and directors' report. The financial report includes the audited financial statements for the year, and the director's declaration about the statements.</p> <p>There is no requirement for the consolidated HoldCo Group's financial statements to include:</p> <ul style="list-style-type: none"> • a declaration by the CEO and CFO that they give a true and fair view; • an 'operating and financial review'; • a financial report and directors' report for each half-year. <p>There is no requirement for the consolidated HoldCo Group to provide a corporate governance report.</p>
Corporate Governance Statements (ASX Listing Rules – Chapter 4)	
<p>Chapter 4 of the ASX Listing Rules requires each listed company to include in its annual report either a corporate governance statement or a website address where such statement is located.</p>	<p>The consolidated HoldCo Group will not provide a corporate governance report.</p>

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Capilano at present	Position for HoldCo
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Meetings (Corporations Act – Chapter 2G)

<p>Chapter 2G of the Corporations Act requires a public company to hold an Annual General Meeting at least once in each calendar year and within 5 months of the end of its financial year.</p> <p>Further to the above, many listed companies such as Capilano regularly hold meetings with investment analysts who summarise and comment on the company's financial performance and forecasts, which shareholders may review. If the Scheme is implemented, HoldCo and Capilano are not likely to continue such public discussions as unlisted, proprietary companies.</p>	<p>There is no requirement for HoldCo, BidCo or Capilano to hold an Annual General Meeting.</p>
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(g) Lack of liquidity

HoldCo is an unlisted company, and will continue to be an unlisted company following Implementation.

There will be no active market for the sale and purchase of HoldCo Shares following Implementation. HoldCo Shareholders may only deal with their HoldCo Shares in certain limited circumstances as permitted under the Shareholders' Deed (see the table in Section 9.9 for further details on the restrictions applicable to Disposals of HoldCo Shares).

In addition to the restrictions on the Disposal of their HoldCo Shares under the Shareholders' Deed, prospective sellers of HoldCo Shares will need to find their own buyer in order to trade in their HoldCo Shares (and even if such buyer is found, a sale or transfer to such buyer may not be permitted in any event due to the restrictions under the Shareholders' Deed). The lack of liquidity associated with HoldCo Shares may affect the price that another person is willing to pay for those HoldCo Shares (notwithstanding that the financial performance of HoldCo and Capilano might suggest the value of those HoldCo Shares is higher).

In particular, the Consortium does not intend to be an active buyer of HoldCo Shares after Implementation. This means that if you want to sell your HoldCo Shares at any time in the future, you should not assume that the Consortium will purchase any of your HoldCo Shares (including in an 'emergency' scenario).

Further, the conditions on Disposal of any HoldCo Shares are onerous, particularly as they involve relatively long timing requirements of 30 days for a transfer and a further 60 days holding time. This means that if you want to sell your HoldCo Shares at any time in the future, you should not assume that you will be able to do so in a timely manner (including in an 'emergency' scenario).

(h) Fewer rights as minority shareholders

As Capilano Shareholders who receive HoldCo Shares under the Scheme will collectively have no more than a 49.9% interest in HoldCo, they will be subject to risks that are inherent in minority shareholdings.

For example, certain decisions can be made with the approval of a simple majority of HoldCo Shareholders (i.e. those HoldCo Shareholders holding an interest in HoldCo of at least 50%) that could not be blocked by the Original Capilano Shareholders.

In addition, certain decisions have been reserved for the HoldCo Board and the Consortium will have the right to appoint a majority of the HoldCo directors. Accordingly, decisions may be made that Original Capilano Shareholders do not agree with, and that do not serve their particular personal interests.

It is unlikely that any significant decision will be capable of being taken without the Consortium's consent. There are some limited decisions that require the approval of a Shareholders' Special Resolution (i.e. a resolution of HoldCo Shareholders approved by at least 75.0% of the votes cast) and so cannot be approved by the Consortium or the HoldCo Board on their own, namely a variation of rights, a buy-back or redemption of Shares or changes to the HoldCo Constitution. However, the Consortium will be able to make other significant decisions without requiring the consent of the other HoldCo Shareholders. Decisions made by the Consortium with respect to HoldCo may affect the business, results, financial condition and prospects of HoldCo and its subsidiaries and these decisions may conflict with the interests of the other HoldCo Shareholders.

The Shareholders' Deed contains provisions under which Original Capilano Shareholders may be compelled to transfer their HoldCo Shares. For example, the Shareholders' Deed includes 'drag along' provisions, which allow a Consortium member to require each other HoldCo Shareholders to transfer their HoldCo Shares to the same transferee in certain circumstances (see the "Drag along rights" section of the table in Section 9.9 for further details).

Refer to Section 9.9 for a summary of some of the key rights attaching to the HoldCo Shares, including a description of some of the terms of the Shareholders' Deed.

(i) **Dilution**

HoldCo may need to raise additional capital through the issue of new securities in the future in order to meet the operating and/or financing requirements of itself, BidCo and Capilano. HoldCo may issue new securities as consideration for any equity funded acquisitions by HoldCo, BidCo or Capilano. HoldCo Group may also issue securities to its management team through the establishment of a management incentive scheme.

Future capital raisings, equity funded acquisitions by HoldCo Group or issuance of securities to management, undertaken in accordance with the Shareholders' Deed, may dilute the holdings of a particular HoldCo Shareholder relative to other HoldCo Shareholders. In the event that further equity funding is required, existing HoldCo Shareholders (other than HoldCo Shareholders who hold less than 5% HoldCo Shares) may be offered to participate and, if they do not take up their proportional share of any pro rata issue of shares offered to them, have their stakes diluted relative to other HoldCo Shareholders who elected to take up their proportional share of any pro rata issue.

HoldCo Shareholders of less than 5% HoldCo Shares are at greater risk of being diluted under the Shareholders' Deed, because they will not be offered the opportunity to participate in future capital raising and do not have a right of first refusal in the event a HoldCo Shareholder is proposing to sell their HoldCo Shares, and therefore their stakes could be diluted relative to other HoldCo Shareholders who have the right to participate in any issues and right of first refusal over acquisitions of HoldCo Shares.

(j) **Leverage**

No debt financing is being obtained by HoldCo to fund the payment of the Cash Consideration, meaning that the leverage position of HoldCo, BidCo and Capilano immediately following Implementation will be broadly the same as Capilano's leverage position prior to Implementation.

However, HoldCo Group may raise additional debt financing in the future in order to meet the operating and/or financing requirements of itself, BidCo and Capilano. HoldCo may raise new debt financing to fund cash consideration for any acquisitions by HoldCo, BidCo or Capilano.

Future debt financing raisings, undertaken in accordance with the Shareholders' Deed, may expose a HoldCo Shareholder to greater risks than they currently face arising from the current leverage position of Capilano. The leverage position of HoldCo Group in the future may be different to that of ASX-listed companies of a similar size and nature.

(k) Lack of dividends

Whilst each HoldCo Share will be entitled to receive any dividends and other distributions from HoldCo, declaration and payment of any dividends will be at the sole discretion of the HoldCo Board.

The Consortium intends that HoldCo will not pay or declare any dividends following Implementation and prior to any Exit.

10.4 Risks relating to the Scheme

(a) Overview

The material risks relating to the Implementation of the Scheme itself which are known to BidCo as at the date of this Scheme Booklet are set out in this Section 10.4.

(b) Approvals delayed or not obtained

There is a risk that the Court may not approve the Scheme, or only be willing to approve the Scheme subject to conditions that BidCo and/or Capilano (as applicable) are not prepared to accept (acting reasonably).

There is also a risk that some or all of the aspects of the shareholder and Court approvals required for the Scheme to proceed may be delayed.

(c) Transaction costs

Subject to Section 13.9 below, HoldCo, BidCo and Capilano will incur transaction costs in connection with the Scheme. HoldCo, BidCo and Capilano will pay transaction fees and other expenses related to the Scheme, including financial advisers' fees, filing fees, legal and accounting fees, regulatory fees and mailing costs. Some of those fees may be reduced by the Scheme not being implemented, while other costs may be incurred irrespective of the Scheme outcome.

(d) Due diligence and reliance on information

Before execution of the Scheme Implementation Agreement, BidCo and the Consortium undertook due diligence on information about Capilano provided for the purpose of considering the acquisition of Capilano and negotiating the Scheme Implementation Agreement.

Such investigations were carried out in a limited timeframe. BidCo is satisfied that it has sufficient information to proceed with the Scheme. However, whilst BidCo has decided to proceed with the Scheme, there is a risk that not all material information was provided by Capilano in the due diligence process. If this were the case, there may be other risks associated with Capilano which are presently unknown to BidCo.

Additionally, there is a risk that the information provided may contain inaccuracies or have changed due to changes in the economy or other risk factors outside the control of either BidCo or Capilano. After Implementation, HoldCo will be subject to any unknown liabilities of Capilano which may have an adverse effect on HoldCo's performance and financial condition.

(e) **Change of control**

Upon Implementation, a change of control in Capilano will occur.

It is possible that material contracts to which Capilano is a party may be subject to pre-emptive rights, review or termination upon this change of control. While BidCo is not aware of any counterparty that may wish to terminate a material contract, should any such contracts be terminated, Capilano would lose the benefit of the contract and may be unable to obtain similar terms upon entry into replacement contracts (should such replacement contracts be available).

11 Tax Considerations

11.1 Tax implications addressed in this Section

(a) Introduction

The information contained within this summary is of a general nature only. It does not constitute specific tax advice and should not be relied upon as such. Capilano Shareholders should seek independent professional advice on the consequences of the Scheme, based on their particular circumstances.

This summary is based on the provisions of the *Income Tax Assessment Act 1936* (Cth) (**ITAA36**) and the *Income Tax Assessment Act 1997* (Cth) (**ITAA97**) (together, the **Tax Act**) as at the date of this Scheme Booklet.

Whilst we have had regard to proposed changes to tax law to the extent possible in the preparation of these tax implications, we do not undertake to update these tax implications in respect of any future changes to the tax law.

This summary considers the following tax implications of the Scheme:

- the Australian income tax consequences of the disposal of Capilano Shares under the Scheme (see Section 11.2 of this Scheme Booklet);
- certain Australian tax implications where Capilano Shareholders acquire shares in HoldCo as consideration for the disposal of Capilano Shares (see Section 11.2 of this Scheme Booklet); and
- certain stamp duty and goods and services tax (**GST**) implications arising from the Scheme (see Sections 11.3 and 11.4 of this Scheme Booklet).

This summary applies to Australian tax resident and non-resident shareholders who hold their shares on capital account. However, this summary will not be applicable to Capilano Shareholders who:

- hold their Capilano Shares on revenue account, as trading stock or to which the Taxation of Financial Arrangements provisions (Division 230 of the Tax Act) apply;
- are financial institutions, insurance companies, partnerships, tax exempt organisations, dealers in securities or Shareholders who change their tax residency while holding the Shares and are subject to special tax rules;
- acquired their Capilano Shares before 20 September 1985; or
- acquired their Capilano Shares because of an employee share plan and the Shares are taxable under the employee share scheme rules (Division 83A of the Tax Act or former Division 13A of Part III of the Tax Act). However, the general advice provided in this Section should apply to Capilano Shareholders who acquired their Capilano Shares by exercising options, where their Capilano Shares are now held as a capital gains tax (**CGT**) asset and are not now subject to any relevant employee share scheme rules.

(b) Class ruling

Capilano has lodged a class ruling application with the Australian Taxation Office (**ATO**) seeking the Commissioner of Taxation's views on specific income tax issues for Capilano Shareholders relating to the Scheme.

The class ruling has not been issued by the ATO as at the date of the Scheme Booklet. If published, the class ruling will be available on the ATO's website www.ato.gov.au and Capilano will make an ASX announcement in respect of its publication.

11.2 Income tax

If the Scheme is implemented, BidCo will acquire 100% of the shares in Capilano. In consideration, Capilano Shareholders will receive the Scheme Consideration. Capilano Shareholders will be entitled to make an election to receive either:

- Cash Consideration (\$20.06 per Scheme Share); or
- Scrip Consideration (one HoldCo Share for each Capilano Share), subject to the terms outlined in this Scheme Booklet (including section 9.4).

If a Capilano Shareholder does not make an election, they are treated as electing to receive the Cash Consideration.

Capilano Shareholders who have elected to receive Scrip Consideration will also be eligible to subscribe for additional shares in HoldCo (subject to the terms outlined in this Scheme Booklet, including section 9.4).

Capilano Shareholders should consider the Australian income tax implications of acquiring and holding HoldCo shares.

(a) Australian tax resident Capilano Shareholders

(1) Australian capital gains tax (CGT)

The disposal of Capilano Shares by an Australian tax resident Capilano Shareholder will constitute a CGT event for Australian income tax purposes (**CGT event A1**). The CGT event should occur when the change of ownership of the Capilano Shares occurs. The change of ownership of the Capilano Shares should occur on the Implementation Date.

Capilano Shareholders will:

- derive a capital gain if the capital proceeds from the disposal of their Capilano Shares are greater than the cost base of the Capilano Shares (subject to the application of roll-over relief discussed below); or
- incur a capital loss if the capital proceeds from the disposal of their Capilano Shares are less than the reduced cost base of their Capilano Shares.

Capilano Shareholders who derive a capital gain on disposal of their Capilano Shares will be required to include the net capital gain (if any) for the income year in their assessable income.

Specific CGT roll-over provisions are relevant to the Scheme. These provisions are outlined at section 11.2(a)(6) below.

(2) Capital proceeds

The capital proceeds for the CGT event arising from the disposal of Capilano Shares under the Scheme should include the Scheme Consideration. As such, the value of the capital proceeds should consist of:

- cash consideration received; and/or
- the market value of any property received in the form of HoldCo Shares,

in accordance with the terms of the offer outlined elsewhere in this Scheme Booklet, including Section 9.4.

(3) Cost base

The cost base and reduced cost base of Capilano Shares will generally include the amount paid to acquire the Capilano Shares and the market value of any property given to acquire the Capilano Shares, plus any incidental costs of acquisition (e.g. brokerage fees and stamp duty). The cost base of each Capilano Share will depend on the individual circumstances of each Capilano Shareholder.

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Capilano Shares acquired in different transactions may have different cost bases and reduced cost bases and therefore capital gains may arise in respect of some Capilano Shares while capital losses may arise in respect of other Capilano Shares.

(4) Indexation

Capilano Shareholders who acquired their Capilano Shares at or before 11:45 a.m. on 21 September 1999 and have therefore have held their Capilano Shares for at least 12 months, can choose to increase the cost base of their Capilano Shares for indexation based on the “consumer price index” movement from the date of acquisition of the Capilano Shares to 30 September 1999.

Capilano Shareholders who choose to apply indexation forego the opportunity to apply the CGT discount (see below), where it might otherwise be available. In addition, indexation does not apply to a reduced cost base. This means that indexation cannot apply to increase the amount of a capital loss.

(5) CGT Discount

Generally, Capilano Shareholders who are individuals, trusts, and complying superannuation funds that have held Capilano Shares for at least 12 months at the time of disposal should be entitled to the CGT discount in calculating the amount of capital gain on disposal of their Capilano Shares.

The CGT discount is applied after available capital losses have been offset to reduce the capital gain.

The applicable CGT discount which would reduce a capital gain arising from the disposal of Capilano Shares is as follows:

- 50% for individuals and trusts; and
- 33 1/3% for complying superannuation funds.

As the rules relating to discount capital gains for trusts are complex, we recommend that Capilano Shareholders who are trustees seek their own independent advice on how the CGT discount provisions will apply to them and the trust’s beneficiaries.

The CGT discount is not available for Capilano Shareholders that are companies.

(6) Scrip-for-scrip roll-over relief

Capilano Shareholders who elect to receive Scrip Consideration and who would otherwise make a capital gain on the disposal of their Capilano Shares under the Scheme may choose scrip-for-scrip roll-over relief to the extent that the capital gain made on the disposal of their Capilano Shares is attributable to the receipt of new HoldCo Shares relating to the Scrip Consideration.

The eligibility for scrip-for-scrip roll-over relief is the subject of the class ruling application discussed at Section 11.1(b).

(7) Choosing roll-over relief

Generally, a choice to adopt scrip-for-scrip roll-over relief must be made before lodgement of the Capilano Shareholder’s income tax return for the income year in which the CGT event occurs.

No formal election notice to choose scrip-for-scrip roll-over relief is required to be lodged with the ATO. The Capilano Shareholder’s income tax return should, however, be prepared in a manner consistent with electing for scrip-for-scrip roll-over relief (i.e. no capital gain should be recognised).

(8) Consequences of choosing scrip-for-scrip roll-over relief

In the event a Capilano Shareholder elects to receive Scrip Consideration and chooses to apply the scrip-for-scrip CGT roll-over relief, any capital gain made, attributable to the receipt of HoldCo Shares, may be disregarded. The cost base of the new HoldCo Shares received as consideration should be equal to the cost base of the Capilano Shareholder’s Capilano Shares. The capital gain made on the disposal of the Capilano Shares will effectively be deferred if and until the HoldCo Shares relating to the Scrip Consideration are disposed of.

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(9) **Consequences of not choosing scrip-for-scrip roll-over relief**

Capilano Shareholders who do not choose to obtain the scrip-for-scrip CGT roll-over relief will be assessed on any capital gain made (or will bring to account any capital loss) on the disposal of their Capilano Shares. The first element of the cost base and reduced cost base of each new HoldCo Share received in consideration for the disposal of Capilano Shares should be equal to the market value of the Capilano Shares given in exchange for the acquisition of the HoldCo Shares on the Implementation Date.

The acquisition date of the HoldCo Shares should be the Implementation Date. This will be relevant for the purposes of determining eligibility for the CGT discount if the HoldCo Shares relating to the Scrip Consideration are later Disposed of.

(b) **Non-resident Capilano Shareholders**

Capilano Shareholders that are non-Australian tax residents that make a capital gain on disposal of their Capilano Shares under the Scheme would be subject to the Australian CGT rules to the extent that the Capilano Shares are 'taxable Australian property'. Generally, these Capilano Shareholders would be subject to Australian income tax on any capital gain derived if:

- they (together with associates) hold 10% or more of Capilano (at the time of disposal or throughout a 12 month period during the two years before disposal) (**the non-portfolio test**); and
- the majority of Capilano's assets consist of real property situated in Australia (**the principal asset test**).

Capilano Shareholders that are non-Australian tax residents, and who satisfy the non-portfolio test (see above), should seek their own independent tax advice as to the Australian tax implications of the Scheme, including the tax implications in their country of residence.

11.3 **GST**

No GST will be payable by Capilano Shareholders on the disposal of Capilano Shares under the Scheme or the issue of Scrip Consideration to any Capilano Shareholder who elects to receive it.

GST may be imposed on taxable supplies (if any) obtained by Capilano Shareholders from third party suppliers (such as legal advisors) in connection with the scheme and those suppliers may 'gross up' their invoice for GST. The entitlement of a Capilano Shareholder to claim input tax credits for the GST gross up on these acquisitions (if any) may be restricted. GST registered Capilano Shareholders should seek their own professional tax advice in this regard.

11.4 **Stamp duties**

No stamp duty will be payable by Capilano Shareholders in relation to the disposal of Capilano Shares under the Scheme.

No stamp duty will be payable by Capilano Shareholders who elect to receive Scrip Consideration on the basis that in aggregate Capilano Shareholders can only be issued less than 50% of the shares in HoldCo.

12 Information relating to Capilano Directors

12.1 Interests of Capilano Directors in Capilano Securities

(a) Relevant Interests of Capilano Directors in Capilano Securities

As at the Last Practicable Date, each of the Capilano Directors has the following Relevant Interests in Capilano Shares:

Capilano Director	Number of Capilano Shares	Number of Capilano Options
Trevor R Morgan	13,341 (directly) 2,000 (indirectly)	Nil
Phillip F McHugh	3,500 (directly) 35,476 (indirectly)	Nil
Benjamin A McKee	55,530 (indirectly)	60,000
Robert N Newey	Nil	Nil
Brian F O'Donnell	3,500 (indirectly)	Nil
Julie A Pascoe	9,700 (indirectly)	Nil
Simon L Tregoning	Nil	Nil
Valentina Tripp	Nil	Nil

Each Capilano Director intends to vote the Capilano Shares that he or she directly or indirectly owns or controls in favour of the Scheme subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders and there being no Superior Proposal.

(b) Dealings of Capilano Directors in Capilano Shares

No Capilano Director acquired or disposed of a Relevant Interest in any Capilano Shares in the four month period ending on the date immediately prior to the date of this Scheme Booklet.

12.2 Interests of Capilano Directors in the HoldCo and BidCo securities

(a) Relevant Interests of Capilano Directors in HoldCo securities

As at the Last Practicable Date, no Capilano Director had a Relevant Interest in any securities in HoldCo or BidCo.

(b) Dealings of Capilano Directors in securities of HoldCo and BidCo

As at the Last Practicable Date, no Capilano Director acquired or Disposed of a Relevant Interest in any securities in HoldCo or BidCo in the four month period ending on the date immediately prior to the date of this Scheme Booklet.

12.3 Benefits and agreements

(a) Benefits in connection with retirement from office

No payment or other benefit is proposed to:

- be made or given to any director, company secretary or executive officer of Capilano as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in Capilano or in a Related Body Corporate of Capilano; or
- be made or given to any director, company secretary or executive officer of any Related Body Corporate of Capilano as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in that Related Body Corporate of Capilano or in Capilano,

in connection with the Scheme.

(b) Remuneration in connection with remaining in office

Under the Shareholders' Deed, no director of HoldCo (other than the director of HoldCo nominated by CBL) will be entitled to be paid a fee. HoldCo must pay to the director of HoldCo nominated by CBL, monthly in arrears, a fee to be determined before the start of each Financial Year by the HoldCo Board, as set out in clause 10 of the Shareholders' Deed. A full copy of the Shareholders' Deed is contained in Annexure E.

(c) Agreements connected with or conditional on the Scheme

Except as set out below or otherwise disclosed in this Scheme Booklet, there are no agreements or arrangements made between any Capilano Director and any other person in connection with, or conditional on, the outcome of the Scheme:

- the cancellation of the Capilano Options, as set out in Section 13.3 of this Scheme Booklet;
- an agreement to transfer the Foundation Share to the Consortium in consideration for \$1 and representation on HoldCo's Board, as set out in Section 9.6; and
- following Implementation of the Scheme, Benjamin McKee will become the HoldCo Group CEO – as at the date of this Scheme Booklet, the arrangements for Mr McKee's remuneration as HoldCo Group CEO have not yet been determined or agreed.

(d) Interests of Capilano Directors in contracts with the BidCo and HoldCo

None of the Capilano Directors has any interest in any contract entered into by HoldCo or BidCo, or any Related Body Corporate of HoldCo and BidCo, other than the Foundation Share Sale and Purchase Agreement under which CBL Directors intend to agree to the transfer of the Foundation Share to BidCo as set out in Section 9.6.

(e) **Benefits from BidCo and HoldCo**

None of the Capilano Directors has agreed to receive, or is entitled to receive, any benefit from HoldCo and BidCo, or any Related Body Corporate of HoldCo and BidCo, which is conditional on, or is related to, the Scheme, other than in their capacity as a Capilano Shareholder or as a holder of Capilano Options (set out in Section 13.3), or as a director of CBL who intends to agree to the transfer of the Foundation Share to BidCo, (set out in Section 9.6).

13 Additional Information

13.1 Scheme Implementation Agreement

(a) **Overview**

On 13 August 2018, Capilano, HoldCo and BidCo entered into the Scheme Implementation Agreement. The key terms of the Scheme Implementation Agreement are summarised below.

A full copy of the Scheme Implementation Agreement is contained in Annexure B.

(b) **Conditions Precedent**

Implementation of the Scheme is subject to the Conditions Precedent in the Scheme Implementation Agreement which must be satisfied or waived (as applicable). For details of the Conditions Precedent, see clause 3.1 of the Scheme Implementation Agreement and Section 7.9 of this Scheme Booklet.

(c) **Exclusivity arrangements**

The Scheme Implementation Agreement contains exclusivity arrangements in favour of HoldCo.

In summary, the exclusivity provisions consist of no shop, no talk, no due diligence and notification provisions in relation to a Competing Transaction.

The provisions also include a matching right in favour of HoldCo and the obligation on Capilano to consider and recommend HoldCo's counterproposal to the Competing Transaction (provided that HoldCo's counterproposal is made by the expiry of 3 Business Days after Capilano provided to HoldCo details of the actual, proposed or potential Competing Transaction) where that counterproposal is a matching or Superior Proposal to the terms of the Competing Transaction and the Capilano Board, acting in good faith (this was amended on 11 October 2018 to remove an earlier requirement that the Capilano Board act "reasonably" as well as in good faith), determines that HoldCo's counterproposal would provide an equivalent or superior outcome for Scheme Shareholders as a whole compared with the Competing Transaction, taking into account all of the terms and conditions of HoldCo's counterproposal. These exclusivity provisions commenced from the date of the Scheme Implementation Agreement and end on the earlier date of termination of the Scheme Implementation Agreement in accordance with its terms or the End Date (**Exclusivity Period**).

These exclusivity arrangements are set out in clause 10 of the Scheme Implementation Agreement.

(d) **Change in recommendation**

Capilano has agreed in the Scheme Implementation Agreement to use its best endeavours to procure that none of the Capilano Directors withdraws or changes their recommendation in favour of the Scheme at the Scheme Meeting unless:

- there is a Superior Proposal; or
- the Independent Expert concludes that the Scheme is not fair and reasonable, or not in the best interests of, the Scheme Shareholders, or adversely changes its previously given opinion that the Scheme is fair and reasonable and in the best interests of the Scheme Shareholders; and
- the Capilano Board determines in good faith (this was amended on 11 October 2018 to remove an earlier requirement that the Capilano Board act “reasonably” as well as in good faith), having received expert advice in writing from its legal advisors that they must do so because of their fiduciary or statutory duties to the Scheme Shareholders.

Capilano’s obligations regarding the recommendation of the Capilano Board are set out in clause 7 of the Scheme Implementation Agreement.

(e) **Reimbursement Fee payable by Capilano**

Capilano has agreed to pay HoldCo a break fee of \$1.45 million (excluding GST) if certain events occur, including:

- **(Competing Transaction)** during the Exclusivity Period, a Competing Transaction is announced and within 12 months of the date of the announcement that Third Party who made the announcement acquires control of Capilano, or acquires an economic interest or a substantial part of the assets or business of Capilano, or otherwise acquires or merges with Capilano;
- **(change of recommendation by majority)** during the Exclusivity Period, a majority of the Capilano Directors fails to recommend the Scheme or otherwise withdraws their recommendation, or adversely changes or qualifies their recommendation or otherwise makes a public statement indicating he or she no longer supports the Scheme, except where the change of recommendation or statement is made after the Independent Expert concludes that the Scheme is not fair or not reasonable or not in the best interests of Scheme Shareholders (other than where a Competing Transaction has been proposed or announced before the report is issued which the Independent Expert may reasonably regard to be on more favourable terms than the transaction contemplated by the Scheme Implementation Agreement);
- **(change of recommendation)** during the Exclusivity Period, both:
 - any Capilano Director fails to recommend the Scheme or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating he or she no longer supports the Scheme, except where the change of recommendation or statement is made after the Independent Expert concludes that the Scheme is not fair or not reasonable or not in the best interests of Scheme Shareholders (other than where a Competing Transaction has been proposed or announced before the report is issued which the Independent Expert may reasonably regard to be on more favourable terms than the transaction contemplated by the Scheme Implementation Agreement); and
 - the Scheme Shareholders’ vote is not approved at the Scheme Meeting;
- **(HoldCo termination)** HoldCo validly terminates the Scheme Implementation Agreement for a material breach by Capilano; and
- **(Capilano termination)** Capilano terminates the Scheme Implementation Agreement following the Capilano Board determining that a Competing

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Transaction, that is not solicited, invited, encouraged or initiated in breach of the exclusivity provisions, is a Superior Proposal.

The Capilano Reimbursement Fee arrangements are set out in clause 11 of the Scheme Implementation Agreement.

(f) **Representations and warranties**

Each party to the Scheme Implementation Agreement has given representations and warranties to the other. A breach of such representations and warranties is capable of giving rise to a termination right.

These representations and warranties are set out in clause 12 of the Scheme Implementation Agreement.

(g) **Termination rights**

The Scheme Implementation Agreement may be terminated by the written agreement of Capilano and HoldCo, and in other certain circumstances, including the following:

- if the Scheme has not become Effective on or before the End Date;
- by HoldCo if a majority of the Capilano Board fails to recommend to the Scheme Shareholders that they are in favour of the resolution to approve the Scheme;
- by either HoldCo or Capilano if the other is in material breach of the Scheme Implementation Agreement (including any representation and warranty not being true and correct), if it gives notice to the other setting out the relevant circumstances and the relevant circumstances continue for five Business Days after the time of such notice is given;
- by HoldCo if there is a Capilano Prescribed Event or Material Adverse Effect;
- by HoldCo, if a person (other than BidCo, its Associates or an existing Scheme Shareholder) has a Relevant Interest in more than 20% of the Capilano Shares; and
- by Capilano, if the Capilano Board determines that a Competing Transaction that was not solicited, invited, encouraged or initiated in breach of the no-shop exclusivity provisions contained in clause 10.2 of the Scheme Implementation Agreement, is a Superior Proposal.

The termination rights are set out in clause 13.1 of the Scheme Implementation Agreement.

13.2 **Waiver of Material Adverse Effect**

HoldCo and BidCo have confirmed that they are aware of the recent adverse media allegations in relation to the Allowrie honey and honey which Capilano supplies under supermarket brands, and the nuclear magnetic resonance testing method, including the matters described in the ASX announcement released by Capilano on 3 September 2018 (**Allowrie Allegations**). HoldCo and BidCo have confirmed that, to the extent they are aware of the Allowrie Allegations, the Allowrie Allegations do not constitute a "Material Adverse Effect" for the purposes of the Scheme Implementation Agreement, and have waived their rights in respect of them being a breach or non-fulfilment of the "No Material Adverse Effect" condition in the Scheme Implementation Agreement (see 13.1(b) of this Scheme Booklet) and a right to terminate (see 13.1(g) of this Scheme Booklet) (**MAE Waiver**).

Other than the MAE Waiver, HoldCo and BidCo have not waived any of their rights in respect of a breach or non-fulfilment of the "No Material Adverse Effect" condition in the

Scheme Implementation Agreement (see 13.1(b) of this Scheme Booklet) or a right to terminate (see 13.1(g) of this Scheme Booklet) in relation to any event, occurrence or matter that does not occur as a direct result of the Allowrie Allegations or that was not known to HoldCo, BidCo, the Consortium or their advisers as at 12 September 2018, including any of the following:

- any event, occurrence or matter that relates to 'Capilano' branded honey rather than 'Allowrie' branded honey as described in the Allowrie Allegations;
- any event, occurrence or matter that arises as a result of testing of honey owned, imported by, or sold by any member of the Capilano Group that is carried out by or on behalf of any member of the Capilano Group under testing methods currently used by the Capilano Group (including the testing as described in the opening paragraph of the ASX announcement released by Capilano on 3 September 2018); or
- any event, occurrence or matter that relates to any statement in the ASX announcement released by Capilano on 3 September 2018 being false, misleading or deceptive (whether by omission or otherwise).

13.3 Capilano Options

As at the Last Practicable Date, there were a total of 60,000 Capilano Options on issue held by Dr Benjamin McKee, the Managing Director and CEO of Capilano in two tranches as follows:

Tranche	Number of Capilano Options	Exercise price of Capilano Options	Expiry date of Capilano Options
1	30,000	\$21.00 per Capilano Option	30 June 2024
2	30,000	\$15.85 per Capilano Option	30 June 2025

Dr McKee is the only participant of Capilano's long term incentive plan.

The Capilano Board and Dr McKee have agreed that all 60,000 Capilano Options will be cancelled in consideration for Capilano paying Dr McKee aggregate cash consideration of \$160,000 subject to the following conditions being satisfied or waived:

- the Scheme becoming Effective; and
- ASX granting Capilano a waiver from ASX Listing Rule 6.23 and any conditions to such waiver being satisfied, or waived by ASX, or the Capilano Shareholders giving any necessary approvals under ASX Listing Rule 6.23.

Capilano has applied for, and ASX has granted, a waiver from ASX Listing Rule 6.23.2 to permit the Capilano Options to be dealt with in this manner – see Section 13.4 of this Scheme Booklet.

13.4 Regulatory relief

ASX has granted Capilano a waiver of ASX Listing Rule 6.23.2 to the extent necessary to permit the treatment of the Capilano Options as set out in Section 13.3 of this Scheme Booklet.

13.5 Consents to be named

Each of the parties named in this Section 13.5 as consenting parties:

- has given and has not, before the lodgement of this Scheme Booklet with ASIC, withdrawn its written consent to be named in this Scheme Booklet in the form and context in which it is named;
- has given and has not, before the lodgement of this Scheme Booklet with ASIC, withdrawn its written consent to the inclusion of its respective statements and reports (where applicable) noted next to its names in this Section 13.5, and the references to those statements and reports in the form and context in which they are included in this Scheme Booklet;
- has not caused or authorised the issue of this Scheme Booklet; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Scheme Booklet.

The term “consent”, as used in this Scheme Booklet, is used solely in the context of this Scheme Booklet and as that term is used in Australia.

Party	Consenting Party
Capilano Share Registry	Link Market Services Limited
Financial adviser	KPMG Financial Advisory
Legal adviser	Herbert Smith Freehills
Independent Expert	BDO
Auditor	William Buck
Consortium	Wattle Hill and ROC
HoldCo	Bravo HoldCo Pty Limited
BidCo	Bravo BidCo Pty Limited

13.6 No unacceptable circumstances

The Capilano Directors believe that the Scheme does not involve any circumstances in relation to the affairs of Capilano that could reasonably be characterised as constituting ‘unacceptable circumstances’ for the purposes of section 657A of the Corporations Act.

13.7 Foreign jurisdictions

The distribution of this Scheme Booklet outside Australia may be restricted by law and persons who come into possession of it outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. Capilano disclaims all liabilities to such persons who contravene these laws.

Capilano Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

No action has been taken to register or qualify this Scheme Booklet or any aspect of the transaction in any jurisdiction outside of Australia.

13.8 No other material information

Except as disclosed elsewhere in this Scheme Booklet, so far as the Capilano Directors are aware, there is no other information that is:

- material to the making of a decision by a Capilano Shareholder whether or not to vote in favour of the Scheme; and
- known to any Capilano Director at the date of lodging this Scheme Booklet with ASIC for registration,

which has not previously been disclosed to Capilano Shareholders.

13.9 Fees

Capilano has incurred significant costs in respect of the Scheme, including those to conduct negotiations with the Consortium, retain advisers, provide information to the Consortium, engage the Independent Expert and prepare this Scheme Booklet. If the Scheme does not proceed, Capilano is likely to incur transaction related costs of approximately \$2 million (exclusive of GST) – this assumes no break fee is payable by Capilano to HoldCo (see Section 13.1(e)).

Subject to the Scheme becoming Effective and that any required Capilano Shareholder approvals are obtained after the Effective Date, Capilano will also pay or reimburse:

- all stamp duty, registration fees and similar taxes payable or assessed as being payable in connection with the Scheme Implementation Agreement; and
- all of HoldCo's external adviser costs (excluding any costs of advisers which are Affiliates of the Consortium) incurred in connection with the Scheme, estimated at approximately \$5.11 million plus GST.

13.10 Supplementary disclosure

Capilano will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of this Scheme Booklet and the Second Court Date:

- a material statement in this Scheme Booklet is false or misleading in a material respect;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or

- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of this Scheme Booklet.

Depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Capilano may circulate and publish any supplementary document by:

- making an announcement to ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to Capilano Shareholders at their address shown on the Capilano Share Register; or
- posting a statement on Capilano’s website at <https://www.capilano-honey.com/au>,

as Capilano, in its absolute discretion, considers appropriate.

14 Glossary and Interpretation

14.1 Glossary

In this Scheme Booklet, unless the context otherwise appears, the following terms have the meanings shown below:

Term	Meaning
AASB3	Australian Accounting Standards Board Standard 3 <i>Business Combinations</i> .
ACCC	Australian Competition and Consumer Commission.
Affiliates	<p>for the purposes of the Shareholders’ Deed, in respect of a person (Primary Person), a person:</p> <ul style="list-style-type: none"> (a) Controlled directly or indirectly by the Primary Person; (b) Controlling directly or indirectly the Primary Person; (c) directly or indirectly Controlled by a person who Controls the Primary Person (whether alone or with another person or persons); or (d) directly or indirectly under the common Control of the Primary Person and another person or persons, <p>and, if the Primary Person is a Consortium Investor, includes:</p> <ul style="list-style-type: none"> (e) any account, fund, vehicle or investment portfolio established and Controlled by any person referred to in any of paragraphs (a) to (d) of this definition or an Affiliate of that person; and

Term	Meaning
	(f) any account, fund, vehicle, entity or investment portfolio for which such person or its Affiliate acts as sponsor, investment adviser or manager or with respect to which such person or its Affiliate exercises discretionary control or otherwise has ability to direct or control investment decisions, vote on behalf of or take any other action on behalf of, including where such rights are contractual by nature.
Aggregate HoldCo Share Elections	the total number of HoldCo Shares validly elected by the Scheme Shareholders under the Scrip Consideration and the total number of HoldCo Shares validly subscribed for under the HoldCo Share Offer.
Announcement Date	13 August 2018.
Appointing Beneficiary	for the purposes of the Shareholders' Deed, a Non-Investor Party who has appointed the Custodian to hold Shares on bare trust for it in accordance with the Shareholders' Deed and the Custodian Deed.
ASIC	the Australian Securities and Investments Commission.
Asset Sale	for the purposes of the Shareholders' Deed, the sale of all or substantially all of the business and assets of the HoldCo Group on arms' length terms to 1 or more unrelated buyers as part of a single transaction.
Associate	has the meaning set out in section 12 of the Corporations Act, as if sub-section 12(1) of the Corporations Act included a reference to the Scheme Implementation Agreement.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
ATO	Australian Taxation Office.
Beekeeper Supplier	for the purposes of the Shareholders' Deed, a person who is a party to an agreement with HoldCo, a subsidiary or Related Body Corporate of HoldCo or any IPO vehicle for the supply by that person, and the purchase by HoldCo, a subsidiary or Related Body Corporate of HoldCo or any IPO vehicle, of honey.

Term	Meaning
Bega	Bega Cheese Limited (ABN 81 008 358 503) and, where the context requires, its Affiliates, advisors and their related parties.
BidCo	Bravo BidCo Pty Limited (ACN 628 070 459).
Business Day	a business day as defined in the Listing Rules.
Business Plan	for the purposes of the Shareholders' Deed, the plan for a period of time from time to time for the conduct of the HoldCo Group and the business comprising such details as the HoldCo Board reasonably requires and stating the key assumptions on which it has been based, including an annual budget giving a reasonably based estimate of the income to be received, and the expenses to be incurred, in the business for the relevant financial year, prepared and approved under the Shareholders' Deed.
Capilano	Capilano Honey Limited (ABN 55 009 686 435).
Capilano Board	the board of directors of Capilano and a 'Capilano Board Member' means any director of Capilano comprising part of the Capilano Board.
Capilano Director	the directors of Capilano.
Capilano Group	Capilano and each of its Subsidiaries, and a reference to a 'Capilano Group Member' or a 'member of the Capilano Group' is to Capilano or any of its Subsidiaries.
Capilano Information	information regarding the Capilano Group prepared by Capilano for inclusion in this Scheme Booklet, which for the avoidance of doubt comprises the entirety of the Scheme Booklet but does not include the HoldCo Information, the Independent Expert's Report and any other report or opinion prepared by an external advisor to Capilano.
Capilano Options	options issued under the long term incentive plan operated by Capilano.
Capilano Prescribed Event	means, except to the extent contemplated by the Scheme Implementation Agreement or the Scheme, any of the following events: <ul style="list-style-type: none"> • (conversion) Capilano converts all or any of its shares into a

Term	Meaning
	<p>larger or smaller number of shares;</p> <ul style="list-style-type: none"> • (reduction of share capital) Capilano or another member of the Capilano Group resolves to reduce its share capital in any way or resolves to reclassify, combine, split or redeem or repurchase directly or indirectly any of its shares; • (buy-back) Capilano or another member of the Capilano Group: <ul style="list-style-type: none"> • enters into a buy-back agreement; or • resolves to approve the terms of a buy-back agreement under the Corporations Act; • (distribution) Capilano makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) except for the Permitted Dividend or as otherwise approved in writing by HoldCo; • (issuing or granting shares or options) any member of the Capilano Group: <ul style="list-style-type: none"> • issues shares; • grants an option over its shares; or • agrees to make such an issue or grant such an option, <ul style="list-style-type: none"> in each case other than as Disclosed to HoldCo, to a person who is not Capilano or wholly-owned entity of the Capilano Group, subject to clause 4.6 of the Scheme Implementation Agreement; • (securities or other instruments) any member of the Capilano Group issues or agrees to issue securities or other instruments convertible into shares or debt securities in each case to a person who is not Capilano or wholly-owned entity of the Capilano Group; • (constitution) Capilano adopts a new constitution or modifies or repeals its constitution or a provision of it, other than as agreed between Capilano and HoldCo; • (disposals) any member of the Capilano Group disposes, or agrees to dispose of the whole or a substantial part of its business or property; • (acquisitions, disposals or tenders) any member of the Capilano Group: <ul style="list-style-type: none"> • acquires or disposes of; • agrees to acquire or dispose of; or • offers, proposes, announces a bid or tenders for, <ul style="list-style-type: none"> any business, assets, entity or undertaking the value of which exceeds \$1,000,000 other than in the ordinary course of business (individually or in aggregate); • (Encumbrances) any member of the Capilano Group creates, or agrees to create, any Encumbrance over, or declares itself the trustee of, the whole or a substantial part of its business or

Term	Meaning
	<p>property;</p> <ul style="list-style-type: none"> • (employment arrangements) any member of the Capilano Group: <ul style="list-style-type: none"> • increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees whose total employment cost exceeds \$200,000; • accelerates the rights of any of its directors or employees to compensation or benefits of any kind (including under any Capilano executive or employee share plans) whose total employment cost exceeds \$200,000; or • pays any of its directors or employees whose total employment cost exceeds \$200,000 a termination or retention payment (otherwise than in accordance with an existing contract in place at the date of this document); • (commitments and settlements) any member of the Capilano Group: <ul style="list-style-type: none"> • enters into any contract or commitment involving revenue or expenditure of more than \$1,000,000 over the term of the contract or commitment, excluding honey sale agreements entered into in the ordinary course of business and consistent with transactions previously entered into; • (without limiting the above) enters into any contract or commitment relating to the same matter or project involving revenue or expenditure which exceeds \$1,000,000 in aggregate over the term of the contracts or commitments, excluding honey sale agreements entered into in the ordinary course of business and consistent with transactions previously entered into; • terminates or amends in a material manner any contract material to the conduct of the Capilano Group's business or which involves revenue or expenditure of more than \$1,000,000 over the term of the contract, excluding honey sale agreements entered into in the ordinary course of business and consistent with transactions previously entered into; or • accepting as a settlement or compromise of a material matter (relating to an amount in excess of \$1,000,000) less than the full compensation due to Capilano or a Subsidiary of Capilano; • (Insolvency) Capilano or any of its Related Bodies Corporate becomes Insolvent, <p>provided that a Capilano Prescribed Event listed in the items above will not occur where Capilano has first consulted with HoldCo in relation to the event and HoldCo has approved the proposed event.</p>
Capilano Share	a fully paid ordinary share in the capital of Capilano.

Term	Meaning
Capilano Share Register	the register of members of Capilano maintained by the Capilano Share Registry in accordance with the Corporations Act.
Capilano Share Registry	Link Market Services Limited (ACN 083 214 537).
Capilano Shareholder	each person who is registered as the holder of a Capilano Share in the Capilano Share Register.
Cash Consideration	\$20.06 cash per Scheme Share held on the Scheme Record Date.
CBL	Capilano Beekeepers Limited (ACN 108 568 672).
CBL Director	for the purposes of the Shareholders' Deed, each HoldCo Director appointed by CBL.
Change of Control	<p>for the purposes of the Shareholders' Deed, in respect of a Non-Investor Party which is not an individual, if a change occurs after the date of the Shareholders' Deed such that a new person or persons (other than a Permitted Holder) directly or indirectly have the power to:</p> <ul style="list-style-type: none"> • direct the management or policies of the Non-Investor Party; or • control the membership of the board of the Non-Investor Party, <p>other than as a result of a Disposal of HoldCo Shares which is a Permitted Disposal of any HoldCo Shares to a Permitted Holder.</p>
Claim	in relation to a party to the Scheme Implementation Agreement, a demand, claim, action or proceeding made or brought against the party, however arising and whether present.
Competing Transaction	<p>means a proposal, transaction or arrangement (whether by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale or issue of securities, joint venture or otherwise) which, if completed substantially in accordance with its terms, would mean a person (other than HoldCo or any of its Related Bodies Corporate) whether alone or together with its Associates would:</p> <ul style="list-style-type: none"> • directly or indirectly acquire an interest or Relevant Interest in or become a holder of 20% or more of the Capilano Shares (other than as custodian, nominee or bare trustee);

Term	Meaning
	<ul style="list-style-type: none"> • acquire control of Capilano or a material member of the Capilano Group, within the meaning of section 50AA of the Corporations Act; • directly or indirectly acquire, obtain a right to acquire, or otherwise obtain an economic interest in all of a substantial part of the assets of or business conducted by the Capilano Group; or • otherwise acquire or merge (including by reverse takeover bid or dual listed company structure) with the Capilano Group.
Conditions Precedent	each of the conditions set out at clause 3.1 of the Scheme Implementation Agreement.
Consortium	Wattle Hill and ROC.
Consortium Investors	for the purposes of the Shareholders' Deed, Wattle Hill and ROC and a transferee of HoldCo Shares from either Wattle Hill or ROC who executes an Accession Deed as a 'Consortium Investor' in accordance with the Shareholders' Deed (in each case, for so long as Wattle Hill, ROC or the transferee holds any HoldCo Shares) and Consortium Investor means any one of them.
Control	has the meaning given in section 50AA of the Corporations Act.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	the <i>Corporations Regulations 2001</i> (Cth).
Court	the Federal Court of Australia, New South Wales Registry, or such other court of competent jurisdiction under the Corporations Act agreed to in writing by HoldCo and Capilano.
Custodian	for the purposes of the Shareholders' Deed, the independent third party trustee company appointed from time to time by HoldCo under the Custodian Deed to hold HoldCo Shares on bare trust in accordance with the Shareholders' Deed and the Custodian Deed.
Custodian Deed	for the purposes of the Shareholders' Deed, any custodian deed entered into on or about the date of the Shareholders' Deed between HoldCo, the Custodian and the Appointing Beneficiaries.

Term	Meaning
Custodian Holder	has the meaning given in Section 9.4(j).
Deadlocked Matters	<p>for the purposes of the Shareholders' Deed, an action or transaction which is subject to approval in accordance with:</p> <ul style="list-style-type: none"> • Part B of Schedule 2 of the Shareholders' Deed (which requires certain matters to be approved by a Special Majority Directors' Resolution) and which is not approved in accordance with the Shareholders' Deed following a proposal at a HoldCo Board meeting or by written resolution to approve the action or transaction; or • Part C of Schedule 2 of the Shareholders' Deed (which requires certain matters to be approved by a Special Shareholders' Resolution) and which is not approved in accordance with the Shareholders' Deed following a proposal to the HoldCo Shareholders to approve the action or transaction.
Deed Poll	a deed poll provided by HoldCo and BidCo attached as Annexure D.
Defaulting Shareholder	<p>for the purposes of the Shareholders' Deed, a HoldCo Shareholder becomes a Defaulting Shareholder if:</p> <ul style="list-style-type: none"> (a) (insolvency) it or any of its Related Bodies Corporate becomes insolvent; or (b) (breach) the HoldCo Shareholder commits a breach of any of its obligations under clause 10 of the Shareholders' Deed (which obligations relate to restrictions on Disposal of HoldCo Shares): <ul style="list-style-type: none"> i. in respect of a breach that is capable of remedy, which remains unremedied for 30 days after notice of the breach has been given by HoldCo or another HoldCo Shareholder to the Defaulting Shareholder; or ii. in respect of a breach that cannot be remedied, for which the HoldCo Shareholder has not adequately compensated HoldCo or the other HoldCo Shareholder within 30 days after notice of the breach has been given by HoldCo or another HoldCo Shareholder to the Defaulting Shareholder; (c) (change of control) a Change of Control occurs with respect to it which has the effect of circumventing the intent of clause 11 of the Shareholders' Deed (which relates to pre-emptive rights and other Disposals of HoldCo Shares), <p>unless otherwise agreed by a Special Majority Directors' Resolution.</p>

Term	Meaning
Directed Breach	for the purposes of the Shareholders' Deed, any breach of the Shareholders' Deed or the HoldCo Constitution which arises as a result of the Custodian complying with a direction given by a Appointing Beneficiary.
Disclosed	fairly disclosed: <ul style="list-style-type: none"> by a party in writing to the other or its Representatives, or contained in the data room made available by Capilano to the HoldCo Group prior to the date of this document; or in any announcement made by Capilano on ASX prior to the date of this document.
Dispose	for the purposes of the Shareholders' Deed, in respect of any HoldCo Share or IPO Vehicle Security, any dealing with the HoldCo Share or IPO Vehicle Security, including a sale, assignment, transfer, conveyance, grant of an option over, grant of, creation of, or allowing a swap or other synthetic instrument or a security interest over, and any other disposal, alienation, economic monetisation or realisation of the HoldCo Share or IPO Vehicle Security or of a legal or beneficial interest in the HoldCo Share or IPO Vehicle Security, and includes taking any steps or attempting to do any of the foregoing and Disposal has a corresponding meaning.
EBITDA	earnings before interest, tax, depreciation and amortisation.
Effective	when used in relation to the Scheme, the coming into effect, under sub-section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.
Effective Date	the date on which the Scheme becomes Effective.
Election	a valid election that a Scheme Shareholder makes in accordance with the Scheme: <ul style="list-style-type: none"> to receive Cash Consideration in respect of all (but not less than all) Capilano Shares held by them on the Scheme Record Date; to receive Scrip Consideration in respect of all (but not less than all) Capilano Shares held by them on the Scheme Record Date, subject to the Scaleback Arrangements; if, and only if, the Scheme Shareholder elects to receive Scrip Consideration in accordance with the above, to subscribe for all (and not some only) of the additional HoldCo Shares to which

Term	Meaning
	they are entitled under the HoldCo Share Offer, subject to the Scaleback Arrangements.
Election and Subscription Forms	<p>the:</p> <ul style="list-style-type: none"> election form to be completed by Scheme Shareholders in making an Election (Election Form); and the subscription form to be completed by Scheme Shareholders when applying for HoldCo Shares under the HoldCo Share Offer (Subscription Form).
Election Time	4.00pm (Brisbane time) or 5.00pm (Sydney time) on the date that is ten days before the Scheme meeting, currently being 5 November 2018.
Eligible Capilano Shareholder	a Capilano Shareholder (other than an Ineligible Foreign Shareholder).
Employee Share Right	60,000 options issued under the long term incentive plan operated by the Capilano Group.
Encumbrances	any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any "security interest" as defined in sections 12(1) or 12(2) of the <i>Personal Property Securities Act 2009</i> (Cth) or any agreement to create any of them or allow them to exist.
End Date	date that is 9 months after the date of the Scheme Implementation Agreement, or such other date as agreed in writing by HoldCo and Capilano.
Exclusivity Period	<p>the period from and including the date of the Scheme Implementation Agreement to the earlier of:</p> <ul style="list-style-type: none"> the termination of the Scheme Implementation Agreement in accordance with its terms; and the End Date.
Exit	for the purposes of the Shareholders' Deed, an Asset Sale, a Trade Sale or an IPO.

Term	Meaning
Exit Notice	for the purposes of the Shareholders' Deed, a notice from the Consortium Investors to HoldCo that it wishes to commence preparations for a Trade Sale, an Asset Sale or an IPO, or one or more of the options concurrently, and requiring the HoldCo and the other parties to the Shareholders' Deed to assist with that Exit in accordance with clause 14 and the other applicable provisions of the Shareholders' Deed.
First Court Date	the first day on which an application made to the Court for an order under sub-section 411(1) of the Corporations Act convening the Scheme Meeting is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Foundation Share	the 1 foundation share in Capilano held by CBL pursuant to Capilano's Constitution.
FY2015 or FY15	financial year ended 30 June 2015.
FY2016 or FY16	financial year ended 30 June 2016.
FY2017 or FY17	financial year ended 30 June 2017.
FY2018 or FY18	financial year ended 30 June 2018.
GST	Goods and Services Tax.
Herbert Smith Freehills	Herbert Smith Freehills (ABN 98 773 882 646).
HoldCo	Bravo HoldCo Pty Limited (ACN 628 069 474).
HoldCo Board	the board of directors of HoldCo and a 'HoldCo Board Member' means any director of HoldCo comprising part of the HoldCo Board.
HoldCo Constitution	means the Constitution of HoldCo as attached at Annexure F.

Term	Meaning
HoldCo Directors	the directors of HoldCo.
HoldCo Group	HoldCo and each of its Subsidiaries, and a reference to a 'HoldCo Group Member' or a 'member of the HoldCo Group' is to HoldCo or any of its Subsidiaries.
HoldCo Information	the information regarding the BidCo, HoldCo and the Consortium provided by or on behalf of HoldCo for inclusion in this Scheme Booklet (and any information solely derived from, or prepared solely in reliance on, such information), including all the information contained in Sections 9, 10.3 and 10.4.
HoldCo Register	the register of members of HoldCo.
HoldCo Share	a fully paid ordinary share in the capital of HoldCo.
HoldCo Share Offer	the offer by HoldCo of HoldCo Shares to Scheme Shareholders who elect to receive Scrip Consideration to subscribe for 0.5 HoldCo Shares for each Scheme Share held by the Scheme Shareholder (rounded down to the nearest whole number) at \$20.06 cash per HoldCo Share as provided for in the Scheme, subject to Scaleback Arrangements.
HoldCo Shareholder	each person who is registered as the holder of a HoldCo Share in the HoldCo Register.
HoldCo Trust Account	the trust account established by, or on behalf of, Capilano to hold the Subscription Monies received by, or on behalf of, Capilano from Scheme Shareholders who have subscribed for HoldCo Shares under the HoldCo Share Offer on trust for such Scheme Shareholders.
Implementation	implementation of the Scheme.
Implementation Date	the fifth Business Day after the Scheme Record Date.
Incentive Shares	for the purposes of the Shareholders' Deed, any HoldCo Shares issued under any management or staff equity plan or comparable incentive arrangement established after the Implementation Date by a HoldCo Group Member which is separately documented to the Shareholders' Deed, provided that once such HoldCo Shares have

Term	Meaning
	fully vested (including that the HoldCo Shares have ceased to be subject to, or calculated by reference to, any performance, financial, time or employment or other engagement based criteria) in accordance with their terms, they will no longer be regarded as Incentive Shares.
Independent Expert	the independent expert in respect of the Scheme appointed by Capilano, being BDO.
Independent Expert's Report	the report to be issued by the Independent Expert in connection with the Scheme as attached at Annexure A, and including any subsequent, updated or supplementary report, setting out the Independent Expert's opinion whether or not the Scheme is fair and reasonable, and in the best interests of, the Capilano Shareholders.
Ineligible Foreign Shareholder	a Scheme Shareholder whose address in the Capilano Share Register as at the Scheme Record Date is a place outside Australia or New Zealand unless HoldCo agrees in writing that it is lawful and not unduly onerous or impracticable to issue HoldCo Shares to that Scheme Shareholder under the Scheme.
Invitation to Tag	for the purposes of the Shareholders' Deed, a notice relating to a proposed Disposal of HoldCo Shares given by one or more Consortium Investors to each other HoldCo Shareholder under clauses 12.1 and 12.2 of the Shareholders' Deed.
IPO	<p>for the purposes of the Shareholders' Deed:</p> <ul style="list-style-type: none"> • an initial public offering of all or substantially all of the business of the HoldCo Group by way of an offer of shares in HoldCo or an IPO Vehicle; and/or • a sell-down by one or more HoldCo Shareholders of HoldCo Shares or in an IPO Vehicle by way of public offering of all or substantially all of the business of the HoldCo Group, <p>in conjunction with an application for the quotation of those securities on a recognised stock exchange (including ASX).</p>
IPO Vehicle	for the purposes of the Shareholders' Deed, means HoldCo, any Related Body Corporate (actual or proposed) of HoldCo which securities are being quoted or any special purpose vehicle established, for the purpose of an IPO.
IPO Vehicle Security	for the purposes of the Shareholders' Deed, in relation to an IPO Vehicle, has the meaning given to security in section 92(3) of the

Term	Meaning
	Corporations Act.
KPMG Financial Advisory	KPMG Financial Advisory Services (Australia) Pty Limited (ABN 43 007 363 215).
Last Practicable Date	5 October 2018.
Liability	any liability, obligation, damage, loss, cost or expense (including legal costs and expenses of whatsoever nature or description and Tax), whether actual, contingent or prospective, and irrespective of when the act, event or thing giving rise to the liability, obligation, damage, loss, cost or expense occurs.
Listing Rules	the official listing rules of ASX.
Material Adverse Effect	<p>a Specified Event which has, has had, or is reasonably likely to have, either individually or when aggregated with any Specified Events of a similar kind or category, the effect of:</p> <ul style="list-style-type: none"> • the value of consolidated net assets of the Capilano Group (taken as a whole) being reduced by at least \$10,000,000 against what it would have been but for that Specified Event; or • the value of consolidated annual net profit after tax of the Capilano Group being reduced by at least \$2,000,000 against what it would have been but for that Specified Event, <p>but does not include a Specified Event:</p> <ul style="list-style-type: none"> • occurring as a result of any matter, event or circumstance required or permitted by this document or the Scheme or the transaction contemplated by either; • arising as a result of any generally applicable change in law or governmental policy applicable to Australian business generally; • arising from changes in economic or business conditions (including interest rates) applicable to Australian business generally; • arising from a matter disclosed to ASX or in a publicly available document lodged with ASIC by Capilano or Disclosed to the HoldCo Group prior to the date of the Scheme Implementation Agreement; • occurring with the written consent of HoldCo; • resulting from a change in generally accepted accounting principles or the interpretation of them; or • resulting from war, terrorism, civil unrest, act of God, lightning, storm, flood, bushfire, earthquake or explosion, cyclone, tidal

Term	Meaning
	<p>wave, landslide, adverse weather conditions occurring on or after the date of the Scheme Implementation Agreement.</p>
<p>Maximum Available HoldCo Shares</p>	<p>the maximum number of HoldCo Shares available to Scheme Shareholders under the Scheme (being 4,719,283 HoldCo Shares).</p>
<p>Minimum Scrip Consideration Condition</p>	<p>It is a condition of the Scheme that the total number of HoldCo Shares to be issued to Scheme Shareholders electing to receive Scrip Consideration, together with the total number of HoldCo Shares to be issued under the HoldCo Share Offer, represents not less than 15% of the issued share capital in HoldCo (on a fully diluted basis).</p>
<p>Non-Investor Party</p>	<p>for the purposes of the Shareholders' Deed, each party to the Shareholders' Deed other than HoldCo and the Consortium Investors, and which includes:</p> <ul style="list-style-type: none"> • each Original Capilano Shareholder; and • each Permitted Holder in respect of an Original Capilano Shareholder.
<p>Non-Investor Party Director</p>	<p>for the purposes of the Shareholders' Deed, each HoldCo Director appointed by Non-Investor Parties under paragraph 1(d) of Schedule 1 of the Shareholders' Deed.</p>
<p>Notice of Scheme Meeting</p>	<p>the notice of meeting relating to the Scheme Meeting attached as Annexure G.</p>
<p>Ordinary Directors' Resolution</p>	<p>for the purposes of the Shareholders' Deed, a resolution of the HoldCo Directors which is approved by the HoldCo Directors present and voting (who are not disqualified from voting on that resolution) who between them hold more than one half of the total number of votes that may be exercised by all of the HoldCo Directors who are not disqualified from voting on that resolution and who are present and voting on that resolution.</p>
<p>Original Capilano Shareholder</p>	<p>means each Capilano Shareholder who receives HoldCo Shares under the Scheme.</p>
<p>Permitted Disposal</p>	<p>for the purposes of the Shareholders' Deed, a Disposal of HoldCo Shares that is permitted under clause 10.1 of the Shareholders' Deed.</p>

Term	Meaning
Permitted Holder	<p>for the purposes of the Shareholders' Deed, in respect of a Non-Investor Party:</p> <ul style="list-style-type: none"> • an Affiliate of the Non-Investor Party; • a Special Relative of the Non-Investor Party (if applicable); • a self-managed superannuation fund for the relevant Non-Investor Party, the trustee of which is, or is Controlled by, the Non-Investor Party or a Special Relative of the Non-Investor Party; or • any other person consented to in writing by the Consortium Investors.
Proxy Form	<p>the Proxy Form for the Scheme Meeting to be held 15 November 2018 which accompanies this Scheme Booklet.</p>
Registered Address	<p>in relation to a Capilano Shareholder, their address as shown in the Capilano Share Register as at the Scheme Record Date.</p>
Regulatory Authority	<p>includes:</p> <ol style="list-style-type: none"> 1 ASX, ACCC, ASIC and the Takeovers Panel; 2 a government or governmental, semi-governmental or judicial entity or authority; 3 a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and 4 any regulatory organisation established under statute.
Reimbursement Fee	<p>\$1,450,000.</p>
Related Bodies Corporate	<p>has the meaning set out in section 50 of the Corporations Act.</p>
Related Party Proposals	<p>for the purposes of the Shareholders' Deed, any proposal by HoldCo or a Subsidiary or Related Body Corporate of HoldCo to enter into or vary any agreement, arrangement or understanding with a HoldCo Shareholder or a Related Body Corporate of a HoldCo Shareholder, or to exercise or not exercise, enforce or not enforce, waive rights in relation to, or not comply with, such agreement, arrangement or understanding.</p>
Relevant Interests	<p>has the meaning given in sections 608 and 609 of the Corporations Act.</p>

Term	Meaning
Requisite Majorities	<p>in relation to the Scheme Resolution, a resolution passed by:</p> <ul style="list-style-type: none"> • a majority in number (more than 50%) of Capilano Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate Capilano Shareholders, body corporate representative); and • at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting. <p>The Court has the discretion to waive the first of these two requirements if the Court considers it appropriate to do so.</p>
ROC	ROC Capital Pty Limited (ABN 37 167 858 764) as trustee for ROC B&Y Investment Trust.
Sale Shares	for the purposes of the Shareholders' Deed, HoldCo Shares being transferred under clauses 11 or 19 of the Shareholders' Deed, respectively.
Scaleback Arrangements	the scaleback arrangements as described in clause 6.8 of the Scheme of Arrangement (attached as Annexure C).
Scheme Consideration	the consideration payable by HoldCo to each Scheme Shareholder for the transfer to BidCo of each of its Scheme Shares, as described in Section 7.2 of this Scheme Booklet.
Scheme Implementation Agreement	the scheme implementation agreement dated 13 August 2018, as amended on 11 October 2018, between BidCo, HoldCo and Capilano relating to the Implementation of the Scheme. A copy of the Scheme Implementation Agreement is attached as Annexure B.
Scheme Meeting	the meeting of Capilano Shareholders ordered by the Court to be convened under sub-section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Meeting Date	15 November 2018.
Scheme or Scheme of Arrangement	the scheme of arrangement under Part 5.1 of the Corporations Act between Capilano and the Scheme Participants, the form of which is attached as Annexure C, subject to any alterations or conditions made or required by the Court under sub-section 411(6) of the Corporations Act and agreed to in writing by HoldCo and Capilano.

Term	Meaning
Scheme Record Date	5.00pm (Sydney time) or 4.00pm (Brisbane time) on the third Business Day after the Effective Date or such other time and date as Capilano and HoldCo agree in writing.
Scheme Resolution	the resolution set out in the Notice of Scheme Meeting in Annexure G to agree to the terms of the Scheme.
Scheme Share	all Capilano Shares held by the Scheme Shareholders as at the Scheme Record Date.
Scheme Shareholder	a holder of Capilano Shares recorded in the Capilano Share Register as at the Scheme Record Date.
Scrip Adjustment	has the meaning given to that term in Section 9.4(h).
Scrip and Offer Participant	a Scheme Shareholder who has made a valid Election for Scrip Consideration and also elected to subscribe for additional HoldCo Shares under the HoldCo Share Offer, as described in 7.4(b).
Scrip Consideration	has the meaning described in Section 7.4 of this Scheme Booklet.
Scrip Consideration Election	an Election to receive Scrip Consideration.
Scrip Only Participant	a Scheme Shareholder who has only made a valid Election for Scrip Consideration in respect of all its Capilano Shares but is not electing to subscribe for HoldCo Shares under the HoldCo Share Offer.
Second Court Date or Second Court Hearing	the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.
Security Interest	has the meaning given in section 51A of the Corporations Act.
Share Ownership Percentage	for the purposes of the Shareholders' Deed, when calculated with respect to any person from time to time: <ul style="list-style-type: none"> (when used in relation to all HoldCo Shareholders) the aggregate number of all HoldCo Shares held by that HoldCo Shareholder (or those HoldCo Shareholders) or by a Permitted

Term	Meaning
	<p>Holder on behalf of that person (or those persons), as applicable, expressed as a percentage of the aggregate number of all HoldCo Shares on issue at that time; and</p> <ul style="list-style-type: none"> (when used in relation to less than all the HoldCo Shareholders) the aggregate number of all HoldCo Shares held by that HoldCo Shareholder (or those HoldCo Shareholders) or by a Permitted Holder on behalf of that person (or those persons), as applicable, expressed as a percentage of their aggregate shareholdings in HoldCo, <p>in each case, excluding all Incentive Shares then on issue. A Permitted Holder which is not a HoldCo Shareholder will not be considered a holder of HoldCo Shares for the purposes of this definition.</p>
Special Majority Directors' Resolution	<p>for the purposes of the Shareholders' Deed, approval by more than half of the HoldCo Board including (for so long as there is at least one Non-Investor Party Director or one CBL Director appointed in accordance with the Shareholders' Deed):</p> <ul style="list-style-type: none"> at least 1 vote in favour of the resolution by a Non-Investor Party Director; or at least 1 vote in favour of the resolution by the CBL Director.
Special Relative	<p>for the purposes of the Shareholders' Deed, with respect to an individual, any spouse, de-facto spouse, mother, father, sister, brother or child (in the case of a child only, whether natural, step or adopted) of the individual or another relative of the individual approved in writing by an Ordinary Directors' Resolution.</p>
Specified Event	<p>an event, occurrence or matter (including the announcement or commencement of a Claim, dispute, litigation or a material enforcement action or investigation by a Regulatory Authority) that:</p> <ul style="list-style-type: none"> occurs after the date of the Scheme Implementation Agreement; or occurs before the date of the Scheme Implementation Agreement but is only announced or publicly disclosed after the date of the Scheme Implementation Agreement.
Subscription Monies	<p>the monies paid or payable by Scheme Shareholders to acquire the HoldCo Shares which a Scheme Shareholder has applied for under the HoldCo Share Offer.</p>
Subsidiary	<p>has the meaning given in Division 6 of Part 1.2 of the Corporations Act.</p>

Term	Meaning
Substantial Shareholder	for the purposes of the Shareholders' Deed, a Shareholder who has a Share Ownership Percentage of 5% or greater.
Superior Proposal	<p>a bona fide written proposal of the kind referred to in the definition of "Competing Transaction" which the Capilano Board, acting in good faith, and after taking advice from its legal and financial advisers, determines is:</p> <ul style="list-style-type: none"> • reasonably capable of being completed taking into account all aspects of the Competing Transaction, including its conditions; and • more favourable to Scheme Shareholders than the Scheme, taking into account all aspects of the Competing Transaction, including the identity, reputation and financial condition of the person making such proposal, legal, regulatory and financial matters.
Tag Shareholder	for the purposes of the Shareholders' Deed, a HoldCo Shareholder who has received an Invitation to Tag from one or more Consortium Investors in relation to a proposed Disposal of HoldCo Shares in accordance with clause 12.1 of the Shareholders' Deed.
Tax Act	the <i>Income Tax Assessment Act 1997</i> (Cth).
Third Party	a person other than Capilano, HoldCo and each of their Associates.
Trade Sale	for the purposes of the Shareholders' Deed, a sale or series of related sales of all or substantially all of the HoldCo Shares (other than in connection with an IPO).
Transfer Notice	for the purposes of the Shareholders' Deed, the written notice given by a HoldCo Shareholder who proposes to transfer HoldCo Shares to the other HoldCo Shareholders offering to sell them its Share Ownership Percentage of the HoldCo Shares under clause 11 of the Shareholders' Deed or taken to have been given under clause 19.2 of the Shareholders' Deed.
Unaccepted Shares	for the purposes of the Shareholders' Deed, the balance of Sale Shares not accepted by HoldCo Shareholders in receipt of a Transfer Notice within the period during which an offer made in a Transfer Notice under clause 10.2 or 19 (as the context requires) is open, under clause 10.2 or 19 of the Shareholders' Deed.
Unrelated Substantial	for the purposes of the Shareholders' Deed, in respect of a

Term	Meaning
Shareholders	Defaulting Shareholder, a HoldCo Shareholder who is a Substantial Shareholder and who is not a Related Body Corporate of the Defaulting Shareholder, and to whom the Defaulting Shareholder is taken to have given a Transfer Notice under clause 19.2 of the Shareholders' Deed.
VWAP	Volume weighted average price.
Wattle Hill	Wattle Hill RHC Fund 1 (ABN 44 165 694 297) and associated entities.
William Buck	William Buck (Qld) (ABN 21 559 713 106)

14.2 Interpretation

In this Scheme Booklet, unless the context otherwise appears:

- (a) capitalised expressions used, but not otherwise defined, in this Scheme Booklet, have the meaning given to them in the HoldCo Constitution and Shareholders' Deed;
- (b) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (c) words importing a gender include any gender;
- (d) words importing the singular include the plural and vice versa;
- (e) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (f) a reference to a Section or annexure is a reference to a Section of and an annexure to this Scheme Booklet as relevant;
- (g) a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (h) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- (i) a reference to time is a reference to time in Brisbane, Australia;
- (j) a reference to writing includes facsimile transmissions; and
- (k) a reference to dollars, \$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

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Annexure A

Independent Expert's Report

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CAPILANO HONEY LIMITED

Independent Expert's Report and Financial Services Guide

11 OCTOBER 2018

FINANCIAL SERVICES GUIDE

Dated: 11 October 2018

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in this report ('this Report'). The FSG also includes general information about BDO Corporate Finance (QLD) Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 ('BDOCF' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDOCF holds an Australian Financial Services Licence to provide the following services:

- a) Financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investment schemes, superannuation, and government debentures, stocks and bonds; and
- b) Arranging to deal in financial products mentioned in a) above, with the exception of derivatives.

General Financial Product Advice

This Report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently, any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDOCF has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDOCF has been engaged to provide an independent expert's report to the shareholders of Capilano Honey Limited ('Capilano' or 'the Company') in relation to the proposed acquisition of all of the issued share capital in Capilano ('the Proposed Transaction') by Bravo BidCo Pty Ltd ('BidCo').

Further details of the Proposed Transaction are set out in Section 4.0. The scope of this Report is set out in detail in Section 3.3. This Report provides an opinion on whether or not the Proposed Transaction is 'fair and reasonable' and in the 'best interests' of the Shareholders and has been prepared to provide information to the shareholders to assist them to make an informed decision on whether to vote in favour of or against the Proposed Transaction. Other important information relating to this Report is set out in more detail in Section 3.0.

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. A shareholder's decision to vote in favour of or against the Proposed Transaction is likely to be influenced by their particular circumstances, for example, their taxation considerations and risk profile. Each shareholder should obtain their own professional advice in relation to their own circumstances.

Fees, commissions and other benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate the fee for the preparation of this Report will be approximately \$90,000 plus GST. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of the Proposed Transaction.

Except for the fees referred to above, neither BDOCF, 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 this Report.

Directors of BDOCF may receive a share in the profits of BDO Group Holdings (QLD) Pty Ltd, a parent entity of BDOCF. All directors and employees of BDO Group Holdings (QLD) Pty Ltd and its subsidiaries (including BDOCF) are entitled to receive a salary. Where a director of BDOCF is a shareholder of BDO Group Holdings (QLD) Pty Ltd, the person is entitled to share in the profits of BDO Group Holdings (QLD) Pty Ltd.

Associations and relationships

From time to time BDOCF or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. BDOCF has not provided any professional services to Capilano in the last two years.

The signatories to this Report do not hold any shares in Capilano and no such shares have ever been held by the signatories.

To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which are publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.

Complaints

We are members of the Financial Ombudsman Service. Any complaint about our service should be in writing and sent to BDO Corporate Finance (QLD) Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Financial Ombudsman Service. They can be contacted on 1300 780 808. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with Chartered Accountants Australia and New Zealand, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investment Commission ('ASIC') also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

Compensation Arrangements

BDOCF and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDOCF or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDOCF satisfy the requirements of section 912B of the Corporations Act 2001.

Contact Details

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GLOSSARY

Reference	Definition
A\$ or \$	Australian dollars
ABV	Asset-based valuation
APES 225	Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
BDO Persons	BDOCF, BDO (QLD) or any of its partners, directors, agents or associates
BDOCF	BDO Corporate Finance (QLD) Ltd
Bega	Bega Cheese Limited
BidCo	Bravo BidCo Pty Ltd
Board, the	The board of directors of the Company
Capilano	Capilano Honey Limited
Cash Consideration, the	Cash consideration under the Proposed Transaction of \$20.06 for each ordinary Capilano share held
CBL	Capilano Beekeepers Limited
CME	Capitalisation of Maintainable Earnings
Company, the	Capilano Honey Limited
Consortium, the	Wattle Hill and Roc Partners
Corporations Act, the	The Corporations Act 2001
DCF	Discounted cash flow
Directors, the	The directors of the Company
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EV	Enterprise value
Foundation Share, the	The foundation share held in Capilano by CBL
FSG	Financial Services Guide
FY	The financial year or 12-month period ended on 30 June
HoldCo	Bravo HoldCo Pty Ltd
HY	Half year to the date ended on 31 December

Reference	Definition
Management, the	The management of Capilano Honey Limited and its advisers
MBV	Market-based valuation
Medibee	Medibee Apiaries Pty Ltd
Proposed Transaction, the	The proposed acquisition of 100% of the issued shares in Capilano by BidCo by way of scheme of arrangement
Regulations, the	The Corporation Regulations 2001
Report, this	This independent expert's report prepared by BDOCF and dated 11 October 2018
RG 111	Regulatory Guide 111: Content of Expert Report, issued by ASIC
RGs	Regulatory guides published by ASIC
Roc Partners	Roc Capital Pty Ltd
Scale-Back Agreements, the	The scale-back arrangements applying to the issue of HoldCo shares under the Proposed Transaction
Scheme	Scheme of Arrangement
Scheme Booklet, the	The scheme booklet prepared by the Company dated on or about 11 October 2018
Scheme Meeting, the	Scheme meeting proposed to be held on 15 November 2018
Scrip Consideration, the	Consideration under the Proposed Transaction of 1 share in HoldCo for each ordinary Capilano share held
Shareholders, the	The holders of fully paid ordinary shares in the Company
SIA	The scheme implementation agreement between BidCo, HoldCo and Capilano dated 13 August 2018
Subscription Offer, the	The offer for Shareholders to apply for 0.5 HoldCo shares per Capilano share held for \$20.06 per share if electing to receive the Scrip Consideration
VWAP	Volume weighted average price
Wattle Hill	Wattle Hill RHC Fund 1
We, us, our	BDO Corporate Finance (QLD) Ltd
WHS	Western Honey Supplies Pty Ltd
Wroxby	Wroxby Pty Ltd

PART I: ASSESSMENT OF THE PROPOSED TRANSACTION

The Shareholders
C/- The Directors
Capilano Honey Limited
399 Archerfield Rd
Richlands QLD 4077

11 October 2018

Dear Shareholders,

1.0 Introduction

BDO Corporate Finance (QLD) Ltd ('BDOCF', 'we', 'us' or 'our') has been engaged to provide an independent expert's report ('this Report') to the shareholders ('the Shareholders') of Capilano Honey Limited ('Capilano' or 'the Company') in relation to the proposed acquisition of all of the issued share capital in Capilano by Bravo BidCo Pty Ltd ('BidCo'), an entity ultimately owned by Wattle Hill RHC Fund 1 ('Wattle Hill') and ROC Capital Pty Ltd ('Roc Partners'), together referred to in this Report as the 'Consortium' ('the Proposed Transaction').

The Proposed Transaction will be implemented by a scheme of arrangement ('Scheme') under Part 5.1 of the Corporations Act 2001 ('the Corporations Act') whereby the Shareholders will elect to receive either cash consideration of \$20.06 for each ordinary Capilano share held ('the Cash Consideration'), or consideration of 1 share in Bravo HoldCo Pty Ltd ('HoldCo'), the parent entity of BidCo, for each ordinary Capilano share held ('the Scrip Consideration'). Where Shareholders do not make an election, those Shareholders will receive the Cash Consideration by default. Those Shareholders electing to receive the Scrip Consideration can also subscribe for a further 0.5 HoldCo share per Capilano share held for \$20.06 per share (the 'Subscription Offer').

While any election made by a Shareholder will apply to all of their Capilano shares, those electing to receive the Scrip Consideration and/or applying for the Subscription Offer may receive a combination of the Cash Consideration and the Scrip Consideration or only Cash Consideration, as any elections involving HoldCo shares are subject to rounding and scale-back provisions ('the Scale-Back Arrangements').

A more detailed description of the Proposed Transaction is set out in Section 4.0 of this Report.

The Shareholders are requested by the directors of Capilano (the 'Directors') to vote in favour of or against the Proposed Transaction at the scheme meeting proposed to be held on Thursday, 15 November 2018 ('the Scheme Meeting').

In this Report we provide our opinion on whether the Proposed Transaction is fair and reasonable to, and in the best interests of, the Shareholders. The scope and purpose of this Report are detailed in Sections 3.3 and 3.4 respectively.

This Report, including Part I, Part II and the appendices, should be read in full along with all other documentation provided to the Shareholders including the scheme booklet prepared by Capilano and dated on or about 11 October 2018 ('the Scheme Booklet').

2.0 Assessment of the Proposed Transaction

This section is set out as follows:

- ▶ Section 2.1 sets out the methodology for our assessment of the Proposed Transaction;
- ▶ Section 2.2 sets out our assessment of the fairness of the Proposed Transaction;
- ▶ Section 2.3 sets out our assessment of the reasonableness of the Proposed Transaction; and
- ▶ Section 2.4 provides our assessment of whether the Proposed Transaction is in the best interests of the Shareholders.

2.1 Basis of Evaluation

ASIC have issued Regulatory Guide 111: Content of Expert Reports ('RG 111'), which provides guidance in relation to independent expert's reports. RG 111 relates to the provision of independent expert's reports in a range of circumstances, including those where the expert is required to provide an opinion in relation to a takeover transaction. RG 111 states that the independent expert's report should explain the particulars of how the transaction was examined and evaluated as well as the results of the examination and evaluation.

The Proposed Transaction involves BidCo acquiring 100% of the issued share capital in Capilano which represents a controlling interest stake. RG 111 specifically differentiates between control and non-control transactions in providing guidance on the type of analysis to complete. Where a control transaction is to occur by way of a scheme of arrangement, RG 111 states that the independent expert should have regard to whether the transaction is 'fair' and 'reasonable' to shareholders before concluding on whether the transaction is in the 'best interests' of shareholders.

Under RG 111, an offer will be considered 'fair' if the value of the consideration to be received by the shareholders is equal to or greater than the value of the shares that are the subject of the offer. To assess whether an offer is 'reasonable', an expert should examine other significant factors to which shareholders may give consideration prior to accepting or approving the offer. This includes comparing the likely advantages and disadvantages if the offer is approved with the position of the shareholders if the offer is not approved.

If our opinion of the Proposed Transaction is that it is 'fair and reasonable' then we will also be able to conclude that the Proposed Transaction is in the 'best interests' of the Shareholders. If our opinion of the Proposed Transaction is that it is 'not fair but reasonable', we may still conclude that the Proposed Transaction is in the best interests of the Shareholders. In this circumstance, we will clearly state that the consideration is not equal to or greater than the value of a Capilano share, but that there are sufficient reasons for the Shareholders to vote in favour of the Proposed Transaction in the absence of a superior proposal. If our opinion of the Proposed Transaction is that it is 'not fair and not reasonable', we will conclude that the Proposed Transaction is 'not in the best interests of the Shareholders'.

We have assessed the fairness and reasonableness of the Proposed Transaction in Sections 2.2 and 2.3 below and concluded on whether the Proposed Transaction is in the 'best interests' of the Shareholders in Section 2.4 below.

2.2 Assessment of Fairness

2.2.1 Basis of Assessment

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject to the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject to an offer in a control transaction the expert should consider this value inclusive of a control premium and assume a 100% ownership interest.

In our view, it is appropriate to assess the fairness of the Proposed Transaction to the Shareholders as follows:

- a) Determine the value of a share in Capilano on a controlling interest basis prior to the Proposed Transaction;
- b) Determine the value of the consideration relevant to our assessment of the Proposed Transaction; and
- c) Compare the value of a) above with the value of the consideration offered by the Consortium.

In accordance with the requirements of RG 111, the Proposed Transaction can be considered 'fair' to the shareholders if the consideration offered per ordinary share is equal to or greater than the value determined in a) above.

2.2.2 Value of a Capilano Share Prior to the Proposed Transaction

In our view, for the purposes of the analysis set out in this Report, it is appropriate to adopt a value in the range of \$18.93 to \$22.35 per Capilano share prior to the Proposed Transaction on a controlling interest basis. In forming this view, we adopted a capitalised maintainable earnings ('CME') valuation methodology as our primary valuation methodology and a market based valuation as a secondary cross-check methodology.

Our valuation of Capilano prior to the Proposed Transaction is set out in Section 8 of this Report.

2.2.3 Value of the Consideration Offered Under the Proposed Transaction

For the purpose of assessing the fairness of the Proposed Transaction, in our opinion, it is appropriate to have reference to the value of the Cash Consideration of \$20.06. In forming this view, we considered that:

- ▶ the Cash Consideration is the default consideration and is available to all Shareholders; and
- ▶ the Scrip Consideration requires a specific election and is subject to a minimum uptake and the Scale-Back Arrangements. The Scale-Back Arrangements, if required to be used, will result in some Shareholders who elected to receive the Scrip Consideration ultimately receiving the Cash Consideration for a portion or all of their shares.

While we consider it appropriate to complete our fairness assessment with reference to the Cash Consideration, we have set out a similar analysis for the Scrip Consideration in Section 2.2.5 below.

Notwithstanding the above, it is important to note that we do not provide any advice and/or recommendations in this Report in relation to:

- ▶ the election to receive the Cash Consideration or the Scrip Consideration; or
- ▶ to the application for the Subscription Offer.

The decision to receive either Cash Consideration or Scrip Consideration and the decision to apply for the Subscription Offer are decisions to be made by Shareholders separately to any decision by them to vote in favour of or against the Proposed Transaction.

We recommend that all Shareholders consider their own individual circumstances and seek professional advice in relation to these matters.

2.2.4 Assessment of the Fairness of the Proposed Transaction

In order to assess the fairness of the Proposed Transaction, it is appropriate to compare the value of a Capilano share prior to the Proposed Transaction on a controlling interest basis with the Cash Consideration of \$20.06. While this section only has reference to the Cash Consideration (for the reasons set out in Section 2.3.3), we have included additional analysis relevant to the Scrip Consideration in Section 2.2.5 below.

Table 2.1 below summarises our assessment of the fairness of the Proposed Transaction.

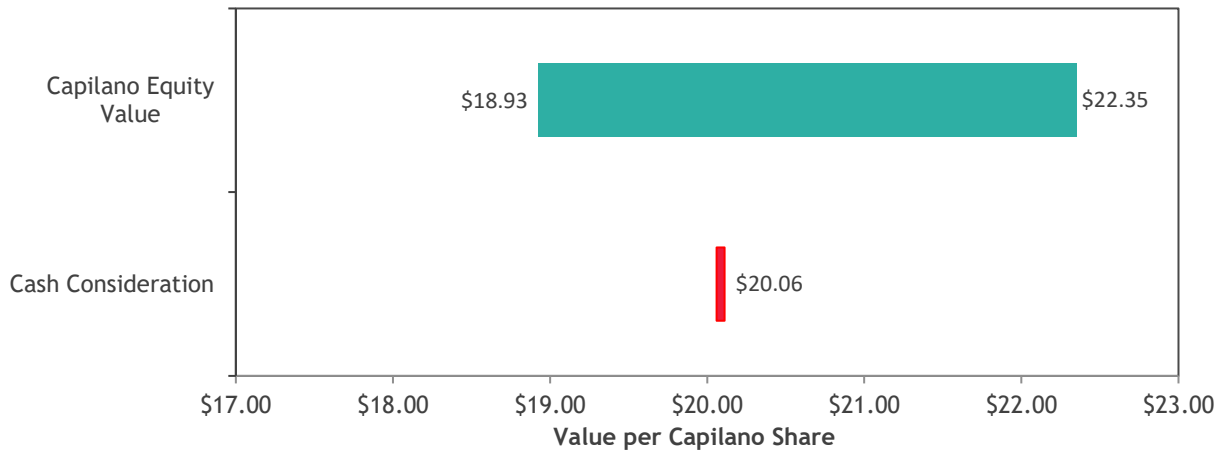
Table 2.1: Assessment of the Fairness of the Proposed Transaction

	Low	High
Value of a Capilano Share prior to the Proposed Transaction - controlling interest	\$18.93	\$22.35
Value of the Cash Consideration	\$20.06	\$20.06

Source: BDOCF Analysis

Figure 2.1 summarises our assessment of the fairness of the Proposed Transaction, setting out a graphical comparison of our valuation of a Capilano share prior to the Proposed Transaction on a controlling interest basis and the Cash Consideration offered to the Shareholders under the Proposed Transaction.

Figure 2.1: Fairness of the Proposed Transaction



Source: BDOCF analysis

After considering the information summarised above and set out in detail in the balance of this Report, it is our view that, in the absence of a superior proposal or any other information, the Proposed Transaction is Fair to the Shareholders as at the date of this Report.

2.2.5 Additional Information in Relation to the Scrip Consideration

For the reasons set out in Section 2.2.3, we did not have reference to the Scrip Consideration as part of our assessment of the fairness of the Proposed Transaction. Notwithstanding, to assist the Shareholders, we have repeated our fairness assessment also including the value we have adopted for HoldCo (i.e. the value following the Proposed Transaction for any Shareholder that elects the Scrip Consideration or partakes in the Subscription Offer).

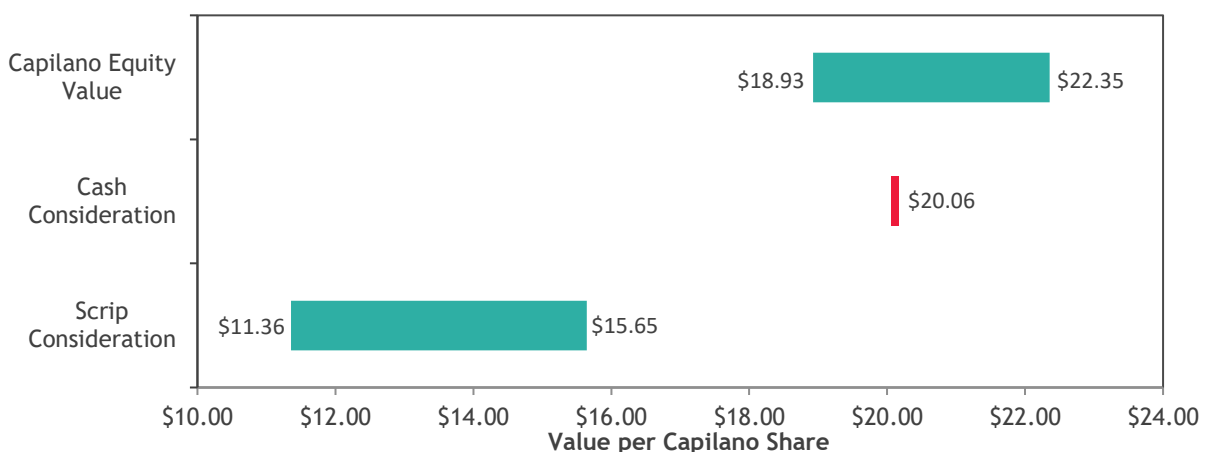
In Section 9.0 of this Report, we have calculated the value of a HoldCo share to be in the range of \$11.36 to \$15.65 on a minority interest basis. Broadly, our valuation was completed as follows:

- ▶ Adopting our calculation of Capilano’s share price (on a controlling interest basis) of \$18.93 to \$22.35 prior to the Proposed Transaction as our base value;
- ▶ Considering any information available that we considered sufficiently reliable to adjust our valuation of Capilano prior to the Proposed Transaction;
- ▶ Considering that a minority interest holding in HoldCo will be available to the Shareholders under the terms of the Scrip Consideration and the Subscription Offer, which is generally regarded as being less valuable than a controlling interest (being our basis of value prior to the Proposed Transaction); and
- ▶ Considering that shares in HoldCo, which will no longer be listed on an exchange, are likely to have a lower level of marketability relative to shares in Capilano prior to the Proposed Transaction which are listed on the ASX.

Ultimately, the difference between our pre and post valuations was driven by the 30% to 40% discount that we applied for a minority interest and lack of marketability. We did not consider that there was sufficient reliable information to enable us to change our control value of Capilano (i.e. the value calculated prior to the Proposed Transaction).

Figure 2.2 below repeats the analysis set out in Figure 2.1 however, also includes the value of the Scrip Consideration that we have adopted.

Figure 2.2: Summary of the Proposed Transaction



Source: BDOCF analysis

Figure 2.2 shows that there is a material downward shift between the value of Capilano prior to the Proposed Transaction (controlling interest basis) and the value of the Scrip Consideration (minority interest basis). This downward shift is a result of the discount applied to allow for a minority interest and lack of marketability. If our analysis of the Proposed Transaction had of been completed solely having reference to the Scrip Consideration, we would have assessed the Proposed Transaction as being 'not fair'. We have not however formed this view as the Cash Consideration is the default option and we consider this option to be 'fair'.

As at the date of this Report, there is limited information available to determine the prospects of HoldCo with an appropriate degree of reliability following the Proposed Transaction. In our view, a Shareholder's decision to elect to receive either the Cash Consideration or the Scrip Consideration, and/or apply for the Subscription Offer, will include their consideration of a range of matters specific to their own individual circumstances including:

- ▶ The individual Shareholder's view on the prospects of HoldCo in the future;
- ▶ The risk appetite of the individual Shareholder;
- ▶ The individual Shareholder's desire for a liquidity event at the Cash Consideration value of \$20.06 per Capilano share; and
- ▶ The individual Shareholder's view on any future control transaction for HoldCo. The difference between our pre and post values is driven by the discount applied for a minority interest and lack of marketability. As set out in the Scheme Booklet, we note that the Consortium may seek to exit their investment in Capilano in the future although any decision to exit will be subject to prevailing market conditions, the businesses performance and other factors which may be considered relevant at the time. At the time of any subsequent exit, the situation may arise where the discount for minority interest and lack of marketability are no longer relevant and shareholders are able to realise a controlling value for their shares in HoldCo (e.g. if HoldCo is acquired as part of a control transaction).

This Report does not provide Shareholders with any advice and/or recommendations in relation to whether they should take the default option of the Cash Consideration or elect to receive the Scrip Consideration and/or partake in the Subscription Offer.

2.3 Assessment of Reasonableness

2.3.1 Basis of Assessment

Under RG 111, a transaction is considered reasonable if it is fair. It may also be reasonable, despite not being fair, if after considering other significant factors the interests of the shareholders are reasonably balanced.

In addition to our fairness assessment set out in Section 2.2 above, to assess whether the Proposed Transaction is 'reasonable' we consider it appropriate to examine other significant factors to which the Shareholders may give consideration prior to forming a view on whether to vote in favour of or against the Proposed Transaction. This includes comparing the likely advantages and disadvantages of approving the Proposed Transaction with the position of a Shareholder if the Proposed Transaction is not approved, as well as a consideration of other significant factors.

For the purpose of assessing the reasonableness of the Proposed Transaction, in our opinion, it is appropriate to have reference to the Cash Consideration (for reasons consistent with those discussed in Section 2.2.3 in relation to our assessment of the fairness of the Proposed Transaction). While we consider it appropriate to complete our reasonableness assessment with reference to the Cash Consideration, for the benefit of the Shareholders, we have set out a discussion of the advantages and disadvantages of the Scrip Consideration in Sections 2.3.3 below.

Our assessment of the reasonableness of the Proposed Transaction is set out as follows:

- ▶ Section 2.3.2 sets out the advantages and disadvantages of the Cash Consideration of the Proposed Transaction to the Shareholders;
- ▶ Section 2.3.3 sets out the advantages and disadvantages of the Scrip Consideration of the Proposed Transaction to the Shareholders;
- ▶ Section 2.3.4 sets out discussion of other considerations relevant to the Proposed Transaction;
- ▶ Section 2.3.5 sets out the position of the Shareholders if the Proposed Transaction is not implemented;
- ▶ Section 2.3.6 provides our opinion on the reasonableness of the Proposed Transaction to the Shareholders; and
- ▶ Section 2.3.7 sets out discussion of additional information in relation to the Scrip Consideration.

2.3.2 Cash Consideration

Advantages of the Proposed Transaction - Cash Consideration

Table 2.2 below outlines the potential advantages to the Shareholders of electing to receive the Cash Consideration under the Proposed Transaction.

Table 2.2: Potential Advantages of the Proposed Transaction - Cash Consideration

Advantage	Explanation
The Proposed Transaction is fair	As set out in Section 2.2 above, the Proposed Transaction is fair to the Shareholders as at the date of this Report. RG 111 states that an offer is reasonable if it is fair.
The current offer price is known	If the Proposed Transaction is implemented, Shareholders electing to receive the Cash Consideration have certainty that they will receive \$20.06 for each Capilano share held. These Shareholders will no longer be exposed to the ongoing risks associated with holding shares in Capilano. While the value of the Cash Consideration under the Proposed Transaction is certain, we note that it may be possible, assuming sufficient liquidity, for the Shareholders to sell their shares on the ASX at prices that are in excess of the Cash Consideration (between 13 August 2018 and 10 September 2018, the daily VWAP of Capilano shares on the ASX was in excess of \$20.06).
No brokerage charges or stamp duty	As outlined in the Scheme Booklet, the Shareholders will not incur any brokerage charges or stamp duty costs if the Proposed Transaction is implemented.
The consideration is at a premium to the price that Capilano shares have traded on the ASX prior to the Proposed Transaction	As outlined in Section 5.4, recent ASX trading of Capilano shares has been at VWAPs in the range of \$15.79 (1 week VWAP prior to the announcement of the Proposed Transaction) to \$16.74 (12 month VWAP prior to the announcement of the Proposed Transaction). The Cash Consideration of \$20.06 per share is at a premium to the price that Capilano shares have traded on the ASX prior to the announcement of the Proposed Transaction.
A superior proposal has not emerged	The Directors have advised that, as at the date of this Report, a superior proposal to the Proposed Transaction has not been received by the Company. For completeness, we note that on 3 September 2018, related entities to Bega Cheese Limited ('Bega') announced that they had acquired a relevant interest of 5.76%. As at 5 October 2018, this relevant interest has increased to 11.55%. Over the timeframe that Bega has been acquiring shares, the share price of Capilano has traded as high as \$22.00. While we consider this an indicator that Bega is potentially considering a competing offer, a superior proposal had not arisen as at the date of this Report and there is no guarantee that one will emerge. We do not consider a superior proposal sufficiently likely to impact the analysis set out in this Report noting that the terms of any hypothetical future offer are not known as at the date of this Report.

Source: BDOCF analysis

Disadvantages of the Proposed Transaction - Cash Consideration

Table 2.3 below outlines the potential disadvantages to the Shareholders of electing to receive the Cash Consideration under the Proposed Transaction.

Table 2.3: Potential Disadvantages of the Proposed Transaction - Cash Consideration

Disadvantage	Explanation
No exposure to any future offers	If the Proposed Transaction is approved, the Shareholders will no longer be able to benefit from any superior future offers from the Consortium or any other party. Notwithstanding, there is no guarantee that a future offer will be forthcoming. Shareholders should refer to Table 2.2 for additional discussion in relation to the possibility of a superior proposal being made by Bega.
No exposure to any potential future value of Capilano	If the Proposed Transaction is approved, Shareholders who receive the Cash Consideration will no longer hold any shares in the Company. Accordingly, Shareholders will have no exposure to any potential upside in the value of the Company going forward.
No partial investment	The Proposed Transaction relates to 100% of each Shareholder's shares. If the Proposed Transaction is approved, the Shareholders will be required to take the default option of the Cash Consideration or elect to take the Scrip Consideration. Notwithstanding, the Scale-Back Arrangements may apply such that a Shareholder electing to receive the Scrip Consideration may receive the Cash Consideration for a portion or all of their Capilano shares.

Source: BDOCF analysis

2.3.3 Scrip Consideration

Advantages of the Proposed Transaction - Scrip Consideration

Table 2.4 below outlines the potential advantages to the Shareholders of electing to receive the Scrip Consideration under the Proposed Transaction.

Table 2.4: Potential Advantages of the Proposed Transaction - Scrip Consideration

Advantage	Explanation
Retain exposure to Capilano	If the Proposed Transaction is implemented, the Shareholders who receive the Scrip Consideration will continue to be exposed to the risks and opportunities associated with the ownership of Capilano shares.
Gain exposure to possible value accretion arising from the Consortium's expertise	If the Proposed Transaction is implemented, Shareholders who receive the Scrip Consideration will have exposure to any value accretion arising as a result of the Consortium's expertise which may not be available to Capilano in the absence of the Proposed Transaction. As set out in the Scheme Booklet, this may include any potential upside realisable from the Consortium's Chinese market expertise and connections.

Source: BDOCF analysis

Disadvantages of the Proposed Transaction - Scrip Consideration

Table 2.5 below outlines the potential disadvantages to the Shareholders of electing to receive the Scrip Consideration under the Proposed Transaction.

Table 2.5: Potential Disadvantages of the Proposed Transaction - Scrip Consideration

Disadvantage	Explanation
No exposure to any future offers	If the Proposed Transaction is implemented, the Shareholders will no longer be able to benefit from any superior future offers from the Consortium or any other party. Notwithstanding, there is no guarantee that a future offer will be forthcoming. Shareholders should refer to Table 2.2 for additional discussion in relation to the possibility of a superior proposal being made by Bega.
Dilution of Shareholders	Prior to the Proposed Transaction, the Shareholders collectively owned 100% of Capilano shares. If the Proposed Transaction is implemented, the maximum ownership interest in HoldCo (and indirectly in Capilano) that the Shareholders can hold via the Scrip Consideration and the Subscription Offer is 49.9%, which represents a minority interest. Additionally, HoldCo may issue new securities after implementation of the Proposed Transaction at the discretion of the HoldCo board of directors, which may further dilute HoldCo shareholders. Shareholders may prefer to retain a 100% interest in Capilano rather than a minority interest in HoldCo.
Reduced liquidity	As an unlisted company, HoldCo shares are likely to have a lower level of liquidity and marketability relative to Capilano shares prior to the Proposed Transaction which were listed on the ASX. If the Proposed Transaction is implemented, the Shareholders receiving the Scrip Consideration will be restricted by the terms of the HoldCo Shareholders' Deed in relation to the disposal of HoldCo shares, and may not be able to sell their shares in HoldCo at market value due to the decreased liquidity of the securities. There is no guarantee that HoldCo shareholders will be able to dispose of their HoldCo shares if the Consortium does not make a decision to exit their position in HoldCo. While provisions exist for the disposal of HoldCo shares after the Proposed Transaction, these are subject to restrictions. Shareholders should refer to the Scheme Booklet for additional information in relation to the process for selling shares in HoldCo.
Change of risk exposure	The Shareholders receiving the Scrip Consideration will be exposed to a different risk profile if the Proposed Transaction is implemented relative to their existing investment in Capilano. The changed factors include, but are not limited to, the following: <ul style="list-style-type: none">▶ Lack of control and fewer rights as minority shareholders;▶ Uncertainty of dividends. We note that, as set out in the Scheme Booklet, the Consortium's intention is that no dividends will be payable prior to an exit of its investment in HoldCo;▶ Exposure to risk of HoldCo potentially obtaining additional debt financing; and▶ The receipt of less information and reports about HoldCo as an unlisted company. We recommend that Shareholders read the risk factors associated with an investment in HoldCo, as set out in section 10.3 of the Scheme Booklet, in full.

Source: BDOCF analysis

2.3.4 Other Considerations

Scale-Back Arrangements

If the number of HoldCo shares represented by the Shareholders electing to receive the Scrip Consideration and/or apply for the Subscription Offer exceeds a 49.9% interest in HoldCo, the Scale-Back Arrangements will apply. Any Shareholders who elect to receive the Scrip Consideration and/or apply for the Subscription Offer may not receive HoldCo shares and should also consider the advantages and disadvantages of the Cash Consideration, being the default consideration under the Proposed Transaction.

Different Regulatory Regime

If the Proposed Transaction is implemented, the ASX Listing Rules and certain provisions of the Corporations Act applicable only to public companies will no longer apply to Capilano. Shareholders should be aware of the differences in the regulatory environment that will arise if the Proposed Transaction is implemented.

We recommend that the Shareholders consider section 10.3 of the Scheme Booklet, which sets out a summary of key investor protections which will no longer apply if the Proposed Transaction is implemented.

Tax Considerations

If the Proposed Transaction is approved and implemented, the Shareholders will be treated as having disposed of their shares for tax purposes. A gain or loss on disposal may arise depending on the cost base of each individual Shareholder's shares, the length of time held, whether the shares are held on capital or revenue account and whether or not the Shareholder is an Australian resident for tax purposes.

We note that Shareholders receiving the Scrip Consideration may be eligible for Australian capital gains tax rollover relief, however, we note that this is subject to the outcome of a class ruling from the Australian Taxation Office. Details of the taxation consequences are set out in section 11 of the Scheme Booklet. Shareholders should consult their own adviser in relation to the taxation consequences of the Proposed Transaction.

Disposal of Shares On Market

Capilano shares have traded at a premium to the Cash Consideration of \$20.06 in the period following 13 August 2018, being the date the Proposed Transaction was announced. Individual Shareholders that elect to sell their shares on market should note the following:

- ▶ Transaction costs are likely to be incurred; and
- ▶ The opportunity to benefit from any higher price offered will be foregone (e.g. Shareholders should refer to Table 2.2 for additional discussion in relation to the possibility of a superior proposal being made by Bega).

There may be Shareholders that will benefit from selling their shares on market relative to a sale of shares via the Proposed Transaction. Notwithstanding that, as mentioned above a Shareholder that sells their shares on market may incur transaction costs and will lose the opportunity to benefit from any higher price that is offered before the Proposed Transaction is implemented.

2.3.5 Position of the Shareholders if the Proposed Transaction is Not Implemented

Table 2.6 below outlines the possible position of the Shareholders in the event that the Proposed Transaction is not implemented. We note that the Proposed Transaction may not proceed for a number of reasons including, but not limited to, the conditions precedent to the Proposed Transaction not being satisfied (refer to Section 4.3 of this Report).

Table 2.6: Position of Shareholders if the Proposed Transaction is Not Implemented

Position of Shareholders	Explanation
Continued shareholding in Capilano	If the Proposed Transaction is not implemented, the Shareholders will continue to hold shares in Capilano. The Shareholders will continue to be exposed to the risks and opportunities associated with the ownership of Capilano shares.
Share trading price may be materially different to recent share trading prices and the shares in Capilano may trade at prices that are lower than \$20.06 per share	<p>If the Proposed Transaction does not proceed, the price of Capilano shares may decrease relative to recent trading prices and the decrease may be material. As outlined in Section 5.4, recent trading of Capilano shares on the ASX has been at VWAPs in the range of \$15.79 (1 week VWAP prior to the announcement of the Proposed Transaction) to \$16.74 (12 month VWAP prior to the announcement of the Proposed Transaction) which is materially lower than the Cash Consideration of \$20.06.</p> <p>It is important to note that shares in Capilano have been valued in this Report on a controlling interest basis to assess the Proposed Transaction. If the Proposed Transaction is not implemented, the price of shares in Capilano is likely to change to represent the value of Capilano on a minority interest basis.</p> <p>It is possible that shares in Capilano will trade at a price that is materially lower than \$20.06 if the Proposed Transaction is not implemented.</p>
Prospect of a superior proposal or alternative transaction	It is possible that, if the Proposed Transaction is not implemented, the Shareholders may receive an offer superior to the Cash Consideration. While we understand that, as at the date of this Report, the Directors have not received a proposal superior to the Proposed Transaction, Shareholders should refer to Table 2.2 for additional discussion in relation to the possibility of a superior proposal being made by Bega.

Position of Shareholders	Explanation
Non-recoverable costs	Capilano will incur costs in relation to the Proposed Transaction irrespective of whether or not the Proposed Transaction is implemented. Capilano will not be able to recover the costs that it has incurred in relation to the Proposed Transaction in the event that the Proposed Transaction is not approved and/or implemented. In addition to its own costs, Capilano may be required to pay a break fee of \$1.45 million to the Consortium under certain circumstances, which are set out in section 13.1 of the Scheme Booklet.

Source: BDOCF analysis

2.3.6 Assessment of the Reasonableness of the Proposed Transaction

In our opinion, after considering all of the issues set out in this Report, it is our view that, in the absence of any other information or a superior proposal, the Proposed Transaction (which includes an ability for the Shareholder to accept the Cash Consideration) is **Reasonable** to the Shareholders as at the date of this Report.

2.3.7 Additional Information in Relation to the Scrip Consideration

For the purpose of assessing the reasonableness of the Proposed Transaction, in our opinion, it is appropriate to have reference to the Cash Consideration (for reasons consistent with those discussed in Section 2.2.3 in relation to our assessment of the fairness of the Proposed Transaction). Notwithstanding and for the benefit of the Shareholders, in relation to the Scrip Consideration, we note:

- ▶ In Section 2.2.5 of this Report we have set out information that suggests that on a standalone basis, the Scrip Consideration would be considered not fair; and
- ▶ Having regard to the difference in pre and post values set out in Section 2.2.5 and the advantages and disadvantages set out in Section 2.3.3, we would have concluded that the Proposed Transaction is 'not reasonable' in the absence of the Cash Consideration as the default consideration.

A Shareholder's decision to elect to receive either the Cash Consideration or the Scrip Consideration, and/or apply for the Subscription Offer, will include their consideration of a range of matters specific to their own individual circumstances including those set out in Section 2.2.5.

This Report does not provide Shareholders with any advice and/or recommendations in relation to whether they should take the default option of the Cash Consideration or elect to receive the Scrip Consideration and/or partake in the Subscription Offer.

2.4 Best Interests Opinion

In our opinion, the Proposed Transaction is fair and reasonable to the Shareholders. In forming this view, we had reference to the Cash Consideration and note that it is the default consideration available to the Shareholders.¹ On this basis, it is our view that, in the absence of any other information or a superior proposal, the Proposed Transaction is in the **Best Interests** of the Shareholders as at the date of this Report.

Before forming a view on whether to vote in favour of or against the Proposed Transaction, we strongly recommend that Shareholders:

- ▶ Have regard to the information set out in the balance of this Report, including the Important Information set out in Section 3.0, before deciding whether to vote in favour of or against the Proposed Transaction;
- ▶ Consider the possibility of a superior proposal arising, notwithstanding that a superior proposal has not arisen as at the date of this Report and there is no guarantee that one will emerge;
- ▶ Consult their own professional advisers; and
- ▶ Consider their specific circumstances.

The decision to vote for or against the Proposed Transaction is a separate decision to the investment decision to hold or divest shares in HoldCo in the event the Proposed Transaction is approved and is separate to any election to receive the Scrip Consideration.

We recommend Shareholders consider their own circumstances and consult their own professional adviser before making any of those decisions.

¹ For the reasons set out in Sections 2.2.5 and 2.3.7, on a stand-alone basis, we do not consider the Scrip Consideration under the Proposed Transaction would be fair and reasonable.

3.0 Important Information

3.1 Read this Report, and other documentation, in full

This Report, including Part I, Part II and the appendices, should be read in full to obtain a comprehensive understanding of the purpose, scope, basis of evaluation, limitations, information relied upon, analysis, assumptions underpinning our work and our findings.

Other information provided to the Shareholders in conjunction with this Report should also be read in full, including the Scheme Booklet prepared by Capilano and dated on or about 11 October 2018 ('the Scheme Booklet').

3.2 Shareholders' individual circumstances

Our analysis has been completed and our conclusions expressed at an aggregate level having regard to the Shareholders as a whole. BDOCF has not considered the impact of the Proposed Transaction on the particular circumstances of individual Shareholders. Individual Shareholders may place a different emphasis on certain elements of the Proposed Transaction relative to the emphasis placed in this Report. Accordingly, individual Shareholders may reach different conclusions as to whether or not the Proposed Transaction is fair and reasonable, and in the best interests, in their individual circumstances.

The decision of an individual Shareholder to vote in favour of or against the Proposed Transaction is likely to be influenced by their particular circumstances and accordingly, the Shareholders are advised to consider their own circumstances and seek their own independent advice.

Voting in favour of or against the Proposed Transaction is a matter for individual Shareholders based on their expectations as to the expected value and future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. The Shareholders should carefully consider the Scheme Booklet. Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their professional adviser.

With respect to taxation implications of the Proposed Transaction, it is strongly recommended that the Shareholders obtain their own taxation advice, tailored to their own particular circumstances.

3.3 Scope

In this Report we provide our opinion on whether the Proposed Transaction is fair and reasonable to, and in the best interests of, the Shareholders.

This Report has been prepared at the request of the Directors for the sole benefit of the Shareholders entitled to vote, to assist them in their decision to vote in favour of or against the Proposed Transaction. This Report is to accompany the Scheme Booklet to be sent to the Shareholders to consider the Proposed Transaction and was not prepared for any other purpose. Accordingly, this Report and the information contained herein may not be relied upon by anyone other than the Directors and the Shareholders without our written consent. We accept no responsibility to any person other than the Directors and the Shareholders in relation to this Report.

This Report should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of this Report with the Scheme Booklet. Apart from this Report, we are not responsible for the contents of the Scheme Booklet or any other document associated with the Proposed Transaction. We acknowledge that this Report may be lodged with regulatory authorities to obtain the relevant approvals prior to it being made available to the Shareholders.

The scope of procedures we have undertaken has been limited to those procedures required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards. In preparing this Report we considered a range of matters, including the necessary legal requirements and guidance of the Corporations Act, ASIC regulatory guides and commercial practice.

In forming our opinion, we have made certain assumptions and outline these in this Report including:

- ▶ We have performed our analysis on the basis that the conditions precedent to the scheme implementation agreement between BidCo, HoldCo and Capilano ('the SIA') are satisfied;
- ▶ That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- ▶ All information which is material to the Shareholders' decision on the Proposed Transaction has been provided and is complete, accurate and fairly presented in all material respects;

- ▶ ASX announcements and other publicly available information relied on by us are accurate, complete and not misleading;
- ▶ If the Proposed Transaction is implemented, that it will be implemented in accordance with the stated terms;
- ▶ The legal mechanism to implement the Proposed Transaction is correct and effective;
- ▶ There are no undue changes to the terms and conditions of the Proposed Transaction or complex issues unknown to us; and
- ▶ Other assumptions, as outlined in this Report.

In this Report we have not provided any taxation, legal or other advice of a similar nature in relation to the Proposed Transaction. Other advisers have provided advice in relation to those matters to Capilano in relation to the Proposed Transaction.

Capilano has acknowledged that the Company's engagement of BDOCF is as an independent contractor and not in any other capacity including a fiduciary capacity.

The statements and opinions contained in this Report are given in good faith and are based upon our consideration and assessment of information provided by the Board, executives and management of all the entities.

3.4 Purpose of this Report

An independent expert, in certain circumstances, must be appointed to meet the requirements set out in the Corporations Act 2001 ('the Corporations Act'), the Corporation Regulations 2001 ('the Regulations'), the regulatory guides ('RGs') published by the Australian Securities and Investments Commission ('ASIC') and in some cases the listing requirements of the relevant exchanges. These requirements have been set out in Sections 3.4.1 and 3.4.2 below.

3.4.1 Requirements of the Corporations Acts

The Proposed Transaction will be implemented by scheme of arrangement. Section 411 of the Corporations Act relates to schemes of arrangement. Under section 411 of the Corporations Act, in order for a scheme of arrangement to be approved certain steps, including the following, must occur:

- ▶ Unless the Court orders otherwise, there must be a majority in number (i.e. more than 50%) of the shareholders present and voting (either in person or by proxy); and
- ▶ No less than 75% of the votes cast on the resolution must vote in favour of the scheme.

Part 3 of Schedule 8 of the Corporations Regulations details the prescribed information relating to schemes of arrangement. Specifically, clause 8303 of Schedule 8 states that an independent expert's report prepared to determine whether, in the opinion of the expert, the proposed scheme is in the best interests of the company's shareholders must accompany a scheme document if:

- ▶ A party to the proposed scheme has a prescribed shareholding² in the company subject to the scheme; or
- ▶ The directors of the company are also directors of the company subject to the scheme.

As at the date of this Report, we understand that the above conditions do not apply and neither the Corporations Act nor the Corporations Regulations specifically require that an independent expert's report be provided to the Shareholders in relation to the Proposed Transaction. While this Report is not required to be provided for the purpose of complying with any specific provisions of the Corporations Act or the Corporations Regulations, we have been requested by the Directors to prepare this Report to accompany the Scheme Booklet.

3.4.2 Listing Requirements

We have been instructed that Capilano will not be using this Report or our assessment of the Proposed Transaction for the purpose of complying with the listing requirements of the ASX or any other stock exchange.

3.5 Current Market Conditions

Our opinion and the analysis set out in this Report 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 and may have a material impact on the results presented in this Report and result in any valuation or other opinion becoming quickly outdated and in need of revision.

² Clause 8306 of schedule 8 states that a person has a prescribed shareholding in a company if he or she is entitled to not less than 30% of the voting shares in the company.

In circumstances where we become aware of and believe that a change in these conditions, prior to the scheme meeting, results in a material statement in this Report becoming misleading, deceptive or resulting in a material change in valuation, we will provide supplementary disclosure to Capilano. BDOCF is not responsible for updating this Report following the scheme meeting or in the event that a change in prevailing circumstance does not meet the above conditions.

3.6 Reliance on Information

Capilano recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDOCF, BDO (QLD) Pty Ltd or any of the partners, directors, agents or associates (together 'BDO Persons'), will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by Capilano, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

Unless the information we are provided suggests the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether or not the Proposed Transaction is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or due diligence investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable and in the best interests is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of management the information was evaluated through analysis, inquiry and review to the extent practical. Where we have relied on publicly available information, we have considered the source of the information and completed our own analysis to assist us to determine the reliability of the information. However, in many cases, the information we have relied on is often not capable of external verification or validation and on that basis we provide no opinion or assurance on the information.

The Directors represent and warrant to us, for the purpose of this Report, that all information and documents furnished by Capilano (either by management directly or through advisors) in connection or for use in the preparation of this Report do not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein. We have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of this Report.

Under the terms of our engagement, Capilano has agreed to indemnify BDO Persons against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

3.7 Glossary

Capitalised terms used in this Report have the meanings set out in the glossary. A glossary of terms used throughout this Report is set out immediately following the Table of Contents at the start of this Report.

All dollar ('\$') references in this Report are in Australian dollars unless otherwise stated.

3.8 Sources of Information

This Report has been prepared using information obtained from sources including the following:

- ▶ Capilano annual report for the year ended 30 June 2015;
- ▶ Capilano annual report for the year ended 30 June 2016;
- ▶ Capilano annual report for the year ended 30 June 2017;
- ▶ Capilano annual report for the year ended 30 June 2018;
- ▶ Capilano ASX announcements;
- ▶ Capilano Scheme Booklet dated on or about 11 October 2018;
- ▶ Scheme Implementation Agreement dated 13 August 2018;
- ▶ Capital IQ;

- ▶ IBISWorld;
- ▶ Transaction documents provided in the virtual data room;
- ▶ Other research publications and publicly available data as sourced throughout this Report; and
- ▶ Discussions and correspondence with Capilano, management and their advisers.

3.9 APES 225 Valuation Services

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 *Valuation Services* ('APES 225'). A Valuation Engagement is defined by APES 225 as 'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

3.10 Forecast Information

Any forecast financial information referred to in this Report has been prepared by the Company's management ('Management') and adopted by the Directors in order to provide us with a guide to the potential financial performance of Capilano. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the forecast financial information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation between actual results and those forecast may be material.

The Directors' best-estimate assumptions on which the forecast is based relate to future event(s) and/or transaction(s) that Management expect to occur and actions that Management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Capilano. Evidence may be available to support the Directors' best-estimate assumptions on which the forecast is based however such evidence is generally future-oriented and speculative in nature.

BDOCF cannot and does not provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. While we have considered the forecast information to the extent we considered necessary to complete the analysis set out in this Report, we have not been engaged to provide any form of assurance conclusion on any forecast information set out in this Report. We disclaim any assumption of responsibility for any reliance on this Report, or on any forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of Management, that all material information concerning the prospects and proposed operations of Capilano have been disclosed to use and that the information provided to use for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

3.11 Qualifications

BDOCF has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDOCF holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

BDOCF and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Mark Whittaker and Steven Sorbello have prepared this Report with the assistance of staff members. Mr Whittaker, BCom (Hons), CA, CFA, and Mr Sorbello, BCom/LLB, CA, are directors of BDOCF. Both Mr Whittaker and Mr Sorbello have extensive experience in corporate advice and the provision of valuation and professional services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations. Mr Whittaker and Mr Sorbello are considered to have the appropriate experience and professional qualifications to provide the advice offered within this Report.

BDO Corporate Finance (QLD) Ltd



Mark Whittaker
Director



Steven Sorbello
Director

For personal use only

PART II: INFORMATION SUPPORTING OUR OPINION ON THE PROPOSED TRANSACTION

4.0 Overview of the Proposed Transaction

This section sets out an overview of the Proposed Transaction and is structured as follows:

- ▶ Section 4.1 provides a brief description of the Proposed Transaction;
- ▶ Section 4.2 describes the key parties involved in the Proposed Transaction;
- ▶ Section 4.3 summarises the conditions precedent which, if not waived, must be satisfied prior to implementation of the Proposed Transaction; and
- ▶ Section 4.4 details the strategic rationale for the Proposed Transaction.

This section is a summary only and should not be treated as a complete description of the Proposed Transaction. The Shareholders should refer to the Scheme Booklet for detailed and additional information relating to the Proposed Transaction and the key parties involved.

4.1 Summary of the Proposed Transaction

On 13 August 2018, Capilano announced that it had entered into the SIA with HoldCo, an entity owned by the Consortium, and BidCo, a subsidiary of HoldCo, under which it is proposed that BidCo will acquire 100% of the issued capital of Capilano by way of a scheme of arrangement ('Scheme').

If the Proposed Transaction is approved and implemented, Shareholders will be entitled to elect to receive either the Cash Consideration of \$20.06 for each Capilano share held or the Scrip Consideration of 1 HoldCo share for each Capilano share held. Where Shareholders do not make an election, those Shareholders will receive the Cash Consideration by default. Those Shareholders electing to receive the Scrip Consideration can also apply for the Subscription Offer of a further 0.5 HoldCo share per Capilano share held for \$20.06 per share, subject to rounding and the Scale-Back Arrangements.

Upon implementation of the Proposed Transaction, HoldCo's issued securities will comprise 9,457,481 ordinary shares. Of these shares, 4,719,283 (representing an ownership interest of approximately 49.9%) will be available for Shareholders electing to receive the Scrip Consideration and/or applying for the Subscription Offer. In the event that Scrip Consideration elections and/or Subscription Offer applications represent a number of HoldCo shares exceeding 4,719,283, the Scale-Back Arrangements, as set out in detail in the Scheme Booklet, will apply.

If the Proposed Transaction is implemented, under the Scale-Back Arrangements, Shareholders electing to receive the Scrip Consideration and/or applying for the Subscription Offer may be issued either:

- ▶ A full allocation of HoldCo shares based on the number of Capilano shares held and/or the application for the Subscription Offer;
- ▶ A partial allocation of HoldCo shares, the balance of which will be substituted by the Cash Consideration; or
- ▶ No HoldCo shares, all of which will be substituted by the Cash Consideration.

All HoldCo share numbers calculated under the Scale-Back Arrangements are rounded down to the nearest whole number.

The Shareholders should refer to the Scheme Booklet for more detailed information in relation to the Proposed Transaction.

4.2 Description of the Key Parties involved in the Proposed Transaction

4.2.1 HoldCo and BidCo

Upon implementation of the Proposed Transaction, Wattle Hill, Roc Partners and any Shareholders who receive the Scrip Consideration will own shares in HoldCo, the parent entity of BidCo. HoldCo and BidCo were specifically established for the purpose of the Proposed Transaction. They do not have any other operations and have no other assets or liabilities.

4.2.2 Wattle Hill

Wattle Hill is an Australian based private equity fund focused on investments in Australian businesses offering products and services in demand by Chinese consumers. Wattle Hill identifies leading enterprises that will benefit from China's economic growth and development then helps them prepare for and navigate Chinese market entry and expansion.

4.2.3 Roc Partners

Roc Partners is a leading alternative investment manager based in Australia and specialising in private equity investments across the Asia Pacific region. While most of its investments are in Australia, Roc Partners has also made significant investments in markets such as China, India, Japan and South-East Asia.

4.3 Key Conditions of the Proposed Transaction

This section sets out key conditions precedent and other matters relevant to the Proposed Transaction. We recommend that Shareholders consider all requirements of the Proposed Transaction set out in the Scheme Booklet.

4.3.1 Key Conditions Precedent

Key conditions precedent that must be satisfied (or waived) in order for the Proposed Transaction to be implemented include:

- ▶ Shareholders approving the Proposed Transaction at the Scheme Meeting with at least 50% of the number of shareholders voting and 75% of the votes cast in favour of the Proposed Transaction;
- ▶ The Court approving the Proposed Transaction in accordance with section 411(4)(b) of the Corporations Act;
- ▶ No Court or regulatory authority having issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, decree or ruling or taken any action enjoining, restraining or otherwise imposing a legal restraint or prohibition preventing the Proposed Transaction and no such order, decree, ruling, other action or refusal is in effect as at 8.00am on the Second Court Date;
- ▶ No material adverse event, occurrence or matter, as defined in the SIA, occurs between 13 August 2018 and 8.00am on the Second Court Date, which includes:
 - The consolidated net asset value of Capilano being reduced by at least \$10.0 million against what it would have been but for that event, occurrence or matter; or
 - The consolidated annual net profit after tax of Capilano being reduced by at least \$2.0 million against what it would have been but for that event, occurrence or matter; and
- ▶ The total number of HoldCo shares to be issued to Shareholders electing to receive the Scrip Consideration, together with the shares to be issued under the Subscription Offer represents at least 15% of the issued capital in HoldCo on a fully diluted basis.

4.3.2 Other Matters

As at the date of this Report, Capilano has the following securities outstanding, in addition to its 9,457,481 ordinary shares:

- ▶ One foundation share ('the Foundation Share') which is held by Capilano Beekeepers Limited ('CBL'). We note that the Foundation Share is not subject to the terms of the Proposed Transaction, and has been separately addressed under a share sale and purchase agreement between BidCo and CBL to acquire the Foundation Share for \$1 on the date of implementation of the Proposed Transaction; and
- ▶ 60,000 options held by the managing director of Capilano, Dr Ben McKee. If the Proposed Transaction is implemented, these options will be cancelled and Capilano will pay Dr McKee \$160,000 cash as consideration.

4.4 Strategic Rationale for the Proposed Transaction

The Directors are of the view that the Proposed Transaction provides the certainty of a cash return to the Shareholders and represents clear and attractive value for the Company.

The Directors have announced that they unanimously recommend that the Shareholders vote in favour of the Proposed Transaction in the absence of a superior proposal and subject to an independent expert concluding, and continuing to conclude, that the Proposed Transaction is fair and reasonable and in the best interests of the Shareholders.

5.0 Background of Capilano

This section is set out as follows:

- ▶ Section 5.1 sets out an overview of Capilano;
- ▶ Section 5.2 sets out an overview of the joint ventures and corporate structure of Capilano;
- ▶ Section 5.3 sets out an overview of the equity structure of Capilano;
- ▶ Section 5.4 sets out a summary of Capilano share trading data available; and
- ▶ Section 5.5 sets out a summary of the historical financial information of Capilano;

5.1 Overview of Capilano

Capilano was established in 1953 by apiarists J C (Tim) Smith and his brother, H A (Bert) Smith, in Richlands, Queensland, where the head office remains. Capilano was listed on the ASX in July 2012 under the code 'CZZ' (having formerly been listed on the Bendigo Stock Exchange).

Capilano packages and sells honey in Australia and internationally. Capilano sources its honey from a network of over 600 beekeepers across Australia, as well as international sources, and offers a range of honey products, including:

- ▶ Creamed and pot set honey;
- ▶ Kids' honey;
- ▶ Premium selections honey;
- ▶ Pure Manuka honey;
- ▶ Classic honey; and
- ▶ "Beeotic" prebiotic honey.

These honey products are sold under the Company's main brands of Capilano, Allowrie, Wescobee and Barnes Naturals, and through private-labels. Capilano also offers a range of non-honey products focused on the health and wellness market, including apple cider vinegar products and beeswax.

Capilano has a national operations platform, with over 200 staff employed across its head office and three packing sites (Richlands in Queensland, Maryborough in Victoria and Bayswater in Western Australia). All three sites are utilised to receive and pack honey, and the Richlands site has additional capabilities to pack prebiotic honey and produce PET bottles.

5.2 Joint Ventures and Corporate Structure

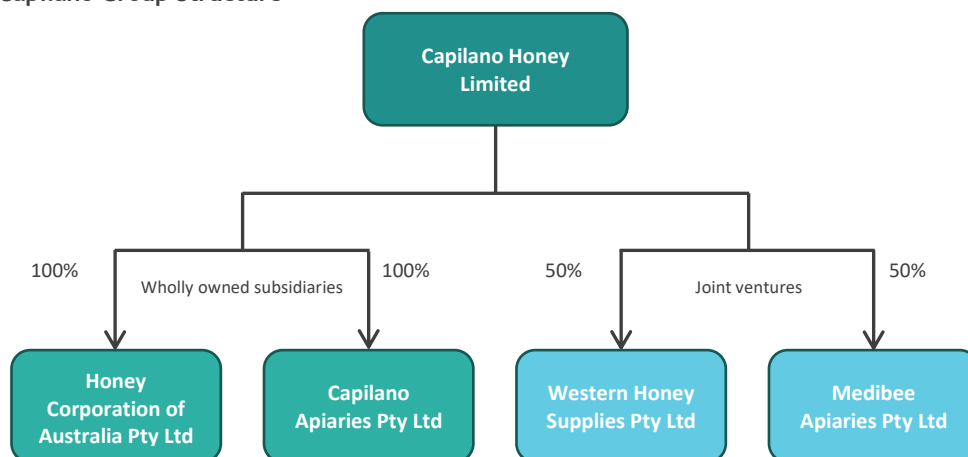
While Capilano does not own bees or beekeeping assets outright, it operates two primary production beekeeping joint ventures which were established to strengthen the security of their premium honey supply and supplement their honey purchases. The two joint ventures are:

- ▶ Western Honey Supplies Pty Ltd ('WHS') is a joint venture between Capilano (50%) and Spurge Apiaries (50%). The joint venture was formed in 2016 to enable Capilano to leverage geographic diversity, secure supply and increase honey production. WHS was Capilano's largest supplier of honey from Western Australia in FY2018 and is one of Capilano's top five suppliers nationally; and
- ▶ Medibee Apiaries Pty Ltd ('Medibee') is a joint venture between Capilano (50%) and Comvita Holdings Pty Ltd (50%), which was formed in 2016 to operate several leptospermum honey producing apiaries in Australia, which produce premium honey capable of being used in a range of medical and natural health products. Medibee was the largest supplier of Manuka honey to Capilano in FY2018.

Capilano has made further investments in both the joint ventures to increase floral resources and grow hive numbers. As at the date of this Report, Management has no plans to expand investment in primary production. Capilano accounts for its investments in WHS and Medibee using the equity method.

Capilano also owns a 100% interest in Honey Corporation of Australia Pty Ltd and Capilano Apiaries Pty Ltd (dormant non-trading entities). Figure 5.1 displays the current group structure of Capilano.

Figure 5.1: Capilano Group Structure



5.2 Equity Structure of Capilano

5.2.1 Ordinary Shares

As at 5 October 2018, Capilano had 9,457,481 ordinary shares on issue. The top 10 Shareholders are set out in Table 5.1. Table 5.1 does not consider the impact of any changes in shareholding as a result of the Proposed Transaction.

Table 5.1: Top 10 Shareholders

Shareholders	Number of Shares	Percentage Holding
1 Wroxby Pty Ltd	2,049,906	21.67%
2 Bega Cheese Limited	1,091,950	11.55%
3 Citicorp Nominees Pty Limited	497,436	5.26%
4 National Nominees Limited	357,218	3.78%
5 HSBC Custody Nominees (Australia) Limited	147,415	1.56%
6 UBS Nominees Pty Ltd	104,704	1.11%
7 HSBC Custody Nominees (Australia) Limited - A/C 2	90,216	0.95%
8 Flannery Foundation Pty Ltd	63,000	0.67%
9 Mr Enrico Albertani & Ms Alison Woodbury	60,735	0.64%
10 J P Morgan Nominees Australia Limited	55,732	0.59%
Other shareholders	4,939,169	52.22%
Total shares on issue	9,457,481	100.00%

Source: Management as at 5 October 2018

Having regard to the information set out in Table 5.1 above, we note:

- ▶ The top 10 Shareholders collectively hold an interest of approximately 47.78% in the Company;
- ▶ Wroxby is the Company's largest shareholder, with a 21.67% interest in the Company. Wroxby became a substantial shareholder on 25 June 2014 after acquiring 1,065,025 Capilano shares, and has periodically increased this shareholding to 2,049,906 as at 5 October 2018;
- ▶ Capilano's second largest shareholder is Bega, which became a substantial shareholder on 31 August 2018 after gradually acquiring shares in Capilano between 22 May 2018 and 5 October 2018; and
- ▶ The level of detail displayed in Table 5.1 above differs from that disclosed in Capilano's FY2018 annual report. The information in Table 5.1 has been provided for the purpose of displaying the material changes to Capilano's top Shareholders between 30 June 2018 and 5 October 2018, including Bega becoming a substantial Shareholder.

5.2.2 Foundation Share

The constitution of Capilano enables beekeeper representation through the use of the Foundation Share, which is held by Capilano Beekeepers Limited ('CBL'). The Foundation Share provides CBL the right to appoint two beekeeper directors to Capilano's board and receive notice of, and attend, any general meeting of Capilano, but without a right to vote. It does not entitle CBL to participate in the capital or profits of the Company, other than the right to a distribution on winding up of the Company on an equal basis with the Shareholders. The Foundation Share may only be transferred to a party other than to a 'successor body', being a body approved by the Capilano Board established to succeed CBL or any successor to CBL with similar objects to CBL for the purposes of holding the Foundation Share, if approved by the Directors, and if written consent is provided by CBL.

Section 9.6 of the Scheme Booklet sets out a detailed description of the Foundation Share, and its proposed treatment under the Proposed Transaction.

5.2.3 Options on Issue

Capilano has 60,000 unlisted options on issue under Capilano's employee share plan, which are all held by the Company's managing director, Dr Ben McKee. The options were issued in two tranches of 30,000 options, with exercise prices of \$15.85 for a tranche issued in FY2018 and \$21.00 for a tranche issued in FY2017. The options vest upon the satisfaction of performance conditions based on the Company's total shareholder return performance and growth in the Company's earnings per share. No options had vested as at 30 June 2018.

As set out in the Scheme Booklet, subject to the Proposed Transaction completing and ASX granting Capilano a waiver from ASX Listing Rule 6.23, it is proposed that these options will be cancelled in return for an agreed payout to Dr McKee of \$160,000.

5.4 Share Performance of Capilano

5.4.1 Share Price Performance

Figure 5.1 displays the daily volume weighted average price ('VWAP') and daily volume of Capilano shares traded on the ASX over the period 1 August 2017 to 5 October 2018.

Figure 5.1: Daily VWAP and Volume of Capilano Shares Traded from 1 August 2017 to 5 October 2018



Source: Capital IQ as at 5 October 2018

Over the period graphed in Figure 5.1 above, Capilano's daily VWAP displays a period low of \$15.04 on 30 April 2018 and a period high of \$21.48 on 10 September 2018.

In addition to the share price and volume data of Capilano shown above, we have also provided additional information in Table 5.2 below to assist readers to understand the possible reasons for the movement in Capilano's share price over the period analysed. The selected ASX announcement references in Table 5.2 below correspond to those displayed in Figure 5.1 above.

Table 5.2: Selected Capilano ASX Announcements from 1 August 2017 to 5 October 2018

Date	Announcement
07/08/2017	Capilano released audited consolidated results for FY2017, reporting a 0.4% decrease in revenue and a 9.0% increase in net profit after tax, including a \$2.07 million gain on sale of assets.
06/09/2017	Capilano released a broker presentation outlining FY2017 results and updating the market on their strategy.
18/09/2017	Capilano was removed from S&P Global BMI Index.
17/11/2017	Capilano held their Annual General Meeting in which they outlined their strategic priority of exporting into China.
09/02/2018	Capilano released reviewed results for the half year ended 31 December 2017, reporting a 5.7% increase in revenue and a 28.5% decrease in net profit after tax on the same period in the prior year.
11/04/2018	Capilano appointed Valentina Tripp as independent non-executive director, effective 1 May 2018.
20/06/2018	Capilano announced a fully franked ordinary dividend for FY2018, payable on July 31 2018.
13/08/2018	Capilano announced that it had entered into a scheme implementation agreement with HoldCo to acquire 100% of the issued shares in Capilano. The scheme proposed a value of \$20.06 per share, representing a 28.2% premium to the last close of \$15.65 per share.
13/08/2018	Capilano released audited consolidated results for FY2018, reporting a 4.0% increase in revenue and a 4.9% decrease in net profit after tax. Profit growth in FY2018 was lowered by a \$2.07 million gain on sale of assets in FY2017.
03/09/2018	Capilano announced that Bega Cheese Limited had become a substantial shareholder of the Company, with a 5.76% interest in the Company via its associated entity, Amore Foods Pty Ltd.
03/09/2018	Capilano responded to media reports about the quality of imported honey, reiterating that the Company stands behind their products as being 100% honey.

Source: *Capilano ASX Announcements from 1 August 2017 to 5 October 2018*

In Table 5.3 below we have set out Capilano's VWAP for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 13 August 2018, being the date Capilano publicly announced the Proposed Transaction, and 5 October 2018.

Table 5.3: Capilano Honey's VWAP for Specified Periods Prior to 13 August 2018 and 5 October 2018

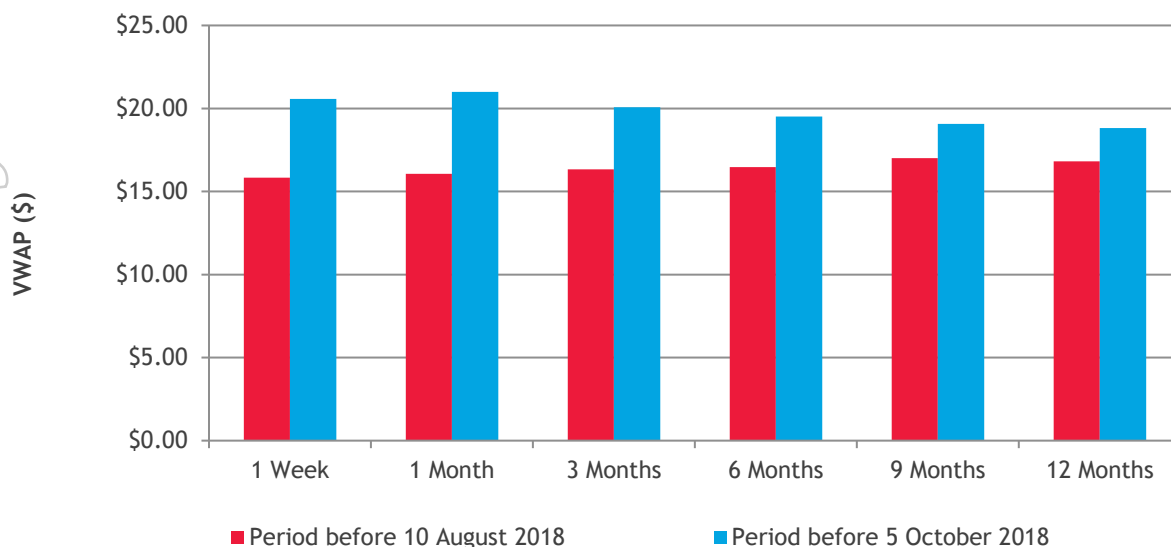
Period before 13 August 2018	VWAP (AUD) ¹	Period before 5 October 2018	VWAP (AUD)
1 Week	\$15.79	1 Week	\$20.57
1 Month	\$16.09	1 Month	\$20.99
3 Months	\$16.33	3 Months	\$20.07
6 Months	\$16.41	6 Months	\$19.51
9 Months	\$16.90	9 Months	\$19.08
12 Months	\$16.74	12 Months	\$18.81

Source: *Capital IQ as at 5 October 2018*

¹ VWAP data may differ from the data set out in the Scheme Booklet due to differences in databases used. For the purposes of this Report, the differences are immaterial

The information presented in Table 5.3 is shown graphically in Figure 5.2 below.

Figure 5.2: Capilano Honey's VWAP for Specified Periods Prior to 13 August 2018 and 5 October 2018



Source: Capital IQ as at 5 October 2018

5.4.2 Share Liquidity

The rate at which equity instruments are traded is generally referred to as the 'liquidity' of the equity instruments. Changes in liquidity may impact the trading price of equity instruments, particularly depending on the number of equity instruments required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the equity instruments or a shift in value of the company to which the equity instruments relate as a whole.

Table 5.4 summarises the monthly liquidity of Capilano shares from 1 August 2017 to 5 October 2018. Liquidity has been summarised by considering the following:

- ▶ Volume of Capilano share trades per month;
- ▶ Value of total trades in Capilano shares per month;
- ▶ Number of Capilano shares traded per month as a percentage of total Capilano shares outstanding at the end of the month; and
- ▶ Volume weighted average price per month.

Table 5.4: Liquidity of Capilano shares on the ASX

Month	Volume	Turnover (A\$)	Shares Outstanding	Volume / Shares Outstanding	Monthly VWAP (A\$)
October 2018 (to 5th)	83,270	1,710,710	9,457,481	0.88%	\$20.54
September 2018	846,970	17,823,395	9,457,481	8.96%	\$21.04
August 2018 (11th to 31st)	1,012,700	20,325,270	9,457,481	10.71%	\$20.07
August 2018 (to 10th)	81,600	1,290,880	9,457,481	0.86%	\$15.82
July 2018	158,590	2,599,260	9,457,481	1.68%	\$16.39
June 2018	143,360	2,391,180	9,457,481	1.52%	\$16.68
May 2018	119,460	1,924,580	9,457,481	1.26%	\$16.11
April 2018	94,430	1,509,600	9,457,481	1.00%	\$15.99
March 2018	231,400	3,903,040	9,457,481	2.45%	\$16.87
February 2018	190,710	3,261,070	9,457,481	2.02%	\$17.10
January 2018	187,130	3,429,170	9,457,481	1.98%	\$18.33
December 2017	127,980	2,314,950	9,457,481	1.35%	\$18.09

Month	Volume	Turnover (A\$)	Shares Outstanding	Volume / Shares Outstanding	Monthly VWAP (A\$)
November 2017	246,210	4,278,660	9,457,481	2.60%	\$17.38
October 2017	180,140	2,956,630	9,457,481	1.90%	\$16.41
September 2017	164,130	2,637,810	9,457,481	1.74%	\$16.07
August 2017	202,830	3,295,650	9,457,481	2.14%	\$16.25
Total	4,070,910	75,651,855	9,457,481	43.04%	\$18.58

Source: Capital IQ as at 5 October 2018

Assuming a weighted average number of 9,457,481 Capilano shares on issue over the period, approximately 43.04% of the total shares on issue were traded over the period 1 August 2017 to 5 October 2018. In our view, this indicates that Capilano shares display a relatively low to moderate level of liquidity.

5.5 Historical Financial Information of Capilano

This section sets out the historical financial information of Capilano. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in Capilano's annual reports, including the full statements of profit or loss and other comprehensive income, statements of financial position and statements of cash flows.

Capilano's financial statements have been audited by William Buck. BDOCF has not performed any audit or review of any type on the historical financial information of Capilano and we make no statement as to the accuracy of the information provided. However, we have no reason to believe that any of the information provided is false or misleading.

5.5.1 Statements of Profit or Loss and Other Comprehensive Income

Table 5.5 summarises the consolidated statement of profit or loss and other comprehensive income of Capilano for the 12 month periods ('FY') ended 30 June 2015, 2016, 2017 and 2018

Table 5.5 Summarised Capilano Statements of Comprehensive Income

	12 Months Ended 30-Jun-15 Audited (\$'000)	12 Months Ended 30-Jun-16 Audited (\$'000)	12 Months Ended 30-Jun-17 Audited (\$'000)	12 Months Ended 30-Jun-18 Audited (\$'000)
Sales revenue	120,863	133,617	133,144	138,518
Cost of sales	(74,009)	(82,518)	(81,277)	(84,056)
Gross Profit	46,854	51,099	51,866	54,462
Sale of assets	(100)	(20)	2,060	(23)
Equity accounted profits/(losses)	-	-	(61)	65
Marketing and promotion expenses	(14,275)	(13,886)	(15,273)	(15,463)
Administration expenses	(11,317)	(13,093)	(13,221)	(13,548)
Transportation expenses	(3,891)	(3,968)	(4,133)	(4,166)
Depreciation and amortisation	(1,652)	(1,870)	(1,599)	(1,707)
Interest expense	(426)	(625)	(298)	(314)
Borrowing expense	(220)	(246)	(136)	(86)
Other expenses	(3,845)	(3,949)	(5,236)	(5,175)
Other gains and losses, net	-	-	(157)	-
Total expenses	(35,726)	(37,657)	(38,053)	(40,416)
Profit before income tax	11,128	13,443	13,813	14,046
Income tax expense	(3,283)	(3,959)	(3,478)	(4,222)
Profit after income tax	7,845	9,483	10,335	9,824

Source: Capilano FY2015, FY2016, FY2017, FY2018 Annual Reports

With reference to Table 5.5 above, we note the following:

- ▶ Revenue growth between FY2015 and FY2016 was driven by an increase in domestic and export retail sales, continuing the trend of strong growth from FY2014. Reported revenue in FY2017 and FY2018 were impacted by changes in accounting treatment of rebates to key customers, effectively reducing revenue by approximately \$3.44 million in FY2017 and \$2.11 million in FY2018. These changes in accounting treatment did not impact

reported profits). Despite a \$4.75 million increase in domestic sales between FY2016 and FY2017, this was offset by a \$5.14 million decrease in export sales following trade restrictions in the Middle East and lower industrial sales volumes due to unsustainable prices in the international market;

- ▶ Capilano realised a one-off gain of \$2.07 million from the sale of beekeeping assets to Medibee in FY2017;
- ▶ Capilano realised an equity accounted loss of \$61,087 in FY2017 and an equity accounted profit of \$65,426 in relation to the Medibee and WHS joint ventures;
- ▶ Marketing and promotion expenses increased overall between FY2015 to FY2018, which was driven by a Management decision to increase ongoing marketing expenditure from FY2016 and approximately \$0.4 million of new product development expenditure relating to Beeotic in FY2017. Marketing and promotion expenses appeared relatively consistent between FY2017 and FY2018, however, the reported FY2017 and FY2018 expense were effectively reduced by \$3.44 million and \$2.11 million, respectively, due to a change in accounting treatment of rebates;
- ▶ Finance costs, including interest and borrowing expenses, have declined overall between FY2015 and FY2018. Finance costs initially increased from FY2015 to FY2016 due to higher levels of borrowing. The subsequent decline is attributable to a large reduction of both short term and long term debt in FY2017; and
- ▶ Income tax expenses decreased from FY2016 to FY2017 as no tax was attributable to the capital gain on the sale of Manuka beekeeping assets, which lowered the effective taxable income by \$2.07 million.

5.5.2 Statements of Financial Position

Table 5.6 summarises Capilano's statements of financial position as at 30 June 2015, 2016, 2017 and 2018.

Table 5.6: Summarised Capilano Consolidated Statements of Financial Position

	As at 30-Jun-15 Audited (\$'000)	As at 30-Jun-16 Audited (\$'000)	As at 30-Jun-17 Audited (\$'000)	As at 30-Jun-18 Audited (\$'000)
ASSETS				
Current assets				
Cash and cash equivalents	1,424	8,696	1,193	1,909
Inventories	23,344	38,793	44,153	51,265
Other current assets	1,336	176	200	115
Trade and other receivables	20,934	22,851	24,292	25,019
Non-current assets classified as held for sale	-	7,425	-	-
Total current assets	47,039	77,941	69,838	78,308
Non-current assets				
Property, plant and equipment	21,395	21,500	21,236	20,656
Investments	-	109	2,511	2,576
Receivables	-	-	2,500	2,500
Intangibles	-	-	214	214
Deferred tax assets	67	186	49	-
Total non-current assets	21,462	21,795	26,511	25,947
TOTAL ASSETS	68,501	99,735	96,349	104,255
LIABILITIES				
Current liabilities				
Trade and other payables	22,483	20,672	20,845	17,334
Provision for dividend	3,224	3,783	3,783	3,972
Short term borrowings	2,268	8,120	1,991	6,347
Income tax payable	2,643	836	-	735
Total current liabilities	30,618	33,412	26,619	28,389
Non-current liabilities				
Long term borrowings	3,822	10,202	6,998	6,998
Long term provisions	357	358	400	499
Deferred tax liabilities	-	-	-	53
Total non-current liabilities	4,178	10,560	7,398	7,549
TOTAL LIABILITIES	34,796	43,971	34,017	35,938
NET ASSETS	33,705	55,764	62,332	68,318

	As at 30-Jun-15	As at 30-Jun-16	As at 30-Jun-17	As at 30-Jun-18
	Audited	Audited	Audited	Audited
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
EQUITY				
Issued Capital	8,228	24,587	24,532	24,532
Reserves	4,043	4,043	4,114	4,248
Retained earnings	21,434	27,134	33,686	39,538
TOTAL EQUITY	33,705	55,764	62,332	68,318

Source: Capilano FY2015, FY2016, FY2017, FY2018 Annual Reports

With reference to Table 5.6 above, we note the following:

- ▶ Inventories have increased significantly between FY2015 and FY2018 from approximately \$23.34 million to \$51.27 million. Raw materials have consistently comprised approximately 70% of total inventory across this period. Management has attributed the increase in inventory to factors including the following:
 - FY2014 was one of Capilano's lowest production seasons, resulting in lower than optimal inventory levels. Management has focused on rebuilding the Company's depleted inventory back to a level that can support the Company's operations;
 - Capilano's Maryborough packing facility was recommissioned in FY2015 after being decommissioned in 2010 following the global financial crisis. This required fully stocking the Maryborough facility in order to optimise Capilano's production and distribution operations;
 - Between FY2015 and FY2018, Capilano has increased its volumes of imported honey purchases for use in certain products, such as Allowrie. This has resulted in an increasing level of inventory being attributable to honey in transit from international suppliers;
 - Capilano's sales of Manuka and organic honey have increased over the period, resulting in an increased requirement for associated inventory, which typically have higher value relative to other honey varieties;
- ▶ Investments increased to \$2.51 million in FY2017 due to the establishment of the Medibee and WHS joint ventures;
- ▶ In FY2017, Capilano provided an interest free loan of \$2.5 million to Medibee to assist with funding its operations (recognised as a non-current receivable). This loan has no fixed term of repayment;
- ▶ Non-current assets classified as held for sale in FY2017 included beekeeping assets which were subsequently sold to Medibee within three months of the balance date;
- ▶ Approximately \$6.87 million of capital expenditure was undertaken in FY2016 in relation to the purchase of beekeeping assets, the acquisition of assets of Kirksbees Honey Pty Ltd, and expenditure on the Maryborough packing facility. This was offset by a \$7.43 million transfer of property, plant and equipment to non-current assets classified as held for sale;
- ▶ Total liabilities increased by approximately \$12.23 million between FY2015 and FY2016 primarily due to increased borrowings, which were used to fund increased inventory levels. In FY2016, Capilano completed a capital raise, the proceeds of which were largely used to repay borrowings. Borrowings increased again between FY2017 and FY2018 in order to continue rebuilding inventory levels. Between FY2017 and FY2018, trade and other payables decreased primarily due to an earlier peak in the honey production season, and lower production following drought conditions towards the end of FY2018, resulting in earlier settlement of amounts payable to beekeepers;
- ▶ On 20 June 2018, Capilano declared a dividend of \$0.42 per share, payable on 31 July 2018. As at 30 June 2018, Capilano has provided for a total dividend distribution of \$3.97 million, which is relatively consistent with the dividends declared in previous years; and
- ▶ On 27 June 2016, Capilano issued 860,360 new shares, raising approximately \$16.78 million before costs.

5.5.3 Statements of Cash Flows

Table 5.7 summarises Capilano's statement of cash flows for the 12 month periods ended 30 June 2015, 2016, 2017 and 2018.

Table 5.7: Summarised Capilano Consolidated Statements of Cash Flows

	12 Months Ended 30-Jun-15 Audited (\$'000)	12 Months Ended 30-Jun-16 Audited (\$'000)	12 Months Ended 30-Jun-17 Audited (\$'000)	12 Months Ended 30-Jun-18 Audited (\$'000)
Cash flow from operating activities				
Receipts from customers	114,818	131,527	128,781	134,997
Payments to suppliers and employees	(107,236)	(136,198)	(124,503)	(132,703)
Interest received	2	-	-	2
Goods and services tax received	2,171	2,614	2,887	2,613
Income tax paid	(1,708)	(5,705)	(4,238)	(3,302)
Interest paid	(426)	(625)	(298)	(314)
Net cash generated from operating activities	7,621	(8,387)	2,630	1,293
Cash flows from/(used in) investing activities				
Payment for investments	-	(109)	(2,463)	-
Payment for intangibles	-	(2,722)	(214)	-
Payment for property, plant and equipment	(3,525)	(6,866)	(1,376)	(1,247)
Loan to joint venture	-	-	(500)	-
Proceeds from sale to Manuka beekeeping assets	-	-	7,588	-
Proceeds from sale of property, plant and equipment	36	169	27	97
Net cash flows used in investing activities	(3,488)	(9,529)	3,062	(1,150)
Cash flows from/(used in) financing activities				
Issue of shares	500	16,777	-	-
Capital raising costs	-	(598)	(78)	-
Dividend paid	(1,704)	(3,224)	(3,783)	(3,783)
Proceeds from (repayment of) borrowings	(3,292)	12,917	(9,333)	4,356
Net cash flows from financing activities	(4,496)	25,872	(13,195)	573
Net increase/(decrease) in cash and cash equivalents	(364)	7,956	(7,503)	716
Cash and cash equivalent at the beginning of the financial year	1,104	740	8,696	1,193
Cash and cash equivalent at the end of the financial year	740	8,696	1,193	1,909

Source: Capilano Honey Annual Report FY2015, FY2016, FY2017, FY2018

With reference to Table 5.7 above, we note the following:

- ▶ Between FY2015 and FY2016, increased payments to suppliers and employees was primarily driven by an increase in employee numbers at packaging operations and the purchase of raw materials and consumables. The higher cash outflows to suppliers also correspond broadly to the increases in inventory levels;
- ▶ Net cash flows used in investing activities increased between FY2015 and FY2016 due to the acquisition of assets of Kirksbees Honey Pty Ltd and two other beekeepers. Net cash from investing activities increased in FY2017 following the sale of Manuka beekeeping assets to Medibee for \$9.23 million, which was funded primarily by Medibee's bank facility. These proceeds were partially offset by the provision of a \$2.50 million loan to Medibee;
- ▶ Payments for property, plant and equipment were higher in FY2015 and FY2016 following the recommissioning of Capilano's Maryborough packing facility during FY2015; and
- ▶ Net cash from financing activities increased significantly between FY2015 and FY2016 due to increased proceeds from borrowings throughout FY2016, and a \$16.78 million capital raise on 27 June 2016. The proceeds from the capital raise were largely utilised to repay borrowings in FY2017, resulting in a net repayment of \$9.33 million. Net proceeds from borrowings of \$4.36 million in FY2018 were used to further rebuild inventory levels.

6.0 Industry Overview

Capilano operates within the Australian honey manufacturing and packaging industry which is part of the broader tea, coffee and other food manufacturing and pre-packaged food wholesaling industries in Australia. This section sets out an overview of these industries.

The information presented in this section has been compiled from a range of publicly available sources, together with information taken from various databases to which we subscribe. BDOCF has not independently verified any of the information and we recommend that users of this Report refer to the original source of any information listed in this section. This section should be referred to as a broad guide only.

6.1 Honey Production³

The honey bee industry primarily comprises companies engaged in the harvesting of honey and the processing and packing of honey into marketable products. Key stakeholders in the industry include beekeepers, packers and manufacturers, wholesalers and exporters, and industry and government bodies. The majority of commercial beekeeping occurs along the south-east coast of Australia in Queensland, New South Wales, Victoria, Tasmania, South Australia and the Australian Capital Territory. Commercial producers also operate in temperate regions of Western Australia and the Northern Territory. Well-known Australian varieties of honey include yellow box, blue gum, stringybark and ti-tree.⁴

The industry is driven by the activity of honey bees, which are used primarily for the production of honey, propolis and bees wax, the breeding of package bees and the provision of pollination services for food and seed crops. The primary production period of honey generally occurs in Australia between October and March, with activity subsiding into the colder months of the year. Honey is processed into various forms and packages ready for sale to the market and is widely used for baking, beverages and to accompany bread and cereal. In poorer Australian production seasons, Australian honey manufacturers often supplement their honey supply with imported honey in order to continue to meet demand.

In Australia, Capilano is the market leader in the packaging and sale of honey products. Key competitors include Beechworth, Archibald's and Woolworths and Coles via their private-label honey products.

6.2 Performance within the Tea, Coffee and Other Food Manufacturing Industry⁵

Honey represents a niche segment in the other products segment of the broader tea, coffee and other food manufacturing industry. Peanut butter, jams and sauces, such as mustard and mayonnaise, are also included in this product segment.

Industry manufacturers procure honey as a raw material from apiaries and process it into various finished products which are subsequently sold in domestic and export markets. In FY18, the broader industry reported total revenue of approximately \$5.5 billion. The gross production value of honey is estimated at approximately \$100 million to \$150 million⁶ per year, depending on seasonal and other factors, which represents approximately 2% of the broader tea, coffee and other food manufacturing industry.

Consumer preferences and economic conditions generally drive demand for tea, coffee and other industry products. Over the past five years, the industry has experienced a relatively stable annual growth rate of 4.7%. External factors such as rising health consciousness, growing disposable income levels and the rapid development of supermarket private-label brands over the period have all impacted this revenue growth.

6.3 Major Markets⁷

Tea, coffee and other food manufacturing, including honey manufacturers and packagers, supply products to downstream markets, namely retailers and wholesalers.

The primary market for the industry is retailers such as Coles, Woolworths and ALDI. These companies dominate the market and, as such, have significant bargaining power. These supermarkets also develop private-label brands of many products in this industry including honey. Retailers are increasingly bypassing wholesalers and purchasing products directly from manufacturers to offer low-cost private-label products. As a result, the retail segment has grown as a share of industry revenue over the past five years while the increased trend of retailers bypassing wholesalers has caused the wholesale side of the industry to diminish over the past five years.

6.4 Key external drivers

Information on the key external drivers currently affecting the honey industry and broader tea, coffee and other food manufacturing and pre-packaged food wholesaling industries is discussed in Table 6.1.

³ AgriFutures Australia website

⁴ The Australian Honey Bee Industry Council

⁵ Information in this section has been obtained from IBISWorld Report 'Tea, Coffee and Other Food Manufacturing in Australia', November 2017

⁶ Range of at least 27,000 - 30,000 tonnes of honey production at an average farm gate price of \$3.7/kg - \$5.0/kg from Australian Honey Bee Industry Council Report 'The future of the beekeeping and pollination service industries in Australia'.

⁷ Information in this section has been obtained from IBISWorld Report 'Tea, Coffee and Other Food Manufacturing in Australia', November 2017 and IBISWorld report 'Soft Drink and Pre-Packaged Food Wholesaling in Australia', April 2018

Table 6.1: Key External Drivers in the Honey and Other Related Industries

Company	Company Description
Demand from supermarkets and grocery stores	Retailers, including supermarkets and grocery stores, are the industry's largest market. Therefore, stronger demand from these stores generally increases industry revenue.
Supermarket private-label brands	The continued development of supermarkets' private-label brands is expected to challenge industry operators over the next five years. Supermarket private-label brands often represent a cheaper alternative to branded products due to the significant buying power of the retail giants. The anticipated increase in development and promotion of private-label brands by supermarkets will place downward pressure on related products.
Trade-weighted index	The trade-weighted index measures the Australian dollar against a basket of foreign currencies. Increases in the Australian dollar value make imported goods cheaper, potentially reducing demand for local products. Increases in the index may also reduce the competitiveness of local goods in export markets.
Real household disposable income	Household disposable income represents the funds available for consumers to purchase goods and services. Higher real household disposable income enables consumers to increase spending on industry products, either through purchasing additional volume or higher quality products.
Demand from cafes, restaurants and takeaway food services	Food and beverage services, including restaurants, cafes, fast-food outlets, catering providers and other food service establishments, represent an important source of industry demand. Many food service operators source products directly from manufacturers, which supports industry revenue.
Climate change and weather conditions	Favourable weather conditions can lift crop and product yields and quality, which can increase revenue and earnings. Conversely, factors including climate change, drought conditions and El Nino climate conditions pose a threat to industry production and profitability.
Demand for apiaries	An increasing demand for crop and orchard pollination is increasing the demand for bees, and is resulting in the shift of some apiarists from primarily producing honey to primarily providing pollination services. This shift is placing pressure on the supply of honey.
Health consciousness	Increased awareness surrounding dieting and nutrition have resulted in higher demand for healthier food products, such as fresh fruit and juices. In the honey industry, increasing health consciousness is a key driver of growth, particularly in certain product categories, such as Manuka, prebiotic and medicinal honey.
Other factors	Other factors impacting the honey industry include access to public and private land for floral resources, bio-security threats and a declining beekeeper skill base.

Source: IBISWorld Report 'Tea, Coffee and Other Food Manufacturing in Australia', November 2017, IBISWorld report 'Soft Drink and Pre-Packaged Food Wholesaling in Australia', April 2018, AHBIC Report 'Future of the beekeeping and pollination service industries in Australia', March 2014, ABARES Report 'Australian honey bee industry: 2014-15 survey results', December 2016.

6.5 International Trade⁸

6.5.1 General

The broader tea, coffee and other food manufacturing industry's international trade has expanded over the past five years and become a major revenue stream for certain products.

Export demand has grown substantially over the period. This trend has greatly benefited industry operators that cater to international markets. Exports of tea, coffee and other products are expected to grow an annualised 29.3% over the five years from 2017-18. This is due to rising disposable income in the Asia-Pacific region as well as the strong branding of Australian produce substantially boosting demand for industry products from export markets.

Industry imports are also expected to grow over the next five years, with products manufactured overseas projected to supply an increasing share of the domestic market. Ongoing globalisation is expected to drive rising consumer interest in foreign cultures and food products.

6.5.2 International Honey Markets

Competition from international honey providers with cheaper production costs, such as Chinese and South American producers, has impacted the ability of Australian exporters to compete on price in some regions. The international honey industry is susceptible to the production of adulterated honey, in which pure honey is diluted with cheaper supplementary ingredients, such as sugar or beet syrup. Adulterated honey can be difficult to detect under certain quality assurance tests and places downward pricing pressure on producers of pure honey.⁹

Australian honey remains an expensive commodity compared with international competitors, however, despite this, exports of premium products, such as Manuka honey, remain strong.

Recent trade deals are anticipated to further facilitate export growth over the next five years. In particular, the China-Australia Free Trade Agreement will eliminate tariffs on industry products exported to China, such as the 15% tariff on natural honey and the up-to-20% tariff on honey-related products, by 1 January 2019¹⁰.

⁸ Information in this section has been obtained from IBISWorld Report 'Tea, Coffee and Other Food Manufacturing in Australia', November 2017

⁹ <http://www.agriculture.gov.au/about/media-centre/media-releases/honey>

¹⁰ <https://dfat.gov.au/trade/agreements/in-force/chafta/fact-sheets/Pages/fact-sheet-agriculture-and-processed-food.aspx>

7.0 Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

7.1 Discounted Cash Flows ('DCF')

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- ▶ An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- ▶ Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

7.2 Capitalisation of Maintainable Earnings ('CME')

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered appropriate when relevant comparable information is available.

7.3 Asset Based Valuation ('ABV')

An ABV is used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets. However, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

7.4 Market Based Valuation ('MBV')

An MBV methodology determines a value for an entity by having regard to the value at which securities in the entity have recently been purchased. This approach is particularly relevant to:

- ▶ Entities whose shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where a sufficient volume of shares is traded and the shares are traded over a sufficiently long period of time; and/or
- ▶ Entities for which it is possible to observe recent transactions relating to the transfer of relatively large parcels of shares (e.g. recent capital raisings).

For listed entities, the range of share prices observed may constitute the market value of the shares in circumstances where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

8.0 Valuation of Capilano Prior to the Proposed Transaction

This section sets out our valuation of the shares in Capilano as follows:

- ▶ Section 8.1 sets out our view of the most appropriate valuation methodologies to adopt for the purpose of valuing Capilano;
- ▶ Section 8.2 sets out our CME valuation of Capilano;
- ▶ Section 8.3 sets out our MBV of Capilano;
- ▶ Section 8.4 sets out our cross check of our CME valuation of Capilano using the MBV; and
- ▶ Section 8.5 sets out our view of the most appropriate value to adopt for each Capilano share, on a controlling interest basis, for the purpose of this Report.

8.1 Our Valuation Approach

RG 111 outlines a number of methodologies that a valuer should consider when valuing securities or assets for the purposes of, among other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. The valuation methodologies we have considered in this Report include the discounted cash flow ('DCF'), capitalisation of maintainable earnings ('CME'), asset-based valuation ('ABV') and market-based valuation ('MBV') methodologies. Further details regarding each of these valuation methodologies are set out in Section 7.0 of this Report.

RG 111 does not prescribe which methodology should be used by the expert, but rather notes that the decision lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the securities or assets being valued. We have considered each of the valuation methodologies outlined above and determined, in our view, the most appropriate methodology for calculating the value of Capilano. Table 8.1 below summarises our view of the most appropriate valuation methodology to adopt to value Capilano in this Report.

Table 8.1: Common Valuation Methodologies

Methodology	Appropriate?	Explanation
DCF Valuation	✘	The DCF methodology relies on projections which predict the future cash flows of a company with a reasonable degree of certainty over a sufficiently long period of time. We have not been provided with detailed cash flow projections over a suitable period of time for use in a DCF valuation and do not have access to sufficient information that would enable us to prepare future cash flow projections with the appropriate level of certainty or accuracy at the current time. We are of the view that it is more appropriate to adopt valuation methodologies other than the DCF approach for the purpose of valuing Capilano in this Report.
CME Valuation	✔	The CME methodology requires a maintainable earnings stream for a company and an appropriate capitalisation multiple. It is possible to estimate the maintainable earnings of Capilano having regard to the recent financial performance of the Company, our discussions with Management and our overall assessment of the relevant maintainable earnings of Capilano. It is also possible to observe the trading and transaction multiples of companies which may be considered broadly comparable to Capilano. In our view, a CME valuation methodology is appropriate for the purposes of valuing Capilano in this Report.
Asset Based Valuation	✘	The ABV methodology calculates the value of an entity based on the fair value of its net identifiable assets. Generally, the ABV methodology is applicable in circumstances where neither a DCF nor CME valuation is appropriate. An ABV may also be used in conjunction with other methodologies to calculate an entity value. We are of the view that it is more appropriate to adopt valuation methodologies other than the ABV for the purpose of valuing Capilano in this Report.
Market Based Valuation	Cross-check	The shares of Capilano are listed on the ASX. It is possible to consider the valuation of Capilano using the MBV methodology as there is a readily observable market for the trading of shares in Capilano (refer to Section 5.4). In our view, it is appropriate to have regard to the MBV methodology for the purpose of a cross-check of our valuation of Capilano in this Report. In forming this view, we considered the alternative valuation methods available and Capilano's liquidity in the months preceding the announcement of the Proposed Transaction (refer Section 5.4.2). We note that the MBV methodology, in ordinary circumstances, provides a valuation of Capilano shares on a minority interest basis.

Source: BDOCF analysis

8.2 CME Valuation of Capilano

The CME valuation approach involves identifying a maintainable earnings stream for an entity and multiplying the earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total value of the Company. This section of this Report is structured as follows:

- ▶ Section 8.2.1 sets out our calculation of the relevant earnings of Capilano;
- ▶ Section 8.2.2 sets out our view on an appropriate level of maintainable earnings to adopt to value Capilano;
- ▶ Section 8.2.3 sets out our view on the appropriate capitalisation multiple to adopt to value Capilano;
- ▶ Section 8.2.4 sets out our calculation of the enterprise value of Capilano on a controlling interest basis;
- ▶ Section 8.2.5 sets out our calculation of the surplus assets and liabilities of Capilano; and
- ▶ Section 8.2.6 sets out our calculation of the equity value of Capilano on a controlling interest basis.

8.2.1 Earnings

In our view, it is appropriate to adopt earnings before interest, tax, depreciation and amortisation ('EBITDA') as an earnings measure for the purpose of determining the fair value of Capilano using the CME valuation methodology. We have adopted EBITDA as opposed to other earnings measures as it is independent of the direct financial impacts of capital structure and taxes. Adopting EBITDA as an earnings measure also assists in removing irregularities that may arise from differences in depreciation and amortisation accounting policies of different companies, including those that may arise from acquisition related amortisation.

To determine an appropriate level of EBITDA for Capilano for the purpose of our valuation, we have considered the historical EBITDA of the Company and discussed the financial performance, operating environment and future prospects of Capilano with Management. We have been provided with the adjusted earnings of Capilano, removing the impacts of non-recurring, abnormal and one-off amounts that have been incurred by the Company.

Capilano is responsible for the financial information. BDOCF has not performed any audit or review of any type on the historical financial information of Capilano and we make no statement as to the accuracy of the information provided. BDOCF has not been instructed to and has not completed any formal audit, review or due diligence procedures on the financial information provided to us beyond a critical analysis of the assumptions adopted and enquiry of Management.

Table 8.1 below sets out the normalised EBITDA of Capilano for FY2015, FY2016, FY2017 and FY2018.

Table 8.1: Normalised Earnings of Capilano for FY2015, FY2016, FY2017 and FY2018

	12 Months Ended 30-Jun-15 (\$'000)	12 Months Ended 30-Jun-16 (\$'000)	12 Months Ended 30-Jun-17 (\$'000)	12 Months Ended 30-Jun-18 (\$'000)
Profit before tax	11,128	13,443	13,813	14,046
+ Depreciation and Amortisation	1,652	1,870	1,599	1,707
+ Interest expense	426	625	298	314
+ Borrowing expense	220	246	136	86
EBITDA¹	13,424	16,184	15,847	16,153
- Gain on sale of Manuka assets	-	-	(2,073)	-
+ Loss on sale of other assets	100	20	13	23
Normalised EBITDA	13,524	16,204	13,787	16,176
Sales Revenue ²	120,863	133,617	133,144	138,518
Normalised EBITDA Margin (%)	11.2%	12.1%	10.35%	11.7%

Source: Capilano's 2015, 2016, 2017 and 2018 Annual reports, Management and BDOCF analysis

1 The EBITDA figures set out above differ from those set out in Capilano's annual reports. We have made additional adjustments for borrowing expenses to align with the EBITDA figures calculated for broadly comparable companies for the purposes of this Report

2 Revenue has not been adjusted for changes in accounting treatment in relation to rebates

In relation to the normalisation adjustments set out in Table 8.1 above we note the following:

- ▶ In FY2017, Capilano realised a gain of \$2.07 million on the sale of Manuka beekeeping assets to Medibee; and
- ▶ Between FY2015 and FY2018, Capilano realised losses ranging from \$13,362 to \$100,397 on the sale of other property, plant and equipment.

8.2.2 Adopted Maintainable Earnings

In our opinion, it is appropriate to adopt a maintainable earnings figure of \$16.2 million for the purposes of the analysis set out in this Report. In forming this view, we have considered the following:

- ▶ The normalised earnings calculated in Table 8.1 above;
- ▶ Capilano's levels of gross margin and profitability have been relatively consistent between FY2015 to FY2018 and included two years where normalised EBITDA was approximately \$16.2 million. We note that the FY2017 results were also impacted by the additional \$0.4 million of new product development expenditure in that year and that this amount has not been normalised in the table above;
- ▶ Capilano's reported revenue across the period FY2015 to FY2018 includes some changes to accounting treatment for rebates, which has impacted the comparability of revenue by year. While these changes in accounting treatment have not impacted Capilano's net profits, they have impacted the comparability of certain financial metrics, such as EBITDA margin as a percentage of revenue; and
- ▶ Capilano has prepared an FY2019 budget which has been provided to us for the purposes of this Report. We have not included additional information in relation to the FY2019 budget on instructions from Management as the budget includes information that has not been disclosed to the market.

When calculating the maintainable earnings of the Company, it is important to have regard to the earnings adopted for assessing the multiples derived from the identified broadly comparable trading and transaction data. In this regard, we note:

- ▶ Historical and forward looking enterprise value ('EV') to EBITDA trading multiples have been referred to for the broadly comparable listed companies; and
- ▶ Historical EV to EBITDA transaction multiples have been referred to for the broadly comparable companies as forecasts are generally not available.

Our maintainable EBITDA has been determined having reference to historical performance.

8.2.3 Capitalisation Multiple

We have selected an appropriate capitalisation multiple to apply to Capilano having regard to our research relating to the following:

- ▶ Multiples derived from the share market prices of companies which may be considered to be broadly comparable to Capilano; and
- ▶ Prices and multiples derived from sales transactions where the target entity may be considered to be broadly comparable to Capilano.

In selecting an appropriate multiple, we have also had regard to our own assessment of Capilano's financial performance, risk and future growth prospects.

Comparable Trading Multiples

It is useful to analyse the trading multiples of comparable listed companies to assist with determining an appropriate capitalisation multiple for Capilano. In this Report, we have conducted research into comparable share market multiples of listed companies in Australia and overseas which operate in the food industry, which is set out in Appendix A.1. For completeness, we note that trading multiples are generally reflective of market trades in a minority parcel of shares. A summary of this analysis is set out in Table 8.3 below (refer to Appendix A.1 for a more detailed description).

Table 8.3: Mean and Median Historical and Forecast EBITDA Multiples for Comparable Companies

Target Company	EV/ EBITDA Multiple (Historical)	EV/ EBITDA Multiple (Forecast)
Mean	11.5	10.0
Median	11.1	9.8

Source: Appendix A.1

We note from our research that broadly comparable companies trade, on average, at FY2018 EBITDA multiples of 11.5 times and FY2019 forecast EBITDA multiples of 10.0 times.

While providing useful information, we note the results of our trading multiples analysis should be considered with an appropriate amount of caution. Although the listed companies referred to for our analysis are considered broadly

comparable to Capilano, differences exist between Capilano and each of the comparable companies. In particular, we note that:

- ▶ The comparable companies differ in size compared to Capilano;
- ▶ The products provided by each of the comparable companies is often different to those provided by Capilano;
- ▶ The revenue and earnings growth profiles of the comparable companies differ to those of Capilano;
- ▶ The geographic regions in which the comparable companies operate are often different to that of Capilano; and
- ▶ The industries that the customers of the comparable companies operate in are often different to those of Capilano.

Comparable Transaction Multiples

We have also had regard to selected sales transactions of companies within the food industry in Australia and overseas that are considered broadly comparable to Capilano.

Generally, a transaction price provides evidence of earnings multiples that may be appropriate to use for valuation purposes. The acquisition price also generally represents the market value of a controlling interest in the company being analysed and therefore usually incorporates a premium for control. Each sales transaction is the product of a combination of factors which may or may not be specific to a transaction, including:

- ▶ Economic factors;
- ▶ General investment and share market conditions;
- ▶ Strategic importance to the acquirer;
- ▶ Synergistic benefits specific to the acquirer; and
- ▶ The number of potential buyers.

An analysis of selected transactions involving food companies considered broadly comparable to Capilano is set out in Appendix A.2. Table 8.3 below sets out a summary of this analysis.

Table 8.3: Mean and Median EBITDA Multiples for Comparable Transactions

Target Company	Implied EV/ EBITDA Multiple (Historical)
Mean	10.5
Median	9.2

Source: Appendix A.2

Appropriate Multiple to Apply to the Earnings of Capilano

In order to determine an appropriate multiple to adopt for the purpose of valuing Capilano in this Report, we have considered a range of factors specific to Capilano which may differ from the comparable companies analysed, including:

- ▶ Historical performance of Capilano, including the quality and reliability of Capilano's earnings (and the impact of the JVs on these earnings);
- ▶ Similarity of Capilano to comparable companies having regard to metrics such as size and market share, service offerings, diversity of operations and financial metrics (discussed further in Appendix A);
- ▶ Current and future growth opportunities for Capilano including the earnings outlook for FY2019;
- ▶ The mature position of the Australian honey market, including Capilano's limited domestic growth prospects;
- ▶ The challenges faced historically and currently by Capilano in executing its strategy to expand its export segment, and the future risks of executing such a strategy;
- ▶ Other current and future challenges for Capilano including the current dry conditions in East Australia which are unfavourable for honey production; and

- ▶ The growth opportunities in the health and wellness market and Capilano's recent progress in this segment through its probiotic and Manuka honey products.

In addition to the above matters, when selecting an appropriate multiple we have also considered that Capilano has in recent years invested in materially increasing its inventory levels. While Management do not consider the inventory levels to be surplus to operations at the current time, we are of the view that the higher inventory levels position Capilano well to capitalise on growth opportunities as they arise going forward.

Using the comparable market data and sales transactions outlined in Tables 8.2 and 8.3 above and Appendix A as a guide, together with our own assessment of factors specific to Capilano, in our view, it is appropriate to apply a multiple within the range of 12.0 times to 14.0 times the maintainable earnings (EBITDA) which we have determined for Capilano and on a controlling interest basis.

8.2.4 Enterprise Value of Capilano on a Controlling Interest Basis

Table 8.4 below summarises our calculation of the enterprise value of Capilano.

Table 8.4 Enterprise Value of Capilano

	Low \$'000	High \$'000
Maintainable earnings	16,200	16,200
EBITDA multiple	12.0	14.0
Enterprise Value	194,400	226,800

Source: BDOCF analysis

With regard to Table 8.4 above, we have calculated the enterprise value of Capilano to be within the range of approximately \$194.4 million to \$226.8 million on a controlling interest basis.

8.2.5 Adjustments for Surplus Assets and Liabilities

The valuation of a company adopting a CME valuation methodology based on a multiple of EBITDA excludes, amongst other issues, the impact of the Company's debt on the financial results as well as the value of any surplus assets or liabilities (i.e. those assets and liabilities which are not required for the usual business operations). When adopting the CME valuation methodology, to calculate the value of equity in a company it is appropriate to add the company's surplus cash and cash equivalents, subtract the value of interest bearing liabilities, and add/subtract the value of any surplus assets/liabilities to the enterprise value.

To determine an appropriate value for Capilano's surplus assets and liabilities, we have considered the values set out in Capilano's audited financial statements as at 30 June 2018 and have made enquiries of Management in relation to any material adjustments required to reflect the fair market value of the assets and liabilities.

Table 8.5 summarises our view, having regard to our enquiries of Management, of an appropriate value to adopt for Capilano's surplus assets and liabilities for the purposes of this Report.

Table 8.5: Value of Capilano's Surplus Assets and Liabilities

	\$'000
Cash and cash equivalents	1,909
Interest bearing liabilities	(13,345)
Dividend payable	(3,972)
Net Value of Adjustments	(15,408)

Source: Capilano's FY2018 annual report and BDOCF analysis

Regarding Table 8.5 above, we note that:

- ▶ Capilano had total cash and cash equivalents of approximately \$1.91 million as at 30 June 2018. While it could be argued given the nature of the business that not all cash is surplus, we have made the cash adjustment to align our methodology with that methodology used to calculate the comparable trading multiples;
- ▶ Interest bearing liabilities of \$13.35 million reflects the Company's borrowings, including bank facilities for debtor finance and commercial bills, as at 30 June 2018; and
- ▶ Capilano declared a fully franked dividend of \$0.42 per ordinary share on 20 June 2018, which was subsequently paid on 31 July 2018. As at 30 June 2018, Capilano had recorded a provision of \$3.97 million in relation to the dividend. In our opinion it is appropriate to adjust for the payment of this dividend as it has now occurred and reduced the cash balance.

We have made additional enquiries of Management regarding whether any additional assets or liabilities exist which may be considered surplus in addition to those set out above and note the following:

- ▶ Inventory levels in previous years were considered sub-optimal by Management. Management consider the current levels of inventory to be at a more appropriate level to enable the Company to continue its usual business operations. As mentioned above, we have considered the benefit of the current inventory levels in the selection of our multiple; and
- ▶ The investments in the Medibee and WHS joint ventures (including the loan to Medibee) are core assets which contribute to Capilano's usual business operations.

8.2.6 Equity Value of Capilano on a Controlling Interest Basis

Table 8.6 below summarises our calculation of the equity value of Capilano on a controlling interest basis as at the date of this Report.

Table 8.6: Equity Value of Capilano

	Low \$'000	High \$'000
Enterprise Value	194,400	226,800
Net Value of Adjustments	(15,408)	(15,408)
Equity Value - Controlling Interest	178,992	211,392

Source: BDOCF analysis

With reference to Table 8.6, we calculate the equity value of Capilano to be in the range of approximately \$178.9 million to \$211.4 million on a controlling interest basis.

Table 8.7 below summarises our calculation of the value of a share in Capilano as at the date of this Report. We note that:

- ▶ We have not subtracted any value for the 60,000 options outstanding as at the date of this Report. We have estimated the value of the options excluding the impact of the performance conditions to be less than \$500,000, which, in our view, is immaterial for the purposes of this Report; and
- ▶ We have not subtracted any value for the Foundation Share, which, in our view, is immaterial for the purposes of this Report. The primary purpose of the Foundation Share is to maintain beekeeper representation on the Board of Capilano. It does not entitle the holder to participate in the capital or profits of Capilano, other than in the winding up of the Company. We also note that, as set out in Section 4.3.2, if the Proposed Transaction is implemented, the Foundation Share will be transferred from CBL to the Consortium for consideration of \$1.

Table 8.7: Value of a Share in Capilano

	Unit	Low	High
Equity Value - Controlling Interest	\$'000	178,992	211,392
Shares Outstanding	Shares	9,457,481	9,457,481
Value per share	\$/share	18.93	22.35

Source: BDOCF analysis

Table 8.7 shows that we estimate the value of the equity in Capilano to be in the range of approximately \$18.93 to \$22.35 per share on a controlling interest basis as at the date of this Report.

8.3 MBV of Capilano

This section sets out our MBV of Capilano by considering:

- ▶ The recent share trading data relating to Capilano; and
- ▶ The liquidity of Capilano ordinary shares.

8.3.1 Analysis of Capilano's Share Trading Data

Capilano's ordinary shares are listed on the ASX. Information relating to the recent share trading data of Capilano's ordinary shares along with an analysis of recent announcements made by Capilano to the ASX are set out in Section 5.4 of this Report.

For the purposes of our market-based valuation, we have assessed the VWAP of Capilano shares over 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to the announcement of the Proposed Transaction on 13 August 2018.

Table 8.8: Capilano's VWAP for Specified Periods Prior to 13 August 2018 and 5 October 2018

Period before 13 August 2018	VWAP	Period before 5 October 2018	VWAP
1 Week	\$15.79	1 Week	\$20.57
1 Month	\$16.09	1 Month	\$20.99
3 Months	\$16.33	3 Months	\$20.07
6 Months	\$16.41	6 Months	\$19.51
9 Months	\$16.90	9 Months	\$19.08
12 Months	\$16.74	12 Months	\$18.81

Source: Capital IQ as at 5 October 2018

With reference to Table 8.8, we note the following:

- ▶ Capilano's share price increased from \$15.65 on the 10 August 2018 to \$19.62 on 13 August 2018 following the announcement of the Proposed Transaction;
- ▶ The VWAP of Capilano shares over the periods specified before 13 August 2018 ranges from \$15.79 to \$16.90; and
- ▶ The VWAP of Capilano shares over the periods specified before 5 October 2018 ranges from \$18.81 to \$20.99.

8.3.2 Liquidity of Capilano Shares

Information on the liquidity of Capilano shares is set out in Section 5.4 of this Report.

Assuming a weighted average number of 9,457,481 Capilano shares on issue over the period, approximately 43.04% of the total shares on issue were traded over the period from 1 August 2017 to 5 October 2018. In our view, this indicates that Capilano shares display a relatively low to moderate level of liquidity. For completeness we note that the shares traded over this period includes higher than average trading volume post the announcement of the Proposed Transaction. In our view, Capilano shares displayed relatively lower levels of liquidity prior to the announcement of the Proposed Transaction.

8.3.3 Conclusion on MBV (Minority Basis)

Having regard to the information set out above, in our view it is appropriate to adopt a value of \$15.79 to \$16.74 per Capilano ordinary share on a minority interest basis for our market based valuation.

The low end of our range reflects the 1 week VWAP prior to the announcement of the Proposed Transaction while the high end of the range has regard to the higher share prices over the 12 month period prior to the announcement of the Proposed Transaction. For completeness, it is our view that the announcement of the Proposed Transaction on 13 August 2018 impacts trading data and prices of Capilano shares. As such, we have not had regard to trading data from 13 August 2018 for the purpose of adopting a value for a Capilano share on a minority interest basis.

8.4 Comparison of CME to MBV

As stated in Section 8.1 above, it is our view that it is appropriate to adopt the MBV as a cross-check to our CME.

We note that our CME valuation of a Capilano share prior to the Proposed Transaction in the range of \$18.93 to \$22.35 (refer Section 8.2) and is higher than our adopted MBV of a Capilano share prior to the Proposed Transaction in the range of \$15.79 to \$16.74 (refer Section 8.3). The difference between the mid points of our CME valuation and our adopted MBV is approximately 26.9%.

In our view, a primary reason for the difference is that share prices from market trading typically do not reflect the market value for control of a company while our CME valuation is on a controlling interest basis.

A controlling interest in a company is generally regarded as being more valuable than that of a minority interest as it may provide the owner with the following:

- ▶ Control over the operating and financial decisions of the company;
- ▶ The right to set the strategic direction of the company;
- ▶ Control over the buying, selling and use of the company's assets; and
- ▶ Control over appointment of staff and setting of financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. Empirical research suggests that control premiums are typically within the range of 20% to 40% which is broadly consistent with our recent transaction analysis (refer to Appendix B for additional control premium discussion).

Based on our analysis, in our opinion, our cross-check of Capilano's equity value using MBV methodology broadly supports our valuation of Capilano using the CME methodology.

8.5 Value per Capilano Share

Having regard to our valuation of Capilano shares, in our view, for the purpose of our assessment of the Proposed Transaction it is appropriate to adopt a value as at the date of this Report in the range of \$18.93 and \$22.35 per Capilano share on a controlling interest basis. This valuation range was determined having regard to:

- ▶ Our valuation using the CME methodology in the range of \$18.93 to \$22.35 (controlling interest basis) was considered our primary valuation methodology; and
- ▶ Our MBV methodology in the range of \$15.79 to \$16.74 (minority interest basis) was used as a secondary cross-check methodology and broadly supported our primary methodology.

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9.0 Valuation of HoldCo after the Proposed Transaction

This section sets out our valuation of HoldCo after the Proposed Transaction as follows:

- ▶ Section 9.1 sets out our calculation of a HoldCo share after the Proposed Transaction, on a controlling interest basis;
- ▶ Section 9.2 sets out our calculation of a HoldCo share after the Proposed Transaction, on a minority interest basis, for the purpose of this Report.

9.1 Valuation of a HoldCo Share on a Controlling Interest Basis

In forming a view on the controlling value of HoldCo we consider it appropriate to commence with the controlling value per share adopted from Section 8.5 above of \$18.93 to \$22.35. We have then considered a range of factors that may impact this value post the Proposed Transaction with the change to 'HoldCo'. These factors included:

- ▶ The Consortium's intentions as set out in section 9.7 of the Scheme Booklet. In particular, we note:
 - The Consortium will undertake a full review of Capilano and its operations following completion of the Proposed Transaction to determine how best to operate and further develop and grow the company. Decisions regarding future business operations of Capilano will be made following the completion of that review;
 - The Consortium believes that Capilano has a tremendous portfolio of high quality brands and they intend to retain and further invest in those brands on a demand-led basis. The Consortium's key aim is to continue to enhance the position of Capilano's brands in domestic markets as well as drive expansion of brands in offshore growth markets, such as China, as a producer of premium Australian-sourced product. The focus will be on delivering innovative products with therapeutic and digestive health benefits in demand by Asian consumers; and
 - The statements made by the Consortium are based on its present intentions only and are based on the information concerning Capilano and the general business environment which is known to the Consortium at the time of preparation of this Scheme Booklet. Final decisions will only be made by the Consortium after having conducted a detailed review of Capilano's business following completion of the Proposed Transaction. The statements made by the Consortium may change as new information becomes available or as circumstances change;
- ▶ Only minimal information is available about any changes that may be made by the Consortium. We have not been provided with sufficient information to perform a detailed analysis of the expected financial position or future performance of HoldCo after the Proposed Transaction;
- ▶ Following the Proposed Transaction, HoldCo may be exposed to additional upside value compared with Capilano prior to the Proposed Transaction however this is uncertain and is associated with additional risk. By way of example, Capilano's existing export strategy includes driving expansion of brands into offshore growth markets however the Company has had mixed success to date; and
- ▶ As an unlisted proprietary entity we would expect HoldCo to have reduced corporate overheads. We expect that this reduction may be offset by additional costs associated with implementing the Proposed Transaction and the Consortium's direction for the Company following acquisition. We have not been provided with any information relating to the proposed management and cost structure following the Proposed Transaction to definitively assume otherwise.

After considering the above points, it is our view that there is insufficient information available for us to be able to adopt a value for HoldCo on a controlling interest basis that differs from our valuation of Capilano prior to the Proposed Transaction. On this basis, we have adopted a value for HoldCo of \$18.93 to \$22.35 per share on a controlling interest basis. Notwithstanding this, Shareholders should note that the value of Capilano on a controlling interest basis may increase or decrease within short periods of time as changes are made and as additional information becomes available following the Proposed Transaction.

9.2 Value of a HoldCo Share on a Minority Interest Basis

The value set out in Section 9.1 above represents a controlling value of HoldCo. The interest in HoldCo available to the Shareholders under the Scrip Consideration and Subscription Offer is a minority interest holding in an unlisted company.

A controlling interest in a company is generally regarded as being more valuable than that of a minority interest. Typically, a discount for minority interest is calculated as the inverse of a control premium. It is also our experience that a minority parcel of shares in a private company, such as HoldCo, typically has a lower level of marketability when compared with a minority parcel of shares in a listed company. We note that certain provisions exist under the

HoldCo shareholders' deed, as described in section 9.9 of the Scheme Booklet, to allow for the disposal of HoldCo shares after the Proposed Transaction. These include "tag along" and "drag along" rights, and a mechanism to dispose of HoldCo shares without a Consortium exit. Notwithstanding, these provisions are subject to restrictions under the HoldCo shareholders' deed. Empirical studies¹¹ support the existence of the private company discount. Indeed, studies which attempt to quantify the extent of the private company discount suggest a range for private company discounts within the range of 20% and 60%.

For the purpose of the analysis set out in this Report it is our view that it is appropriate to calculate the value of a HoldCo share after the Proposed Transaction by applying a suitable discount to our controlling interest value to allow for a minority interest and a lack of marketability. In our view, it is appropriate to adopt a discount for minority interest and lack of marketability in the range of 30% to 40%.

For completeness and as set out in the Scheme Booklet, we note that the Consortium may seek to exit their investment in Capilano in the future although any decision to exit will be subject to prevailing market conditions, the businesses performance and other factors which may be considered relevant at the time. At the time of exit, the situation may arise where the discount for minority interest and lack of marketability are no longer relevant and shareholders are able to realise a controlling value for their shares in HoldCo (e.g. if HoldCo is acquired as part of a control transaction).

Table 9.1 below summarises the value of a share in HoldCo after the Proposed Transaction on a minority interest basis as at the date of this Report.

Table 9.1: Equity Value of a HoldCo Share on a Minority Interest Basis

	Unit	Low	High
HoldCo Equity Value per share on a controlling interest basis	\$/share	\$18.93	\$22.35
Discount for minority interest and lack of marketability	%	40%	30%
HoldCo Equity Value - minority interest	\$/share	\$11.36	\$15.65

Source: BDOCF analysis

Based on the methodology set out in this section, in our view, the value of a share in HoldCo after the Proposed Transaction is in the range of \$11.36 to \$15.65 per share on a minority interest basis.

¹¹ See "The Liquidity Discount in Valuing Private Owned Companies" by Stanley Brock published in the Journal of Applied Finance, Fall 2007, which summaries 23 studies and references 14 publications which address the Private Company Discount for further information.

Appendix A: Comparable Trading Companies and Precedent Transaction Analysis

This section sets out information in relation to comparable companies that we consider broadly comparable to Capilano. The information set out below includes a summary of information that we have considered and the assumptions that we have adopted. This section is set out as follows:

- ▶ Section A.1 summarises trading multiples and descriptions of listed companies we consider broadly comparable to Capilano; and
- ▶ Section A.2 summarises transaction multiples and descriptions of transactions involving companies we consider broadly comparable to Capilano.

A.1 Trading Multiples of Comparable Companies

It is useful to analyse the current trading multiples of exchange listed comparable companies to assist with the determination of an appropriate capitalisation multiple. Generally speaking, comparable trading multiples need to be treated with caution as not all companies operating in comparable industries can be readily compared to Capilano. With this as a caveat, the usual step in applying a multiple based valuation methodology is to construct a multiple from market information. The multiple is then adjusted for specific company differentiators.

We have conducted research into current trading multiples of comparable listed food companies that may be broadly comparable to Capilano.

Table A.1: Broadly Comparable Trading Companies

Company	Country	Enterprise Value (\$m)	Revenue (\$m)	EBITDA (historical) (\$m)	EBITDA (1 year forward) (\$m)	EV/EBITDA (historical)	EV/EBITDA (forward)
Bega Cheese Limited	Australia	1,631	1,438	106	137	15.4	11.9
Bellamy's Australia Limited	Australia	972	329	69	82	14.0	11.8
Costa Group Holdings Limited	Australia	2,333	1,002	146	180	16.0	13.0
Dongfang Modern Agriculture Holding Group Limited	Australia	432	209	102	-	4.2	-
Farm Pride Foods Limited	Australia	59	86	5	8	11.0	7.4
FFI Holdings Limited	Australia	44	35	4	5	10.3	8.7
Ridley Corporation Limited	Australia	533	918	48	60	11.1	8.8
Select Harvests Limited	Australia	585	207	52	60	11.3	9.8
Tassal Group Limited	Australia	906	506	113	117	8.0	7.7
Wellard Limited	Australia	172	291	9	23	19.7	7.4
Inghams Group Limited	Australia	1,688	2,374	193	216	8.8	7.8
Freedom Foods Group Limited	Australia	1,528	353	26	65	57.8	23.6
Webster Limited	Australia	857	133	11	55	81.6	15.5
Kato Sangyo Co., Ltd.	Japan	1,041	11,024	155	181	6.7	5.7
AlJouf Agricultural Development Company	Saudi Arabia	254	104	35	-	7.2	-
Comvita Limited	New Zealand	334	164	14	31	23.3	10.8
Tegel Group Holdings Limited	New Zealand	521	575	65	-	8.0	-
Rogers Sugar Inc.	Canada	1,019	696	59	103	17.2	9.9
Maximum		2,333	11,024	193	216	81.6	23.6
Minimum		44	35	4	5	4.2	5.7
Mean		828	1,136	67	88	18.4	10.7
Median		721	341	55	65	11.2	9.8
Mean (excl. outliers)¹		n/a	n/a	n/a	n/a	11.5	10.0
Median (excl. outliers)¹		n/a	n/a	n/a	n/a	11.1	9.8

Source: Capital IQ as at 5 October 2018

¹ Outliers have been shaded and excluded from mean and median calculations

The trading multiples set out above should be considered with caution as the multiples include a number of outliers. Although the companies listed in Table A.1 above have been selected as they are regarded to be broadly comparable to Capilano, differences exist between Capilano and each of the comparable companies. In particular, we note that:

- ▶ Many of the companies in Table A.1 are larger in size compared to Capilano;
- ▶ The revenue and earnings growth profiles of the comparable companies in Table A.1 differ to those of Capilano;
- ▶ Most of the companies in Table A.1 offer different food products with different supply seasonality profiles compared with those offered by Capilano;
- ▶ The geographic regions in which each of the companies in Table A.1 operate are often different to those of Capilano. Table A.1 includes companies based in Australia and overseas; and
- ▶ The types of customers of the comparable companies in Table A.1 are often different to those of Capilano, including differing proportions of online, retail, wholesale and export customers.

A description of each of the broadly comparable companies identified in the trading multiples analysis set out in Table A.1 above is set out in Table A.2 below.

Table A.2: Broadly Comparable Company Descriptions

Company	Company Description
Bega Cheese Limited	Bega Cheese Limited engages in receiving, processing, manufacturing, and distributing dairy and associated products primarily in Australia. The company operates in two segments, Bega Cheese and Tatura Milk. The Bega Cheese segment manufactures natural cheese, processed cheese, powders, and butter, as well as packages cheese products. The Tatura Milk segment manufactures and packages cream cheese, butter, powders, and nutritional. The company also operates as a contract packer of natural cheddar and processed cheddar cheese products for corporations; and is involved in contract packaging for private proprietary brands, supermarket house brands, and QSR raw material inputs, as well as products for other dairy companies into their brands. It also exports its products to approximately 40 countries across the Middle East, Southeast Asia, North Asia, Central and South America, and the Pacific Islands. Bega Cheese Limited was founded in 1899 and is headquartered in Bega, Australia.
Bellamy's Australia Limited	Bellamy's Australia Limited produces and markets organic foods and formula products for babies, toddlers, and young children. The company offers formula and toddler milk drinks, cereals and rusks, pastas, snacks, and ready to serve baby foods, as well as powdered milk products. Bellamy's Australia Limited sells its products to retailers and other resellers in Australia; distributors and customers through third party Websites in China and Hong Kong; and other distributors and retailers in South East Asia. The company was formerly known as Tasmanian Pure Foods Limited and changed its name to Bellamy's Australia Limited in June 2014. Bellamy's Australia Limited was founded in 2004 and is based in Launceston, Australia.
Costa Group Holdings Limited	Costa Group Holdings Limited produces, packs, markets, and exports fruits and vegetables to food retailers in Australia. The company operates through three segments: Products, Costa Farms & Logistics, and International. It offers mushrooms, blueberries, raspberries, tomatoes, citrus, avocados, bananas, grapes, and other fruits. The company also provides logistics warehousing and services; and wholesale and marketing services. In addition, it engages in licensing blueberry varieties; and berry farming activities. The company primarily exports its products to Asia, North America, and Europe. The company was founded in 1888 and is based in Ravenhall, Australia.
Dongfang Modern Agriculture Holding Group Limited	Dongfang Modern Agriculture Holding Group Limited engages in the cultivation and sales of various agricultural produce in the People's Republic of China. The company produces citrus fruit tangerines, pomelos, navel oranges, and camellia fruits and related products. It controls 21 plantations spanning approximately 10,763 hectares in the Ganzhou City District within the Jiangxi Province. Dongfang Modern Agriculture Holding Group Limited sells its products primarily to wholesale customers. The company was founded in 2005 and is based in Brisbane, Australia.
Farm Pride Foods Limited	Farm Pride Foods Limited produces, processes, manufactures, and sells egg and egg products in Australia. The company offers free range, cage free pink, and cage laid eggs. It also provides egg products, which include whole eggs, egg white, egg yolk, scrambled eggs, peeled boiled eggs, fried eggs, omelettes, and crepes, as well as egg cartons. It serves retail, industrial, and food service sectors. The company exports its products to Asia. Farm Pride Foods Limited was founded in 1937 and is headquartered in Keysborough, Australia.
FFI Holdings Limited	FFI Holdings Limited, a food processing company, engages in the processing, manufacture, packaging, and distribution of food products in Australia. The company operates through Bakery, Smallgoods, and Investment Property segments. The company offers bakers' jams and premium fruit fillings for use in bakery products, including tarts, donuts, swiss rolls, and danish pastries; apple pie fillings; chocolate products; cooking chocolate in retail packaging for private and supermarket labels; cake, ice cream, and donut decorations; panned sugar/chocolate, and enrobed confectionery products; and fudge pieces, candy pieces/chips, and brittle pieces/chips. Its retail brands include Nemar, Golden Popcorn, and Orchard Icing. The company is also involved in the processing and packaging a wide range of products for the home cooking market sector under the Prepack and Snowflake brands; and the provision of contract packing services for third party brands. In addition, it engages in the manufacture and wholesale of fresh sausages, bacon, and other processed meat products. Further, the company owns prime industrial/commercial property for investment purposes. FFI Holdings Limited was founded in 1979 and is headquartered in Jandakot, Australia.
Ridley Corporation Limited	Ridley Corporation Limited, together with its subsidiaries, provides animal nutrition solutions in Australasia. It operates through two segments, AgriProducts and Property. The company provides its animal nutrition solutions to food producers in dairy, poultry, pig, aquaculture, sheep, and beef industries; laboratory animals in the research sector; and the equine and canine markets in the recreational sector. Its animal meals include meat and bone meal, poultry meal, hydrolysed feather meal, blood meal, fish meal, and animal fats. The company offers its products primarily under the Barastoc, Rumevite, Cobber, and Primo brands. It is also involved in the sale of residual properties. The company was founded in 1987 and is headquartered in Melbourne, Australia.

Company	Company Description
Select Harvests Limited	Select Harvests Limited engages in the processing, packaging, marketing, and distribution of edible nuts, dried fruits, seeds, and a range of natural health foods in Australia. The company operates through Food Division and Almond Division segments. It also grows, processes, and sells almonds to the food industry from company owned almond orchards, as well as offers health snacks and muesli. The company has a portfolio of approximately 4,000 hectares of company owned, leased, and joint ventured almond orchards. In addition, it provides management services to external owners of almond orchards, including orchard development, tree supply, farm management, and land and irrigation infrastructure rental services; and markets and sells almonds on behalf of external investors. The company also exports its products to India and China, as well as rest of Asia, Europe, and the Middle East. It provides its products to retailers, distributors, and industrial users under the Lucky, Sunsol, NuVitality, and Soland brands in the retail markets, as well as Renshaw and Allinga Farms brands in the wholesale and industrial markets. The company is headquartered in Thomastown, Australia.
Tassal Group Limited	Tassal Group Limited, together with its subsidiaries, engages in the hatching, farming, processing, marketing, and sale of Atlantic salmon in Australia. The company offers fresh deli, fresh salmon, smoked salmon, and canned salmon. It also procures, processes, markets, and sells other seafood species. The company provides its products under the Tassal, Superior Gold, Tasmanian Smokehouse, and De Costi Seafoods brands through retail and wholesale channels. The company also exports its products. Tassal Group Limited was founded in 1986 and is headquartered in Hobart, Australia.
Wellard Limited	Wellard Limited produces and distributes livestock and grain worldwide. It operates through Livestock Marketing, Export and Transportation; and Other segments. The company is involved in the supply of live sheep; dairy and beef cattle; and goats. It also engages in processing beef cattle; and operating four ships. The company is headquartered in Fremantle, Australia.
Inghams Group Limited	Inghams Group Limited, together with its subsidiaries, produces and sells poultry products in Australia and New Zealand. It offers chicken and turkey products; and stock feed for poultry, pig, dairy, and equine industries. The company was founded in 1918 and is based in North Ryde, Australia.
Freedom Foods Group Limited	Freedom Foods Group Limited engages in sourcing, manufacturing, marketing, distributing, and selling plant and dairy based beverages in Australia, New Zealand, China, South East Asia, and North America. It operates through five segments: Cereal & Snacking, Plant Based Beverages, Dairy Beverages, Speciality Seafood, and Nutritionals. The company offers gluten free, wheat free, nut free, nutritional oat based, low sugar or salt, and highly fortified or functional products, including breakfast cereals, snack bars, and other related products. It also provides UHT food and beverage products, such as liquid stocks, soy, rice, almond, and dairy milk beverages; canned seafood comprising sardines, salmon, and specialty seafood; and adult nutritional products that include powders, bars, and drinks, as well as invests in dairy farming operations. The company was founded in 1986 and is headquartered in Taren Point, Australia. Freedom Foods Group Limited is a subsidiary of Arrovest Pty Limited.
Webster Limited	Webster Limited operates as an agribusiness company in Australia. The company operates in two segments, Agriculture and Horticulture. It produces annual row crops, including cotton, wheat, maize, and walnuts, as well as breeds livestock; and other crops, such as corn, cereals, and legumes. The company also exports its products in Europe, the Middle East, and Asia. Webster Limited was founded in 1831 and is based in Leeton, Australia.
The Hain Celestial Group, Inc.	The Hain Celestial Group, Inc. manufactures, markets, distributes, and sells organic and natural products. Its grocery products include infant formula; infant, toddler, and kids foods; diapers and wipes; rice and grain-based products; flour and baking mixes; breads, hot and cold cereals, pasta, condiments, cooking and culinary oils, granolas, and cereal bars; canned, chilled fresh, aseptic, and instant soups; Greek-style yogurts; chilies and packaged grains; chocolates; and nut butters, as well as plant-based beverages and frozen desserts, such as soy, rice, oat, almond, and coconut. The company's grocery products also comprise juices, hot-eating products, chilled and frozen desserts, cookies, crackers, frozen fruits and vegetables, pre-cut fresh fruits, refrigerated and frozen plant-based meat-alternative products, tofu, seitan and tempeh products, jams, fruit spreads, jellies, honey, marmalade products, and other food products. In addition, it provides snack products, such as potato, root vegetable, and other vegetable chips, as well as straws, tortilla chips, whole grain chips, pita chips, puffs, and popcorn; specialty teas, including herbal, green, black, wellness, rooibos, and chai tea lattes; personal care products consisting of skin, hair, and oral care products, as well as deodorants, baby care items, body washes, and sunscreens and lotions; and poultry and protein products, such as turkey and chicken products. The company sells its products through specialty and natural food distributors, supermarkets, natural food stores, mass-market and e-commerce retailers, food service channels and clubs, and drug and convenience stores in approximately 80 countries worldwide. The Hain Celestial Group, Inc. was founded in 1993 and is headquartered in Lake Success, New York.
Kato Sangyo Co., Ltd.	Kato Sangyo Co., Ltd. engages in the wholesale of general food products in Japan an internationally. It also manufactures and sells Kanpy products. In addition, the company offers ambient temperature processed foods, frozen/chilled foods, confectionery foods, and alcoholic beverages. Further, it provides jam, peanut butter, honey, syrup, canned fruits, canned fishery, livestock, agricultural, bean curd, sweetened chestnut, dry powder, dried noodles, pasta, and drink products, as well as gift products. Kato Sangyo Co., Ltd. was founded in 1945 and is headquartered in Nishinomiya, Japan.
AlJouf Agricultural Development Company	AlJouf Agricultural Development Company produces and sells agricultural and animal products in Saudi Arabia. The company's products include corns, potatoes, forage and fodder crops, watermelons, wheats, onions, barley, and maize; olive and olive oil products; fruits, such as dates, plums, peaches, apricots, grapes, and pears; honey products; and vegetables, including tomatoes, peppers, squashes, cucumbers, and eggplants, as well as operates nurseries to produce seedlings of fruits and olive trees. It also serves as a consultant in the agricultural production activities. AlJouf Agricultural Development Company was founded in 1988 and is based in Sakakah, Saudi Arabia.

Company	Company Description
Comvita Limited	Comvita Limited manufactures and markets natural health products. The company operates in five segments: New Zealand, Australia, Asia, Europe, and Medical. It offers antioxidants; bee pollen granules and capsules; children's lemon and honey lollipops; colostrum and Manuka honey lozenges; honey products; Medihoney soaps, lotions, creams, and wound gels; olive leaf extract oral sprays, lozenges, and capsules; omega softgels and fish oil capsules; propolis toothpaste and tooth gels; and royal jelly capsules. The company also provides propolis and beeswax lip balms, lotions, clay and nourishing masks, and Manuka oils; apple cider vinegar and honeygar; and wellness products. The company sells its products through a network of its branded retail locations, e-commerce Websites, and third-party suppliers. Comvita Limited was founded in 1974 and is headquartered in Te Puke, New Zealand.
Tegel Group Holdings Limited	Tegel Group Holdings Limited, together with its subsidiaries, engages in the breeding, hatching, processing, marketing, and distribution of poultry products in New Zealand and internationally. The company offers value added main meals, snacks, and convenience meal options; sausages; and processed meat products, as well as fresh and frozen whole chickens, and portions. It also produces turkey, and supplies whole turkeys and value added roast products. The company manufactures and markets its products under the Bright's, Top Hat, and Hungry brands. The company also exports its products under the Pure New Zealand Premium Chicken name. Tegel Group Holdings Limited supplies its products to supermarkets, other retail outlets, processors, hotels, restaurants, distributors, and fast food customers. The company was founded in 1961 and is based in Auckland, New Zealand.
Rogers Sugar Inc.	Rogers Sugar Inc., through its subsidiary, Lantic Inc., engages in refining, packaging, and marketing sugar and maple products. It offers white and cubes granulated, plantation raw, brown, organic, icing, stevia, and coconut sugar, as well as syrups, jam and jelly mixes, iced tea mixes, and hot chocolate mixes. The company markets its products to industrial and consumer markets under the Lantic and Rogers name in Eastern and Western Canada. Rogers Sugar Inc. was founded in 1997 and is headquartered in Vancouver, Canada.
B&G Foods, Inc.	B&G Foods, Inc. manufactures, sells, and distributes a portfolio of shelf-stable and frozen foods in the United States, Canada, and Puerto Rico. Its products include frozen and canned vegetables, hot cereals, fruit spreads, canned meats and beans, bagel chips, spices, seasonings, hot sauces, wine vinegars, maple syrups, molasses, salad dressings, pizza crusts, Mexican-style sauces, dry soups, taco shells and kits, salsas, pickles, peppers, tomato-based products, puffed corn and rice snacks, cookies and crackers, nut clusters, and other specialty products. The company markets its products under various brands, including Ac'cent, B&G, B&M, Back to Nature, Baker's Joy, Bear Creek Country Kitchens, Brer Rabbit, Canoleo, Cary's, Cream of Rice, Cream of Wheat, Devonsheer, Don Pepino, Durkee, Emeril's, Grandma's Molasses, Green Giant, JJ Flats, Joan of Arc, Las Palmas, Le Sueur, MacDonald's, Mama Mary's, Maple Grove Farms of Vermont, Molly McButter, Mrs. Dash, New York Flatbreads, New York Style, Old London, Original Tings, Ortega, Pirate's Booty, Polaner, Red Devil, Regina, Sason, Sclafani, Smart Puffs, SnackWell's, Spice Islands, Spring Tree, Sugar Twin, Tone's, Trappey's, TrueNorth, Underwood, Vermont Maid, Victoria, Weber, and Wright's. It also sells, markets, and distributes household products under the Static Guard brand. B&G Foods, Inc. sells and distributes its products directly, as well as through a network of independent brokers and distributors to supermarket chains, food service outlets, mass merchants, warehouse clubs, non-food outlets, and specialty distributors. The company was formerly known as B&G Foods Holdings Corp. and changed its name to B&G Foods, Inc. in October 2004. B&G Foods, Inc. was founded in 1996 and is headquartered in Parsippany, New Jersey.

Source: Capital IQ

A.2 Multiples of Comparable Transactions

The price achieved in a sales transaction generally provides reliable evidence of earnings multiples for a valuation as it represents the market value of a controlling interest (including a control premium) in the asset being acquired. We note, however, that each sales transaction is a product of a combination of factors which may or may not be specific to the Proposed Transaction, including:

- ▶ Economic factors;
- ▶ Regulatory framework;
- ▶ General investment and share market conditions;
- ▶ Synergy benefits specific to the acquirer; and
- ▶ The number of potential buyers.

We have conducted research into transactions involving companies that operate in the food industry using numerous research publications to which we subscribe. Our research has revealed that the information needs to be considered with caution for reasons which include the following:

- ▶ The transactions often involve food companies that differ in size compared with Capilano;
- ▶ The transactions involve food companies operating in different product segments to Capilano; and
- ▶ The financial information available on each of the transactions is limited.

To assist us in determining the most appropriate capitalisation multiple to apply to the maintainable earnings of Capilano, it is useful to analyse recent sales transactions involving companies operating in the food industry.

Table A.3 below sets out information on recent transactions involving food companies that may be considered broadly comparable to Capilano.

Table A.3: Broadly Comparable Food Company Transaction Multiples

Target	Acquirer	Announced Date	Percent Acquired (%)	Implied EV (\$m)	Implied EV/ EBITDA Multiple (Historical)
St David Dairy Pty Ltd	Longtable Group Limited	21-Jun-18	100%	15.4	11.4
Murray Goulburn Co-Operative Co. Limited	Saputo Dairy Australia Pty Ltd.	26-Oct-17	100%	1,782.6	NM
Allied Mills Australia Pty Limited	Pacific Equity Partners	31-Jan-17	100%	435.2	10.0
Patties Foods Limited	PEP Services Pty Ltd	30-May-16	100%	256.3	9.2
De Costi Seafoods (Holdings) Pty Limited (nka:GC & AC Holdings Pty Ltd)	Tassal Operations Pty Ltd.	04-Jun-15	100%	91.7	17.1
Real Pet Food Company	Quadrant Private Equity Pty Limited; Quadrant Private Equity No. 4	31-May-15	100%	410.0	8.2
Peter Lehmann Wines Limited (nka:Peter Lehmann Wines Pty Limited)	Casella Wines Pty Limited	13-Nov-14	100%	68.6	15.8
Five AM Life Pty Ltd	PZ Cussons Plc	01-Aug-14	100%	96.1	15.6
Australasian Food Group Pty. Ltd.	R&R Ice Cream Plc (nka:Froneri International plc)	27-May-14	100%	454.0	8.7
Goodman Fielder Limited (nka:Goodman Fielder Pty Limited)	First Pacific Company Limited; Wilmar International Limited	27-Apr-14	90%	1,833.9	9.1
Warrnambool Cheese And Butter Factory Company Holdings Limited	Saputo Inc.	07-Oct-13	88%	598.7	11.8
9020 2292 Québec inc.	L.B. Maple Treat Corporation	20-Nov-17	100%	41.4	7.8
National Company for Maize Products	Cairo Three A Group	07-Nov-17	55%	104.0	8.1
L.B. Maple Treat Corporation	Lantic Inc.	10-Jul-17	100%	163.7	23.0
Galam Ltd.	First Israel Mezzanine Investors Ltd.	10-Oct-16	100%	100.8	6.4
Ninh Hoa Sugar Joint Stock Company (nka:Bien Hoa-Ninh Hoa Sugar One Member Company Limited)	Bien Hoa Sugar Joint Stock Company	11-Jun-14	100%	63.9	7.5
Maximum				1,833.9	23.0
Minimum				15.4	7.8
Mean				453.7	12.0
Median				210.0	10.0
Mean (excl. outliers)¹				n/a	10.5
Median (excl. outliers)¹				n/a	9.2

Source: Capital IQ as at 5 September 2018

¹ Outliers have been shaded and excluded from mean and median calculations

The above analysis indicates that food companies which may be considered broadly comparable to Capilano transact at a median multiple of 9.2 times and an average multiple of 10.5 times historical EBITDA, excluding outliers.

A description of each of the target companies in the broadly comparable transactions set out in Table A.3 above is set out in Table A.4 below.

Table A.4: Target Descriptions - Broadly Comparable Transactions

Company	Company Description
St David Dairy Pty Ltd	St David Dairy Pty Ltd produces and supplies milk, butter, cream, and yogurt to cafes, restaurants, and retailers. The company was founded in 2013 and is based in Fitzroy, Australia. As of August 1, 2018, St David Dairy Pty Ltd operates as a subsidiary of Longtable Group Limited.
Murray Goulburn Co-Operative Co. Limited	Murray Goulburn Co-Operative Co. Limited processes, manufactures, markets, and distributes dairy products in Australia and internationally. It operates through Ingredients and Nutritionals, Dairy Foods, and Other segments. The company offers a range of dairy ingredients, including milk powders; whey powders; cheese products; lactose; anhydrous milk fats; specialty milk fats, proteins, and protein concentrates; caseinates; bioactives comprising lactoferrin; natural milk minerals; and nutritional products, which include infant formula. It also operates 25 trading stores, which offer fodder; feed; fertilizers; farm chemicals; animal health products; dairy hygiene products; work and safety wear; free on-farm delivery; 30 and 45 day current accounts; and seasonal operating loans. In addition, the company offers expert technical agronomy advice; and dairy services, including milking machine maintenance and installation of dairies. The company offers its products under the Devondale, Liddells, Devondale NatraStart, 8 Bar, Table Cove, Proform, and Ascend Sport, as well as various private label brands. It supplies its dairy products to organizations, government and educational institutions, restaurants, cafes, supermarkets, the airline and hospitality industries, and others. Murray Goulburn Co-Operative Co. Limited was founded in 1950 and is headquartered in Southbank, Australia. As of April 30, 2018, Murray Goulburn Co-Operative Co. Limited operates as a subsidiary of Saputo Dairy Australia Pty Ltd.
Allied Mills Australia Pty Limited	Allied Mills Australia Pty Limited manufactures and distributes bakery premixes, and flour and semi-finished products in Australia. The company offers wheat flour, specialty grain products, pizza flours and mixes, specialty ingredients, bakery improvers, and food ingredients, as well as mixes for cake, sweet, and bread making. It serves independent and multinational food manufacturers, supermarket retailers, and foodservice operators. The company was founded in 2002 and is based in Sydney, Australia. Allied Mills Australia Pty Limited operates as a subsidiary of GrainCorp Limited.
Patties Foods Limited	Patties Foods Limited, together with its subsidiaries, manufactures and markets frozen food products in the Asia Pacific region and internationally. The company offers meat pies, pasties, sausage rolls, pastries, frozen fruit pies, and crumbles under the FOUR'N TWENTY, Herbert Adams, Nanna's, Patties, and Chef's Pride brands for the supermarket, petrol and convenience, and catering and general foodservice channels. It also provides IQF fruits, IQF vegetables, specialty potato products, fruit based beverages, fruit purees, fruit coulis, avocado pulps, veal schnitzels, double crumbed camembert segments, gluten free French crepes, and dessert sauces under the Chefs Pride brand. Patties Foods Limited was founded in 1966 and is based in Mentone, Australia. As of September 22, 2016, Patties Foods Limited operates as a subsidiary of PEP Services Pty Ltd.
De Costi Seafoods (Holdings) Pty Limited (nka:GC & AC Holdings Pty Ltd)	GC & AC Holdings Pty Ltd. is engaged in the production, packing, and distribution of seafood. It offers fresh and frozen seafood species, including De Costi branded product in skin wrap and MAP range that include ready to eat meals and ready to cook meals; and specialized products, such as sashimi tuna, salmon, caviar, sea urgent roe, and various seafood favorites. The company's customer base includes supermarkets, restaurants, hotels, clubs, and wholesale customers. It offers its products through a cold chain distribution network. GC & AC Holdings Pty Ltd. was formerly known as De Costi Seafoods (Holdings) Pty Limited and changed its name to GC & AC Holdings Pty Ltd. on Sep 17, 2015. The company was founded in 1981 and has its head office in Lidcombe, Australia. As of July 31, 2015, GC & AC Holdings Pty Ltd. operates as a subsidiary of Tassal Operations Pty Ltd.
Real Pet Food Company	Real Pet Food Company produces food products for dogs and cats. The company was incorporated in 1995 and is based in North Sydney, Australia.
Peter Lehmann Wines Limited (nka:Peter Lehmann Wines Pty Limited)	Peter Lehmann Wines Pty Limited produces and sells wines. The company offers its products through a network of distributors in Australia, New Zealand, the United Kingdom, Europe, the Asia Pacific, the Middle East, Canada, the United States, and Latin America. It also sells products online. The company was founded in 1979 and is based in Tanunda, Australia. As of December 19, 2014, Peter Lehmann Wines Pty Limited operates as a subsidiary of Casella Wines Pty Limited.
Five AM Life Pty Ltd	Five AM Life Pty Ltd does not have significant operations. Previously, it was involved in the manufacture, sale, and distribution of yogurt and other dairy products. The company was incorporated in 2009 and is based in Melbourne, Australia. Five AM Life Pty Ltd operates as a subsidiary of PZ Cussons Beauty Australia (Holdings) Pty Ltd.
Australasian Food Group Pty. Ltd.	Australasian Food Group Pty. Ltd., doing business as Peters Ice Cream Australia, produces and sells ice creams in Australia. It markets its products through supermarkets, petrol stations, and convenience stores; and supplies directly to corporate and personal events. The company was founded in 1907 and is based in Mulgrave, Australia. As of June 30, 2014, Australasian Food Group Pty. Ltd. operates as a subsidiary of R&R Ice Cream Plc.

Company	Company Description
Goodman Fielder Limited (nka:Goodman Fielder Pty Limited)	Goodman Fielder Pty Limited is engaged in the production, marketing, and distribution of bread, grocery, dairy, and poultry products. It offers milk, margarine, flour, dressings, condiments, mayonnaise, frozen pastry, cake mix, desserts, sauces, vinegar, and cooking oils. The company offers its products to supermarkets, route outlets, and food service customers in Australia, New Zealand, China, Fiji and the Pacific, Papua New Guinea, and New Caledonia. The company was formerly known as Goodman Fielder Limited and changed its name to Goodman Fielder Pty Limited in July 2015. The company was founded in 1986 and is based in North Ryde, Australia. As of March 17, 2015, Goodman Fielder Pty Limited operates as a subsidiary of Wilmar International Limited and First Pacific Company Limited.
Warrnambool Cheese And Butter Factory Company Holdings Limited	Warrnambool Cheese and Butter Factory Company Holdings Limited produces and sells dairy products in Australia. It operates through three segments: Commodities, Consumer Goods, and Other. The company offers full cream fresh milk, low fat milk, no fat milk, jersey milk, jersey lite milk, flavored milk, and iced milk under the Sungold brand; cheese and milk products under the COON, Cracker Barrel, Mil Lel, and Great Ocean Road brands; and cheese and butter products under the Warrnambool Cheddars brand. It also provides Enprocal, a protein supplement for people experiencing difficulties meeting their nutritional requirements or maintaining weight due to medical conditions, including conditions found in the elderly; low fat cheddar, skim milk, gouda, and emmental cheese products; and skim milk powder for use in re-combined milk, bakery products, confectionery, infant formula, and dairy desserts. In addition, the company offers butter products, such as salted butter, unsalted butter, and butter blends with sugar and oils for use in bakery products, biscuit making, and confectionery; fresh or frozen cream products; and whey protein concentrate powder that is used in health products, sports drinks, nutritional health bars, as a binding ingredient in food processing, and as a meal replacement or supplement. Further, it provides bovine lactoferrin, a glycoprotein used in infant formula and nutraceuticals; and cream cheese under the Sungold brand for baking, dips and spreads, sauces, and appetizers. Warrnambool Cheese and Butter Factory Company Holdings Limited markets its products to wholesale and retail customers, as well as exports its products. The company was founded in 1888 and is headquartered in Allansford, Australia. Warrnambool Cheese and Butter Factory Company Holdings Limited is a subsidiary of Saputo Inc.
9020 2292 Québec inc.	9020 2292 Québec inc. engages in the production of maple flakes, and processing and bottling of maple syrup. It also provides maple sugar for pastry, chocolate, bakery, spices mixes, ice cream, breakfast cereals, and granolas applications, as well as beverage and coffee topping applications. The company markets its products through natural food stores in Canada, France, and Japan. 9020 2292 Québec was founded in 2000 and is based in Saint-Nicolas, Canada. As of November 18, 2017, 9020 2292 Québec inc. operates as a subsidiary of L.B. Maple Treat Corporation.
National Company for Maize Products	National Company for Maize Products operates as a wet milling company in Egypt, Africa, the Middle East, and the Arab world. The company produces fructose for use in the manufacture of carbonated water, juices, jams, sweets, baked products, etc.; and corn starch for use in food and non-food, and textile industries. It also offers Alserbitol products for use in pharmaceutical and food industries; gluten feed and gluten mile products for poultry feed and cattle, cows, and buffaloes; crude corn oil for refined and pure corn oil productions; and glucose, and smooth and broken corn. The company was founded in 1981 and is based in Cairo, Egypt.
L.B. Maple Treat Corporation	L.B. Maple Treat Corporation produces and distributes maple syrup in range of grades and containers. The company also produces maple syrup products, including maple cream cookies, maple sugar candies, maple shortbread biscuits, buttermilk pancake mixes, maple taffies, gift packages, maple butter, maple syrup granules, spreads, maple coffee and tea, and honey and pancake mixes. In addition, it offers bulk products for private label brands. The company distributes its products in Canada and the United States; and exports to Asia and Europe. L.B. Maple Treat Corporation was founded in 1975 and is based in Granby, Canada with a distribution center in Burnaby, Canada. The company also has production facilities in Vermont, Quebec, Vancouver, and St-Robert. As of August 5, 2017, L.B. Maple Treat Corporation operates as a subsidiary of Lantic Inc.
Galam Ltd.	Galam Ltd. produces sweetening solutions, starches, and nutritional ingredients to the food and beverage industry, and non-food industries in Europe and internationally. The company's sweetening solutions include fructose, stevia-extract, liquid sugars, and glucose syrup; starches, including native, modified, and pre-gelatinized starches, as well as starch based ViStar, a thickener and stabilizer; and nutritional ingredients, such as instant cereals and fructooligosaccharide-based syrups for various applications in food and beverages industries, including dairy, beverages, snacks and cereals, convenience, health, bakery, jams and fruit preparations, confectionery, baby food, and tabletop sweeteners. It also manufactures starches for the non-food industries, such as paper and tissue, textile, corrugated board, adhesives and binders, and construction. In addition, the company offers ingredients for animal nutrition, including corn gluten meal for chickens, as well as other farm animals; and corn germ that is used as a raw material for corn oil production and feed milling. Further, it imports and distributes ingredients to the food and beverage industry in Israel. The company sells its products through a network of distributors worldwide. Galam Ltd. was founded in 1940 and is based in Menashe, Israel. It has production plants, blending facilities, and application laboratories in Israel, Germany, and Spain. Galam Ltd. was a former subsidiary of Galam Coop. Agri. Society Management & Marketing Ltd.

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Company	Company Description
Ninh Hoa Sugar Joint Stock Company (nka: Bien Hoa-Ninh Hoa Sugar One Member Company Limited)	Bien Hoa-Ninh Hoa Sugar One Member Company Limited produces and sells sugar and byproducts in Vietnam. Its sugar is used directly as food or as raw materials for industrial processing, such as bakery, instant noodles, soft drinks, milk and dairy products, and coffee. The company is also involved in the sugarcane procurement activities; construction of industrial and civil machinery; mechanical engineering activities; production and sale of fertilizers; warehousing activities; and production of electricity. In addition, it engages in the trading of agricultural materials; transportation of goods by road; investment and development of materials; and real estate business. The company was formerly known as Ninh Hoa Sugar Joint Stock Company and changed its name to Bien Hoa-Ninh Hoa Sugar One Member Company Limited in November 2015. The company is headquartered in Ninh Hòa, Vietnam. Bien Hoa-Ninh Hoa Sugar One Member Company Limited is a subsidiary of Bien Hoa Sugar Joint Stock Company.

Source: Capital IQ

Appendix B: Control Premium Analysis

A controlling interest in a company is usually regarded as being more valuable than a minority interest as it provides the owner with control over the operating and financial decisions of the company, the right to set the strategic direction of the company, control over the buying, selling and use of the company's assets, and control over appointment of staff and setting financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. For the purposes of our research on control premiums, we have defined a controlling interest to be an interest where the acquirer has acquired a shareholding of greater than 50% in the target company.

Generally, control premiums may be impacted by a range of factors including the following:

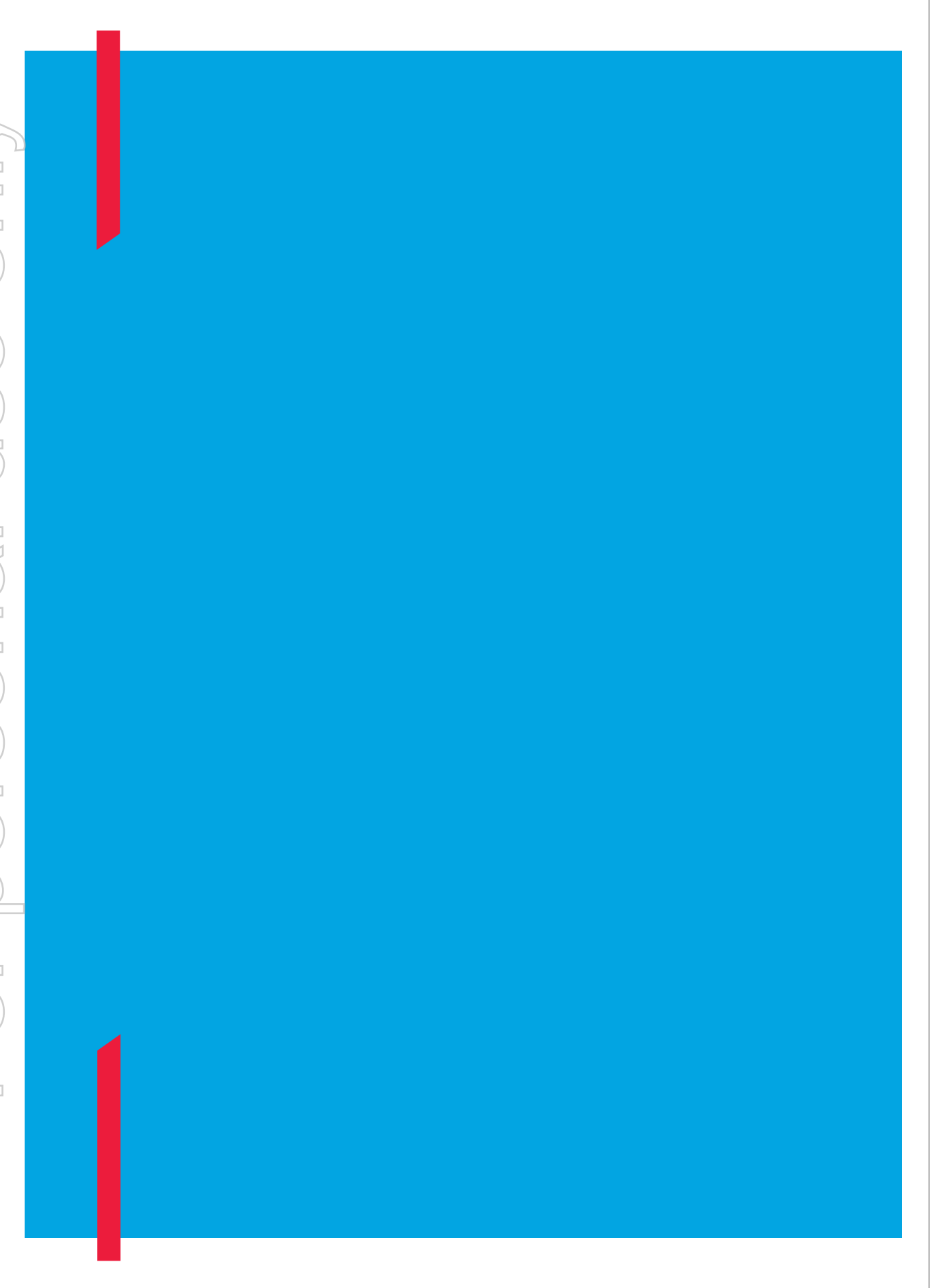
- ▶ Specific acquirer premium and/or special value that may be applicable to the acquirer;
- ▶ Level of ownership in the target company already held by the acquirer;
- ▶ Market speculation about any impending transactions involving the target and/or the sector that the target belongs to;
- ▶ The presence of competing bids; and
- ▶ General market sentiment and economic factors.

To form our view of an appropriate range of control premium applicable to Capilano for the purposes of this Report, we have considered information which includes:

- ▶ Recent independent expert's reports which apply control premiums in the range of 20% to 40%;
- ▶ Various industry and academic research, which suggests that control premiums are typically within the range of 20% to 40%;
- ▶ Our own research on control premiums implied by the trading data of ASX listed companies subject to control transactions, which supported the range of 20% to 40%;
- ▶ Various valuation textbooks; and
- ▶ Industry practice.

Having regard to the information set out above, in our view, it is appropriate to consider control premiums within the range of 20% to 40% for the purposes of assessing the Proposed Transaction within the context of this Report.

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Scheme Implementation Agreement

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Scheme Implementation Agreement

Dated 13 August 2018 (as amended on 11 October 2018)

Bravo HoldCo Pty Ltd (ACN 628 069 474) ("**Bidder Parent**")
Bravo BidCo Pty Ltd (ACN 628 070 459) ("**BidCo**")
Capilano Honey Limited (ABN 55 009 686 435) ("**Target**")

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Scheme Implementation Agreement

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Scheme Implementation Agreement

Details

Parties	Bidder Parent, BidCo and Target	
Bidder Parent	Name	Bravo HoldCo Pty Ltd
	ACN	628 069 474
	Formed in	Australia
	Address	C/- King & Wood Mallesons Level 61, Governor Phillip Tower 1 Farrer Place, Sydney NSW 2000
	Email	capilano@wattlehillcap.com
	Attention	Deane Conway
BidCo	Name	Bravo BidCo Pty Ltd
	ACN	628 070 459
	Formed in	Australia
	Address	C/- King & Wood Mallesons Level 61, Governor Phillip Tower 1 Farrer Place, Sydney NSW 2000
	Email	capilano@wattlehillcap.com
	Attention	Deane Conway
Target	Name	Capilano Honey Limited
	ABN	55 009 686 435
	Formed in	Queensland, Australia
	Address	399 Archerfield Rd Richlands QLD 4077
	Email	a.zbasnik@capilano.com.au
	Attention	Annette Zbasnik
	<i>With a copy to:</i>	Ben McKee Email: b.mckee@capilano.com.au Rebecca Maslen-Stannage Email: Rebecca.Maslen-Stannage@hsf.com

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Governing law New South Wales, Australia

- Recitals**
- A** The Target and Bidder Parent have agreed that BidCo will acquire the Target by means of a members' scheme of arrangement under Part 5.1 of the Corporations Act.
 - B** At the request of Bidder Parent, the Target intends to propose the Scheme and issue the Scheme Booklet.
 - C** The Target, Bidder Parent and BidCo have agreed to implement the Scheme on the terms and conditions of this document.

Scheme Implementation Agreement

General terms

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

ACCC means the Australian Competition and Consumer Commission.

ASIC means the Australian Securities & Investments Commission.

Associate has the meaning set out in section 12 of the Corporations Act, as if section 12(1) of the Corporations Act included a reference to this document.

ASX means ASX Limited or the market operated by it, as the context requires.

Authorised Officer means a director or secretary of a party or any other person nominated by a party to act as an Authorised Officer for the purposes of this document.

BidCo means Bravo BidCo Pty Ltd, a wholly-owned Subsidiary of Bidder Parent to be the transferee of Scheme Shares under the Scheme.

Bidder Group means Bidder Parent and its Subsidiaries (including BidCo but excluding each member of the Target Group).

Bidder Parent Board means the board of directors of Bidder Parent.

Bidder Parent Constitution means the constitution in relation to Bidder Parent to be adopted by Bidder Parent, in substantially the form agreed between the Target and Bidder Parent before entry into this document.

Bidder Parent Share means a fully paid ordinary share in the capital of Bidder Parent having the rights specified in the Bidder Parent Constitution and Bidder Parent Shareholders Deed.

Bidder Parent Shareholders Deed means the shareholders deed in relation to Bidder Parent to be adopted by Bidder Parent.

Bidder Parent Share Offer has the meaning set out in the Scheme.

Bidder Confidential Information has the meaning given to 'Confidential Information' in the Confidentiality and Exclusivity Agreement.

Bidder Indemnified Parties means Bidder Parent, its officers, employees and advisers, its Related Bodies Corporate and the officers, employees and advisers of each of its Related Bodies Corporate.

Bidder Information means the information regarding the Bidder Group as is required to be included in the Scheme Booklet under the Corporations Act, Corporations Regulations or ASIC Regulatory Guide 60. Bidder Information does not include information about the Target Group (except to the extent it relates to any statement of intention relating to the Target Group following the Effective Date).

Business Day means a business day as defined in the Listing Rules.

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Cash Consideration means \$20.06 cash per Scheme Share held by a Scheme Participant.

Claim means, in relation to a party, a demand, claim, action or proceeding made or brought against the party, however arising and whether present.

Competing Transaction means a proposal, transaction or arrangement (whether by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale or issue of securities, joint venture or otherwise) which, if completed substantially in accordance with its terms, would mean a person (other than Bidder Parent or any of its Related Bodies Corporate) whether alone or together with its Associates would:

- (a) directly or indirectly acquire an interest or Relevant Interest in or become a holder of 20% or more of the Target Shares (other than as custodian, nominee or bare trustee);
- (b) acquire control of the Target or a material member of the Target Group, within the meaning of section 50AA of the Corporations Act;
- (c) directly or indirectly acquire, obtain a right to acquire, or otherwise obtain an economic interest in all of a substantial part of the assets of or business conducted by the Target Group; or
- (d) otherwise acquire or merge (including by reverse takeover bid or dual listed company structure) with the Target Group.

Conditions Precedent means the conditions precedent set out in clause 3.1.

Confidentiality and Exclusivity Agreement means the confidentiality and exclusivity agreement dated 11 July 2018 between Wattle Hill RHC Fund 1 (ABN 44 165 694 297), ROC Partners Pty Limited (ABN 50 169 312 681) and the Target.

Confidential Information means Bidder Parent Confidential Information or Target Confidential Information.

Consortium has the meaning given in the Confidentiality and Exclusivity Agreement.

Controller has the meaning it has in the Corporations Act.

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

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Costs includes costs, charges and expenses, including those incurred in connection with advisers and any legal costs on a full indemnity basis.

Court means the Federal Court of Australia, or such other court of competent jurisdiction under the Corporations Act agreed by the parties.

Deed Poll means a deed poll substantially in the form of Annexure C to this document.

Details means the section of this document headed "Details".

Disclosed means fairly disclosed:

- (a) by a party in writing to the other or its Representatives, or contained in the data room made available by the Target to the Bidder Group prior to the date of this document; or
- (b) in any announcement made by Target on ASX prior to the date of this document.

Effective, when used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which the Scheme becomes Effective.

Election means an election that a Scheme Participant may make in accordance with the Scheme:

- (a) to receive Cash Consideration in respect of all (but not less than all) Target Shares held by them on the Record Date;
- (b) to receive Scrip Consideration in respect of all (but not less than all) Target Shares held by them on the Record Date;
- (c) if, and only if, the Scheme Participant elects to receive Scrip Consideration in accordance with paragraph (b), to subscribe for Bidder Parent Shares in accordance with the Bidder Parent Share Offer,

subject to the Scaleback Arrangements (in the case of paragraphs (b) and (c) only).

Election and Subscription Form means the election form to be specified by Bidder Parent whereby Scheme Participants can make the Election.

Employee Share Right means 60,000 options issued under the long term incentive plan operated by the Target Group.

Encumbrance means any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any "security interest" as defined in sections 12(1) or 12(2) of the PPSA or any agreement to create any of them or allow them to exist.

End Date means the date that is 9 months after the date of this document or such other date as is agreed by Bidder Parent and Target.

Equity Commitment Letter means the binding executed commitment letter addressed to Bidder Parent from each of Wattle Hill RHC Fund 1 and Roc Capital Pty Ltd (ABN 37 167 858 764) as trustee for Roc B&Y Investment Trust dated on or about the date of this document.

Exclusivity Period means the period from and including the date of this document to the earlier of:

- (a) the termination of this document in accordance with its terms; and
- (b) the End Date.

Foreign Scheme Shareholder means a Scheme Participant who is a citizen or resident or whose address in the Register as at the Record Date is a place outside Australia or New Zealand unless Bidder Parent agrees in writing that it is

lawful and not unduly onerous or impracticable to issue Bidder Parent Shares to that Scheme Participant under the Scheme.

Foundation Share has the meaning given in the Target Constitution.

First Court Date means the first day on which an application made to the Court, in accordance with clause 6.2(h), for orders under section 411(1) of the Corporations Act convening the Scheme Meeting is heard.

Implementation Date means the 5th Business Day following the Record Date.

Incoming Director means the persons to be appointed directors of the Target on the Implementation Date as notified by Bidder Parent to the Target before the Second Court Date.

Independent Expert means the independent expert appointed by the Target under clause 6.2(c).

Independent Expert's Report means the report from the Independent Expert for inclusion in the Scheme Booklet, including any update or supplementary report, stating whether or not in the Independent Expert's opinion the Scheme is fair and reasonable to, and in the best interests of Scheme Shareholders.

A person is **Insolvent** if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act); or
- (b) it is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to any part of its property; or
- (c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this document); or
- (d) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 14 days), resolution passed, or any other action taken, in each case in connection with that person, in respect of any of the things described in paragraphs (a), (b) or (c);
- (e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand; or
- (f) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this document reasonably deduces it is so subject); or
- (g) it has a receiver or manager appointed to any of its assets; or
- (h) it is otherwise unable to pay its debts when they fall due; or
- (i) something having a substantially similar effect to (a) to (h) happens in connection with that person under the law of any jurisdiction.

Listing Rules means the Listing Rules of ASX and any other applicable rules of ASX modified to the extent of any express written waiver by ASX.

Losses means all claims, demands, damages, losses, costs, expenses and liabilities.

Material Adverse Effect means a Specified Event which has, has had, or is reasonably likely to have, either individually or when aggregated with any Specified Events of a similar kind or category, the effect of:

- (a) the value of consolidated net assets of the Target Group (taken as a whole) being reduced by at least \$10,000,000 against what it would have been but for that Specified Event; or
- (b) the value of consolidated annual net profit after tax of the Target Group being reduced by at least \$2,000,000 against what it would have been but for that Specified Event,

but does not include a Specified Event:

- (c) occurring as a result of any matter, event or circumstance required or permitted by this document or the Scheme or the transaction contemplated by either;
- (d) arising as a result of any generally applicable change in law or governmental policy applicable to Australian business generally;
- (e) arising from changes in economic or business conditions (including interest rates) applicable to Australian business generally;
- (f) arising from a matter disclosed to ASX or in a publicly available document lodged with ASIC by Target or Disclosed to the Bidder Group prior to the date of this document;
- (g) occurring with the written consent of Bidder Parent;
- (h) resulting from a change in generally accepted accounting principles or the interpretation of them; or
- (i) resulting from war, terrorism, civil unrest, act of God, lightning, storm, flood, bushfire, earthquake or explosion, cyclone, tidal wave, landslide, adverse weather conditions occurring on or after the date of this document.

Outgoing Director means each director of the Target in office immediately before the Implementation Date.

Permitted Dividend means the dividend of \$0.42 per Target Share, announced by the Target on 20 June 2018.

Proposed Transaction means the proposed acquisition of the Target Shares by BidCo by way of a scheme of arrangement.

PPSA means the *Personal Property Securities Act 2009* (Cth).

Record Date means 5.00pm on the third Business Day following the Effective Date or such other date as the Target and Bidder Parent agree.

Register means the share register of the Target and **Registry** has a corresponding meaning.

Regulator's Draft means the draft of the Scheme Booklet in a form acceptable to both parties which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act.

Regulatory Authority includes:

- (a) ASX, ACCC, ASIC and the Takeovers Panel;
- (b) a government or governmental, semi-governmental or judicial entity or authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

Reimbursement Fee means \$1,450,000.

Related Body Corporate has the meaning it has in the Corporations Act.

Related Party has the meaning given in the Corporations Act.

Relevant Interest has the meaning it has in sections 608 and 609 of the Corporations Act.

Representative means, in relation to a party:

- (a) a Related Body Corporate;
- (b) a director, officer or employee of the party or any of the party's Related Bodies Corporate; or
- (c) an adviser to the party or any of the party's Related Bodies Corporate, where an "adviser" means, in relation to an entity, a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser or consultant who provides advisory services in a professional capacity and who has been engaged by that entity.

Scaleback Arrangements has the meaning specified in the Scheme.

Scheme means the scheme of arrangement under part 5.1 of the Corporations Act under which the Scheme Shares will be transferred to Bidder Parent substantially in the form of Annexure B together with any amendment or modification made pursuant to section 411(6) of the Corporations Act.

Scheme Booklet means, in respect of the Scheme, the information booklet to be approved by the Court and despatched to Scheme Shareholders which includes the Scheme, an explanatory statement complying with the requirements of the Corporations Act and notices of meeting and proxy forms.

Scheme Consideration means the consideration payable by Bidder Parent for the transfer of Scheme Shares held by a Scheme Participant to Bidder Parent, as defined in the Scheme.

Scheme Meeting means the meeting to be convened by the Court at which Scheme Shareholders will vote on the Scheme.

Scheme Participants means each person who is a Scheme Shareholder at the Record Date.

Scheme Share means all Target Shares (excluding the Foundation Share).

Scheme Shareholder means the holder of Scheme Shares.

Scrip Consideration means one Bidder Parent Share for each Scheme Share in respect of which a Scheme Participant makes a valid Election, subject to the Scaleback Arrangements.

Second Court Date means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

Specified Event means an event, occurrence or matter (including the announcement or commencement of a Claim, dispute, litigation or a material enforcement action or investigation by a Regulatory Authority) that:

- (a) occurs after the date of this document; or
- (b) occurs before the date of this document but is only announced or publicly disclosed after the date of this document.

Subsidiary of an entity means another entity which:

- (a) is a subsidiary of the first entity within the meaning of the Corporations Act; and
- (b) is part of a consolidated group constituted by the first entity and the entities it is required to include in the consolidated financial statements it prepares, or would be if the first entity was required to prepare consolidated financial statements.

Superior Proposal means a bona fide written proposal of the kind referred to in the definition of "Competing Transaction" which the Target Board, acting in good faith, and after taking advice from its legal and financial advisers, determines is:

- (a) reasonably capable of being completed taking into account all aspects of the Competing Transaction, including its conditions; and
- (b) more favourable to Scheme Shareholders than the Scheme, taking into account all aspects of the Competing Transaction, including the identity, reputation and financial condition of the person making such proposal, legal, regulatory and financial matters.

Target Board means the board of directors of the Target.

Target Confidential Information has the meaning given to 'Confidential Information' in the Confidentiality and Exclusivity Agreement.

Target Constitution means the constitution of the Target.

Target Consolidated Tax Group means the consolidated tax group of which the Target is the head company (where 'consolidated group' and 'head company' have the same meaning as in the Tax Act).

Target Group means the Target and its Subsidiaries.

Target Indemnified Parties means the Target, its officers, employees, and advisers and its Related Bodies Corporate and the officers, employees and advisers of each of its Related Bodies Corporate.

Target Information means all information contained in the Scheme Booklet other than the Bidder Information and the Independent Expert's Report.

Target Prescribed Event means, except to the extent contemplated by this document or the Scheme, any of the following events:

- (a) **(conversion)** the Target converts all or any of its shares into a larger or smaller number of shares;

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- (b) **(reduction of share capital)** the Target or another member of the Target Group resolves to reduce its share capital in any way or resolves to reclassify, combine, split or redeem or repurchase directly or indirectly any of its shares;
- (c) **(buy-back)** the Target or another member of the Target Group:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) **(distribution)** the Target makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) except for the Permitted Dividend or as otherwise approved in writing by Bidder Parent;
- (e) **(issuing or granting shares or options)** any member of the Target Group:
 - (i) issues shares;
 - (ii) grants an option over its shares; or
 - (iii) agrees to make such an issue or grant such an option, in each case other than as Disclosed to Bidder Parent, to a person who is not a Target or wholly-owned entity of the Target Group, subject to clause 4.6 of this document;
- (f) **(securities or other instruments)** any member of the Target Group issues or agrees to issue securities or other instruments convertible into shares or debt securities in each case to a person who is not a Target or wholly-owned entity of the Target Group;
- (g) **(constitution)** the Target adopts a new constitution or modifies or repeals its constitution or a provision of it, other than as agreed between the Target and Bidder Parent;
- (h) **(disposals)** any member of the Target Group disposes, or agrees to dispose of the whole or a substantial part of its business or property;
- (i) **(acquisitions, disposals or tenders)** any member of the Target Group
 - (i) acquires or disposes of;
 - (ii) agrees to acquire or dispose of; or
 - (iii) offers, proposes, announces a bid or tenders for, any business, assets, entity or undertaking the value of which exceeds \$1,000,000 other than in the ordinary course of business (individually or in aggregate);
- (j) **(Encumbrances)** any member of the Target Group creates, or agrees to create, any Encumbrance over, or declares itself the trustee of, the whole or a substantial part of its business or property;
- (k) **(employment arrangements)** any member of the Target Group:

- (i) increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees whose total employment cost exceeds \$200,000;
 - (ii) accelerates the rights of any of its directors or employees to compensation or benefits of any kind (including under any Target executive or employee share plans) whose total employment cost exceeds \$200,000; or
 - (iii) pays any of its directors or employees whose total employment cost exceeds \$200,000 a termination or retention payment (otherwise than in accordance with an existing contract in place at the date of this document);
- (l) **(commitments and settlements)** any member of the Target Group:
- (i) enters into any contract or commitment involving revenue or expenditure of more than \$1,000,000 over the term of the contract or commitment, excluding honey sale agreements entered into in the ordinary course of business and consistent with transactions previously entered into;
 - (ii) (without limiting the above) enters into any contract or commitment relating to the same matter or project involving revenue or expenditure which exceeds \$1,000,000 in aggregate over the term of the contracts or commitments, excluding honey sale agreements entered into in the ordinary course of business and consistent with transactions previously entered into;
 - (iii) terminates or amends in a material manner any contract material to the conduct of the Target Group's business or which involves revenue or expenditure of more than \$1,000,000 over the term of the contract, excluding honey sale agreements entered into in the ordinary course of business and consistent with transactions previously entered into; or
 - (iv) accepting as a settlement or compromise of a material matter (relating to an amount in excess of \$1,000,000) less than the full compensation due to the Target or a Subsidiary of the Target;
- (m) **(Insolvency)** the Target or any of its Related Bodies Corporate becomes Insolvent,

provided that a Target Prescribed Event listed in items (a) to (n) will not occur where the Target has first consulted with Bidder Parent in relation to the event and Bidder Parent has approved the proposed event.

Target Representations and Warranties means the representations and warranties of the Target set out in clause 12.1.

Target Share means an ordinary fully paid share in the capital of the Target.

Target Shareholder means each person registered in the Register as a holder of Target Shares.

Tax Act means the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth), or both as the context requires.

Timetable means the timetable set out in Schedule 1 or as otherwise agreed between the parties.

Transaction Implementation Committee means a committee to be made up of:

- (a) the chief executive officer of each of the Target and Bidder Parent; and
- (b) such other persons as the parties may agree from time to time.

Transaction Document means this document and each of the following:

- (a) Confidentiality and Exclusivity Agreement;
- (b) Scheme;
- (c) the Deed Poll;
- (d) Scheme Booklet; and
- (e) any other document in connection with the Scheme that Bidder Parent and Target agree should be regarded as a 'Transaction Document'.

1.2 General interpretation

Headings and labels used for definitions are for convenience only and do not affect interpretation. Unless the contrary intention appears, in this document:

- (a) the singular includes the plural and vice versa;
- (b) a reference to a document includes any agreement or other legally enforceable arrangement created by it (whether the document is in the form of an agreement, deed or otherwise);
- (c) a reference to a document also includes any variation, replacement or novation of it;
- (d) the meaning of general words is not limited by specific examples introduced by "including", "for example", "such as" or similar expressions;
- (e) a reference to "**person**" includes an individual, a body corporate, a partnership, a joint venture, an unincorporated association and an authority or any other entity or organisation;
- (f) a reference to a particular person includes the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (g) a reference to a time of day is a reference to Sydney time;
- (h) a reference to dollars, \$ or A\$ is a reference to the currency of Australia;
- (i) a reference to "**law**" includes common law, principles of equity and legislation (including regulations);
- (j) a reference to any legislation includes regulations under it and any consolidations, amendments, re-enactments or replacements of any of them;
- (k) a reference to "**regulations**" includes instruments of a legislative character under legislation (such as regulations, rules, by-laws, ordinances and proclamations);
- (l) a reference to a group of persons is a reference to any 2 or more of them jointly and to each of them individually; and

- (m) a reference to any thing (including an amount) is a reference to the whole and each part of it.

1.3 Inconsistent agreements

If a provision of this document is inconsistent with a provision of another Transaction Document, the provisions of this document prevail to the extent of the inconsistency.

1.4 Confidentiality and Exclusivity Agreement

The Confidentiality and Exclusivity Agreement continues to have effect as at the date of this document, with the exception of the exclusivity provisions in clause 14 of the Confidentiality and Exclusivity Agreement which cease to have effect and are replaced with the exclusivity provisions in clause 10 of this document.

2 Agreement to propose and implement Scheme

2.1 Target to propose Scheme

The Target agrees to propose the Scheme on and subject to the terms and conditions of this document.

2.2 BidCo

Bidder Parent must procure that BidCo complies with all relevant obligations of Bidder Parent and BidCo under this document and the Scheme.

2.3 Agreement to implement Scheme

The parties agree to implement the Scheme on the terms and conditions of this document.

3 Conditions Precedent

3.1 Conditions Precedent

Subject to this clause 3, the Scheme will not become Effective, and the obligations of Bidder Parent and BidCo under clause 4.3 are not binding, until each of the following Conditions Precedent are satisfied or waived to the extent and in the manner set out in this clause.

Condition Precedent		Party entitled to benefit	Party responsible
(a)	(Shareholder approval) Scheme Shareholders approve the Scheme by the requisite majorities in accordance with the Corporations Act.	Cannot be waived	Target
(b)	(Court approval) the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.	Cannot be waived	Target
(c)	(Regulatory intervention) no Court or Regulatory Authority has issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, decree or ruling or taken any action enjoining, restraining or otherwise imposing a legal restraint or prohibition preventing the Scheme	Both	Both

Condition Precedent		Party entitled to benefit	Party responsible
	and no such order, decree, ruling, other action or refusal is in effect as at 8.00am on the Second Court Date.		
(d)	(No Material Adverse Effect) no Material Adverse Effect occurs between the date of this document and 8.00am on the Second Court Date.	Bidder Parent	Target
(e)	(Minimum scrip take-up) the total number of Bidder Parent Shares to be issued to Scheme Shareholders electing to receive Scrip Consideration, together with the total number of Bidder Parent Shares to be issued under the Bidder Parent Share Offer, represents not less than 15% of the issued share capital in Bidder Parent (on a fully diluted basis).	Bidder Parent	Both

3.2 Reasonable endeavours

Each of the Target and Bidder Parent agree to use reasonable endeavours to procure that:

- (a) each of the Conditions Precedent for which it is a party responsible (as noted in clause 3.1):
 - (i) is satisfied as soon as practicable after the date of this document; and
 - (ii) continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and
- (b) there is no occurrence within its control or the control of its Subsidiaries that would prevent the Condition Precedent for which it is a party responsible being satisfied.

For the avoidance of doubt, the Target will not be in breach of its obligations under clause 3.2(a) or clause 3.2(b) to the extent that it takes an action or omits to take an action in response to a Competing Transaction as permitted by clause 10.

3.3 Waiver of Conditions Precedent

- (a) A Condition Precedent may only be waived in writing by the party or parties entitled to the benefit of that Condition Precedent as noted in clause 3.1 and will be effective only to the extent specifically set out in that waiver.
- (b) A party entitled to waive the breach or non-fulfilment of a Condition Precedent under this clause 3.3 may do so in its absolute discretion.
- (c) If either the Target or Bidder Parent waives the breach or non-fulfilment of a Condition Precedent in accordance with this clause 3.3, then:
 - (i) subject to clause 3.3(c)(ii), that waiver precludes that party from suing the other for any breach of this document arising as a result of the breach or non-fulfilment of that Condition Precedent or arising from the same event which gave rise to the breach or non-fulfilment of that Condition Precedent; but

- (ii) if the waiver of the Condition Precedent is itself conditional and the other party:
 - (A) accepts the condition, the terms of that condition apply notwithstanding any inconsistency with clause 3.3(c)(i); or
 - (B) does not accept the condition, the Condition Precedent has not been waived.
- (d) A waiver of a breach or non-fulfilment in respect of a Condition Precedent does not constitute:
 - (i) a waiver of a breach or non-fulfilment of any other Condition Precedent arising from the same event; or
 - (ii) a waiver of a breach or non-fulfilment of that Condition Precedent resulting from any other event.

3.4 Notices in relation to Conditions Precedent

Each party must:

- (a) **(notice of satisfaction)** promptly notify the other of satisfaction of a Condition Precedent and must keep the other informed of any material development of which it becomes aware that may lead to the breach or non-fulfilment of a Condition Precedent;
- (b) **(notice of failure)** immediately give written notice to the other of a breach or non-fulfilment of a Condition Precedent, or of any event which will prevent a Condition Precedent being satisfied; and
- (c) **(notice of waiver)** upon receipt of a notice given under clause 3.4(b), give written notice to the other party as soon as possible (and in any event before 5.00pm on the day before the Second Court Date) as to whether or not it waives the breach or non-fulfilment of any Condition Precedent resulting from the occurrence of that event, specifying the Condition Precedent in question.

3.5 Consultation on failure of Condition Precedent

If:

- (a) there is a breach or non-fulfilment of a Condition Precedent which is not waived in accordance with this document by the time or date specified in this document for the satisfaction of the Condition Precedent;
- (b) there is an act, failure to act or occurrence which will prevent a Condition Precedent being satisfied by the time or date specified in this document for the satisfaction of the Condition Precedent (and the breach or non-fulfilment which would otherwise occur has not already been waived in accordance with this document); or
- (c) the Scheme has not become Effective by the End Date,

the parties must consult in good faith with a view to determine whether:

- (d) the Scheme may proceed by way of alternative means or methods;
- (e) to extend the relevant time for satisfaction of the Condition Precedent or to adjourn or change the date of an application to the Court; or

- (f) to extend the End Date.

3.6 Failure to agree

If the parties are unable to reach agreement under clause 3.5 within 5 Business Days (or any shorter period ending at 5.00pm on the day before the Second Court Date):

- (a) subject to clause 3.6(b), either party may terminate this document (and that termination will be in accordance with clause 13.1(g)(i)); or
- (b) if a Condition Precedent may be waived and exists for the benefit of one party only, that party only may waive that Condition Precedent or terminate this document (and that termination will be in accordance with clause 13.1(g)(ii)),

in each case before 8.00am on the Second Court Date. A party will not be entitled to terminate this document under this clause if the relevant Condition Precedent has not been satisfied or agreement cannot be reached as a result of a breach of this document by that party or a deliberate act or omission of that party.

4 Outline of Scheme

4.1 Scheme

The Target must propose a scheme of arrangement under which:

- (a) all of the Scheme Shares held by Scheme Participants at the Record Date will be transferred to BidCo; and
- (b) each Scheme Participant will be entitled to receive the Scheme Consideration.

4.2 Scheme Consideration

Subject to and in accordance with this document and the Scheme, each Scheme Participant is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Participant. In accordance with the Scheme, if a Scheme Participant does not make an Election to receive the Scrip Consideration they will be deemed to have made an Election to receive the Cash Consideration.

4.3 Payment of Cash Consideration

Subject to this document and the Scheme, BidCo undertakes to the Target (in its own right and separately as trustee or nominee of each Scheme Participant) that, in consideration of the transfer to BidCo of each Scheme Share held by a Scheme Participant, BidCo will do the following on the Implementation Date:

- (a) accept that transfer; and
- (b) pay or procure the payment of the Cash Consideration in accordance with the Scheme.

Where the calculation of the Cash Consideration to be provided to a particular Scheme Participant would result in the Scheme Participant becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up or down (as applicable) to the nearest cent.

4.4 Issue of Bidder Parent Shares

- (a) Subject to the Scheme becoming Effective, Bidder Parent must issue Bidder Parent Shares to the Scheme Participants who have made valid Elections to receive the Scrip Consideration in accordance with the Scheme.
- (b) Subject to the Scheme becoming Effective, Bidder Parent must procure the issuance of Bidder Parent Shares to the Scheme Participants who have made valid Elections to apply for Bidder Parent Shares pursuant to the Bidder Parent Share Offer in accordance with the Scheme.
- (c) Each Bidder Parent Share issued as Scrip Consideration or pursuant to the Bidder Parent Share Offer will:
 - (i) rank equally in all respects with each other Bidder Parent Share and will have the rights set out in the Bidder Parent Constitution and the Bidder Parent Shareholders Deed; and
 - (ii) be fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.
- (d) The issue of Bidder Parent Shares as Scrip Consideration and pursuant to the Bidder Parent Share Offer will be subject to the Scaleback Arrangements.
- (e) Bidder Parent will not issue (or procure the issue of) any Bidder Parent Shares to Foreign Scheme Shareholders.
- (f) To facilitate the issue of Bidder Parent Shares to Scheme Participants, the Target must procure the provision to Bidder Parent of, a complete copy of the Register as at the Record Date (which must include the name, address and registered holding of each Scheme Participant as at the Record Date), within two Business Days after the Record Date. The details and information to be provided under this clause must be provided in such form as Bidder Parent may reasonably require.

4.5 Election mechanism

- (a) The Target must ensure that an Election and Subscription Form is made available to Scheme Shareholders to whom the Scheme Booklet is sent.
- (b) The Election and Subscription Form must include the relevant matters set out in the Scheme and must otherwise be in a form specified by the Bidder Parent.
- (c) The Target must procure that, to the extent practicable, Scheme Shareholders who acquired Target Shares after the date of despatch of the Scheme Booklet receive an Election and Subscription Form.

4.6 Employee incentives

- (a) The Target must ensure that, by no later than the Effective Date, there are no outstanding Employee Share Rights.
- (b) In order to comply with its obligation under clause 4.6(a), the Target must cause each outstanding Employee Share Right to either:
 - (i) vest and, following such vesting, if:
 - (A) exercised before the date that is 2 Business Days before the Record Date, cause the relevant number of

Target Shares to be issued to the former holder in sufficient time to allow the former holder to participate in the Scheme; or

- (B) not exercised before the date that is 2 Business Days before the Record Date, be cancelled and terminated immediately following the date that is 2 Business Days before the Record Date; or
- (ii) be cancelled and terminated by no later than the Record Date on terms Disclosed to Bidder Parent before entry into this document.

4.7 No amendment to the Scheme without consent

The Target must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of Bidder Parent (not to be unreasonably withheld or delayed).

5 Bidder Parent Shareholders Deed

Scheme Shareholders who receive Bidder Parent Shares will be subject to (and it will be a condition of acceptance of Scrip Consideration and of participation in the Bidder Parent Share Offer, and a Scheme term that each such shareholder enter into) the Bidder Parent Shareholders Deed.

The Bidder Parent Shareholders Deed will be substantially in the form set out in Annexure D.

6 Implementation

6.1 General obligations

The Target and Bidder Parent must each:

- (a) use all reasonable endeavours and commit necessary resources; and
- (b) procure that its officers and advisers work in good faith and in a timely and co-operative fashion with the other party,

to produce the Scheme Booklet and implement the Scheme as soon as reasonably practicable and in accordance with the Timetable.

6.2 Target's obligations

Subject to any change of recommendation by the Target Board that is permitted by clause 7, the Target must take all reasonable steps to implement the Scheme on a basis consistent with this document and as soon as reasonably practicable, and in particular must:

- (a) **(announce directors' recommendation)** following execution of this document, announce, in a form agreed between the Target and Bidder Parent (on the basis of statements made to the Target by each member of the Target Board) that:
 - (i) the Target Board intends to unanimously recommend to Scheme Participants that the Scheme be approved; and
 - (ii) each Target Board member who holds Scheme Shares, intends to vote Scheme Shares that he or she directly or indirectly owns or controls in favour of the Scheme,

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subject to:

- (iii) the Independent Expert concluding, and continuing to conclude, that the Scheme is fair and reasonable to, and in the best interests of, the Scheme Shareholders; and
 - (iv) there being no Superior Proposal.
- (b) **(preparation of Scheme Booklet)** subject to clause 6.2(e)(i), as soon as practicable after the date of this document, prepare and despatch the Scheme Booklet:
- (i) in accordance with all applicable laws, including the Corporations Act, Corporations Regulations, ASIC Regulatory Guide 60 and the Listing Rules; and
 - (ii) which includes a statement by the Target Board:
 - (A) unanimously recommending that Scheme Shareholders vote in favour of the Scheme subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable to, and in the best interests of, Scheme Shareholders and there being no Superior Proposal; and
 - (B) that each Target Board member who holds Scheme Shares intends to vote Scheme Shares that he or she directly or indirectly owns or controls in favour of the Scheme subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable to, and in the best interests of, Scheme Shareholders and there being no Superior Proposal;
- (c) **(Independent Expert)** promptly appoint the Independent Expert and provide any assistance and information reasonably requested by the Independent Expert to enable the Independent Expert to prepare its report for the Scheme Booklet as soon as practicable;
- (d) **(section 411(17)(b) statement)** apply to ASIC for the production of a statement pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (e) **(consultation with Bidder Parent)** consult with Bidder Parent as to the content and presentation of:
- (i) the Scheme Booklet, which includes:
 - (A) allowing Bidder Parent a reasonable opportunity to review and make comments on successive drafts of the Scheme Booklet (accepting that any review of the Independent Expert's Report is limited to review for factual accuracy of those parts that include information relating to Bidder Parent);
 - (B) taking any reasonable comments made by Bidder Parent into account in good faith when producing a revised draft of the Scheme Booklet;
 - (C) providing to Bidder Parent a revised draft of the Scheme Booklet within a reasonable time before the draft of the Scheme Booklet which is provided to ASIC for approval

pursuant to section 411(2) of the Corporations Act is finalised; and

- (D) obtaining Bidder Parent's consent to the inclusion of Bidder Information (including in respect of the form and context in which Bidder Parent Information appears in the Scheme Booklet); and
- (ii) documents required for the purposes of the Court hearings held for the purposes of sections 411(1) and 411(4)(b) of the Corporations Act in relation to the Scheme (including originating processes, affidavits, submissions and draft minutes of Court orders), and consider in good faith any comments on, or suggested amendments to, those documents from Bidder Parent prior to filing those documents with the Court;
- (f) **(lodgement of Regulator's Draft)**
 - (i) no later than 14 days before the First Court Date, provide an advanced draft of the Scheme Booklet ("**Regulator's Draft**") to ASIC for its review for the purposes of section 411(2) of the Corporations Act, and provide a copy of the Regulator's Draft to Bidder Parent immediately thereafter; and
 - (ii) keep Bidder Parent reasonably informed of any material issues raised by ASIC in relation to the Regulator's Draft and, where practical to do so, consult with Bidder Parent in good faith prior to taking any steps or actions to address those material issues (provided that, where those issues relate to Bidder Parent Information, the Target must not take any steps to address them without Bidder Parent's prior written consent, not to be unreasonably withheld);
- (g) **(supplementary disclosure)** if, after despatch of the Scheme Booklet, the Target becomes aware:
 - (i) that information included in the Scheme Booklet is or has become misleading or deceptive in any material respect (whether by omission or otherwise); or
 - (ii) of information that is required to be disclosed to Target Shareholders under any applicable law but was not included in the Scheme Booklet,

promptly consult with Bidder Parent in good faith as to the need for, and the form of, any supplementary disclosure to Scheme Shareholders, and make any disclosure that the Target considers reasonably necessary in the circumstances, having regard to applicable laws and to ensure that there would be no breach of clause 12.1(g) if it applied as at the date that information arose;

- (h) **(Court application)** apply to the Court for an order under section 411(1) of the Corporations Act directing the Target to convene the Scheme Meeting;
- (i) **(send Scheme Booklet)** send the Scheme Booklet to Scheme Shareholders as soon as practicable after the Court orders the Target to convene the Scheme Meeting;

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- (j) **(Scheme Meeting)** convene the Scheme Meeting to agree to the Scheme in accordance with any orders made by the Court pursuant to section 411(1) of the Corporations Act;
- (k) **(director's voting)** use its reasonable endeavours to procure that each member of the Target Board votes any Scheme Shares in which they have a Relevant Interest in favour of the Scheme unless there has been a change of recommendation as permitted under clause 7.1;
- (l) **(Court approval)** subject to all Conditions Precedent, other than paragraph (b) in clause 3.1 being satisfied or waived in accordance with this document, apply to the Court for an order approving the Scheme in accordance with sections 411(4)(b) and 411(6) of the Corporations Act;
- (m) **(Conditions Precedent certificate)** at the hearing on the Second Court Date, provide to the Court (through its counsel):
 - (i) a certificate confirming (in respect of matters within the Target's knowledge) whether or not the Conditions Precedent for which it is responsible, as noted in clause 3.1 (other than paragraph (b)), have been satisfied or waived in accordance with clause 3, a draft of which must be provided to Bidder Parent by 5.00pm on the Business Day prior to the Second Court Date; and
 - (ii) any certificate provided to it by Bidder Parent under clause 6.3(f);
- (n) **(lodge copy of Court order)** lodge with ASIC an office copy of the Court order approving the Scheme as approved by the Scheme Shareholders at the Scheme Meeting in accordance with section 411(10) of the Corporations Act no later than 5pm on the Business Day after that office copy is received (or any later date agreed in writing by Bidder Parent);
- (o) **(Register)** close the Register as at the Record Date to determine the identity of Scheme Participants and their entitlements to Scheme Consideration;
- (p) **(instruments of transfer)** subject to Bidder Parent and BidCo satisfying their obligations under clause 4.3, on the Implementation Date:
 - (i) execute proper instruments of transfer and effect the transfer of Scheme Shares to BidCo in accordance with the Scheme; and
 - (ii) register all transfers of Scheme Shares held by Scheme Participants to BidCo;
- (q) **(Suspension of trading)** apply to ASX to suspend trading in Target Shares with effect from the close of trading on the Business Day following the Scheme Meeting (conditional on the Scheme being approved at the Scheme Meeting);
- (r) **(listing)** take all reasonable steps to maintain the Target's listing on ASX, notwithstanding any suspension of the quotation of the Target Shares, up to and including the date referred to in clause 6.2(q); and
- (s) **(other steps)** do all other things necessary to give effect to the Scheme and the orders of the Court approving the Scheme.

6.3 Bidder Parent's obligations

Bidder Parent must take all reasonable steps to assist the Target to implement the Scheme on a basis consistent with this document and as soon as reasonably practicable, and in particular must:

- (a) **(Bidder Information)** prepare and promptly provide to the Target for inclusion in the Scheme Booklet the Bidder Information (in accordance with all applicable laws, including the Corporations Act, Corporations Regulations, ASIC Regulatory Guide 60 and the Listing Rules) and consent to the inclusion of that information in the Scheme Booklet;
- (b) **(further Bidder Information)** promptly provide to the Target any further or new Bidder Information as may arise after the Scheme Booklet has been sent to Scheme Shareholders and until the date of the Scheme Meeting as may be necessary to ensure that the Bidder Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission) and to ensure that there would be no breach of clause 12.3(g) if it applied as at the date on which such further or new Bidder Information arose;
- (c) **(Independent Expert information)** provide any assistance or information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report;
- (d) **(representation)** procure that it is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act, at which, through its counsel, Bidder Parent must undertake, and procure that BidCo undertake (if requested by the Court) to do all things and take all steps within its power as may be necessary in order to ensure the fulfilment of its obligations under this document and the Scheme;
- (e) **(Deed Poll)** prior to the Scheme Booklet being sent, sign and deliver the Deed Poll to the Target and procure that BidCo signs and deliver to the Target the Deed Poll;
- (f) **(Conditions Precedent certificate)** before 8.00am on the Second Court Date, provide to the Target for provision to the Court at the hearing on that date a certificate confirming (in respect of matters within Bidder Parent's knowledge) whether or not the Conditions Precedent for which Bidder Parent is responsible, as noted in clause 3.1 (other than paragraph (b)), have been satisfied or waived in accordance with clause 3, a draft of which must be provided to the Target by 5.00pm on the Business Day prior to the Second Court Date;
- (g) **(Share transfer)** if the Scheme becomes Effective, procure that BidCo accept a transfer of the Target Shares as contemplated by clause 4.3(a);
- (h) **(Scheme Consideration)** if the Scheme becomes Effective, pay or procure the payment of the Scheme Consideration in the manner and amount contemplated by clause 4.3(b) and the terms of the Scheme; and
- (i) **(Bidder Parent Shareholders Deed)** procure that the Shareholders Deed is executed by Bidder Parent and its shareholders and that deed remains in force from the time of its execution until the Implementation Date.

6.4 Scheme Booklet responsibility statement

The responsibility statement to appear in the Scheme Booklet, in a form to be agreed by the parties, will contain words to the effect of:

- (a) the Target has prepared, and is responsible for, the content of the Scheme Booklet other than, to the maximum extent permitted by law, the Bidder Information, the Independent Expert's Report or any other report or letter issued to the Target by a third party; and
- (b) Bidder Parent has prepared, and is responsible for, the Bidder Information in the Scheme Booklet (and no other part of the Scheme Booklet).

6.5 Disagreement on content of Scheme Booklet

If Bidder Parent and Target disagree on the form or content of the Scheme Booklet, they must consult in good faith to try to settle an agreed form of the Scheme Booklet. If complete agreement is not reached after reasonable consultation, then:

- (a) if the disagreement relates to the form or content of the Bidder Information contained in the Scheme Booklet, the Target will make any amendments as Bidder Parent reasonably requires; and
- (b) if the disagreement relates to the form or content of any other part of the Scheme Booklet, the Target Board will, acting in good faith, decide the final form or content of the disputed part of the Scheme Booklet.

6.6 Verification

Each party must undertake appropriate verification processes for the information supplied by that party in the Scheme Booklet.

6.7 Conduct of Court proceeding

The Target and Bidder Parent are entitled to separate representation at all Court proceedings relating to the Scheme. This document does not give the Target or BidCo any right or power to give undertakings to the Court for or on behalf of the other party without that party's written consent. The Target must give, and Bidder Parent must procure that BidCo give, all undertakings to the Court in all Court proceedings which are reasonably required to obtain Court approval and confirmation of the Scheme as contemplated by this document.

6.8 Appeal process

If the Court refuses to make orders convening the Scheme Meeting or approving the Scheme, the Target, and Bidder Parent must, appeal the Court's decision to the fullest extent possible except to the extent that:

- (a) the parties agree otherwise; or
- (b) an independent senior counsel of the New South Wales bar advises that, in their opinion, an appeal would have no reasonable prospect of success before the End Date,

in which case either party may terminate this document in accordance with clause 13.1(g)(iii).

6.9 Transaction Implementation Committee

The parties must establish a Transaction Implementation Committee as soon as reasonably practical after the date of this document. The role of the Transaction

Implementation Committee will be to act as a forum for consultation and planning by the parties to:

- (a) implement the Scheme; and
- (b) subject to clause 6.10, ensure the smooth transition of the management of the business and affairs of the Target Group to the BidCo following the implementation of the Scheme.

6.10 No partnership or joint venture

Subject to this document, nothing in this clause requires either party to act at the direction of the other. The business of each party will continue to operate independently from the other until the Implementation Date. The parties agree that nothing in this document constitutes the relationship of a partnership or a joint venture between the parties.

7 Target Board recommendation

7.1 Best endeavours

The Target must use its best endeavours to procure that none of its directors withdraws, or changes their recommendation in favour of the Scheme, unless:

- (a) there is a Superior Proposal; or
- (b) the Independent Expert concludes that the Scheme is not fair and reasonable to, or not in the best interests of, the Scheme Shareholders, or adversely changes its previously given opinion that the Scheme is fair and reasonable to and in the best interests of the Scheme Shareholders; and
- (c) the Target Board determines in good faith, having received expert advice in writing from its legal advisors that they must do so because of their fiduciary or statutory duties to Scheme Shareholders.

8 Directors and employees

8.1 Release of Target and Target directors and officers

Subject to the Corporations Act, Bidder Parent releases its rights, and agrees with the Target that it will not make a claim, against any Target Indemnified Party (other than the Target and its Related Bodies Corporate) as at the date of this document and from time to time in connection with:

- (a) any breach of any representations and warranties of the Target or any other member of the Target Group in this document; or
- (b) any disclosure containing any statement which is false or misleading whether in content or by omission,

whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except whether the Target Indemnified Party has not acted in good faith or has engaged in wilful misconduct or fraud. Nothing in this clause 8.1 limits the Bidder Parent's rights to terminate this document under clause 13.1.

8.2 Release of Bidder Parent and Bidder Parent directors and officers

Subject to the Corporations Act, the Target releases its rights, and agrees with Bidder Parent that it will not make a claim, against any Bidder Indemnified Party

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(other than Bidder Parent and its Related Bodies Corporate) as at the date of this document and from time to time in connection with:

- (a) any breach of any representations and warranties of Bidder Parent or any other member of the Bidder Group in this document; or
- (b) any disclosure containing any statement which is false or misleading whether in content or by omission,

whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except whether the Bidder Indemnified Party has not acted in good faith or has engaged in wilful misconduct or fraud. Nothing in this clause 8.2 limits the Target's rights to terminate this document under clause 13.1.

8.3 Benefit for Bidder Indemnified Parties

Bidder Parent receives and holds the benefit of this clause to the extent it relates to each Bidder Indemnified Party on behalf of each of them.

8.4 Benefit for Target Indemnified Parties

The Target receives and holds the benefit of this clause to the extent it relates to each Target Indemnified Party on behalf of each of them.

8.5 Appointment/retirement of Target directors

On the Implementation Date, but subject to the Scheme Consideration having been paid to the Scheme Participants and receipt by the Target of signed consents to act, the Target must use its reasonable endeavours to:

- (a) cause the appointment of each Incoming Director to the Target Board; and
- (b) procure that each of the Outgoing Directors retire from the Target Board, and use all reasonable endeavours to procure that each Outgoing Director provides written notice to the effect that they have no claim outstanding for loss of office, remuneration or otherwise against the Target,

in each case, in accordance with the Target Constitution, the Corporations Act and the Listing Rules.

8.6 Directors' and officers' insurance

- (a) Subject to the Scheme becoming Effective and subject to the Corporations Act, Bidder Parent undertakes in favour of the Target and each other person who is a Target Indemnified Party that it will:
 - (i) for a period of 7 years from the Implementation Date, ensure that the constitutions of the Target and each other member of the Target Group continue to contain such articles as are contained in those constitutions at the date of this document that provide for each company to indemnify each of its directors and officers against any liability incurred by that person in his or her capacity as a director or officer of the company to the maximum extent permitted by law; and
 - (ii) procure that the Target and each other member of the Target Group complies with any deeds of indemnity, access and insurance made by them in favour of their respective directors and officers from time to time and without limiting the foregoing, ensure that the directors' and officers' run-off insurance cover for

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those directors and officers is maintained for a period of 7 years from the retirement date of each director and officer.

- (b) Notwithstanding any other provision of this document, the Target may, prior to Implementation Date, enter into arrangement to secure director and officers' run-off insurance for up to 7 years from the Implementation Date. Any actions to facilitate, or in connection with, that insurance will not be a Target Prescribed Event or a breach of any provision of this document.

8.7 Benefit of undertaking for Target Group

The Target acknowledges that it receives and holds the benefit of clause 8.6 to the extent it relates to each director and officer of a member of the Target Group on behalf of each of them.

9 Conduct of business

9.1 Overview

From the date of this document up to and including the Implementation Date, the Target must, and must cause each member of the Target Group to, conduct its business in the ordinary course and in substantially the same manner as previously conducted.

9.2 Specific obligations

Without limiting clause 9.1 and other than with the prior approval of Bidder Parent (which approval must not be unreasonably withheld or delayed) or as required by this document, the Target must, during the period contemplated by clause 9.1, use reasonable endeavours to ensure that the Target and each member of the Target Group:

- (a) **(business and assets)** maintains the condition of its business and assets;
- (b) **(officers and employees)** keeps available the services of its officers and employees;
- (c) **(relationships)** preserves its relationships with customers, suppliers, licensors, licensees, joint venturers and others with whom it has business dealings;
- (d) **(change of control consents)** provides all assistance as may reasonably be requested by the Bidder Parent to obtain any change of control consents identified by the Bidder Group as being required in connection with the Proposed Transaction;
- (e) **(financial reporting)** provides regular reports on the affairs of the Target Group in a timely manner to Bidder Parent;
- (f) **(Claim)** promptly notifies Bidder Parent of any material Claims (including, without limitation, before a court or Government Agency) which may be threatened, brought, asserted or commenced against any member of the Target Group or their directors or officers and consult with Bidder Parent in relation to such matter to the extent reasonably required;
- (g) **(no Target Prescribed Event or Material Adverse Effect)** ensures that, between (and including) the date of this document and 8.00am on the Second Court Date, there is no occurrence reasonably within its

control or the control of any Target Group entity that would constitute a Target Prescribed Event or Material Adverse Effect; and

- (h) **(notification)** promptly notifies the Bidder Parent of anything of which it becomes aware that makes any of the Target Representations and Warranties false, inaccurate, misleading or deceptive in any material respect.

9.3 Prohibited actions

Other than with the prior approval of Bidder Parent (which approval must not be unreasonably withheld or delayed) or as required by this document the Target must not, and must ensure that each member of the Target Group does not, during the period referred to in clause 9.1:

- (a) **(acquisitions, disposals and tenders);**
 - (i) acquire or dispose of;
 - (ii) agree to acquire or dispose of; or
 - (iii) offer, propose, announce a bid or tender for,

any business, assets or securities, entity or undertaking the value of which exceeds \$1,000,000 individually or \$2,000,000, other than in the ordinary course of business, in aggregate (outside transactions otherwise Disclosed or approved);
- (b) **(financial accommodation)** other than in the ordinary course of business, provide financial accommodation other than to members of the Target Group in excess of A\$100,000 (individually or in aggregate);
- (c) **(employment agreements)** other than in the ordinary course of business, increase the remuneration of (including with regard to superannuation benefits) or benefits provided to or pay any bonus (other than in accordance with existing arrangements and in the ordinary course) or issue any securities or options to, or otherwise vary the employment agreements with, any of its directors or employees, subject to clause 4.6;
- (d) **(accelerate rights)** subject to clause 4.6, accelerate the rights of any of its directors or employees to benefits of any kind;
- (e) **(termination payments)** pay a director, executive or employee a termination payment, other than as provided for in an existing employment contract in place as at the date of this document and a copy of which has previously been provided to Bidder Parent;
- (f) **(dividends)** announce, declare or pay any dividends other than the Permitted Dividend;
- (g) **(derivatives)** enter into an agreement, arrangement or transaction with respect to derivative instruments (including swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments, except:
 - (i) derivative instruments including foreign exchange hedging entered into in the ordinary course of business and consistent with past practice or in relation to the payment of a distribution by the Target; or

- (ii) in connection with the rolling over or renewals of existing positions in the ordinary course of business;
- (h) **(accounting policies)** change accounting policy other than any change required by applicable accounting standards;
- (i) **(competing commitments)** other than in the ordinary course of business, entering into a contract or commitment restraining a member of the Target Group from competing with any person or conducting activities in any market;
- (j) **(tax)** do anything that would result in a change in the Target Consolidated Tax Group; or
- (k) **(agree)** agree to do any of the matters set out above.

9.4 Exceptions to conduct of business provisions

Nothing in this clause 9 restricts the ability of the Target to take any action which:

- (a) is expressly required or permitted by this document, the Scheme, or otherwise required by law or any order of a Court or Regulatory Authority;
- (b) has been Disclosed to Bidder Parent;
- (c) has been disclosed by the Target to ASX before the date of this document;
- (d) has been agreed to in writing by Bidder Parent; or
- (e) is undertaken in the ordinary course of the Target Group's business.

9.5 Access to people and Target Information

Between the date of this document and the Implementation Date, so long as the Target Board considers the Scheme to be in the best interests of, the Scheme Shareholders, the Target must:

- (a) as soon as reasonably practicable provide Bidder Parent and its officers and advisers with any documents, records, and other information (subject to any existing confidentiality obligations owed to third parties, or applicable privacy laws) reasonably requested by them; and
- (b) provide Bidder Parent and its officers and advisers with reasonable access to the Target's officers and advisers which Bidder Parent reasonably requires for the purposes of:
 - (i) understanding the Target's financial position (including its cash flow and working capital position), trading performance and management control systems;
 - (ii) implementing the Scheme;
 - (iii) preparing for carrying on the business of the Target following implementation of the Scheme; and
 - (iv) any other purpose which is agreed in writing between the parties.

provided that:

- (c) nothing in this clause requires the Target to provide information concerning the Target's consideration of the Scheme; and
- (d) compliance with any such request would not, in the Target's reasonable opinion, result in undue disruption to the Target Group's business.

9.6 No amendment or waiver of Equity Commitment Letter

- (a) As a continuing obligation Bidder Parent will not, without the Target's prior written consent, amend or permit the amendment of the Equity Commitment Letter nor waive any of its rights under the Equity Commitment Letter in any respect.
- (b) As a continuing obligation, the Bidder Parent will enforce its rights under the Equity Commitment Letter wherever necessary to enable Bidder Parent and BidCo to:
 - (i) perform their obligations under this document; or
 - (ii) meet any Claims made by Target against the Bidder Parent or BidCo under or in respect of this document.

10 Exclusivity

10.1 No existing discussions

- (a) The Target represents and warrants that, other than the discussions with Bidder Parent and its Representatives in respect of the Scheme, it is not currently in negotiations or discussions in respect of any Competing Transaction with any person.
- (b) Bidder Parent represents and warrants that, other than discussions with the Target and its Representatives in respect of the Proposed Transaction, neither they nor their Related Bodies Corporate are currently in negotiations or discussions in respect of any other honey-related business.

10.2 No-shop

During the Exclusivity Period, the Target must ensure that neither it nor any of its Representatives directly or indirectly:

- (a) solicits, invites, encourages or initiates any enquiries, negotiations or discussions; or
- (b) communicates any intention to do any of these things,

with a view to obtaining any offer, proposal or expression of interest from any person in relation to a Competing Transaction.

10.3 No-talk

Subject to clause 10.5, during the Exclusivity Period, the Target must ensure that neither it nor any of its Representatives:

- (a) negotiates or enters into; or
- (b) participates in negotiations or discussions regarding,

a Competing Transaction or any agreement, understanding or arrangement that may be reasonably expected to lead to a Competing Transaction, even if that person's Competing Transaction was not directly or indirectly solicited, invited,

encouraged or initiated by the Target or any of its Representatives or even if the person has publicly announced the Competing Transaction.

10.4 Due diligence information

Subject to clauses 10.5 and 10.6, during the Exclusivity Period, the Target must ensure that neither it nor any of its Representatives in relation to a Competing Transaction:

- (a) enables any person other than Bidder Parent to undertake due diligence investigations on any member of the Target Group or their businesses or operations; or
- (b) makes available to any person, or permits any person to receive, other than Bidder Parent (in the course of due diligence investigations or otherwise) any non-public information relating to any member of the Target Group or their businesses or operations.

10.5 Exceptions

Clause 10.3 and clause 10.4 and the obligation under clause 10.7(a) to inform the Bidder Parent of the identity of a potential Third Party bidder or acquirer do not apply to the extent that they restrict the Target or the Target Board from taking or refusing to take any action with respect to a genuine potential Competing Transaction (which was not solicited, invited, encouraged or initiated by the Target in contravention of clause 10.2) provided that the Target Board has determined, in good faith that:

- (a) after consultation with its financial advisors, such a genuine Competing Transaction is, or could reasonably be considered to become, a Superior Proposal; and
- (b) after receiving legal advice from its external legal advisers (who must be reputable advisers experienced in transactions of this nature) that failing to respond to such a genuine Competing Transaction would be reasonably likely to constitute a breach of the Target Board's fiduciary or statutory obligations.

10.6 Further exceptions

Nothing in this document prevents the Target from:

- (a) continuing to make normal presentations to, and to respond to enquiries from, brokers, portfolio investors and analysts in the ordinary course in relation to the Scheme or its business generally; or
- (b) fulfilling its continuous disclosure requirements.

10.7 Notice of unsolicited approach

During the Exclusivity Period, the Target must promptly inform Bidder Parent if it or any of its Representatives:

- (a) receives any unsolicited approach with respect to any Competing Transaction and must disclose to Bidder Parent reasonable details of the Competing Transaction, including price and the identity of the potential Third Party bidder or acquirer in respect of the actual, proposed or potential Competing Transaction. If the exception in clause 10.5 applies such that the Target is not required to disclose the identity of the potential Third Party bidder or acquirer, the Target must, instead, promptly provide to the Bidder Parent all reasonable information regarding the characteristics of the potential Third Party bidder or

acquirer, including (but not limited to) whether it is Australian or foreign, publicly listed or unlisted, a financial or strategic investor; or

- (b) receives any information relating to the Target or any of its Related Bodies Corporate or any of their businesses or operations or any request for access to the books or records of the Target or any of its Related Bodies Corporate, which the Target believes relates, or is likely to relate, to a current or future Competing Transaction.

10.8 Matching right

Without limiting clauses 10.2 and 10.3 but subject to clause 10.5, during the Exclusivity Period, the Target must not enter into any legally binding agreement, arrangement or understanding (whether or not in writing) pursuant to which a Third Party, the Target or both proposes or propose to undertake or give effect to an actual, proposed or potential Competing Transaction unless:

- (a) the Target Board acting in good faith and in order to satisfy what the Target Board considers to be its statutory or fiduciary duties (having received advice from its external legal advisers), determines that the Competing Transaction would be or would be likely to be an actual, proposed or potential Superior Proposal;
- (b) the Target has provided Bidder Parent with reasonable details of the actual, proposed or potential Competing Transaction, including price and the identity of the Third Party making the actual, proposed or potential Competing Transaction;
- (c) the Target has given Bidder Parent at least 3 Business Days after the date of the provision of the information referred to in clause 10.8(b) to provide a matching or superior proposal to the terms of the actual, proposed or potential Competing Transaction; and
- (d) Bidder Parent has not submitted a matching or superior proposal to the terms of the actual, proposed or potential Competing Transaction by the expiry of the 3 Business Day period referred to in clause 10.8(c), which the Target Board, acting reasonably and in good faith, determines would provide an equivalent or superior outcome for Scheme Shareholders as a whole compared with the Competing Transaction.

The Target acknowledges and agrees that each successive modification of any actual, proposed or potential Competing Transaction will constitute a new actual, proposed or potential Competing Transaction for the purposes of the requirements under clause 10.8 and accordingly the Target must comply with clause 10.8(a) and clause 10.8(b) in respect of any new actual, proposed or potential Competing Transaction unless clauses 10.8(c) and 10.8(d) (inclusive) apply.

10.9 Bidder counterproposal

If Bidder Parent proposes to the Target, or announces amendments to the Proposed Transaction or a new proposal that constitute a matching or superior proposal to the terms of the actual, proposed or potential Competing Transaction (“**Bidder Counterproposal**”) by the expiry of the 3 Business Day period referred to in clause 10.8(c), the Target must procure that the Target Board considers the Bidder Counterproposal and if the Target Board, acting reasonably and in good faith, determines that the Bidder Counterproposal would provide an equivalent or superior outcome for Scheme Shareholders as a whole compared with the Competing Transaction, taking into account all of the terms and conditions of the Bidder Counterproposal, then:

- (a) the Target and Bidder Parent must use their best endeavours to agree the amendments to this document and, enter into, the transaction documents that are reasonably necessary to reflect the Bidder Counterproposal and to implement the Bidder Counterproposal, in each case as soon as reasonably practicable; and
- (b) the Target must procure that each of the directors of the Target continues to recommend the Proposed Transaction (as modified by the Bidder Counterproposal) to Scheme Shareholders.

11 Reimbursement Fee

11.1 Background

This clause has been agreed in circumstances where:

- (a) Bidder Parent and Target believe that the Scheme will provide significant benefits to the Bidder Group, Target and their respective shareholders, and Bidder Parent and Target acknowledge that, if they enter into this document and the Scheme is subsequently not implemented, the Bidder Group will incur significant costs, including those set out in clause 11.5;
- (b) Bidder Parent requested that provision be made for the Reimbursement Fee, without which Bidder Parent would not have entered into this document; and
- (c) both Bidder Parent Board and Target Board believe that it is appropriate for both parties to agree to the payment referred to in this clause to secure BidCo's and Bidder Parent's participation in the Scheme.

11.2 Payment by the Target to Bidder Parent

The Target agrees to pay the Reimbursement Fee to Bidder Parent without withholding or set off if the Scheme does not proceed because:

- (a) **(Competing Transaction)** during the Exclusivity Period, a Competing Transaction is announced and within 12 months of the date of such announcement a Competing Transaction of the kind referred to in paragraphs (b), (c) or (d) of the definition of "Competing Transaction" completes or the relevant third party who announced or made the Competing Transaction (or any of its Associates) otherwise acquires control of the Target;
- (b) **(change of recommendation by majority)** during the Exclusivity Period, a majority of the Target Director fails to recommend the Scheme or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating that he or she no longer supports the Scheme, except where the change of recommendation or statement is made after the Independent Expert concludes that in the opinion of the Independent Expert the Scheme is not fair or not reasonable to or not in the best interests of Scheme Shareholders (other than where a Competing Transaction has been proposed or announced before the report is issued which the Independent Expert may reasonably regard to be on more favourable terms than the transaction contemplated by this document);
- (c) **(change of recommendation)** during the Exclusivity Period, both:
- (i) any Target Director fails to recommend the Scheme or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating that he or she no longer supports the Scheme, except

where the change of recommendation or statement is made after the Independent Expert concludes that in the opinion of the Independent Expert the Scheme is not fair or not reasonable to or not in the best interests of Scheme Shareholders (other than where a Competing Transaction has been proposed or announced before the report is issued which the Independent Expert may reasonably regard to be on more favourable terms than the transaction contemplated by this document); and

- (ii) the Scheme Shareholders' vote is not approved at the Scheme Meeting.
- (d) **(Bidder Parent termination)** Bidder Parent validly terminates this document in accordance with clause 13.1(c); or
- (e) **(Target termination)** the Target terminates this document following the Target Board determining that a Competing Transaction which was not solicited, invited, encouraged or initiated in breach of the exclusivity provisions is a Superior Proposal.

11.3 No amount payable if Scheme becomes Effective

Notwithstanding the occurrence of any event in clause 11.2, if the Scheme becomes Effective:

- (a) no amount is payable by the Target under clause 11.2; and
- (b) if any amount has already been paid under clause 11.2 it must be refunded by Bidder Parent.

11.4 Timing of payment

- (a) A demand by Bidder Parent for payment of the Reimbursement Fee under clause 11.2 must:
 - (i) be in writing;
 - (ii) be made after the occurrence of the event in that clause giving rise to the right to payment;
 - (iii) state the circumstances which give rise to the demand; and
 - (iv) nominate an account in the name of Bidder Parent into which the Target must pay the Reimbursement Fee.
- (b) The Target must pay the Reimbursement Fee to Bidder Parent under clause 11.2 without withholding or set off within 5 Business Days of receipt by the Target of a valid demand for payment from Bidder Parent under clause 11.4(a).

The demand may only be made after the occurrence of an event referred to in clause 11.2.

11.5 Nature of payment

The Reimbursement Fee is an amount to compensate Bidder Parent for:

- (a) advisory costs;
- (b) costs of management and directors' time;
- (c) out-of-pocket expenses;

- For personal use only
- (d) the distraction of Bidder Group and Consortium's management from conducting Bidder Parent and Consortium's respective business as usual caused by pursuing the Scheme;
 - (e) reasonable opportunity costs incurred by the Bidder Group and Consortium in pursuing the Scheme or in not pursuing alternative acquisitions or strategic initiatives which the Bidder Group and Consortium could have developed to further their business and objectives; and
 - (f) damage to the Bidder Group and Consortium's reputation associated with a failed transaction and the implications of that damage to their respective businesses.

The parties agree that the costs incurred are of a nature that they cannot be accurately quantified and that a genuine pre-estimate of the costs would equal or exceed the amount payable under clause 11.2.

11.6 Reduction in amount payable

- (a) The Reimbursement Fee is reduced by an amount equal to the amount which is recovered by Bidder Parent as a result of a claim against the Target pursuant to any other remedies available to Bidder Parent under this document including pursuant to clause 12.1.
- (b) Where the Reimbursement Fee has already been paid, Bidder Parent must, within 5 Business Days of the event contemplated by clause 11.6(a) which would have reduced the amount payable, refund an amount to the Target which is equivalent to that calculated under clause 11.6(a).

11.7 Target's limitation of liability

Notwithstanding any other provision of this document but subject to clause 11.8:

- (a) the maximum liability of the Target to Bidder Parent under or in connection with this document including in respect of any breach of this document will be the Reimbursement Fee; and
- (b) the payment by the Target of the Reimbursement Fee represents the sole and absolute amount of liability of the Target under or in connection with this document and no further damages, fees, expenses or reimbursements of any kind will be payable by the Target in connection with this document.

11.8 Compliance with law

If it is determined by the Takeovers Panel or a Court that all or any part of the amount payable under clause 11.2:

- (a) is unlawful or would if performed be, unlawful;
- (b) involves a breach of the duties of the Target Board; or
- (c) constitutes unacceptable circumstances within the meaning of the Corporations Act,

then Target's obligation to pay the applicable amount or part of the amount payable under clause 11.2 does not apply and if Bidder Parent has received any such part of the payment due under clause 11.2 it must refund it within 5 Business Days of such determination.

The parties must not make or cause or permit to be made any application to a Court, arbitral tribunal or the Takeovers Panel for or in relation to a determination referred to in this clause 11.8.

12 Representations and warranties

12.1 Target's representations and warranties

The Target represents and warrants to Bidder Parent (on its own behalf and separately as trustee or nominee for each of Bidder Parent directors and BidCo) that each of the following statements is true and correct in all material respects as at the date of this document and as at 5.00pm on the Business Day immediately prior to the Second Court Date:

- (a) **(status)** it has been incorporated or formed in accordance with the laws of its place of incorporation;
- (b) **(power)** it has power to enter into this document, to comply with its obligations under it and exercise its rights under it;
- (c) **(no contravention)** the entry by it into, its compliance with its obligations and the exercise of its rights under, this document do not and will not conflict with:
 - (i) its constituent documents or cause a limitation on its powers or the powers of its directors to be exceeded; or
 - (ii) any law binding on or applicable to it or its assets;
- (d) **(authorisations)** it has in full force and effect each authorisation necessary for it to enter into this document, to comply with its obligations and exercise its rights under it, and to allow them to be enforced;
- (e) **(validity of obligations)** its obligations under this document are valid and binding and are enforceable against it in accordance with its terms;
- (f) **(reliance)** the Target Information contained in the Scheme Booklet will be included in good faith and on the understanding that Bidder Parent and its directors will rely on that information for the purposes of considering and approving the Bidder Information in the Scheme Booklet before it is despatched, approving the entry into the Deed Poll and implementing the Scheme;
- (g) **(Target Information)** the Target Information provided in accordance with this document and included in the Scheme Booklet as at the date of the Scheme Booklet will not contain any material statement which is misleading or deceptive nor contain any material omission having regard to applicable disclosure requirements and will comply in all material respects with the requirements of the Corporations Act, the Listing Rules and all relevant regulatory guides and other guidelines and requirements of ASIC;
- (h) **(continuous disclosure)** the Target is not in breach of its continuous disclosure obligations under the Listing Rules and is not relying on the carve-out in Listing Rule 3.1A to withhold any material information from disclosure (other than the transaction contemplated by this document);
- (i) **(information)** the information Disclosed by the Target to the Bidder Group has been provided in good faith;

- (j) **(provision of information to Independent Expert)** all information provided by or on behalf of the Target to the Independent Expert to enable the Independent Expert's Report to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purpose of preparing the Independent Expert's Report;
- (k) **(securities)** the Target's issued securities as at the date of this document are 9,457,481 Target Shares (and 1 Foundation Share) and 60,000 options, and other than as Disclosed it has not issued or agreed to issue any other securities or instruments which are still outstanding and which may convert into Target Shares;
- (l) **(no Encumbrances)** there are no material Encumbrances over all or any of its assets or revenues; and
- (m) **(Insolvency event)** no member of the Target Group is Insolvent.

12.2 Target's indemnity

The Target indemnifies Bidder Parent Indemnified Parties against all Losses incurred directly or indirectly as a result of any of the representations and warranties in clause 12.1 not being true and correct.

12.3 Bidder representations and warranties

Each of Bidder Parent and BidCo represents and warrants to the Target (on its own behalf and separately as trustee or nominee for each of the Target directors) that each of the following statements is true and correct in all material respects as at the date of this document and as at 5.00pm on the Business Day immediately prior to the Second Court Date:

- (a) **(status)** it has been incorporated or formed in accordance with the laws of its place of incorporation;
- (b) **(power)** it has power to enter into this document, to comply with its obligations under it and exercise its rights under it;
- (c) **(no contravention)** the entry by it into, its compliance with its obligations and the exercise of its rights under, this document do not and will not conflict with:
- (i) its constituent documents or cause a limitation on its powers or the powers of its directors to be exceeded; or
 - (ii) any law binding on or applicable to it or its assets;
- (d) **(authorisations)** it has in full force and effect each authorisation necessary for it to enter into this document, to comply with its obligations and exercise its rights under it, and to allow them to be enforced;
- (e) **(validity of obligations)** its obligations under this document are valid and binding and are enforceable against it in accordance with its terms;
- (f) **(reliance)** the Bidder Information provided to the Target for inclusion in the Scheme Booklet will be provided in good faith and on the understanding that the Target and its directors will rely on that information for the purposes of preparing the Scheme Booklet and proposing and implementing the Scheme in accordance with the Corporations Act;

- (g) **(Bidder Information)** the Bidder Information provided in accordance with this document and included in the Scheme Booklet, as at the date of the Scheme Booklet, will not contain any material statement which is misleading or deceptive nor contain any material omission having regard to applicable disclosure requirements and will comply in all material respects with the requirements of the Corporations Act, the Listing Rules and all relevant regulatory guides and other guidelines and requirements of ASIC;
- (h) **(provision of information to Independent Expert)** all information provided by or on behalf of the Bidder Group to the Independent Expert to enable the Independent Expert's Report to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purpose of preparing the Independent Expert's Report;
- (i) **(Equity Commitment Letter)** the Equity Commitment Letter has been duly executed by the parties to that letter and constitutes legally binding obligations of those parties that are enforceable in accordance with its terms and has not been terminated;
- (j) **(no change to the Equity Commitment Letter)** as a continuing obligation, without the prior written consent of the Target, the Bidder Parent will not, and will procure each of Wattle Hill RHC Fund 1 and ROC Capital Pty Limited as trustee for Roc B&Y Investment Trust not to, amend the Equity Commitment Letter in any respect;
- (k) **(unconditional cash reserves on the Second Court Date and the Implementation Date)** by 8.00am on the Second Court Date and on the Implementation Date, the Bidder Group will have available to it on an unconditional basis (other than, on the Second Court Date, conditions relating to the approval of the Court and other conditions within the sole control of the Bidder Group) sufficient cash reserves (whether from internal cash reserves or external funding arrangements, including equity and debt financing or a combination of both) to satisfy BidCo's obligations to pay the Scheme Consideration in accordance with its obligations under this document, the Scheme and the Deed Poll;
- (l) **(Insolvency event)** no member of the Bidder Group is Insolvent;
- (m) **(securities)** except as Disclosed:
- (i) Bidder Parent's issued and outstanding securities at the First Court Date will be 4 Bidder Parent Shares;
 - (ii) Bidder Parent will own all of the issued shares in BidCo; and
 - (iii) no member of the Bidder Group has issued or agreed to issue any other securities or instruments that are still outstanding and that may convert into or be exchanged for Bidder Parent Shares; and
- (n) **(capital structure)** except as Disclosed and unless agreed with the Target, Bidder Parent will not issue any Bidder Parent Shares:
- (i) other than for cash or as Scrip Consideration;
 - (ii) at an issue price that is less than \$20.06 per Bidder Parent Share; and

- (iii) other than in connection with the funding of the Scheme Consideration.

12.4 Bidder Parent and BidCo's indemnity

Each of Bidder Parent and BidCo indemnifies the Target Indemnified Parties against all Losses incurred directly or indirectly as a result of any of the representations and warranties in clause 12.3 not being true and correct.

12.5 Bidder Parent Share count

On the Scheme becoming Effective (for clarity, following the issuance of Bidder Parent Shares as Scrip Consideration and under the Bidder Parent Share Offer), Bidder Parent's issued securities will comprise 9,457,481 Bidder Parent Shares, and as at that date Bidder Parent will not have issued or agreed to issue any other securities or instruments which may convert into Bidder Parent Shares without the consent of the Target.

13 Termination

13.1 Termination events

This document may be terminated:

- (a) **(End Date)** by either party, if the Scheme has not become Effective on or before the End Date;
- (b) **(lack of support)** by Bidder Parent at any time prior to 8.00am on the Second Court Date if a majority of the Target Board changes its recommendation or fails to recommend to the Scheme Participants that they vote in favour of the resolution to approve the Scheme;
- (c) **(material breach)** by either Bidder Parent or the Target at any time prior to 8.00am on the Second Court Date, if the other is in material breach of a term of this document (including any representation and warranty not being true and correct), taken in the context of the Scheme as a whole, provided that Bidder Parent or the Target (as the case may be) has, if practicable, given notice to the other setting out the relevant circumstances and the relevant circumstances continue to exist 5 Business Days (or any shorter period ending at 8.00am on the Second Court Date) after the time such notice is given;
- (d) **(Target Prescribed Event or Material Adverse Effect)** by Bidder Parent if at any time prior to 8.00am on the Second Court Date, there is a Target Prescribed Event or Material Adverse Effect;
- (e) **(competing interest)** by Bidder Parent, if a person (other than BidCo, its Associates or an existing Scheme Shareholder) has a Relevant Interest in more than 20% of the Target Shares;
- (f) **(Competing Transaction)** by the Target if the Target Board determines that a Competing Transaction that was not solicited, invited, encouraged or initiated in breach of clause 10.2 is a Superior Proposal;
- (g) **(consultation or appeal failure)** in accordance with and pursuant to:
 - (i) clause 3.6(a);
 - (ii) clause 3.6(b); or
 - (iii) clause 6.8; or

(h) **(agreement)** if agreed to in writing by Bidder Parent and the Target.

13.2 Termination

Where a party has a right to terminate this document, that right for all purposes will be validly exercised if the party delivers a notice in writing to the other party stating that it terminates this document and the grounds on which the party is relying to terminate this document.

13.3 Effect of Termination

If this document is terminated by either party, or if this document otherwise terminates in accordance with its terms, then in either case all further obligations of the parties under this document, other than the obligations set out in this clause and in clause 11, and 15 to 20 (inclusive) will immediately cease to be of further force and effect without further liability of any party to the other, provided that nothing in this clause releases any party from liability for any pre-termination breach of this document.

13.4 Damages

Subject to clause 11, in addition to the right of termination under clause 13.1, the non-defaulting party is entitled to damages for Losses suffered by it and expenses incurred by it as a result of the breach of the terms of this document.

14 Public announcements

14.1 Public announcement of Scheme

Immediately after signing this document, the parties must issue a joint public announcement of the proposed Scheme in the form contained in Annexure A.

14.2 Required disclosure

Where a party is required by any applicable law or any Listing Rule to make any announcement or make any disclosure in connection with the Scheme, it must use all reasonable endeavours, to the extent practicable and lawful, to consult with the other party prior to making the relevant disclosure.

14.3 Other announcements

Subject to clauses 14.1 and 14.2, no party may make any public announcement or disclosure in connection with the Scheme (including disclosure to a Regulatory Authority) other than in a form approved by each party (acting reasonably). Each party will use all reasonable endeavours to provide such approval as soon as practicable.

15 Confidential Information

15.1 Disclosure of Bidder Confidential Information

Each party acknowledges and agrees that it continues to be bound by the Confidentiality and Exclusivity Agreement in respect of all information received by it from the other party on, before or after the date of this document.

15.2 Termination

This clause will survive termination (for whatever reason) of this document.

16 Notices and other communications

16.1 Form

Unless this document expressly states otherwise, all notices, demands, certificates, consents, approvals, waivers and other communications in connection with this document must be in writing and signed by the sender (if an individual) or an Authorised Officer of the sender.

All communications (other than email communications) must also be marked for the attention of the person referred to in the Details (or, if the recipient has notified otherwise, then marked for attention in the way last notified).

Email communications must state the first and last name of the sender and are taken to be signed by the named sender.

16.2 Delivery

Communications must be:

- (a) left at the address referred to in the Details;
- (b) sent by regular ordinary post (airmail if appropriate) to the address referred to in the Details; or
- (c) sent by email to the address referred to in the Details.

If the intended recipient has notified changed contact details, then communications must be sent to the changed contact details.

16.3 When effective

Communications take effect from the time they are received or taken to be received under clause 16.4 ("When taken to be received") (whichever happens first) unless a later time is specified in the communication.

16.4 When taken to be received

Communications are taken to be received:

- (a) if sent by post, 6 Business Days after posting (or 10 days after posting if sent from one country to another);
- (b) if sent by email:
 - (i) when the sender receives an automated message confirming delivery; or
 - (ii) 4 hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that delivery failed,

whichever happens first.

16.5 Receipt outside business hours

Despite anything else in this clause 16, if communications are received or taken to be received under clause 16.4 ("When taken to be received") after 5.00pm on a Business Day or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day. For the purposes of this clause, the place in the definition of Business Day is taken to be the place specified in the Details as the address of the recipient and the time of receipt is the time in that place.

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17 GST

17.1 Definitions and interpretation

For the purposes of this clause:

- (a) “**GST Act**” means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth);
- (b) a term which has a defined meaning in the GST Act has the same meaning when used in this clause, unless the contrary intention appears; and
- (c) each periodic or progressive component of a supply to which section 156-5(1) of the GST Act applies will be treated as if it were a separate supply.

17.2 GST exclusive

Unless this document expressly states otherwise, all consideration to be provided under this document is exclusive of GST.

17.3 Payment of GST

- (a) If GST is payable, or notionally payable, on a supply in connection with this document, the party providing the consideration for the supply agrees to pay to the supplier an additional amount equal to the amount of GST payable on that supply (“**GST Amount**”).
- (b) Subject to the prior receipt of a tax invoice, the GST Amount is payable at the same time as the GST-exclusive consideration for the supply, or the first part of the GST-exclusive consideration for the supply (as the case may be), is payable or is to be provided.
- (c) This clause does not apply to the extent that the consideration for the supply is expressly stated to include GST or the supply is subject to a reverse-charge.

17.4 Adjustment events

If an adjustment event arises for a supply made in connection with this document, the GST Amount must be recalculated to reflect that adjustment. The supplier or the recipient (as the case may be) agrees to make any payments necessary to reflect the adjustment and the supplier agrees to issue an adjustment note.

17.5 Reimbursements

Any payment, indemnity, reimbursement or similar obligation that is required to be made in connection with this document which is calculated by reference to an amount paid by another party must be reduced by the amount of any input tax credits which the other party (or the representative member of any GST group of which the other party is a member) is entitled. If the reduced payment is consideration for a taxable supply, clause 17.3 will apply to the reduced payment.

18 Costs

18.1 Costs

The parties agree to pay their own Costs in connection with the preparation, negotiation, execution and completion of this document, except for amounts covered by clause 18.2.

18.2 Costs following Effective Date

The parties acknowledge that subject to:

- (a) the Scheme becoming Effective; and
- (b) any required Target Shareholder and holding company shareholder approvals (and ASIC lodgement preconditions) after the Effective Date,

the Target will pay or reimburse:

- (c) all stamp duty, registration fees and similar taxes payable or assessed as being payable in connection with this document or any other transaction contemplated by this document (including any fees, fines, penalties and interest in connection with any of those amounts); and
- (d) all of Bidder Parent's external adviser Costs (excluding any costs of advisers which are affiliates of the Consortium) incurred in connection with the Proposed Transaction, estimated at \$5,106,600 plus GST.

19 General

19.1 Variation and waiver

A provision of this document, or right, power or remedy created under it, may not be varied or waived except in writing signed by the party to be bound.

19.2 Consents, approvals or waivers

By giving any approval, consent or waiver a party does not give any representation or warranty as to any circumstance in connection with the subject matter of the consent, approval or waiver.

19.3 Discretion in exercising rights

Unless this document expressly states otherwise, a party may exercise a right, power or remedy or give or refuse its consent, approval or a waiver in connection with this document in its absolute discretion (including by imposing conditions).

19.4 Partial exercising of rights

Unless this document expressly states otherwise, if a party does not exercise a right, power or remedy in connection with this document fully or at a given time, they may still exercise it later.

19.5 Conflict of interest

Each party may exercise their rights, powers and remedies in connection with this document even if this involves a conflict of duty or they have a personal interest in their exercise.

19.6 Remedies cumulative

The rights, powers and remedies in connection with this document are in addition to other rights, powers and remedies given by law independently of this document.

19.7 Indemnities and reimbursement obligations

Any indemnity, reimbursement or similar obligation in this document.

- (a) is a continuing obligation despite the satisfaction of any payment or other obligation in connection with this document, any settlement or any other thing;

- (b) is independent of any other obligations under this document; and
- (c) continues after this document, or any obligation arising under it, ends.

It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity in connection with this document.

19.8 Inconsistent law

To the extent the law permits, this document prevails to the extent it is inconsistent with any law.

19.9 Supervening law

Any present or future law which operates to vary the obligations of a party in connection with this document with the result that another party's rights, powers or remedies are adversely affected (including, by way of delay or postponement) is excluded except to the extent that its exclusion is prohibited or rendered ineffective by law.

19.10 Counterparts

This document may consist of a number of copies, each signed by one or more parties to it. If so, the signed copies are treated as making up a single document and the date on which the last counterpart is executed is the date of the document.

19.11 Entire agreement

This document (including the documents in the Schedules to this document) and the Confidentiality and Exclusivity Agreement constitute the entire agreement of the parties about its subject matter and supersedes all previous discussions, agreements, understandings and negotiations on that subject matter.

19.12 Further steps

Each party agrees to do anything (such as obtaining consents, signing and producing documents, producing receipts and getting documents completed and signed), which the other party asks and considers necessary to:

- (a) bind the party and any other person intended to be bound under this document; or
- (b) show whether the party is complying with this document.

19.13 No liability for loss

Unless this document expressly states otherwise, a party is not liable for any loss, liability or costs arising in connection with the exercise or attempted exercise of, failure to exercise, or delay in exercising, a right, power or remedy in connection with this document.

19.14 Severability

If the whole or any part of a provision of this document is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this document has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause has no effect if the severance alters the basic nature of this document or is contrary to public policy.

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19.15 Rules of construction

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this document or any part of it.

19.16 Assignment

A party may not assign or otherwise deal with its rights under this document or allow any interest in them to arise or be varied without the consent of the other party.

19.17 Enforceability

For the purpose of this document:

- (a) the Target is taken to be acting as agent and trustee on behalf of and for the benefit of all Target Indemnified Parties; and
- (b) Bidder Parent is taken to be acting as agent and trustee on behalf of and for the benefit of all Bidder Parent Indemnified Parties,

and all of those persons are to this extent taken to be parties to this document.

19.18 No representation or reliance

Each party acknowledges that:

- (a) no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this document, except for representations or inducements expressly set out in this document and the Equity Commitment Letter;
- (b) it does not enter into this document in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this document and the Equity Commitment Letter; and
- (c) clauses 19.18(a) and 19.18(b) above do not prejudice any rights a party may have in relation to information which had been filed by the other party with ASIC or ASX.

20 Governing law

20.1 Governing law and jurisdiction

The law in force in the place specified in the Details governs this document. The parties submit to the non-exclusive jurisdiction of the courts of that place.

20.2 Serving documents

Without preventing any other method of service, any document in an action in connection with this document may be served on a party by being delivered or left at that party's address for service of notices under clause 16.2 ("Delivery") or with its process agent.

EXECUTED as an agreement

Scheme Implementation Agreement

Schedule 1 Timetable (clause 6.1)

Event	Date
Lodge regulator draft of Scheme Booklet with ASIC and ASX	Wednesday, 12 September 2018
Application in respect of the Court hearing to be held on the First Court Date, filed with the Court, served on ASIC	Thursday, 13 September 2018
First Court Date	Wednesday, 10 October 2018
Printing and despatch of Scheme Booklet	Wednesday, 10 October 2018 – Monday, 15 October 2018
Scheme Consideration and Bidder Parent Share Offer Election	Tuesday, 13 November 2018
Scheme Meeting held	Thursday, 15 November 2018
Suspension of trading and freezing of Register	Friday, 16 November 2018
Payment of Cash Consideration into Target trust account	Thursday, 22 November 2018
Second Court Date	Thursday, 22 November 2018
Lodge Court order with ASIC (Effective Date)	Friday, 23 November 2018
Record Date	Wednesday, 28 November 2018
Implementation Date	Wednesday, 5 December 2018
Request for removal from the official list of ASX	Friday, 7 December 2018

Scheme Implementation Agreement

Signing page

DATED: _____

EXECUTED by BRAVO HOLDCO PTY LTD in accordance with section 127(1) of the *Corporations Act 2001* (Cth) by authority of its directors:

.....
Signature of director

.....
Name of director (block letters)

.....
Signature of director/company secretary*
*delete whichever is not applicable

.....
Name of director/company secretary* (block letters)
*delete whichever is not applicable

EXECUTED by BRAVO BIDCO PTY LTD in accordance with section 127(1) of the *Corporations Act 2001* (Cth) by authority of its directors:

.....
Signature of director

.....
Name of director (block letters)

.....
Signature of director/company secretary*
*delete whichever is not applicable

.....
Name of director/company secretary* (block letters)
*delete whichever is not applicable

EXECUTED by CAPILANO HONEY LIMITED in accordance with section 127(1) of the *Corporations Act 2001* (Cth) by authority of its directors:

.....
Signature of director

.....
Name of director (block letters)

.....
Signature of director/company secretary*
*delete whichever is not applicable

.....
Name of director/company secretary* (block letters)
*delete whichever is not applicable

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Annexure A Public announcement

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Scheme Implementation Agreement

Annexure B Scheme of Arrangement

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Scheme Implementation Agreement

Annexure C Deed Poll

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Scheme Implementation Agreement

Annexure D Bidder Parent Shareholders Deed

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Scheme of Arrangement

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Scheme of Arrangement

Dated

Capilano Honey Limited (ABN 55 009 686 435) ("**Target**")

Scheme Participants

King & Wood Malleons

Level 61
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia
T +61 2 9296 2000
F +61 2 9296 3999
DX 113 Sydney
www.kwm.com

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Scheme of Arrangement

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Scheme of Arrangement

Details

Parties

Target	Name	Capilano Honey Limited
	ACN	009 686 435
	Formed in	Queensland, Australia
	Address	399 Archerfield Rd Richlands QLD 4077
	Email	a.zbasnik@capilano.com.au
	Attention	Annette Zbasnik
Scheme Participants	Each person registered as a holder of fully paid ordinary shares in Target as at 5.00pm on the Record Date.	
Governing law	New South Wales, Australia	

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General terms

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited or the market operated by it, as the context requires.

Aggregate Bidder Parent Share Elections means the total number of Bidder Parent Shares the subject of all valid Bidder Parent Share Elections.

Authorised Officer means a director or secretary of a party or any other person nominated by a party to act as an Authorised Officer for the purposes of this document.

Available Bidder Parent Shares means 4,719,283 Bidder Parent Shares.

BidCo means Bravo BidCo Pty Ltd (ACN 628 070 459), a wholly-owned Subsidiary of Bidder Parent which is the transferee of Scheme Shares under the Scheme.

Bidder Parent means Bravo HoldCo Pty Ltd (ACN 628 069 474).

Bidder Parent Constitution means the Constitution of Bidder Parent as in effect at the date of the First Court Date, in substantially the form agreed between the Target and Bidder Parent before entry into the Scheme Implementation Agreement.

Bidder Parent Share means a fully paid ordinary share in the capital of Bidder Parent having the rights specified in the Bidder Parent Constitution and Bidder Parent Shareholders Deed.

Bidder Parent Share Elections means the Elections made by Scheme Participants to receive Scrip Consideration and to subscribe for Bidder Parent Shares pursuant to the Bidder Parent Share Offer.

Bidder Parent Share Offer means the offer made by Bidder Parent to Scheme Participants who elect to receive Scrip Consideration to subscribe for all of their entitlement of 0.5 Bidder Parent Shares for each Scheme Share held by the Scheme Participant (rounded down to the nearest whole number) at \$20.06 cash per Bidder Parent Share as provided for in this Scheme, subject to the Scaleback Arrangements.

Bidder Parent Shareholder means each person registered in the share register of Bidder Parent as a holder of Bidder Parent Shares.

Bidder Parent Shareholders Deed means the shareholders deed in the form set out in Annexure D of the Scheme Implementation Agreement.

Bidder Parent Trust Account means the trust account established by or on behalf of Target to hold the Subscription Monies received by, or on behalf of,

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Target from Scheme Shareholders who have applied for Bidder Parent Shares under the Bidder Parent Share Offer on trust for such Scheme Shareholders.

Business Day means a business day as defined in the Listing Rules.

Cash Consideration means \$20.06 cash per Scheme Share held by a Scheme Participant.

Court means the Federal Court of Australia, or such other court of competent jurisdiction under the Corporations Act agreed by the parties.

Deed Poll means the deed poll dated 8 October 2018 executed by Bidder Parent and BidCo substantially in the form of Annexure C of the Scheme Implementation Agreement or as otherwise agreed by Bidder Parent and Target under which each of Bidder Parent and BidCo covenants in favour of each Scheme Participant to perform its obligations under this Scheme.

Details means the section of this agreement headed "Details".

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which the Scheme becomes Effective.

Election means an election that a Scheme Participant makes in accordance with the Scheme:

- (a) to receive Cash Consideration in respect of all (but not less than all) Target Shares held by them on the Record Date;
- (b) to receive Scrip Consideration in respect of all (but not less than all) Target Shares held by them on the Record Date;
- (c) if, and only if, the Scheme Participant elects to receive Scrip Consideration in accordance with paragraph (b) of this definition, to subscribe for all (and not some only) of their entitlement to Bidder Parent Shares in accordance with the Bidder Parent Share Offer,

subject to the Scaleback Arrangements (in the case of paragraphs (b) and (c) only).

Election Date means 5.00pm on the date that is at least ten days before the date of the Scheme Meeting or such other date as agreed by the Bidder Parent and the Target in writing.

Election and Subscription Form means the:

- (a) election form to be completed by Scheme Shareholders to make an Election; and
- (b) the subscription form to be completed by Scheme Shareholders when applying for Bidder Parent Shares under the Bidder Parent Share Offer.

Encumbrance means any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any "security interest" as defined in sections 12(1) or 12(2) of the PPSA or any agreement to create any of them or allow them to exist.

End Date means the date that is 9 months after the date of this document or such other date as is agreed by Bidder Parent and Target.

Foreign Scheme Shareholder means a Scheme Participant whose address in the Register as at the Record Date is in a country other than Australia or New Zealand unless Bidder Parent agrees in writing that it is lawful and not unduly onerous or impracticable to issue Bidder Parent Shares to that Scheme Participant under the Scheme.

First Court Date means the first day on which an application made to the Court, for orders under section 411(1) of the Corporations Act convening the Scheme Meeting is heard.

Immediately Available Funds means a bank cheque or other form of cleared funds acceptable to Target.

Implementation Date means the 5th Business Day following the Record Date.

Listing Rules means the Listing Rules of the ASX.

Record Date means 5.00pm on the third Business Day following the Effective Date or such other date as the Target and Bidder Parent agree.

Register means the share register of the Target and **Registry** has a corresponding meaning.

Registered Address means, in relation to a Target Shareholder, the address shown in the Register.

Scaleback Arrangements means the provisions of this Scheme providing for the scaleback of Bidder Parent Shares applied for pursuant to this Scheme (including pursuant to the Bidder Parent Share Offer) in accordance with clause 6.8 of this Scheme.

Scheme means this scheme of arrangement between Target and Scheme Participants under which all of the Scheme Shares will be transferred to BidCo under Part 5.1 of the Corporations Act as described in clause 6 of this Scheme, in consideration for the Scheme Consideration, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act to the extent they are approved in writing by Target and Bidder Parent in accordance with clause 3.1(c) of this Scheme.

Scheme Consideration means the:

- (a) consideration payable by BidCo or Bidder Parent for the transfer of Scheme Shares held by a Scheme Participant to BidCo; and
- (b) Bidder Parent Shares subscribed for by Scrip and Offer Participants under the Bidder Parent Share Offer,

under this document.

Scheme Implementation Agreement means the scheme implementation agreement dated 13 August 2018, as amended on 11 October 2018, between Target, BidCo and Bidder Parent under which, amongst other things, Target has agreed to propose this Scheme to Target Shareholders, and each of Bidder Parent, BidCo and Target has agreed to take certain steps to give effect to this Scheme.

Scheme Meeting means the meeting convened by the Court at which Scheme Shareholders vote on the Scheme.

Scheme Meeting Date means the date on which the Scheme Meeting is held.

Scheme Participant means each person who is a Scheme Shareholder at the Record Date.

Scheme Share means all Target Shares (excluding the Foundation Share).

Scheme Shareholder means a holder of Scheme Shares.

Scrip Consideration means one Bidder Parent Share for each Scheme Share held on the Record Date by a Scheme Participant who makes a valid Election in accordance with clause 6.2, subject to the Scaleback Arrangements.

Scrip and Offer Participant means a Scheme Shareholder who has made a valid Election to receive Scrip Consideration and to subscribe for Bidder Parent Shares in the Bidder Parent Share Offer.

Scrip Only Participant means a Scheme Participant who has made an Election to receive Scrip Consideration but has not made an Election to subscribe for Bidder Parent Shares under the Bidder Parent Share Offer.

Second Court Date means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

Share Scheme Transfer means, for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Scheme Shares held by that Scheme Participant for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Shares.

Subscription Monies means the monies paid or payable by Scheme Shareholders to acquire the Bidder Parent Shares which a Scheme Shareholder has applied for under the Bidder Parent Share Offer.

Subsidiary has the meaning given to it in the Corporations Act.

Target Share means an ordinary fully paid share in the capital of the Target.

Target Shareholder means each person registered in the Register as a holder of Target Shares.

Trust Account means the trust account operated by or on behalf of Target to hold the Cash Consideration on trust for the purpose of paying the Scheme Consideration to the Scheme Participants in accordance with clause 6.6 of this Scheme.

1.2 General interpretation

Headings and labels used for definitions are for convenience only and do not affect interpretation. Unless the contrary intention appears, in this document:

- (a) the singular includes the plural and vice versa;
- (b) a reference to a document includes any agreement or other legally enforceable arrangement created by it (whether the document is in the form of an agreement, deed or otherwise);
- (c) a reference to a document also includes any variation, replacement or novation of it;
- (d) the meaning of general words is not limited by specific examples introduced by “including”, “for example”, “such as” or similar expressions;

- (e) a reference to “**person**” includes an individual, a body corporate, a partnership, a joint venture, an unincorporated association and an authority or any other entity or organisation;
- (f) a reference to a particular person includes the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (g) a reference to a time of day is a reference to Sydney time;
- (h) a reference to dollars, \$ or A\$ is a reference to the currency of Australia;
- (i) a reference to any legislation includes regulations under it and any consolidations, amendments, re-enactments or replacements of any of them;
- (j) a reference to a group of persons is a reference to any 2 or more of them jointly and to each of them individually;
- (k) a reference to any thing (including an amount) is a reference to the whole and each part of it;
- (l) a period of time starting from a given day or the day of an act or event, is to be calculated exclusive of that day; and
- (m) if a party must do something under this document on or by a given day and it is done after 5.00pm on that day, it is taken to be done on the next day.

2 Preliminary

2.1 Target

Target is:

- (a) a public company limited by shares;
- (b) incorporated in Australia and registered in Queensland, Australia; and
- (c) admitted to the official list of the ASX and Target Shares are officially quoted on the stock market conducted by ASX.

As at 13 August 2018, Target’s issued securities are:

- (a) Target Shares: 9,457,481;
- (b) Foundation Share: 1; and
- (c) options: 60,000.

2.2 Bidder Parent

Bidder Parent is:

- (a) a proprietary company limited by shares; and
- (b) incorporated in Australia.

2.3 BidCo

BidCo is:

- (a) a proprietary company limited by shares; and
- (b) incorporated in Australia.

2.4 If Scheme becomes Effective

If this Scheme becomes Effective, the following actions will take place in the following order:

- (a) **Step 1:** subject to the Scaleback Arrangements, Bidder Parent will issue Bidder Parent Shares to Scheme Participants who have Elected to receive the Scrip Consideration;
- (b) **Step 2:** subject to the Scaleback Arrangements, Bidder Parent offers and will issue Bidder Parent Shares to Scheme Participants who have Elected to participate in the Bidder Parent Share Offer or, where clause 6.7(g) applies, to a custodian on behalf of those Scheme Participants who have Elected to participate in the Bidder Parent Share Offer;
- (c) **Step 3:** Bidder Parent will enter the names of Scheme Participants that receive Bidder Parent Shares pursuant to clauses 2.4(a) or 2.4(b) in the share register of the Bidder Parent (either directly or through a custodian as contemplated in the Bidder Parent Shareholders Deed) at which point Bidder Parent will become beneficially entitled to the Subscription Monies in the Bidder Parent Trust Account;
- (d) **Step 4:** Bidder Parent will then be taken to transfer the beneficial ownership of the Subscription Monies which are held in the Bidder Parent Trust Account to BidCo to enable BidCo to satisfy all or part of the Cash Consideration payable to Scheme Shareholders under this Scheme;
- (e) **Step 5:** to the extent that the Subscription Monies in respect of which beneficial ownership was transferred to BidCo under Step 4 above are not sufficient to satisfy the Cash Consideration payable to Target (as noted in Step 6 below), Bidder Parent will pay to BidCo (or procure the payment of) such additional monies, in Immediately Available Funds, as are necessary to ensure that BidCo is able to pay the Cash Consideration to the Target under this Scheme;
- (f) **Step 6:** Bidder Parent will procure BidCo to, and BidCo will:
 - (i) direct Target to transfer the Subscription Monies held in the Bidder Parent Trust Account to the Trust Account; and
 - (ii) deposit (or procure the deposit), in Immediately Available Funds, the aggregate amount of the additional monies into the Trust Account,

so that Target may pay or procure the payment of the cash component of the Scheme Consideration to each Scheme Participant in respect of each Scheme Share held on the Record Date in respect of which the Cash Consideration has been elected or is to be paid as a result of the Scaleback Arrangements;

- (g) **Step 7:** all Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, will be transferred to BidCo on the Implementation Date; and
- (h) **Step 8:** Target will enter the name of BidCo in the Register in respect of all Scheme Shares transferred to BidCo in accordance with the terms of this Scheme.

2.5 Scheme Implementation Agreement

Target, Bidder Parent and BidCo have agreed by executing the Scheme Implementation Agreement to implement the terms of this Scheme.

2.6 Deed Poll

Bidder Parent and BidCo have executed the Deed Poll for the purpose of covenanting in favour of the Scheme Participants to perform (or procure the performance of) their obligations as contemplated by this Scheme, including to provide the Scheme Consideration.

3 Conditions precedent

3.1 Conditions precedent to Scheme

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) as at 8.00am on the Second Court Date, the Deed Poll not having been terminated;
- (b) all of the conditions precedent in clause 3.1 of the Scheme Implementation Agreement having been satisfied or waived (other than the conditions precedent which cannot be waived) in accordance with the terms of the Scheme Implementation Agreement by 8.00am on the Second Court Date;
- (c) the Court having approved this Scheme, with or without any modification or condition, pursuant to section 411(4)(b) of the Corporations Act, and if applicable, Target and Bidder Parent having accepted in writing any modification or condition made or required by the Court under section 411(6) of the Corporations Act;
- (d) any other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme and agreed to by the Bidder Parent and the Target having been satisfied or waived; and
- (e) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme.

3.2 Conditions precedent and operation of clause 5

The satisfaction of each condition of clause 3.1 of this Scheme is a condition precedent to the operation of clause 5 of this Scheme.

3.3 Certificate in relation to conditions precedent

Target and Bidder Parent must provide to the Court on the Second Court Date a certificate confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent set out in clause 3.1 of this Scheme (other than the conditions precedent in clauses 3.1(c), 3.1(d) and 3.1(e) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date. The certificate referred to in this clause 3.3 will constitute conclusive evidence of whether the conditions precedent referred to in clause 3.1 of this Scheme (other than the conditions precedent in clauses 3.1(c), 3.1(d) and 3.1(e) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

4 Scheme

4.1 Effective Date

Subject to clause 4.2 this Scheme will come into effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

4.2 End Date

This Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date.

5 Implementation of Scheme

5.1 Lodgement of Court orders with ASIC

If the conditions precedent set out in clause 3.1 of this Scheme (other than the condition precedent in clause 3.1(e) of this Scheme) are satisfied, Target must lodge with ASIC in accordance with section 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible, and in any event by no later than 5.00pm on the first Business Day after the day on which the Court approves this Scheme or such later time as Bidder Parent and Target agree in writing.

5.2 Transfer and registration of Target Shares

On the Implementation Date, but subject to the provision of the Scheme Consideration for the Scheme Shares in accordance with clauses 6.1 and 6.5 of this Scheme and Bidder Parent having provided Target with written confirmation of the provision of the Scheme Consideration:

- (a) the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to BidCo without the need for any further act by any Scheme Participant (other than acts performed by Target as attorney and agent for Scheme Participants under clause 8 of this Scheme) by:
 - (i) Target delivering to BidCo a duly completed and executed Share Scheme Transfer executed on behalf of the Scheme Participants; and
 - (ii) BidCo duly executing the Share Scheme Transfer (and subsequently attending to the stamping of the Share Scheme Transfer if required) and delivering it to Target for registration; and
- (b) as soon as practicable after receipt of the duly executed Share Scheme Transfer in accordance with clause 5.2(a)(ii), Target must enter the

name of BidCo in the Register in respect of all Scheme Shares transferred to BidCo in accordance with the terms of this Scheme.

5.3 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to BidCo of the Scheme Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of the Scheme Shares which they hold on the Record Date in accordance with clause 6 of this Scheme.

5.4 Title and rights in Target Shares

Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clause 6 of this Scheme, on and from the Implementation Date, BidCo will be beneficially entitled to the Scheme Shares transferred to it under the Scheme, pending registration by Target of BidCo in the Register as the holder of the Scheme Shares.

5.5 Scheme Participants' agreements

Under this Scheme, each Scheme Participant agrees to the transfer of the Scheme Shares which they hold on the Record Date, together with all rights and entitlements attaching to those Scheme Shares, in accordance with the terms of this Scheme.

5.6 Warranties and authorities by Scheme Participants

Each Scheme Participant warrants to BidCo and Bidder Parent and is deemed to have authorised Target to warrant to BidCo and Bidder Parent as agent and attorney for the Scheme Participant by virtue of this clause 5.6, that:

- (a) all of its Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred to BidCo under the Scheme will, as at the date of the transfer under this Scheme, be fully paid and free from all Encumbrances;
- (b) in respect of Scrip and Offer Participants and Scrip Only Participants only, it agrees to become a member of Bidder Parent and to be bound by the terms of the Bidder Parent Constitution and the Bidder Parent Shareholders' Deed;
- (c) it has full power and capacity to sell and to transfer its Scheme Shares (including any rights and entitlements attaching to those shares) to BidCo under the Scheme;
- (d) it agrees to comply with the terms and conditions of this Scheme (including the Bidder Parent Share Offer) as they relate to the Scheme Participant;
- (e) all details and statements in its Election and Subscription Form are complete and accurate;
- (f) it understands that an Election and Subscription Form cannot be varied, withdrawn or revoked after the Election Date without the Bidder Parent's written consent which the Bidder Parent may withhold in its absolute discretion;
- (g) in respect of a Scheme Participant which is a Scrip and Offer Participant, it agrees to subscribe for, and be issued, the number of Bidder Parent Shares which is the lesser of the number specified on the Election and Subscription Form and the number in respect of which it is entitled to

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subscribe under the Bidder Parent Share Offer, subject to the Scheme Participant having paid for that number of Bidder Parent Shares at \$20.06 per Bidder Parent Share (or a lower number determined in accordance with this Scheme); and

- (h) in respect of a Scheme Participant which is a Scrip and Offer Participant or a Scrip Only Participant, it authorises each of Target, BidCo and Bidder Parent and their respective officers or agents, to do anything on behalf of the Scheme Shareholder necessary for Bidder Parent Shares to be issued to the Scheme Shareholder in accordance with the Scheme.

5.7 Transfer free of encumbrances

To the extent permitted by law, all Target Shares (including any rights and entitlements attaching to those shares) which are transferred to BidCo under this Scheme will, at the date of the transfer of them to BidCo, vest in BidCo free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in this Scheme.

5.8 Appointment of BidCo as sole proxy

- (a) Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clauses 5.3 and 6.4 of this Scheme, on and from the Implementation Date until Target registers BidCo as the holder of all of the Target Shares in the Register, each Scheme Participant:
 - (i) irrevocably appoints Target as attorney and agent (and directs Target in such capacity) to appoint BidCo and each of its directors from time to time (jointly and each of them individually) as its sole proxy, and where applicable corporate representative, to attend shareholders' meetings, exercise the votes attaching to Target Shares registered in its name and sign any shareholders resolution, and no Scheme Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 5.8(a)(i); and
 - (ii) must take all other actions in the capacity of the registered holder of Target Shares as BidCo directs.
- (b) Target undertakes in favour of each Scheme Participant that it will appoint BidCo and each of its directors from time to time (jointly and each of them individually) as that Scheme Participant's proxy or, where applicable, corporate representative in accordance with clause 5.8(a)(i) of this Scheme.

6 Scheme Consideration

6.1 Consideration under the Scheme

Subject to and in accordance with this Scheme, each Scheme Participant is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Participant as at the Record Date. In accordance with the Scheme, if a Scheme Participant has not made a valid Election by the Election Date to receive the Scrip Consideration they will be deemed to have made an Election to receive the Cash Consideration.

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6.2 Election procedure

- (a) Subject to this clause 6, each Scheme Participant is entitled to make an Election provided they make that Election by no later than the Election Date.
- (b) All Elections will take effect in accordance with this Scheme to the extent that they have been validly made by a person who qualifies as a Scheme Participant.
- (c) A person who makes an Election may vary, withdraw or revoke that Election by lodging a replacement Election and Subscription Form so that it is received on or before the Election Date.
- (d) An Election must be made in accordance with terms and conditions of the Election and Subscription Form and this clause 6.2, and an Election not made in accordance with this clause 6.2(d) will not be a valid Election for the purpose of this Scheme and will not be recognised for any purpose.
- (e) Subject to clauses 6.7 and 6.8, if a Scheme Participant makes an Election, that Election will be deemed to apply in respect of that Scheme Participant's entire registered holding of Scheme Shares at the Record Date, regardless of whether the Scheme Participant's holding of Scheme Shares at the Record Date is greater or less than the Scheme Participant's holding at the time it made its Election, unless the Bidder Parent and the Scheme Participant agree otherwise, in their absolute discretion.
- (f) A Scheme Participant who is noted on the Register as holding one or more parcels of Scheme Shares as trustee or nominee for, or otherwise on account of, another person, may make separate Elections under this clause 6.2 in relation to each of those parcels of Scheme Shares (subject to it providing to the Target any substantiating information that the Target reasonably requires), and if it does so it will be treated as a separate Scheme Participant in respect of each such parcel in respect of which a separate Election is made (and in respect of any balance of its holding), provided that if, at the Record Date, it holds fewer Target Shares than it held at the time it made the Election, then, unless it has at the time of any sale of Target Shares notified the Target whether the Target Shares sold relate to any such separate Election (and if so which separate Election the Shares sold relate to), it will be treated as not having made a valid Election in respect of any of its Target Shares (or will be treated in any other manner that the Target considers is fair to the Scheme Participant in all the circumstances acting reasonably).
- (g) If a Scrip and Offer Participant applies for a number of Bidder Parent Shares which is in excess of its entitlement under the Bidder Parent Share Offer, that Scrip and Offer Participant will be deemed to have applied for that number of Bidder Parent Shares which reflects their maximum entitlement to Bidder Parent Shares under the Bidder Parent Share Offer. Any excess Subscription Monies received from that Scrip and Offer Participant in respect of those Bidder Parent Shares which it has applied for under the Bidder Parent Share Offer which is in excess of its entitlement to Bidder Parent Shares under the Bidder Parent Share Offer will be refunded (without interest) to the Scrip and Offer Participant promptly after the Implementation Date.

6.3 Payment of Subscription Monies

An Election made by a Scrip and Offer Participant will only be a valid Election for the purpose of this Scheme if the Election and Subscription Form is, at the time it

is provided to Target, accompanied by the full amount of the Subscription Monies payable by that Scheme Shareholder in respect of the number of Bidder Parent Shares which they have applied for under the Bidder Parent Share Offer (before the application of any Scaleback Arrangements) and such payment is otherwise made in accordance with the terms and conditions of the Election and Subscription Form.

6.4 Release of Subscription Monies from Bidder Parent Trust Account

- (a) Subject to clause 6.4(b), on the date which is 5 Business Days prior to the Implementation Date, Bidder Parent must transfer the beneficial ownership of the aggregate amount of the Subscription Monies which are held in the Bidder Parent Trust Account to BidCo, and BidCo must direct Target to use such monies to satisfy that part of the Cash Consideration payable under the Scheme which those Subscription Monies represent for the purpose of clause 6.6(a)(i).
- (b) In the event that a Scrip and Offer Participant holds fewer Scheme Shares at the Record Date than it did at the date on which it makes its Election and if:

$$\frac{A}{2} < B$$

then BidCo must direct Target to return to that Scrip and Offer Participant that portion of the Subscription Monies (without interest) which accompanied such Scrip and Offer Participant's Election and Subscription Form which is calculated as 'X' in accordance with the following formula:

$$X = \left(B - \frac{A}{2} \right) \times \$20.06$$

where:

- A** is the number of Scheme Shares held by the Scrip and Offer Participant on the Record Date.
- B** is the number of Bidder Parent Shares which the Scrip and Offer Participant applied for under the Bidder Parent Share Offer (as adjusted under clause 6.2(g), if applicable).
- (c) In the event that Subscription Monies are returned to that Scrip and Offer Participant under clause 6.4(b), that Scrip and Offer Participant will be taken to have applied for that number of Bidder Parent Shares under the Bidder Parent Offer which is calculated in accordance with the following formula:

$$\frac{A}{2}$$

where 'A' is the number of Scheme Shares held by the Scrip and Offer Participant on the Record Date.

- (d) Any Subscription Monies which are required to be returned to a Scrip and Offer Participant in accordance with clause 6.4(b) will be returned to that Scrip and Offer Participant promptly following the Implementation Date.

6.5 Provision of Scheme Consideration

- (a) Subject to this Scheme, each of Bidder Parent and BidCo undertakes to the Target (in the Target's own right and separately as trustee or nominee of each Scheme Participant) that, in consideration of the transfer to BidCo of each Scheme Share held by a Scheme Participant, it will, or will procure (as applicable), the following on the Implementation Date:
- (i) BidCo will accept that transfer; and
 - (ii) BidCo will pay or procure the payment of the Cash Consideration in accordance with the Scheme;
 - (iii) Bidder Parent will issue the Scrip Consideration in accordance with the Scheme; and
 - (iv) Bidder Parent will issue Bidder Parent Shares under the Bidder Parent Share Offer in accordance with this Scheme.
- (b) Where the calculation of the Cash Consideration to be provided to a particular Scheme Participant would result in the Scheme Participant becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up or down (as applicable) to the nearest cent.

6.6 Satisfaction of cash payment obligations

- (a) The obligation of BidCo to pay or to procure payment of the Cash Consideration pursuant to clause 6.1 of this Scheme will be satisfied by:
- (i) Bidder Parent making available to BidCo the aggregate amount of the Cash Consideration payable to all Scheme Participants pursuant to this Scheme; and
 - (ii) BidCo no later than 2 Business Days before the Implementation Date depositing (or procuring the deposit) in Immediately Available Funds, of the aggregate amount of the Cash Consideration payable to all Scheme Participants into the Trust Account (except that the amount of any interest on the amount deposited in the Trust Account will be to BidCo's account).
- (b) On the Implementation Date and subject to funds having been deposited in accordance with clause 6.6(a)(ii), the Target must pay or procure the payment of the cash component of the Scheme Consideration to each Scheme Participant who is entitled to receive it under clauses 6.7 and 6.8 from the Trust Account by doing any of the following at its election:
- (i) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Scheme Participant by an appropriate authority from the Scheme Participant to the Target; or
 - (ii) dispatching, or procuring the dispatch, of a cheque for the relevant amount in Australian currency to the Scheme Participant by prepaid post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the Scheme Participant (or in the case of joint holders in accordance with the procedures set out in clause 6.11).

6.7 Issue of Bidder Parent Shares

- (a) Subject to the Scheme becoming Effective and to the Scaleback Arrangements, on the Implementation Date Bidder Parent must issue Bidder Parent Shares:
- (i) to the Scheme Participants who have made valid Elections to receive the Scrip Consideration in accordance with the Scheme; or
 - (ii) where clause 6.7(g) applies, to a custodian on behalf of those Scheme Participants who have made valid Elections to receive the Scrip Consideration in accordance with the Scheme.
- (b) Subject to the Scheme becoming Effective and to the Scaleback Arrangements, on the Implementation Date Bidder Parent must issue Bidder Parent Shares:
- (i) to the Scheme Participants who have made valid Elections to subscribe for Bidder Parent Shares pursuant to the Bidder Parent Share Offer in accordance with the Scheme; or
 - (ii) where clause 6.7(g) applies, to a custodian on behalf of those Scheme Participants who have made valid Elections to subscribe for Bidder Parent Shares pursuant to the Bidder Parent Share Offer.
- (c) Each Bidder Parent Share issued as Scrip Consideration or pursuant to the Bidder Parent Share Offer will:
- (i) rank equally in all respects with each other Bidder Parent Share and will have the rights set out in the Bidder Parent Constitution and the Bidder Parent Shareholders Deed; and
 - (ii) be fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.
- (d) The issue of Bidder Parent Shares as Scrip Consideration and pursuant to the Bidder Parent Share Offer will be subject to the Scaleback Arrangements.
- (e) Bidder Parent will not issue (or procure the issue of) any Bidder Parent Shares to Foreign Scheme Shareholders and any Foreign Scheme Shareholders purporting to accept the Scrip Consideration will be deemed to have elected the Cash Consideration and shall not be entitled to participate in the Bidder Parent Share Offer.
- (f) Any Scheme Participant who becomes a Bidder Parent Shareholder will be taken automatically through this Scheme to have agreed to be bound by the Bidder Parent Constitution and will become a party as a “Non-Investor Party” to the Bidder Parent Shareholders Deed.
- (g) If the Bidder Parent Share Elections would otherwise result in there being more than 50 shareholders in the Bidder Parent, the Bidder Parent may elect that a Scheme Participant who receives Bidder Parent Shares pursuant to this Scheme which will comprise less than 5% of the issued capital in Bidder Parent will have those Bidder Parent Shares registered in the name of a custodian nominated by Bidder Parent in accordance with the terms of a custody agreement as specified by Bidder Parent.

- (h) To facilitate the issue of Bidder Parent Shares to Scheme Participants, the Target must procure the provision to Bidder Parent of a complete copy of the Register as at the Record Date (which must include the name, address and registered holding of each Scheme Participant as at the Record Date), within two Business Days after the Record Date. The details and information to be provided under this clause must be provided in such form as Bidder Parent may reasonably require.

6.8 Scaleback Arrangements

If the Aggregate Bidder Parent Share Elections exceed the Available Bidder Parent Shares the Scaleback Arrangements under this clause 6.8 will apply.

- (a) If the total number of Bidder Parent Shares the subject of Bidder Parent Share Elections made by Scrip and Offer Participants is less than or equal to the Available Bidder Parent Shares:
- (i) then Scrip and Offer Participants will receive the Bidder Parent Shares the subject of their Bidder Parent Share Elections in full; and
 - (ii) Scrip Only Participants will receive the number of Bidder Parent Shares in respect of the Scheme Shares held by them calculated as "X" in accordance with the following formula (rounded down to the nearest whole number) and the remaining number of Scheme Shares held by that Scrip Only Participant receiving the Cash Consideration:

$$A = B - C$$

and then:

$$X = D \left(\frac{A}{E} \right)$$

where:

- B** is the Available Bidder Parent Shares.
 - C** is the aggregate number of Bidder Parent Shares the subject of Bidder Parent Share Elections made by Scrip and Offer Participants.
 - D** is the number of Bidder Parent Shares the subject of the Bidder Parent Share Election made by that Scrip Only Participant.
 - E** is the aggregate number of Bidder Parent Shares the subject of Bidder Parent Share Elections made by all Scrip Only Participants.
- (b) If the total number of Bidder Parent Shares the subject of Bidder Parent Share Elections made by all Scrip and Offer Participants equals or exceeds the Available Bidder Parent Shares:
- (i) Scrip Only Participants will not receive any Bidder Parent Shares and will receive the Cash Consideration for each Scheme Share held by them; and

- (ii) Scrip and Offer Participants will receive the number of Bidder Parent Shares in respect of the Scheme Shares held by them calculated as “X” in accordance with the following formula (rounded down to the nearest whole number) and with the remaining number of Scheme Shares held by that Scrip and Offer Participant receiving the Cash Consideration:

$$X = F \left(\frac{G}{H} \right)$$

where:

- F** is the number of Bidder Parent Shares the subject of Bidder Parent Share Election made by that Scrip and Offer Participant.
- G** is the Available Bidder Parent Shares.
- H** is the aggregate number of Bidder Parent Shares the subject of the Bidder Parent Share Elections made by all Scrip and Offer Participants.

6.9 Orders of a court

In the case of notice having been given to Target (or the Registry) of an order made by a court of competent jurisdiction:

- (a) which requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Participant, which would otherwise be payable to that Scheme Participant in accordance with clause 6.2 of this Scheme, then Target must procure that payment is made in accordance with that order; or
- (b) which would prevent Target from dispatching payment to any particular Scheme Participant in accordance with clause 6.2 of this Scheme, Target will retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Participant multiplied by the Scheme Consideration until such time as payment in accordance with clause 6.2 of this Scheme is permitted by law.

6.10 Unclaimed monies

- (a) The Target may cancel a cheque issued under this clause 6 if the cheque:
- (i) is returned to the Target; or
- (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to the Target (or the office of Register) (which request may not be made until the date which is 20 Business Days after the Implementation Date), the Target must reissue a cheque that was previously cancelled under this clause 6.10.
- (c) The *Public Trustee Act 1978* (QLD) will apply in relation to any Scheme Consideration which becomes ‘unclaimed money’ (as defined in section 98 of the *Public Trustee Act 1978* (QLD)).

6.11 Joint holders

In the case of Scheme Shares held in joint names any bank cheque required to be paid to Scheme Participants by BidCo must be payable to the joint holders and be forwarded to the holder whose name appears first in the Register as at 5.00pm on the Record Date.

7 Dealings in Scheme Shares

7.1 Determination of Scheme Participants

To establish the identity of the Scheme Participants, dealings in Scheme Shares will only be recognised by Target if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Scheme Shares on or before 5.00pm on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 5.00pm on the Record Date at the place where the Register is kept.

7.2 Register

Subject to clause 7.3, Target must register any registrable transmission applications or transfers of the Scheme Shares received in accordance with clause 7.1(b) of this Scheme on or before 5.00pm on the Record Date.

7.3 No disposals after Scheme Meeting Date

- (a) If Scheme Shareholders vote to approve this Scheme by the requisite majorities at the Scheme Meeting, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Scheme Meeting Date in any way except:
 - (i) as set out in this Scheme; or
 - (ii) in order to settle a trade on ASX executed on or before the Scheme Meeting Date,

and any such disposal will be void and of no legal effect whatsoever.

- (b) Target will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Scheme Shares received after 5.00pm on the Scheme Meeting Date (except a transfer permitted by clause 7.3(a), a transfer to BidCo pursuant to this Scheme and any subsequent transfer by BidCo or its successors in title).

7.4 Maintenance of Target Register

For the purpose of determining entitlements to the Scheme Consideration, Target will maintain the Register in accordance with the provisions of this clause 7 until the Scheme Consideration has been paid to the Scheme Participants and BidCo has been entered in the Register as the holder of all the Scheme Shares. The Register in this form will solely determine entitlements to the Scheme Consideration.

7.5 Effect of certificates and holding statements

Subject to provision of the Scheme Consideration and registration of the transfer to BidCo contemplated in clauses 5.2 and 7.1 to 7.4 of this Scheme, any statements of holding in favour of Scheme Participants in respect of Scheme Shares will cease to have effect after 5.00pm on the Record Date as documents of title in respect of those shares (other than statements of holding in favour of BidCo and its successors in title). After 5.00pm on the Record Date, each entry current on the Register as at 5.00pm on the Record Date (other than entries in respect of BidCo or its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Target Shares relating to that entry.

7.6 Details of Scheme Participants

Within 3 Business Days after the Record Date, Target will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Participant, as shown in the Register at 5.00pm on the Record Date are available to BidCo in such form as BidCo reasonably requires.

7.7 Suspension of trading

Subject to clause 7.3, if Scheme Shareholders vote to approve this Scheme by the requisite majorities at the Scheme Meeting, suspension of trading on ASX in Target Shares will occur from the close of trading on ASX on the Scheme Meeting Date.

7.8 Termination of quotation of Target Shares

After the Scheme has been fully implemented, Target will apply:

- (a) for termination of the official quotation of Target Shares on ASX; and
- (b) to have itself removed from the official list of the ASX.

8 Power of attorney

Each Scheme Participant, without the need for any further act by any Scheme Participant, irrevocably appoints Target and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of:

- (a) executing any deed or other document necessary or expedient to give effect to this Scheme including the Share Scheme Transfer;
- (b) executing any deed or document required by Target, Bidder Parent or BidCo to give effect to the Bidder Parent Share Offer, to give effect to any custodial arrangements contemplated by clause 6.7(g) of this Scheme, or to cause each Scheme Participant entitled to receive Bidder Parent Shares to be bound by the Bidder Parent Constitution, the Bidder Parent Shareholders Deed; and
- (c) enforcing the Deed Poll against Bidder Parent and BidCo,

and Target accepts such appointment.

9 Notices

9.1 No deemed receipt

If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Target, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Target's registered office or at the office of the Register.

9.2 Accidental omission

The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

10 General

10.1 Binding effect of the Scheme

The Scheme binds the Target and all Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of the Target.

10.2 Variations, alterations and conditions

Target may, with the consent of Bidder Parent (which cannot be unreasonably withheld), by its counsel or solicitor consent on behalf of all persons concerned to any variations, alterations or conditions to this Scheme which the Court thinks fit to impose.

10.3 Further action by Target

Target will execute all documents and do all things (on its own behalf and on behalf of each Scheme Participant) necessary or expedient to implement, and perform its obligations under, this Scheme.

10.4 Agreements and acknowledgements

Each of the Scheme Participants:

- (a) agrees to the transfer of all of their Scheme Shares held as at the Implementation Date together with all rights and entitlements attaching to those Scheme Shares in accordance with this Scheme;
- (b) irrevocably consents to Target, Bidder Parent and BidCo doing all things necessary or expedient for or incidental to the implementation of this Scheme;
- (c) agrees to the variation, cancellation or modification of the rights attached to their Target Shares constituted by or resulting from this Scheme;
- (d) to the extent they are issued with Bidder Parent Shares under the Scheme, agrees to become a member of Bidder Parent, and to be bound by the Bidder Parent Constitution and the Bidder Parent Shareholders Deed;

- (e) to the extent they are entitled to Bidder Parent Shares under the Scheme and those Bidder Parent Shares are issued to a custodian to hold as contemplated by clause 6.7(g), agrees to have those Bidder Parent Shares registered in the name of the custodian nominated by Bidder Parent and to be bound by the terms of the custody agreement as specified by Bidder Parent;
- (f) who holds their Target Shares in a CHESS Holding agrees to the conversion of those Target Shares to an Issuer Sponsored Holding and irrevocably authorises Target to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion; and
- (g) acknowledges that this Scheme binds Target and all Scheme Participants (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against the Scheme at that Meeting) and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of Target.

10.5 No liability when acting in good faith

Neither Target, BidCo nor Bidder Parent, nor any of their respective officers, will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

10.6 Enforcement of Deed Poll

Target undertakes in favour of each Scheme Participant to enforce the Deed Poll against Bidder Parent and BidCo on behalf of and as agent and attorney for the Scheme Participants.

11 Governing law

11.1 Governing law and jurisdiction

The law in force in the place specified in the Details governs this document. The parties submit to the non-exclusive jurisdiction of the courts of that place.

11.2 Serving documents

Without preventing any other method of service, any document in an action in connection with this document may be served on a party by being delivered or left at that party's address set out in the Details.

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Annexure D

Deed Poll

Deed Poll

Dated 8 October 2018

Given by **Bravo HoldCo Pty Ltd** (ACN 628 069 474) ("**Bidder Parent**")
and **Bravo BidCo Pty Ltd** (ACN 628 070 459) ("**BidCo**")

In favour of each registered holder of fully paid ordinary shares in
Capilano Honey Limited (ABN 55 009 686 435) ("**Target**") as at 5.00 pm
on the Record Date ("**Scheme Participants**")

King & Wood Mallesons

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Deed Poll

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Deed Poll

Details

Parties

Bidder Parent	Name	Bravo HoldCo Pty Ltd
	ACN	628 069 474
	Formed in	Australia
	Address	Minter Ellison, 'Governor Macquarie Tower' Level 40, 1 Farrer Place, Sydney, NSW, 2000
	Email	capilano@wattlehillcap.com
	Attention	Deane Conway
BidCo	Name	Bravo BidCo Pty Ltd
	ACN	628 070 459
	Formed in	Australia
	Address	Minter Ellison, 'Governor Macquarie Tower' Level 40, 1 Farrer Place, Sydney, NSW, 2000
	Email	capilano@wattlehillcap.com
	Attention	Deane Conway

In favour of Each registered holder of fully paid ordinary shares in Target as at 5.00pm on the Record Date.

Governing law New South Wales

- Recitals**
- A** The directors of Target have resolved that Target should propose the Scheme.
 - B** The effect of the Scheme will be that all Scheme Shares will be transferred to BidCo.
 - C** Target, Bidder Parent and BidCo have entered into the Scheme Implementation Agreement.
 - D** In the Scheme Implementation Agreement, Bidder Parent agreed (amongst other things) to provide, or procure the provision of, the Scheme Consideration to Scheme Participants, subject to the satisfaction of certain conditions.

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- E** In the Scheme Implementation Agreement, BidCo agreed (amongst other things) to pay or procure the payment of the Cash Consideration to the Scheme Participants, subject to the satisfaction of certain conditions.

 - E** Bidder Parent and BidCo are entering into this deed poll for the purpose of covenanting in favour of Scheme Participants to perform their respective obligations in relation to the Scheme.
-

Deed Poll

General terms

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

Control has the meaning given in section 50AA of the Corporations Act 2001 (Cth).

Custodian Deed has the meaning given in the Bidder Parent Shareholders Deed.

Equity Commitment Letter means the binding executed commitment letter addressed to Bidder Parent from each of Wattle Hill RHC Fund 1 and Roc Capital Pty Ltd (ABN 37 167 858 764) as trustee for Roc B&Y Investment Trust dated on or about the date of this document.

Liability means a debt, liability or obligation, whether actual, prospective, contingent or otherwise and whether or not ascertained, and whether or not owing or incurred alone, or jointly and severally, with any other person.

Scheme means the proposed scheme of arrangement between Target and Scheme Participants under which all the Scheme Shares will be transferred to BidCo under Part 5.1 of the Corporations Act, substantially in the form of Annexure A to this deed poll, or as otherwise agreed by Bidder Parent and Target, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act, to the extent they are approved in writing by Target and Bidder Parent in accordance with clause 10 of the Scheme.

Scheme Implementation Agreement means the scheme implementation agreement dated 13 August 2018 (as amended) between Target, Bidder Parent and BidCo under which, amongst other things, Target has agreed to propose the Scheme to Target Shareholders, and each of Bidder Parent, BidCo and Target has agreed to take certain steps to give effect to the Scheme.

All other words and phrases used in this document have the same meaning as given to them in the Scheme.

1.2 General interpretation

Clause 1.2 of the Scheme applies to this document, except that references to “this document” in that clause are to be read as references to this deed poll.

1.3 Nature of deed poll

Each of Bidder Parent and BidCo acknowledges that:

- (a) this document may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not a party to it; and

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- (b) under the Scheme, each Scheme Participant irrevocably appoints the Target and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Bidder Parent and BidCo.

2 Conditions precedent and termination

2.1 Conditions precedent

Bidder Parent's and BidCo's obligations under clause 4 are subject to the Scheme becoming Effective.

2.2 Termination

Bidder Parent's and BidCo's obligations under this document will automatically terminate and the terms of this document will be of no further force or effect if:

- (a) the Scheme has not become Effective on or before the End Date; or
- (b) the Scheme Implementation Agreement is terminated in accordance with its terms.

2.3 Consequences of termination

If this document is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

- (a) each of Bidder Parent and BidCo is released from its obligations to further perform this document, except any obligations which by their nature survive termination; and
- (b) each Scheme Participant retains the rights, powers or remedies they have against Bidder Parent and BidCo in respect of any breach of this document which occurs before it is terminated.

3 Performance of obligations generally

Bidder Parent and BidCo must comply with their obligations under the Scheme Implementation Agreement and do all acts and things necessary or desirable on their respective parts to give full effect to the Scheme.

4 Scheme Consideration

4.1 Compliance with Scheme obligations generally

Subject to clause 2, each of Bidder Parent and BidCo covenants in favour of Scheme Participants to observe and perform the steps attributed to it under, and otherwise to comply with, the Scheme as if named as a party to the Scheme and do all acts and things necessary to give effect to the Scheme.

4.2 Provision of Scrip Consideration

- (a) Subject to clause 2 and the Scaleback Arrangements under the Scheme, Bidder Parent will on the Implementation Date do the following in accordance with clause 6 of the Scheme:

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- (i) issue Bidder Parent Shares to each Scheme Participant who has made a valid Election to receive Scrip Consideration; and
 - (ii) offer and issue Bidder Parent Shares to each Scheme Participant who has made a valid Election to apply for Bidder Parent Shares pursuant to the Bidder Parent Share Offer.
- (b) The Bidder Parent Shares to be issued under the Scheme will be:
- (i) validly issued and fully paid up and will rank equally in all respects with all other Bidder Parent Shares on issue as at the Implementation Date; and
 - (ii) free from any mortgage, charge, lien, encumbrance or other security interest.

4.3 Payment of Cash Consideration

Subject to clause 2, in consideration of the transfer to BidCo of each Scheme Share held by a Scheme Participant, Bidder Parent undertakes in favour of each Scheme Participant to procure that BidCo, and BidCo undertakes in favour of each Scheme Participant to, do the following on the Implementation Date:

- (a) accept that transfer; and
- (b) pay or procure the payment of the Cash Consideration to the Trust Account on behalf of each relevant Scheme Participant in accordance with the Scheme.

Where the calculation of Cash Consideration to be provided to a particular Scheme Participant would result in the Scheme Participant becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up or down (as applicable) to the nearest cent.

4.4 Manner of payment

Bidder Parent's obligation to procure that BidCo provide the Cash Consideration to Target on behalf of each relevant Scheme Participant, and BidCo's obligation to provide that Cash Consideration, is satisfied by Bidder Parent or BidCo, no later than 2 Business Days before the Implementation Date, depositing in Immediately Available Funds the aggregate amount of the Cash Consideration payable to all relevant Scheme Participants into the Trust Account (except that the amount of any interest on the amount deposited will be to BidCo's account).

4.5 Joint holders

In the case of Scheme Shares held in joint names any bank cheque required to be paid to Scheme Participants by BidCo must be payable to the joint holders and be forwarded to the holder whose name appears first in the Register as at 5.00pm on the Record Date.

4.6 Undertakings

Each of the Bidder Parent and BidCo undertakes in favour of each Scheme Participant to undertake all actions, and give each acknowledgement, representation and warranty (if any), attributed to it under the Scheme.

5 Representations and warranties

5.1 General representations and warranties

Each of Bidder Parent and BidCo represents and warrants to each Scheme Participant that:

- (a) **(status)** it has been incorporated or formed in accordance with the laws of its place of incorporation or formation, is validly existing under those laws and has power and authority to own its assets and carry on its business as it is now being conducted;
- (b) **(power)** it has power to enter into this document, to comply with its obligations under it and exercise its rights under it;
- (c) **(no contravention)** the entry by it into, its compliance with its obligations and the exercise of its rights under, this document do not and will not conflict with:
 - (i) its constituent documents or cause a limitation on its powers or the powers of its directors to be exceeded;
 - (ii) any law binding on or applicable to it or its assets; or
 - (iii) any Encumbrance or document binding on or applicable to it;
- (d) **(authorisations)** it has in full force and effect each authorisation necessary for it to enter into this document, to comply with its obligations and exercise its rights under it, and to allow them to be enforced;
- (e) **(validity of obligations)** its obligations under this document are valid and binding and are enforceable against it in accordance with its terms; and
- (f) **(solvency)** it is not Insolvent.

5.2 Pre-implementation representations and warranties

Each of Bidder Parent and BidCo represents and warrants to each Scheme Participant that, immediately prior to the Implementation Date:

- (a) it does not Control any entity, other than Bidder Parent which Controls BidCo;
- (b) it is not the legal and beneficial owner of any shares or capital in any body corporate (wherever incorporated), other than Bidder Parent being the legal and beneficial owner of the shares in BidCo;
- (c) it is not a member of any incorporated or unincorporated joint venture, partnership or other unincorporated joint venture, partnership or other unincorporated association;
- (d) it has not commenced trading or conducted business other than, as applicable, in connection with the incorporation of itself and BidCo, entry into the Scheme Implementation Agreement and any ancillary documents (as agreed between Target and Bidder Parent for the purposes of this clause), the Equity Commitment Letter, Bidder Parent Shareholders Deed, Custodian Deed and this deed poll and the taking of such other actions as are necessary to facilitate the implementation of the Scheme (including in relation to the incurrence of costs, fees and expenses in connection with the Scheme) (each a “**Relevant Matter**”) or

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otherwise disclosed in writing to Target prior to the date of the Scheme Implementation Agreement;

- (e) has not given a guarantee or granted any powers of attorney; and
- (f) it does not own any assets and does not have any Liabilities, other than assets derived, or Liabilities incurred, in connection with, as applicable, a Relevant Matter or otherwise disclosed in writing to Target prior to the date of the Scheme Implementation Agreement,

in each case, other than as expressly contemplated in this deed poll or the Scheme.

5.3 Bidder Parent Share representations and warranties

Bidder Parent warrants to each Scheme Participant that:

- (a) its issued and outstanding securities at the First Court Date will be 4 Bidder Parent Shares;
- (b) it will own all of the issued shares in BidCo;
- (c) no member of the Bidder Group has issued or agreed to issue any other securities or instruments that are still outstanding and that may convert into or be exchanged for Bidder Parent Shares;
- (d) from the date of the Scheme Implementation Agreement until immediately prior to the Implementation Date, it has not issued any Bidder Parent Shares:
 - (i) other than for cash or as Scrip Consideration;
 - (ii) at an issue price that is less than \$20.06 per Bidder Parent Share; and
 - (iii) other than in connection with the funding of the Scheme Consideration; and
- (e) on the Scheme becoming Effective (for clarity, following the issuance of Bidder Parent Shares as Scrip Consideration and under the Bidder Parent Share Offer), its issued securities will comprise 9,457,481 Bidder Parent Shares, and as at that date it will not have issued or agreed to issue any other securities or instruments which may convert into Bidder Parent Shares without the consent of the Target,

unless otherwise agreed with Target.

6 Continuing obligations

6.1 Deed Poll irrevocable

This document is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Bidder Parent and BidCo have fully performed their respective obligations under this document; or
- (b) the earlier termination of this document under clause 2.2.

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6.2 Capital structure

From the date of this deed poll until immediately prior to the Implementation Date, Bidder Parent will not issue any Bidder Parent Shares:

- (a) other than for cash or as Scrip Consideration;
- (b) at an issue price that is less than \$20.06 per Bidder Parent Share; and
- (c) other than in connection with the funding of the Scheme Consideration, unless otherwise agreed with Target.

7 Notices

Notices and other communications in connection with this document must be in writing. They must be sent to the address or email address referred to in the Details and (except in the case of email) marked for the attention of the person referred to in the Details. If the intended recipient has notified changed contact details, then communications must be sent to the changed contact details.

8 General

8.1 Variation

A provision of this document or any right created under it may not be varied, altered or otherwise amended unless:

- (a) the variation is agreed to by Target and Bidder Parent in writing; and
- (b) the Court indicates that the variation, alteration or amendment would not itself preclude approval of the Scheme,

in which event Bidder Parent and BidCo must enter into a further deed poll in favour of the Scheme Participants giving effect to the variation, alteration or amendment.

8.2 Partial exercising of rights

Unless this document expressly states otherwise, if each of Bidder Parent and BidCo does not exercise a right, power or remedy in connection with this document fully or at a given time, it may still exercise it later.

8.3 Remedies cumulative

The rights, powers and remedies in connection with this document are in addition to other rights, powers and remedies given by law independently of this document.

8.4 Assignment or other dealings

Each of Bidder Parent, BidCo and each Scheme Participant may not assign or otherwise deal with its rights under this document or allow any interest in them to arise or be varied without the prior written consent of Bidder Parent and Target.

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8.5 Further steps

Each of Bidder Parent and BidCo agrees to do anything including executing all documents and do all things (on its own behalf or on behalf of each Scheme Participant) necessary or expedient to give full effect to this document and the transactions contemplated by it.

8.6 Joint and several obligations

Bidder Parent and BidCo are jointly and severally liable for each obligation imposed on them by the terms of this document.

9 Governing law and jurisdiction

9.1 Governing law and jurisdiction

The law in force in the place specified in the Details governs this document. Each of Bidder Parent and BidCo irrevocably submits to the non-exclusive jurisdiction of the courts of that place.

9.2 Serving documents

Without preventing any other method of service, any document in an action in connection with this document may be served on Bidder Parent and BidCo by being delivered or left at Bidder Parent's or BidCo's address (as applicable) set out in the Details.


EXECUTED as a deed poll

Deed Poll

Signing page

DATED: 8 October 2018

EXECUTED by BRAVO HOLDCO PTY LTD in accordance with section 127(1) of the Corporations Act 2001 (Cth) by authority of its directors:


.....
Signature of director

ALBERT TSE
.....
Name of director (block letters)

.....
Signature of director/company secretary

.....
Name of director/company secretary (block letters)

EXECUTED by BRAVO BIDCO PTY LTD in accordance with section 127(1) of the Corporations Act 2001 (Cth) by authority of its directors:


.....
Signature of director

ALBERT TSE
.....
Name of director (block letters)

.....
Signature of director/company secretary

.....
Name of director/company secretary (block letters)

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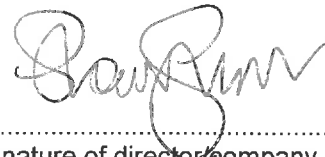
Signing page

DATED: 8 October 2018

EXECUTED by BRAVO HOLDCO PTY)
LTD in accordance with section 127(1))
of the Corporations Act 2001 (Cth) by)
authority of its directors:)

.....)
Signature of director)

.....)
Name of director (block letters))



.....)
Signature of director/company)
~~secretary~~

Shaw Ng

.....)
Name of director/company secretary)
(block letters)

EXECUTED by BRAVO BIDCO PTY)
LTD in accordance with section 127(1))
of the Corporations Act 2001 (Cth) by)
authority of its directors:)

.....)
Signature of director)

.....)
Name of director (block letters))



.....)
Signature of director/company)
~~secretary~~

Shaw Ng

.....)
Name of director/company secretary)
(block letters)

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Annexure A - Scheme

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Annexure E

Shareholders' Deed

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Shareholders Deed

Dated 2018.

Bravo HoldCo Pty Ltd (ACN 628 069 474) (**Company**)

The Consortium Investors

The Original Capilano Shareholders

[Capilano Beekeepers Ltd]

The other Non-Investor Parties

King & Wood Mallesons

Level 61

Governor Phillip Tower

1 Farrer Place

Sydney NSW 2000

Australia

T +61 2 9296 2000

F +61 2 9296 3999

DX 113 Sydney

www.kwm.com

Shareholders Deed

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Shareholders Deed

Details

Parties	Company, the Consortium Investors, the Original Capilano Shareholders[, CBL] and the other Non-Investor Parties (if any from time to time)	
Company	Name	Bravo HoldCo Pty Ltd
	ACN	628 069 474
	Address	c/- King & Wood Mallesons Level 61, Governor Phillip Tower 1 Farrer Place Sydney NSW 2000 Australia
	Email	capilano@wattlehillcap.com
	Attention	Deane Conway
Consortium Investors	As defined in this document and with the notice details specified in Schedule 5 or as otherwise notified in an Accession Deed.	
Original Capilano Shareholders	As defined in this document and with the notice details recorded in the register of members of the Company as at the Implementation Date or as otherwise notified to the Company.	
[CBL	Name	Capilano Beekeepers Ltd
	ACN	108 568 672
	Address	399 Archerfield Road Richlands QLD 4077
	Email	[•]
	Attention	Company Secretary]
The other Non-Investor Parties	As defined in this document and with the notice details notified in an Accession Deed.	
Governing law	New South Wales, Australia	
Date of deed	See Signing page	
Recitals	A	Subject to the Implementation Date occurring, the Company will own the Business directly or through other Group Members.

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- B** The parties have agreed that the Group should be managed, controlled and financed on the terms set out in this document.
-

General terms

1 Interpretation

1.1 Definitions

These meanings apply unless the contrary intention appears:

Accession Deed means:

- (a) a deed substantially in the form set out in Schedule 3 or such other form approved in writing by an Ordinary Directors' Resolution;
- (b) in respect of any Original Capilano Shareholder that acquires Shares as a result of the Scheme:
 - (i) the form of election used by that person under the Scheme to receive those Shares; and/or
 - (ii) any provision of the Scheme which provides that by making an election to receive Shares as consideration under the Scheme, that person will be taken to have agreed to become a party to, and bound by, this document as an Original Capilano Shareholder and/or appointed any person as its attorney or agent to enter into this document on its behalf.

Affiliate means in respect of a person (**Primary Person**), a person:

- (a) Controlled directly or indirectly by the Primary Person;
- (b) Controlling directly or indirectly the Primary Person;
- (c) directly or indirectly Controlled by a person who Controls the Primary Person (whether alone or with another person or persons); or
- (d) directly or indirectly under the common Control of the Primary Person and another person or persons,

and, if the Primary Person is a Consortium Investor, includes:

- (e) any account, fund, vehicle or investment portfolio established and Controlled by any person referred to in any of paragraphs (a) to (d) of this definition or an Affiliate of that person; and
- (f) any account, fund, vehicle, entity or investment portfolio for which such person or its Affiliate acts as sponsor, investment adviser or manager or with respect to which such person or its Affiliate exercises discretionary control or otherwise has ability to direct or control investment decisions, vote on behalf of or take any other action on behalf of, including where such rights are contractual by nature.

Alternate Director has the meaning given in paragraph 3.1 of Schedule 1.

Appointing Beneficiary means a Non-Investor Party who has appointed the Custodian to hold Shares on bare trust for it in accordance with clause 25 and the Custodian Deed.

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Assets means the assets from time to time of the Group.

Asset Sale means the sale of all or substantially all of the business and assets of the Group on arms' length terms to 1 or more Unrelated Buyers as part of a single transaction.

ASX means ASX Limited (ABN 98 008 624 691) or the market operated by it, as the context requires.

Auditor means the Group's auditor from time to time.

Authorised Officer means a director or a secretary of a party or any other person appointed by a party to act as an Authorised Officer for the purposes of this document.

Bare Trust means a trust established under the Custodian Deed under which the Custodian holds Beneficial Shares for an Appointing Beneficiary.

Beekeeper Supplier means a person who is a party to an agreement with a Group Member for the supply by that person, and the purchase by that Group Member, of honey.

Beneficial Shares means in relation to an Appointing Beneficiary, the Shares held by the Custodian as bare trustee for that Appointing Beneficiary.

BidCo means Bravo BidCo Pty Ltd (ACN 628 070 459) (being a wholly-owned subsidiary of the Company).

Board means the board of Directors from time to time.

Business means:

- (a) the business presently carried on by the Group as at the date of this document, being the business of packaging, marketing and selling honey and related products; and
- (b) any other activity the Board decides will be carried on by the Group.

Business Day means a day other than a Saturday, Sunday or a public holiday in Sydney, Australia.

Business Plan means the plan for a period of time from time to time for the conduct of the Group and the Business comprising such details as the Board reasonably requires and stating the key assumptions on which it has been based, including an annual budget giving a reasonably based estimate of the income to be received, and the expenses to be incurred, in the Business for the relevant Financial Year, prepared and approved under clause 6.

Capilano means Capilano Honey Limited (ACN 009 686 435).

Catch-up Offeree has the meaning given in clause 9.19(a)(iii).

CBL Director means a Director appointed under paragraph 1(c) of Schedule 1.

Change of Control means, in respect of a Non-Investor Party which is not an individual, if a change occurs after the date of this document such that a new person or persons (other than a Permitted Holder) directly or indirectly have the power to:

- (a) direct the management or policies of the Non-Investor Party; or

- (b) control the membership of the board of the Non-Investor Party,

other than as a result of a Disposal of Shares which is a Permitted Disposal of any Shares to a Permitted Holder.

Chairperson means the person appointed as Chairperson under paragraph 1(e) of Schedule 1.

Claim means any allegation, debt, cause of action, liability, claim, proceeding, suit or demand of any nature howsoever arising and whether present or future, fixed or unascertained, actual or contingent whether at law, in equity, under statute or otherwise.

Confidential Information means all confidential, non-public or proprietary information regardless of how the information is stored or delivered, exchanged between the parties before, on or after the date of this document relating to the business, technology or other affairs of the Group or the Shareholders including:

- (a) the terms of this document; and
- (b) all trade secrets, business plans, financial, marketing, systems, technology, ideas, concepts, know how, techniques, designs, specifications, blueprints, tracings, diagrams, models, functions, capabilities and designs (including without limitation, computer software, manufacturing processes or other information embodied in drawings or specifications), intellectual property or any other information which is indicated to be subject to an obligation of confidence, owned or used by or licensed to a Group Member.

Consortium Investors means the Initial Consortium Investors and a transferee of Shares from a Consortium Investor who executes an Accession Deed as a Consortium Investor in accordance with clause 9.14 (in each case, for so long as the Initial Consortium Investor or transferee holds any Shares) and **Consortium Investor** means any one of them.

Consortium Investor Affiliate Transfer means a Disposal of Shares by a Consortium Investor:

- (a) to another Initial Consortium Investor;
- (b) to one or more Affiliates of an Initial Consortium Investor;
- (c) to any one or more of the entities, limited partnerships, accounts and/or trusts which comprise a fund of which a Consortium Investor forms part;
- (d) to a nominee, trustee, general partner or custodian of a Consortium Investor or any fund or account in each case of which a Consortium Investor or an Affiliate of a Consortium Investor is the sole manager or the sole investment adviser;
- (e) on a distribution in kind required under the Consortium Investor's relevant partnership agreement, trust deed, account agreement or other applicable constitutional document, to the partners of the partnership, the holders of units or other beneficiaries in the trust, the relevant account holder or the investors in any other fund; or
- (f) to another person as bare trustee provided there is no change in the underlying beneficial interest in the Shares.

Consortium Investor Director means:

- (a) each WH Director; and
- (b) each Director appointed by ROC in accordance with paragraph 1(b) of Schedule 1.

Constitution means the constitution of the Company from time to time which, as at the date of this document, is as contained in Annexure A.

Control has the meaning given in section 50AA of the Corporations Act except that in addition:

- (a) an entity controls a second entity if:
 - (i) the first entity would be taken to control the second entity, but for section 50AA(4);
 - (ii) the first entity has voting power (as defined in section 610 of the Corporations Act) of at least 50% in the second entity; or
 - (iii) where the second entity is a partnership, the first entity has at least 50% interest in the second entity;
- (b) for the avoidance of doubt, the general partner in a limited partnership Controls the limited partnership;
- (c) the references to "entity" in section 50AA and this definition includes individuals, trusts and partnerships; and
- (d) this definition has repeated application such that an entity (**first entity**) Controls another entity which is Controlled by an entity the first entity Controls and so forth.

Controller has the meaning given in the Corporations Act.

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

Custodian means the independent third party trustee company appointed from time to time by the Company under clause 25 and the Custodian Deed to hold Shares on bare trust in accordance with clause 25 and the Custodian Deed.

Custodian Deed means any custodian deed entered into on or about the date of this document between the Company, the Custodian and the Appointing Beneficiaries.

Custodian Shares means Shares in respect of which the Custodian is the registered holder pursuant to clause 25 and the Custodian Deed.

Custodian Transfer means a transfer of legal title to Shares:

- (a) by a Shareholder to the Custodian to be held under a Bare Trust, either at the request of the Board or with the prior written consent of the Board;
- (b) in connection with the replacement of the Custodian in accordance with the Custodian Deed; or
- (c) by the Custodian to an Appointing Beneficiary as contemplated by this document or otherwise with approval by an Ordinary Directors' Resolution.

D&O Insurance Policy means a directors and officers insurance policy taken out by the Company from time to time with a reputable insurer.

Deadlocked Matter means an action or transaction which is subject to approval in accordance with:

- (a) Part B of Schedule 2 and which is not approved in accordance with clause 5.1(b) following a proposal at a Board meeting or by written resolution to approve the action or transaction; or
- (b) Part C of Schedule 2 and which is not approved in accordance with clause 5.1(c) following a proposal to the Shareholders to approve the action or transaction.

Deed of Access, Insurance and Indemnity means a deed of that name in the form approved by the Board (including by at least one Consortium Investor Director and one Non-Investor Party Director, in each case, for so long as there is at least one of such category of Director appointed in accordance with this document).

Defaulting Shareholder is a Shareholder who comes within clause 19.

Details means the section of this document headed "Details".

Directed Breach has the meaning given in clause 25.9.

Directors means all or some of the directors of the Company from time to time.

Dispose means, in respect of any Share or IPO Vehicle Security, any dealing with the Share or IPO Vehicle Security, including a sale, assignment, transfer, conveyance, grant of an option over, grant of, creation of, or allowing a swap or other synthetic instrument or a Security Interest over, and any other disposal, alienation, economic monetisation or realisation of the Share or IPO Vehicle Security or of a legal or beneficial interest in the Share or IPO Vehicle Security, and includes taking any steps or attempting to do any of the foregoing and **Disposal** has a corresponding meaning.

Drag Buyer has the meaning given in clause 13.1.

Drag Notice means a notice given by a Drag Seller to the Dragged Shareholders under clause 13.

Drag Sale Price has the meaning given in clause 13.2(d)(ii).

Drag Seller has the meaning given in clause 13.1.

Drag Transaction means a Disposal of Shares in accordance with clause 13.

Dragged Shareholder has the meaning given in clause 13.1.

Dragged Shares has the meaning given in clause 13.2(d)(iii).

Emergency Funding Notice has the meaning given in clause 9.19(a)(iii).

Emergency Matter means any event or circumstance that results in, or the Board determines, acting reasonably, is likely to result in:

- (a) a default by a Group Member of any term or covenant under the Financing Documents (including any matter that would constitute a "review event" under the facilities);

- (b) any Group Member becoming Insolvent; or
- (c) a change in the financial or operational affairs of any Group Member which would have a material adverse effect on the Group as a whole or any Group Member,

and which can be addressed through the payment of money.

A person is **Engaged By A Group Member** if the person:

- (a) is employed or engaged by a Group Member;
- (b) is a consultant or contractor who provides services to a Group Member; or
- (c) is a director or other officer of a Group Member.

Entitlement Shares has the meaning given in clause 9.3(f).

Entry Valuation means the equity value of the Company at the Implementation Date, as implied by the Scheme Price.

Excluded Information means Confidential Information which:

- (a) is in, or becomes part of, the public domain other than through breach of this document or an obligation of confidence owed to the Group; or
- (b) a party can prove by contemporaneous written documentation was already known to it at the time of disclosure by the Group or a Shareholder (unless such knowledge arose from disclosure of information in breach of an obligation of confidentiality); or
- (c) a party acquires from a source other than a Group Member or a Shareholder where the source is entitled to disclose it.

Exit means an Asset Sale, a Trade Sale or an IPO.

Exit Instigator has the meaning it is given in clause 14.1.

Exit Notice means a notice from the Exit Instigator to the Company that it wishes to commence preparations for a Trade Sale, an Asset Sale or an IPO, or one or more of the options concurrently, and requiring the Company and the other parties to assist with that Exit in accordance with clause 14 and the other applicable provisions of this document.

Exit Valuation means the equity value of the Company at Exit calculated with reference to:

- (a) in relation to an Asset Sale, the total consideration payable for all of the Assets and the Business proposed to be sold;
- (b) in relation to a Trade Sale, the total consideration payable under the Trade Sale; and
- (c) in relation to an IPO, the total consideration payable in connection with the IPO (including scrip consideration),

applied to all Shares on issue immediately before Exit, in each case aggregated with the value of all dividends and capital returns which have been made on each Share since the Implementation Date.

Fair Market Value means an amount determined under clause 15.

FATA means the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

Financial Adviser means a nominated investment bank, corporate advisor or other comparable professional adviser.

Financial Year means:

- (a) the period commencing on the Implementation Date and ending on 30 June 2019; and then
- (b) the 12 months starting on the day after the prior Financial Year and ending on 30 June in the following calendar year (or such other dates as the Board approves from time to time).

Financing Documents means each:

- (a) document under which any Group Member is provided with debt financing by any bank or other third party institutional financier; and
- (b) other agreement, deed, debenture, guarantee or Security Interest given or made under or in connection with any document referred to in paragraph (a) of this definition.

Government Agency means any governmental, semi-governmental, administrative, fiscal, legislative, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity.

Group means all of the Group Members.

Group CEO means the chief executive officer of the Group from time to time.

Group CFO means the chief financial officer of the Group from time to time.

Group Member means:

- (a) the Company;
- (b) any Subsidiary or other Related Body Corporate of the Company; or
- (c) any IPO Vehicle,

and **Group Member** means a member of the Group.

Implementation Date means the date on which the Scheme is implemented according to its terms.

Incentive Scheme means a share or option scheme or other equity incentive arrangements of the Group providing eligible employees, directors or consultants of the Group with an opportunity to acquire an ownership interest in the Company approved by Ordinary Directors' Resolution.

Incentive Shares means any Shares issued under any management or staff equity plan or comparable incentive arrangement established after the Implementation Date by a Group Member which is separately documented to this document, provided that once such Shares have fully vested (including that the Shares have ceased to be subject to, or calculated by reference to, any performance, financial, time or employment or other engagement based criteria) in accordance with their terms, they will no longer be regarded as Incentive Shares.

Independent Expert means:

- (a) an independent firm of chartered accountants agreed between the Company and the Consortium Investors;
- (b) failing agreement between the Company and the Consortium Investors within 5 Business Days of one party requesting appointment, the person as nominated at the request of either of them by the President or New South Wales Chapter Chairman of the Resolution Institute in accordance with the Expert Determination Rules of the Resolution Institute; or
- (c) if:
 - (i) the Company and the Consortium Investors do not agree on the person to be appointed within 5 Business Days after the expiry of the 5 Business Day period referred to in paragraph (b); and
 - (ii) a person is not nominated for any reason in accordance with paragraph (b) within 20 Business Days after the President or New South Wales Chapter Chairman of the Resolution Institute has received a request from any of the Company or the Consortium Investors,

a person nominated by a Judge of the Supreme Court of New South Wales, Australia at the request of any of the Company or the Consortium Investors; and
- (d) for the purposes of this definition, "Company" means the Company acting by Special Majority Directors' Resolution.

Individual Costs means:

- (a) advisory costs incurred by a party (other than the Company) for tax, legal or other professional advice given to that party in connection with an IPO or Trade Sale, as applicable and not for the benefit of other parties;
- (b) any Tax incurred by a party (other than the Company) in connection with an IPO or Trade Sale, as applicable; and
- (c) any Liability suffered or incurred by a party (other than the Company) arising out of any claim, action or proceeding of any nature in connection with an IPO or Trade Sale, as applicable,

unless otherwise approved by the Board.

Initial Acceptance Period has the meaning given in clause 9.3.

Initial Consortium Investors means each party specified in Schedule 5.

A person is **Insolvent** if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act); or
- (b) it is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to its property; or
- (c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this document); or

- (d) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of (a), (b) or (c) above; or
- (e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand; or
- (f) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this document reasonably deduces it is so subject); or
- (g) it is otherwise unable to pay its debts when they fall due; or
- (h) something having a substantially similar effect to (a) to (g) happens in connection with that person under the law of any jurisdiction.

Instruction has the meaning given to that term (or an equivalent term) in the Custodian Deed.

Invitation to Tag has the meaning given in clause 12.1.

IPO means:

- (a) an initial public offering of all or substantially all of the Business by way of an offer of shares in the Company or an IPO Vehicle; and/or
- (b) a sell-down by one or more Shareholders of Shares in the Company or in an IPO Vehicle by way of public offering of all or substantially all of the business,

in conjunction with an application for the quotation of those Securities on a recognised stock exchange (including ASX).

IPO Costs means all costs and expenses of an IPO, including advisory fees, expenses of due diligence investigations, stock exchange fees, fees of any relevant regulatory authority, legal fees, experts' fees, roadshow expenses, printing, advertising expenses and all other disbursement costs (in each case, of the parties) including the brokerage or commission payable to any underwriter, sub-underwriter, lead manager or co-lead manager, but excluding any Individual Costs.

IPO Vehicle means the Company, any Related Body Corporate (actual or proposed) of the Company which securities are being quoted or any special purpose vehicle established, for the purpose of an IPO.

Issue Notice has the meaning given in clause 9.3.

Issue Price means the issue price of any New Shares agreed and approved by the Directors by a Special Majority Directors' Resolution.

Liability means any liability, obligation, damage, loss, cost or expense (including legal costs and expenses of whatsoever nature or description and Tax), whether actual, contingent or prospective, and irrespective of when the act, event or thing giving rise to the liability, obligation, damage, loss, cost or expense occurs.

New Shares has the meaning given in clause 9.2.

Non-Controlled Group Member means a Group Member which is not Controlled by the Company or a Subsidiary of the Company.

Non-Investor Party means each party other than the Company and the Consortium Investors, and which includes:

- (a) each Original Capilano Shareholder; and
- (b) each Permitted Holder in respect of an Original Capilano Shareholder.

Non-Investor Party Director means each Director appointed under paragraph 1(d) of Schedule 1.

Offer Period means the period during which an offer made in a Transfer Notice under clause 10.2 or 19 (as the context requires) is open.

Ordinary Directors' Resolution means a resolution of the Directors which is approved by the Directors present and voting (who are not disqualified from voting on that resolution) who between them hold more than one half of the total number of votes that may be exercised by all of the Directors who are not disqualified from voting on that resolution and who are present and voting on that resolution.

Original Capilano Shareholder means each Shareholder who makes an election to receive Shares as consideration for its shares in Capilano Group under the Scheme.

Permitted Disposal means a Disposal referred to in clause 10.1.

Permitted Holder means in respect of a Non-Investor Party:

- (a) an Affiliate of the Non-Investor Party;
- (b) a Special Relative of the Non-Investor Party (if applicable);
- (c) a self-managed superannuation fund for the relevant Non-Investor Party, the trustee of which is, or is Controlled by, the Non-Investor Party or a Special Relative of the Non-Investor Party; or
- (d) any other person consented to in writing by the Consortium Investors.

Permitted Security Interest means:

- (a) a charge or lien arising in favour of a Government Agency by operation of statute in the ordinary course of the Business;
- (b) any mechanics', workmen's or other like lien arising in the ordinary course of the Business;
- (c) any retention of title arrangement or purchase money security interest arising from any lease of goods or consignment arrangement, in each case, arising in favour of a trade supplier to the Business in the ordinary course of the Business; and
- (d) a PPS Lease (as defined in the PPSA).

PPSA means the *Personal Property Securities Act 2009* (Cth).

Proceeds means:

- (a) in relation to an Asset Sale, the total amount available for payment or distribution to all Shareholders (including in their capacity as lenders, if applicable) by way of a winding up, a return of capital, a share buy-back, a dividend or other distribution or a repayment of loan; and

- (b) in relation to a Disposal of Shares, the total consideration payable for the relevant Shares being Disposed of by all Shareholders, including any earn-out or other amounts contingent on future performance and any amounts which are escrowed as security for any future or contingent obligations and excluding any payments of costs, expenses, indemnity payments or similar amounts to or on behalf of any Shareholder,

and in each case:

- (c) includes the market value of any non-cash consideration (as determined by the Board);
- (d) includes any dividend or distribution in connection with the Asset Sale or Disposal of Shares; and
- (e) is determined before deduction or withholding for any applicable Tax.

Purchaser Vehicle means the relevant buyer or a holding company or other Affiliate of the buyer, as determined by the Exit Instigator.

Receiver includes a receiver or receiver and manager.

Records means:

- (a) originals and copies, in machine readable or printed form, of all books, files, reports, records, correspondence, documents and other material of or relating to or used in connection with the Group including minute books, statutory books and registers, books of account and copies of taxation returns;
- (b) sales literature, market research reports, brochures and other promotional material;
- (c) all sales and purchasing records;
- (d) all trading and financial records; and
- (e) lists of all regular suppliers and customers.

Related Body Corporate has the meaning given in the Corporations Act, but on the basis that “subsidiary” has the meaning given to it in this document and “body corporate” includes any entity (including, without limitation, a trust or partnership).

Where a Shareholder is an individual, its Related Bodies Corporate will include each Special Relative of the Shareholder.

Related Party Proposal means any proposal by the Company or another Group Member to enter into or vary any agreement, arrangement or understanding with a Shareholder or a Related Body Corporate of a Shareholder, or to exercise or not exercise, enforce or not enforce, waive rights in relation to, or not comply with, such agreement, arrangement or understanding.

Relevant Time is defined in clause 16.3.

Relevant Valuation is defined in clause 15.1.

Reorganisation Event means:

- (a) a bonus issue of Shares;
- (b) a sub-division or consolidation of Shares; or

- (c) any other reorganisation or reconstruction of the Shares where the Company neither pays nor receives cash or any other form of consideration.

Representative means in respect of a party, an employee, agent, officer, director, auditor, adviser, partner, shareholder, Affiliate, consultant, joint venturer or sub-contractor of that party or of an Affiliate of that party provided that no party or person Engaged By A Group Member will, for the purposes of this document, be considered to be a Representative of a Group Member or any Consortium Investor.

Restructuring Event means any event which involves the Disposal or other form of realisation of Shares by any of the Shareholders and which the Board determines, by Special Majority Directors' Resolution, is part of a genuine corporate restructuring or transaction that will not result in, nor has resulted in any actual final realisation of, or change to, the Shareholders' economic interest in the Group, including any corporate restructuring or other comparable transaction required in connection with amending or refinancing any of the Group's debt financing facilities.

Retained Amount has the meaning given in clause 14.7(i).

ROC means ROC Capital Pty Limited (ACN 167 858 764) (in its capacity as trustee of ROC B&Y Investment Trust), or any purchaser of all of the Shares held by it and its Affiliates.

Sale Price means the price of Shares offered for sale under clause 11 or 19.

Sale Shares means Shares being transferred by a Seller or a Defaulting Shareholder under clause 11, or 19, respectively.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act under which BidCo acquires all of the issued shares in Capilano.

Scheme Implementation Agreement means the deed entitled "Scheme Implementation Agreement" dated on or about 10 August 2018, as amended on 11 October 2018, relating to the Scheme.

Scheme Price means \$20.06 (being the price per share under the Scheme in respect of the cash consideration option), appropriately adjusted for any Reorganisation Event of the Shares after the Implementation Date.

Security has the meaning given to that term in section 92(3) of the Corporations Act.

Security Interest means any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any "security interest" as defined in sections 12(1) or 12(2) of the PPSA, or any agreement to create any of them or allow them to exist.

Seller means a Shareholder who proposes to transfer Shares under clause 11.

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

Shareholder means (subject to clause 25) a holder from time to time of any Shares who is a party to this document.

Shareholders' Special Resolution means a resolution of the Shareholders which is approved by at least 75% of the votes cast by Shareholders who vote in person or by proxy;

Share means an issued share of any class in the capital of the Company.

Share Ownership Percentage means, when calculated with respect to any person from time to time:

- (a) (when used in relation to all Shareholders) the aggregate number of all Shares held by that Shareholder (or those Shareholders) or by a Permitted Holder on behalf of that person (or those persons), as applicable, expressed as a percentage of the aggregate number of all Shares on issue at that time; and
- (b) (when used in relation to less than all the Shareholders) the aggregate number of all Shares held by that Shareholder (or those Shareholders) or by a Permitted Holder on behalf of that person (or those persons), as applicable, expressed as a percentage of their aggregate Shareholdings,

in each case, excluding all Incentive Shares then on issue. A Permitted Holder which is not a Shareholder will not be considered a holder of Shares for the purposes of this definition.

Shareholders means the holders of Shares from time to time.

Shareholding means the Shares held by a Shareholder.

Special Majority Directors' Resolution means approval by more than half of the Board including (for so long as there is at least one Non-Investor Party Director or one CBL Director appointed in accordance with this document):

- (a) at least 1 vote in favour of the resolution by a Non-Investor Party Director; or
- (b) at least 1 vote in favour of the resolution by the CBL Director.

Special Relative means, with respect to an individual, any spouse, de-facto spouse, mother, father, sister, brother or child (in the case of a child only, whether natural, step or adopted) of the individual or another relative of the individual approved in writing by the Ordinary Directors' Resolution.

Subsidiary has the meaning given to that term in the Corporations Act, and, in addition:

- (a) a trust may be a Subsidiary of an entity where that entity holds more than 50% of the units or other beneficial interests in the trust or has the ability to control the appointment or removal of the trustee;
- (b) a corporation may be a Subsidiary of a trust if it would have been a Subsidiary if the trust were a body corporate;
- (c) a trust may be a Subsidiary of another trust if it would have been a Subsidiary if both trusts were bodies corporate; and
- (d) a limited partnership may be a Subsidiary of an entity if the entity or any of its Subsidiaries are the general partner of that limited partnership, the entity has the ability to control the appointment of the general partner, or the entity directly or indirectly holds more than 50% of the partner interests in the limited partnership.

Substantial Shareholder means a Shareholder who has a Share Ownership Percentage of 5% or greater.

Tag Buyer has the meaning given in clause 12.1.

Tag Option has the meaning given in clause 12.2(f).

Tag Proportions has the meaning given in clause 12.2(d).

Tag Shareholder has the meaning given in clause 12.1.

Tag Shares has the meaning given in clause 12.2(f).

Tag Transaction means a Disposal of Shares in accordance with clause 12.

Taxes means taxes, levies, imposts, charges and duties (including stamp and transaction duties) paid, payable or accessed as being payable by any authority together with any fines, penalties and interest in connection with them.

Third Party means a person dealing at arm's length.

Trade Sale means a sale or series of related sales of all or substantially all of the Shares (other than in connection with an IPO).

Trade Sale Costs means all unpaid costs and expenses of the Company and the Shareholders in connection with preparing, negotiating and completing a Trade Sale including all corporate advisory fees and commissions, expenses of due diligence investigations, fees of any relevant regulatory authorities, professional advisers engaged for the purpose of the Trade Sale, roadshow and management presentation expenses, any advisory or transaction fees payable to a Consortium Investor or an Affiliate of a Consortium Investor in connection with the Trade Sale and printing, travel and advertising expenses incurred in relation to the Trade Sale (but does not include any Individual Costs).

Transaction Documents means:

- (a) the Scheme Implementation Agreement;
- (b) the Scheme of Arrangement; and
- (c) the deed poll entered into by the Company and BidCo in connection with the Scheme.

Transfer Notice means the written notice given by a Seller to the other Shareholders offering to sell them its Share ownership Percentage of the Transfer Shares under clause 11 or taken to have been given under clause 19.2.

Transfer Provision means each of clauses 10.2, 11, 12, 13, 14, and 19.

Transferee means a person who accepts or is required to accept (as applicable) a Disposal of Shares under clauses 11 or 19.

Transferor means a Shareholder who Transfers Shares, a Seller or a Defaulting Shareholder under clauses 11 or 19, respectively.

Trust Termination Notice has the meaning given in clause 14.10.

Unaccepted Shares means the balance of Sale Shares not accepted by Shareholders in receipt of a Transfer Notice within the Offer Period, under clause 10.2 or 19.

Unrelated Buyer means an actual or proposed (as the context requires) third party buyer who is neither a Shareholder nor a Related Body Corporate of any Shareholder but does not include an IPO Vehicle.

Unrelated Substantial Shareholders has the meaning given in clause 19.2.

WH means Wattle Hill RHC Fund 1, of Level 13, 179 Elizabeth Street, Sydney, NSW, Australia, 2000, or any purchaser of all of the Shares held by it and its Affiliates.

WH Director means a Director appointed by WH.

1.2 General interpretation

Unless the contrary intention appears a reference in this document to:

- (a) **(clauses, annexures and schedules)** a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this document;
- (b) **(variations or replacement)** a document (including this document) includes any variation or replacement of it;
- (c) **(reference to statutes)** 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;
- (d) **(law)** law means common law, principles of equity, and laws made by a Government Agency and other instruments under them, and considerations, amendments, re-enactments or replacements of any of them;
- (e) **(singular includes plural)** the singular includes the plural and vice versa;
- (f) **(person)** the word “person” includes an individual, a firm, a body corporate, a partnership, joint venture, an unincorporated body or association or any Government Agency;
- (g) **(executors, administrators, successors)** a particular person includes a reference to the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (h) **(two or more persons)** an agreement, representation or warranty in favour of two or more persons is for the benefit of them jointly and each of them individually;
- (i) **(jointly and individually)** an agreement, representation or warranty by two or more persons binds them jointly and each of them individually;
- (j) **(calculation of time)** a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (k) **(reference to a day)** a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (l) **(from time to time)** a power, an authority, or a discretion given to the Board, the Directors, the Shareholders or any other person may be exercised at any time and from time to time;
- (m) **(reference to a group of persons)** a group of persons or things is a reference to any two or more of them jointly and to each of them individually;
- (n) **(meaning not limited)** the words “include”, “including”, “for example” or “such as”, when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;

- (o) **(time of day)** time is a reference to Sydney time;
- (p) **(reference to any thing)** any thing (including any amount) is a reference to the whole and each part of it; and
- (q) **(dollars)** Australian dollars, dollars, \$, A\$ or AUD is a reference to the lawful currency of **Australia**.

1.3 Liability of Shareholders

Unless expressly stated in this document (which to avoid doubt, does not include clause 1.2(m)), the obligations of the Shareholders, Consortium Investors and Non-Investor Parties under this document bind each of the Shareholders, Consortium Investors and Non-Investor Parties (as applicable) individually and not jointly.

1.4 Meaning of Procure

If under this document, a party (other than the Company) has undertaken to another party to procure that any Group Member or any IPO Vehicle will do any act or thing or refrain from doing any act or thing, the party in question will not be in breach of that undertaking if:

- (a) in the case of any party who is a director of a Group Member or any IPO Vehicle, the party has exercised the party's votes as a director in favour of the act or thing the Group Member or IPO Vehicle is obliged to do or against the act or thing the Group Member or IPO Vehicle is obliged to refrain from doing (or abstained from voting in relation to the act or thing) as applicable (provided that nothing in this document requires a director of a Group Member or any IPO Vehicle to act in a manner which would breach his or her duties as a director);
- (b) in the case of any Shareholder (or any Affiliate of a Shareholder), the Shareholder has exercised its votes as a Shareholder in favour of the act or thing the Group Member or IPO Vehicle is obliged to do or against the act or thing the Group Member or IPO Vehicle is obliged to refrain from doing (or abstained from voting in relation to the act or thing) as applicable;
- (c) in the case of any party who has appointed a director of a Group Member or any IPO Vehicle or has the right to appoint a director of any Group Member or any IPO Vehicle, that director has exercised his or her votes as a director in favour of the act or thing the Group Member or IPO Vehicle is obliged to do or against the act or thing the Group Member or IPO Vehicle is obliged to refrain from doing (or abstained from voting in relation to the act or thing) as applicable (provided that nothing in this document requires a director of a Group Member or any IPO Vehicle to act in a manner which would breach his or her duties as a director);
- (d) in the case of any individual party who is Engaged By A Group Member, the individual party has carried out all actions which are appropriate (but not in conflict with any determination of the Board) within the scope of its role and responsibilities as a result of being Engaged By A Group Member to facilitate the Group Member or IPO Vehicle doing the act or thing it is obliged to do, or to prevent the Group Member or IPO Vehicle from doing the act or thing it is obliged to refrain from doing, as applicable; and
- (e) it has taken all other actions within the scope of its power and authority to facilitate the Group Member or IPO Vehicle doing the act or thing it is obliged to do, or to prevent the Group Member or IPO Vehicle from doing the act or thing it is obliged to refrain from doing, as applicable, and has

not taken any action or omitted to take any action within the scope of its power and authority which would prevent or inhibit the Group Member or IPO Vehicle doing the act or thing it is obliged to do, or facilitate the Group Member or IPO Vehicle doing the act or thing it is obliged to refrain from doing, as applicable.

1.5 Consortium Investors

- (a) A right, power, discretion or consent conferred or granted by this document on the Consortium Investors may only (unless the context otherwise requires) be exercised or granted:
- (i) while WH is a Shareholder, or at least one of WH's Affiliates is a Shareholder, by WH on behalf of all Consortium Investors. For clarity and without limitation, this applies to the rights of the Consortium Investors in relation to:
 - (A) the Drag Transaction regime under clause 13; and
 - (B) implementing Exits; or
 - (ii) while neither WH, nor any WH Affiliate is a Shareholder, by all Consortium Investors.
- (b) To the extent that the rights of ROC under this document results in any one of the trusts comprising ROC (including upstream trusts) being covered by section 275-10(4) of the *Income Tax Assessment Act 1997* (Cth) (or equivalent provisions in any successor legislation) at any time including from a change in legislation, the issuance of a public ruling, a new interpretation by the Australian Taxation Office or any other government agency or a change in extra-statutory concession by the Australian Taxation Office or any government agency, ROC may by notice, unilaterally, unequivocally and permanently disclaim fully or partially any such rights as they see fit and such a disclaimer will be taken to be an amendment to this document ab initio. For the avoidance of doubt, such a disclaimer does not affect any rights which ROC would ordinarily have as Shareholders including the right to appoint Directors under the law.

Should ROC disclaim rights under this document, any such rights may taken up at the discretion of WH and by giving notice, as if it held those rights ab initio.

1.6 Next day

If an act under this document to be done by a party on or by a given day is done after 5.30pm on that day, it is taken to be done on the next day.

1.7 Next Business Day

If an event under this document must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day.

1.8 Headings

Headings are inserted for convenience and do not affect the interpretation of this document.

2 Operation of this deed

2.1 Effect

- (a) This document comes into effect on and from the Implementation Date, except for this clause 2, and clauses 22 and 24 to 33 (inclusive) which each come into effect on the date of this document.
- (b) Subject to clause 22.2, this document remains in effect until it is terminated in accordance with clause 2.2 or clause 22.1.

2.2 Failure to implement Scheme

Unless the Consortium Investors agree in writing to the contrary, this document terminates if the Scheme Implementation Agreement is terminated in accordance with its terms without the Scheme being implemented.

2.3 Transfer of Shares

Subject to clause 22.2, this document ceases to apply to a Shareholder that has transferred all of its Shares under this document.

3 Objectives

3.1 Objectives

The primary objectives of the Group are to:

- (a) operate, carry on and grow the Business; and
- (b) maximise the sustainable value of the Group in line with the direction and strategy of the Group as determined by the Board from time to time in accordance with this document.

3.2 Shareholders' commitments

Subject to and in accordance with this document (including, but not limited to, each Shareholder's capacity to influence decision making in respect of the Company and the Business), each Shareholder agrees and undertakes:

- (a) to use all reasonable endeavours to promote and develop the Business to the best advantage of the Group; and
- (b) to cooperate and use all reasonable endeavours to ensure that the Group successfully carries on the Business.

3.3 Relationship of Shareholders

This document does not create a relationship of employment, trust, agency or partnership between the Shareholders. Each Shareholder is responsible for its own obligations arising under this document and is not liable for any other Shareholder's obligations.

3.4 Related Party

Each party must, to the extent within its power and control, do all things reasonably necessary to ensure that its Related Bodies Corporate and each Group Member comply with the terms of this document.

4 Boards

4.1 Role of the Board

Subject to any matters requiring Shareholder approval under this document or the Corporations Act, the Board is responsible for the overall direction and management of the Company and each Subsidiary and the formulation of the policies to be applied to the Group and the Business.

4.2 Composition

Each party must at all relevant times Procure that the matters and things contemplated by Schedule 1, including the composition of the Board and the boards of directors of the other Group Members and the procedures for meetings of the Board and the boards of directors of the other Group Members, are carried out in accordance with Schedule 1.

4.3 Delegation

The Board may, on any terms it determines, delegate (or revoke a prior delegation) to one or more members of management (including the Group CEO) or a sub-committee of the Board, the authority to cause a Group Member to do or commit anything (with or without further Board approval), except that, notwithstanding any other provision of this document, no matter or thing listed in:

- (a) Part A of Schedule 2 may be undertaken without the approval of an Ordinary Directors' Resolution.
- (b) Part B of Schedule 2 may be undertaken without the approval of a Special Majority Directors' Resolution; and
- (c) Part C of Schedule 2 may be undertaken without the approval of a Shareholders' Special Resolution.

4.4 Performance of Directors' duties

Subject at all times to the duties of each Director at law, a Director may, to the maximum extent permitted by law, in performing any of his or her duties or exercising any power, right or discretion as a Director:

- (a) have regard to and represent the interests of the Shareholders who appointed the Director under this document; and
- (b) act on the wishes of the Shareholders who appointed the Director under this document.

5 Group undertakings

5.1 Board matters

The Company must not do, commit or approve, and must Procure that no other Group Member does, commits or approves, anything listed in:

- (a) Part A of Schedule 2 without an Ordinary Directors' Resolution;
- (b) Part B of Schedule 2 without a Special Majority Directors' Resolution; and
- (c) Part C of Schedule 2 without a Shareholders' Special Resolution.

5.2 Other matters

Except as waived or otherwise approved by Ordinary Directors' Resolution or as otherwise provided in this document, the Company must comply, and Procure that each Group Member complies, with Schedule 4.

6 Company management

6.1 Compliance by parties

- (a) Each of the parties (other than the Company) undertakes to each of the other parties that it will comply with, and Procure that the Company complies with, this document and the Constitution.
- (b) Each party agrees to take all actions within the scope of its power and authority to facilitate each Non-Controlled Group Member complying with this document as if it were a Subsidiary of the Company. Notwithstanding anything to the contrary in this document, a party will not be in breach of this document if a Non-Controlled Group Member does, or omits to do, a thing that would breach this document if undertaken or omitted (as applicable) by the Company or a Subsidiary of the Company but it has, and each director appointed by it to a Group Member, has:
 - (i) taken all other actions within the scope of its power and authority which are permissible in accordance with the governing documents of that Non-Controlled Group Member to facilitate the Non-Controlled Group Member doing the act or thing it is obliged to do, or to prevent the Non-Controlled Group Member from doing the act or thing it is obliged to refrain from doing, as applicable; and
 - (ii) not taken any action or omitted to take any action within the scope of its power and authority which is permissible in accordance with the governing documents which would prevent or inhibit the Non-Controlled Group Member doing the act or thing it is obliged to do, or facilitate the Non-Controlled Group Member doing the act or thing it is obliged to refrain from doing, as applicable.

6.2 Responsibilities of the Board

The Board is responsible for:

- (a) the overall direction and management of the Group and formulation of the policies to be applied to the Business; and
- (b) ensuring that the Business is managed in accordance with this document.

6.3 Conduct of Business in accordance with the Business Plan

Unless otherwise approved by an Ordinary Directors' Resolution:

- (a) the Company agrees to conduct, and must Procure that each Group Member conducts, the Business in each Financial Year in accordance with the Business Plan approved and adopted by the Board for that Financial Year or any amended version of that Business Plan approved by the Board; and
- (b) the Business Plan must be consistent with clause 5.1 and the objectives set out in clause 3.1.

6.4 Submissions of draft Business Plan

At least 6 weeks before the end of each Financial Year (or at such other time as reasonably determined by the Board), the parties must use reasonable endeavours to cause the Group CEO and Group CFO to submit to the Board a draft Business Plan for the next Financial Year. The Shareholders must Procure that the Board considers the draft Business Plan at least 15 Business Days before the beginning of the relevant Financial Year (or at such other time as determined by the Board). The draft Business Plan (with such amendments as are considered appropriate) may only be adopted by an Ordinary Directors' Resolution.

6.5 Conduct until new Business Plan adopted

If the Board does not adopt the Business Plan in accordance with clause 6.4 before the start of the relevant Financial Year, the Company must continue to conduct the Business on the basis of the previous Financial Year's Business Plan until a new Business Plan is adopted, provided that the Group Members may continue to operate and incur expenditures and Liabilities in amounts up to 105% of those in the previous Financial Year's Business Plan. Once a new Business Plan is adopted by an Ordinary Directors' Resolution, the previous authority to incur expenditures and Liabilities in amounts up to 105% of those in the previous Financial Year's Business Plan will cease to apply.

6.6 Review of Business Plan

The Board may at any time review the Business Plan or any budget previously approved by the Board and resolve to amend it provided that any material amendments to the Business Plan must be approved by an Ordinary Directors' Resolution.

7 Reporting obligations

7.1 Access and provision of information

The Company must comply with, and Procure that each Group Member complies with, Schedule 4 in relation to access by the Consortium Investors to the premises and the Records of the Business and the provision of information to the Shareholders.

7.2 Information received by Directors

- (a) Subject to clause 7.2(b), a Director will be entitled to provide to its appointing Shareholder, all information he or she comes into possession of in the course of his or her role as Director.
- (b) Subject to the Corporations Act, and any information already in the public domain, no Director may provide any Confidential Information of the Group to any entity or person who is involved in any capacity in any business or activity which is:
 - (i) the same as or similar to the Business or any material part of it; or
 - (ii) the same as or similar to any business of any customer or any supplier of the Business.

8 Distributions to Shareholders

Subject to the Corporations Act, the amount of any dividend or other distribution payable to the Shareholders is at the absolute discretion of the Board and must be determined or declared by Ordinary Directors' Resolution. A dividend or other distribution must not be paid unless approved by Ordinary Directors' Resolution.

9 New Shares

9.1 Funding decisions

The Board has responsibility for determining how to fund the activities of the Group and the Business as contemplated in the Business Plan subject to Schedule 2. The proceeds of any funding, whether raised by debt or additional capital from Shareholders whether in the form of debt, equity (including New Shares) or otherwise, must be for use in the Business. Nothing in this clause 9 shall limit or otherwise affect the provisions of clause 5.1 and Schedule 2.

9.2 Issue of New Shares

Subject to clauses 9.13, 9.14 and 9.19 to 9.21 (inclusive) and compliance with all applicable laws, if the Company proposes to issue new Shares (or any rights to be allotted, issued or to subscribe for Shares) (**New Shares**) to any person after the Implementation Date, it must first comply with this clause 9.

9.3 Contents of Issue Notice

If the Company proposes to issue New Shares, it must serve a notice (**Issue Notice**) on each Substantial Shareholder specifying:

- (a) (**issue price**) the issue price per New Share or the manner in which the issue price is proposed to be calculated or determined. Unless otherwise agreed by a Special Majority Directors' Resolution, if the New Shares will be Shares issued:
 - (i) prior to the 12 month anniversary of the Implementation Date, the issue price must be the Scheme Price; or
 - (ii) on or following the 12 month anniversary of the Implementation Date, the issue price must be determined by reference to the Fair Market Value of the Group at the time that the Issue Notice is served and the number(s) and classes of Shares then on issue;
- (b) (**total number**) the total number of New Shares to be issued and the number(s) of each class of New Shares to be issued;
- (c) (**acceptance period**) the date by which a Substantial Shareholder must give the Company written notice exercising its right to make an offer to subscribe for New Shares, which date must not be less than 10 Business Days after the date of the Issue Notice (**Initial Acceptance Period**) (or any longer period which a Special Majority Directors' Resolution approves for a Substantial Shareholder or Substantial Shareholders);
- (d) (**completion timing**) the date on which subscription funds for the New Shares must be paid to the Company, which date must not be less than 10 Business Days (or any longer period which an Ordinary Directors' Resolution agrees to for a Substantial Shareholder or Substantial Shareholders) after the end of the Initial Acceptance Period (or any longer period which an Ordinary Directors' Resolution approves for a Substantial Shareholder or Substantial Shareholders under clause 9.3(c)) plus such additional period as may reasonably be required by any Substantial Shareholder to obtain any necessary approvals or consents of any Government Agency for the Substantial Shareholder to lawfully accept the offer of New Shares (such additional period being determined by the Board acting reasonably after consultation with the relevant Substantial Shareholder);
- (e) (**other terms**) the other terms of issue of the New Shares; and

- (f) **(relevant proportion)** the number of New Shares which constitutes the Substantial Shareholder's Share Ownership Percentage of those Shares (**Entitlement Shares**).

9.4 Notice by Substantial Shareholder

A Substantial Shareholder may exercise its right to make an offer to subscribe for New Shares by giving notice to the Company no later than the end of the Initial Acceptance Period of the number of New Shares which it offers to subscribe for or more or less than its number of Entitlement Shares.

9.5 Failure to give notice

If a Substantial Shareholder fails to give the notice referred to in clause 9.4 by the end of the Initial Acceptance Period, the Substantial Shareholder will cease to have any right to offer to subscribe for the New Shares, unless the Company (with Board approval) otherwise agrees.

9.6 Issue

If a Substantial Shareholder (or other person under clause 9.7) exercises its right to offer to subscribe for New Shares under this clause 9, the Company must, subject to receipt of the relevant subscription amount, issue to that Substantial Shareholder (or its Nominated Affiliate) the number of New Shares allocated to that Substantial Shareholder (or its Nominated Affiliate) in accordance with clauses 9.8 and 9.9.

9.7 Nominated Affiliate

Subject to compliance with clause 9.14:

- (a) a Consortium Investor may nominate an Affiliate; and
- (b) another Substantial Shareholder may nominate a Permitted Holder;

to exercise its right to make an offer to subscribe for New Shares under this clause 9 (in each case, the **Nominated Affiliate**), and the Company must, subject to receipt of the relevant subscription amount, issue to the Nominated Affiliate the number of New Shares allocated to the Substantial Shareholder in accordance with clauses 9.8 and 9.9.

9.8 Allocation

If the Company receives offers under clause 9.4 to subscribe for:

- (a) equal to or less than the total number of New Shares referred to in the Issue Notice, the Company must issue to each Substantial Shareholder who has made an offer under clause 9.4, the number of New Shares for which the Substantial Shareholder has offered to subscribe; or
- (b) more New Shares than the total number of New Shares referred to in the Issue Notice then, subject to clause 9.9, each Substantial Shareholder who has made an offer under clause 9.4 is entitled to subscribe for the lesser of the number(s) of its Entitlement Shares and the number of New Shares for which it has offered to subscribe.

9.9 Remaining New Shares

Any remaining New Shares that have not been allocated after the application of clause 9.8(b) must be allocated on a pro rata basis among those Substantial Shareholders (by reference to their relative Share Ownership Percentages) that offered to subscribe for a greater number of New Shares than their Entitlement Shares under clause 9.4, provided that no allocation under this clause 9.9 may

exceed the number of New Shares for which the Substantial Shareholder has offered to subscribe under clause 9.4 (and the Company must reapply this clause 9.9 in respect of the then remaining New Shares until all the New Shares that the Substantial Shareholders offered to subscribe for under clause 9.4 are allocated).

9.10 Notice of allocation of New Shares

As soon as reasonably practicable after the determination of the entitlements of each Substantial Shareholder, the Company must send to each Substantial Shareholder who has made an offer under clause 9.4 a notice setting out the number of New Shares that the Substantial Shareholder has been allocated in accordance with this clause 9 and then:

- (a) each Substantial Shareholder must pay to the Company the subscription funds for the New Shares which the Substantial Shareholder has been allocated on or before the date set out in the Issue Notice or such later date as is agreed between the Substantial Shareholder and the Company (with Board approval); and
- (b) subject to the receipt of the subscription funds referred to in clause 9.10(a), the Company must issue the relevant New Shares and certificates evidencing title to the New Shares to the Shareholder (or its Nominated Affiliate, as applicable) and update all relevant registers.

9.11 Failure to complete subscription for New Shares

If:

- (a) any New Shares are not subscribed for by the Shareholders in accordance with this clause 9; or
- (b) New Shares are allocated to a Substantial Shareholder or its Nominated Affiliate under this clause 9 but:
 - (i) the Substantial Shareholder or its Nominated Affiliate, as applicable, breaches any of its material obligations in connection with its subscription for the relevant New Shares; or
 - (ii) the relevant New Shares cannot be issued to the Substantial Shareholder or their Nominated Affiliate, as applicable, due to the application of clause 9.17(c) or clause 9.18,

the Company must offer those New Shares to each Shareholder which is not a Substantial Shareholder, complying again with clauses 9.2 to 9.10 (inclusive) in respect of those Shareholders.

9.12 Issue to Third Party

The Company may issue any New Shares that are not subscribed for by the Shareholders in accordance with this clause 9 to any Third Party determined by a Special Majority Directors' Resolution within 80 Business Days of the date on which the Company sends notices to the Substantial Shareholders under clause 9.10 (or if no such notices will be sent as none of the Substantial Shareholders have offered to subscribe for any New Shares, 120 days from the Initial Acceptance Date) for an issue price per New Share not less than the price specified in the Issue Notice (or as would have been calculated in accordance with the method of calculation specified in the Issue Notice) and on terms materially no more favourable (taken as a whole) than those contained in the Issue Notice. If the Company does not issue the New Shares within that period, the Company may not issue the New Shares without first complying again with clauses 9.2 to 9.11 (inclusive).

9.13 Exceptions

Without limiting clause 5, clauses 9.2 to 9.12 (inclusive) do not apply to an issue of Shares:

- (a) **(Transaction Documents)** pursuant to the Transaction Documents;
- (b) **(convertible Securities)** pursuant to the conversion of any form of convertible Securities issued by the Company which were previously offered to the Shareholders under clause 9.2 or issued in accordance with another exception in this clause 9.13;
- (c) **(Exit)** pursuant to an Exit;
- (d) **(Incentive Scheme)** if the Shares will be Incentive Shares or the issue is pursuant to any Incentive Scheme or comparable incentive arrangement and the Shares will be subject to the terms of this document, and in each case the issue of Shares has been approved by the Board;
- (e) **(acquisition consideration)** as non-cash consideration for an acquisition of a company, business or assets by a Group Member approved in accordance with this document;
- (f) **(emergency funding)** pursuant to clause 9.19;
- (g) **(debt financiers)** to a provider of debt finance (or any agent, trustee or nominee of or for the provider) which is not a Shareholder or an Affiliate of a Shareholder as part of any genuine debt finance provided to the Group or any Group Member; or
- (h) **(corporate reorganisation)** pursuant to a Reorganisation Event or Restructuring Event provided the Reorganisation Event or Restructuring Event does not dilute the Share Ownership Percentage of any Shareholder (for this purpose only, if the Reorganisation Event or Restructuring Event involves an exchange of Shares for shares in a new parent company of the Group, the Share Ownership Percentage will be calculated based on the Shareholders' holdings of shares in that new parent company) and subject to compliance with clause 10.5.

9.14 Accession Deed

No person can become a holder of Shares (whether as a result of an issue or Disposal of Shares to the person) unless:

- (a) that person first executes and delivers to the Company an Accession Deed under which the person agrees to be bound by this document as if named as a party and in the capacity of a Consortium Investor or a Non-Investor Party (as applicable under this document); or
- (b) the issue or transfer is an issue or transfer of Incentive Shares (provided that the holder of those Incentive Shares must execute a Accession Deed if those Shares cease to be Incentive Shares for the purpose of this document).

9.15 Inclusion of new holder

If a person executes an Accession Deed in a specified capacity in accordance with clause 9.14 from the date of the Accession Deed each reference in this document to that category of party will be taken to include the new holder of Shares and the new holder of Shares will have the rights and obligations accorded to that category of party under this document.

9.16 Bound by Accession Deed

The parties agree that any person who executes an Accession Deed will be bound by, and acquire the rights under, this document in accordance with clause 9.14 to this clause 9.16 (inclusive).

9.17 Affiliates of Consortium Investors and Permitted Holders

Without prejudice to the requirements of clause 9.14:

- (a) if an Affiliate of a Consortium Investor acquires any Shares it will be taken to be a Consortium Investor and will have the rights and obligations of a Consortium Investor under this document unless otherwise agreed by the Consortium Investors; and
- (b) if a Permitted Holder of a Non-Investor Party acquires any Shares it will be taken to be a Non-Investor Party and will have the rights and obligations of a Non-Investor Party under this document unless otherwise agreed by the Company and the Non-Investor Party.
- (c) No more than 50 Shareholders
- (d) Despite any other provision of this document, except with the written approval of the Consortium Investors, the Company must not issue Shares to a person who is not a Shareholder if the issue of those Shares would result in there being more than 50 Shareholders (calculated assuming that prior to that issue of Shares all Securities convertible into Shares or another class of shares have been converted into Shares by their holders), provided that this will not prevent the person from acquiring a beneficial interest in Shares by nominating the Custodian to hold the Shares on its behalf and entering into a Custodian Deed.

9.18 No requirement to prepare disclosure document

- (a) Any person's rights to be offered Shares and/or to subscribe for Shares (whether under this clause 9 or otherwise) are subject to those rights not requiring the Company to issue a disclosure document (including a prospectus or offering memorandum) or a product disclosure statement, undertake any registration or filing with any Government Agency or take any comparable action, whether under Chapter 6D or Chapter 7 of the Corporations Act or any comparable legislation in any other jurisdiction, unless the Board determines otherwise.
- (b) Neither the Company nor any other party will be in breach of this document if it fails to offer or issue any Shares to any person, or give any notice which would constitute an offer of any Shares to any person, in circumstances where such offer or issue of Shares would require the taking of any action described in clause 9.18(a).

9.19 Emergency Matter funding

- (a) If an Emergency Matter occurs:
 - (i) a Consortium Investor may elect by notice in writing to the Company to subscribe for new Shares at an issue price per Share determined by the Consortium Investors acting reasonably in consultation with the Board, having regard to the earnings, assets, liabilities and prospects of the Group and the previous issue prices of Shares (without limiting the Consortium Investors' right to reasonably determine a different issue price on account of changes in the Group's financial position, the issue of additional Shares and other relevant intervening factors);

- (ii) subject to receiving the Consortium Investor's election, the Company must issue the Shares subscribed for by the Consortium Investor immediately on receipt of the issue price from the Consortium Investor; and
- (iii) promptly following any issue of Shares in accordance with clause 9.19(a)(ii), the Company will give a written notice (**Emergency Funding Notice**) to each Substantial Shareholder who is not a Consortium Investor who elected to subscribe for Shares under clause 9.19(a)(i) (**Catch-up Offeree**) offering the Catch-up Offeree the opportunity to subscribe, or acquire from the Consortium Investor (as the Consortium Investor elects in its discretion), Shares:
 - (A) at the same price per Share as the price paid by the Consortium Investor, and otherwise at the same price and on the same terms per Share as the price and terms on which the Consortium Investor(s) subscribed for the Shares, including compliance with all applicable laws) as the Catch-up Offeree would have been entitled to subscribe for in accordance with clauses 9.2 to 9.13 (inclusive) if the issue in accordance with clause 9.19(a)(i) had instead been made in accordance with clauses 9.2 to 9.13 (inclusive); and
 - (B) in the number(s) which would result in the Catch-up Offeree (if it chose to accept the offer in full) having the same Share Ownership Percentage as it would have had if the issue in accordance with clause 9.19(a)(i) had instead been made in accordance with clauses 9.2 to 9.13 (inclusive).
- (b) The required payment date for Shares offered under an Emergency Funding Notice must not be less than 15 Business Days after the date of the Emergency Funding Notice (unless a particular Catch-up Offeree agrees to pay sooner).
- (c) Notwithstanding anything to the contrary in this clause 9, if a Catch-up Offeree is offered an opportunity to participate in an Emergency Matter funding at or around the same time as the Consortium Investor under clause 9.19(a)(i) on substantially equivalent terms to which it would be offered Shares under clauses 9.2 to 9.13 (inclusive) (including at least 15 Business Days' (or any shorter period agreed by the Catch-up Offeree) before being required to make payment for any Shares issued to it), then the Company will have no further obligation to offer Shares to the Catch-up Offeree under clause 9.19(a)(iii), irrespective of whether the Catch-up Offeree accepted the Company's offer at that time.
- (d) If an Emergency Matter occurs, prior to the Consortium Investors being issued with Shares under clause 9.19(a)(i), the Board will use commercially reasonable endeavours, in light of the nature of the Emergency Matter and the time available to respond to it, to consider debt and other funding alternatives which do not require the issue of Shares to cure the Emergency Matter.

9.20 Acquisition by Catch-up Offeree

Within 15 Business Days of the issue of a valid Emergency Funding Notice, each Catch-up Offeree may exercise its right to subscribe for, or acquire from the Consortium Investors, as applicable, the Shares offered by the Company in the Emergency Funding Notice by giving written notice to the Company of the number of Shares offered which it wishes to subscribe for or acquire (as

applicable). If a Catch-up Offeree has not given such written notice to the Company at the end of the 15 Business Day period, then the Catch-up Offeree has no further right to subscribe for, or acquire from any Consortium Investor, the Shares offered by the Company under clause 9.19(a)(iii), unless otherwise approved in writing by the Board.

9.21 Issue or transfer after receipt of issue price

- (a) If one or more Catch-up Offerees exercises its right to subscribe for, or acquire from the Consortium Investors, Shares under clause 9.19(a)(iii), the Company must issue and/or the Consortium Investors must transfer the Shares to be acquired by the relevant Catch-up Offerees as soon as reasonably practicable following receipt of the issue or transfer price from those Catch-up Offerees.
- (b) In the event of a transfer of Shares by the Consortium Investors to any Catch-up Offerees:
 - (i) the Consortium Investors will be deemed to warrant in favour of those Catch-up Offerees that the Consortium Investor:
 - (A) has full power and authority, and has obtained all necessary consents from third parties, to sell the Shares to those Catch-up Offerees;
 - (B) is not Insolvent; and
 - (C) transfers to those Catch-up Offerees clear and unencumbered legal title to the Shares being sold, free of any Security Interests or third party rights other than any such Security Interests or rights arising under this document; and
 - (ii) each of those Catch-up Offerees will be deemed to warrant in favour the Consortium Investor that the Catch-up Offeree:
 - (A) has full power and authority, and has obtained all necessary consents from third parties (including Government Agencies), to acquire the Shares; and
 - (B) is not Insolvent.

Each party consents for all purposes to a transfer and acquisition of Shares in accordance with clauses 9.19 to 9.21 inclusive.

9.22 Refusal to register new issues

The Company must not register any issue of New Shares in any books or registers maintained by it if this clause 9 has not been observed.

10 Disposal of Shares

10.1 Disposal of Shares

A Shareholder may not Dispose of any Shares, except pursuant to:

- (a) a Disposal of Shares to a Catch-up Offeree under clauses 9.19 to 9.21 (inclusive);
- (b) clause 11 or clause 14;

- For personal use only
- (c) a Consortium Investor Affiliate Transfer, or a Non-Investor Party Disposal of any Shares to a Permitted Holder of the Non-Investor Party in accordance with clause 10.2, at any time;
 - (d) a Custodian Transfer at any time; or
 - (e) pursuant to a transaction which has been approved in advance by a Special Majority Directors' Resolution,

and, in each case, also in accordance with clauses 9.14 and 10.6 (other than in connection with an IPO in accordance with clause 14 or in connection with a Trade Sale if this document will be terminated on or before completion of the Trade Sale).

10.2 Permitted Holders

Subject to compliance with the other expressly applicable provisions of this document, including clauses 9.14, 10.3 and 10.6, a Non-Investor Party may Dispose of any Shares to a Permitted Holder of the Non-Investor Party.

10.3 Ceasing to be a Permitted Holder and re-transfer

If Shares are Disposed of in accordance with, or purportedly in accordance with, clause 10.2 and at any time after that Disposal:

- (a) it becomes known that the transferee was not a Permitted Holder; or
- (b) the transferee ceases to be a Permitted Holder,

of the relevant transferor, that purported Permitted Holder or transferee (as applicable) must, unless otherwise approved by the Board, promptly transfer all Shares which it holds to the original transferor or to a Permitted Holder of the relevant original transferor (and if no such Permitted Holder is willing to accept a transfer of the Shares, then the relevant original transferor must accept a transfer of the Shares in accordance with this document). Nothing in this clause 10.3 limits the operation of clause 19.

10.4 Permitted Security Interests

Neither a Non-Investor Party nor a Consortium Investor may grant a Security Interest over any of their Shares to a person without prior approval by the Board and on such terms as the Board determines.

10.5 Restructuring Event

In connection with a Restructuring Event, each Shareholder must:

- (a) Dispose of any Shares promptly if requested by the Board for the consideration approved by the Board by a Special Majority Directors' Resolution (with the Board acting in good faith in light of the economic impact of the Restructuring Event on the Shares and provided that the consideration payable for Shares Disposed of pursuant to this clause 10.5(a) must be the same for all Shares); and
- (b) agree to such rights and obligations in respect of the Group as are substantially the same in all material respects with the rights and obligations under this document and the Constitution and approved by the Board by a Special Majority Directors' Resolution.

10.6 No more than 50 Shareholders

Despite any other provision of this document, except with the written approval of the Consortium Investors, no party may Dispose of any Shares to a person who

is not a Shareholder (other than in connection with an IPO) if that Disposal would result in there being more than 50 Shareholders (calculated assuming that prior to such Disposal all shares convertible into Shares or another class of shares had been converted into Shares by their holders, provided that this will not prevent a transfer to the Custodian to hold the Share on behalf of a person to whom the shares could have been Disposed of but for this clause 10.6)

10.7 Refusal to register transfer

The Company must not register any transfer of Shares in any books or registers maintained by it unless this clause 10 has been observed.

10.8 Terms of transfer

In respect of the sale of any Shares by a Shareholder pursuant to clauses 11, 12 or 13:

- (a) the Shares must be Disposed of, together with all rights attaching to them and free from all Security Interests; and
- (b) at completion of the sale of the Shares the seller must deliver the certificates (if any) for the Shares or a customary indemnity in respect of any lost or destroyed certificate(s) and duly executed transfers in respect of the Shares.

10.9 Party remains liable

If any Non-Investor Party Disposes of any Shares to a Permitted Holder or any Shareholder purports to Dispose of any Shares other than in compliance with this document, that party remains liable in respect of all covenants, warranties, undertakings and obligations given by it under this document.

11 Pre-emptive rights and other Disposals of Shares

11.1 Right of first refusal

If a Shareholder proposes to Dispose of any Sale Shares held by it, it must first give a Transfer Notice to each Substantial Shareholder.

11.2 Transfer Notice

A Transfer Notice must state:

- (a) the total number of Sale Shares;
- (b) the Sale Price and any other terms of the proposed Disposal;
- (c) the number of Sale Shares which constitutes the Substantial Shareholder's Share Ownership Percentage of those Sale Shares;
- (d) that the Offer Period is 30 days;
- (e) the settlement date for completion of the sale, which (unless otherwise agreed) may not be more than 30 days after the Offer Period expires; and
- (f) if applicable, the name of any proposed Transferee of the Sale Shares who is not an existing Shareholder.

11.3 Notice of acceptance

On or before the end of the Offer Period stated in the Transfer Notice, if a Substantial Shareholder wants to take up all or part of its entitlement to the Sale

Shares, it must give a notice of acceptance to the Seller specifying the number of Sale Shares that the Substantial Shareholder wants to take up.

11.4 Failure to give notice of acceptance

If a Substantial Shareholder fails to give a notice of acceptance prior to the end of the Offer Period stated in the Transfer Notice, it is taken to have waived its right to participate in that purchase of Sale Shares.

11.5 Allocation of Unaccepted Shares

If any Substantial Shareholder does not take up all of its entitlement to Sale Shares offered under clause 11.2, then the Unaccepted Shares must be offered (on the same terms as specified in the relevant Transfer Notice), to each other remaining Substantial Shareholder (being a Substantial Shareholder other than the Transferor or the Substantial Shareholder that has not taken up all of its entitlement to Sale Shares) in the proportions equal to their respective Share Ownership Percentages. The process is to be repeated in respect of any remaining Unaccepted Shares in respect of each Substantial Shareholder, complying again with clause 11.2.

11.6 Transfer to a third party

If:

- (a) the procedures in clauses 11.1 to 11.5 are followed; and
- (b) there are Unaccepted Shares 30 days after the giving of the Transfer Notice,

then no Sale Shares will be transferred under clauses 11.1 to 11.5 and the Seller may, within the following 60 days, transfer all of the Sale Shares to any person, on terms no more favourable to the transferee than those offered in the Transfer Notice.

11.7 Transfer of other Securities

This clause 11 applies equally to a proposed transfer of other Securities (which are not Shares) issued by the Company.

12 Tag along rights

12.1 Tag Along Option

If, having complied with clause 11, one or more Consortium Investor (**Selling Investor**) wish to Dispose of 10% or more, by number of the Shares on issue (calculated on the same basis as Shareholder Ownership Percentage is calculated) to an Unrelated Buyer or Unrelated Buyers (**Tag Buyer**), the Selling Investor must serve a notice (**Invitation to Tag**) on each other Shareholder (**Tag Shareholder**) no fewer than 15 Business Days before entering into a binding agreement to Dispose of those Shares.

12.2 Contents of Invitation to Tag

An Invitation to Tag must state:

- (a) (**Selling Investor**) the identity of the Selling Investor;
- (b) (**Tag Buyer**) the identity of the Tag Buyer;
- (c) (**number**) the number of Shares proposed to be Disposed of by the Selling Investor;

- (d) **(Tag Proportions)** the percentage of the total number of Shares held by the Selling Investor and proposed to be Disposed of in the Tag Transaction (that percentage in respect of the Shares, a **Tag Proportion**);
- (e) **(sale price)** the proposed consideration for the Shares proposed to be Disposed of by the Selling Investor (which need not be payable all in cash) or the manner in which the sale price is proposed to be calculated or determined and any material terms of the proposed sale known to the Selling Investor at the time of giving the Invitation to Tag;
- (f) **(Tag Option)** that each Tag Shareholder has an option (**Tag Option**) to participate in the Tag Transaction on the basis set out in clause 12.4, in respect of the relevant Tag Proportion of the Tag Shareholder's Shares being Disposed of by the Selling Investor (such proportion of the Tag Shareholder's Shares being the **Tag Shares**) at the same price and otherwise on terms which are no less favourable to the Tag Shareholder (taken as a whole) than the terms on which the Selling Investor is proposing to sell Shares to the Tag Buyer; and
- (g) **(exercise period)** the period during which the Tag Option may be exercised which, unless otherwise agreed in writing between the Selling Investor and the Tag Shareholders, must not be less than 10 Business Days from the date of the Invitation to Tag.

12.3 Exercise of a Tag Option

A Tag Option may be exercised by notice in writing to the Selling Investor with a copy to the Company within the exercise period stated in the Invitation to Tag. Any exercise of the Tag Option:

- (a) must be for all Tag Shares of the relevant Tag Shareholder;
- (b) is irrevocable, unless otherwise agreed in writing between the Selling Investor and the relevant Tag Shareholder;
- (c) must include wire transfer instructions for payment of any cash portion of the purchase price payable to the Tag Shareholder; and
- (d) if required by the Selling Investor, must be accompanied by all documents required to be executed in connection with the Tag Transaction, including the certificate or other documents representing the Tag Shares, together with a power of attorney authorising the Selling Investor or its nominee to act as its attorney to Dispose of the Tag Shares to the Tag Buyer.

If at the end of the exercise period stated in the Invitation to Tag, any Tag Shareholder has not exercised its Tag Option by notice in writing to the Selling Investor, that Tag Shareholder will be deemed to have waived all of its rights under this clause 12 to participate in the relevant Tag Transaction.

12.4 Effect of exercise of Tag Option

- (a) If a Tag Shareholder validly exercises its Tag Option in accordance with clause 12.3 (**Participating Tag Shareholder**):
- (i) the Participating Tag Shareholder must Dispose of its Tag Shares in the Tag Transaction on the terms stated in the Invitation to Tag; and
- (ii) the Selling Investor must not complete the proposed Disposal of its Shares to the Tag Buyer unless the Tag Buyer has offered to

buy the Tag Shares of each Participating Shareholder or clause 12.4(b) applies, provided that if the Tag Buyer is not willing to purchase all of the Tag Shares and the Shares offered for Disposal by the Selling Investor and the Participating Tag Shares, the number of Shares Disposed of by the Selling Investor and the Participating Tag Shareholders must (unless the Selling Investor decides not to proceed with the Tag Transaction) be reduced pro rata between the Selling Investor and the Participating Tag Shareholders based on the number of such Shares the Tag Buyer is willing to purchase and the number of such Shares offered for sale by the Selling Investor and all Participating Tag Shareholders.

- (b) Notwithstanding anything to the contrary in this document, a Selling Investor will not have any obligation to include a Participating Tag Shareholders' Tag Shares in a Tag Transaction, and will be permitted to complete the proposed Disposal of its Shares to the Tag Buyer without the Tag Buyer buying those Tag Shares, if:
 - (i) the Participating Tag Shareholder defaults in its obligations to Dispose of its Tag Shares in the Tag Transaction, including failing to execute any document which the Participating Tag Shareholder is required to execute under clause 12.5; or
 - (ii) the Participating Tag Shareholder breaches its obligations under clause 12.5.

12.5 Conditions to participating in Tag Transaction

Despite anything contained in this clause 12, the rights and obligations of the Participating Tag Shareholders to participate in a Tag Transaction are subject to the following conditions (each of which must be satisfied within the time periods specified by the Selling Investor):

- (a) **(substantially identical agreements)** Participating Tag Shareholders must enter into and execute substantially identical documents as the Selling Investor enters into and executes in connection with the Tag Transaction and any other documents reasonably requested by the Selling Investor;
- (b) **(pro rata expenses)** except as otherwise expressly provided in this Deed, each Participating Tag Shareholder must pay its pro rata share of all expenses properly incurred by the Selling Investor, the Participating Tag Shareholders and the Group Members (based on the amount of Proceeds received by the Selling Investor and each Participating Tag Shareholder or which they are or would have been entitled to receive before any deductions or withholdings in accordance with this Deed or applicable law, as the case may be) in connection with the Tag Transaction (which is consummated or which is not consummated other than due to a decision by the Selling Investor not to proceed as contemplated by clause 12.4(a)(ii)), but only to the extent such expenses are incurred for the benefit of all Participating Tag Shareholders and are not otherwise paid by the Company or another person;
- (c) **(title representations and warranties)** if required by the Selling Investor, each Participating Tag Shareholder must give unqualified representations, warranties and indemnities relating to such Participating Tag Shareholder's title to its Tag Shares and its authority and capacity to execute and deliver the definitive documentation for the Tag Transaction; and

- (d) **(business representations and warranties)** if required by the Selling Investor, each Participating Tag Shareholder must give for the benefit of the Tag Buyer representations, warranties and indemnities that relate to the Company and its operations (and which are the same or substantially the same as those provided by the Selling Investor) provided that liability under such warranties, representations and indemnities is:
- (i) individual and not joint;
 - (ii) allocated pro rata between the Participating Tag Shareholder and any other relevant persons (including the Selling Investor, if applicable), based on the amount of Proceeds received by them (or which they are or would have been entitled to receive before any deductions or withholdings in accordance with this document or applicable law, as the case may be); and
 - (iii) capped at 100% of the Proceeds received by the Participating Tag Shareholder (or which they are or would have been entitled to receive before any deductions or withholdings in accordance with this document or applicable law),

and to the extent that the Selling Investor's legal exposure for those warranties, representations and indemnities is addressed by a warranty and indemnity insurance policy or there is an escrow amount or comparable arrangement in respect of the Selling Investor's liability under such warranties, representations and indemnities, the Selling Investor ensures that the legal exposure of the Participating Tag Shareholders for those warranties, representations and indemnities is also addressed under that insurance policy or by those escrow or other arrangements, as applicable (subject to each Participating Tag Shareholder bearing its pro rata proportion (determined on the same basis as expenses are borne in accordance with clause 12.5(b)) of the aggregate cost of the warranty and indemnity insurance policy or the amount of the escrow or other arrangement, as applicable).

12.6 Co-operation

The Consortium Investors and the Non-Investor Parties must cooperate with the Company, the Selling Investor and each actual or prospective Tag Buyer, and their respective Representatives, to facilitate and give effect to any Tag Transaction, including by facilitating and supporting any due diligence process required and in connection with obtaining all Government Agency and third-party approvals and consents reasonably necessary or desirable to consummate the Tag Transaction.

12.7 No obligation to complete

Notwithstanding anything contained in this clause 12, neither a Selling Investor nor the Company is liable to any Consortium Investor or Non-Investor Party if any Tag Transaction is not consummated for any reason or if the number of Tag Shares Disposed of in a Tag Transaction is scaled back under clause 12.4. Subject to compliance with the express provisions of this clause 12, a Selling Investor may decide to Dispose of any Shares in a Tag Transaction or complete a Tag Transaction in its discretion.

12.8 Return of documents

The Selling Investor will return to each Tag Shareholder all documents in the possession of the Selling Investor executed by the Tag Shareholders in connection with the proposed Tag Transaction if the Selling Investor has not completed the Disposal of its relevant Shares to the Tag Buyer by the earlier of:

- (a) the date on which it reasonably determines that the proposed Tag Transaction will not complete; and
- (b) the date 12 months after delivery of the Invitation to Tag (which date will be extended if any of the transactions contemplated by the Invitation to Tag are subject to regulatory approval until the date 10 Business Days after the earlier of the date on which all such approvals have been received or the requirements to obtain them waived and the date on which any of such regulatory approvals are denied and not able to be appealed to any other forum or waived).

13 Drag rights

13.1 Right to give Drag Notice

If, having complied with clause 11, a Consortium Investor receives a bona fide offer in respect of a Trade Sale or Asset Sale in accordance with clause 14 from an Unrelated Buyer (**Drag Buyer**) and the Consortium Investors, subject to clause 1.5(a)(i), (**Drag Seller**) wish to accept the offer itself or through the Company then the Drag Seller may give a Drag Notice to each other Shareholder (**Dragged Shareholder**) with a copy to the Company.

13.2 Contents of Drag Notice

A Drag Notice must state:

- (a) (**Drag Seller**) the identity of the Drag Seller;
- (b) (**Drag Buyer**) the identity of the Drag Buyer;
- (c) (**completion date**) the Drag Seller's reasonable best estimate of the date for completion of the sale to the Drag Buyer.
- (d) if the offer is in respect of a Trade Sale:
- (i) (**Shares being sold**) the number of Shares proposed to be sold by the Drag Seller, being all of the Drag Seller's Shares;
 - (ii) (**sale price**) the sale price for each Share which must be the same price for the same class of Shares sold by the Drag Seller (**Drag Sale Price**) and any other terms of the proposed sale by the Drag Seller to the Drag Buyer; and
 - (iii) (**sale required**) that each Dragged Shareholder is required to sell all of the Dragged Shareholder's Shares (**Dragged Shares**) to the Drag Buyer at the Drag Sale Price and on the other terms set out in the Drag Notice, which terms must be no less favourable to the Dragged Shareholder than the terms on which the Drag Seller is proposing to sell its Shares to the Drag Buyer; and
- (e) if the offer is in respect of an Asset Sale:
- (i) (**Assets being sold**) the Assets proposed to be sold by the Company;
 - (ii) (**sale price**) the total sale price for all of the Assets proposed to be sold by the Company to the Drag Buyer and any other terms of the proposed sale by the Company to the Drag Buyer; and
 - (iii) (**sale required**) that each Dragged Shareholder is required to procure that any Director appointed by that Dragged

Shareholder is required to approve by Ordinary Directors' resolution the Asset Sale to the Drag Buyer on the terms and conditions of the Drag Notice.

13.3 Effect of Drag Notice

If a Drag Notice is given then:

- (a) each Dragged Shareholder must:
 - (i) in respect of a Trade Sale, sell its Dragged Shares to the Drag Buyer on the terms stated in the Drag Notice; or
 - (ii) in respect of an Asset Sale, procure that any Director appointed by that Dragged Shareholder approve by Directors' Resolution the Asset Sale; and
- (b) in respect of a Trade Sale, the Drag Seller must not complete the proposed sale to the Drag Buyer unless, at the same time, the Drag Buyer buys all the Dragged Shares of each Dragged Shareholder at the Drag Sale Price and on the other terms stated in the Drag Notice.

13.4 Conditions to participating in Drag Transaction

Notwithstanding anything contained in this clause 13:

- (a) **(execute documents)** Dragged Shareholders must enter into and execute substantially identical documents as the Drag Seller enters into and executes in connection with the Drag Transaction and any other documents reasonably requested by the Drag Seller in connection with completion of the Drag Transaction;
- (b) **(title representations and warranties)** if required by the Drag Seller, each Dragged Shareholder must give unqualified representations, warranties and indemnities relating to such Dragged Shareholder's title to its Dragged Securities and its authority and capacity to execute and deliver the definitive documentation for the Drag Transaction;
- (c) **(business representations and warranties)** if required by the Drag Seller, each Dragged Shareholder must give for the benefit of the Drag Buyer representations, warranties and indemnities that relate to the Group and its operations (and which are the same or substantially the same as those provided by the Drag Seller), provided that liability under such warranties, representations and indemnities:
 - (i) for the Drag Seller and each Dragged Shareholder, is individual and not joint;
 - (ii) is allocated pro rata between the Drag Seller and all Dragged Shareholders (based on the amount of Proceeds received (or which they are or would have been entitled to receive before any deductions or withholdings in accordance with this document or applicable law), as the case may be, by the Drag Seller and all Dragged Shareholders);
 - (iii) for each Dragged Shareholder, is not in excess of:
 - (A) the Proceeds received (or which they are or would have been entitled to receive before any deductions or withholdings in accordance with this document or applicable law) by that Dragged Shareholder, with respect to representations, warranties and indemnities

relating to formation, authorisation, title, capitalisation, and Tax matters; or

- (B) such lesser amount that is reasonable and customary with respect to representations, warranties and indemnities relating to other matters,

and to the extent that the Drag Seller's legal exposure for those warranties, representations and indemnities is addressed by a warranty and indemnity insurance policy or an escrow amount or comparable arrangement in respect of the Drag Seller's liability under such warranties, representations and indemnities, the Drag Seller ensures that the legal exposure of the Dragged Shareholders for those warranties, representations and indemnities is also addressed under that insurance policy or by those escrow or other arrangements, as applicable (subject to each Dragged Shareholder bearing its pro rata proportion (determined on the same basis as expenses are borne in accordance with clause 13.4(c)(ii)) of the aggregate cost of the warranty and indemnity insurance policy or the amount of the escrow or other arrangement, as applicable).

13.5 Withdrawal of Drag Notice

A Drag Notice may be revoked by the Drag Seller at any time by written notice to the Company. The Company must notify each Shareholder promptly if any Drag Notice is revoked.

13.6 Dragged Shareholders liability

In respect of a Trade Sale, Dragged Shareholders can be required to give to the Drag Buyer several representations, warranties and/or several indemnities relating to the Company and its Business substantially equivalent to those given by the Drag Seller, provided that any liability for any such representations, warranties or indemnities given to the Drag Buyer in any documentation to effect the sale is allocated between the Drag Seller and the Dragged Shareholders severally and in proportion to and capped at the amount of consideration payable for the relevant Shares sold to the Drag Buyer.

13.7 Dragged Shareholders must co-operate

Each Dragged Shareholder must co-operate in any way that the Drag Seller or the Company (as applicable) may reasonably request in order to permit the sale, on the terms set out in the Drag Notice, of Dragged Shares from each Dragged Shareholder to the Unrelated Buyer or the Assets from the Company to the Unrelated Buyer, including providing due diligence. The Drag Seller or the Company (as applicable) must consult with each Dragged Shareholder in relation to the sale to the extent reasonably practical.

13.8 No obligation to complete

Notwithstanding anything contained in this clause 13, neither a Drag Seller nor the Company is liable to any Dragged Shareholder if any Drag Transaction is not consummated for any reason.

14 Exit

14.1 Exit timing

The Consortium Investors, subject to clause 1.5(a)(i), (**Exit Instigator**) may require that the Company implement an Exit at an Exit Valuation (which, in the case of an Exit Valuation that is less than the Entry Valuation, must be approved by a Special Majority Directors' Resolution) at any time or to commence preparations for an Exit.

14.2 Assistance for Exit

Without limiting any specific obligation which a party may have under this document in connection with an Exit, if an Exit Instigator issues an Exit Notice:

- (a) each party must (and the Company must ensure that the other Group Members), use their best endeavours to ensure that the Exit occurs in accordance with the Exit Notice and the Exit Instigator's other requirements;
- (b) each Shareholder must exercise all rights it has in relation to the Company and any Shares to ensure that an Exit is achieved in accordance with the Exit Notice and the Exit Instigator's other requirements and no party will raise any objection to the Exit or the process by which the Exit is implemented in accordance with the Exit Notice;
- (c) each party must and must Procure that each Director appointed by it (if applicable), approve all matters appropriate to ensure that the Exit occurs in accordance with the Exit Notice and the Exit Instigator's requirements with respect to the process by which the Exit is implemented and must not withhold, deny or delay any consent or approval right it has in connection with an Exit;
- (d) each party must (and the Company must ensure that the other Group Members) do all things, execute all documents and provide all such information and assistance as may be required by the Company or the Exit Instigator (including the preparation of any necessary material for, and the giving of presentations to, Third Parties and potential financiers and undertaking any action described in clause 14.3 if the Exit is not an IPO but the Board determines that the action is necessary or desirable in connection with the Exit) to facilitate the Exit; and
- (e) the Company must appoint any Financial Adviser requested in writing by the Exit Instigator, or the Exit Instigator may appoint any Financial Adviser on behalf of the Company, in each case, to advise on, and assist with, the Exit.

14.3 Preparation for an IPO

If the Exit Instigator proposes that an IPO is implemented and the Board resolves to undertake an IPO or to take any other action which would facilitate an IPO (including re-organising the outstanding Shares of any Group Member or amalgamating or reconstructing any or all of the Group Members), to the extent permitted by law:

- (a) each party must (and the Company must ensure that the other Group Members and each Shareholder must Procure that each director of a Group Member) co-operate and use its best endeavours to do all acts, matters and things within its power to effect the IPO, including:
 - (i) **(application for admission)** applying to the ASX (or other recognised stock exchange) for admission of the Company or IPO Vehicle, as applicable, to the official list of the ASX (or other recognised stock exchange) and official quotation of the relevant shares on the ASX (or other recognised stock exchange);
 - (ii) **(resolutions)** procuring the unanimous passing of any resolutions of any Group Member in general meeting (including any class meeting) or by its directors subject to their fiduciary obligations (acting reasonably) to effect any transactions, steps or other matters;

- (iii) **(exchange of Shares)** exchanging its Shares for shares in the relevant IPO Vehicle or any other company which is proposed by the Board to become (and following such exchange will become) the ultimate holding company of the Group;
- (iv) **(advisers)** appointing appropriately qualified professional advisers;
- (v) **(redemptions, buy backs, purchases and cancellations)** allowing the redemption, buy back, purchase or cancellation (as applicable) by the Company of all or some of its Shares, including doing all things reasonably required by the Board to give effect to the redemption, buy back, purchase or cancellation (as applicable) and all things required under the Corporations Act to approve or otherwise give effect to the redemption, buy back, purchase or cancellation (as applicable), provided that the price per Share (net of costs, if applicable) on any such redemption, buy back, purchase or cancellation (as applicable) is the same for all Shares of the same class issued on the same terms;
- (vi) **(Disposals of Shares)** Disposing of some or all of its Shares (to a newly incorporated sale vehicle or otherwise) and surrendering the certificates (if any) for its Shares as permitted or required by the Board, provided that the price per Share (net of costs, if applicable) on such Disposal is the same for all Shares of the same class issued on the same terms (which price may comprise or include Securities in the Company and/or the IPO Vehicle);
- (vii) **(prospectus assistance)** assisting in preparing a prospectus or other IPO disclosure document;
- (viii) **(appointing board)** appointing an appropriate board of directors to the Company or IPO Vehicle having regard to any advice from the Financial Adviser, including an appropriate number of independent non-executive directors for the Company's or the IPO Vehicle's listed state;
- (ix) **(obtaining approvals)** obtaining any necessary ASX (or other recognised stock exchange) or other regulatory approvals;
- (x) **(underwriting)** Procuring that the Company or IPO Vehicle enters into an underwriting or offer management agreement or similar agreement consistent with market practice;
- (xi) **(financial assistance)** approving any financial assistance arising from any reorganisation or any other steps taken by any Group Member in connection with the IPO;
- (xii) **(financial reporting requirements)** meeting the financial reporting requirements of the relevant stock exchange or trading system (including as to trading history, extracts from audited accounts of prior years, cash flow and profit forecasts, working capital report and indebtedness statement);
- (xiii) **(marketing assistance)** providing assistance for marketing activities, including road shows; and

- (xiv) **(constitutional amendments)** agreeing to amendments to the Constitution and/or the constitutional documents of any other Group Member;
- (b) this document must be either terminated or amended in order to comply with applicable laws and stock exchange rules in connection with the IPO;
- (c) each Consortium Investor and Non-Investor Party must Procure that the management of the Group, to the extent requested by the Board, applies adequate time, resources and commitment to the IPO process to enable it to be successfully completed, including for the purposes of:
 - (i) **(due diligence)** due diligence and membership of the due diligence committee;
 - (ii) **(due diligence committee meetings)** attendance at meetings of the due diligence committee;
 - (iii) **(due diligence committee sign off)** sign off to the due diligence committee in connection with the preparation and verification of the IPO disclosure document;
 - (iv) **(road shows)** attending management presentations and investor road shows; and
 - (v) **(listing conditions)** satisfying all terms and conditions of admission to listing imposed by the relevant stock exchange;
- (d) each Consortium Investor and Non-Investor Party must Procure that the directors appointed to the board of the Company or IPO Vehicle use their best endeavours to approve an earnings forecast for up to an 24 month period (as recommended by the appointed lead manager or underwriter), commencing on or shortly after the date of the IPO for inclusion in the IPO disclosure document; and
- (e) the parties must, and the Company must ensure that the other Group Members, take such actions as are appropriate to ensure that the capital structure, debt financing and leverage of the Group is appropriate for a public company listed on a stock exchange, including negotiating and entering into, new debt finance facilities, if appropriate.

Before requiring a party to take any action under this clause 14.3 which could reasonably be expected to lead to a Tax liability for Shareholders, the Board will, so far as practicable, have regard to those expected Tax liabilities, including any differential impact on different groups of Shareholders, and take appropriate Tax advice.

14.4 Participation in IPO

Subject to clauses 14.5 and 14.6, any Shareholder may participate as a selling shareholder in any IPO and the Company must (or must ensure that each relevant offering entity will), allow the Shareholder to Dispose of its Securities in the IPO Vehicle, as applicable, in the IPO.

14.5 Sell-down restrictions

Each Non-Investor Party agrees to such restrictions on the number of Securities in the Company or IPO Vehicle, as applicable, it is permitted to realise for cash as part of an IPO as the Company (with approval by the Board) may reasonably require, having regard to the advice of the Financial Adviser on what is reasonably required or desirable for a successful IPO provided that, subject to

clause 14.6, each Non-Investor Party will be entitled to realise for cash the same proportion of their Shares as the proportion of the Consortium Investors' Shares which the Consortium Investors realise for cash in the IPO.

14.6 Escrow

- (a) Each Shareholder agrees to such escrow arrangements for its Securities in the Company or IPO Vehicle, as applicable, on completion of the IPO as the Company (with the approval of an Ordinary Directors' Resolution) may reasonably require, having regard to the advice of the Financial Adviser on what is reasonably required or desirable for a successful IPO. To avoid doubt, nothing in this clause 14.6(a) requires a Director appointed by a Shareholder to vote in favour of any particular proposed escrow arrangement.
- (b) Each Non-Investor Party acknowledges and agrees that the legal holder of Securities in the Company or the IPO Vehicle, as applicable, and any ultimate controller of that legal holder will be required to enter into an escrow agreement in accordance with clauses 14.5 and 14.6.

14.7 Asset disposals

- (a) If an Exit is implemented by way of Asset Sale then, if required by the Exit Instigator, the Shareholders must do all things and execute all documents necessary to Procure that:
 - (i) the Company distributes the Proceeds of the Asset Sale to the Shareholders in accordance with their entitlements under this document, the Constitution and the terms of the Shares (net of any Tax or other costs and expenses to be paid on behalf of the Group Members or the Shareholders and net of all amounts which the Board determines should be retained by the Company or any third party escrow agent on account of any future contingent payments, including in support of any indemnity or post-completion adjustment (**Retained Amounts**)) as soon as reasonably practicable after completion of the Asset Sale;
 - (ii) as soon as reasonably practicable (which may be at multiple times), the Company distributes so much of the Retained Amounts as are no longer required to be retained on account of any future contingent payments (net of any Tax or other costs and expenses to be paid on behalf of the Shareholders); and
 - (iii) if required by the Exit Instigator, the Company is wound up.
- (b) If there is an Asset Sale and it is required as part of a transfer of assets, each Non-Investor Party irrevocably consents to the novation or assignment, as applicable, to the Purchaser Vehicle or its Affiliate of each existing employment, service and other comparable arrangement to which the Non-Investor Party is a party, in each case without substantive amendment.
- (c) Each Non-Investor Party will enter into all documents required to give effect to this clause 14.7.

14.8 Exit and drag rights

- (a) If an Exit is to be by way of a Trade Sale and clause 13.1 applies, a Drag Notice may be given to effect a Trade Sale, in which case clause 13 applies with any required modifications to reflect the Exit process and subject to the express obligations of the Non-Investor Parties in this clause 14 prevailing to the extent of any inconsistency with clause 13.

- (b) Clause 13 does not apply to an IPO.

14.9 Exit and consent rights

- (a) Without limiting any other provision of this document, no party may use, and must procure that each director of a Group Member appointed or nominated by it does not use, any consent or approval rights that the party has under this document or by virtue of holding Shares or being a director of a Group Member to prevent, hinder or delay the performance by any party of any of its obligations, or exercise of any of its rights, under any of clauses 9.19, 12, 13, 14 or 19.
- (b) If a party or director referred to in clause 14.9(a) fails to give a consent or approval referred to in that clause within 3 Business Days of a written request to do so by any Director or the Consortium Investors and the failure to give that consent or approval would be reasonably likely to prevent, hinder or delay the performance by any party of any of its obligations, or exercise of any of its rights, under any of clauses 9.19, 12, 13, 14 or 19:
- (i) if the consent or approval is the consent or approval of a party under this document or in its capacity as a Shareholder, the consent or approval will be deemed to have been given at 5.00pm on the 4th Business Day following the request being made; or
- (ii) if the consent or approval is the consent or approval of a director of a Group Member appointed or nominated by the party, the party must immediately remove, or Procure that the relevant Group Member removes, the relevant director and replaces him or her with a person willing and able to give the relevant consent or approval.

14.10 Bare Trust termination

The Board may, at any time prior to an Exit, give notice to an Appointing Beneficiary requiring its Bare Trust to be revoked (**Trust Termination Notice**). On receipt of a Trust Termination Notice, the Appointing Beneficiary must direct the Custodian to transfer the legal title to all of the Appointing Beneficiary's Beneficial Securities to the Appointing Beneficiary or to another transferee nominated by the Board who is appropriate in consideration of the nature of the Exit. The Appointing Beneficiary must procure (to the extent they are able to do so) compliance with the Trust Termination Notice on a date on or prior to consummation of the Exit specified by the Board in the Trust Termination Notice.

14.11 Shares in connection with an IPO

If there is an intervening period between the time at which Shareholders exchange their Shares for Securities in an IPO Vehicle and settlement under the IPO, and in that intervening period no substitute document for this document is separately agreed for the IPO Vehicle, the Securities in the IPO Vehicle will be taken to be Shares for the purposes of this document.

14.12 Transfer of other Securities

This clause 14 applies equally to Securities (which are not Shares) issued by the Company.

15 Fair Market Value of Sale Shares

15.1 Appointment of valuer

If this document requires the valuation of the Fair Market Value of a Sale Share and, if applicable, any debt owed by a Group Member under clause 19.2 (**Relevant Valuation**), unless the Shareholders have agreed on the Relevant Valuation:

- (a) any of them may refer the Relevant Valuation to an Independent Expert with a request that the Independent Expert make a decision on the valuation within 30 days;
- (b) subject to clause 15.2, the Independent Expert will determine the procedures for the Relevant Valuation;
- (c) the Independent Expert is appointed as an expert and not as an arbitrator; and
- (d) the Independent Expert is to be instructed to determine a specific value rather than a range of values.

15.2 Process for valuation

In determining the Relevant Valuation the Independent Expert is to be instructed to conduct the valuation:

- (a) in accordance with valuation standards, practices and principles generally accepted in Australia;
- (b) with regard to the profit, cash flows, balance sheet and undertaking of the Group and the Business;
- (c) on the basis of an arm's length transaction between an informed and willing seller and an informed and willing buyer under no compulsion to sell or buy, respectively, and without taking into account any restriction on the transfer of the Shares or Assets (as applicable) under this document;
- (d) if the Shareholder whose stake is being valued is an Existing Shareholder, having regard to the fact that the Shareholder will cease to be a member of the Company;
- (e) on the basis that the value of the Shares is not to be discounted or enhanced by reference to the number of Shares and whether they represent a minority or majority stake in the Company;
- (f) assuming that a reasonable time is available in which to obtain a sale of the Shares in the open market; and
- (g) subject to the above, on any basis that it considers appropriate.

For clarity, a Shareholder (including a Shareholder whose stake is being valued) may make submissions to the Independent Expert at any time during the valuation process.

15.3 Valuation binding

The valuation conducted by the Independent Expert is conclusive and binding on the Shareholders in the absence of manifest error.

15.4 Costs of Independent Expert

- (a) The parties agree that, subject to paragraph (b), the costs of the Independent Expert in connection with the valuation are to be borne by the Company to the extent permitted by the Corporations Act or, to the extent not so permitted, by the Shareholders in the proportions equal to their respective Share Ownership Percentages.
- (b) If the valuation determined by the Independent Expert is more than 10% lower than the Relevant Valuation, the costs of the Independent Expert in connection with the valuation are to be borne by the Shareholder or Shareholders who referred the Relevant Valuation to the Independent Expert pursuant to clause 15.1(a) (if more than one Shareholder referred the Relevant Valuation to the Independent Expert, the costs of the Independent Expert are to be borne by those Shareholders in equal proportions).

15.5 Valuation of other Securities

This clause 15 applies equally to a proposed valuation of other Securities (which are not Shares) issued by the Company.

16 Completion of Share or other Securities transfers

16.1 Application of this clause

This clause 16 applies in relation to any Disposal of Shares or other Securities to a Shareholder under a Transfer Provision other than a transfer pursuant to clause 10.2.

16.2 Binding agreement

Where this clause 16 applies in respect of Shares or other Securities, at the Relevant Time an unconditional, irrevocable, valid and binding agreement for the sale and purchase of those Shares or other Securities (as applicable) and a binding agreement to transfer, free of any Security Interest, the legal and beneficial ownership of the Shares or other Securities (as applicable) arise between the Transferor and the Transferee, subject only to the satisfaction of any conditions (including any relevant conditions necessary for compliance with applicable requirements of Australia's foreign investment laws or policy) relating to the relevant offer or transfer of the Shares or other Securities (as applicable).

16.3 Relevant Time

The "Relevant Time" for the purposes of clause 16.2 is the date on which an Offer is accepted by:

- (a) accepting a pre-emptive rights offer under clause 11.3;
- (b) exercising a Tag Option under clause ;12.3
- (c) giving a Drag Notice under clause 13.1; and
- (d) an Unrelated Shareholder accepting an offer under clause 19.2(e).

16.4 Consent to transfer

Each party consents to the completion of each Disposal of Shares or other Securities (as applicable) to which this clause 16 applies, in the manner contemplated by this clause.

16.5 Procedure for completion

At the time of completion of a Disposal of Shares or other Securities (as applicable) to which this clause 16 applies:

- (a) the Transferor must give to the Transferee:
 - (i) a transfer in favour of the Transferee of all Shares or other Securities (as applicable) sold, executed by the Transferor or an attorney appointed under clause 17;
 - (ii) certificates for those Shares or other Securities (as applicable) or a statutory declaration in the case of a lost certificate; and
- (b) the Transferee must pay in cleared funds or give to the Transferor a bank cheque for the sale price for those Shares or other Securities (as applicable).

16.6 Company agent to receive sale price

- (a) In consideration of each other Shareholder entering into this document, each Shareholder irrevocably appoints the Company to be its agent to receive the sale price from the Transferee under clause 16.5(b).
- (b) When the Company receives the sale price it must account to the Transferor for the sale price. The Company must enter the name of the Transferee in the register of Shareholders only after it receives the sale price from the Transferee. The validity of the proceedings may not then be challenged by any person.

16.7 Registration of transfer

The Company must register each transfer of Shares or other Securities (as applicable) to which this clause 16 applies.

17 Power of attorney

17.1 Appointment for Non-Investor Party

Each of the Non-Investor Parties appoints the Company and each WH Director from time to time, with power to act individually or jointly, as its attorney to:

- (a) take any action on behalf of the Non-Investor Party to remedy a breach of any of clauses 10, 11, 13, 14, 19 or 25.1 by the Non-Investor Party which has not been remedied by the Non-Investor Party within 2 Business Days of written notice from the Company or, if the breach arises in connection with a Drag Transaction or an Exit, a Consortium Investor (or any longer period specified in this document for remedy of the breach) or which is not capable of remedy, including, but only to the extent reasonably required to remedy such a breach:
 - (i) complete and execute (under hand or under seal) such documents for and on its behalf as are necessary or otherwise appropriate to cure the relevant breach by the Non-Investor Party including as is necessary or otherwise appropriate to give effect to any transactions in accordance with this document (including clauses 10, 11, 13, 14, 19 or 25.1) if the Non-Investor Party has failed to take the relevant actions required in accordance with this document (including any consideration election required);

- (ii) call for, agree to short notice being provided in respect of, speak at and attend general meetings of, the Company (including any class meeting);
- (iii) if the Non-Investor Party is a Shareholder, vote or grant a proxy in favour of any person to vote (or appoint an authorised representative to vote) on behalf of the Non-Investor Party (to the exclusion of the Non-Investor Party) at any meeting or class meeting of holders of Shares (or any class of them);
- (iv) instruct and direct the Custodian or any Permitted Holder that is a trustee holding Shares on trust for the Non-Investor Party, to take all actions appropriate to implement any transaction or carry out any other matter, under or contemplated by any this document, including to instruct such person to execute, under hand or under seal and deliver (conditionally or unconditionally) any appropriate documents and to Dispose of any Shares; and
- (v) execute circulating shareholder resolutions on behalf of the Non-Investor Party,

in each case, on the Non-Investor Party's behalf;

- (b) take all actions appropriate to negotiate any offer or contract in respect of any Disposal of any Shares held by the Non-Investor Party that is, or will on implementation be, in accordance with this document, and all actions necessary or appropriate to initiate, facilitate and negotiate any Drag Transaction and/or Exit, but (in either case) not the power to enter into any agreement providing for, or execute any document completing, such a Disposal of the Non-Investor Party's Shares unless clause 17.1(a) applies; and
- (c) take any action necessary or appropriate to implement a Custodian Transfer, including executing transfer forms and a deed of adherence to the Custodian Deed on behalf of the Non-Investor Party.

17.2 Validity

Each Non-Investor Party:

- (a) declares that all acts and things done by an attorney appointed under clause 17.1 in exercising powers under the power of attorney in clause 17.1 will be as good and valid as if they had been done by that Non-Investor Party and ratifies and confirms whatever the attorney lawfully does, or causes to be done, under the appointment in clause 17.1;
- (b) agrees that it will not, for so long as the power of attorney in this clause 17 is in effect:
 - (i) grant any power of attorney or other instrument conferring on persons other than the attorneys appointed under clause 17.1 rights which contradict or are otherwise inconsistent with some or all of the rights granted under the power of attorney in this clause 17; or
 - (ii) personally take any action which would result in the suspension of the power of attorney in this clause 17 or otherwise contradict or be inconsistent with the power of attorney in this clause 17, including attending any meeting and voting at that meeting if an attorney appointed under clause 17.1 is present and intends to vote at the meeting pursuant to a lawful exercise of the attorney's powers; and

- (c) without prejudice to the other provisions of this clause 17, must deliver to the Company and to each WH Director on demand any power of attorney, instrument of transfer or other document which the Company or a WH Director requires for the purposes of any transaction or action contemplated by clause 17.1.

17.3 Waiver and release

Each party:

- (a) releases and discharges each attorney appointed under clause 17.1 from any and all claims and Liabilities, in law or equity, that it ever had, now has, would but for this clause have had or may have in the future (whether known at the date of this document or not) in respect of, or in any way in connection with, the exercise by the attorney of its powers under this clause 17;
- (b) agrees that this clause 17.3 may be pleaded as a complete bar to any claim or action brought by it against an attorney appointed under clause 17.1 in respect of, or in any way in connection with, the exercise by the attorney of its powers under this clause 17; and
- (c) covenants never to sue or assert any claim or cause of action against any attorney appointed under clause 17.1 with respect to, or in any way in connection with, the exercise by the attorney of its powers under this clause 17.

17.4 Application of Non-Investor Party's moneys

If a Non-Investor Party defaults in completing the Disposal of any Shares pursuant to any provision of this document:

- (a) subject to clause 17.4(b), the Company (or an independent person nominated by the Company) may hold any proceeds which are payable to the defaulting Non-Investor Party for the benefit of the Non-Investor Party (and any interest earned on such proceeds belongs to the Company unless the Company otherwise agrees);
- (b) the Company may deduct any costs of performing its rights and obligations under this clause 17.4 (including legal fees and disbursements on a full indemnity basis), which are incurred by or on behalf of the Company or the Directors from the defaulting Non-Investor Party's proceeds;
- (c) subject to clause 17.4(b), receipt by the Company of the defaulting Non-Investor Party's proceeds will be good discharge of the relevant buyer's obligation to the defaulting Non-Investor Party and the buyer will not be bound to see to the application of any such proceeds; and
- (d) subject to clause 17.4(b), the Company must pay the defaulting Non-Investor Party's proceeds to the defaulting Non-Investor Party as soon as practicable after the defaulting Non-Investor Party has observed the applicable requirements for the Disposal.

17.5 Irrevocable

Each Non-Investor Party declares that the power of attorney in clause 17.1 is given for valuable consideration (including the mutual promises in this document) and is irrevocable while the relevant Non-Investor Party holds any Shares. For the avoidance of doubt, each Non-Investor Party agrees that if some or all of the Non-Investor Party's Shares are Disposed of in accordance with this document (or a Non-Investor Party directs the Custodian to do so), the appointment by the

Non-Investor Party of the attorneys remains effective in respect of the Non-Investor Party and the remaining Shares held by the Non-Investor Party.

17.6 Conflict of interest

Each attorney may exercise a power under the power of attorney in this clause 17 even if:

- (a) it involves a conflict of duty; or
- (b) any attorney, appointee of the attorney as a director of any Group Member, any Group Member, party and/or Representative of a party has a personal interest in the doing of that act.

17.7 Benefits

Each attorney is expressly authorised to do any act as a result of which a benefit is conferred on it, any appointee of the attorney, a director of a Group Member, any Group Member, any party and/or Representative of a party.

17.8 Survival

Clauses 17.2, 17.3, 17.4, 17.6 and 17.7 survive termination of this document (for all parties or for any specific party) indefinitely.

18 Foreign Acquisitions and Takeovers Act and other regulatory requirements

18.1 Condition

Any rights or obligations of a Shareholder to subscribe for or acquire Shares under a Transfer Provision are subject to any consents or approvals which must be obtained by the Shareholder or an acquirer under the provisions of FATA, the Australian Government's foreign investment policy and any other regulatory requirements.

18.2 Timing

If any subscription or acquisition contemplated by a Transfer Provision requires a Shareholder or an acquirer to obtain a consent or approval under FATA, the Australian Government's foreign investment policy or any other regulatory requirements, the time period for completion of the relevant subscription or acquisition must be postponed to the extent necessary (as determined by the Company (with Board approval)) to obtain the required consents or approvals under FATA, the Australian Government's foreign investment policy and any other regulatory requirements, subject to a maximum postponement of 6 months (unless otherwise agreed).

18.3 General

Any Shareholder requiring a consent or approval under this clause 18 must:

- (a) use its reasonable endeavours to obtain such consent or approval as soon as reasonably practicable; and
- (b) keep the Company and the relevant Shareholders fully informed in relation to the consent or approval process.

19 Shareholder default

19.1 Defaulting Shareholder

A Shareholder becomes a Defaulting Shareholder if:

- (a) **(insolvency)** it or any of its Related Bodies Corporate becomes Insolvent; or
- (b) **(breach)** the Shareholder commits a breach of any of its obligations under clause 10 of this document:
 - (i) in respect of a breach that is capable of remedy, which remains unremedied for 30 days after notice of the breach has been given by the Company or another Shareholder to the Defaulting Shareholder; or
 - (ii) in respect of a breach that cannot be remedied, for which the Shareholder has not adequately compensated the Company or the other Shareholder within 30 days after notice of the breach has been given by the Company or another Shareholder to the Defaulting Shareholder;
- (c) **(change of control)** a Change of Control occurs with respect to it which has the effect of circumventing the intent of clause 11,

unless otherwise agreed by Special Majority Directors' Resolution.

19.2 Defaulting Shareholder Transfer Notice

A Defaulting Shareholder is taken to have given a Transfer Notice to the Substantial Shareholders who are not Related Bodies Corporate of the Defaulting Shareholder (**Unrelated Substantial Shareholders**) on the date it becomes a Defaulting Shareholder on the following terms:

- (a) the number of Sale Shares is all of the Defaulting Shareholder's Shares;
- (b) the transfer includes debt (if any) owed by any Group Member to the Defaulting Shareholder;
- (c) the Sale Price is 80% of the sum of the Fair Market Value of the Sale Shares and any debt owed by any Group Member to the Defaulting Shareholder (other than in the case of a Shareholder becoming a Defaulting Shareholder pursuant to clause 19.1(c), in which case the Sale Price is 100% of the sum of the Fair Market Value of the Sale Shares and any debt owed by any Group Member to the Defaulting Shareholder);
- (d) the Offer Period is 90 days from the date of becoming a Defaulting Shareholder (or, if the Fair Market Value of the Sale Shares and any applicable debt must be determined under clause 15, 60 days after it is so determined, if later);
- (e) the Unrelated Substantial Shareholders may exercise the option to take up the Sale Shares and any applicable debt (in the Substantial Shareholders' respective Share Ownership Percentage) by giving notice to the Defaulting Shareholder; and
- (f) the settlement date for completion of the sale is 10 days after the last day of the Offer Period at which time all accepted Sale Shares will be sold.

19.3 Allocation of Unaccepted Shares

If any Substantial Shareholder does not take up all of its entitlement to Sale Shares offered under clause 19.2, then the Unaccepted Shares must be offered (on the same terms as specified in the relevant Transfer Notice), to each other remaining Substantial Shareholder (being a Substantial Shareholder other than

the Transferor or the Substantial Shareholder that has not taken up all of its entitlement to Sale Shares) in the proportions equal to their respective Share Ownership Percentages. The process is to be repeated in respect of any remaining Unaccepted Shares with each respect to each Substantial Shareholder, complying again with clause 19.2.

19.4 Sale of remaining Unaccepted Shares to third parties

If the Unrelated Substantial Shareholders do not take up all of the Unaccepted Shares, the Defaulting Shareholder may, during the period of 30 days following completion of the Sale Shares under this clause 19, sell the remaining Unaccepted Shares to any third parties the Directors determine, on terms no more favourable than those offered in the Transfer Notice. If a third party buyer is not found, the Board must consider and, subject to the Corporations Act, determine how the remaining Unaccepted Shares will be dealt with (for example, without limitation by means of cancellation, buy-back or selective reduction of capital) and the Defaulting Shareholder must co-operate in implementing that decision.

19.5 Suspension of rights

If a Defaulting Shareholder is taken to have given a Transfer Notice under clause 19.2, then from the date of the Transfer Notice:

- (a) all rights attaching to Shares held by the Defaulting Shareholder (other than rights to dividends and information pursuant to this document including rights to notices of meeting) are suspended, including rights to voting and to be counted in quorums;
- (b) any Director appointed by the Defaulting Shareholder is taken to have been removed by the Defaulting Shareholder and any Director appointment rights of the Defaulting Shareholder suspended.

Each of the suspensions referred to above, continues in respect of any Shares held by the Defaulting Shareholder until such time as the event causing a Shareholder to become a Defaulting Shareholder is remedied or (if later) such time as the Shares are cancelled or sold to another Shareholder or other person with the prior written approval of the Unrelated Substantial Shareholders.

20 Deadlock resolution

20.1 Director discussion

If a Deadlocked Matter arises, 2 Consortium Investor Directors, the Non-Investor Party Director and the CBL Director (if any) will meet within 10 Business Days of the Deadlocked Matter arising and in good faith attempt to reach agreement on the resolution of Deadlocked Matter and if those Directors do so:

- (a) approval of those four Directors will satisfy the requirements of this Deed to obtain approval of a Special Majority Directors' Resolution and, if applicable, approval of a Shareholders' Special Resolution, in relation to the Deadlocked Matter; and
- (b) to the maximum extent permitted by law, no further approval of the Board or any Shareholders will be required to implement the Deadlocked Matter.

20.2 Reconsideration

If the discussions referred to in clause 20.1 do not result in a resolution of the Deadlocked Matter within 30 Business Days (or any other period agreed between the 2 Consortium Investor Directors, the Non-Investor Party Director and the CBL Director (if any) who have discussed the matter in accordance with that clause),

then the Deadlocked Matter may be put again before the Board or Shareholders for consideration in accordance with clause 5.1(b) or clause 5.1(c), as applicable, no earlier than 40 Business Days after the date the Deadlocked Matter was first put before the relevant body.

20.3 Appointment of Independent Expert

- (a) If a Deadlocked Matter remains unresolved following reconsideration in accordance with clause 20.2, then any Director may require that the Company appoints an Independent Expert to consider:
- (i) the Deadlocked Matter and the views of the Consortium Investor Directors, the Non-Investor Party Director and the CBL Director (if any) regarding their respective proposals regarding the Deadlocked Matter; and
 - (ii) any other factors the Independent Expert determines to be relevant,

and then make a written recommendation to the Board, the Consortium Investor directors and the Non-Investor Parties in relation to the Independent Expert's determination of the preferred manner in which the Group should seek to resolve the Deadlocked Matter.

- (b) The Company must request that any Independent Expert appointed in accordance with clause 20.3 makes a recommendation with respect to the Deadlocked Matter in accordance with the following provisions:
- (i) the Independent Expert is to:
 - (A) make its recommendation within 20 Business Days after the Deadlocked Matter is referred to the Independent Expert; and
 - (B) provide a report of its recommendation to the Company;
 - (ii) the Independent Expert's recommendation is to be based on the most appropriate means of resolving the Deadlocked Matter with reference to the Group's Liabilities, financial performance and prospects and the operations of the Business provided that the Independent Expert must not make any recommendation which is inconsistent with, or requires a party to waive any of its express rights under, this document or any document referenced in this document or entered into in connection with the issue or acquisition of any Shares;
 - (iii) the Company, Directors and Shareholders must provide the Independent Expert with any information and assistance reasonably required by the Independent Expert to make its recommendation;
 - (iv) all correspondence between a party and the Independent Expert must be in writing and copied to the Company, the Consortium Investors and any nominated representatives of the Non Investor Parties;
 - (v) the Independent Expert acts as an independent expert and not as an arbitrator; and
 - (vi) the recommendation of the Independent Expert is advisory only and will not bind any party.

- (c) The costs of the Independent Expert must be paid by the Company.

21 Acknowledgment

Each party acknowledges and agrees that, except as expressly provided in clause 23 and subject always to compliance by any person who is an officer of a Group Member with their duties as an officer of the relevant Group Member or Group Members, nothing in this document prevents a Consortium Investor from engaging in, and they may engage in, (including having any economic interest in, establishing, promoting or advertising and/or assisting), at any time, any investments, companies, businesses, other entities, other business relationships, strategic relationships and ventures provided that the Consortium Investor does not Control a company, the primary business of which is the distribution of honey, and which is a material competitor of the Group.

22 Termination

22.1 Termination

Subject to clause 22.2, unless otherwise expressly provided to the contrary, this document terminates automatically:

- (a) **(Consortium Investor or Non-Investor Party ceasing to hold)** for any Consortium Investor or Non-Investor Party, when it ceases to hold any Shares other than in connection with an action required to prepare for an IPO contemplated by clause 14.3, at the time of any such termination the Consortium Investor or Non-Investor Party (as applicable) will have no further rights or obligations under this document (except under clauses 10.9, 17, 19, 21, 22, 23, 24, 25, 26, 27, 30, 32 and 33);
- (b) **(wind up)** when the Company is wound up by an order of a court;
- (c) **(IPO)** on the day on which Securities offered in an IPO are issued and/or transferred;
- (d) **(one party only)** on the day on which all the Shares are held by 1 party only; or
- (e) **(completed sale)** on the day on which an agreement to Dispose of all the Shares is completed.

22.2 Certain provisions continue

The termination of this document with respect to a party or all parties does not affect:

- (a) any obligation of that party or those parties, as applicable, under this document which accrued prior to that termination and which remains unsatisfied;
- (b) any rights or Liabilities of a party which accrued prior to such termination; and
- (c) (in addition to the clauses identified in clause 22.1(a) in respect of the Consortium Investors and the Non-Investor Parties) any other provision of this document which is expressed to come into effect on, or to continue in effect after, that termination.

23 Confidential Information

23.1 Disclosure of Confidential Information

A party may not disclose any Confidential Information to any person except:

- (a) with the prior written consent of each other Shareholder which consent may be given or withheld in each Shareholder's absolute discretion;
- (b) in the case of the Shareholders, to their legal or financial advisers;
- (c) in the case of the Shareholders, to their Related Bodies Corporate and their Representatives;
- (d) if it is required to do so by law, a Government Agency or by a stock exchange;
- (e) to an existing or proposed financier (or its advisers) to a Shareholder or the Group; and
- (f) to any prospective purchaser of Shares who gives an appropriate confidentiality undertaking to the prospective seller, for the benefit of the Company and each Shareholder; and
- (g) for the purpose of an Exit.

23.2 Disclosure by recipient of Confidential Information

Any party disclosing information under clause 23.1 must use all reasonable endeavours to ensure that persons receiving Confidential Information from it do not disclose the information except in the circumstances permitted in clause 23.1.

23.3 Use of Confidential Information

A party who has received Confidential Information from another under this document must not use it except for the purpose of exercising its rights or performing its obligations under this document.

23.4 Excluded Information

Clauses 23.1, 23.2 and 23.3 do not apply to the Excluded Information.

23.5 Announcements or releases

A party may not make press or other announcements or releases relating to this document and the matters referred to in this document without the prior approval of the other parties to the form and manner of the announcement or release unless and to the extent that disclosure is required to be made by a party by law, by Government Agency or by a stock exchange. To the extent that the announcement or release is required to be made by the party by law, by a Government Agency or by a stock exchange, the disclosing party must consult with the other parties as to the content of any such announcement or release.

23.6 Return of Confidential Information

If a Shareholder ceases to be a Shareholder, it must, upon a written request from the Company, as soon as reasonably practicable deliver to the Company all documents or other materials containing or referring to the Confidential Information which are in its possession, power or control or in the possession, power or control of persons who have received Confidential Information under clause 23.1.

23.7 Obligations continue

The rights and obligations of a Shareholder under this clause 23 with respect to confidentiality continue to apply to a Shareholder even after it ceases to be a Shareholder.

24 Representations and warranties

24.1 Representations and warranties

Each party represents and warrants that:

- (a) it has full power and authority to enter into and perform its obligations under this document;
- (b) it has taken all necessary action to authorise the execution, delivery and the performance of this document; and
- (c) this document constitutes its legal, valid and binding obligations, enforceable in accordance with its terms.

24.2 Continuing obligation

The representations and warranties given under clause 24.1 are continuing obligations for the term of this document.

25 Bare Trusts

25.1 Issue or Disposal to Custodian

- (a) The terms of the Scheme provide that all Original Capilano Shareholders who would otherwise become a Shareholder may, at the election of the Company, immediately after implementation of the Scheme, have their Shares held by the Custodian.
- (b) If requested by the Company (with Board approval), a Non-Investor Party which is not a Substantial Holder must Dispose of the Shares which it holds to the Custodian.
- (c) Each Non-Investor Party which is not a Substantial Holder must comply with the directions of the Company for the purposes of facilitating the Disposal of its Shares to the Custodian in accordance with this clause 25, including executing an accession deed to accede to the Custodian Deed.
- (d) The Company will not elect or require that a Substantial Holder have its Shares held by the Custodian.

25.2 Intended operation of this clause

- (a) The parties confirm that the principle to which this clause 25 is intended to give effect is that the voting, economic and other interests of an Original Capilano Shareholder or other Non-Investor Party under this document and in respect of the Original Capilano Shareholder's or Non-

Investor Party's (as applicable) holding of Shares should, assuming that the Custodian and Original Capilano Shareholder or Non-Investor Party act in accordance with this document and the Custodian Deed, be neither enhanced nor impaired as a consequence of appointing the Custodian in respect of that Non-Investor Party's Shares.

- (b) Each party must take all actions within its power and authority, including giving relevant instructions to the Custodian and, in the case of an Appointing Beneficiary, exercising its rights in its capacity as appointor of the Custodian, to give effect to the principle in clause 25.2(a).
- (c) Clauses 25.3 to 25.7 (inclusive) are subject to the principle in clause 25.2(a).

25.3 Appointing Beneficiary rights and obligations

- (a) The parties agree that under this document and any Custodian Deed, each Appointing Beneficiary is "absolutely entitled" at all times to the Shares legally held by the Custodian as contemplated by section 106-50(1) and (2) of the *Income Tax Assessment Act 1997* (Cth).
- (b) Each Appointing Beneficiary will continue to have the benefit of, and be bound by, all the provisions of this document which would have applied to the Appointing Beneficiary by virtue of, or in relation to, that Appointing Beneficiary's holding of the relevant Custodian Shares had it not transferred legal title to those Custodian Shares to the Custodian (**Relevant Rights and Obligations**), subject to the terms of this document and the Custodian Deed. For these purposes the relevant Appointing Beneficiary will be considered a Shareholder.
- (c) The Relevant Rights and Obligations will so far as possible have application to the Custodian and the relevant Appointing Beneficiary in the same way as they would have continued to apply to the Appointing Beneficiary if it held legal title to the Custodian Shares.

This clause 25.3 applies separately in relation to the Custodian in its capacity as bare trustee for each Appointing Beneficiary.

- (d) Each Appointing Beneficiary undertakes to the Company that it will not:
 - (i) take any action, or omit to take any action (including the giving of any Instruction to the Custodian or failing to give any Instruction to the Custodian) which would breach its obligations under this document;
 - (ii) fail to give, or delay in giving, any Instruction to the Custodian which is required to enable the Appointing Beneficiary to comply with their respective obligations under this document; or
 - (iii) give an Instruction to the Custodian which has the effect of cancelling or superseding an Instruction given on behalf of the Appointing Beneficiary by an attorney acting on behalf of the Appointing Beneficiary under clause 17.1.
- (e) If:
 - (i) an Appointing Beneficiary is under an obligation to Dispose of its Shares in accordance with this document or otherwise to take an action under this document which can only be undertaken by the

Custodian as the registered holder of the Appointing Beneficiary's Beneficial Shares; and

- (ii) the Appointing Beneficiary gives an Instruction or Instructions to the Custodian to undertake the Disposal or other action and otherwise takes all action appropriate to, and does not take any action which would inhibit, the Custodian undertaking that Disposal or other action (including providing the Custodian with any information reasonably requested under the Custodian Deed),

and the Custodian does not undertake that Disposal or other action, the Appointing Beneficiary will not be taken to be in breach of this document by reason of the Custodian's failure to undertake that Disposal or other action.

25.4 Definitions

- (a) Where the context requires to give effect to clauses 25.2 and 25.3 and without limiting any other provision of this document, any reference in this document to an Original Capilano Shareholder or Non-Investor Party who is an Appointing Beneficiary is to be taken to include a reference to the Custodian as bare trustee of that Appointing Beneficiary in relation to the Appointing Beneficiary's Custodian Shares.
- (b) If an Original Capilano Shareholder or Non-Investor Party is a Appointing Beneficiary, then for the purposes of any references in this document to the Shares of or held by the Original Capilano Shareholder or Non-Investor Party (or any comparable expression, including for the purposes of determining the Share Ownership Percentage of the Original Capilano Shareholder or Non-Investor Party), the Original Capilano Shareholder or Non-Investor Party is to be regarded as holding its Beneficial Shares.
- (c) An Original Capilano Shareholder will continue to be an Original Capilano Shareholder for the purposes of this document irrespective of whether legal title to all or any of the Original Capilano Shareholder's Shares is held by the Custodian. A Non-Investor Party will continue to be a Non-Investor Party for the purposes of this document irrespective of whether legal title to all or any of the Non-Investor Party's Shares is held by the Custodian.
- (d) Obligations under this document or the Constitution on an Original Capilano Shareholder or other Non-Investor Party who is an Appointing Beneficiary to exercise voting rights or take other steps as the registered holder of Shares are to be interpreted as obligations to ensure that the Custodian takes the relevant steps (at the Appointing Beneficiary's direction, or by the Company or another attorney on behalf of the Appointing Beneficiary, acting under power of attorney, or otherwise).
- (e) To avoid doubt but without limiting any other provision of this clause 25:
 - (i) in the context of any requirement that an act be approved by Original Capilano Shareholders or Non-Investor Parties with at least a specified Share Ownership Percentage, each Appointing Beneficiary is to be treated as if they were the legal holder of their Beneficial Shares; and
 - (ii) a requirement that an Original Capilano Shareholder or Non-Investor Party maintain a minimum Share Ownership Percentage will be determined by reference to the number of its Beneficial Shares.

- (f) The Custodian is not itself to be regarded for the purposes of this document as:
- (i) a Shareholder, Original Capilano Shareholder or Non-Investor Party; or
 - (ii) otherwise as the holder of any Shares.

25.5 Voting and dividends

- (a) Instructions may be given by each Appointing Beneficiary to the Custodian (as the person legally entitled to voting rights, dividends and distributions in respect of those Shares) in accordance with this document and the Custodian Deed:
- (i) in relation to voting, Disposals and other dealings in respect of the Appointing Beneficiary's Beneficial Shares; and
 - (ii) in respect of the payment of dividends and distributions.
- (b) Each Appointing Beneficiary directs the Company to pay dividends and distributions in respect of its Beneficial Shares as it directs in accordance with the Custodian Deed. This clause 25.5(b) does not affect the right of an Appointing Beneficiary to change such a direction from time to time.

25.6 Disposals of Shares

- (a) References to Disposals of Shares in this document and the Constitution include Disposals in a beneficial interest in Beneficial Shares and any Disposal of the legal title to those Shares by the Custodian (at the Appointing Beneficiary's direction, or by the Company or another attorney on behalf of the Appointing Beneficiary acting under power of attorney, or otherwise).
- (b) An Appointing Beneficiary must not direct the Custodian to Dispose of, nor otherwise procure the Disposal of, legal title to any of its Beneficial Shares to itself or any other person unless it would be entitled in accordance with clause 10.1 to Dispose of its Beneficial Shares in the relevant circumstances if it held legal title to them.
- (c) Where this document permits any party to issue, transfer, sell or otherwise Dispose of Shares to any person, that provision includes permission to issue, transfer, sell or otherwise Dispose Shares to the Custodian as bare trustee for the relevant person.
- (d) Unless otherwise approved in writing by the Board, an Appointing Beneficiary may Dispose of Shares to a Permitted Holder under clause 10.2 on the basis that the Custodian is directed to hold legal title to the relevant Shares as bare trustee on behalf of the transferee Permitted Holder (that is, the Appointing Beneficiary may only Dispose of the beneficial interest in its Beneficial Shares without a Disposal of legal title from the Custodian).

25.7 Additional Shares

- (a) If an Appointing Beneficiary becomes entitled to receive any additional Shares, whether by way of issue or Disposal (and whether under this document or otherwise), then unless the Board has approved another holding arrangement in relation to the relevant transaction, the issue or Disposal must be made in favour of the Custodian on the basis that the Shares are to be held by the Custodian as bare trustee for the

Appointing Beneficiary and will be Beneficial Shares of the Appointing Beneficiary.

- (b) An offer to an Appointing Beneficiary to participate in an issue of Shares on the basis that legal title to the relevant Shares will be issued to the Custodian as bare trustee for the Appointing Beneficiary will not be regarded for that reason alone as being on different terms from the terms offered to other Shareholders.

25.8 Notices

All notices or communications under this document or the Custodian Deed which are provided to the Custodian in its capacity as bare trustee for a particular Appointing Beneficiary must also be provided at the same time to the relevant Appointing Beneficiary.

25.9 Liability of Custodian

Each party acknowledges that, subject to the terms of the Custodian Deed, the Custodian is obliged to act in accordance with the directions of the Appointing Beneficiaries in relation to their respective Beneficial Shares. Each party agrees that any breach of this document or the Constitution which arises as a result of the Custodian complying with a direction given by a Appointing Beneficiary (**Directed Breach**) is to be construed for all purposes as a breach by the relevant Appointing Beneficiary for which the Appointing Beneficiary is personally liable (including in accordance with the Custodian Deed) and not by the Custodian and without limiting the foregoing:

- (a) the Custodian is released from any claim or Liability in respect of any Directed Breach; and
- (b) each party (other than the Custodian) covenants not to claim, sue or take any action against the Custodian in respect of any Directed Breach.

25.10 Limitation of Custodian's liability

- (a) Each party acknowledges that the Custodian enters into this document in its capacity as bare trustee of the Bare Trusts and in no other capacity.
- (b) Any Liability of the Custodian arising under or in connection with this document is limited to, and can be enforced against the Custodian only to the extent to which it can be satisfied out of, the assets of the Bare Trust from which the Custodian is actually indemnified for the Liability or to the extent that under the Custodian Deed the Custodian is actually indemnified for the Liability. This limitation of the Custodian's Liability applies despite any other provision of this document and extends to all Liabilities of the Custodian in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this document or the Custodian Deed.
- (c) No party may sue the Custodian in any capacity other than as trustee of a Bare Trust, including seeking the appointment of a receiver (except in relation to property of a Bare Trust), a liquidator, an administrator, or any similar person to the Custodian nor may any party prove in any liquidation, administration or arrangement of or affecting the Custodian (except in relation to property of the relevant Bare Trust).
- (d) The provisions of this clause 25.10 do not apply to any Liability of the Custodian to the extent that it is not satisfied under the Custodian Deed or by operation of law or there is a reduction in the extent of the Custodian's indemnification out of the assets of the relevant Bare Trust,

in each case as a result of the Custodian's fraud, negligence or breach of trust.

- (e) No attorney, agent, receiver or receiver and manager appointed in accordance with this document has authority to act on behalf of the Custodian in a way which exposes the Custodian to any personal liability.

26 Disclaimers

26.1 No representation about acquisition or investment

None of the Consortium Investors, the Non-Investor Parties, the Company or any of their respective Representatives makes:

- (a) any representation or warranty to any other Consortium Investor or Non-Investor Party in relation to any acquisition by the Group, the proposed business strategy or potential exit strategy of any Group Member or the returns achievable on an Exit; or
- (b) any recommendation on the suitability of an acquisition by any Group Member or an investment in the Company by any Consortium Investor or Non-Investor Party.

26.2 Benefit

- (a) Each Consortium Investor holds the benefit of clause 26.1 in their own right and on behalf of the Consortium Investor's Representatives.
- (b) The Company holds the benefit of clause 26.1 in its own right and on behalf of the Representatives of the Company.
- (c) Each Non-Investor Party holds the benefit of clause 26.1 in their own right and on behalf of the Non-Investor Party's Representatives.

26.3 No liability accepted for Shareholders investing

To the maximum extent permitted by law, the Company, the Consortium Investors, the Non-Investor Parties, and their respective Representatives disclaim all Liability in relation to the matters referred to in clause 26.1, and no Consortium Investor or Non-Investor Party may take any action against the Company, a Consortium Investor, a Non-Investor Party, or any of their respective Representatives for any Liability suffered as a result of a Consortium Investor's or Non-Investor Party's decision to invest in the Company or in relation to any acquisition made by a Group Member (whether made on or around the date of this document or at any time in the future), or in relation to the proposed business strategy, business performance, potential exit strategy or returns achievable on an Exit or as a result of any Consortium Investor or Non-Investor Party lawfully performing its obligations and/or exercising its rights under this document, save to the extent that such loss or damage arises as a result of the fraud or wilful misconduct of the Consortium Investor or Non-Investor Party (as applicable) against whom the claim is made.

26.4 Independent investigations, assessment and advice

Each party:

- (a) acknowledges and agrees that it has entered into this document on the basis of its own independent investigation and assessment and after making its own enquiries; and

- (b) confirms that it has received independent legal, accounting and tax advice in relation to the terms and conditions of this document and the escrow arrangements contemplated by clauses 14.5 and 14.6.

26.5 No limitation of Scheme Implementation Agreement

Nothing in this clause 26 limits any Liability of any person under the Scheme Implementation Agreement.

27 Trustee limitation of liability

27.1 Application

In this clause 27 the term **Trustee** means each party (excluding the Custodian) who enters into this document, and acquires any Shares, in the capacity of a trustee of a trust (in respect of each such Trustee, its **Trust**).

27.2 Acknowledgement

Each Trustee and each party acknowledges that the Trustee enters into this document in its capacity as trustee of its Trust.

27.3 Limited Capital

Any Liability arising under or in connection with this document is limited to, and can be enforced against the Trustee only to the extent to which it can be satisfied out of the assets of its Trust out of which the Trustee is actually indemnified for the Liability. This limitation of the Trustee's liability applies despite any other provision of this document other than clause 27.7 and extends to all Liabilities of the Trustee in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this document.

27.4 Limited rights to sue

No other party may sue the Trustee in any capacity other than as trustee of the Trust, including seeking the appointment of a receiver (except in relation to property of the Trust), a liquidator, an administrator, or any similar person to the Trustee or proving in any liquidation, administration or arrangement of or affecting the Trustee (except in relation to property of the Trust).

27.5 Exceptions

The provisions of this clause 27 do not apply to any obligation or Liability of the Trustee to the extent that, as a result of the Trustee's fraud, negligence or breach of trust, is not satisfied under, the deed governing the Trust or by operation of law there is a reduction in the extent of the Trustee's indemnification out of the assets of the Trust.

27.6 Limited authority

No attorney, agent, receiver or receiver and manager appointed in accordance with this document has authority to act on behalf of the Trustee in a way which exposes the Trustee to any personal liability.

27.7 Multiple capacities

Notwithstanding this clause 27, nothing prevents a party suing a Trustee in his or her personal capacity or otherwise limits the Liability of a Trustee if that Trustee is a party to this document both as trustee of a relevant trust and in its personal capacity and the Trustee has breached its obligations under this document in its personal capacity.

28 Notices and other communications

28.1 Form

- (a) Unless this document expressly states otherwise, all notices, demands, certificates, consents, approvals, waivers and other communications in connection with this document must be in writing and signed by the sender (if an individual) or an authorised officer of the sender.
- (b) All communications (other than email communications) must also be marked for the attention of the person referred to in the Details, relevant Schedule or in an Accession Deed or as otherwise notified by the recipient in writing to the other parties.
- (c) Email communications must state the first and last name of the sender and are taken to be signed by the named sender.

28.2 Delivery

Communications must be:

- (a) left at the address referred to in the Details, relevant Schedule or in an Accession Deed or as otherwise notified by the recipient in writing to the other parties;
- (b) sent by prepaid ordinary post (airmail if appropriate) to the address referred to in the Details, relevant Schedule or in an Accession Deed or as otherwise notified by the recipient in writing to the other parties; or
- (c) sent by email to the address referred to in the Details, relevant Schedule or in an Accession Deed or as otherwise notified by the recipient in writing to the other parties.

If the intended recipient has notified changed contact details, then communications must be sent to the changed contact details.

28.3 When effective

Communications take effect from the time they are received or taken to be received under clause 28.4 (whichever happens first) unless a later time is specified in the communication.

28.4 When taken to be received

Communications are taken to be received:

- (a) if sent by post, 6 Business Days after posting (or 10 days after posting if sent from one country to another);
- (b) if sent by email:
 - (i) when the sender receives an automated message confirming delivery; or
 - (ii) 4 hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that delivery failed,

whichever happens first.

28.5 Receipt outside business hours

Despite anything else in this clause 28, if communications are received or taken to be received under clause 28.4 after 5.00pm on a Business Day or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day. For the purposes of this clause 28.5, the place in the definition of Business Day is taken to be the place specified for the purposes of this document as the address of the recipient and the time of receipt is the time in that place.

29 Costs

29.1 Costs

The parties agree to pay their own legal and other costs and expenses in connection with the preparation, negotiation, execution and completion of this document, the Custodian Deed and the Transaction Documents.

29.2 Trade Sale Costs

Each Shareholder will be liable for its proportionate share of all Trade Sale Costs (which will, to the extent that the Board determines that it is practicable, be set off from the Proceeds payable to the Shareholder in the Trade Sale). For the purpose of this clause 29.2, a Shareholder's proportionate share of the Trade Sale Costs is the proportion that the Proceeds which it has received, or which it is or would have been entitled to receive before any deductions or withholdings in accordance with this document (including this clause 29.2) or applicable law, as the case may be, in respect of Shares as part of the Trade Sale, bears to the total Proceeds in connection with the Trade Sale.

29.3 IPO Costs

Unless the Board determines that the IPO Costs will be borne by each Shareholder in its Share Ownership Percentage (to the extent that the Board determines that it is practicable, those IPO Costs set off from any Proceeds payable to the Shareholder in the IPO), the Company will pay the IPO Costs. Each party will be liable for any Individual Costs incurred by it.

29.4 Aborted Exit

If a Trade Sale or an IPO is aborted prior to its completion, the Company will pay all Trade Sale Costs and IPO Costs to the maximum extent permitted by applicable laws.

30 GST

30.1 Definitions and interpretation

For the purposes of this clause 30:

- (a) **"GST Act"** means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth);
- (b) words and phrases which have a defined meaning in the GST Act have the same meaning when used in this clause 30, unless the contrary intention appears;
- (c) unless otherwise expressly stated in this document, all consideration to be provided under this document is exclusive of GST; and
- (d) each periodic or progressive component of a supply to which section 156-5(1) of the GST Act applies will be treated as if it were a separate supply.

30.2 Payment of GST

- (a) If GST is payable, or notionally payable, on a supply made under or in connection with this document, the party providing the consideration for the supply must pay to the supplier an additional amount equal to the amount of GST payable on that supply (**GST Amount**).
- (b) Subject to the prior receipt of a tax invoice, the GST Amount is payable at the same time as the GST-exclusive consideration for the supply, or the first part of the GST-exclusive consideration for the supply (as the case may be), is payable or is to be provided.
- (c) This clause does not apply to the extent that the consideration for the supply is expressly stated to include GST or the supply is subject to a reverse-charge.

30.3 Adjustment events

If an adjustment event arises for a supply made under or in connection with this document, the GST Amount must be recalculated to reflect that adjustment, the supplier or the recipient (as the case may be) must make any payments necessary to reflect the adjustment and the supplier must issue an adjustment note.

30.4 Reimbursements

Any payment, reimbursement, indemnity or similar payment that is required to be made under this document which is calculated by reference to an amount paid by another party shall be reduced by the amount of any input tax credits which the other party (or the representative member of any GST group of which the other party is a member) is entitled to. If the reduced payment is consideration for a taxable supply, clause 30.2 will apply to the reduced payment.

31 Amendments

31.1 Amendment

This document may be amended only by a document signed by:

- (a) the Company (with approval from the Board by a Special Majority Directors' Resolution); and
- (b) each Consortium Investor,

and approved by a Shareholders' Special Resolution.

31.2 Complying amendments

This document may be amended by the Company by Special Majority Directors' Resolution but without a Shareholders' Special Resolution if the Consortium Investors approve the amendment in writing and:

- (a) the amendment is made to cure any ambiguity, omission, manifest error, mistake or defect or inconsistency identified by the Board;
- (b) the amendment does not diminish the rights, or increase the obligations, of a Non-Investor Party;
- (c) based on professional legal advice received on the issue by the Company, the Board by Special Majority Directors' Resolution resolves that the amendment is required in order for this document to comply with the applicable laws and/or applicable listing rules of any recognised

stock exchange on which the Company or the IPO Vehicle is admitted (or is to be admitted) following an IPO;

- (d) based on professional legal advice received by the Company, the Board by Special Majority Directors' Resolution resolves that the amendment is reasonably necessary to achieve a successful IPO and ongoing listing of the Company or the IPO Vehicle, including any amendment relating to:
 - (i) the terms of Disposal of any Shares; or
 - (ii) the removal or amendment of any term or condition of this document to make this document generally consistent with market practice for comparable agreements for listed entities;
- (e) based on professional tax advice received on the issue, which must be made available to the Board, the Board by Special Majority Directors' Resolution resolves that the amendment is reasonably required to take into consideration possible adverse Tax implications in respect of this document and the amendment does not diminish the rights, or increase the obligations, of a Non-Investor Party; or
- (f) the amendment, variation or waiver relates only to a particular party and is made with the consent of that party and does not diminish the rights or increase the obligations of any other party.

31.3 Ceasing to be a party

If this document terminates with respect to a party under clause 22, then as from that time, that former Shareholder will cease to be a party to this document for the purposes of clauses 31.1 and this document may be amended without reference to, or the need for the signature of, that former Shareholder.

31.4 Trustee limitation of liability clause

Despite clauses 31.1 to 31.3, clause 27 cannot be amended without the written agreement of the Consortium Investors and any other Trustee.

32 General

32.1 Discretion in exercising rights

A party may exercise a right or remedy or give or refuse its consent in any way it considers appropriate (including by imposing conditions), unless this document expressly states otherwise.

32.2 Partial exercising of rights

If a party does not exercise a right or remedy fully or at a given time, the party may still exercise it later.

32.3 No liability for loss

A party is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising a right or remedy under this document.

32.4 Approvals and consents

By giving its approval or consent a party does not make or give any warranty or representation as to any circumstance relating to the subject matter of the consent or approval.

32.5 Remedies cumulative

The rights and remedies provided in this document are in addition to other rights and remedies given by law independently of this document.

32.6 Variation and waiver

A provision of this document, or a right created under it, may not be waived or varied except in writing, signed by the party or parties to be bound.

32.7 Indemnities

The indemnities in this document are continuing obligations, independent from the other obligations of the parties under this document and continue after this document ends. It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity under this document.

32.8 Further steps

Each party agrees, at its own expense, to do anything reasonably requested by another party (including casting their votes as Shareholders of the Company, negotiating in good faith, obtaining consents, signing and producing documents and getting documents completed and signed) to give effect to the provisions of this document and the transactions contemplated by it.

32.9 Construction

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this document or any part of it.

32.10 Conflict of interest

Each party may exercise their rights, powers and remedies in connection with this document even if this involves a conflict of duty or they have a personal interest in their exercise.

32.11 Specific performance

The parties acknowledge that:

- (a) Shares cannot be readily purchased or sold in an open market and that damages or an account of profits may be an inadequate remedy to compensate the relevant non-breaching parties for a breach of this document by another party; and
- (b) each party is, to the extent permitted by law, entitled to specific performance or injunctive relief (as appropriate) as a remedy for any breach or threatened breach by another party of this document, in addition to any other remedies available to them at law or in equity.

32.12 Indemnities and reimbursement obligations

Any indemnity, reimbursement or similar obligation in this document:

- (a) is a continuing obligation despite the satisfaction of any payment or other obligation in connection with this document, any settlement or any other thing;
- (b) is independent of any other obligations under this document; and
- (c) continues after this document, or any obligation arising under it, ends or terminates.

It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity in connection with this document.

32.13 Further steps

Each party agrees to do anything (such as obtaining consent, signing and producing documents, producing receipts and getting documents completed and signed) which another party reasonably requests and which is necessary to:

- (a) bind a party and any other person intended to be bound under this document;
- (b) show whether a party is complying with this document; and
- (c) enable a party to register a power of attorney in clause 17 of this document or a similar power.

32.14 Assignment or other dealings

A party may not assign or otherwise Dispose of any of its rights under this document or allow any interest in them to arise or be varied without the consent of the other parties or as otherwise expressly permitted by this document.

32.15 Severability

If the whole or any part of a provision of this document is void, unenforceable or illegal in a jurisdiction it is to be severed for that jurisdiction. The remainder of this document has full force and effect and the validity or unenforceability of that provision in any other jurisdiction is not affected. This clause 32.15 has no effect if the severance alters the basic nature of this document or is contrary to public policy.

32.16 Rules of construction

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this document or any part of it or seeks to rely on any provision of this document.

32.17 Relationship of parties

Unless this document expressly states otherwise, nothing contained or implied in this document constitutes any party as the partner, agent, associate, employee or representative of any other party for any purpose or creates any partnership, agency or trust between them and no party has authority to bind any other party in any way.

32.18 Attorneys

Each attorney executing this document or an Accession Deed states that the attorney has no notice of revocation or suspension of the power of attorney under which the attorney executes this document or an Accession Deed.

32.19 Non-Investor Parties' approvals

Subject to the Corporations Act, the approval of some or all Non-investor Parties for a purpose under this document may be obtained by majority of Shares held by Non-Investor Parties, by either of the following means of approval or by aggregating the number of affirmative votes and confirmations received by both of the following means of approval:

- (a) a resolution passed at a general meeting of the Company or one or multiple general meetings and/or meetings of Non-Investor Parties; and

- (b) the relevant Non-Investor Parties signing a document (which may be in counterparts) or providing other written confirmations (including by email) to the effect that they approve of the relevant resolution or other matter for the purposes of this document.

32.20 Fractions

If the operation of any clause in this document results in any party having an entitlement to acquire, or an obligation to Dispose of, a fraction of an Share, then the Board may round up or down the entitlement or obligation to the nearest Share in its discretion.

32.21 Method of payment

All payments required to be made under this document must be made by way of direct transfer of immediately available funds to the credit of an Australian bank account nominated by the payee to the payer at least 3 Business Days before the due date for payment or by any other method agreed by the parties.

32.22 Custodian Transfer

Provided that clauses 9.14 and 9.17(c) are observed but despite anything to the contrary in this document, nothing in this document:

- (a) prevents or limits the ability of the Custodian, or the Company to require the Custodian or a Non-Investor Party, to undertake a Custodian Transfer at any time; or
- (b) confers on any Consortium Investor or any Non-Investor Party any rights with respect to any Custodian Transfer.

32.23 PPSA

Notwithstanding clause 32.13, if a Non-Investor Party determines that this document contains a Security Interest, that Non-Investor Party must notify the Consortium Investors and consult with the Consortium Investors in relation to what steps (if any) the Non-Investor Party may take to ensure that the Security Interest is enforceable, perfected and otherwise effective. No Non-Investor Party may apply for any registration, or give any notification, in relation to any Security Interest for the purposes of the PPSA, or disclose a copy of this document, without the prior written consent of the Consortium Investors.

32.24 No notice under PPSA

No Non-Investor Party may give any notice under the PPSA (including a notice of a verification statement) unless the notice is required by the PPSA and cannot be excluded or unless the Company and the Consortium Investors otherwise consent in writing.

32.25 Enforcement

To the extent permitted by law, section 115(1) of the PPSA will not apply on the enforcement by the parties of any Security Interest provided for, created or evidenced by this document.

32.26 Conflict with the Constitution

- (a) If there is an inconsistency between any provision of this document and the Constitution, the provision of this document will prevail to the extent of the inconsistency and the parties agree to amend the Constitution to remove the inconsistency.
- (b) An inconsistency will be taken to exist between this document and the Constitution for the purposes of this clause 32.26 if:

- (i) the subject matter of the relevant provisions in this document and the Constitution is the same and those provisions specify differing requirements; or
 - (ii) the action required to be taken or not taken (as the case may be) under the relevant provisions in this document and the Constitution is the same but those provisions specify requirements which both cannot be satisfied by taking, or omitting to take, that action in the same way.
- (c) If this document and the Constitution require an action to be taken, including obtaining an approval or consent, at different standards of performance or other relevant thresholds and both this document and the Constitution can be complied with by satisfying the higher standard of performance or other relevant threshold (as determined finally by the Board), those provisions will not be taken to be inconsistent for the purposes of this clause 32.26 and the parties must comply with that higher standard of performance or other relevant threshold (to the extent applicable to them).

32.27 [not used]

32.28 Enforcement actions

A Non-Investor Party may not:

- (a) take any action to enforce this document; or
- (b) waive, or purport to waive, a right under this document,

on behalf of any 1 or more other Non-Investor Parties, without the consent of the relevant Non-Investor Parties. To avoid doubt, nothing in this clause 32.28 limits a Non-Investor Party's right, without the consent of any other Non-Investor Party, to enforce or waive any of its own rights under this document.

32.29 Other Shares

Notwithstanding anything to the contrary in this document, any Incentive Shares issued in accordance with any separately documented incentive arrangement approved by the Board and established after the Implementation Date by a Group Member will be subject to the rules of that incentive plan and are not subject to the provisions of this document until such time as those Incentive Shares become fully vested (including that the Incentive Shares have ceased to be subject to, or calculated by reference to, any performance, financial, time or employment or other engagement based criteria) in accordance with their terms and the rules of that plan provide that those Incentive Shares or their holder is subject to, or intended to be bound by, any provision of this document.

32.30 Costs

The parties agree to pay their own legal and other costs and expenses in connection with the preparation, execution and completion of this document and other related documentation, except for stamp duty.

32.31 Stamp duty

The Company agrees to:

- (a) pay all stamp duty (including fines and penalties) chargeable by legislation or by any revenue office on the Transaction Documents; and
- (b) indemnify on demand the Shareholders against any liability for that stamp duty (including fines and penalties).

32.32 Supervening legislation

Any present or future legislation which operates to vary the obligations of a party in connection with this document with the result that another party's rights, powers or remedies are adversely affected (including, by way of delay or postponement) is excluded except to the extent that its exclusion is prohibited or rendered ineffective by law.

32.33 Entire agreement

This document and the Constitution constitute the entire agreement of the parties about the subject matter and supersede all previous agreements, understandings and negotiations on that subject matter.

32.34 Counterparts

This document may consist of a number of copies, each signed by one or more parties to the agreement. If so, the signed copies are treated as making up the one document.

33 Governing law

33.1 Governing law

This document is governed by the law in force in New South Wales, Australia.

33.2 Jurisdiction

Each party submits to the exclusive jurisdiction of the courts of New South Wales, Australia and courts of appeal from them. Each party waives any right it has to object to an action being brought in those courts including, without limitation, by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

33.3 Serving documents

Without preventing any other method of service, any document in an action in connection with this document may be served on a party by being delivered or left at that party's address for service of notices under clause 28.

EXECUTED as a deed.

Shareholders Deed

Schedule 1 Relevant boards

1 Structure generally

- (a) **(WH's right to appoint Directors)** For so long as the Consortium Investors have an aggregate Share Ownership Percentage of 45% or greater and WH is a Shareholder, or at least one of its Affiliates is a Shareholder, WH will have the right to appoint 2 Directors. Each Director appointed by WH under this paragraph 1(a) will be a WH Director and a Consortium Investor Director for the purposes of this document. WH may remove any Director it has appointed and may appoint another Director in his or her place at any time by written notice to the Company and the Directors, signed on behalf of WH.
- (b) **(ROC's right to appoint Director)** For so long as the Consortium Investors have an aggregate Share Ownership Percentage of 45% or greater, and ROC is a Shareholder, or at least one of its Affiliates is a Shareholder, ROC will have the right to appoint 1 Director. The Director appointed by ROC under this paragraph 1(b) will be a Consortium Investor Director for the purposes of this document. ROC may remove any Director it has appointed and may appoint another Director in his or her place at any time by written notice to the Company and the Directors, signed on behalf of ROC.
- (c) **(CBL's right to appoint Director)** Until the earlier of:
- (i) CBL ceasing to be Controlled by a Beekeeper Supplier or (collectively) by Beekeeper Suppliers; and
 - (ii) completion of an Exit,
- CBL will have the right to appoint 1 Director. CBL may remove any Director it has appointed and may appoint another Director in his or her place at any time by written notice to the Company and the Directors, signed on behalf of CBL.
- (d) **(Non-Investor Party's right to appoint Directors)**
- (i) For so long as a Non-Investor Party has a Share Ownership Percentage of 25% or greater, the Non-Investor Party will have the right to appoint 1 Director. Each Director appointed by a Non-Investor Party under this paragraph 1(d)(i) will be a Non-Investor Party Director for the purposes of this document. A Non-Investor Party may remove any Director they have appointed and may appoint another Director in his or her place at any time by written notice to the Company and the Directors, signed on behalf of the Non-Investor Party.
 - (ii) If no single Non-Investor Party has a Share Ownership Percentage of 25% or greater, the Non-Investor Parties will collectively have the right to appoint 1 Director (for so long as the Non-Investor Parties have an aggregate Share Ownership Percentage of 10% or greater). Each Director appointed by the Non-Investor Parties under this paragraph 1(d)(ii) will be a Non-Investor Party Director for the purposes of this document. The Non-Investor Parties may remove any Director they have

appointed and may appoint another Director in his or her place at any time by written notice to the Company.

- (e) **(WHs' right to appoint Chairman)** For so long as the Consortium Investors have an aggregate Share Ownership Percentage of 45% or greater and WH is a Shareholder, or at least one of its Affiliates is a Shareholder, WH may from time to time, by notice to the Company and the Directors, nominate any of the Directors to become the Chairman. If this paragraph 1(e) applies and the Chairman is absent from a meeting of the Board, or is unwilling to act, then the Consortium Investor Directors present at that meeting may nominate any Director present at the meeting to act as chairman of the meeting.
- (f) **(maximum Board size)** The Board will consist of a maximum of 6 Directors, unless otherwise approved in writing by the Consortium Investors.
- (g) **(boards of directors of other Group Members)** Subject to paragraphs 1(a) to 1(f) above, clause 6.1(b) and the terms of any shareholders' agreement (or comparable agreement) in respect of a relevant Group Member, the board of directors of each Group Member (other than the Company) is to be comprised of such persons appointed by the Board from time to time. The Company and the Shareholders must Procure that no person is appointed to, or removed from, the board of directors of any Group Member (other than the Company) except as required, or otherwise consented to, by this paragraph 1(g).
- (h) **(application to other Group Members)** The Board may from time to time determine the extent to which this document applies to the directors of each Group Member (other than the Company).

2 Appointment and removal of Directors

The Directors will be appointed and removed as follows:

- (a) any appointment of a Director under paragraphs 1(a) to 1(d) (inclusive) takes effect on the latest of:
 - (ii) the time of the relevant notice; and
 - (iii) receipt by the Company of a proper consent to act from the relevant proposed Director;
- (b) a Director may not be removed or replaced except in accordance with paragraphs 1(a) to 1(d) (inclusive) and by the person or persons entitled to remove or replace the Director or as provided in paragraph 2(c). Any removal or replacement of a Director takes effect immediately on the passing of the relevant resolution or the giving of the relevant notice to the Company, as applicable, or at a later time resolved by the parties or the Board who are entitled to effect the removal or replacement and specified in the relevant notice to the Company; and
- (c) if:
 - (i) the Consortium Investors cease to have an aggregate Share Ownership Percentage of 45% or greater (or WH's or ROC's entitlement to appoint directors otherwise ends) and the Consortium Partner(s) do not remove their appointed Directors within 24 hours of that cessation, the CBL appointed Director may remove any or all of the relevant Consortium Directors with immediate effect, by notice in writing to the Company; or

- (ii) a Non-Investor Party ceases to have a Share Ownership Percentage of 25% or greater and does not remove its appointed Director within 24 hours of that cessation, the Consortium Investors may remove the Non-Investor Party Director with immediate effect, by notice in writing to the Company once a replacement Non-Investor Party Director has been appointed under paragraph 1(d).

3 Alternate Director

3.1 Appointment of alternate directors

A Director may from time to time appoint an alternate director by notice in writing to the Company (**Alternate Director**).

3.2 Rights of Alternate Directors

An Alternate Director:

- (a) may attend a Board meeting and vote on any resolution on which the appointing Director could vote, if the appointor does not attend that meeting;
- (b) is entitled to exercise the votes which would be exercisable by each Director the Alternate Director represents as an alternate (in addition to any votes the Alternate Director may have as a Director in his or her own right, if applicable);
- (c) is entitled to notice of Board meetings in the same way that Directors are entitled to receive notice of such meetings; and
- (d) who attends a Board meeting is counted, for quorum purposes, as a Director for each Director on whose behalf the Alternate Director is attending the meeting (in addition to being counted as a Director in his or her own right, if applicable).

3.3 Cease

The appointment of the Alternate Director will cease on the earliest of:

- (a) automatically on the appointor Director in respect of whom the Alternate Director was appointed ceasing to be a Director;
- (b) on the date specified in the notice referred to in paragraph 3.1 (if any); or
- (c) on the appointor Director providing notice to the Company revoking the appointment.

3.4 Effect

- (b) The appointment of an Alternate Director takes effect immediately on the earlier of receipt of the relevant notice by the Company (or any later date specified in the notice) and receipt by the Company of a proper consent to act from the proposed Alternate Director.
- (c) The removal of an Alternate Director takes effect immediately on the receipt of the relevant notice by the Company (or any later date specified in the notice) or on the date specified under paragraph 3.3.

4 Observers

4.1 Appointment of Observers

In addition to its rights under paragraphs 1(a) and 1(g), WH may appoint up to 2 persons as observers from time to time (**Observers**) to attend any meeting of the Board or any other board meeting of any Group Member provided that:

- (a) WH gives notice to the Chairman, if any, identifying each Observer; and
- (b) if requested by the Board, each Observer has executed a confidentiality agreement in a form approved by the Board.

4.2 Confidentiality agreement

A Group Member must give to each Observer (provided they have entered into the confidentiality agreement referred to in paragraph 4.1(b), if requested by the Board with approval by the Board), all information furnished to directors at, or for the purposes of, those meetings of the relevant Group Member's board at which that Observer is present.

4.3 No vote

Any Observer will be entitled to attend and speak at, but not vote at, any meetings of the board and/or committee of any Group Member. The Company will deliver all written materials and other information given to Directors in connection with any board or committee meetings to any Observer at the same time that those materials or information are given to the Directors.

5 Voting and Quorum

5.1 Quorum

The quorum for a meeting of the Board is at least:

- (a) 1 Consortium Investor Director;
- (b) for so long as any Non-Investor Party Directors are appointed to the Board, 1 Non-Investor Party Director; and
- (c) for so long as a CBL Director is appointed to the Board, 1 CBL Director.

5.2 Quorum not present

If a quorum is not present at a meeting of the Board convened under paragraph 5.1, the meeting is adjourned to the same time and place 2 Business Days after the date on which the meeting is adjourned (or such other time and place unanimously agreed by all Directors). A quorum at such re-convened meeting will consist of at least 1 Consortium Investor Director and either 1 Non-Investor Party Director or 1 CBL Director.

5.3 Number of votes

At a meeting of the Board:

- (a) on each resolution, subject to paragraph 5.4, each Director has 1 vote;
- (b) subject to paragraph 5.3(c), the Chairman, if any, will have a casting vote in addition to his deliberative vote if on a resolution there are an equal number of votes in favour of and against a resolution but will not otherwise have a casting vote; and

- (c) all decisions are by majority vote, unless otherwise expressly provided in this document.

5.4 Recusal in the case of conflict

Unless determined otherwise by Special Majority Directors' Resolution (for the purposes of this paragraph, if a Special Majority Directors' Resolution will be determined as if the relevant Director who must recuse himself or herself were not a Director), where any matter at a Board meeting involves a discussion relating to a matter involving a Group Member and any:

- (a) Other Business of which a Consortium Investor Director is also a director, the Consortium Investor Director must recuse himself or herself from the discussion; or
- (b) Other Business of which a Non-Investor Party Director or a Special Relative of the Non-Investor Party Director is also a director, the Non-Investor Party Director must recuse themselves from the discussion,

and in either case, the Board meeting will continue to be considered quorate for the purposes of this document and the Constitution and the other Consortium Investor Directors or Non-Investor Party Directors, as applicable, must not provide to that Director any Confidential Information discussed during the portion of the meeting from which the relevant Director recused himself.

6 Notice

- (a) A meeting of the Board requires at least 5 Business Days' prior written notice to be given to all Directors, unless all Directors otherwise agree. The notice must provide reasonable details of the matters to be considered at the meeting and the business to be put to the vote of the Board.
- (b) Any Director may from time to time give a notice of meeting to all Directors in accordance with this paragraph 6. Any notice provided by a Director under this paragraph 6 must provide reasonable details of the matters to be considered at the meeting and the business to be put to the vote of the Board.

7 Board papers

A notice of a meeting of the Board must include an agenda accompanied by:

- (a) if it is a regularly scheduled monthly meeting:
- (ii) a report from the Group CEO on the Business' trading since the last Board meeting, including (unless otherwise required or not required by the Board) comments on revenues, margins, overheads, profits, cash flow, prospects and any major commercial issues affecting the current and future trading position of the Group and proposed actions to correct any adverse variances; and
- (iii) a report from the Group CFO on the Business' trading since the last Board meeting including (unless otherwise required or not required by the Board) in respect of the Group a profit and loss statement for the month and year to date relative to budget, consolidated finance report, consolidated balance sheet, major variations to budget, cash flow and forecasts;
- (b) a copy of all papers to be considered at the meeting; and

- (c) such other materials or information as may reasonably be requested by a Director from time to time.

8 Committees

- (a) The Board may, in its discretion and at any time, subject to clauses 4.3 and 5.1:
- (i) delegate specific powers to a committee of the Board (including audit and risk and remuneration committees), provided that at least 1 Consortium Investor Director and, for so long as there is a Non-Investor Party Director, that Non-Investor Party Director, is represented on that committee (unless otherwise consented to in writing by the Consortium Investors or the Non-Investor Party, as applicable); and
 - (ii) amend, revoke or replace any delegation made to any committee of the Board. The voting requirements in paragraph 5 will apply to the operation of any committee appointed by the Board as if the references to Directors in that paragraph were references to members of the committee.

9 Frequency and location of meetings

- (a) A meeting of the Board must be held at least 6 times in each Financial Year or such other number as agreed by the Board unanimously provided that in the period between the Implementation Date and 30 June 2019, no minimum number of Board meetings will be required.
- (b) Board meetings will be held at such locations as approved by the Board and a Director may attend any meeting using any technology that allows each Director to hear proceedings and be heard by the other Directors.

10 Directors remuneration

10.1 No fee

No Director (other than the CBL Director) will be entitled to be paid a fee. The Company must pay to the CBL Director, monthly in arrears, a fee to be determined before the start of each Financial Year by the Board by Ordinary Directors' Resolution.

10.2 Expenses

All reasonable expenses incurred by the Directors which are associated with, or incidental to, the discharge of their obligations as Directors or are otherwise incurred in connection with the Business, including all travelling, hotel and other expenses, are to be reimbursed by the Company to the relevant Directors. The Company may request a statement of account or other evidence in respect of those expenses and may defer payment of some or all of the claimed expenses pending receipt of the account or other evidence.

11 Written resolutions

Subject to applicable law and without limiting any other provision of this document, a written resolution circulated to all the Directors, and signed by:

- (a) if the written resolution is required because a quorum was not achieved at a re-convened meeting under paragraph 5.2, those Directors capable of passing the relevant resolution if it was considered at a Board meeting; or

- (b) if the written resolution is required for any other reason, all Directors who would be eligible to vote on the relevant resolution if it was considered at a Board meeting,

will be as valid and effective as a resolution duly passed at a meeting of the Board called and held in accordance with this document.

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Shareholders Deed

Schedule 2 Matters to be determined by Ordinary Directors' Resolution, Special Majority Directors' Resolution, Shareholders' Special Resolution

Where a paragraph of this Schedule 2 specifies an amount in Australian dollars and a relevant transaction, contract or other circumstance arises which is denominated in another currency, the Board may determine the appropriate foreign exchange rate for determining the Australian dollar equivalent of that transaction, contract or other circumstance.

Part A – Matters to be determined by Ordinary Directors' Resolution

- (a) **(Business Plan)** subject to clause 6.3, adopt or materially vary the Business Plan.
- (b) **(variations to Business Plan for adverse events)** make any material changes to the Business Plan or undertake any actions or activities outside the terms of the Business Plan or a budget to address any material unbudgeted Liability, actual or potential breach of any law, change in law which requires a change to the Group's operations or any other event or circumstance arising after approval of the Business Plan which could have adverse reputational consequences for the Group.
- (c) **(Reorganisation Event)** undertake or undergo a Reorganisation Event.
- (d) **(accounting standards, policies and principles)** materially alter the accounting standards or principles previously adopted by the Company or the Group for the preparation or presentation of individual or consolidated financial statements or alter the accounting policies or basis previously adopted by the Company or the Group, except if required to do so by law.
- (e) **(borrowings)** borrow or accept financial accommodation (other than in accordance with the Business Plan) of more than \$1,000,000 for the Group as a whole or such other amount as the Board determines.
- (f) **(guarantee)** give or enter into any guarantee, indemnity, letter of comfort or performance bond to secure the performance of an obligation by any person (other than a Group Member) except if the amount secured by or maximum amount payable by any Group Member under (as applicable) all such guarantees, indemnities, letters of comfort and performance bonds is less \$500,000 and the guarantee, indemnity, letter of comfort or performance bond is in the ordinary course of the Business.
- (g) **(loans)** make a loan or give credit or other financial accommodation to a person except in the ordinary course of business.
- (h) **(Shareholder resolutions)** propose, call a meeting to consider or approve any written resolutions with respect to, an ordinary or a special resolution of Shareholders.

- (i) **(partnerships and joint ventures)** enter into, materially amend or vary a partnership or joint venture other than in accordance with the Business Plan.
- (j) **(dividends)** declare, determine, make or pay a dividend or other distribution of profits or assets or make any change to the dividend policy of a Group Member.
- (k) **(contracts)** enter into, terminate, materially amend or materially vary a contract:
- (i) outside the ordinary course of business;
 - (ii) which generates, or could reasonably be expected to generate, revenues or expenses for any Group Member in excess of \$10,000,000 in aggregate over the life of the contract or in any 12 month period; or
 - (iii) of an onerous or unusual nature or has a term of 12 months or longer.
- (l) **(Security Interest)** create any Security Interest (other than a Permitted Security Interest) over the assets or undertaking of any Group Member except in the ordinary course of the Business.
- (m) **(incentive plan)** adopt or vary any incentive plan (whether an equity, profit or other incentive plan) in any way relating to the remuneration of any director, officer or employee of any Group Member and make any award or allotment (including issue any Shares) under any such plan.
- (n) **(disputes)** with the exception of defences to proceedings brought against the Company or any Group Member (and any cross-claims made in the course of such defences), commence, settle or conduct any dispute, litigation, arbitration or other proceedings (including with any Tax authority) where the amount claimed or the amount of the settlement is \$500,000 or greater other than claims in the ordinary course of business or in the case of urgent injunctive application or other proceedings necessary to protect its rights or preserve or defend its position.

Part B – Matters to be determined by Special Majority Directors’ Resolution

- (a) **(acquisitions and disposals)** other than in connection with an Exit, Dispose of the Business (or any material part of it) or any Securities in or held by any Group Member, or acquire any other business (or any material part of a business) or any securities in any company or trust.
- (b) **(assets)** other than in connection with an Exit, sell or buy any assets (either tangible or intangible) having a value of more than \$10,000,000 in a single transaction, in a series of related transactions over any period or in a series of unrelated transactions in a 12 month period by one or more Group Members.
- (c) **(propose a buy back or redemption of Shares)** propose or implement a buy back or redemption of any Shares or a capital reduction by any Group Member other than a mandatory buy back or redemption in accordance with the terms of issue of the relevant Shares.
- (d) **(deal or agree to deal in Shares)** purchase, retire or acquire any Shares, or agree to do so.

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- (e) **(Shares)** except as (i) required under a Transaction Document or the Constitution; (ii) an issue of Shares under clause 9.13(f) and clauses 9.19 to 9.21 (inclusive) or any subsequent issue to a Catch-up Offeree, (iii) an issue of Incentive Shares or (iv) as required in connection with a transaction in accordance with clause 14, issue or grant any right to issue or acquire Shares or other Securities (including Securities which are convertible into Shares) of any Group Member.
 - (f) **(auditor)** appoint or remove an auditor of any Group Member.
 - (g) **(Related Party Proposal)** approve a Related Party Proposal.
 - (h) **(change in nature of Business)** other than in accordance with the Business Plan or pursuant to a transaction in accordance with clause 14, cease to carry on, or materially alter the scale of operations of, the Business or commence any business or operational activities other than the Business.
 - (i) **(winding up)** take any step to dissolve or wind up any Group Member other than where the dissolution or winding up is required to prevent insolvent trading by a Group Member.
 - (j) **(Restructuring Event)** undertake or undergo a Restructuring Event.

Part C – Matters to be determined by Shareholders’ Special Resolution

- (a) **(variation of rights)** vary the rights attaching to Shares or the shares or other securities of any other Group Member other than a variation of rights attaching to the foundation shares in Capilano.
- (b) **(effect a buy back or redemption of Shares)** effect a buy back or redemption of any Shares or a capital reduction by any Group Member.
- (c) **(Constitution)** amend or vary the constitution of any Group Member or adopt a new constitution for any Group Member, other than (i) amendments to the Capilano constitution in connection with a proposed variation of rights attaching to the foundation shares in Capilano; and (ii) adoption of a constitution for Capilano that is substantially the same as the BidCo constitution.

Shareholders Deed

Schedule 3 Accession Deed

Details

Parties

Acceding Party

Name

[ACN/ARBN]

Formed in

Address

Email

Attention

Recitals

- A** The [Transferor, the] Continuing Shareholders and the Company are parties to the Shareholders Deed.
- B** [The Transferor has agreed to sell and the Transferee has agreed to purchase [insert number] shares in the Company. / The Company has agreed to issue and the Acceding Party has agreed to purchase [insert number] Shares in the Company.]
- C** Under clause 9.14 of the Shareholders Deed, before it is registered as a holder of any Shares, a transferee or subscriber must become a party to the Shareholders Deed, by entering into an agreement in the form of this Accession Deed.
- D** [The Transferor wishes to be released from its obligations under the Shareholders Deed in respect of the Sale Shares, as from the Effective Date, to the extent permitted under the Shareholders Deed.]
- E** The Continuing Shareholders have agreed to the [transfer/issue] of the [Sale/New] Shares, subject to the Acceding Party entering into this Accession Deed.
-

Date of deedSee Signing page

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Accession Deed

General terms

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

Accession Date has the meaning given to it in clause 2.1.

Acquired Shares means the Shares issued to, transferred to or acquired by the Acceding Party in accordance with the terms of the Shareholders Deed.

Company means Bravo HoldCo Pty Ltd (ACN 628 069 474)

Continuing Shareholders means each party (whether an original party or a party by accession) to the Shareholders Deed, as listed in Schedule 1 to this document.

Shareholders Deed means the Shareholders Deed dated on or about [insert] relating to the Company as amended from time to time, a copy of which is attached as Attachment A.

Transferor means [insert].

1.2 Terms defined in the Shareholders Deed

Unless the contrary intention appears, a term which has a defined meaning in the Shareholders Deed has the same meaning when used in this document

1.3 Interpretation

Clauses 1.2 and 1.3 of the Shareholders Deed apply to this document as if set out in full in this document.

2 Accession

2.1 Accession

The Acceding Party accedes to the Shareholders Deed on and from [insert relevant date / describe events triggering accession] (**Accession Date**).

2.2 Rights and obligations of Acceding Party

Upon accession to the Shareholders Deed, the Acceding Party is bound by all the terms of the Shareholders Deed from the Accession Date as if the Acceding Party was, from the Accession Date, a party to the Shareholders Deed with all the rights and obligations of a party to the Shareholders Deed in the capacity referred to in clause 2.3.

2.3 Capacity

Upon accession to the Shareholders Deed, the Acceding Party acknowledges that it will be a [Consortium Investor / Non-Investor Party] for the purposes of the Shareholders Deed and will have rights and obligations as if it were named in the Shareholders Deed as a [Consortium Investor / Non-Investor Party].

3 Consent of Company and Continuing Shareholders

The Company and each Continuing Shareholder:

- (a) consent to the Acceding Party becoming a party to the Shareholders Deed (as a "Shareholder") and to the [transfer of the Sale Shares / issue of the New Shares] on and from the Effective Date [and to the Acceding Party assuming the obligations of the Transferor in accordance with (and to the extent referred to in) clause 2.3 of the Shareholders Deed];
- (b) agree that the Acceding Party will be entitled to exercise all of the rights, privileges and benefits of [the Transferor / a Shareholder] in respect of the [Sale / New] Shares; and
- (c) agree to be bound by the terms of the Shareholders Deed as if the Acceding Party were named in the Shareholders Deed as a "Shareholder" with effect from the Effective Date.

4 [Transferor released

With effect on and from the Effective Date, each Continuing Shareholder and the Company release and discharge the Transferor to the extent specified in clause 2.3 of the Shareholders Deed.]

5 Shareholders Deed

The parties agree that, except as provided above, the provisions of the Shareholders Deed remain in full force and effect.

6 Representations and warranties

The Acceding Party represents and warrants to each Continuing Party:

- (a) **(status)** it has been incorporated or formed in accordance with the laws of its place of incorporation or formation, is validly existing under those laws and has power and authority to own its assets and carry on its business as it is now being conducted;
- (b) **(power)** it has power to enter into this document, comply with its obligations under it and exercise its rights under it;
- (c) **(no contravention)** the entry by it into, its compliance with its obligations and the exercise of its rights under, this document does not and will not conflict with:
 - (i) its constituent documents or cause a limitation on its powers or the powers of its directors to be exceeded; or
 - (ii) any law binding on or applicable to it or its assets;
- (d) **(authorisations)** it has in full force and effect each authorisation necessary for it to enter into this document, to comply with its obligations, and to allow them to be enforced;
- (e) **(validity of obligations)** its obligations under this document are valid and binding and are enforceable against it in accordance with its terms; and
- (f) **(solvency)** it is not Insolvent.

7 Notices

7.1 Address of Acceding Party for notices

For the purposes of the Shareholders Deed the address of the Acceding Party to which all notices must be delivered is:

to [insert]:

Address: [insert]

Email: [insert]

Attention: [insert]

8 Costs and stamp duty

8.1 Costs

The costs of the Company arising out of the negotiation, preparation and execution of the Accession Deed will be borne by the Acceding Party. In all other respects, each party shall bear its own costs arising out of the negotiation, preparation and execution of this document.

8.2 Stamp duty

All stamp duty (including fines, penalties and interest) which may be payable on or in connection with this document, any instrument executed under this document, and in respect of a transaction evidenced by the agreement must be borne by the Acceding Party. The Acceding Party must indemnify the other parties to this document on demand against any liability for that stamp duty.

9 General

9.1 Entire agreement

This document, the Shareholders Deed and the documents referred to in the Shareholders Deed or executed in connection with the Shareholders Deed constitute the entire agreement of the parties about its subject matter and supersede all previous agreements, understandings and negotiations on that subject matter.

9.2 Invalid or unenforceable provisions

If a provision of this document is invalid or unenforceable in a jurisdiction:

- (a) it is to be read down or severed in that jurisdiction to the extent of the invalidity or unenforceability; and
- (b) that fact does not affect the validity or enforceability of:
 - (i) that provision in another jurisdiction; or
 - (ii) the remaining provisions.

9.3 Waiver

- (a) A provision of this document, or right, power or remedy created under it, may not be varied or waived except in writing signed by the party to be bound.
- (b) A waiver is effective only in the specific instance and for the specific purpose for which it is given.

- (c) Except as otherwise set out in this document, any partial exercise, failure to exercise, or delay in exercising a right or remedy provided under this document or by law does not operate as a waiver or prevent or restrict any further or other exercise of that or any other right or remedy in accordance with this document.

9.4 Consents, approvals or waivers

By giving any approval, consent or waiver a party does not give any representation or warranty as to any circumstance in connection with the subject matter of the consent, approval or waiver.

9.5 Discretion in exercising rights

Unless this document expressly states otherwise, a party may exercise a right, power or remedy or give or refuse its consent, approval or a waiver in connection with this document in its absolute discretion (including by imposing conditions).

9.6 Amendment

This document may be amended only by a document signed by all the Acceding Party and each of the Continuing Parties.

9.7 Assignment

The Acceding Party may not assign or otherwise deal with its rights under this document or allow any interest in them to arise or be varied without the written consent of each of the Continuing Parties.

9.8 Severability

If the whole or any part of a provision of this document is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this document has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause 9.8 has no effect if the severance alters the basic nature of this document or is contrary to public policy.

10 Governing law

This document is governed by the laws of New South Wales. The parties submit to the exclusive jurisdiction of the courts exercising jurisdiction there.

11 Counterparts

This document may consist of a number of copies, each signed by one or more parties to the agreement. If so, the signed copies are treated as making up the one document.

Executed as a deed poll.

Schedule 1 – Continuing Shareholders

[insert names and addresses of Continuing Shareholders]

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Shareholders Deed

Schedule 4 Group undertakings

1 Access

- (a) Each Consortium Investor and each of their respective Representatives has the right, to freely:
 - (i) visit and inspect any premises of the Company and any other Group Member, upon giving reasonable notice to the Board;
 - (ii) inspect and take copies of documents relating to the Business (including the Records of the Business); and
 - (iii) discuss the Group's affairs, finances and accounts with the Group Member's officers, employees, contractors and auditors at all reasonable times and as often as any such person may reasonably request.
- (b) Subject always to the terms of this document, at the cost of the requesting Shareholder, the Company shall provide to the Shareholder any information that it from time to time reasonably requests (provided that such information is to be used for a proper purpose), and shall provide all reasonable assistance to any Shareholder, to meet the requirements that such Shareholder has (directly or indirectly) in respect of taxation or other reporting under the rules of the Shareholder's tax jurisdiction and the respective applicable stock exchange rules or other applicable legal, regulatory or accounting requirements.

2 Provision of information

- (a) Without limiting any other provision of this document, the Company will, on the request of the Consortium Investors, cause the management of the Group to prepare, participate in and co-operate with, such presentations to the Consortium Investors, prospective investors and any financiers or potential financiers as the Consortium Investors may reasonably require from time to time.
- (b) The Company must promptly keep the Directors informed of all material developments regarding the Group. For the avoidance of doubt, nothing in this document limits the rights of the Directors to receive such financial and other information relating to any Group Member as the Directors are entitled by law to receive.
- (c) The Company must promptly deliver to the Consortium Investors and the Directors, as and when requested by them, such financial and other information relating to any Group Member as the Consortium Investors or a Director may reasonably require.
- (d) Without prejudice to the above, the Company must deliver to the Consortium Investors and each Director, the information set out in columns 1 and 2 of the table below on or before the dates set out in column 3 of the table below:

Column 1 General description	Column 2 Specific requirements	Column 3 Due date
Monthly management accounts	<ul style="list-style-type: none"> • Commentary on the operational and financial position for the immediately preceding calendar month, including variances between the actual results and those forecast in the Business Plan • A profit and loss account and cash flow statement for the immediately preceding calendar month • A balance sheet as at the end of the immediately preceding calendar month • Commentary on any material developments (not including details of any macroeconomic policies or events or any amendments to, or the introduction of, any laws) which may materially affect the Business (or any material part of it) 	15 Business Days after the end of each calendar month
Draft audited accounts	<ul style="list-style-type: none"> • Drafts of the audited accounts referred to in the line item below 	As soon as reasonably practicable after such drafts are substantially progressed
Group audited accounts	<p>In respect of the Group, each of the following:</p> <ul style="list-style-type: none"> • Audited consolidated profit and loss account • Audited consolidated balance sheet • Audited consolidated cash flow statement • Notes and reports of Directors and auditors 	3 months after the end of each Financial Year
Cash projection	<ul style="list-style-type: none"> • Projection, or updated projection, of cash requirements and expectations of each Group Member and consolidated statement, for such periods as requested 	As soon as possible after request
Bank facilities	<ul style="list-style-type: none"> • To the extent not provided above any information required to be given to any person under any bank facilities of the Group 	At the time, or promptly after, the information is given to that person

- (e) The Company must promptly notify the Consortium Investors of any material variation from the amount of any item specified in any Group budget, forecast or projection and any other variation in another Group Member's budget, forecast or projection which is material in the context of the Group, which may come to the notice of the Company.

3 Insurance

The Company must (and must ensure that each Group Member must) (unless the Board otherwise approves):

- (a) take out and maintain insurance in respect of risks associated with the Business that a reasonable prudent person operating in the same industry as the Business would normally insure against;
- (b) at all times pay all premiums falling due under its insurance policies and observe and perform in all respects their terms and conditions;
- (c) not assign, charge or otherwise dispose of any interest in its insurance policies or do or omit to do any act by reason of which they may be rendered void, voidable or otherwise unenforceable by the Company; and
- (d) not amend, alter or modify the terms of its insurance policies.

4 D&O Insurance

The Company must (unless the Board unanimously resolves otherwise):

- (a) enter into a Deed of Access, Insurance and Indemnity with each Director; and
- (b) maintain a D&O Insurance Policy in respect of each Director (on the same terms for each Director) and pay the premiums in respect of that D&O Insurance Policy.

5 Management of the Business

The Company must, and must, subject to clause 6.1(b), ensure that the other Group Members, except as waived or otherwise determined by the Board ensure that their respective businesses are properly managed in accordance with usual sound commercial practice;

6 Deemed delivery

The delivery to a Consortium Investor Director of any documents required to be delivered to the Consortium Investors under this document is deemed to be delivery to the Consortium Investors.

Shareholders Deed

Schedule 5 Consortium Investors

The Initial Consortium Investors are:

Initial Consortium Investor	Notice details
WH	<p>Address: Level 13, 179 Elizabeth Street Sydney NSW Australia 2000</p> <p>Email: capilano@wattlehillcap.com (Attention: Deane Conway)</p>
ROC	<p>Address: Level 11, 2 Bligh Street Sydney NSW Australia 2000</p> <p>Email: rocpops@rocp.com (Attention: Michael Lukin and Shaw Ng)</p> <p><i>Copying:</i></p> <p>Michael Lukin (E): michael.lukin@rocp.com</p> <p>Shaw Ng (E): shaw.ng@rocp.com</p>

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Shareholders Deed

Signing page

DATED: _____ 2018.

EXECUTED by **BRAVO HOLDCO PTY LTD** in accordance with section 127(1) of the *Corporations Act 2001* (Cth) by authority of its directors:

.....
Signature of director

.....
Name of director (block letters)

.....
Signature of director/company secretary*
*delete whichever is not applicable

.....
Name of director/company secretary* (block letters)
*delete whichever is not applicable

EXECUTED by **WATTLE HILL RHC FUND 1**, by its general partner, Wattle Hill RHC Fund 1 GP, by its general partner, **WATTLE HILL RHC GP MANAGEMENT PTY LTD** in accordance with section 127(1) of the *Corporations Act 2001* (Cth) by authority of its directors:

.....
Signature of director

.....
Name of director (block letters)

.....
Signature of director/company secretary*
*delete whichever is not applicable

.....
Name of director/company secretary* (block letters)
*delete whichever is not applicable

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EXECUTED by **ROC CAPITAL PTY LTD** (in its capacity as trustee of **ROC B&Y INVESTMENT TRUST**) in accordance with section 127(1) of the *Corporations Act 2001* (Cth) by authority of its directors:

.....
Signature of director

.....
Name of director (block letters)

.....
Signature of director/company secretary*
*delete whichever is not applicable

.....
Name of director/company secretary* (block letters)
*delete whichever is not applicable

[EXECUTED by **CAPILANO BEEKEEPERS LTD** in accordance with section 127(1) of the *Corporations Act 2001* (Cth) by authority of its directors:

.....
Signature of director

.....
Name of director (block letters)

.....
Signature of director/company secretary*
*delete whichever is not applicable

.....
Name of director/company secretary* (block letters)
*delete whichever is not applicable]

Shareholders Deed

Annexure A Constitution

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Annexure F

HoldCo's Constitution

Constitution

Bravo HoldCo Pty Ltd (ACN 628 069 474) (“**Company**”)

A proprietary company limited by shares

Adopted on [●]

King & Wood Mallesons

Level 61
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia
T +61 2 9296 2000
F +61 2 9296 3999
DX 113 Sydney
www.kwm.com

Constitution

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1 Definitions and interpretation

1.1 Definitions

In this Constitution unless the contrary intention appears:

Alternate Director means a person appointed as an alternate director under article 12.9.

Committee means a committee of Directors constituted under article 11.6.

Company means Bravo HoldCo Pty Ltd (ACN 628 069 474), as that name may be changed from time to time.

Constitution means this constitution as amended from time to time and a reference to an article is a reference to an article of this Constitution.

Corporations Act means the Corporations Act 2001 (Cwlth).

Director means a person holding office as a director of the Company, and where appropriate includes an Alternate Director.

Directors means the board of directors of the Company.

Executive Director means a person appointed as an executive director under article 11.8.

Managing Director means a person appointed as a managing director under article 11.8.

Member means a person entered in the Register as a holder of shares in the capital of the Company

Prescribed Interest Rate means the rate determined by the Directors for the purpose of this Constitution, and in the absence of a determination means the rate 4% per annum above the most recent 60 day Bank Bill Swap Reference Rate last published on or before that day in The Australian Financial Review (or if that rate has not been published, another date set by the Directors in good faith).

Register means the register of Members of the Company under the Corporations Act.

Registered Office means the registered office of the Company.

Representative means a person appointed to represent a corporate Member at a general meeting of the Company in accordance with the Corporations Act.

ROC means Roc Capital Pty Ltd (ABN 37 167 858 764) as trustee for Roc B&Y Investment Trust.

Secretary means a person appointed under article 13.1 as a secretary of the Company and where appropriate includes an acting secretary and a person appointed by the Directors to perform all or any of the duties of a secretary of the Company.

Shareholders Deed means the Shareholders Deed dated [●] between the Company, WHC, ROC and other shareholders of the Company from time to time.

WHC means Wattle Hill RHC Fund 1.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation.

In this Constitution unless the contrary intention appears:

- (a) words importing any gender include all other genders;
- (b) the word “person” includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association or an authority;
- (c) a reference to a document including this Constitution includes any variation or replacement of it;
- (d) the meaning of general words is not limited by specific examples introduced by “including”, “for example”, “such as” or similar expressions.
- (e) the singular includes the plural and vice versa;
- (f) a reference to legislation includes regulations and other instruments under it and any variation or replacement of any of them;
- (g) a reference to “regulations” includes instruments of a legislative character under legislation (such as regulations, rules, by-laws, ordinances and proclamations);
- (h) a reference to a group of persons is a reference to any 2 or more of them jointly and to each of them individually;
- (i) a power, an authority or a discretion given to a Director, the Directors, the Company in general meeting or a Member may be exercised at any time and from time to time;
- (j) a reference to “law” includes common law, principles of equity and legislation (including regulations);
- (k) “writing” and “written” includes printing, typing and other modes of reproducing words in a visible form including, without limitation, any representation of words in a physical document or in an electronic communication or form or otherwise;
- (l) a reference to dollars, A\$ or \$ is a reference to Australian dollars;
- (m) a chairman appointed under this Constitution may be referred to as a chairperson, chairwoman or as chair, as appropriate;
- (n) a reference to a person being “present” at a meeting includes participating in technology approved by the Directors in accordance with this Constitution; and
- (o) where a document (including a notice or consent) is required to be “signed”, the requirement may be satisfied in relation to an electronic communication of the document in any manner:
 - (i) permitted by relevant law relating to electronic transmissions (including electronic signature); or
 - (ii) approved by the Directors (which could include authentication by providing an allocated code or specified personal information).

1.3 Corporations Act

In this Constitution unless the contrary intention appears:

- (a) a word or expression defined or used in the Corporations Act has the same meaning when used in this Constitution in a similar context; and
- (b) “section” means a section of the Corporations Act.

1.4 Replaceable rules not to apply

The provisions of the Corporations Act that apply as replaceable rules are displaced by this Constitution and do not apply to the Company.

1.5 Shareholders Deed prevails

- (a) This Constitution is subject to the Shareholders Deed. To the extent of any inconsistency between this Constitution and the Shareholders Deed, the Shareholders Deed prevails.
- (b) Despite any other provision of this Constitution and without limiting any other provision of this Constitution or the Shareholders Deed, for so long as the Shareholders Deed is in force, the Company may not (and no Member or Director may take any action to procure that the Company will), take any action, including any of the matters set out in Schedule 2, parts B and C, of the Shareholders Deed, nor agree to do so, if such action would contravene or be inconsistent with the Shareholders Deed, including if any form of approval or process required under the Shareholders Deed for the relevant action has not been granted or followed.
- (c) A holder of any shares in the Company who, for any reason, is not at any time a party to the Shareholders Deed must comply with the Shareholders Deed as if it were a party to it.

2 Share capital and variation of rights

2.1 Directors to issue shares

The issue of shares in the Company is under the control of the Directors who may:

- (a) Issue, allot, cancel and otherwise dispose of shares in the Company;
- (b) grant options over unissued shares in the Company; and
- (c) settle the manner in which fractions of a share, however arising, are to be dealt with,

subject to the Corporations Act, Shareholders Deed and any special rights conferred on the holders of any shares or class of shares.

2.2 Variation of class rights

Subject to this Constitution, the Shareholders Deed and the terms on which any shares in the Company are issued, the rights attaching to shares in a class of shares may only be varied or cancelled by a special resolution of the Company and:

- (a) by a special resolution passed at a meeting of Members entitled to vote and holding shares in that class; or

- (b) with the written consent of holders entitled to vote in respect of at least 75% of the issued shares of that class.

2.3 Class meetings

Subject to the Shareholders Deed and to the extent there are more than one class of shares, the provisions of this Constitution relating to general meetings apply so far as they are capable of application and with any necessary changes to every separate meeting of the holders of a class of shares except that:

- (a) a quorum is constituted by at least 2 persons who, between them, hold or represent one-third of the issued shares of the class (unless only one person holds all of the shares of the class, in which case that person constitutes a quorum); and
- (b) any holder of shares of the class, present in person or by proxy, or attorney or Representative, may demand a poll.

2.4 Redemption in accordance with terms of issue of shares

The terms of article 2.2 do not apply and consent is not required for a redemption of any shares or variation of rights attaching to any shares in compliance with the terms of issue of those shares.

2.5 No variation

The rights attaching to shares in a class of shares will not be taken to be varied by:

- (a) the issue of further shares of that class; or
- (b) the issue of any shares of any other class; or
- (c) the conversion of shares or other securities to new shares or securities,

which rank equally with, or in priority to, the shares in the relevant class of shares, unless expressly provided by their respective terms of issue or the Corporations Act.

2.6 Non-recognition of interests

Except as required by law, the Company is not required to recognise:

- (a) a person as holding a share on any trust; or
- (b) any other interest in any share or any other right in respect of a share except an absolute right of ownership in the registered holder,

whether or not it has notice of the trust, interest or right.

2.7 Joint holders of shares

Where two or more persons are registered as the joint holders of shares then they are taken to hold the shares as joint tenants with rights of survivorship, but the Company is not bound:

- (a) to register more than three persons as joint holders of a share; or
- (b) to issue more than one certificate or holding statement for shares jointly held.

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3 Lien

3.1 Lien on share

To the extent permitted by law, the Company has a first and paramount lien on every share for:

- (a) all due and unpaid calls and instalments in respect of that share;
- (b) all money which the Company is required by law to pay, and has paid, in respect of that share;
- (c) interest at the Prescribed Interest Rate on the amount due from the date it becomes due until payment; and
- (d) reasonable expenses of the Company in respect of the default on payment.

3.2 Lien on distributions

A lien on a share under article 3.1 extends to all distributions for that share, including dividends.

3.3 Exemption from article 3.1

The Directors may at any time exempt a share wholly or in part from the provisions of article 3.1.

3.4 Extinguishment of lien

The Company's lien on a share is extinguished if a transfer of the share is registered without the Company giving notice of the lien to the transferee.

3.5 Company's rights to recover payments

A Member must reimburse the Company on demand in writing for all payments the Company makes to a government or taxing authority in respect of the Member, the death of a Member or the Member's shares or any distributions on the Member's shares, including dividends, where the Company is either:

- (a) required by law to make the relevant payment; or
- (b) advised by a lawyer qualified to practice in the jurisdiction of the relevant government or taxing authority that the Company is required by law to make the relevant payment.

The Company is not obliged to advise the Member in advance of its intention to make the payment.

3.6 Reimbursement is a debt due

The obligation of the Member to reimburse the Company is a debt due to the Company as if it were a call on all of the Member's shares, duly made at the time when the written demand for reimbursement is given by the Company to the Member. The provisions of this Constitution relating to non-payment of calls, including payment of interest and sale of the Member's shares under lien, apply to the debt.

3.7 Sale under lien

Subject to article 3.8, the Company may sell, in any manner the Directors think fit, any share on which the Company has a lien. To the maximum extent it is able, the Company must comply with the Shareholders Deed on any sale as if it were a Member transferring the shares.

3.8 Limitations on sale under lien

A share on which the Company has a lien may not be sold by the Company unless:

- (a) an amount in respect of which the lien exists is presently payable; and
- (b) the Company has, not less than 14 days before the date of sale, given to the registered holder of the share or the person entitled to the share by reason of the death or bankruptcy of the registered holder, a notice in writing setting out, and demanding payment of, the amount which is presently payable in respect of which the lien exists.

3.9 Transfer on sale under lien

For the purpose of giving effect to a sale under article 3.7, the Company may receive the consideration, if any, given for the share so sold and may execute a transfer of the share sold in favour of the purchaser of the share, or do all such other things as may be necessary or appropriate for it to do to effect the transfer. The purchaser is not bound to see to the application of the purchase money.

3.10 Irregularity or invalidity

The title of the purchaser to the share is not affected by any irregularity or invalidity in connection with the sale of the share under article 3.7.

3.11 Proceeds of sale

The proceeds of a sale under article 3.7 must be applied by the Company in payment of the amount in respect of which the lien exists as is presently payable, and the residue, if any, must be paid to the person entitled to the share immediately before the sale.

4 Calls on shares

4.1 Directors to make calls

The Directors may:

- (a) make calls on a Member in respect of any money unpaid on the shares of that Member, if the money is not by the terms of issue of those shares made payable at fixed times;
- (b) make a call payable by instalments; and
- (c) revoke or postpone a call.

4.2 Time of call

A call is taken to be made at the time when the resolution of the Directors authorising the call is passed.

4.3 Members' liability

Upon receiving not less than 30 business days' notice specifying the time or times and place of payment, each Member must pay to the Company by the time or times, and at the place, specified in the notice, the amount called on that Member's shares.

4.4 Joint holders' liability

The joint holders of a share are jointly and severally liable to pay all calls in respect of the share.

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4.5 Non-receipt of notice

The non-receipt of a notice of any call by, or the accidental omission to give notice of a call to, a Member does not invalidate the call.

4.6 Interest on default

If a sum called in respect of a share is not paid before or on the day appointed for payment of the sum, the person from whom the sum is due must pay interest on the sum from the day it is due to the time of actual payment at the Prescribed Interest Rate. The Directors may waive payment of that interest wholly or in part.

4.7 Fixed instalments

If the terms of a share make a sum payable on issue of the share or at a fixed date, this is taken to be a call duly made and payable on the date on which by the terms of issue the sum becomes payable. In the case of non-payment, all the relevant provisions of this Constitution as to payment of interest and expenses, forfeiture or otherwise apply as if the sum had become payable by virtue of a call duly made and notified.

4.8 Differentiation between holders as to calls

The Directors may, on the issue of shares, differentiate between the holders of the shares as to the amount of calls to be paid and the times of payment.

4.9 Prepayment of calls and interest

The Directors may:

- (a) accept from a Member the whole or part of the amount unpaid on a share even if no part of that amount has been called; and
- (b) authorise payment by the Company of interest on the whole or any part of an amount so accepted, until the amount becomes payable, at such rate, not exceeding the Prescribed Interest Rate, as is agreed between the Directors and the Member paying the sum.

5 Forfeiture of shares

5.1 Notice requiring payment of call

If a Member fails to pay a call or instalment of a call on the day appointed for payment of the call or instalment, the Directors may, at any time afterwards during such time as any part of the call or instalment remains unpaid, give a notice to the Member requiring payment of so much of the call or instalment as is unpaid, together with any interest that has accrued and all costs and expenses that may have been incurred by the Company by reason of that non-payment.

5.2 Contents of notice

The notice must name a further day, which is at least 14 days from the date of service of the notice, on or before which the payment required by the notice is to be made and must state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

5.3 Forfeiture for failure to comply with notice

If a notice under article 5.1 has not been complied with by the date specified in the notice, the Directors may by resolution forfeit the relevant shares, at any time before the payment required by the notice has been made.

5.4 Dividends and distributions included in forfeiture

A forfeiture under article 5.3 includes all dividends and other distributions to be made in respect of the forfeited shares which have not been paid or distributed before the forfeiture.

5.5 Sale or re-issue of forfeited shares

Subject to the Corporations Act, a share forfeited under article 5.3 may be sold, re-issued or otherwise disposed of to such person and on such terms as the Directors think fit. To the maximum extent it is able, the Company must comply with the Shareholders Deed on any sale or disposal as if it were a Member selling or disposing of the shares and on any re-issue of any share forfeited under article 5.3.

5.6 Notice of forfeiture

If any share is forfeited under article 5.3 notice of the forfeiture must be given to the Member holding the share immediately before the forfeiture and an entry of the forfeiture and its date must be made in the Register. Any failure to give notice or enter the forfeiture in the Register does not invalidate the forfeiture.

5.7 Surrender instead of forfeiture

The Directors may accept the surrender of any share which they are entitled to forfeit on any terms they think fit and any share so surrendered is taken to be a forfeited share.

5.8 Cancellation of forfeiture

At any time before a sale, re-issue or disposal of a share under article 5.5, the forfeiture of that share may be cancelled on such terms as the Directors think fit.

5.9 Effect of forfeiture on former holder's liability

A person whose shares have been forfeited:

- (a) ceases to be a Member in respect of the forfeited shares; and
- (b) remains liable to pay the Company all money that, at the date of forfeiture, was payable by that person to the Company in respect of the shares, plus interest at the Prescribed Interest Rate from the date of forfeiture and the reasonable expenses of the sale of the shares, until the Company receives payment in full of all money (including interest and expenses) so payable in respect of the shares.

5.10 Evidence of forfeiture

A statement in writing declaring that the person making the statement is a Director or a Secretary, and that a share in the Company has been forfeited in accordance with this Constitution on the date declared in the statement, is prima facie evidence of the facts in the statement as against all persons claiming to be entitled to the share.

5.11 Transfer of forfeited share

The Company may receive any consideration given for a forfeited share on any sale, re-issue or disposal of the share under article 5.5 and may execute or effect a transfer of the share in favour of the person to whom the share is sold, re-issued or disposed.

5.12 Registration of transferee

On the execution of the transfer, the transferee must be registered as the holder of the share and is not bound to see to the application of any money paid as consideration.

5.13 Irregularity or invalidity

The title of the transferee to the share is not affected by any irregularity or invalidity in connection with the forfeiture, sale, re-issue or disposal of the share.

6 Transfer of shares

6.1 Transfer of Shares

Subject to this Constitution, the Shareholders Deed and the terms on which any shares in the Company are issued, a Member may transfer shares in the Company. A Member must comply with the Shareholders Deed when transferring shares in the Company.

6.2 Forms of instrument of transfer

Subject to this Constitution and the Shareholders Deed, a share in the Company is transferable by any method of transfer required or permitted by the Corporations Act.

6.3 Execution and delivery of transfer

If a duly completed instrument of transfer:

- (a) is used to transfer a share in accordance with article 6.2; and
- (b) is left for registration at the share registry of the Company, accompanied by any information that the Directors properly require to show the right of the transferor to make the transfer,

the Company must, subject to the Shareholders Deed and the powers vested in the Directors by this Constitution, register the transferee as the holder of the share.

6.4 Effect of registration

A transferor of a share remains the holder of the share transferred until the transfer is registered and the name of the transferee is entered in the Register in respect of the share.

6.5 Company to retain instrument of transfer

The Company must retain every instrument of transfer which is registered for the period required by any applicable law.

6.6 Directors' powers to refuse to register

The Directors:

- (a) must refuse to register a transfer of shares in the Company which does not comply with the Shareholders Deed or this Constitution; and
- (b) must register any transfer of shares in the Company which complies with the Shareholders Deed and this Constitution.

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6.7 Transfer to or by a secured party

Subject to the Shareholders Deed, the Directors may not refuse to register a transfer of shares under article 6.6 if the transfer is either to a person holding a mortgage, charge, pledge or other security interest (or to a person acting as agent, trustee or nominee for such a person) (“**Secured Party**”) which is given by a Member over their shares in the Company (“**Share Security**”), or is pursuant to an exercise by a Secured Party of rights in relation to a Share Security.

In any such case, the Directors must register the transferee as a Member. The Directors may request and rely on a written statement of the Secured Party certifying that the transfer is pursuant to an exercise of rights under a Share Security.

7 Transmission of shares

7.1 Transmission of shares on death

If a Member, who does not hold shares jointly, dies, the Company will recognise only the personal representative of the Member as being entitled to the Member’s interest in the shares.

This article is subject to the Shareholders Deed.

7.2 Information given by personal representative

If the personal representative of the Member who has died gives the Directors the information they reasonably require to establish the representative’s entitlement to be registered as a holder of the shares:

- (a) the personal representative may:
 - (i) by giving a written and signed notice to the Company, elect to be registered as the holder of the shares; or
 - (ii) by giving a completed transfer form to the Company, transfer the shares to another person; and
- (b) the personal representative is entitled, whether or not registered as the holder of the shares, to the same rights as the Member.

On receiving an election under paragraph 7.2(a)(i), the Company must register the personal representative as the holder of the shares.

A transfer under paragraph 7.2(a)(ii) is subject to the articles that apply to transfers generally.

This article is subject to the Shareholders Deed.

7.3 Death of joint owner

If a Member, who holds shares jointly, dies, the Company will recognise only the survivor as being entitled to the Member’s interest in the shares. The estate of the Member is not released from any liability in respect of the shares.

7.4 Transmission of shares on bankruptcy

If a person entitled to shares because of the bankruptcy of a Member gives the Directors the information they reasonably require to establish the person’s entitlement to be registered as the holder of the shares, the person may:

- (a) by giving a written and signed notice to the Company, elect to be registered as the holder of the shares; or

- (b) by giving a completed transfer form to the Company, transfer the shares to another person.

On receiving an election under paragraph (a), the Company must register the person as the holder of the shares.

A transfer under paragraph (b) is subject to the articles that apply to transfers generally.

This article is subject to the Bankruptcy Act 1966 (Cwlth) and the Shareholders Deed.

7.5 Transmission of shares on mental incapacity

If a person entitled to shares because of the mental incapacity of a Member gives the Directors the information they reasonably require to establish the person's entitlement to be registered as the holder of the shares:

- (a) the person may:
- (i) by giving a written and signed notice to the Company, elect to be registered as the holder of the shares; or
 - (ii) by giving a completed transfer form to the Company, transfer the shares to another person; and
- (b) the person is entitled, whether or not registered as the holder of the shares, to the same rights as the Member.

On receiving an election under paragraph 7.5(a)(i), the Company must register the person as the holder of the shares.

A transfer under paragraph 7.5(a)(ii) is subject to the articles that apply to transfers generally.

This article is subject to the Shareholders Deed.

8 General meetings

8.1 Convening a general meeting

The Directors or a Director may convene and arrange to hold a general meeting of the Company whenever they think fit and must do so if required to do so under the Corporations Act.

8.2 Use of technology at general meetings

A company may hold a meeting of its members at two or more venues using any technology that gives the members as a whole a reasonable opportunity to participate

8.3 Notice of general meeting

Subject to the Shareholders Deed, a notice of a general meeting must be given in accordance with article 18 and the Corporations Act.

8.4 Calculation of period of notice

In computing the period of notice under article 8.3, both the day on which the last notice to Members is given or taken to be given and the day of the meeting convened by it are to be disregarded.

8.5 Cancellation or postponement of a meeting

Where a general meeting is convened by the Directors they may by notice, whenever they think fit, cancel the meeting or postpone the holding of the meeting to a date and time determined by them or change the place for the meeting.

This article 8.5 does not apply to a meeting convened in accordance with the Corporations Act by a single Director, by Members, by the Directors on the request of Members or to a meeting convened by a court.

8.6 Notice of cancellation or postponement of a meeting

Notice of cancellation or postponement or change of place of a general meeting must state the reason for cancellation or postponement and be given:

- (a) to each Member; and
- (b) to each other person entitled to be given notice of a general meeting.

8.7 Contents of notice of postponement of meeting

A notice of postponement of a general meeting must specify:

- (a) the postponed date and time for the holding of the meeting;
- (b) a place for the holding of the meeting which may be either the same as or different from the place specified in the notice convening the meeting; and
- (c) if the meeting is to be held in two or more places, the technology that will be used to facilitate the holding of the meeting in that manner.

8.8 Number of clear days for postponement of meeting

The number of clear days from the giving of a notice postponing the holding of a general meeting to the date specified in that notice for the holding of the postponed meeting must not be less than the number of clear days' notice of the general meeting required to be given by this Constitution or the Corporations Act.

8.9 Business at postponed meeting

The only business that may be transacted at a postponed general meeting, is the business specified in the original notice convening the meeting.

8.10 Proxy, attorney or Representative at postponed meeting

Where by the terms of an instrument appointing a proxy or attorney or an appointment of a Representative:

- (a) the appointed person is authorised to attend and vote at a general meeting or general meetings to be held on or before a specified date; and
- (b) the date for holding the meeting is postponed to a date later than the date specified in the instrument of proxy, power of attorney or appointment of Representative,

then that later date is substituted for and applies to the exclusion of the date specified in the instrument of proxy, power of attorney or appointment of Representative unless the Member appointing the proxy, attorney or Representative gives to the Company at its Registered Office written notice not

less than 48 hours before the time to which the holding of the meeting has been postponed.

8.11 Non-receipt of notice

The non-receipt of notice of a general meeting or cancellation or postponement of a general meeting by, or the accidental omission to give notice of a general meeting or cancellation or postponement of a general meeting to, a person entitled to receive notice does not invalidate any resolution passed at the general meeting or at a postponed meeting or the cancellation or postponement of a meeting.

8.12 Director entitled to notice of meeting

A Director is entitled to receive notice of and to attend all general meetings and all separate meetings of the holders of any class of shares in the capital of the Company and is entitled to speak at those meetings.

8.13 Appointment of proxy, Representative or attorney

Subject to the Corporations Act, a Member who is entitled to participate in and vote at a meeting of the Company may appoint a person as the Member's proxy or may appoint a Representative or an attorney, to participate in and vote at the meeting for the Member.

If a Member is entitled to cast two or more votes at the meeting, the Member may appoint two proxies who may each exercise half of the Member's votes at the meeting, unless the instrument appointing the proxies specifies the proportion or number of the Member's votes that each proxy may exercise.

9 Proceedings at general meetings

9.1 Number for a quorum

The quorum for a general meeting is 2 Members present in person or by proxy, attorney or Representative who between them hold shares representing not less than 60% of the total number of votes attaching to all shares in the Company. In determining whether a quorum is present, each individual attending as a proxy, attorney or Representative is to be counted, except that:

- (a) where a Member has appointed more than one proxy, attorney or Representative, only one is to be counted; and
- (b) where an individual is attending both as a Member and as a proxy, attorney or Representative, that individual is to be counted once for that Member and once for each Member for whom that individual is attending as a proxy, attorney or Representative.

9.2 Requirement for a quorum

An item of business may not be transacted at a general meeting unless a quorum is present when the meeting proceeds to consider it. If a quorum is present at the time the first item of business is transacted, it is taken to be present when the meeting proceeds to consider each subsequent item of business unless the chairman of the meeting (on the chairman's own motion or at the request of a Member, proxy, attorney or Representative who is present) declares otherwise.

9.3 If quorum not present

If within 15 minutes after the time appointed for a meeting a quorum is not present, the meeting:

- (a) if convened in accordance with the Corporations Act by a single Director, by Members or by the Directors at the request of Members, is dissolved; and
- (b) in any other case, stands adjourned to the same day in the next week and the same time and place, or to such other day, time and place as the Directors appoint by notice to the Members and others entitled to notice of the meeting.

9.4 Adjourned meeting

At a meeting adjourned under article 9.3(b), where the Company has only one Member, the quorum is that Member, and otherwise, the quorum is 2 Members, who taken together hold at least 30% of the ordinary shares on issue in the capital of the Company and if a quorum is not present within 30 minutes after the time appointed for the adjourned meeting, the meeting is dissolved.

9.5 Appointment of chairman of general meeting

If the Directors have elected one of their number as chairman of their meetings, that person is entitled to preside as chairman at a general meeting.

9.6 Absence of chairman at general meeting

If a general meeting is held and:

- (a) a chairman has not been elected by the Directors; or
- (b) the elected chairman of Directors is not present within 15 minutes after the time appointed for the holding of the meeting or is unable or unwilling to act,

the following may preside as chairman of the meeting (in order of precedence):

- (c) a Director chosen by a majority of the Directors present;
- (d) the only Director present; or
- (e) a Member chosen by a majority of the Members present in person or by proxy, attorney or Representative.

9.7 Conduct of general meetings

The chairman of a general meeting:

- (a) has charge of the general conduct of the meeting and the procedures to be adopted at the meeting;
- (b) may require the adoption of any procedure which is in the chairman's opinion necessary or desirable for proper and orderly debate or discussion and the proper and orderly casting or recording of votes at the general meeting; and
- (c) may, having regard where necessary to the Corporations Act, terminate discussion or debate on any matter whenever the chairman considers it necessary or desirable for the proper conduct of the meeting,

and a decision by the chairman under this article is final.

9.8 Adjournment of general meeting

The chairman of a general meeting may at any time during the meeting adjourn the meeting or any business, motion, question, resolution, debate or discussion

being considered or remaining to be considered by the meeting either to a later time at the same meeting or to an adjourned meeting at any time and place, but:

- (a) in exercising the discretion to do so, the chairman may, but need not, seek the approval of the Members present in person or by proxy, attorney or Representative; and
- (b) only unfinished business is to be transacted at a meeting resumed after an adjournment.

Unless required by the chairman, a vote may not be taken or demanded by the Members present in person or by proxy, attorney or Representative in respect of any adjournment.

9.9 Notice of adjourned meeting

Any notice of an adjournment or of the business to be transacted at any adjourned meeting must be given as in the case of an original meeting.

9.10 Questions decided by majority

Subject to the requirements of the Corporations Act and the Shareholders Deed, a resolution is taken to be carried if a simple majority of the votes cast on the resolution are in favour of it.

9.11 No casting vote for chairman

If there is an equality of votes in respect of any resolution, the chairman of the general meeting is not entitled to a casting vote in addition to any votes to which the chairman is entitled as a Member or proxy or attorney or Representative.

9.12 Voting

Subject to the Shareholders Deed, at any general meeting a resolution put to the vote of the meeting must be decided on a poll.

9.13 Poll

On a poll:

- (a) it must be taken in the manner and at the date and time directed by the chairman and the result of the poll is a resolution of the meeting at which the poll was taken; and
- (b) on the election of a chairman or on a question of adjournment, it must be taken immediately.

9.14 Entitlement to vote

Subject to the Shareholders Deed, this Constitution, the Corporations Act and any rights or restrictions for the time being attached to any class or classes of shares, on a poll, each Member present in person has one vote for each fully paid share held by the Member and each person present as proxy, attorney or Representative of a Member has one vote for each fully paid share held by the Member that the person represents.

9.15 Joint shareholders' vote

If a share is held jointly and more than one Member votes in respect of that share, only the vote of the Member whose name appears first in the Register counts.

9.16 Effect of unpaid call

A Member is not entitled at a general meeting to cast a vote attached to a share on which a call is due and payable and has not been paid.

9.17 Validity of vote in certain circumstances

Unless the Company has received written notice of the matter before the start or resumption of the meeting at which a person votes as a proxy, attorney or Representative, a vote cast by that person is valid even if, before the person votes:

- (a) the appointing Member dies;
- (b) the Member is mentally incapacitated;
- (c) the Member revokes the appointment or authority;
- (d) the Member revokes the authority under which the appointment was made by a third party; or
- (e) the Member transfers the share in respect of which the appointment or authority was given.

9.18 Objection to voting qualification

An objection to the right of a person to attend or vote at the meeting or adjourned meeting:

- (a) may not be raised except at that meeting or adjourned meeting; and
- (b) must be referred to the chairman of the meeting, whose decision is final.

A vote not disallowed under the objection is valid for all purposes.

10 The Directors

10.1 Number of Directors

The number of Directors is determined in accordance with the Shareholders Deed.

10.2 Appointment and removal of Directors

Directors must be appointed and removed in accordance with the Shareholders Deed.

10.3 Change to number of Directors

Subject to the Shareholders Deed, the Company in general meeting may by resolution increase or reduce the number of Directors.

10.4 Remuneration of Directors

The Directors are to be remunerated for their services as Directors only to the extent permitted under the Shareholders Deed.

10.5 Additional or special duties

Subject to the Shareholders Deed, if a Director at the request of the Directors performs additional or special duties for the Company, the Company may remunerate that Director as determined by the Directors and that remuneration may be either in addition to or in substitution for that Director's remuneration under article 10.3.

10.6 Retirement benefit

Subject to the Corporations Act and the Shareholders Deed, the Company may pay a former Director, or the personal representative of a Director who dies in office, a retirement benefit in recognition of past services of an amount determined by the Directors. The Company may also enter into a contract with a Director providing for payment of a retirement benefit. A retirement benefit paid under this article is not remuneration to which article 10.4 applies.

10.7 Expenses

Subject to the Shareholders Deed, a Director is entitled to be reimbursed out of the funds of the Company such reasonable travelling, accommodation and other expenses as the Director may incur when travelling to or from meetings of the Directors or a Committee or when otherwise engaged on the business of the Company.

10.8 Director's interests

Subject to complying with the Corporations Act regarding disclosure of and voting on matters involving material personal interests, a Director may:

- (a) hold any office or place of profit in the Company, except that of auditor;
- (b) hold any office or place of profit in any other company, body corporate, trust or entity promoted by the Company or in which it has an interest of any kind;
- (c) enter into any contract or arrangement with the Company;
- (d) participate in any association, institution, fund, trust or scheme for past or present employees of the Company or Directors or persons dependent on or connected with them;
- (e) act in a professional capacity (or be a member of a firm or an officer of an employee of a body corporate which acts in a professional capacity) for the Company, except as auditor;
- (f) participate in, vote on and be counted in a quorum for any meeting, resolution or decision of the Directors and may be present at any meeting where any matter is being considered by the Directors;
- (g) sign or participate in the execution of a document by or on behalf of the Company;
- (h) do any of the above despite the fiduciary relationship of the Director's office:
 - (i) without any liability to account to the Company for any direct or indirect benefit accruing to the Director; and
 - (ii) without affecting the validity of any contract or arrangement; and
- (i) exercise the voting power conferred by securities in any entity held by the Company, in accordance with the terms of their appointment, including in circumstances where a Director may be interested in the exercise (such as a resolution appointing a Director as an officer of the entity or providing for the payment of remuneration to officers of the entity); and
- (j) act as a nominee or representative of a shareholder of the Company, on terms agreed with the Company.

A reference to the Company in this article 10.8 is also a reference to each related body corporate of the Company.

This article is subject to the Shareholders Deed.

10.9 Vacation of office of Director

In addition to the circumstances in which the office of a Director becomes vacant under the Corporations Act or under the Shareholders Deed, the office of a Director becomes vacant if:

- (a) the Director is an executive Director and ceases to be employed by the Company or a related body corporate;
- (b) the Director becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental health;
- (c) the Director resigns from the office by notice in writing to the Company; or
- (d) the Director's appointing Member ceases to be entitled to appoint the Director in accordance with the Shareholders Deed.

11 Powers and duties of Directors

11.1 Directors to manage Company

The business of the Company is to be managed by the Directors, who may exercise all such powers of the Company as are not, by the Corporations Act, this Constitution or the Shareholders Deed, required to be exercised by the Company in general meeting. In exercising those powers, the Directors must comply with the Shareholders Deed.

11.2 Specific powers of Directors

Without limiting the generality of article 11.1 and subject to the Shareholders Deed, the Directors may exercise all the powers of the Company to borrow or raise money, to charge any property or business of the Company or all or any of its uncalled capital and to issue debentures or give any other security for a debt, liability or obligation of the Company or of any other person.

11.3 Appointment of attorney

The Directors may, by power of attorney, appoint any person or persons to be the attorney or attorneys of the Company for the purposes and with the powers, authorities and discretions vested in or exercisable by the Directors for such period and subject to such conditions as they think fit.

11.4 Provisions in power of attorney

A power of attorney granted under article 11.3 may contain such provisions for the protection and convenience of persons dealing with the attorney as the Directors think fit and may also authorise the attorney to delegate (including by way of appointment of a substitute attorney) all or any of the powers, authorities and discretions vested in the attorney.

11.5 Signing of receipts and negotiable instruments

The Directors may determine the manner in which and persons by whom cheques, promissory notes, bankers' drafts, bills of exchange and other negotiable instruments, and receipts for money paid to the Company, may be signed, drawn, accepted, endorsed or otherwise executed.

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11.6 Committees

The Directors may, subject to the Shareholders Deed, delegate any of their powers, other than powers required by law to be dealt with by Directors as a board, to a Committee or Committees consisting of one or more of their number as they think fit.

11.7 Powers delegated to Committees

A Committee to which any powers have been delegated under article 11.6 must exercise those powers in accordance with any directions of the Directors, and no matter which requires a Special Majority Directors' Resolution under the Shareholders Deed may be determined by a Committee.

11.8 Appointment of Managing and Executive Directors

The Directors may appoint one or more of themselves to the office of Managing Director or as an Executive Director or to any other office (except auditor) or any position of employment with the Company for the period and on the terms they think fit.

11.9 Ceasing to be a Managing or Executive Director

Whether or not the appointment of a Managing Director or Executive Director was expressed to be for a specified term, the appointment of a Managing Director or Executive Director terminates if:

- (a) the Managing Director or Executive Director ceases for any reason to be a Director;
- (b) the Directors remove the Managing Director or Executive Director from the office of Managing Director or Executive Director (which, subject to any contract between the Company and the Managing Director or Executive Director, the Directors have power to do); or
- (c) the Managing Director or the Executive Director ceases to be employed by the Company or a related body corporate.

11.10 Remuneration of Managing and Executive Directors

The remuneration of a Managing Director or an Executive Director may be fixed by the Directors and may be by way of salary or commission or participation in profits or by all or any of those modes, but may not be by a commission on or percentage of operating revenue.

11.11 Powers of Managing and Executive Directors

The Directors may:

- (a) confer on a Managing Director or an Executive Director such of the powers exercisable by them, on such terms and conditions and with such restrictions, as they think fit, provided that no matter which requires a Special Majority Directors' Resolution under the Shareholders Deed may be determined by a Managing Director; and
- (b) withdraw or vary any of the powers conferred on a Managing Director or an Executive Director.

11.12 Delegation of Directors' powers

The Directors may delegate any of their powers to any persons they select for any period, to be exercised for any objects and purposes on any terms and subject to any conditions and restrictions as they think fit, and may revoke, withdraw, alter or vary the delegation of any of those powers.

The powers of delegation expressly or impliedly conferred by this Constitution on the Directors are conferred in substitution for, and to the exclusion of, the power conferred by section 198D of the Corporations Act.

12 Proceedings of Directors

12.1 Directors' meetings

The Directors may meet together for the dispatch of business and adjourn and otherwise regulate their meetings as required by the Shareholders Deed and, in other cases, as they think fit.

12.2 Director may convene a meeting

A Director may at any time, and the Secretary must on the written request of a Director, convene a meeting of the Directors. The convening of a meeting must comply with the Shareholders Deed in respect of notice or any other requirements.

12.3 Use of technology for Directors' meetings

A Directors' meeting may be called or held using any technology consented to by all the Directors. The consent may be a standing one. A Director may only withdraw their consent within a reasonable period before the meeting.

12.4 Questions decided by majority

Except to the extent that the Shareholders Deed provides otherwise, a question arising at a meeting of Directors is to be decided by a majority of votes of Directors present and entitled to vote and that decision is for all purposes a decision of the Directors.

12.5 Alternate Director or proxy and voting

A person who is present at a meeting of Directors as an Alternate Director or as a proxy for another Director has one vote for each absent Director who would be entitled to vote if present at the meeting and for whom that person is an Alternate Director or proxy and, if that person is also a Director, has one vote as a Director in that capacity.

12.6 Chairman of Directors

If the Shareholders Deed deals with the appointment and removal of the chairman of a meeting of Directors, the chairman must be appointed and removed in accordance with the Shareholders Deed. Otherwise, the Directors may elect one of their number as chairman of their meetings and may also determine the period for which the person elected as chairman is to hold office.

12.7 Absence of chairman at Directors' meeting

If a Directors' meeting is held and:

- (a) a chairman has not been elected under article 12.6 or as provided under the Shareholders Deed (if applicable); or
- (b) the chairman is not present within 10 minutes after the time appointed for the holding of the meeting or is unable or unwilling to act,

the Directors present must elect one of their number to be a chairman of the meeting.

12.8 Chairman's casting vote at Directors' meeting

The chairman of the Directors' meeting has a casting vote subject to the Shareholders Deed.

12.9 Appointment of Alternate Director

Subject to the Corporations Act and the Shareholders Deed, a Director may appoint a person to be an Alternate Director in the Director's place during such period as the Director thinks fit.

12.10 Alternate Director and meetings

An Alternate Director is entitled to notice of all meetings of the Directors and, if the appointor does not participate in a meeting, the Alternate Director is entitled to participate and vote in the appointor's place subject to the Shareholders Deed.

12.11 Alternate Director's powers

Subject to the Shareholders Deed, an Alternate Director may exercise all the powers of the appointor except the power to appoint an Alternate Director and, subject to the Corporations Act, may perform all the duties of the appointor except to the extent that the appointor has exercised or performed them.

12.12 Alternate Director responsible for own acts and defaults

While acting as a Director, an Alternate Director:

- (a) is an officer of the Company and not the agent of the appointor; and
- (b) is responsible to the exclusion of the appointor for the Alternate Director's own acts and defaults.

12.13 Alternate Director and remuneration

An Alternate Director is not entitled to receive from the Company any remuneration or benefit under article 10.4 or article 10.6 .

12.14 Termination of appointment of Alternate Director

The appointment of an Alternate Director may be terminated at any time by the appointor even if the period of the appointment of the Alternate Director has not expired, and terminates in any event if the appointor ceases to be a Director for any reason.

12.15 Appointment or termination

An appointment, or the termination of an appointment, of an Alternate Director must be effected by a notice signed by the Director who makes or made the appointment and delivered to the Company.

12.16 Alternate Director and number of Directors

An Alternate Director is not to be taken into account separately from the appointor in determining the number of Directors.

12.17 Director attending and voting by proxy

A Director may participate in and vote by proxy at a meeting of the Directors if the proxy:

- (a) is another Director; and
- (b) has been appointed in writing signed by the appointor.

The appointment may be general or for one or more particular meetings. A Director present as a proxy for another Director, who would be entitled to vote if present at the meeting, has one vote for the appointor and one vote in his or her own capacity as a Director.

12.18 Quorum for Directors' meeting

At a meeting of Directors, the number of Directors whose presence in person or by proxy is necessary to constitute a quorum is:

- (a) where there is only one Director, that Director; and
- (b) where there is more than one Director, as determined by the Shareholders Deed.

12.19 Adjournment of Directors' meeting if no quorum

- (a) If a quorum is not present at a meeting of the Board convened, the meeting is adjourned to the same time and place 2 Business Days after the date on which the meeting is adjourned (or such other time and place unanimously agreed by all Directors). A quorum at such re-convened meeting is to be determined by the Shareholders Deed.
- (b) If a quorum is not present at a meeting of the Board convened under clause 12.19(a), the meeting is adjourned to the same time and place 5 Business Days after the date on which the reconvened meeting is adjourned (or such other time and place unanimously agreed by all Directors). A quorum at such re-convened meeting is to be determined by the Shareholders Deed.

12.20 Continuing Directors may act

Subject to the Shareholders Deed, the continuing Directors may act despite a vacancy in their number.

12.21 Chairman of Committee

The members of a Committee may elect one of their number as chairman of their meetings. If a meeting of a Committee is held and:

- (a) a chairman has not been elected; or
- (b) the chairman is not present within 10 minutes after the time appointed for the holding of the meeting or is unable or unwilling to act,

the members involved may elect one of their number to be chairman of the meeting.

12.22 Meetings of Committee

A Committee may meet and adjourn as it thinks proper.

12.23 Determination of questions

Questions arising at a meeting of a Committee are to be determined by a majority of votes of the members of the Committee present and voting.

The chairman of the meeting does not have a casting vote.

12.24 Circulating resolutions

- (a) The Directors may pass a resolution without a Directors' meeting being held if all Directors entitled to vote on the resolution, as determined in accordance with the Shareholders Deed, sign a document containing a

statement that they are in favour of the resolution set out in the document. The resolution is passed when the last participating Director signs. The resolution is not invalidated if it is consented to by a Director who is not entitled to vote.

- (b) A written resolution can be signed in counterpart (provided those counterparts are on identical terms) and original executed counterparts are not required to be exchanged. A copy of a written resolution passed in accordance with this clause must be provided to each of the Directors as soon as practicable. However, failure to provide a copy of the written resolution as passed will not validate the passing of the resolution, provided it is fully executed in accordance with this clause.
- (c) This article 12.24 applies to resolutions of Committees as if the references to Directors were references to Committee members.
- (d) Any document referred to in this article may be in the form of a fax or electronic notification. Separate copies of a document (including in electronic form) may be signed by the Directors if the wording of the resolution and statement is identical in each copy.

12.25 Validity of acts of Directors

All acts done at a meeting of the Directors or of a Committee, or by a person acting as a Director are, even if it is afterwards discovered that:

- (a) there was a defect in the appointment or continuance in office of a person as a Director or of the person so acting; or
- (b) a person acting as a Director was disqualified or was not entitled to vote,

as valid as if the relevant person had been duly appointed or had duly continued in office and was qualified and entitled to vote.

13 Secretary

13.1 Appointment of Secretary

The Company may, but need not, have one or more Secretaries who are to be appointed by the Directors.

13.2 Suspension and removal of Secretary

The Directors may suspend or remove a Secretary from that office.

13.3 Powers, duties and authorities of Secretary

A Secretary holds office on the terms and conditions (including as to remuneration) and with the powers, duties and authorities, as determined by the Directors. The exercise of those powers and authorities and the performance of those duties by a Secretary is subject at all times to the control of the Directors.

14 Seals

14.1 Safe custody of common seals

The Directors must provide for the safe custody of any seal of the Company.

14.2 Use of common seal

If the Company has a common seal or duplicate common seal:

- (a) it may be used only by the authority of the Directors, or of a Committee authorised by the Directors to authorise its use; and
- (b) every document to which it is affixed must be signed by a Director and be countersigned by another Director, a Secretary or another person appointed by the Directors to countersign that document or a class of documents in which that document is included.

15 Inspection of records

15.1 Inspection by Members

Subject to the Corporations Act and the Shareholders Deed, the Directors may determine whether, to what extent, at what time and places and under what conditions the accounting records and other documents of the Company or any of them will be open to the inspection of Members (other than Directors, and, if relevant, a holding company of the Company).

15.2 Right of a Member or other person to inspect

A Member or other person (other than a Director, or if relevant, a holding company of the Company) does not have the right to inspect any document of the Company except as provided by law or the Shareholders Deed or as authorised by the Directors.

16 Dividends and reserves

16.1 Payment of dividend

Subject to the Corporations Act, the Shareholders Deed, this Constitution and the terms of issue or rights of any shares with special rights to dividends, the Directors may determine that a dividend is payable, fix the amount and the time for payment and authorise the payment or crediting by the Company to, or at the direction of, each Member entitled to that dividend. The Directors may rescind or alter any such determination before payment is made.

16.2 No interest on dividends

Interest is not payable by the Company on a dividend.

16.3 Reserves and profits carried forward

Subject to the Corporations Act, the Directors may:

- (a) before paying any dividend, set aside such sums as they think proper as a reserve, to be applied, at the discretion of the Directors, for any purpose for which such sums may be properly applied; and
- (b) carry forward so much of the profits that are not included in the sums set aside under article 16.3(a) without transferring those profits to a reserve.

Pending application, any sum set aside as a reserve may, at the discretion of the Directors, be used in the business of the Company or be invested as the Directors think fit.

16.4 Calculation and apportionment of dividends

Subject to the rights of any persons entitled to shares with special rights as to dividend and to the terms of issue of any shares to the contrary, all sums that the Company determines are to be distributed among the Members as dividends are divisible among the Members so that, on each occasion on which a dividend is paid:

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- (a) the same sum is paid on each share on which all amounts payable have been paid; and
 - (b) the sum paid on a share on which all amounts payable have not been paid is the proportion of the sum referred to in article 16.4(a) that the amount paid on the shares bears to the total of the amounts paid and payable on the share.

To determine the amount paid on a share, exclude any amount:

- (c) paid or credited as paid in advance of a call; and
- (d) credited as paid on a share to the extent that it exceeds the value (ascertained at the time of issue of the share) of the consideration received for the issue of the share.

All dividends are to be apportioned and paid proportionately to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but, if any share is issued on terms providing that it will rank for dividend as from a particular date, that share ranks for dividend accordingly.

16.5 Deductions from dividends

The Directors may deduct from any dividend payable to, or at the direction of, a Member any sums presently payable by that Member to the Company on account of calls or otherwise in relation to shares in the Company.

16.6 Distribution of specific assets

When resolving to pay a dividend or to return capital by a reduction of capital or otherwise, the Directors may:

- (a) resolve that the dividend or return of capital be satisfied either wholly or partly by the distribution of specific assets to some or all of the persons entitled to the dividend or return of capital, including shares in, or debentures or other securities of the Company or any other body corporate or trust; and
- (b) direct that the dividend or return of capital payable in respect of any particular shares be satisfied wholly or partly by such a distribution and that the dividend or return of capital payable in respect of other shares be paid in cash.

16.7 Ancillary powers regarding distributions

- (a) In relation to any decision to pay a dividend or to return capital by way of a reduction of capital or otherwise, the Directors may:
 - (i) settle any difficulty that arises in making the distributions as they think expedient and in particular:
 - (A) make any cash payments in cases where Members are entitled to fractions of shares, debentures and other securities;
 - (B) decide that amounts or fractions of less than a particular value decided by the Directors may be disregarded in order to adjust the rights of all parties by withholding assets, cash, shares, debentures or other securities where the Company is required to make a payment in respect of that Member to a government or taxing authority in relation to the distribution or issue; and

- (C) decide to make distributions by disregarding transfers of shares or aggregating parcels of shares where they form the opinion that shareholdings have been split or aggregated to obtain the benefit of rounding on fractions of shares;
 - (ii) fix the value for distribution for any specified assets or any part of those assets;
 - (iii) pay cash or issue shares, debentures or other securities to, or at the direction of, any Member on the basis of the value so fixed in order to adjust the rights of all parties;
 - (iv) vest any of those specific assets, cash, shares, debentures, or other securities in a trustee or nominee on trust for the persons entitled to the distribution or capitalised amount, on any terms that seem expedient to the Directors; and
 - (v) authorise any person to make, on behalf of Members, or a particular Member, entitled to any specific assets, cash, shares, debentures or other securities as a result of the decision, an agreement (including in writing) with the Company or another person which provides as appropriate, for the distribution or issue to them of the assets, cash, shares, debentures or other securities and by applying to them their respective proportions of the amount resolved to be distributed;
- (b) any agreement made under an authority referred to in article 16.7(a)(v) is effective and binds all Members concerned;
 - (c) instead of making a distribution or issue of specific assets, shares, debentures or other securities to a particular Member, the Directors may make a cash payment to that Member or allocate some or all of the assets, shares, debentures or other securities to a trustee to be sold on behalf, and for the benefit or, or in respect of, that Member, if:
 - (i) the distribution or issue would otherwise be illegal or unlawful;
 - (ii) in the Directors' discretion, the distribution or issue would, for any reason, be impracticable; or
 - (iii) the Member so agrees; and
 - (d) if the Company distributes to Members (either generally or to specific Members) shares, debentures, or securities of the Company or another body corporate or trust (whether as a dividend or return of capital or otherwise and whether or not for value), each of those Members appoints the Company and any officer of the Company nominated on their behalf by the Directors, as his or her agent or attorney to do anything needed or desirable to give effect, or assist in giving effect, to that distribution, including agreeing to become a member, holder of shares, holder of debentures or holder of securities of the Company or that other body corporate or trust.

16.8 Payments in respect of shares

A dividend, interest or other money payable in cash in respect of shares may be paid using any payment method chosen by the Company, including:

- (a) by means of a direct credit as determined by the Directors to the latest payment of the account details for the relevant holding as provided in writing by the holder or holders shown on the Register; or
- (b) by cheque sent through the post directed to the address in the Register of the holder or, in the case of joint holders, to the address of the joint holder first named in the Register or to such other address as the holder or joint holder directs in writing;
- (c) by some other method of direct credit determined by the Directors to the holder or holders shown on the Register or to such person or place directed by them.

Payment of money is at the risk of the holder or holders to whom it is sent.

16.9 Effectual receipt from one joint holder

Any one of two or more joint holders may give an effectual receipt for any dividend, interest or other money payable in respect of the shares held by them as joint holders.

17 Capitalisation of profits

17.1 Capitalisation of reserves and profits

Subject to the Shareholders Deed, the Directors:

- (a) may resolve to capitalise any sum, being the whole or a part of the amount for the time being standing to the credit of any reserve account or the profit and loss account or otherwise available for distribution to Members; and
- (b) may, but need not, resolve to apply the sum in any of the ways mentioned in article 17.2, for the benefit of Members in the proportions to which those Members would have been entitled in a distribution of that sum by way of dividend.

17.2 Applying a sum for the benefit of Members

The ways in which a sum may be applied for the benefit of Members under article 17.1 are:

- (a) in paying up any amounts unpaid on shares held by Members;
- (b) in paying up in full unissued shares or debentures to be issued to Members as fully paid; or
- (c) partly as mentioned in paragraph 17.1(a) and partly as mentioned in paragraph (b).

17.3 Implementing the resolution

The Directors may do all things necessary to give effect to a resolution under article 17.1 and in particular, to the extent necessary to adjust the rights of the Members among themselves, may:

- (a) make cash payments in cases where shares or debentures become issuable in fractions;
- (b) authorise any person to make, on behalf or all or any of the Members entitled to any further shares or debentures on the capitalisation, an agreement with the Company providing for:

- (i) the issue to them, credited as fully paid up, of any further shares or debentures; or
- (ii) the payment by the Company on their behalf of the amounts or any part of the amounts remaining unpaid on their existing shares by the application of their respective proportions of the sum resolved to be capitalised,

and any agreement so made is effective and binding on all the Members concerned;

- (c) fix the value of specified assets; or
- (d) vest properly in trustees.

18 Service of documents

18.1 Document includes notice

In this article 18, a reference to a document includes a notice and a notification by electronic means.

18.2 Form of document

Unless expressly stated otherwise in this Constitution, all notices, certificates, statements, demands, appointments, directions and other documents referred to in this Constitution must be in writing.

18.3 Methods of service

The Company may give a document to a Member:

- (a) personally;
- (b) by delivering it or sending it by post to the address for the Member in the Register or an alternative address nominated by the Member;
- (c) by sending it to a fax number or electronic address nominated by the Member; or
- (d) by notifying the Member by an electronic means nominated by the Member that:
 - (i) the document is available; and
 - (ii) how the Member may use the nominated access means to access the document.

18.4 Post

A document sent by post:

- (a) if sent to an address in Australia, may be sent by ordinary post; and
- (b) if sent to an address outside Australia, must be sent by airmail,

and, in either case, is taken to have been given and received on the day after the day of its posting.

18.5 Fax or other electronic address

A document sent or given by fax or other electronic means:

- (a) is taken to be effected by properly addressing and transmitting the fax or other electronic transmission; and
- (b) is taken to have been given and received on the day after the date of its transmission.

18.6 Evidence of service

A certificate in writing signed by a Director or a Secretary stating that a document was sent, delivered or given to a Member personally, by post, fax or other electronic means on a particular date is prima facie evidence that the document was sent, delivered or given on that date and by that means.

18.7 Joint holders

A document may be given by the Company to the joint holders of a share by giving it to the joint holder first named in the Register in respect of the share.

18.8 Persons entitled to shares

A person who by operation of law, transfer or other means whatsoever becomes entitled to any share is absolutely bound by every document given in accordance with this article 18 to the person from whom that person derives title prior to registration of that person's title in the Register.

19 Winding up

19.1 Distribution of assets

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the Members in kind the whole or any part of the property of the Company and may for that purpose set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between the Members or different classes of Members.

19.2 Powers of liquidator to vest property

The liquidator may, with the sanction of a special resolution of the Company, vest the whole or any part of any such property in trustees on such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Member is compelled to accept any shares or other securities in respect of which there is any liability.

19.3 Shares issued on special terms

Articles 19.1 and 19.2 do not prejudice or affect the rights of a Member holding shares issued on special terms and conditions.

20 Indemnity and insurance

20.1 Indemnity

Subject to the Shareholders Deed, the Company must indemnify any current or former Director or Secretary or senior manager of the Company or of a subsidiary of the Company out of the property of the Company against:

- (a) any liability incurred by the person in that capacity (except a liability for legal costs);
- (b) legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the person becomes involved because of that capacity; and

- (c) legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties as an officer of the Company or a subsidiary, if that expenditure has been approved in accordance with the Company's policy,

except to the extent that:

- (d) the Company is forbidden by law to indemnify the person against the liability or legal costs; or
- (e) an indemnity by the Company of the person against the liability or legal costs, if given, would be made void by law.

20.2 Insurance

The Company must pay or agree to pay, whether directly or through an interposed entity, a premium for a contract insuring a person who is or has been a Director or Secretary or senior manager of the Company or of a subsidiary of the Company against liability incurred by the person in that capacity, including a liability for legal costs, unless:

- (a) the Company is forbidden by law to pay or agree to pay the premium; or
- (b) the contract would, if the Company paid the premium, be made void by law.

20.3 Contract

The Company may enter into an agreement with a person referred to in articles 20.1 and 20.2 with respect to the matters covered by those articles. An agreement entered into pursuant to this article may include provisions relating to rights of access to the books of the Company conferred by the Corporations Act or otherwise by law.

21 Proprietary Company

The Company is a proprietary company and accordingly:

- (a) the number of Members:
- (i) counting joint holders of a particular parcel of shares in the Company as one person; and
- (ii) excluding:
- (A) each Member who is an employee of the Company or of a subsidiary of the Company; and
- (B) each Member who became a Member at a time when that member was an employee of the Company or of a subsidiary of the Company,

must not exceed 50; and

- (b) the Company may not engage in anything that would require disclosure to investors under Chapter 6D of the Corporations Act, other than an offer of shares to:
- (i) a Member; or

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- (ii) a person in the employment of the Company or of a subsidiary of the Company.

Notice of Scheme Meeting

Capilano Honey Limited ABN 55 009 686 435 (**Capilano**)

Notice is hereby given that, by an order of the Federal Court of Australia (**the Court**) made on 11 October 2018, pursuant to sub-section 411(1) of the Corporations Act, a meeting of Capilano Shareholders will be held at the Spring Lake Hotel & Function Centre, 1 Springfield Lakes Boulevard, Springfield Lakes, Queensland, Australia on 15 November 2018, commencing at 11:00 am (Brisbane time).

Purpose of the Scheme Meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without amendment or any alterations or conditions required by the Court to which Capilano and Bravo HoldCo Pty Limited (**HoldCo**)) proposed to be made between Capilano and Capilano Shareholders (the **Scheme**).

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet, of which this notice forms part.

Scheme Resolution

At the Scheme Meeting, Capilano Shareholders will be asked to consider and, if thought fit, pass (with or without amendment) the following resolution (the **Scheme Resolution**):

'That, pursuant to and in accordance with the provisions of section 411 of the *Corporations Act 2001* (Cth), the scheme of arrangement proposed between Capilano Honey Limited and the holders of its ordinary shares, as contained in and more particularly described in the Scheme Booklet of which the notice convening this meeting forms part, is agreed to, with or without alterations or conditions as approved by the Federal Court of Australia to which Capilano Honey Limited and Bravo HoldCo Pty Limited agree.'

Chair

The Court has directed that Trevor Morgan is to act as chair of the Scheme Meeting (and that, if Trevor Morgan is unable or unwilling to attend, Phillip McHugh is to act as chair of the Scheme Meeting) and has directed the chair to report the result of the Scheme Resolution to the Court.

Dated 11 October 2018

By order of the Court and the Capilano Directors

sign here ►

Company Secretary

print name Annette Zbasnik

Explanatory notes

1 General

This notice of Scheme Meeting relates to the Scheme and should be read in conjunction with Capilano's scheme booklet dated on or about the date of this Notice of Scheme Meeting (the **Scheme Booklet**) of which this notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the Scheme Resolution.

A copy of the Scheme is set out in Annexure C of the Scheme Booklet.

These explanatory notes form part of, and should be read in conjunction with, the Notice of Scheme Meeting. Capitalised terms used but not defined in this notice have the defined meanings set out in section 14 of the Scheme Booklet, unless the context otherwise requires.

2 Shareholder approval

For the proposed Scheme to be binding in accordance with section 411 of the Corporations Act, the Scheme Resolution must be agreed to by:

- unless the Court orders otherwise, a majority in number of Capilano Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate Capilano Shareholders, body corporate representative) at the Scheme Meeting; and
- at least 75% of the votes cast on the Scheme Resolution (either in person or by proxy, attorney or, in the case of corporate Capilano Shareholders, body corporate representative).

3 Court approval

Under section 411(4)(b) of the Corporations Act, the Scheme (with or without amendment or any alteration or condition required by the Court) is subject to the approval of the Court. If the Scheme Resolution is passed by the Requisite Majorities and the other Conditions Precedent to the Scheme (other than approval by the Court) are satisfied or waived by the time required under the Scheme, Capilano intends to apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

4 Entitlement to vote

It has been determined that the time for determining eligibility to vote at the Scheme Meeting is 7:00pm (Sydney time) or 6:00pm (Brisbane time) on 13 November 2018. Only those Capilano Shareholders entered on the Capilano Share Register at that time will be entitled to attend and vote at the Scheme Meeting, either in person, by proxy or attorney, or in the case of a corporate Capilano Shareholder, by a body corporate representative.

The remaining comments in these explanatory notes are addressed to Capilano Shareholders entitled to attend and vote at the Scheme Meeting.

5 How to vote

Voting will be conducted by poll.

If you are a Capilano Shareholder entitled to vote at the Scheme Meeting, you may vote by:

- attending and voting in person;
- appointing one or two proxies to attend and vote on your behalf, using the Proxy Form that accompanied the Scheme Booklet (which may be lodged online);
- appointing an attorney to attend and vote on your behalf, using a power of attorney; or
- in the case of a body corporate, appointing a body corporate representative to attend the Scheme Meeting and vote on your behalf, using a certificate of appointment of body corporate representative.

6 Attendance

If you or your proxies, attorneys or representative(s) plan to attend the Scheme Meeting, please arrive at the venue at least 30 minutes before the scheduled time for commencement of the Scheme Meeting, so that your shareholding can be checked against the Capilano Share Register, any power of attorney or certificate of appointment of body corporate representative verified, and your attendance noted.

7 Jointly held securities

If you hold Capilano Shares jointly with one or more persons, only one of you may vote. If more than one of you attempts to vote in person at the Scheme Meeting, only the vote of the holder whose name appears first on the Capilano Share Register will be counted.

See also the comments in paragraph 8.2 below regarding the appointment of a proxy by persons who jointly hold Capilano Shares.

8 Voting

8.1 Voting in person

To vote in person, you must attend the Scheme Meeting.

Eligible Capilano Shareholders who wish to attend and vote at the Scheme Meeting in person will be admitted and given a voting card at the point of entry to the Scheme Meeting, once they have disclosed their name and address.

8.2 Voting by proxy

You may appoint one or two proxies. Your proxy need not be another Capilano Shareholder. Each proxy will have the right to vote on the poll and also to speak at the Scheme Meeting.

To appoint a proxy, you should complete and return the Proxy Form that accompanied the Scheme Booklet in accordance with the instructions on that form. You must deliver the signed and completed Proxy Form to the Capilano Share Registry by 11:00am (Brisbane time) on 13 November 2018 (or, if the Scheme Meeting is adjourned or

postponed, no later than 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting) in any of the following ways:

(a) **Online:**

www.linkmarketservices.com.au

(b) **by post in the provided reply paid envelope to the Capilano Share Registry:**

Capilano Honey Limited
C/- Link Market Services Limited
PO Box 1519
SYDNEY SOUTH NSW 1234

(c) **by hand delivery (during normal business hours) to the Capilano Share Registry:**

Link Market Services Limited
1A Homebush Bay Drive
RHODES NSW 2138
or
Level 12, 680 George Street
Sydney NSW 2000

(d) **by fax to the Capilano Share Registry on:**

+61 2 9287 0309 (within and outside of Australia)

Proxy forms received after this time will be invalid.

If a Proxy Form is completed under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed Proxy Form unless the power of attorney or other authority has previously been noted by the Capilano Share Registry.

A vote given in accordance with the terms of a proxy appointment is valid despite the revocation of that appointment, unless notice in writing of the revocation has been received by the Capilano Share Registry before the start of the Scheme Meeting (or, if the Scheme Meeting is adjourned or postponed, before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting) in any of the ways described in paragraphs 8.2(b), 8.2(c) or 8.2(d) above.

If you wish to appoint a second proxy, a second Proxy Form should be used and you should clearly indicate on the second Proxy Form that it is a second proxy and not a revocation of your first proxy. Both Proxy Forms should be returned together in the same envelope. You can obtain a second Proxy Form from the Capilano Share Registry.

If you appoint two proxies, each proxy should be appointed to represent a specified proportion of your voting rights. If you do not specify the proportions in the Proxy Forms, each proxy may exercise half of your votes with any fractions of votes disregarded.

If you hold Capilano Shares jointly with one or more other persons either you or any of the other holders may sign the Proxy Form.

You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'for' or 'against', or abstain from voting on, the Scheme Resolution, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the Scheme Meeting.

If you do not direct your proxy how to vote on an item of business, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

If you return your Proxy Form:

- without identifying a proxy on it, you will be taken to have appointed the chair of the Scheme Meeting as your proxy to vote on your behalf; or
- with a proxy identified on it but your proxy does not attend the Scheme Meeting, or attends the Scheme Meeting but does not vote on the Scheme Resolution, the chair of the Scheme Meeting will act in place of your nominated proxy and vote in accordance with any directions on your Proxy Form.

The chair of the Scheme Meeting intends to vote all valid undirected proxies in favour of the Scheme Resolution, in the absence of a Superior Proposal.

Proxies of eligible Capilano Shareholders will be admitted to the Scheme Meeting and given a voting card on providing at the point of entry to the Scheme Meeting evidence of their name and address.

Your appointment of a proxy does not preclude you from attending in person, revoking the proxy and voting at the Scheme Meeting.

Replacement Proxy Forms can be obtained from the Capilano Share Registry.

8.3 Voting by attorney

You may appoint an attorney to attend and vote at the Scheme Meeting on your behalf. Your attorney need not be another Capilano Shareholder. Each attorney will have the right to vote on the poll and also to speak at the Scheme Meeting.

The power of attorney appointing your attorney to attend and vote at the Scheme Meeting must be duly executed by you and specify your name, the company (that is, Capilano), and the attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, should be lodged at the registration desk on the day of the Scheme Meeting or be received by the Capilano Share Registry by 11.00am (Brisbane time) on 13 November 2018 (or, if the Scheme Meeting is adjourned or postponed, no later than 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting) in any of the following ways:

(a) **by post in the provided reply paid envelope to the Capilano Share Registry:**

Capilano Honey Limited
C/- Link Market Services Limited
PO Box 1519
SYDNEY SOUTH NSW 1234

(b) **by hand delivery (during normal business hours) to the Capilano Share Registry:**

Link Market Services Limited
1A Homebush Bay Drive
RHODES NSW 2138
or
Level 12, 680 George Street
SYDNEY NSW 2000

(c) **by fax to the Capilano Share Registry on:**

+61 2 9287 0309 (within and outside of Australia)

Please note that the power of attorney or a certified copy of the power of attorney cannot be lodged online.

Attorneys of eligible Capilano Shareholders will be admitted to the Scheme Meeting and given a voting card on providing at the point of entry to the Scheme Meeting, written evidence of their appointment, their name and address, and the name of their appointors.

Your appointment of an attorney does not preclude you from attending in person and voting at the Scheme Meeting.

8.4 Voting by corporate representative

If you are a body corporate, you may appoint an individual to act as your body corporate representative. The appointment must comply with the requirements of section 250D of the Corporations Act, meaning that Capilano will require a certificate of appointment of body corporate representative to be executed by you in accordance with the Corporations Act. A form of certificate may be obtained from the Capilano Share Registry by calling 1300 795 998 (within Australia) or +61 1300 795 998 (outside Australia) Monday to Friday between 8:30am to 5:30pm (Brisbane time). The certificate of appointment may set out restrictions on the representative's powers.

The certificate should be lodged at the registration desk on the day of the Scheme Meeting or received by the Capilano Share Registry before 11:00 am (Brisbane time) on 13 November 2018 (or, if the Scheme Meeting is adjourned or postponed, no later than 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting) in any of the following ways:

- (a) **by post in the provided reply paid envelope to the Capilano Share Registry:**
- Capilano Honey Limited
C/- Link Market Services Limited
PO Box 1519
SYDNEY SOUTH NSW 1234
- (b) **by hand delivery (during normal business hours) to the Capilano Share Registry:**
- Link Market Services Limited
1A Homebush Bay Drive
RHODES NSW 2138
or
Level 12, 680 George Street
SYDNEY NSW 2000
- (c) **by fax to the Capilano Share Registry on:**
- +61 2 9287 0309 (within and outside of Australia)

Please note that a certificate of appointment of body corporate representative cannot be lodged online.

If a certificate is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been noted by the Capilano Share Registry.

Body corporate representatives of Eligible Capilano Shareholders will be admitted to the Scheme Meeting and given a voting card on providing at the point of entry to the Scheme Meeting, written evidence of their appointment, their name and the name of their appointors.

9 Advertisement

Where this notice of Scheme Meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to attend the Scheme Meeting from ASX website (<http://www.asx.com.au>) or by contacting the Company Secretary of Capilano or the Capilano Share Registry.

Corporate Directory

Capilano Honey Limited

399 Archerfield Road
Richlands QLD 4077

Financial adviser

KPMG Financial Advisory Services (Australia) Pty Limited
Riparian Plaza, 71 Eagle St
Brisbane QLD 4000 Australia

Legal adviser

Herbert Smith Freehills
Level 34, ANZ Tower
161 Castlereagh Street
Sydney NSW 2000
Australia

Capilano Share Registry

Link Market Services Limited
Level 21, 10 Eagle Street
Brisbane QLD 4000

Stock Exchange Listing

Capilano ordinary shares are quoted by the Australian Securities Exchange (ASX:CZZ)

For personal use only



CAPILANO HONEY LIMITED

LODGE YOUR PROXY

ONLINE
www.linkmarketservices.com.au

BY MAIL
Capilano Honey Limited
C/- Link Market Services Limited
PO Box 1519
Sydney South NSW 1234 Australia
(A green strip Reply Paid envelope with this address has been provided)

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: +61 1300 554 474



X99999999999

To submit this form by mail, please use the green strip Reply Paid envelope provided.

PROXY FORM – SCHEME MEETING

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

APPOINT A PROXY

the Chairman of the Meeting (mark box)

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

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at 11:00am (Brisbane time) on Thursday, 15 November 2018 at Spring Lake Hotel & Function Centre, 1 Springfield Lakes Boulevard, Springfield Lakes, QLD 4003 (the Meeting) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of the Resolution.

VOTING DIRECTIONS

Proxies will only be valid and accepted if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an X

Resolution

1 That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Capilano Honey Limited and the holders of its ordinary shares, as contained in and more particularly described in the Scheme Booklet of which the notice convening this meeting forms part, is agreed to, with or without alterations or conditions as approved by the Federal Court of Australia to which Capilano Honey Limited and Bravo HoldCo Pty Ltd agree.

For Against Abstain*

Three empty boxes for voting: For, Against, Abstain*

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

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Signature box for Shareholder 1

Signature box for Joint Shareholder 2

Signature box for Joint Shareholder 3

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

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

YOUR NAME AND ADDRESS

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

APPOINTMENT OF PROXY

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

DEFAULT TO CHAIRMAN OF THE MEETING

If you leave section 1 blank, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy. If your named proxy attends the Meeting but does not vote on a poll on the Resolution in accordance with your directions, the Chairman of the Meeting will become your proxy in respect of the Resolution.

PROXY VOTING BY THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. If the Chairman of the Meeting is your proxy or becomes your proxy by default, and you do not provide voting directions, then by submitting this Proxy Form you are expressly authorising the Chairman of the Meeting to exercise your proxy as the Chairman of the Meeting sees fit.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two individuals or bodies corporate as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained from the Company's share registry, by calling 1300 795 998 (within Australia) or +61 1300 795 998 (outside Australia), or you may copy this form and return them both together.

To appoint a second proxy you must:

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

SIGNING INSTRUCTIONS

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

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

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

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

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

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry, by calling 1300 795 998 (within Australia) or +61 1300 795 998 (outside Australia), or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (Brisbane time) on Tuesday, 13 November 2018**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged:



ONLINE

www.linkmarketservices.com.au

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



BY MAIL

Capilano Honey Limited
C/- Link Market Services Limited
PO Box 1519
Sydney South NSW 1234
Australia

(A green strip Reply Paid envelope with this address has been provided)



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138
or
Level 12
680 George Street
Sydney NSW 2000

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



Capilano Honey Limited

Bravo HoldCo Pty Ltd (ACN 628 069 474) ("HoldCo")
Bravo BidCo Pty Ltd (ACN 628 070 459) ("BidCo")
Capilano Honey Limited (ABN 55 009 686 435) ("Capilano")



Need help?

Contact Capilano Honey Limited Shareholder Information Line
Phone 1300 795 998 (from within Australia)
Phone +61 1300 795 998 (from outside Australia)

A Your name

SAMPLE NAME 1
SAMPLE NAME 2
<SAMPLE A/C>
SAMPLE ADDRESS 1
SAMPLE ADDRESS 2

Your holding

SRN/HIN: 112345678910

Capilano Honey Limited Shares held as at 11 October 2018 7:00pm (Sydney time) 99,999,999

If your holding has changed between record date and time of Election, then write your current holding here. Your Election will be granted over your updated holding.

This is an important document. If you are in doubt as to how to complete this Form, please consult your financial or other professional adviser immediately.

Terms used but not defined in this document have the meaning given to them in the Scheme Booklet dated 11 October 2018.

To submit this form by mail, please use the green strip Reply Paid envelope provided

Scheme Consideration Election Form

This is a personalised Form for the sole use of the holder and holding recorded above.

B Notice of Election

Please make your Election for Scheme Consideration in respect of all your Scheme Shares, on the terms and conditions contained in the Scheme Booklet dated 11 October 2018.

I elect to receive the Cash Consideration:

I elect to receive the Scrip Consideration:

(you may only apply for more HoldCo Shares in the HoldCo Share Offer if you have elected to receive the Scrip Consideration in respect of all your Scheme Shares.)

I understand that if I do not make the Election above, or make an invalid Election, I will have elected the default Cash Consideration Election.

C Sign and return this form

Shareholder 1 (Individual)

Sole Director & Sole Company Secretary

Shareholder 2 (Individual)

Secretary/Director (delete one)

Shareholder 3 (Individual)

Director

Please refer overleaf for further important instructions

REGISTRY USE ONLY



SRN/HIN



Holding

CZZ SOA001



Further Important Instructions

For your Election to be valid, you must complete and return this Scheme Consideration Election Form in accordance with the instructions below and in the Scheme Booklet.

Please refer to the Scheme Booklet dated 11 October 2018 which accompanies this Election Form. Terms are defined in Section 14 of the Scheme Booklet and have the same meaning in this Election Form.

Completion instructions

- A**
- **Please check the front page** to ensure that your name and address are correct. If incorrect, please write your correct details and initial the amendments. Amendments to your name can only be processed by the Capilano Honey Limited Share Registry.
 - **Please note** your consideration will be issued in the names as they appear on the Capilano Honey Limited Share register.
- D**
- **Please sign this Form** in the places for signature(s) set out on the front page and in accordance with the following instructions:
 - **Joint shareholders:** If your Capilano Honey Limited Shares are held in the names of more than one person, all of those persons must sign this Election Form.
 - **Corporations:** This Election Form must be signed by either two directors or a director and a company secretary. Alternatively, where the company has a sole director and, pursuant to the Corporations Act, there is no company secretary, or where the sole director is also the sole company secretary, that director may sign alone. Alternatively, a duly appointed attorney may sign.
 - **Powers of attorney:** If this Election Form is signed under a power of attorney, please attach a certified copy of the power of attorney to this Election Form when you return it. If this Election Form is signed under Power of Attorney, the attorney declares that he/she has no notice of revocation of the Power of Attorney.
 - **Deceased Estates:** All the executors and administrators must sign this Election Form. When you return this Election Form, please attach it to a certified copy of probate, letters of administration or certificate of grant accompanied (where required by law for the purpose of transfer) by a certificate of payment of death or succession duties and (if necessary) a statement in terms of Section 1071B(9)(b)(iii) of the Corporations Act.

Personal Information Collection Notification Statement: Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

Election of Scrip Consideration: By Electing the Scrip Consideration, you provide authorisation to be registered as the holder of HoldCo Shares and agree to be bound by the Constitution of HoldCo and the Shareholders' Deed.

Lodgement instructions

- Mail or deliver completed Election Form(s) and any other documents required by the above instructions to:

Mail to:
Capilano Honey Limited
C/- Link Market Services Limited
PO Box 1519
SYDNEY SOUTH NSW 1234

or

Deliver in person to:
Capilano Honey Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
RHODES NSW 2138

- A green strip reply paid envelope is enclosed for use within Australia.

Your Election Form must be received by no later than the Election Time, which is 5:00pm (Sydney time) on 5 November 2018.

If you have any questions about the terms of the Scheme and your Election, please call the Capilano Honey Limited Shareholder Information Line on the following numbers:

**within Australia: 1300 795 998
outside Australia: +61 1300 795 998**



CAPILANO HONEY LIMITED

BRAVO HOLDCO PTY LTD (ACN 628 069 474) ("HOLDCO")
BRAVO BIDCO PTY LTD (ACN 628 070 459) ("BIDCO")
CAPILANO HONEY LIMITED (ABN 55 009 686 435)
("CAPILANO")

All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: 1300 554 474
From outside Australia: +61 1300 554 474
ASX Code: CZZ
Website: www.linkmarketservices.com.au

SRN/HIN:

Number of CZZ Shares held as
at 11 October 2018, 7:00pm (Sydney time):

Entitlement to HoldCo Shares
(on a 0.5 HoldCo Share for every 1 CZZ Share held
on the Scheme Record Date):

Amount payable at A\$20.06 per
HoldCo Share:

Offer Closes
5:00pm (Sydney time): 5 November 2018

HOLDCO SHARE SUBSCRIPTION FORM

This is an application form to apply for HoldCo Shares under the Scheme on the terms set out in the Scheme Booklet dated 11 October 2018. You may only apply for HoldCo Shares under the HoldCo Share Offer if you have Elected to receive the Scrip Consideration in respect of all the Scheme Shares held by you on the Scheme Record Date. If you are an eligible Scheme Participant, you are entitled to acquire 0.5 HoldCo Shares for every 1 CZZ Share that you hold on the Scheme Record Date, at the subscription price of A\$20.06 per HoldCo Share. This is an important document and requires your immediate attention. If you do not understand it or you are in doubt as how to deal with it, you should contact your accountant, stockbroker, solicitor or other professional adviser. Terms used but not defined in this Subscription Form have the meaning given to them in the Scheme Booklet dated 11 October 2018.

IMPORTANT: The HoldCo Share Offer is being made under the Scheme Booklet dated 11 October 2018. The Scheme Booklet contains information about investing in HoldCo Shares. Before applying for HoldCo Shares, you should carefully read the Scheme Booklet. This Subscription Form should be read in conjunction with the Scheme Booklet.

If you do not have a paper copy of the Scheme Booklet, you can obtain a paper copy at no charge, by calling the Capilano Honey Limited Shareholder Information Line on 1300 795 998 (within Australia) or +61 1300 795 998 (from outside Australia).

PAYMENT OPTIONS

If you wish to take up all of your entitlement, you have two payment options detailed below.

OPTION 1: PAYING BY BPAY®

If paying by BPAY®, refer to the instructions overleaf. **You do NOT need to return the acceptance slip below if you elect to make payment by BPAY®.** Payment must be received via BPAY® before 5:00pm (Sydney time) on 5 November 2018. You should check the processing cut-off time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry in time. By paying by BPAY® you will be deemed to have completed a Subscription Form for the number of HoldCo Shares subject of your subscription monies.

OPTION 2: PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

If paying by cheque, bank draft or money order, complete and return the acceptance slip below with your subscription monies. No signature is required on the acceptance slip. The Acceptance Slip with your Subscription Monies must be received by the Registry before 5:00pm (Sydney time) on 5 November 2018.



Billers Code: 41111
Ref:

Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. More info: www.bpay.com.au

® Registered to BPAY Pty Ltd ABN 69 079 137 518

See overleaf for details and further instructions on how to complete and lodge this Form.

THIS IS A PERSONALISED SUBSCRIPTION FORM FOR THE SOLE USE OF THE SECURITYHOLDER AND HOLDING RECORDED ABOVE.

Please detach and enclose with payment

SRN/HIN:

Entitlement Number:



A Number of HoldCo Shares accepted
(which must be all of your Entitlement shown above)

B Payment amount
(Multiply the number in section A by A\$20.06)

A\$

C PLEASE INSERT CHEQUE, BANK DRAFT OR MONEY ORDER DETAILS – Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to “Capilano Honey Limited” and crossed “Not Negotiable”.

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

D CONTACT DETAILS – Telephone number

Telephone number – after hours

Contact name

CAPILANO HONEY LIMITED

The HoldCo Share Offer to which this Subscription Form relates is not being made to investors whose address is a place outside of Australia and New Zealand unless HoldCo determines otherwise. In particular the HoldCo Share Offer is not being made to any person in the U.S. or to a U.S. person. The Scheme Booklet and Subscription Form do not constitute an offer or invitation to subscribe for HoldCo Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

ACCEPTANCE OF HOLDCO SHARE OFFER

By either returning the Subscription Form with payment to the Registry, or making payment received by BPAY®:

- you represent and warrant that you have read and understood the Scheme Booklet and that you acknowledge the matters, and make the warranties and representations set out in the Scheme Booklet;
- you provide authorisation to be registered as the holder of HoldCo Shares acquired by you and agree to be bound by the Constitution of HoldCo and the Shareholders' Deed.

HOW TO APPLY FOR HOLDCO SHARES

1. IF PAYING BY BPAY® (AVAILABLE TO CZZ SHAREHOLDERS WITH AN AUSTRALIAN BANK ACCOUNT ONLY)

If you elect to make payment using BPAY® you must contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. For more information on paying by BPAY®: www.bpay.com.au

Work out the total amount payable by you. To calculate the total amount, multiply the number of HoldCo Shares you wish to apply for (being the number equal to your Entitlement) by A\$20.06.

Refer overleaf for the Biller Code and Reference Number. The Reference Number is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the Reference Number shown on each personalised Subscription Form when paying for any HoldCo Shares that you wish to apply for in respect of that holding.

3. HOW TO LODGE YOUR SUBSCRIPTION FORM

A reply paid envelope is enclosed for your use. No postage stamp is required if it is posted in Australia. Alternatively, if you have lost the reply paid envelope, or you have obtained the Scheme Booklet electronically, your completed Subscription Form with the payment for HoldCo Shares may be mailed to the postal address, or delivered by hand to the delivery address, set out below. **If paying by BPAY® you do not need to complete or return the Subscription Form.** You should check the processing cut-off time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry by the close of the offer.

Mailing Address

Capilano Honey Limited
C/-Link Market Services Limited
GPO Box 3560
Sydney NSW 2001

Hand Delivery

Capilano Honey Limited
C/-Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138 **(Please do not use this address for mailing purposes)**

Make sure you send your Acceptance Slip and payment allowing enough time for mail delivery, so Link Market Services Limited receives them no later than 5:00pm (Sydney time) on 5 November 2018. Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. Capilano Honey Limited reserves the right not to process any Acceptance Slips and cheques received after the Closing Date.

If you require further information on how to complete this Subscription Form, please contact the Capilano Honey Limited Shareholder Information Line on 1300 795 998 (within Australia) or +61 1300 795 998 (from outside Australia) between 8:30am and 5:30pm (Brisbane time) Monday to Friday.

2. IF PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

Complete all relevant sections of the Subscription Form USING BLOCK LETTERS. These instructions are cross referenced to each section of the Subscription Form.

A. Acceptance of HoldCo Shares

Enter into section A the number of HoldCo Shares you wish to apply for. The number of HoldCo Shares must be equal to your full Entitlement, which is set out overleaf.

B. Payment Amount

Enter into section B the total amount payable by you. To calculate the total amount multiply the number in Section A by A\$20.06.

C. Cheque, bank draft or money order details

Enter your cheque, bank draft or money order details in section C. Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "Capilano Honey Limited" and crossed "Not Negotiable". Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. If you provide a cheque or money order for the incorrect amount, Capilano Honey Limited, in its absolute discretion, may treat you as applying for as many HoldCo Shares as your cheque, bank draft or money order will pay for.

D. Contact details

Enter your contact telephone number where we may contact you regarding your acceptance of HoldCo Shares, if necessary.