



17 December 2019

Scheme Booklet Registered with ASIC

Webster Limited (Webster) today announced that the Australian Securities and Investments Commission (ASIC) has registered the Scheme booklet in relation to the proposed acquisition of Webster by a wholly-owned subsidiary of the Public Sector Pension Investment Board (PSP Investments).

Scheme Booklet

A copy of the Scheme booklet, which includes an Independent Expert's Report and Notice of Scheme Meetings, is attached to this announcement and will be sent to Webster shareholders on or about 20 December 2019.

The Scheme booklet provides Webster shareholders with information about the Schemes. Webster shareholders are advised to read the Scheme booklet in its entirety. The Notice of Scheme Meetings also provides information on how to lodge proxy forms.

Independent Expert's Report

The Independent Expert, KPMG Financial Advisory Services (Australia) Pty Ltd, has concluded that the Ordinary Scheme and Preference Scheme are fair and reasonable and therefore in the best interests of Webster ordinary and preference shareholders in the absence of a superior proposal.

Independent Board Committee Recommendation

The Webster Independent Board Committee (IBC) believes that the Ordinary Scheme and Preference Scheme are in the best interests of Webster shareholders and recommends that Webster ordinary and preference shareholders vote in favour of the Schemes in the absence of a superior proposal, and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Webster shareholders.

Subject to those same qualifications, each IBC Director intends to vote, or cause to be voted, all ordinary shares in which he has a relevant interest in favour of the Ordinary Scheme at the Ordinary Scheme Meeting.

Further information

Webster shareholders can obtain further information in relation to the Schemes by calling the Webster Shareholder Information Line on 1300 217 429 (within Australia) or +61 2 8022 7919 (outside Australia), Monday to Friday between 8.30am to 5.30pm (Sydney time).

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WEBSTER

Webster Limited (ACN 009 476 000)

Scheme Booklet

For the schemes of arrangement in relation to the proposed acquisition of Webster Limited by Henslow Acquisitionco Pty Ltd, a subsidiary of the Public Sector Pension Investment Board of Canada

Vote in favour

The Independent Board Committee unanimously recommends that you **VOTE IN FAVOUR** of each of the Schemes in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that each Scheme is in the best interests of the relevant Webster Shareholders.

The Ordinary Scheme Meeting is scheduled to be held at 2:00pm (Sydney time) on 3 February 2020, at The Press Room, Radisson Blu Sydney, 27 O'Connell Street Sydney NSW 2000

The Preference Scheme Meeting is scheduled to be held immediately following the General Meeting, but no earlier than 3:00pm (Sydney time) on 3 February 2020, at The Press Room, Radisson Blu Sydney, 27 O'Connell Street Sydney NSW 2000

This is an important document and requires your urgent attention.

You should read this document in its entirety, and consider its contents carefully, before deciding whether or not to vote in favour of the Scheme Resolutions required to implement the Schemes.

If you are in any doubt about what you should do, you should consult with a financial, legal, taxation or other professional advisor immediately.

If you have any questions about this Scheme Booklet or the Schemes, please contact the Webster Shareholder Information Line on 1300 217 429 (within Australia) or +61 2 8022 7919 (outside Australia), Monday to Friday between 8.30am to 5.30pm (Sydney time).

If you have sold all of your Ordinary Shares and Preference Shares, please disregard this Scheme Booklet.



CLAYTON UTZ



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Important notices

General

This Scheme Booklet is important. You should read it carefully and in its entirety before deciding how to vote on the resolutions to be considered at the Scheme Meetings. If you are in doubt as to what you should do, you should consult your legal, financial, taxation or other professional advisor.

Date of this Booklet

This Scheme Booklet is dated 17 December 2019.

Purpose of this Scheme Booklet

This Scheme Booklet provides Webster Shareholders with information about the proposed acquisition of Webster by PSP, by way of a scheme of arrangement between Webster and the Ordinary Scheme Participants and a scheme of arrangement between Webster and the Preference Scheme Participants each under Part 5.1 of the Corporations Act. Copies of the proposed Schemes are set out at Annexures C and F.

This Scheme Booklet also sets out the manner in which the Schemes will be considered and implemented (if all of the Conditions are satisfied or, if permitted, waived) and provides such information as is prescribed by law or is otherwise material to the decision of Webster Shareholders whether or not to vote in favour of the Schemes.

This Scheme Booklet also sets out information relating to resolutions to be considered at a general meeting of Webster to be held immediately after the Scheme Meetings if the Ordinary Scheme Resolution is passed at the Ordinary Scheme Meeting.

This Scheme Booklet is not a disclosure document required by Chapter 6D of the Corporations Act.

If you have sold all of your Webster Shares, please disregard this Scheme Booklet.

Defined terms

Capitalised terms in this Scheme Booklet are defined either in the Glossary in Section 12 of this Scheme Booklet or where the relevant term is first used.

No investment advice

The information contained in this Scheme Booklet does not constitute financial product advice and has been prepared without reference to the investment objectives, financial situation, taxation position or particular needs of any individual Ordinary Shareholder, Preference Shareholder or any other person. Before making any investment decision in relation to the Schemes, you should consider whether that decision is appropriate in light of your particular investment needs, objectives and financial circumstances.

This Scheme Booklet should not be relied upon as the sole basis for any investment decision. Independent financial, legal or taxation advice should be sought before making any investment decision in relation to your Ordinary Shares or Preference Shares.

Regulatory information and role of ASIC and ASX

This document is the explanatory statement for the scheme of arrangement between Webster and the Ordinary Scheme Participants and the scheme of arrangement between Webster and the Preference Scheme Participants for the purposes of section 412(1) of the Corporations Act. A copy of each proposed Scheme is included in this Scheme Booklet at Annexure C and F. A copy of this Scheme Booklet (including the Independent Expert Report) was provided to ASIC for examination in accordance with section 411(2)(b) of the Corporations Act and was lodged with ASIC for registration under section 412(6) of the Corporations Act. It was then registered by ASIC under section 412(6) of the Corporations Act before being sent to Webster Shareholders.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that it has no objection to the Schemes. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet will be lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Scheme Booklet.

Not an offer

This Scheme Booklet does not constitute or contain an offer to Webster Shareholders, or a solicitation of an offer from Webster Shareholders, in any jurisdiction.

Notice of Scheme Meetings

The Notice of Ordinary Scheme Meeting is set out in Annexure B and the Notice of Preference Scheme Meeting is set out in Annexure E.

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

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

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

The order of the Court that the Ordinary Scheme Meeting and the Preference Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, either of the Schemes.

Forward looking statements

This Scheme Booklet contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

All forward-looking statements in this Scheme Booklet reflect views only as at the date of this Scheme Booklet, and 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 Webster's or PSP's objectives, plans, goals or expectations are or may be forward-looking statements.

Any statements contained in this Scheme Booklet about the impact that the Schemes may have on the results of Webster's operations, and the advantages and disadvantages anticipated to result from the Schemes, are also forward-looking statements.

All forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, expressed, projected or implied by those forward-looking statements.

The operations and financial performance of Webster are subject to various risks, including those summarised in this Scheme Booklet, which may be beyond the control of Webster and/or PSP. Those risks and uncertainties include factors and risks specific to the industry in which Webster operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. As a result, the actual results, operations and earnings of Webster (whether or not the Schemes are implemented), as well as the actual advantages or disadvantages of the Schemes, may differ significantly from those that are anticipated in respect of timing, amount or nature and may never be achieved. Webster Shareholders should note that the historical financial performance of Webster is no assurance of future financial performance of Webster (whether the Schemes are implemented or not).

The forward-looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet.

Although Webster believes that the views reflected in any forward-looking statements included in Webster Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct. Although PSP believes that the views reflected in any forward-looking statements included in the PSP Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

None of Webster Group, the PSP Group, Webster Group's officers, the PSP Group's officers, any persons named in this Scheme Booklet with their consent or any person involved in the preparation of this Scheme Booklet makes any representation or warranty (express or implied) as to the likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statement.

All subsequent written and oral forward-looking statements attributable to any member of the Webster Group or any member of the PSP Group or any person acting on their behalf are qualified by this cautionary statement.

Subject to any continuing obligations under relevant laws or the listing rules of a relevant exchange, the Webster Group and the PSP Group do not give any undertaking to update or revise any such statements after the date of this Scheme Booklet, to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet. Any discrepancies between the totals and the sum of all the individual components in the tables contained in this Scheme Booklet are due to rounding.

Responsibility statements

Webster has been solely responsible for preparing Webster Information. Webster Information concerning Webster and the intentions, views and opinions of Webster and the Directors contained in this Scheme Booklet has been prepared by Webster and the Directors and is the responsibility of Webster. The PSP Group members and their respective directors, officers or advisers do not assume any responsibility for the accuracy or completeness of any Webster Information or the Independent Expert Report (or any information contained therein).

PSP has been solely responsible for preparing the PSP Information. The PSP Information concerning the PSP Group and the intentions, views and opinions of any PSP Group member and the board of directors of PSP contained in this Scheme Booklet have been prepared by PSP and the board of directors of PSP and is the responsibility of PSP. Webster Group members and their respective directors, officers and advisers do not assume any responsibility for the accuracy or completeness of any PSP Information or the Independent Expert Report (or any information contained therein).

The Independent Expert has prepared the Independent Expert Report in relation to the Schemes and takes responsibility for that report. The Independent Expert Report is set out in Annexure A. The Independent Expert does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than the Independent Expert Report.

Computershare has had no involvement in the preparation of any part of this Scheme Booklet other than being named as the Webster Registry. Computershare has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Scheme Booklet.

Privacy

Webster and its agents and representatives may collect personal information in the process of implementing the Schemes. Such information may include the name, contact details and shareholdings of Webster Shareholders and the name of persons appointed by those persons to act as a proxy, attorney or corporate representative at the Scheme Meetings. The primary purpose of the collection of personal information is to assist Webster to conduct the Scheme Meetings and to implement the Schemes. Personal information of the type described above may be disclosed to the Webster Registry, print and mail service providers, authorised securities brokers, PSP, Webster and their respective Related Bodies Corporate, advisors and service providers. Webster Shareholders have certain rights to access personal information that has been collected. Webster Shareholders should contact the Webster Registry in the first instance, if they wish to access their personal information. Webster Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

Times and dates

Unless otherwise stated, all times referred to in this Scheme Booklet are times in Sydney, Australia. All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to the Court approval process and the satisfaction or, where capable, waiver of the Conditions. The Conditions are summarised in Section 10.10 and set out in full in clause 3 of the Scheme Implementation Agreement.

Currency and exchange

Unless otherwise stated, all dollar amounts in this Scheme Booklet are in Australian currency and all share prices and trading volumes refer to Ordinary Shares and Preference Shares trading on the ASX.

Key dates

First Court Date	12 December 2019
Date of this Scheme Booklet	17 December 2019
Latest date and time for lodgement of Ordinary Scheme Meeting and General Meeting Proxy Forms Last date and time for receipt of Proxy Forms (including proxies lodged online) for Ordinary Scheme Meeting and General Meeting	2:00pm, 1 February 2020
Latest date and time for lodgement of Preference Scheme Meeting Proxy Forms Last date and time for receipt of Proxy Forms (including proxies lodged online) for Preference Scheme Meeting	3:00pm, 1 February 2020
Scheme Meetings and General Meeting record date Time and date for determining eligibility to vote at the Scheme Meetings and the General Meeting	7:00pm, 1 February 2020
Ordinary Scheme Meeting To be held at The Press Room, Radisson Blu Sydney, 27 O'Connell Street Sydney NSW 2000	2:00pm, 3 February 2020
General Meeting To be held at The Press Room, Radisson Blu Sydney, 27 O'Connell Street Sydney NSW 2000	Immediately following the Ordinary Scheme Meeting, but no earlier than 2:00pm, 3 February 2020
Preference Scheme Meeting To be held at The Press Room, Radisson Blu Sydney, 27 O'Connell Street Sydney NSW 2000	Immediately following the General Meeting, but no earlier than 3:00pm, 3 February 2020
IF THE ORDINARY SCHEME IS APPROVED BY ORDINARY SHAREHOLDERS AT THE ORDINARY SCHEME MEETING	
Second Court Date For approval of the Ordinary Scheme and, if approved by Preference Shareholders at the Preference Scheme Meeting, the Preference Scheme	5 February 2020
Effective Date	6 February 2020
Record Date	10 February 2020
Implementation Date	17 February 2020

All dates following the date of the Scheme Meetings are indicative only and, among other things, are subject to the Court approval process and satisfaction or, where applicable, waiver of the Conditions. Webster reserves the right to vary the times and dates set out above. Any changes to the above timetable (which may include an earlier or later date for the Second Court Hearing) will be announced through the ASX and notified on Webster's website at www.websterltd.com.au

All references to time in this Scheme Booklet are references to Sydney, Australia time, unless otherwise stated. Any obligation to do an act by a specified time in an Australian time zone must be done at the corresponding time in any other jurisdiction.

Webster Shareholders who have elected to receive communications electronically will receive an email which contains instructions about how to download a copy of the Scheme Booklet, and to lodge their proxy vote online. The Scheme Booklet will also be available for viewing and downloading on Webster's website at www.websterltd.com.au

Letter from the Webster Independent Board Committee

17 December 2019

Dear Webster Shareholder,

As members of the Webster Independent Board Committee, we are pleased to provide you with this Scheme Booklet, which contains information relating to the proposed acquisition of Webster by Henslow Acquisitionco Pty Ltd (**PSP**), an indirect wholly-owned subsidiary of the Public Sector Pension Investment Board (**PSP Investments**), one of Canada's largest pension funds.

The Schemes

On 3 October 2019, Webster announced that it had entered into the Scheme Implementation Agreement with PSP and Sooke Investments Inc., a wholly-owned subsidiary of PSP Investments (**PSP Guarantor**) under which it is proposed that PSP will acquire by way of separate schemes of arrangement with Webster:

- all Ordinary Shares for \$2.00 per Ordinary Share; and
- all Preference Shares for \$2.00 per Preference Share,

If the Ordinary Scheme is approved and implemented, Ordinary Scheme Participants will receive cash of \$2.00 for each Ordinary Share held by them on the Record Date. If the Preference Scheme is also approved and implemented, Preference Scheme Participants will receive cash of \$2.00 per Preference Share held by them on the Record Date.

Implementation of each Scheme is subject to several Conditions, including shareholder, Court and regulatory approvals, together with other customary conditions. The Preference Scheme is also conditional on Court approval of the Ordinary Scheme but the Ordinary Scheme is not conditional on any approvals in relation to the Preference Scheme. Full details of the Schemes are set out in Annexures C and F to this Scheme Booklet.

IBC recommendation

The Webster Independent Board Committee comprising Maurice Felizzi, Managing Director and Chief Executive Officer and David Cushing, independent Director (**Independent Board Committee** or **IBC**) believes that the Ordinary Scheme is in the best interests of Ordinary Shareholders and recommends that Ordinary Shareholders vote in favour of the Ordinary Scheme in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Ordinary Scheme is in the best interests of Ordinary Shareholders.

The IBC also believes that the Preference Scheme is in the best interests of Preference Shareholders and recommends that Preference Shareholders vote in favour of the Preference Scheme in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Preference Scheme is in the best interests of Preference Shareholders.

The Ordinary Scheme Consideration represents a:

- 57.5% premium over the closing Webster share price on 2 October 2019, the last trading day before announcement of the Transaction on 3 October 2019 (**Announcement Date**), of \$1.27;
- 59.7% premium to the 30 day volume weighted average price (**VWAP**) of Ordinary Shares up to and including the last trading day before the Announcement Date of \$1.25;
- 60% premium to the net assets per Ordinary Share as at 30 September 2019 of \$1.25 (being the balance date for the most recent audited consolidated financial statements for Webster).

The Preference Scheme Consideration represents a:

- 100% premium to the face value of the Preference Shares of \$1.00;
- 47% premium to the last traded price of the Preference Shares prior to the Announcement Date of \$1.36; and
- premium of 40 cents per Preference Share above the highest price at which Preference Shares have traded on the ASX over the 10 years prior to the Announcement Date, being \$1.60.

The IBC, having regard to multiple factors, including the dynamics of the industry within which Webster operates and the cash premium available to Webster Shareholders, has formed the view that each of the Schemes is in the best interests of Ordinary Shareholders and Preference Shareholders (as applicable) for, among other things, the following reasons:

- the Independent Expert has concluded that the Ordinary Scheme is fair and reasonable and therefore in the best interests of Ordinary Shareholders in the absence of a Superior Proposal;
- the Independent Expert has concluded that the Preference Scheme is fair and reasonable and therefore in the best interests of Preference Shareholders in the absence of a superior proposal;
- all cash consideration delivers certainty and immediate value for your Ordinary Shares and Preference Shares and eliminates the substantial agricultural risk and other risks to which investors are currently exposed;
- the Ordinary Scheme Consideration and the Preference Scheme Consideration represents an attractive premium to the trading price of Ordinary Shares and Preference Shares (respectively) prior to the Announcement Date; and
- since the Announcement Date, no Superior Proposal has emerged.

Full details of the key reasons for the IBC recommendation of the Schemes and reasons to vote for or against the Scheme Resolutions are set out in Sections 1 and 2.

Each IBC Director (viz Messrs, Felizzi and Cushing) intends to vote, or cause to be voted, all Ordinary Shares in which he has a Relevant Interest in favour of the Ordinary Scheme at the Ordinary Scheme Meeting, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Ordinary Scheme is in the best interests of Ordinary Shareholders. See Section 10.1 for details of the interests of the IBC Directors in Ordinary Shares.

In relation to the recommendation of Maurice Felizzi, Ordinary Shareholders should have regard to the fact that, if the Ordinary Scheme is implemented, Mr Felizzi will become entitled to early vesting of 700,000 unvested ELTIP Shares resulting in a net profit of \$494,500. Under Mr Felizzi's employment contract, Mr Felizzi will also be entitled to a payment of \$1,199,510 on the Implementation Date, if approved by Ordinary Shareholders pursuant to the Felizzi Resolution. See Section 10.7 and 11.2 for details. Ordinary Shareholders should have regard to these arrangements when considering Mr Felizzi's recommendation on the Ordinary Scheme, which appears throughout this Scheme Booklet. Mr Felizzi considers that, despite these arrangements, it is appropriate for him to make a recommendation on the Ordinary Scheme. David Cushing, the other member of the IBC, also considers that it is appropriate for Mr Felizzi to make a recommendation on the Ordinary Scheme given his role in the operation and management of Webster, his deep industry knowledge and that Mr Felizzi's employment contract entitling him to this payment was agreed in 2017, before the PSP offer was received.

Kooba Sale Arrangements

Should the Ordinary Scheme be implemented and, unless PSP waives this condition, PSP acquire all of the Preference Shares, Webster will transfer certain assets to a separate, yet to be formed, PSP Group entity (**KoobaCo**) for a value of \$276.7 million plus the net working capital acquired with the business¹. These assets would comprise the Kooba property aggregation and business, the Hay properties and business, the southern grazing stock and business, the apiary properties and business and certain water entitlements related to the Kooba and Hay properties.

Subject to certain conditions, Belfort Investment Advisors Limited (**Belfort**) and Verolot Limited (**Verolot**) have been offered an opportunity by PSP to acquire a 50.1% ownership interest in KoobaCo after implementation of the Ordinary Scheme. Belfort is the holder of 12.64% of Ordinary Shares and is controlled by Chris Corrigan, the current Chairman of Webster. Verolot is the holder of 8.89% of Ordinary Shares and is controlled by David Fitzsimons, a non-executive director of Webster. Mr Corrigan and Mr Fitzsimons are not members of the IBC and have not participated in discussions with the IBC or considered the merits of the Transaction for Webster Shareholders.

Belfort and Verolot each remain free to vote on the Ordinary Scheme but will only be entitled to acquire the ownership interest in KoobaCo if the Ordinary Scheme is approved by the Requisite Majorities of Ordinary Shareholders excluding any votes cast in favour by Belfort and Verolot. Mr Corrigan, on behalf of Belfort, and Mr Fitzsimons, on behalf of Verolot, have each informed the IBC that Belfort and Verolot have each undertaken to ASIC not to vote in favour of the Ordinary Scheme and intend to abstain from voting on the Ordinary Scheme Resolution however each reserves the right to vote against the Ordinary Scheme Resolution. See Section 1.1 for details of their voting intentions. The Ordinary Scheme is not conditional upon Belfort and Verolot acquiring any interest in KoobaCo. Further information in relation to the Kooba Sale arrangements is set out in Section 7.

Independent Expert

The IBC appointed KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (**Independent Expert**) as the independent expert to assess the merits of each Scheme and to provide an opinion as to whether the Ordinary Scheme is in the best interests of Ordinary Shareholders and whether the Preference Scheme is in the best interests of Preference Shareholders. The Independent Expert was also engaged to consider whether the Kooba Subscription described above provide any 'net benefit' to Belfort and Verolot.

¹ Subject to adjustments for changes in certain assets and liabilities at cost.

The Independent Expert has concluded that the Ordinary Scheme is in the best interests of Ordinary Shareholders in the absence of a superior proposal. The Independent Expert has assessed the value of Ordinary Shares to be in the range of \$1.59 to \$1.93.

The Independent Expert has also concluded that the Preference Scheme is in the best interests of Preference Shareholders in the absence of a superior proposal. The Independent Expert has assessed the value of Preference Shares to be in the range of \$1.50 to \$1.80.

The Independent Expert has also determined that the Kooba Subscription do not confer a 'net benefit' on Belfort and Verolot.

A copy of the Independent Expert Report is included in Annexure A. The IBC Directors encourage you to read the Independent Expert Report in its entirety before making a decision as to whether or not to vote in favour of the Ordinary Scheme Resolution or the Preference Scheme Resolution.

Other related resolutions

Ordinary Shareholders will be asked to consider two resolutions related to aspects of the Transaction. Ordinary Shareholder approval will be sought for the payment of benefits to Mr Felizzi and John Tyndall, Chief Financial Officer of Webster, as a result of implementation of the Ordinary Scheme. These resolutions will be considered at a general meeting of Webster to be held immediately after the Ordinary Scheme Meeting provided the Ordinary Scheme Resolution is passed. Information relating to these resolutions is set out in Section 11.

How to Vote

For a Scheme to be implemented, a majority in number (more than 50%) of the relevant Webster Shareholders present and voting at that Scheme Meeting (either in person or by proxy, corporate representative or attorney) (unless the Court orders otherwise), and at least 75% of the total number of votes cast on the Scheme Resolution, must vote in favour of that Scheme. Members of the PSP Group are Excluded Ordinary Shareholders and may not attend or vote at the Ordinary Scheme Meeting.

The Ordinary Scheme Meeting will be held on 3 February 2020 commencing at 2:00pm (Sydney time). The General Meeting will be held on 3 February 2020 immediately following the Ordinary Scheme Meeting but not before 2:00pm. The Preference Scheme Meeting will be held on 3 February 2020 immediately following the General Meeting but not before 3:00pm (Sydney time). All meetings will be held at The Press Room, Radisson Blu Sydney, 27 O'Connell Street Sydney NSW 2000

Your vote is important, and we strongly encourage you to vote on this significant proposed transaction. You may vote on the Scheme Resolution relevant to you by attending that Scheme Meeting in person, or by appointing a proxy, corporate representative or attorney to attend the Scheme Meeting on your behalf. If you do not wish to, or are unable to attend the Scheme Meeting in person, you may vote on the Scheme Resolution by completing the personalised Proxy Form accompanying this Scheme Booklet or by lodging your proxy online using the log in information provided. Your proxy instruction must be received by the Webster Registry by no later than 2:00pm (Sydney time) on 1 February 2020 for the Ordinary Scheme Meeting and General Meeting and by no later than 3:00pm (Sydney time) on 1 February 2020 for the Preference Scheme Meeting.

If you wish for the Schemes to proceed, it is important that you vote in favour of the Schemes.

Additional Information

This Scheme Booklet sets out important information regarding the Schemes, including the reasons for the IBC Directors' recommendation, key questions and answers that you might find useful in Section 3 and the Independent Expert Report. It also sets out some of the reasons why you may wish to vote against the Schemes. Ordinary Shareholders should consider in particular Section 1 while Preference Shareholders should consider in particular Section 2.

Please read this document carefully and in its entirety as it will assist you in making an informed decision on how to vote. The IBC Directors also encourage you to seek independent financial, legal and taxation advice before making any investment decision in relation to your Webster Shares.

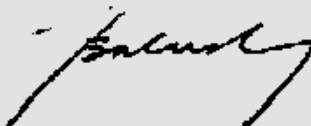
If you require further information, you can call the Webster Shareholder Information Line on 1300 217 429 (within Australia) or +61 2 8022 7919 (outside Australia).

We would like to take this opportunity to thank you for your continued support of Webster and we look forward to your participation at the Scheme Meetings.

Yours sincerely,



MAURICE FELIZZI
IBC Director Webster Limited



DAVID CUSHING
IBC Director Webster Limited

Key considerations relevant to your vote – Ordinary Scheme

1

Key considerations relevant to your vote

– Ordinary Scheme

1.1. Recommendation

The Ordinary Scheme has a number of advantages and disadvantages which may affect Ordinary Shareholders in different ways depending on their individual circumstances. Ordinary Shareholders should seek professional advice on their particular circumstances, as appropriate.

IBC recommendation

The IBC unanimously recommends that Ordinary Shareholders vote in favour of the Ordinary Scheme Resolution at the Ordinary Scheme Meeting in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Ordinary Scheme is in the best interests of Ordinary Shareholders.

In relation to the recommendation of Maurice Felizzi, Ordinary Shareholders should have regard to the fact that, if the Ordinary Scheme is implemented, Mr Felizzi will become entitled to early vesting of 700,000 unvested ELTIP Shares resulting in a net profit of \$494,500. Under Mr Felizzi's employment contract, Mr Felizzi will also be entitled to a payment of \$1,199,510 on the Implementation Date, if approved by Ordinary Shareholders pursuant to the Felizzi Resolution equal to two full years of remuneration. See Sections 11.1 for details. Ordinary Shareholders should have regard to these arrangements when considering Mr Felizzi's recommendation on the Ordinary Scheme, which appears throughout this Scheme Booklet. Mr Felizzi considers that, despite these arrangements, it is appropriate for him to make a recommendation on the Ordinary Scheme. David Cushing, the other member of the IBC also considers that it is appropriate for Mr Felizzi to make a recommendation on the Ordinary Scheme given his role in the operation and management of Webster, his deep industry knowledge, and that Mr Felizzi's employment contract entitling him to this payment was agreed in 2017, before the PSP offer was received.

Section 1.2 provides a summary of some of the reasons why the IBC Directors unanimously recommend Ordinary Shareholders to vote in favour of the Ordinary Scheme. This Section should be read in conjunction with Section 1.3, which sets out some of the reasons why

Ordinary Shareholders may wish to vote against the Ordinary Scheme.

You should read this Scheme Booklet in full, including the Independent Expert Report, before deciding how to vote at the Ordinary Scheme Meeting.

While the IBC Directors acknowledge the reasons to vote against the Ordinary Scheme, they believe the advantages of the Ordinary Scheme significantly outweigh the disadvantages.

No recommendation from Messrs Corrigan, Fitzsimons and Burling

The other Directors, Chris Corrigan, David Fitzsimons and Ross Burling do not make a recommendation in respect of the Ordinary Scheme.

Mr Burling was nominated to the Board by PSP Investments and is Chief Executive Officer and Director of Stahmann Farms Enterprises Pty Ltd, a non-wholly owned Subsidiary of PSP Investments which is expected to participate in the Tree Nut Assets Reorganisation referred to in section 6.4(b). In these circumstances, Mr Burling does not consider it appropriate for him to make a recommendation in relation to the Ordinary Scheme.

Mr Corrigan controls Belfort Investment Advisors Limited (**Belfort**) and Mr Fitzsimons controls Verolot Limited (**Verolot**). Subject to certain conditions including the implementation of the Ordinary Scheme, each of Belfort and Verolot have a right, but not an obligation, to subscribe for shares representing 50.1% of the issued capital of a yet to be formed PSP Group entity (**KoobaCo**). KoobaCo will be established to acquire certain assets of Webster (comprising the Kooba property aggregation and business, the Hay properties and business, the southern grazing stock and business, the apiary properties and business and certain water entitlements related to the Kooba and Hay properties) (**Kooba Assets**) following implementation of the Ordinary Scheme and, unless PSP waives this condition, the acquisition of all of the Preference Shares. Given that this right is conditional on implementation of the Ordinary Scheme, Messrs Corrigan and Fitzsimons do not consider it appropriate to make a recommendation in respect of the Ordinary Scheme.

Voting intentions

Each of Messrs, Felizzi and Cushing intends to vote, or cause to be voted all Ordinary Shares in which he has a Relevant Interest in favour of the Ordinary Scheme at the Ordinary Scheme Meeting, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Ordinary Scheme is in the best interests of Ordinary Shareholders.

Mr Burling does not have a Relevant Interest in Ordinary Shares. The Relevant Interests of Messrs Corrigan and Fitzsimons as at the date of this Scheme Booklet are set out in Section 10.1.

Mr Corrigan, on behalf of Belfort, and Mr Fitzsimons, on behalf of Verolot, have each informed the IBC of their respective positions regarding voting at the Ordinary Scheme Meeting:

Mr Corrigan does not consider it appropriate that Belfort votes in favour of the Ordinary Scheme Resolution having regard to the fact that Belfort may acquire an interest in the Kooba Assets should the Ordinary Scheme be implemented. Belfort has undertaken to ASIC not to vote in favour of the Ordinary Scheme. The intention of Belfort is to abstain from voting on the Ordinary Scheme Resolution, however it reserves the right to vote against the Ordinary Scheme Resolution. For the avoidance of doubt, this statement should not be construed in any way as an indication that Mr Corrigan does not support the Ordinary Scheme.

Mr Fitzsimons does not consider it appropriate that Verolot votes in favour of the Ordinary Scheme Resolution having regard to the fact that Verolot may acquire an interest in the Kooba Assets should the Ordinary Scheme be implemented. Verolot has undertaken to ASIC not to vote in favour of the Ordinary Scheme. The intention of Verolot is to abstain from voting on the Ordinary Scheme Resolution, however it reserves the right to vote against the Ordinary Scheme Resolution. For the avoidance of doubt, this statement should not be construed in any way as an indication that Mr Fitzsimons does not support the Ordinary Scheme.

Key considerations relevant to your vote

– Ordinary Scheme *continued*

1.2. Why Ordinary Shareholders should vote in favour of the Ordinary Scheme

The IBC Directors, having regard to multiple factors, including the dynamics of the industry within which Webster operates and the cash premium available to Ordinary Shareholders compared to the trading price of Ordinary Shares prior to the Announcement Date, have formed the view that the Ordinary Scheme is in the best interests of Ordinary Shareholders for the following reasons:

(a) The IBC has assessed the merits of the Ordinary Scheme and unanimously recommends that you vote in favour of the Ordinary Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Ordinary Scheme is in the best interests of Ordinary Shareholders

In reaching their recommendation, the IBC Directors have considered the advantages and disadvantages of the Ordinary Scheme, including the information contained in:

- Section 1.2 (Why you should vote in favour of the Ordinary Scheme);
- Section 1.3 (Why you may wish to vote against the Ordinary Scheme);
- Section 8 (Risks);
- Section 9 (Taxation Implications); and
- Annexure A (Independent Expert Report).

In the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Ordinary Scheme is in the best interests of Ordinary Shareholders, each of the IBC Directors intends to vote all Ordinary Shares held or controlled by them, or on their behalf, in favour of the Ordinary Scheme.

In relation to the recommendation of Maurice Felizzi, Ordinary Shareholders should have regard to the fact that, if the Ordinary Scheme is implemented, Mr Felizzi will become entitled to early vesting of 700,000 unvested

ELTIP Shares resulting in a net profit of \$494,500. Under Mr Felizzi's employment contract, Mr Felizzi will also be entitled to a payment of \$1,199,510 on the Implementation Date, if approved by Ordinary Shareholders pursuant to the Felizzi Resolution. See Sections 10.7 and 11.2 for details. Ordinary Shareholders should have regard to these arrangements when considering Mr Felizzi's recommendation on the Scheme, which appears throughout this Scheme Booklet. Mr Felizzi considers that, despite these arrangements, it is appropriate for him to make a recommendation on the Ordinary Scheme. David Cushing, the other member of the IBC also considers that it is appropriate for Mr Felizzi to make a recommendation on the Ordinary Scheme given his role in the operation and management of Webster, his deep industry knowledge and that Mr Felizzi's employment contract entitling him to this payment was agreed in 2017, before the PSP offer was received.

The Relevant Interests of the IBC Directors and other Directors in Ordinary Shares as at the date of this Scheme Booklet are set out in Section 10.1.

(b) The Independent Expert has concluded that the Ordinary Scheme is in the best interests of Ordinary Shareholders in the absence of a superior proposal

The IBC appointed KPMG Financial Advisory Services (Australia) Pty Limited (of which KPMG Corporate Finance is a division) as the Independent Expert to assess the merits of the Ordinary Scheme and to provide an opinion as to whether the Ordinary Scheme is in the best interests of Ordinary Shareholders.

The Independent Expert has concluded that the Ordinary Scheme is in the best interests of Ordinary Shareholders in the absence of a superior proposal.

The Independent Expert has assessed the value of Webster (inclusive of a control premium) to be in the range of \$578 million to \$698 million, which corresponds to a value of \$1.59 to \$1.93 per Ordinary Share. As the Scheme Consideration of \$2.00 per Ordinary

Share is above its assessed value range for an Ordinary Share, the Independent Expert considers the Ordinary Scheme to be fair and reasonable, and therefore in the best interests of Ordinary Shareholders. See Sections 3.1 and 10 of the Independent Expert Report for details.

In accordance with RG 111, an offer is reasonable if it is fair. As the Independent Expert has assessed the Ordinary Scheme to be fair, this means that the Ordinary Scheme is reasonable. An outline of other factors that Ordinary Shareholders may wish to consider in assessing whether to approve the Ordinary Scheme are set out in Sections 3.2 and 3.3 of the Independent Expert Report.

A complete copy of the Independent Expert Report is included in Annexure A. The IBC encourages you to read the Independent Expert Report in its entirety before making a decision as to whether or not to vote in favour of the Ordinary Scheme Resolution.

(c) The Ordinary Scheme Consideration represents an attractive premium to the trading price of Ordinary Shares prior to the Announcement Date

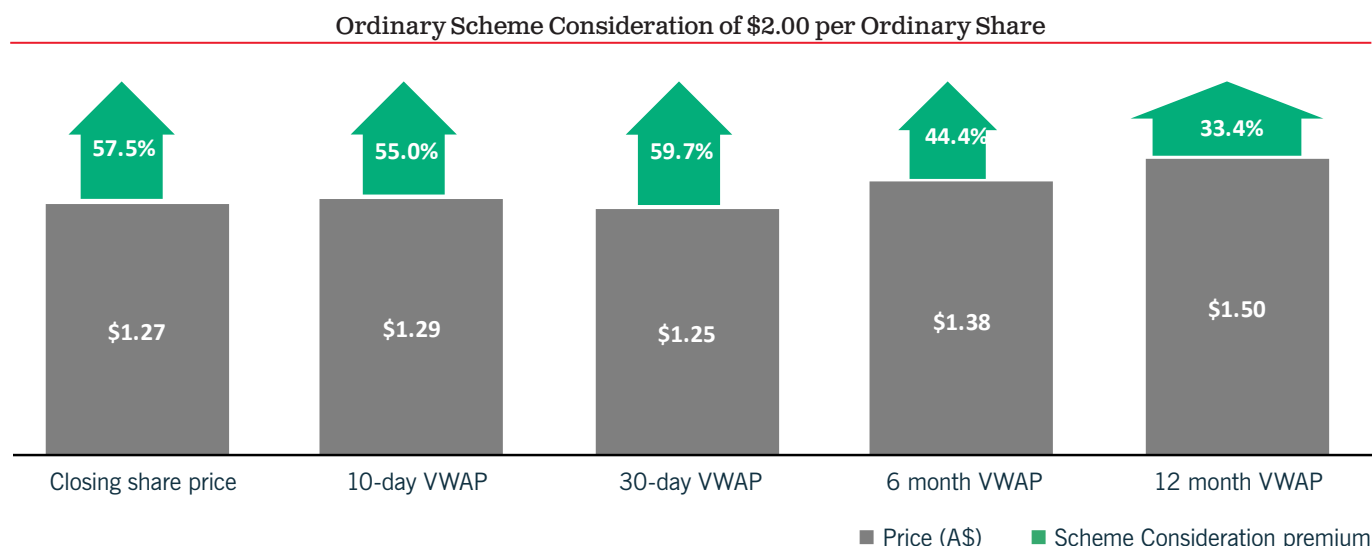
The Scheme Consideration represents an attractive premium of:

- 57.5% to the closing share price of Ordinary Shares on the last trading day before the Announcement Date of \$1.27;
- 55.0% to the 10 day VWAP of Ordinary Shares up to and including the last trading day before the Announcement Date of \$1.29;
- 59.7% to the 30 day VWAP of Ordinary Shares up to and including the last trading day before the Announcement Date of \$1.25;
- 44.4% to the 6 month VWAP of Ordinary Shares up to and including the last trading day before the Announcement Date of \$1.38; and
- 33.4% to the 12 month VWAP of Ordinary Shares up to and including the last trading day before the Announcement Date of \$1.50.

Key considerations relevant to your vote

– Ordinary Scheme *continued*

This is illustrated in the chart below:



(d) The Ordinary Scheme Consideration represents an attractive premium to the net tangible assets of Webster as at 30 September 2019

The Scheme Consideration represents an attractive premium of 60% to the net asset per Ordinary Shares as at 30 September 2019 of \$1.25 as disclosed in the audited consolidated financial statements of Webster released to the market via ASX on 13 November 2019.

(e) All cash consideration delivers certainty and immediate value for your Ordinary Shares

The offer from PSP is a 100% cash offer. This offers a high degree of certainty of value and timing. If the Ordinary Scheme is approved and implemented, Ordinary Scheme Participants will receive the Ordinary Scheme Consideration of \$2.00 for each Ordinary Share.

(f) If the Ordinary Scheme does not proceed, Ordinary Shareholders will continue to be exposed to risks associated with Webster's business rather than realising certain value for their Ordinary Shares in a certain timeframe

If the Ordinary Scheme does not proceed, the amount which Ordinary Shareholders will be able to realise in respect of their Ordinary Shares, in terms of trading price and future dividends, will be uncertain and subject to a number of risks outlined in Section 8.

Among other things, this will be subject to the performance of Webster's business from time to time (including the uncertainties associated with Webster's outlook as described in Sections 5.11 and the risks as described in Section 8), general economic conditions and the movements in the share market.

The Ordinary Scheme provides Ordinary Shareholders with the opportunity to avoid these risks and uncertainties and allows Ordinary Shareholders to fully exit their investment in Webster at a price that the IBC Directors consider attractive.

(g) The Ordinary Scheme Consideration provides Ordinary Shareholders with the opportunity to access full liquidity

The market in Ordinary Shares is relatively illiquid.

During the 12 month period prior to the Announcement Date, 25,448,830 Ordinary Shares traded representing 7.03% of the total capital of Webster as at the Announcement Date. In that period, the daily average trading volume for Ordinary Shares has only exceeded 0.8% of total Ordinary Shares on issue on 7 occasions.

If the Transaction is approved and implemented, then the Ordinary Scheme Consideration will be paid fully in cash. This would provide Ordinary Shareholders with access to full liquidity in circumstances where some Ordinary Shareholders presently face limited opportunities to achieve full liquidity in respect of the disposal of their Ordinary Shares, or may only be able to do so at discounts to the applicable prevailing quoted share price.

(h) Since the Announcement Date, no Superior Proposal has emerged

Since the Announcement Date and up to the date of this Scheme Booklet:

- no Superior Proposal has emerged; and
- the IBC Directors are not aware of any Superior Proposal that is likely to emerge.

Key considerations relevant to your vote

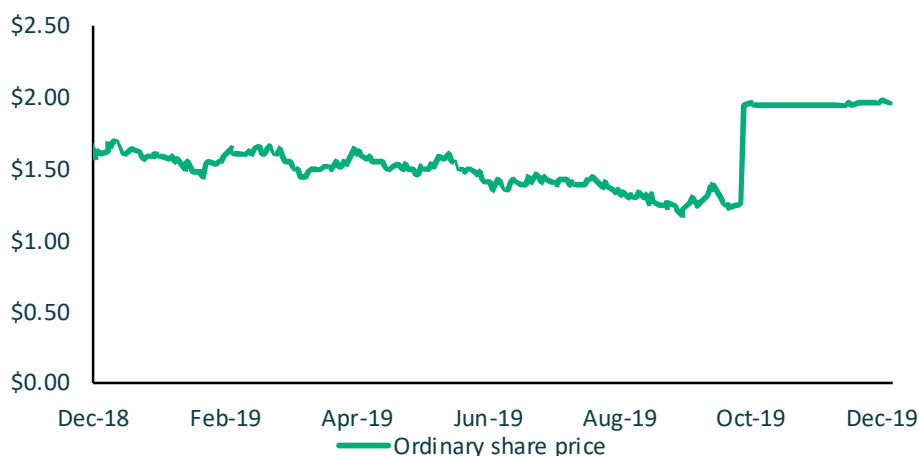
– Ordinary Scheme *continued*

(i) The price of Ordinary Shares may fall in the near-term if the Ordinary Scheme is not implemented and in the absence of a Superior Proposal

The closing price of Ordinary Shares on 2 October 2019, being the last trading day prior to the Announcement Date, was \$1.27. Since then, it has increased by 54.72% to \$1.965 per Ordinary Share

on 10 December 2019 (being the last practicable trading day prior to the date of the first Court hearing to convene the Scheme Meetings). This is illustrated in the graph below:

Ordinary Share closing price – 12 months to 10 December 2019



(Source: IRESS)

The IBC Directors are unable to predict the price at which Ordinary Shares will trade in the future, but consider that if the Ordinary Scheme is not implemented and in the absence of a Superior Proposal, the price of Ordinary Shares may fall below the price levels at which it has traded since the Announcement Date.

(j) No brokerage fees will be payable by you for the transfer of your Ordinary Shares under the Ordinary Scheme

You will not incur any brokerage fees on the transfer of your Ordinary Shares to PSP under the Ordinary Scheme. It is possible that such charges may be incurred if you transfer your Ordinary Shares other than under the Ordinary Scheme.

1.3. Why Ordinary Shareholders may wish to vote against the Ordinary Scheme

Although the Ordinary Scheme is recommended unanimously by the IBC and the Independent Expert has concluded that the Ordinary Scheme is in the best

interests of Ordinary Shareholders in the absence of a Superior Proposal, factors which may lead you to consider voting against the Ordinary Scheme include the following:

(a) You may disagree with the IBC's unanimous recommendation and the Independent Expert's conclusion and consider that the Ordinary Scheme is not in your best interests

Despite the view of the IBC and the Independent Expert, you may believe that the Ordinary Scheme is not in the best interests of Ordinary Shareholders or not in your individual interest.

(b) You may prefer to realise the potential value of Webster over the long term, and may consider that the Ordinary Scheme does not capture Webster's long-term potential

If the Ordinary Scheme is approved and implemented, you will cease to be an Ordinary Shareholder. As such, you will no longer be able to participate in the financial performance of Webster in the future, or the future prospects of Webster's ongoing

business, including any benefits that may result from being an Ordinary Shareholder. However, as with all investments in listed securities, there is no guarantee as to Webster's future performance.

(c) You may believe that it is in your interests to maintain your current investment and risk profile

You may wish to maintain your investment in Webster in order to have an investment in a publicly listed company with the specific characteristics of Webster in terms of industry, operations, profile, size, capital structure and potential dividend stream.

Implementation of the Ordinary Scheme may result in a disadvantage to those who wish to maintain their investment profile. Ordinary Shareholders who wish to maintain their investment profile may find it difficult to find an investment with a similar profile to that of Webster and they may incur transaction costs in undertaking any new investment.

Key considerations relevant to your vote

– Ordinary Scheme *continued*

(d) The tax consequences of the Ordinary Scheme may not suit your current financial position

Implementation of the Ordinary Scheme may trigger taxation consequences for Ordinary Shareholders, such as the realisation of a capital gain or a capital loss. A general guide to the taxation implications of the Ordinary Scheme is set out in Section 9. This guide is expressed in general terms only and Ordinary Shareholders should seek professional taxation advice regarding the tax consequences applicable to their own circumstances.

(e) You may consider that there is potential for a superior proposal to be made in the foreseeable future

It is possible that, if Webster were to continue as an independent listed entity, a corporate control proposal for Webster could materialise in the future, such as a takeover bid with a higher price. Implementation of the Ordinary Scheme will mean that there is no longer the possibility of any such proposal.

Since the Announcement Date and up to the date of this Scheme Booklet:

- no Superior Proposal has emerged; and
- the IBC is not aware of any Superior Proposal that is likely to emerge.

The Scheme Implementation Agreement prohibits Webster from soliciting a Competing Transaction. However, Webster is permitted to respond to any Competing Transaction should the IBC determine that the Competing Transaction is or is reasonably likely to be a Superior Proposal and that failing to respond is or is reasonably likely to constitute a breach of their fiduciary or statutory duties (and after having obtained written advice from Webster's external legal advisors). Further details of the key terms of the Scheme Implementation Agreement (including a summary of Webster's obligations in relation to responding to a Competing Transaction) are provided in Section 10.10.

1.4. Other considerations relevant to your vote on the Ordinary Scheme

You should also take into account the following additional considerations in deciding whether to vote in favour of, or against, the Ordinary Scheme.

(a) The Ordinary Scheme may proceed even if you vote against it

If you do not vote on, or if you vote against, the Ordinary Scheme Resolution, the Ordinary Scheme may still be implemented if the Ordinary Scheme Resolution is passed by the Requisite Majorities, is approved by the Court and if all Conditions are satisfied or waived (where capable of waiver).

If this occurs, any Ordinary Shares you hold on the Record Date will be transferred to PSP and you will receive the Ordinary Scheme Consideration of \$2.00 for each Ordinary Share you hold on the Record Date even if you did not vote on, or voted against, the Ordinary Scheme Resolution.

(b) If the Scheme does not proceed, Ordinary Shareholders will not receive the Ordinary Scheme Consideration

If the Ordinary Scheme is not approved or all outstanding Conditions are not satisfied or waived (where capable of waiver), the Ordinary Scheme will not proceed. In that case, Ordinary Shareholders will not receive the Ordinary Scheme Consideration and, in the absence of another proposal, Webster will continue to operate as a stand-alone entity listed on the ASX and Ordinary Shareholders will retain their Ordinary Shares and continue to be exposed to risks and opportunities associated with their investment in Webster. See Section 8 for details.

If the Scheme is not implemented, the advantages of the Ordinary Scheme described in Section 1.2 will not be realised.

Key considerations relevant to your vote – Preference Scheme

2

Key considerations relevant to your vote

– Preference Scheme

2.1. Recommendation

The Preference Scheme has a number of advantages and disadvantages which may affect Preference Shareholders in different ways depending on their individual circumstances. Preference Shareholders should seek professional advice on their particular circumstances, as appropriate.

IBC recommendation

The IBC unanimously recommends that Preference Shareholders vote in favour of the Preference Scheme Resolution at the Preference Scheme Meeting in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Preference Scheme is in the best interests of Preference Shareholders.

Section 2.2 provides a summary of some of the reasons why the IBC unanimously recommends Preference Shareholders vote in favour of the Preference Scheme. This Section should be read in conjunction with Section 2.3, which sets out some of the reasons why Preference Shareholders may wish to vote against the Preference Scheme.

You should read this Scheme Booklet in full, including the Independent Expert Report, before deciding how to vote at the Preference Scheme Meeting.

While the IBC Directors acknowledge the reasons to vote against the Preference Scheme, they believe the advantages of the Preference Scheme significantly outweigh the disadvantages.

No recommendation from Messrs Corrigan, Fitzsimons and Burling

The other Directors, Chris Corrigan, David Fitzsimons and Ross Burling do not make a recommendation in respect of the Preference Scheme for the reasons set out in Section 1.1 with respect to the Ordinary Scheme.

Voting Intentions

None of the Directors has a Relevant Interest in Preference Shares and so none will cast a vote on the Preference Scheme Resolution.

2.2. Why Preference Shareholders should vote in favour of the Preference Scheme

The IBC, having regard to multiple factors, including the dynamics of the industry within which Webster operates and the cash premium available to Preference Shareholders compared to the trading price of Preference Shares prior to the Announcement Date, have formed the view that the Preference Scheme is in the best interests of Preference Shareholders for the following reasons:

(a) The IBC has assessed the merits of the Preference Scheme and unanimously recommends that you vote in favour of the Preference Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Preference Scheme is in the best interests of Preference Shareholders

In reaching their recommendation, the IBC Directors have considered the advantages and disadvantages of the Preference Scheme, including the information contained in:

- Section 2.2 (Why you should vote in favour of the Preference Scheme);
- Section 2.3 (Why you may wish to vote against the Preference Scheme);
- Section 8 (Risks);
- Section 9 (Taxation Implications); and
- Annexure A (Independent Expert Report).

As at the date of this Scheme Booklet, no Director has a Relevant Interest in any of the Preference Shares. The Relevant Interests of the IBC Directors and the other Directors in Ordinary Shares as at the date of this Scheme Booklet are set out in Section 10.1.

(b) The Independent Expert has concluded that the Preference Scheme is in the best interests of Preference Shareholders in the absence of a Superior Proposal

The IBC Directors appointed the Independent Expert to assess the merits of the Preference Scheme and to provide an opinion as to whether the Preference Scheme is in the best interests of Preference Shareholders.

The Independent Expert has concluded that the Preference Scheme is in the best interests of Preference Shareholders in the absence of a superior proposal.

The Independent Expert has assessed the value of a Preference Share at \$1.50 to \$1.80. As the Preference Scheme Consideration of \$2.00 per Preference Share is above its assessed value range for a Preference Share, the Independent Expert considers the Preference Scheme to be fair and reasonable and therefore in the best interests of Preference Shareholders.

The value of the Preference Shares is based on capitalising the 9 cent annual coupon at a yield in the range of 5.0% to 6.0%. The value implied by this primary approach has been cross-checked based on the prices at which the Preference Shares have traded.

See Sections 4.1 and 10.9 of the Independent Expert Report for details.

In accordance with RG 111, an offer is reasonable if it is fair. As the Independent Expert has assessed the Preference Scheme to be fair, this means that the Preference Scheme is reasonable. An outline of other factors that Preference Shareholders may wish to consider in assessing whether to approve the Preference Scheme are set out in Sections 4.2 and 4.3 of the Independent Expert Report.

A complete copy of the Independent Expert Report is included in Annexure A. The IBC Directors encourage you to read the Independent Expert Report in its entirety before making a decision as to whether or not to vote in favour of the Preference Scheme Resolution.

Key considerations relevant to your vote

– Preference Scheme *continued*

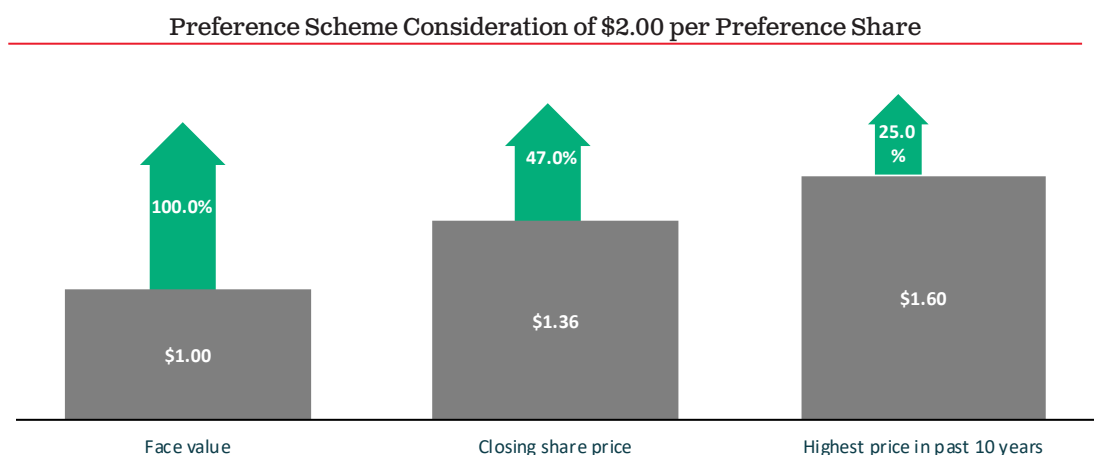
(c) The Preference Scheme Consideration represents an attractive premium to the face value and trading price of Preference Shares prior to the Announcement Date

The Preference Scheme Consideration:

- represents a 100% premium to the face value of the Preference Shares;
- represents a 47% premium to the last traded price of Preference Shares on the ASX prior to the Announcement Date of \$1.36; and

- is a premium of 40 cents above the highest price at which Preference Shares have traded on the ASX over the 10 years prior to the Announcement Date, being \$1.60.

This is illustrated in the chart below:



(Source: IRESS)

■ Price (A\$) ■ Scheme Consideration premium

(d) All cash consideration delivers certainty and immediate value for your Preference Shares

The offer from PSP is a 100% cash offer. This offers a high degree of certainty of value and timing. If the Preference Scheme is approved and implemented, Preference Shareholders will receive the Preference Scheme Consideration of \$2.00 for each Preference Share.

(e) Cash payments provide Preference Shareholders with the opportunity to access full liquidity in respect of disposal of their Preference Shares

The market in Preference Shares is illiquid.

During the 12 month period prior to the Announcement Date, 690 Preference Shares traded representing 0.18% of the total number of Preference Shares on issue as at the Announcement Date. On only one day in the 12 month period to the Announcement Date have Preference Shares traded.

If the Transaction is approved and implemented, then the Preference Scheme Consideration will be paid fully in cash.

This would provide Preference Shareholders with access to full liquidity in circumstances where some Preference Shareholders presently face limited opportunities to achieve full liquidity in respect of the disposal of their Preference Shares or may only be able to do so at discounts to the applicable prevailing quoted share price.

(f) If the Ordinary Scheme is implemented and the Preference Scheme is not implemented, PSP intends to cause the Preference Shares to be delisted from the ASX

In the event that the Ordinary Scheme is implemented and the Preference Scheme is not implemented, PSP intends to cause Webster to apply to terminate the quotation of all Ordinary Shares and Preference Shares on the ASX and to have itself removed from the official list of the ASX as soon as practicable following the Implementation Date, such that the Preference Shares will cease to be quoted on the ASX and Preference Shareholders will no longer be able to buy or sell Preference Shares through the ASX.

(g) If the Ordinary Scheme is implemented and the Preference Scheme is not implemented, PSP intends to compulsorily acquire the Preference Shares under Chapter 6A of the Corporations Act

Should the Ordinary Scheme be implemented and the Preference Scheme not be implemented, PSP intends to compulsorily acquire all of the Preference Shares pursuant to Chapter 6A of the Corporations Act. See Section 6.4 for further details of PSP's intentions.

Under the Preference Scheme, Preference Shareholders would receive \$2.00 per Preference Share in February 2020.

If the Preference Shares are compulsorily acquired, there is no certainty that the consideration that Preference Shareholders would receive would be the same as offered under the Preference Scheme. Furthermore, under these circumstances, Preference Shareholders would receive consideration for their Preference Shares at a later date than under the Preference Scheme.

Key considerations relevant to your vote

– Preference Scheme *continued*

(h) Since the Announcement Date, no Superior Proposal has emerged

Since the Announcement Date and up to the date of this Scheme Booklet:

- no Superior Proposal has emerged; and
- the IBC Directors are not aware of any Superior Proposal that is likely to emerge.

(i) No brokerage fees will be payable by you for the transfer of your Preference Shares under the Preference Scheme

You will not incur any brokerage fees on the transfer of your Preference Shares to PSP under the Preference Scheme. It is possible that such charges may be incurred if you transfer your Preference Shares other than under the Preference Scheme.

2.3. Why Preference Shareholders may wish to vote against the Preference Scheme

Although the Preference Scheme is recommended unanimously by the IBC Directors and the Independent Expert has concluded that the Preference Scheme is in the best interests of Preference Shareholders in the absence of a Superior Proposal, factors which may lead you to consider voting against the Preference Scheme include the following:

(a) You may disagree with the IBC's unanimous recommendation and the Independent Expert's conclusion and consider that the Preference Scheme is not in your best interests

Despite the view of the IBC Directors and the Independent Expert, you may believe that the Preference Scheme is not in the best interests of Preference Shareholders or not in your individual interest.

(b) You may prefer to continue to receive the benefit of the cumulative dividends payable on Preference Shares over the long term

If the Preference Scheme is approved and implemented, you will cease to be a Preference Shareholder. As such, you will no longer be able to receive dividends payable by Webster on a cumulative basis on Preference Shares. See Section 2.4 for an outline of the dividend rights of the Preference Shares.

Preference Shareholders are reminded that while dividends payable on Preference Shares are cumulative, the payment of dividends is at the discretion of the Board and so there is no guarantee that Preference Shareholders will receive dividends in the future.

(c) You may believe that it is in your interests to maintain your current investment and risk profile

You may wish to maintain your investment in Webster in order to have an investment in a publicly listed company with the specific characteristics of Webster in terms of industry, operations, profile, size, capital structure and potential dividend stream.

Implementation of the Preference Scheme may result in a disadvantage to those who wish to maintain their investment profile. Preference Shareholders may find it difficult to find an investment with a similar profile to that of Webster and they may incur transaction costs in undertaking any new investment.

(d) The tax consequences of the Preference Scheme may not suit your current financial position

Implementation of the Preference Scheme may trigger taxation consequences for Preference Shareholders, such as the realisation of a capital gain or a capital loss. A general guide to the taxation implications of the Preference Scheme is set out in Section 9. This guide is expressed in general terms only and Preference Shareholders should seek professional taxation advice regarding the tax consequences applicable to their own circumstances.

(e) You may consider that there is potential for a Superior Proposal to be made in the foreseeable future

It is possible that, if Webster were to continue as an independent listed entity, a corporate control proposal for Webster could materialise in the future, such as a takeover bid with a higher price. Implementation of the Preference Scheme will mean that there is no longer the possibility of any such proposal.

Since the Announcement Date and up to the date of this Scheme Booklet:

- no Superior Proposal has emerged; and
- the IBC Directors are not aware of any Superior Proposal that is likely to emerge.

The Scheme Implementation Agreement prohibits Webster from soliciting a Competing Transaction. However, Webster is permitted to respond to any Competing Transaction should the IBC determine that the Competing Transaction is or is reasonably likely to be a Superior Proposal and that failing to respond is or is reasonably likely to constitute a breach of their fiduciary or statutory duties (and after having obtained written advice from Webster's external legal advisors). Further details of the key terms of the Scheme Implementation Agreement (including a summary of Webster's obligations in relation to responding to a Competing Transaction) are provided in Section 10.10.

Key considerations relevant to your vote

– Preference Scheme *continued*

2.4. Dividend entitlements of the Preference Shares

Preference Shares carry the right to receive a cumulative dividend calculated at 9% per annum on the paid-up capital on the Preference Shares in priority to Ordinary Shareholders. The paid-up capital on Preference Shares is \$1.00 per Preference Share.

While the financial performance of Webster may impact on its ability to pay dividends together with any accrued but unpaid dividends in respect of prior periods, Preference Shareholders are not entitled to receive the benefit of any financial performance by Webster which generates profits in excess of the 9% per annum cumulative dividend entitlement.

Preference Shares are not convertible into Ordinary Shares and are not redeemable. Accordingly, opportunities for Preference Shareholders to liquidate their investment in Preference Shares are limited to sale of Preference Shares on-market on the ASX or by off-market sales.

(b) If the Preference Scheme does not proceed, Preference Shareholders will not receive the Preference Scheme Consideration

If the Preference Scheme is not approved or all outstanding Conditions are not satisfied or waived (where capable of waiver), the Preference Scheme will not proceed. In that case, Preference Shareholders will not receive the Preference Scheme Consideration and will continue to be exposed to risks and opportunities associated with their investment in Webster. See Section 8 for details.

If, however, the Ordinary Scheme Resolution is passed by the Requisite Majorities, is approved by the Court and if all Conditions are satisfied or waived (where capable of waiver), the Ordinary Scheme will still proceed even if the Preference Scheme does not proceed. PSP has confirmed that if this occurs, it intends to seek to acquire the Preference Shares by way of compulsory acquisition. See Section 6.4 for details.

2.5. Other considerations relevant to your vote on the Preference Scheme

You should also take into account the following additional considerations in deciding whether to vote in favour of, or against, the Preference Scheme.

(a) The Preference Scheme may proceed even if you vote against it

If you do not vote on, or if you vote against, the Preference Scheme Resolution, the Preference Scheme may still be implemented if the Preference Scheme Resolution is passed by the Requisite Majorities, is approved by the Court and if all Conditions are satisfied or waived (where capable of waiver).

If this occurs, any Preference Shares you hold on the Record Date will be transferred to PSP and you will receive the Preference Scheme Consideration of \$2.00 for each Preference Share you hold on the Record Date even if you did not vote on, or voted against, the Preference Scheme Resolution.

Frequently Asked Questions

3

Frequently Asked Questions

Overview of the Schemes

Why have I received this Scheme Booklet?

This Scheme Booklet has been sent to you because you are a Webster Shareholder and Webster Shareholders are being asked to vote on the Schemes which, if approved and implemented, will result in PSP acquiring all Webster Shares.

This Scheme Booklet is intended to help you decide how to vote on the Scheme Resolution relevant to your Webster Shares.

What is the Transaction?

The Transaction is the acquisition of Webster by PSP pursuant to the Ordinary Scheme and, if approved by Preference Shareholders, the Preference Scheme.

What is the Ordinary Scheme?

The Ordinary Scheme is a members' scheme of arrangement between Webster and Ordinary Scheme Participants.

A scheme of arrangement is a statutory procedure that is commonly used in Australia to undertake an acquisition of a publicly listed company.

If the Ordinary Scheme is approved and implemented:

- PSP will acquire all the Ordinary Shares; and
- Ordinary Scheme Participants will receive the Scheme Consideration for each Ordinary Share held at the Record Date.

Ordinary Shareholders will only receive the Scheme Consideration in respect of the Ordinary Shares held by them on the Record Date. If an Ordinary Shareholder sells their Ordinary Shares before the Record Date, they will not receive the Scheme Consideration.

What is the Preference Scheme?

The Preference Scheme is a members' scheme of arrangement between Webster and Preference Scheme Participants.

A scheme of arrangement is a statutory procedure that is commonly used in Australia to undertake an acquisition of a publicly listed company.

If the Preference Scheme is approved and implemented:

- PSP will acquire all the Preference Shares; and
- Preference Scheme Participants will receive the Scheme Consideration for each Preference Share held at the Record Date.

Preference Shareholders will only receive the Scheme Consideration in respect of the Preference Shares held by them on the Record Date. If a Preference Shareholder sells their Preference Shares before the Record Date, they will not receive the Scheme Consideration.

Why are there separate Schemes?

Webster has two classes of Webster Shares on issue being Ordinary Shares and Preference Shares. PSP has offered to acquire each class of Webster Shares for Scheme Consideration of \$2.00 per share. As there are separate classes of Webster Shares, a separate scheme of arrangement is required to effect the acquisition of each class by PSP.

Frequently Asked Questions

continued

Who is PSP?	<p>PSP is an indirect wholly owned Subsidiary of PSP Investments, a Canadian Crown corporation which invests funds for the pension plans of the Canadian Public Service, the Canadian Force Pension Plans, the Royal Canadian Mounted Police and the Reserve Forces. Through its Natural Resources group, PSP Investments invests globally in agriculture, timberland and related opportunities via direct investments. It partners with peers and best-in-class operators who are committed to implementing best practices particularly in the areas of employee health and safety, the environment and sustainability.</p> <p>Please refer to Section 6 for more information on PSP, the PSP Guarantor and PSP Investments.</p>
What is required for the Schemes to be implemented?	<p>In order for the Schemes to be implemented, all Conditions under the Scheme Implementation Agreement for that Scheme must be satisfied or waived (where applicable).</p> <p>For the Ordinary Scheme, the Conditions include that the Ordinary Scheme Resolution is approved by Ordinary Shareholders at the Ordinary Scheme Meeting and the Ordinary Scheme is approved by the Court. Webster and PSP must undertake the steps set out in Section 4.7 so that all of the Ordinary Shares are transferred to PSP and Ordinary Scheme Participants receive the Ordinary Scheme Consideration.</p> <p>For the Preference Scheme, the Conditions include that the Preference Scheme Resolution is approved by Preference Shareholders at the Preference Scheme Meeting and the Preference Scheme is approved by the Court. In addition, it is a Condition to the Preference Scheme that the Ordinary Scheme is approved by Ordinary Shareholders and the Court. Webster and PSP must then undertake the steps set out in Section 4.7 so that all of the Preference Shares are transferred to PSP and Preference Scheme Participants receive the Preference Scheme Consideration.</p> <p>Details of the Scheme Resolutions and the voting majorities required to approve the Scheme Resolutions are set out in Section 4.5.</p>
What is the Kooba Sale?	<p>If the Ordinary Scheme is approved and implemented and, unless PSP waives this condition, PSP acquires all of the Preference Shares, Webster will transfer certain assets to a separate, yet to be formed, PSP Group entity (KoobaCo). For further information, refer to Section 7.</p>
Who is KoobaCo?	<p>KoobaCo is a separate, yet to be formed, PSP Group entity.</p>
What are the terms of the Kooba Sale?	<p>The purchase price payable on completion of the Kooba Sale is \$276.7 million plus the aggregate net working capital of the Kooba Businesses as at the implementation of the Ordinary Scheme subject to certain adjustments. See Section 7.4 for details.</p>
When will the Kooba Sale occur?	<p>The Kooba Sale Agreement will be executed as soon as practicable after the Ordinary Scheme is implemented and, unless PSP waives that condition, PSP completes the acquisition of all Preference Shares. Completion of the Kooba Sale is scheduled to occur within 40 business days after execution of the Kooba Sale Agreement.</p>
What is the Kooba Subscription?	<p>In connection with the Kooba Sale, subject to certain conditions, Belfort and Verolot have been offered an opportunity by PSP to acquire a 50.1% ownership interest in KoobaCo. See Section 7.3 for details.</p>
Who is Belfort?	<p>Belfort Investment Advisors Limited is an Ordinary Shareholder controlled by Webster Chairman Chris Corrigan.</p>
Who is Verolot?	<p>Verolot Limited is an Ordinary Shareholder controlled by Director David Fitzsimons.</p>

Frequently Asked Questions

continued

What are the terms of the Kooba Subscription?

The subscription price and debt funding to be provided by Belfort and Verolot under the Kooba Subscription Agreement represent 50.1% of the purchase price payable under the Kooba Sale Agreement. See Section 7.3 for details.

The Independent Expert has valued Belfort and Verolot's 50.1% interest in KoobaCo in the range of \$124.3 million to \$145.7 million on a non-marketable and non-full control basis. The consideration to be paid by Belfort and Verolot is calculated by the Independent Expert as \$152.8 million.

What do the Directors recommend?

Only the IBC Directors, being David Cushing and Maurice Felizzi, make recommendations regarding the Schemes.

The IBC unanimously recommends that Ordinary Shareholders vote in favour of the Ordinary Scheme in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Ordinary Scheme is in the best interests of Ordinary Shareholders.

The IBC also unanimously recommends that Preference Shareholders vote in favour of the Preference Scheme in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Preference Scheme is in the best interests of Preference Shareholders.

In relation to the recommendation of Maurice Felizzi, you should have regard to the fact that, if the Ordinary Scheme is implemented, Mr Felizzi will become entitled to early vesting of 700,000 unvested ELTIP Shares resulting in a net profit of \$494,500. Under Mr Felizzi's employment contract, Mr Felizzi will also be entitled to a payment of \$1,199,510 on the Implementation Date, if approved by Ordinary Shareholders pursuant to the Felizzi Resolution. See Sections 10.7 and 11.2 for details. You should have regard to these arrangements when considering Mr Felizzi's recommendation on the Schemes, which appear throughout this Scheme Booklet. Mr Felizzi considers that, despite these arrangements, it is appropriate for him to make a recommendation on the Schemes. David Cushing, the only other member of the IBC, also considers that it is appropriate for Mr Felizzi to make a recommendation on the Schemes given his role in the operation and management of Webster, his deep industry knowledge and that Mr Felizzi's employment contract entitling him to this payment was agreed in 2017, before the PSP offer was received.

The remaining Directors, being Chris Corrigan, Ross Burling and David Fitzsimons, do not make a recommendation in respect of the Schemes.

Frequently Asked Questions

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How are the Directors intending to vote?

Each of Messrs, Felizzi and Cushing intends to vote or cause to be voted all Ordinary Shares in which he has a Relevant Interest in favour of the Ordinary Scheme at the Ordinary Scheme Meeting, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Ordinary Scheme is in the best interests of Ordinary Shareholders.

Mr Burling does not have a Relevant Interest in Ordinary Shares. The Relevant Interests of Messrs Corrigan and Fitzsimons as at the date of this Scheme Booklet are set out in Section 10.1.

Mr Corrigan, on behalf of Belfort, and Mr Fitzsimons, on behalf of Verolot, have each informed the IBC of their respective positions regarding voting at the Ordinary Scheme Meeting:

Mr Corrigan does not consider it appropriate that Belfort vote in favour of the Ordinary Scheme Resolution having regard to the fact that Belfort may acquire an interest in the Kooba Assets should the Ordinary Scheme be implemented. Belfort has undertaken to ASIC not to vote in favour of the Ordinary Scheme. The intention of Belfort is to abstain from voting on the Ordinary Scheme Resolution, however it reserves the right to vote against the Ordinary Scheme Resolution. For the avoidance of doubt, this statement should not be construed in any way as an indication that Mr Corrigan does not support the Ordinary Scheme.

Mr Fitzsimons does not consider it appropriate that Verolot vote in favour of the Ordinary Scheme Resolution having regard to the fact that Verolot may acquire an interest in the Kooba Assets should the Ordinary Scheme be implemented. Verolot has undertaken to ASIC not to vote in favour of the Ordinary Scheme. The intention of Verolot is to abstain from voting on the Ordinary Scheme Resolution, however it reserves the right to vote against the Ordinary Scheme Resolution. For the avoidance of doubt, this statement should not be construed in any way as an indication that Mr Fitzsimons does not support the Ordinary Scheme.

No Director has a Relevant Interest in Preference Shares.

What is the Independent Expert's opinion of the Ordinary Scheme?

The Independent Expert concluded that the Ordinary Scheme is in the best interests of Ordinary Shareholders in the absence of a superior proposal.

The Independent Expert has estimated the value of Ordinary Shares to be in the range of \$1.59 to \$1.93 per Ordinary Share.

The IBC Directors recommend that you read the Independent Expert Report carefully and in its entirety.

The Independent Expert Report is included as Annexure A to this Scheme Booklet.

What is the Independent Expert's opinion of the Preference Scheme?

The Independent Expert concluded that the Preference Scheme is fair and reasonable and, therefore, in the best interests of Preference Shareholders in the absence of a superior proposal.

The Independent Expert has estimated the value of Preference Shares to be in the range of \$1.50 to \$1.80 per Preference Share.

The IBC Directors recommend that you read the Independent Expert Report carefully and in its entirety.

The Independent Expert Report is included as Annexure A to this Scheme Booklet.

Frequently Asked Questions

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What if the Independent Expert changes its opinion?

If the Independent Expert changes its opinion:

- this will be announced to the ASX;
- the IBC Directors will carefully consider the Independent Expert's revised opinion;
- the IBC Directors will advise you of their recommendation; and
- if there is a change in the recommendation of the IBC Directors arising from the Independent Expert's revised opinion, PSP can exercise certain rights under the Scheme Implementation Agreement (see further details on PSP's rights at Section 10.10).

Why you may consider voting in favour of the Ordinary Scheme

Reasons why you may consider voting in favour of the Ordinary Scheme include:

- The IBC unanimously recommends that you vote in favour of the Ordinary Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Ordinary Scheme is in the best interests of Ordinary Shareholders.
- The Independent Expert has concluded that the Ordinary Scheme is in the best interests of Ordinary Shareholders in the absence of a superior proposal.
- The Ordinary Scheme Consideration represents an attractive premium to the trading price of Ordinary Shares prior to the Announcement Date
- The Ordinary Scheme Consideration represents an attractive premium to the net tangible assets of Webster as at 30 September 2019
- All cash consideration delivers certainty and immediate value for your Ordinary Shares.
- If the Ordinary Scheme does not proceed, Ordinary Shareholders will continue to be exposed to risks associated with Webster's business rather than realising certain value for their Ordinary Shares in a certain timeframe.
- The Ordinary Scheme Consideration provides Ordinary Shareholders with the opportunity to access full liquidity.
- Since the Announcement Date, no Superior Proposal has emerged.
- The price of Ordinary Shares may fall in the near-term if the Ordinary Scheme is not implemented and in the absence of a superior proposal.
- No brokerage fees will be payable by you for the transfer of your Ordinary Shares under the Ordinary Scheme.

See Section 1.2 for details.

Why you may consider voting against the Ordinary Scheme

Reasons why you may consider voting against the Ordinary Scheme include:

- You may disagree with the IBC's unanimous recommendation and the Independent Expert's conclusion and consider that the Ordinary Scheme is not in your best interests
- You may prefer to realise the potential value of Webster over the long term, and may consider that the Ordinary Scheme does not capture Webster's long-term potential
- You may believe that it is in your interests to maintain your current investment and risk profile
- The tax consequences of the Ordinary Scheme may not suit your current financial position
- You may consider that there is potential for a Superior Proposal to be made in the foreseeable future

See Section 1.3 for details.

Frequently Asked Questions

continued

Why you may consider voting in favour of the Preference Scheme

Reasons why you may consider voting in favour of the Preference Scheme include:

- The IBC has assessed the merits of the Preference Scheme and unanimously recommends that you vote in favour of the Preference Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Preference Scheme is in the best interests of Preference Shareholders
- The Independent Expert has concluded that the Preference Scheme is fair and reasonable and therefore in the best interests of Preference Shareholders in the absence of a superior proposal
- The Preference Scheme Consideration represents an attractive premium to the face value and trading price of Preference Shares prior to the Announcement Date
- All cash consideration delivers certainty and immediate value for your Preference Shares
- Cash payments provide Preference Shareholders with the opportunity to access full liquidity in respect of disposal of their Preference Shares
- If the Ordinary Scheme is implemented and the Preference Scheme is not implemented, PSP intends to cause the Preference Shares to be delisted from the ASX
- If the Ordinary Scheme is implemented and the Preference Scheme is not implemented, PSP intends to compulsorily acquire the Preference Shares under Chapter 6A of the Corporations Act
- Since the Announcement Date, no Superior Proposal has emerged
- The price of Preference Shares may fall in the near-term if the Preference Scheme is not implemented and in the absence of a Superior Proposal.
- No brokerage fees will be payable by you for the transfer of your Preference Shares under the Preference Scheme.

See Section 2.2 for details.

Why you may consider voting against the Preference Scheme

Reasons why you may consider voting against the Preference Scheme include:

- You may disagree with the IBC's unanimous recommendation and the Independent Expert's conclusion and consider that the Preference Scheme is not in your best interests
- You may prefer to continue to receive the benefit of the cumulative dividends payable on Preference Shares over the long term
- You may believe that it is in your interests to maintain your current investment and risk profile
- The tax consequences of the Preference Scheme may not suit your current financial position
- You may consider that there is potential for a Superior Proposal to be made in the foreseeable future

See Section 2.3 for details.

What are the risks associated with an investment in Webster if both Schemes do not become Effective?

If the Ordinary Scheme is not approved and implemented, you will continue to be an Ordinary Shareholder and participate in the future financial performance of Webster's business and continue to be subject to the specific risks associated with Webster's business and other general risks. Details of these risks are set out in Section 8.

The Preference Scheme is conditional on the Ordinary Scheme. If the Ordinary Scheme is approved and implemented, but the Preference Scheme is not approved and implemented, then PSP intends to complete the acquisition of all outstanding Preference Shares by way of a compulsory acquisition process under Chapter 6A of the Corporations Act, following which Webster will become a wholly owned subsidiary of PSP.

Frequently Asked Questions

continued

How is PSP funding the Scheme Consideration?	<p>The Scheme Consideration will be funded entirely by PSP Investments' cash reserves. PSP Investments has access to sufficient cash reserves to fund the Scheme Consideration. As at 31 March 2019, PSP Investments had net assets of CAN\$168.0 billion (A\$177.2 billion) and cash reserves in excess of CAN\$6.8 billion (A\$7.2 billion) held through it and its Subsidiaries.</p> <p>See Section 6.3 for details of PSP's funding.</p>
Who is entitled to participate in the Schemes?	<p>Persons who hold Ordinary Shares on the Record Date (other than Excluded Ordinary Shareholders) will participate in the Ordinary Scheme and, if the Ordinary Scheme is approved and implemented, those persons will receive the Ordinary Scheme Consideration in respect of each Ordinary Share held on the Record Date.</p> <p>Similarly, persons who hold Preference Shares on the Record Date will participate in the Preference Scheme and, if the Preference Scheme is approved and implemented, those persons will receive the Preference Scheme Consideration in respect of each Preference Share held on the Record Date.</p>
What will Webster Shareholders receive under the Schemes?	
When will I be paid the Scheme Consideration?	<p>If all Conditions are satisfied or waived (as applicable) Webster Shareholders on the Register on the Record Date (other than Excluded Ordinary Shareholders) will be sent or have paid to them the Scheme Consideration on the Implementation Date.</p>
What will I receive if the Schemes are implemented?	<p>If the Ordinary Scheme is implemented, you will receive the Ordinary Scheme Consideration of \$2.00 per Ordinary Share held on the Record Date.</p> <p>If the Preference Scheme is implemented, you will receive the Preference Scheme Consideration of \$2.00 per Preference Share held on the Record Date. The Preference Scheme is conditional on the Ordinary Scheme.</p>
How will I be paid?	<p>All payments will be made:</p> <ul style="list-style-type: none"> • where you have nominated a bank account for dividends, by direct credit transfer in Australian currency into your existing nominated bank account, as advised to Webster's Share Registry; and • where you have not nominated a bank account for dividends, by a cheque in Australian currency, sent by pre-paid ordinary post to your registered address as shown on the Webster Share Registry.
What are the tax implications of the Schemes?	<p>The tax implications for each Webster Shareholder of the Schemes being implemented will depend on your specific taxation circumstances, including whether you are an Australian resident for tax purposes.</p> <p>For information about your individual financial or taxation circumstances please consult your financial, legal, taxation or other professional adviser.</p> <p>General information about the Australian tax consequences of the Scheme is set out in Section 9. You should not rely on this general information as advice for your own affairs.</p>
Will I have to pay brokerage or stamp duty?	<p>No, you will not have to pay brokerage or stamp duty if your Webster Shares are acquired under either of the Schemes.</p>
Can I sell my Webster Shares now?	<p>You can sell your Webster Shares on-market at any time before the close of trading on the ASX on the Effective Date at the then prevailing market price (which may differ from the Ordinary Scheme Consideration or the Preference Scheme Consideration, depending upon the type of Webster Shares you hold).</p> <p>Webster intends to apply to the ASX for Webster Shares to be suspended from official quotation on the ASX from close of trading on the Effective Date. You will not be able to sell your Webster Shares on-market after that time.</p>

Frequently Asked Questions

continued

Implementation of the Schemes	
What will happen to Webster if the Schemes become effective and are implemented?	If the Schemes become effective and are implemented, PSP will acquire 100% of the Webster Shares that the PSP Group does not already own, and Webster will be delisted from the ASX.
Are there any conditions that must be satisfied or waived in order for the Schemes to be implemented?	<p>Yes. There are several Conditions that must either be satisfied or waived (where applicable) for the Schemes to be implemented.</p> <p>PSP has obtained approval for the Transaction from the ACCC and FIRB. All other Conditions for the Ordinary Scheme remain outstanding as at the date of this Scheme Booklet.</p> <p>All Conditions for the Preference Scheme remain outstanding as at the date of this Scheme Booklet.</p> <p>As at the date of this Booklet the IBC Directors are not aware of any reason why any of the Conditions will not be satisfied.</p> <p>The Conditions of the Schemes are summarised in further detail in Section 10.10 of this Scheme Booklet.</p> <p>Webster Shareholders should also be aware that the Scheme Implementation Agreement may be terminated in certain circumstances (details of which are summarised in Section 10.10 of this Scheme Booklet). If the Scheme Implementation Agreement is terminated, the Schemes will not proceed.</p> <p>As at the date of this Scheme Booklet, Webster is not aware of any circumstances which would cause any of these Conditions to not be satisfied</p>
What happens if the Conditions to the Ordinary Scheme are not satisfied or the Scheme Implementation Agreement is terminated?	<p>If the Conditions to the Ordinary Scheme are not satisfied or waived (where applicable), or the Scheme Implementation Agreement is terminated, then the Schemes will not be implemented and, as set out in Section 1.4(b) of this Scheme Booklet:</p> <ul style="list-style-type: none"> • you will retain your Webster Shares and they will not be acquired by PSP; • you will not receive the Scheme Consideration; • Webster will continue to operate as a stand-alone company listed on the ASX; • the Kooba Sale will not proceed; • if no comparable proposal or superior proposal emerges, then the Webster Share price may fall or trade at a price below the Scheme Consideration of \$2.00 per Webster Share; and • in certain circumstances, when the Scheme Implementation Agreement is terminated, Webster may have to pay a Break Fee to PSP (see section 10.10).
What are the taxation implications of the Schemes?	<p>The taxation implications of the Schemes will depend on your personal circumstances. A general outline of the main Australian taxation implications of the Schemes is set out in Section 9.</p> <p>As this outline is general in nature, you should consult with your own taxation advisors for detailed tax advice regarding the Australian and, if applicable, foreign taxation implications for participating in the Schemes in light of the particular circumstances which apply to you before making a decision as to how to vote on the Schemes.</p>
What happens if the Schemes are approved, all Conditions are satisfied and they are implemented?	If the Schemes are implemented, all of your Webster Shares will be transferred to PSP under the Schemes, and you will receive the Scheme Consideration of \$2.00 for each Webster Share that you hold.

Frequently Asked Questions

continued

What happens if only the Ordinary Scheme is approved?

If the Conditions to the Ordinary Scheme are satisfied or waived (where applicable) but the Conditions to the Preference Scheme are not satisfied or waived, the Ordinary Scheme will be Implemented but the Preference Scheme will not proceed.

For Ordinary Scheme Participants, all of your Ordinary Shares will be transferred to PSP under the Ordinary Scheme, and you will receive the Ordinary Scheme Consideration of \$2.00 for each Webster Share that you hold.

For Preference Shareholders, as set out in Section 2.5(b):

- you will retain your Preference Shares and they will not be acquired by PSP under the Preference Scheme;
- you will not receive the Preference Scheme Consideration;
- PSP will gain control of Webster and will seek to remove Webster from the official list of the ASX; and
- PSP intends to seek to acquire your Preference Shares in accordance with the compulsory acquisition provisions of the Corporations Act.

See Section 6.4 for details.

What happens if only the Preference Scheme is approved?

As the Preference Scheme is conditional on, among other things, the Ordinary Scheme Resolution being approved by Ordinary Shareholders, then the Schemes will not be implemented and, as set out in Sections 1.4(b) and 2.5(b):

- you will retain your Webster Shares and they will not be acquired by PSP;
- you will not receive the Scheme Consideration;
- Webster will continue to operate as a stand-alone company listed on the ASX;
- if no comparable proposal or superior proposal emerges, then the Webster Share price may fall or trade at a price below the Scheme Consideration of \$2.00 per Webster Share; and
- in certain circumstances, when the Scheme Implementation Agreement is terminated, Webster may have to pay a break fee (see Section 10.10).

Can the Schemes be terminated?

The Scheme Implementation Agreement may be terminated in certain circumstances, details of which are summarised in Section 10.10. If the Scheme Implementation Agreement is terminated, the Schemes will not proceed.

Voting at the Scheme Meetings and the General Meeting

Who can vote on the Scheme Resolutions?

If you are registered as an Ordinary Shareholder on the Register at 7:00pm (Sydney time) on 1 February 2020, then you will be entitled to attend and vote at the Ordinary Scheme Meeting. However, members of the PSP Group are Excluded Ordinary Shareholders and may not attend or vote at the Ordinary Scheme Meeting.

If you are registered as a Preference Shareholder on the Register at 7:00pm (Sydney time) on 1 February 2020, then you will be entitled to attend and vote at the Preference Scheme Meeting.

Details of the Scheme Meetings and voting are in Section 4.

Frequently Asked Questions

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How do I vote?	<p>Voting at the Scheme Meetings may be in person, by proxy, by attorney or, in the case of a corporation, by corporate representative. If you wish to vote in person, you must attend the Scheme Meeting relevant to your Webster Shares.</p> <p>If you cannot attend the Scheme Meeting relevant to your Webster Shares, you may complete and return the enclosed personalised proxy form in accordance with the instructions or lodge your proxy form online at www.investorvote.com.au in accordance with the instructions given there. The deadline for lodging your proxy form for the Scheme Meeting is 2:00pm (Sydney time) on 1 February 2020.</p> <p>Details of the Scheme Meetings and how to vote are in Section 4.</p>
Where and when will the Scheme Meetings be held?	<p>The Scheme Meetings and the General Meeting will be held at The Press Room, Radisson Blu Sydney, 27 O'Connell Street Sydney NSW 2000.</p> <p>The Ordinary Scheme Meeting will be held at 2:00pm on 3 February 2020.</p> <p>The General Meeting will be held immediately after the Ordinary Scheme Meeting but not before 2:00pm on 3 February 2020.</p> <p>The Preference Scheme Meeting will be held immediately after the General Meeting but not before 3:00pm on 3 February 2020.</p>
Is voting compulsory?	<p>Voting is not compulsory. However, the Schemes will only be successful if they are approved by the Requisite Majorities of Webster Shareholders so voting is important and the IBC encourages you to vote. If the Schemes are approved, you will be bound by the Schemes whether or not you voted and whether or not you voted in favour of it.</p>
What voting majority is required by the Schemes?	<p>For a Scheme to proceed, the Scheme Resolution must be passed by the Requisite Majorities, being:</p> <ul style="list-style-type: none">• a majority in number (more than 50%) of the relevant Webster Shareholders present and voting at that Scheme Meeting (either in person, by proxy, by attorney or, in the case of corporate Webster Shareholders, by a corporate representative) (noting that the Court may waive this requirement); and• at least 75% of the total number of votes cast on the relevant Scheme Resolution.
What choices do I have as a Webster Shareholder	<p>As a Webster Shareholder who is eligible to vote at the Scheme Meetings, you have the following choices in relation to your relevant class of Webster Shares that you hold:</p> <ul style="list-style-type: none">• vote in favour of the Scheme Resolution at the Scheme Meetings;• vote against the Scheme Resolution at the Scheme Meetings;• sell your Webster Shares on the ASX; or• do nothing.
What happens if I do not vote or if I vote against the Schemes?	<p>If you do not vote, or vote against the Schemes, the Schemes may not be approved at the Scheme Meetings by the Requisite Majorities of Webster Shareholders. If this occurs then the Schemes will not proceed, you will not receive the Scheme Consideration and you will remain a Webster Shareholder.</p> <p>However, if the Schemes are approved by the Requisite Majorities and the Schemes are implemented, your Webster Shares will be transferred to PSP under the Schemes and you will receive the Scheme Consideration for each Ordinary Share or Preference Share you hold on the Record Date whether or not you voted in favour of the Schemes.</p>

Frequently Asked Questions

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What can I do if I oppose either of the Schemes?	<p>If you as an Ordinary Shareholder or a Preference Shareholder oppose the Ordinary Scheme or the Preference Scheme respectively, you can do the following in respect of the relevant class of Webster Shares in which you hold:</p> <ul style="list-style-type: none">• call the Webster Shareholder Information line on 1300 217 429 (within Australia) or +61 2 8022 7919 (outside Australia);• attend the Scheme Meeting either in person or by proxy, corporate representative or attorney and vote against the Scheme Resolution in respect of the relevant Webster Shares held by you;• if the Scheme Resolution is approved by the Requisition Majorities at the Scheme Meeting and you wish to appear and be heard at the Second Court Hearing and oppose the approval of the Scheme at the Second Court Hearing, you must file with the Court and serve on Webster a notice of appearance (together with any affidavit on which you propose to rely), attend the Second Court Hearing and indicate opposition to the Scheme. You have a right as a Webster Shareholder to appear and make submissions at the Second Court Hearing.
Can I keep my Ordinary Shares or Preference Shares?	<p>If the Ordinary Scheme is implemented, your Ordinary Shares will be transferred to PSP. This will occur even if you did not vote at all or you voted against the Ordinary Scheme Resolution at the Scheme Meeting.</p> <p>If the Ordinary Scheme and the Preference Scheme is implemented, your Preference Shares will be transferred to PSP. This will occur even if you did not vote at all or you voted against the Scheme Resolution at the relevant Scheme Meeting.</p>
When will the results of the Scheme Meetings be known?	<p>The results of the Scheme Meetings will be available shortly after the conclusion of the Scheme Meetings and will be announced to the ASX once available.</p> <p>Even if the Scheme Resolutions are passed at the Scheme Meetings by the Requisite Majorities, the Schemes will only be implemented if Court approval of that Scheme is obtained and all other Conditions are satisfied or waived (where capable of waiver).</p>
What is the General Meeting?	<p>The General Meeting is a general meeting of Ordinary Shareholders to consider resolutions to approve certain payments to Maurice Felizzi and John Tyndall, Chief Financial Officer of Webster on implementation of the Ordinary Scheme. For more information, refer to Section 11.</p>
When and where will the General Meeting be held?	<p>The General Meeting will be held at The Press Room, Radisson Blu Sydney, 27 O'Connell Street Sydney NSW 2000 immediately after the Ordinary Scheme Meeting but not before 2:00pm.</p>
Who can vote on the resolutions at the General Meeting?	<p>All Ordinary Shareholders, other than Mr Felizzi and his Associates and closely related parties can vote on the resolution approving the payment to Mr Felizzi.</p> <p>All Ordinary Shareholders, other than Mr Tyndall and his Associates and closely related parties can vote on the resolution approving the payment to Mr Tyndall.</p>
What if I want further information?	<p>If you have any questions about the Schemes, the General Meeting, or you would like additional copies of this Scheme Booklet, please contact the Shareholder Information Line on 1300 217 429 (within Australia) or +61 2 8022 7919 (outside Australia). For information about your individual financial or taxation circumstances please consult your financial, legal, taxation or other professional adviser</p>

Overview of the Schemes

4

Overview of the Schemes

4.1. Background

On 3 October 2019, Webster announced that it had entered into the Scheme Implementation Agreement with PSP and the PSP Guarantor, under which it is proposed that PSP will acquire all Webster Shares by way of schemes of arrangement.

PSP wishes to acquire all Webster Shares in which it does not already have a Relevant Interest. As Ordinary Shares and Preference Shares are different classes of securities, a separate scheme of arrangement is proposed for each class.

For each Scheme to proceed, shareholders of the relevant class must vote in favour of the Scheme by the Requisite Majorities set out in Section 4.5(c) and the Scheme must be approved by the Court. Each Scheme is also subject to the satisfaction or waiver (where capable of waiver) of the other Conditions described in Section 4.6. In particular, the Preference Scheme is conditional on the Court also approving the Ordinary Scheme.

If the Schemes are approved by Webster Shareholders and by the Court, and all other Conditions are satisfied or waived (where capable of waiver), then Webster will become a wholly-owned Subsidiary of PSP and will be removed from the official list of the ASX as soon as practicable following the Implementation Date.

If the Ordinary Scheme is implemented but the Preference Scheme is not implemented for any reason (including failure to secure Preference Shareholder or Court approval), then Webster will become a Subsidiary of PSP and be removed from the official list of the ASX as soon as practicable following the Implementation Date. PSP has indicated that if this occurs, it intends to seek to acquire all Preference Shares in accordance with the compulsory acquisition provisions of Chapter 6A of the Corporations Act. See Section 6.4 for details.

If the Ordinary Scheme is not approved, Webster Shareholders will not receive the Scheme Consideration but will retain their Ordinary Shares and Preference Shares. In these circumstances, Webster will, in the absence of another proposal, continue to operate as a stand-alone entity listed on the ASX and Webster Shareholders will continue to be exposed to risks and opportunities associated with their investment in Webster. See Section 8 for details.

4.2. Scheme Consideration

(a) Ordinary Scheme Consideration

If the Ordinary Scheme is approved and implemented, Ordinary Scheme Participants will receive the Ordinary Scheme Consideration of \$2.00 per Ordinary Share held by them on the Record Date.

Payment of the Ordinary Scheme Consideration will be made on the Implementation Date.

Ordinary Shareholders should seek independent taxation advice and refer to Section 9 of this Scheme Booklet.

(b) Preference Scheme Consideration

If the Preference Scheme is approved and implemented, Preference Scheme Participants will receive the Preference Scheme Consideration of \$2.00 per Preference Share held by them on the Record Date.

Payment of the Preference Scheme Consideration will be made on the Implementation Date.

Preference Shareholders should seek independent taxation advice and refer to Section 9 of this Scheme Booklet.

(c) Payment of Scheme Consideration

Payments will be made by direct credit transfer in Australian currency into the nominated bank account for dividends of each Scheme Participant, as advised to the Webster Registry by each Webster Shareholder. If a Webster Shareholder has not nominated a bank account, payment will be made by Australian dollar cheque, sent by pre-paid ordinary post to that securityholder's registered address as shown on the Webster Register.

If a Webster Shareholder does not have a registered address, or Webster considers that the Webster Shareholder is not known at its registered address and no bank account has been nominated, payments due to the relevant Scheme Participant will be held by Webster until claimed or applied under the relevant laws dealing with unclaimed money.

Webster Shareholders are encouraged to ensure that their contact details and banking instructions are up to date. You can review your shareholder information either online at <http://www.computershare.com.au/easyupdate/WBA> or by calling the Webster Shareholder Information Line on 1300 217 429 (within Australia) or +61 2 8022 7919 (outside Australia).

4.3. Schemes

If the Ordinary Scheme is approved by Ordinary Shareholders and the Court, and if all other Conditions for implementation of the Ordinary Scheme are satisfied or waived (where capable of waiver), then:

- the Scheme will become Effective on the Effective Date;
- at the close of trading on the Effective Date, Ordinary Shares will cease trading on the ASX; and
- on the Implementation Date, all Ordinary Shares will be transferred to PSP (without any need for action by Ordinary Scheme Participants) and the Ordinary Scheme Consideration will be paid to Ordinary Scheme Participants for each Ordinary Share held by them as at the Record Date.

Overview of the Schemes *continued*

Similarly, if the Preference Scheme is approved by Preference Shareholders and the Court, and if all other Conditions for implementation of the Preference Scheme are satisfied or waived (where capable of waiver), then:

- the Preference Scheme will become Effective on the Effective Date;
- at the close of trading on the Effective Date, Preference Shares will cease trading on the ASX; and
- on the Implementation Date, all Preference Shares will be transferred to PSP (without any need for action by Preference Scheme Participants) and the Preference Scheme Consideration will be paid to Preference Scheme Participants for each Preference Share held by them as at the Record Date.

As a result of the implementation of the Schemes, Scheme Participants will cease to hold Ordinary Shares or Preference Shares (as applicable) and Webster will become a Subsidiary of PSP.

A copy of each of the Ordinary Scheme and the Preference Scheme is contained in this Scheme Booklet.

4.4. Determination of persons entitled to Scheme Consideration

(a) Dealings on or before the Record Date

For the purpose of establishing the identity of Scheme Participants, dealings in Webster Shares will be recognised only if registrable transmission applications or transfers in respect of those dealings are received by the Webster Registry on or before the Record Date (and the transferee remains registered as at the Record Date).

For the purpose of determining entitlements under a Scheme, Webster will not accept for registration or recognise any transfer or transmission applications in respect of Webster Shares received after the Record Date.

(b) Dealings after the Record Date

For the purposes of determining entitlements to the Scheme Consideration, Webster will, until the Scheme Consideration has been paid to the Scheme Participants on the Implementation Date, maintain the Webster Register in its form as at the Record Date. The Webster Register in this form will solely determine entitlements to the Scheme Consideration.

After the Record Date:

- all statements of holding for Ordinary Shares and, if the Preference Scheme is implemented, Preference Shares will cease to have effect as documents relating to title in respect of such Ordinary Shares and Preference Shares; and
- each entry on the Webster Register relating to Ordinary Shares and, if the Preference Scheme is implemented, Preference Shares will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of such Webster Shares.

4.5. Scheme Meetings

(a) Date and Time of Scheme Meetings

In accordance with an order of the Court dated 12 December 2019, Webster has convened the Ordinary Scheme Meeting to be held on 3 February 2020 commencing at 2:00pm. The General Meeting will be held immediately after the Ordinary Scheme Meeting but not before 2:00pm. The Preference Scheme Meeting will be held immediately after the General Meeting but not before 3:00pm. The Scheme Meetings and the General Meeting will be held at The Press Room, Radisson Blu Sydney, 27 O'Connell Street Sydney NSW 2000.

The notices convening the Ordinary Scheme Meeting and the Preference Scheme Meeting are set out in Annexures B and E respectively to this Scheme Booklet. The terms of the Ordinary Scheme and the Preference Scheme are contained in Annexures C and F respectively to this Scheme Booklet.

The purposes of the Scheme Meetings are for Ordinary Shareholders to consider whether to approve the Ordinary Scheme and for Preference Shareholders to consider whether to approve the Preference Scheme. Ordinary Shareholders who do not also hold Preference Shares may only attend and vote at the Ordinary Scheme Meeting. Similarly, Preference Shareholders who do not also hold Ordinary Shares may only attend and vote at the Preference Scheme Meeting.

The fact that the Court has ordered the Scheme Meetings does not mean that the Court has formed any view as to the merits of the Schemes or as to how Ordinary Shareholders or Preference Shares should vote on the Scheme Resolutions. On these matters, Webster Shareholders must reach their own decision. In any event, the Court must approve a Scheme at the Second Court Hearing before that Scheme becomes Effective.

(b) Scheme Resolutions

At the Ordinary Scheme Meeting, Ordinary Shareholders will be asked to consider and, if thought fit, to pass the Ordinary Scheme Resolution to approve the Ordinary Scheme.

At the Preference Scheme Meeting, Preference Shareholders will be asked to consider and, if thought fit, to pass the Preference Scheme Resolution to approve the Preference Scheme.

(c) Requisite Majorities to pass resolutions

The Ordinary Scheme Resolution must be approved by:

- a majority in number (more than 50%) of the Ordinary Shareholders present and voting at the Ordinary Scheme Meeting (whether in person or by proxy, corporate representative or attorney) (unless waived by the Court); and
- at least 75% of the total number of votes cast on the Ordinary Scheme Resolution by Ordinary Shareholders present and voting at the Ordinary Scheme Meeting (whether in person or by proxy, corporate representative or attorney).

Overview of the Schemes

continued

Similarly, the Preference Scheme Resolution must be approved by:

- a majority in number (more than 50%) of the Preference Shareholders present and voting at the Preference Scheme Meeting (whether in person or by proxy, corporate representative or attorney) (unless waived by the Court); and
- at least 75% of the total number of votes cast on the Preference Scheme Resolution by Preference Shareholders present and voting at the Preference Scheme Meeting (whether in person or by proxy, corporate representative or attorney).

(d) Entitlement to vote

Each Ordinary Shareholder (other than any Excluded Ordinary Shareholder) who is registered on the Webster Register at 7.00pm (Sydney time) on 1 February 2020 is entitled to vote at the Ordinary Scheme Meeting.

Belfort and Verolot each hold Ordinary Shares and so may vote on the Ordinary Scheme Resolution. However, if either or both of Belfort and Verolot vote in favour of the Ordinary Scheme Resolution and that resolution is only passed by the Requisite Majorities as result of them voting in favour of that Scheme Resolution, they will not become entitled to subscribe for shares in KoobaCo under the Kooba Subscription Agreement. See Section 7.7 for details. Mr Corrigan, on behalf of Belfort, and Mr Fitzsimons, on behalf of Verolot, have each informed the IBC that Belfort and Verolot have each undertaken to ASIC not to vote in favour of the Ordinary Scheme and intend to abstain from voting on the Ordinary Scheme Resolution however each reserves the right to vote against the Ordinary Scheme Resolution. See Section 1.1 for details of their voting intentions.

Each Preference Shareholder who is registered on the Webster Register at 7.00pm (Sydney time) on 1 February 2020 is entitled to vote at the Preference Scheme Meeting.

4.6. Conditions to implementation of the Schemes

As at the date of this Scheme Booklet, the status of the Conditions to the Ordinary Scheme are as follows:

Condition	Status
FIRB approval – Transaction	This Condition has been satisfied.
FIRB approval – Kooba Sale	This Condition has been satisfied.
ASIC and ASX approval	As at the date of this Booklet the IBC Directors are not aware of any reason why this Condition will not be satisfied.
ACCC approval	This Condition has been satisfied
Ordinary Shareholder approval	To be sought at the Ordinary Scheme Meeting
Court approval	To be sought after passage of the Ordinary Scheme Resolution at the Second Court Hearing.
Regulatory Authority	As at the date of this Booklet the IBC Directors are not aware of any reason why this Condition will not be satisfied.
Regulatory Intervention	As at the date of this Booklet the IBC Directors are not aware of any reason why this Condition will not be satisfied.
Third party consents	As at the date of this Booklet the IBC Directors are not aware of any reason why this Condition will not be satisfied.
No Webster Prescribed Event	As at the date of this Booklet the IBC Directors are not aware of any reason why this Condition will not be satisfied.
No Material Adverse Effect	As at the date of this Booklet the IBC Directors are not aware of any reason why this Condition will not be satisfied.
Webster Representations and Warranties	As at the date of this Booklet the IBC Directors are not aware of any reason why this Condition will not be satisfied.

Overview of the Schemes

continued

An update on the status of these Conditions will be provided at or before the Scheme Meetings.

As at the date of this Scheme Booklet, the status of the Conditions to the Preference Scheme are as follows:

Condition	Status
Preference Shareholder approval	To be sought at the Preference Scheme Meeting.
Court approval	To be sought after passage of the Preference Scheme Resolution at the Second Court Hearing.
Regulatory Authority	As at the date of this Booklet the IBC Directors are not aware of any reason why this Condition will not be satisfied.
Regulatory Intervention	As at the date of this Booklet the IBC Directors are not aware of any reason why this Condition will not be satisfied.
Ordinary Scheme Court approval	To be sought after passage of the Ordinary Scheme Resolution at the Second Court Hearing.

An update on the status of these Conditions will be provided at or before the Scheme Meetings.

4.7. Implementation of the Schemes

Implementation of the Schemes are subject to Conditions which must be satisfied or waived (where capable of waiver) for the relevant Scheme to proceed. A summary of the Conditions is included in Section 4.6 and the Conditions are set out in full in clauses 3.1 (for the Ordinary Scheme) and 3.2 (for the Preference Scheme) of the Scheme Implementation Agreement. A full copy of the Scheme Implementation Agreement is attached to Webster's ASX Announcement on 3 October 2019, which can be obtained from www.asx.com.au or from www.websterltd.com.au

(a) Court approval of the Schemes

Webster will apply to the Court for orders approving the Schemes at the Second Court Hearing. The Court has a broad discretion whether or not to approve the Schemes under section 411(4)(b) of the Corporations Act. The Second Court Hearing is scheduled to occur on the Second Court Date. Each Webster Shareholder has the right to appear at the Second Court Hearing.

(b) Court orders

If the Court makes orders approving a Scheme, then Webster will lodge a copy of those orders with ASIC under section 411(10) of the Corporations Act. As soon as copies of the Court orders approving a Scheme are lodged with ASIC, that Scheme will become Effective. This is expected to occur on the Effective Date.

If a Scheme becomes Effective, then Webster and PSP will become bound to implement that Scheme in accordance with the terms of the Scheme and the Deed Poll.

(c) Suspension of trading of Webster Shares

Webster will notify ASX of the approval of each Scheme by the Court on the day the Scheme become Effective. It is expected that suspension of trading in Ordinary Shares and Preference Shares on the ASX will occur from the close of trading on the Effective Date of the Ordinary Scheme.

Overview of the Schemes

continued

(d) Transfer of Webster Shares

By no later than one Business Day before the Implementation Date, PSP will deposit into an Australian dollar denominated account in the name of Webster, an amount equal to the aggregate amount of the Ordinary Scheme Consideration to be provided to Ordinary Scheme Participants and, if the Preference Scheme has become Effective, the Preference Scheme Consideration to be provided to Preference Scheme Participants.

On the Implementation Date, subject to the deposit of the aggregate Scheme Consideration being made, all Ordinary Shares and, if the Preference Scheme has become Effective, all Preference Shares will be transferred to PSP (without the need for any further act by any Scheme Participant).

(e) Payment of Scheme Consideration

On the Implementation Date, Webster will send to each Scheme Participant their entitlement to the Scheme Consideration for each Ordinary Share and, if the Preference Scheme has become Effective, each Preference Share held by them as at the Record Date. That Scheme Consideration will be paid:

- where the Scheme Participant has nominated a bank account that is currently used by Webster for the payment of dividends – by direct credit funds transfer in Australian currency into that account; or
- where the Scheme Participant has not nominated a bank account – by a cheque in Australian currency, sent by pre-paid ordinary post to the registered address of the Scheme Participant as shown on the Webster Register.

(f) Delisting of Webster

Following the implementation of the Ordinary Scheme, Webster intends to apply to the ASX for Webster to be removed from the official list following the Implementation Date.

(g) End Date

The Schemes will lapse and be of no further force or effect (and implementation will not occur) if the Effective Date has not occurred on or before the End Date.

4.8. Timetable

An indicative timetable for the Transaction appears on page 4. All dates and times following the date of the Scheme Meetings are indicative only and, among other things, are subject to the Court approval process and satisfaction or, where applicable, waiver of the Conditions.

Any changes to the timetable (which may include an earlier or later date for the Second Court Hearing) will be announced on the ASX and notified on Webster website at www.websterltd.com.au



Information About Webster

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Information About Webster

5.1. Overview

Webster is a leading Australian agribusiness company with a rich diverse history spanning over 180 years. In that time, Webster has been involved in a diverse range of industries but has always maintained a strong connection to the land and Australia's agricultural industry which is the platform of the company. Employing approximately 180 employees, its activities are located in NSW, Tasmania and South Australia.

Webster is focused on three main activities: horticulture, agriculture and water.

Webster owns a diverse portfolio of water entitlements which underpins its horticultural and agricultural operations.

5.2. Overview of assets and operations

Horticulture

Webster is Australia's largest producer of premium in-shell and kernel walnuts and accounts for 90 per cent of Australia's annual walnut crop. Its walnut business is a vertically integrated business beginning with nursery production, management of the orchards, harvesting and drying, processing and sales in both international and domestic markets.

Webster has 3,070 hectares of planted walnuts orchard of which 2,679 hectares are in the Riverina area of NSW and 391 hectares in Tasmania. The processing facilities are located at Leeton NSW.

In 2018 Webster acquired a 934.7-hectare property with 260 hectares of planted almond orchards located in the Riverina NSW. Since that acquisition a further 464 hectares of almond orchards have been developed by Webster.

Agriculture

Webster's agricultural business is focused on annual row crops, primarily cotton, with wheat and maize also produced. Webster has also livestock operations in cattle and sheep. Webster's focus is on long-term sustainable farming while maximising profitability from crop mix and yield, harnessing its extensive water portfolio.

Annual Crops are grown at Darlington Point NSW and Hay NSW, where developed irrigated land area totals 20,068 hectares.

Cattle and sheep operations located in the Darlington Point and Hay properties in NSW operate on 31,430 hectares of grazing land. There are currently approximately 3,360 head of cattle and 7,727 of sheep on the properties. Sheep operations located in the Western Division of NSW and also in South Australia operate on 349,745 hectares. There are currently approximately 13,295 head of sheep on the properties in the Western District.

Webster also operates an apiary business under the name Australian Rainforest Honey which was acquired in 2019. This business consists of 5,200 hives located in various locations in NSW. Its processing plant is located at Temora NSW.

Water

Webster owns a diverse portfolio of water entitlements which underpins its horticultural and agricultural operations.

The Webster water portfolio is a complementary mix of high and general security water entitlements with ground water and supplementary entitlements. The book value of water entitlements as at 30 September 2019 was \$186 million. The Directors estimate the value of the water portfolio to be approximately \$410 million.

The water assets provide ongoing security for the horticulture operations while enabling flexibility for the annual cropping activities.

5.3. Strategy

The key strategy for the business in recent times has been to develop its land assets to maximise the operating returns achievable from that land.

A significant development program focused on the agricultural properties has been completed and spanned a three-year period and culminating in \$78 million in expenditure. This program will facilitate maximum cropping activities in times when water availability permits.

The current strategy includes developing and growing its almond orchards with approximately an additional 3,000 hectares on existing land holdings being targeted. This will provide the company with a diversified horticulture portfolio with equal plantings (by area) of almonds and walnuts.

Underpinning the development works will be the acquisition of water entitlements to provide water security for the developing orchards through to maturity and its productive life.

Continuing to improve the operational activities and maximising returns from the operations remains central to the company strategy.

Information About Webster

continued

5.4. Board and senior leadership team

(a) Webster Directors

At the date of this Scheme Booklet, the Webster Board is comprised of the following Directors:

Christopher Corrigan	Independent Non-Executive Director and Chairman
Joseph Corrigan	Alternate to Christopher Corrigan
David Cushing	Independent Non-Executive Director
David Fitzsimons	Independent Non-Executive Director
Ross Burling	Independent Non-Executive Director
Maurice Felizzi	Managing Director and Chief Executive Officer

(b) Webster senior management

At the date of this Scheme Booklet, the Webster senior management team is comprised of the following members:

Maurice Felizzi	Managing Director and Chief Executive Officer
John Tyndall	Chief Financial Officer and Company Secretary
Glenn Lok	General Manager – Agriculture
Wayne Andreatta	General Manager – Developments
Derek Goullet	General Manager – Horticulture
Brendan Barry	General Manager – Water
Scott Hughes	General Manager – Southern Livestock
Paul Martin	General Manager – Northern Livestock
Isabella Minutillo	General Manager – Organisational Development/HR
David McClure	General Manager – Workplace Health & Safety

Information About Webster *continued*

5.5. Independent Board Committee

Webster received a non-binding, indicative and conditional offer from PSP Investments on 14 August 2019 (**NBIO**). Each of Ross Burling, Chris Corrigan and David Fitzsimons immediately recused themselves from all deliberations of the Board regarding the NBIO. The Board established an independent board committee to consider and respond to the NBIO and to consider other alternatives available to Webster. The IBC comprised David Cushing and Maurice Felizzi, being the only Directors not connected with the NBIO or involved in the proposed Kooba Subscription. As noted in Section 11.2, all decisions relating to the Felizzi Payment were made by Mr Cushing in the absence of Mr Felizzi.

Mr Felizzi is the Managing Director and Chief Executive Officer of Webster and has primary responsibility for the conduct of the affairs of Webster. Mr Felizzi is a member of Chartered Accountants Australia and New Zealand and the Institute of Chartered Secretaries and holds a Bachelor of Arts from the University of Canberra. He has extensive experience in various industries including media, energy, construction and development in executive roles as Chief Executive, General Manager and the majority of his career as Chief Financial Officer. Mr Felizzi has worked in public company, private company, and government business enterprise environments and has been involved in mergers, acquisitions and divestitures of many businesses. Mr Felizzi has worked through all aspects of the mergers and acquisition process entailing the strategic, financial evaluation, negotiation, legal and implementation/integration activities.

Mr Cushing has been an independent non-executive director of Webster since his appointment on 31 October 2012. During Mr Cushing's tenure, Webster has grown through the acquisition of the Kooba aggregation in December 2014, the acquisition and later divestment of Bengerang Limited and the off-market takeover bid for Tandou Limited in 2015. Mr Cushing is Executive Chairman of Rural Equities Limited, one of New Zealand's largest rural property companies, and is also a director of the private investment company H&G Limited. Mr Cushing was formerly an investment banker with National Australia Bank Limited subsidiary, Bank of New Zealand. Mr Cushing has considerable experience in the agricultural sector having previously been a director of horticultural company Fruited Supplies Limited, rural services company Williams & Kettle Limited and New Zealand Farming Systems Uruguay Limited. He is also a director and chair of the board audit committee of rural services company PGG Wrightson Limited and a director of Skellerup Holdings Limited, a NZX listed company.

The IBC formally met on six occasions between receipt of the NBIO and execution of the Scheme Implementation Agreement and consulted on all key aspects of the Transaction. The IBC considered, among other things, the terms of the NBIO, options for obtaining a more attractive counter-offer from a third party and the maintenance of the existing capital structure and strategy of Webster. In considering the potential for a competing offer, the IBC considered the shareholding structure of Webster and that in the last four years PSP Investments is the only party to have provided an indicative, non-binding offer for Webster. See Section 5.6 for details of the capital structure of Webster.

Since the Announcement Date and up to the date of this Scheme Booklet:

- no Superior Proposal has emerged; and
- the IBC is not aware of any Superior Proposal that is likely to emerge.

In assessing maintenance of the status quo, the IBC had regard, among other things, to the recent historical financial and operating performance of Webster and the outlook for FY20. See Sections 5.8 – 5.11 for details.

The IBC determined, after considering all options available to Webster, that the Transaction was in the best interest of Webster Shareholders. See Sections 1 and 2 for details of the reasons for the IBC's conclusion.

A consequence of the Ordinary Scheme becoming Effective is that Mr Felizzi will become entitled to early vesting of 700,000 unvested ELTIP Shares resulting in a net profit of \$494,500 as well as a payment of \$1,199,510 on the Implementation Date, if approved by Ordinary Shareholders pursuant to the Felizzi Resolution, equal to two full years of remuneration as a result of the acquisition by PSP. Mr Cushing determined that it was appropriate for Mr Felizzi to participate as a member of the IBC and to make a recommendation on the Ordinary Scheme and the Preference Scheme given his role in the operation and management of Webster, his deep industry knowledge and that Mr Felizzi's employment contract entitling him to this payment was agreed in 2017, before the PSP offer. See Sections 1.1, 2.1, 10.7 and 11.2 for details.

5.6. Capital Structure

(a) Capital structure and market capitalisation

As at the date of this Scheme Booklet, based on the last price at which Ordinary Shares and Preference Shares traded up to 10 December 2019, the last practicable trading date before the date of the first Court hearing to convene the Scheme Meetings (\$1.965 for Ordinary Shares and \$1.36 for Preference Shares), Webster had a market capitalisation of approximately \$712.3 million.

Information About Webster

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As at the date of this Scheme Booklet, the capital structure of Webster is as follows:

Capital Structure	Total number on issue
Ordinary Shares	362,245,163
Preference Shares	394,000

The shareholder distribution of Webster as at the date of the Scheme Booklet is as follows:

Number and distribution of shareholders	Ordinary	Cumulative Preference
1 – 1,000	596	163
1,001 – 5,000	1,173	13
5,001 – 10,000	611	5
10,001 – 100,000	1,071	10
100,001 and over	157	0
Total number of shareholders	3,608	191
Total number of issued shares	362,245,163	394,000
Number of shareholders holding less than a marketable parcel	189	131

(b) Substantial shareholders

The substantial shareholders of Webster as at 10 December 2019 (being the last practicable trading date before the date of the first court hearing to convene the Scheme Meetings) based on substantial shareholder notices lodged with Webster and ASX by that date are:

Substantial shareholders	Number of Shares	%	Class of Shares
AIHOP Investments Inc	69,179,683	19.10	Ordinary
Chris Corrigan and Belfort Investment Advisors Limited	45,774,378	12.64	Ordinary
Kaplan Funds Management Pty Limited	32,474,953	8.96	Ordinary
David Fitzsimons and Verolot Limited	32,215,862	8.89	Ordinary
Mr Bevan David Cushing as trustee of the KD Cushing Family Trust	20,244,413	5.59	Ordinary
Mr Peter Robin Joy	20,140,116	5.56	Ordinary

On 7 November 2019, PSP Investments and on 8 November 2019 Chris Corrigan/Belfort and David Fitzsimons/Verolot each lodged with Webster notices of change of interests of substantial holder which were expressed to be lodged at the request of ASIC. These notices stated that ASIC had formed the view that the PSP Investments Entities (being PSP, the PSP Guarantor and PSP Investments) were associated with each of Belfort and Verolot by virtue of certain arrangements which were described in Webster's ASX announcement of 3 October 2019.

As a consequence, ASIC considered that the PSP Investments Entities, Belfort and Verolot each had voting power representing the aggregate of the relevant interests held by the PSP Investments Entities and each of Belfort and Verolot. ASIC therefore required these parties to file a change of substantial holder notice in relation to these arrangements. ASIC noted that its view was based solely on consideration of the question of whether an association exists and therefore that no other inferences should be drawn from its position on the matter.

Information About Webster *continued*

The notice filed by PSP Investments Entities stated that they were of the view that they were not associated with Belfort or Verolot, but had agreed to assist ASIC by filing a substantial holder notice. The notice provided by the PSP Investments Entities stated that, to the extent the PSP Investments Entities were associated with Belfort and Verolot, the PSP Investments Entities would have an aggregate voting power of 40.45%. The notice does not constitute an acknowledgement by the PSP Investments Entities as to the creation of an association with Belfort or Verolot. The PSP Investments Entities further stated that they had also agreed with ASIC that they will not make further acquisitions of relevant interests in Webster shares other than in accordance with the Corporations Act, on the basis of ASIC's view that they are associated with Belfort and Verolot and therefore have voting power of 40.45% in Webster.

Each of the notices filed by Corrigan/Belfort and Fitzsimons/Verolot stated that they were of the view that no association exists between the PSP Investment Entities, Belfort and Verolot, but had agreed to assist ASIC by filing a substantial holder notice. The notices provided by Corrigan/Belfort and Fitzsimons/Verolot stated that, to the extent Verolot/Belfort (respectively) and the PSP Investments Entities were associated with Belfort

and Verolot (respectively), Corrigan/Belfort and Fitzsimons/Verolot would each have an aggregate voting power of 40.63%. Each notice does not constitute an acknowledgement of (and does not otherwise result in) any form of association between Belfort, Verolot and the PSP Investments Entities. Corrigan/Belfort and Fitzsimons/Verolot further stated that they had also agreed with ASIC that they will not make further acquisitions of relevant interests in Webster shares other than in accordance with the Corporations Act, on the basis of ASIC's view that they are associated and therefore have voting power of 40.63% in Webster.

At the request of the IBC, each of the PSP Investments Entities, Mr Corrigan/Belfort and Mr Fitzsimons/Verolot have confirmed to the IBC that:

- except as expressly set out in the documents attached to the notices lodged on 7 and 8 November 2019 (**Notices**) referred to above, as at 3 October 2019, there was no agreement, arrangement or understanding (whether formal or informal, enforceable or otherwise) between any of the PSP Investments Entities on the one hand and Belfort or Verolot or any person associated with either of them (including Messrs Corrigan and Fitzsimons) on the other

hand in relation to voting on resolutions to approve the Schemes and there is presently no such agreement, arrangement or understanding; and

- none of the redactions from the documents attached to the Notices deal with voting on resolutions to approve the Schemes in any way.

5.7. Recent Ordinary Share price and Preference Share price performance

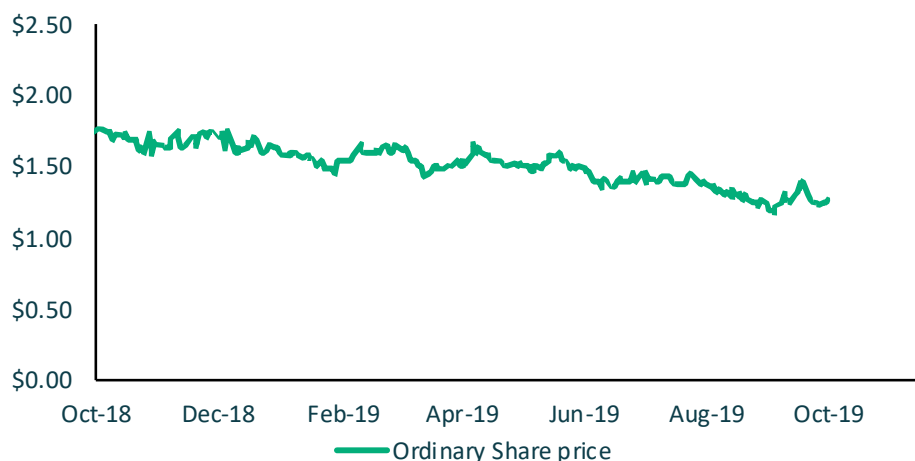
Ordinary Shares and Preference Shares are quoted on ASX under the codes "WBA" and "WBAPA" respectively.

The closing price of Ordinary Shares on 2 October 2019, the last trading day before the Announcement Date, was \$1.27. During the 12 months up to and including 2 October 2019:

- the highest recorded daily closing price for Ordinary Shares was \$1.77 on 5 October 2018; and
- the lowest recorded daily closing price for Ordinary Shares was \$1.17 on 5 September 2019.

The chart below shows Ordinary Share price performance over the 12 months to 2 October 2019:

Ordinary Share closing price – 12 months to 2 October 2019



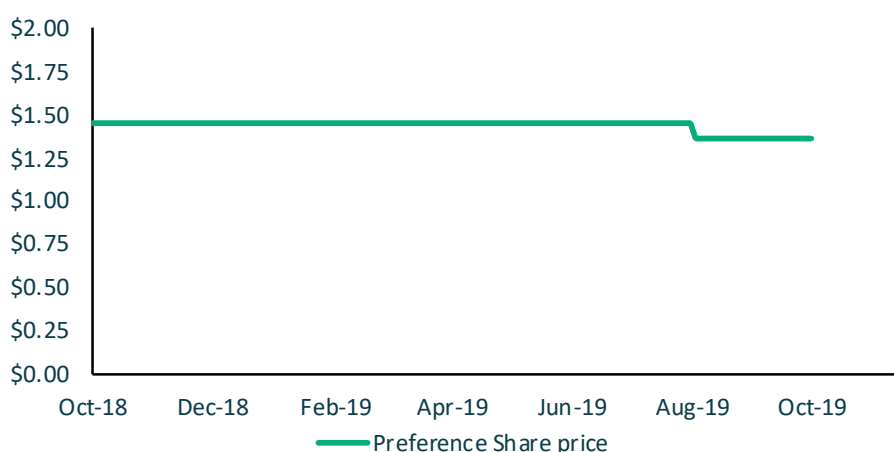
(Source: IRESS)

Information About Webster *continued*

The closing price of Preference Shares on 2 October 2019, the last trading day before the Announcement Date, was \$1.36. During the 12 months up to and including 2 October 2019, Preference Shares traded only once, on 5 August 2019 at \$1.36.

The chart below shows Preference Share price performance over the 12 months to 2 October 2019:

Preference Share closing price – 12 months to 2 October 2019



(Source: IRESS)

See Section 9.13 of the Independent Expert Report for more information regarding trading in Webster Shares.

5.8. Historical Financial Information

This Section contains financial information relating to Webster for the financial years ended 30 September 2018 and 30 September 2019. The financial information has been extracted from Webster's audited financial statements for the financial years ended 30 September 2018 and 30 September 2019.

The financial information in this Section is a summary only and has been prepared and extracted for the purposes of this Scheme Booklet.

Further detail about Webster's financial position and performance can be found in the financial statements for the financial years ended 30 September 2018 and 30 September 2019, as announced to the ASX on 2 January 2019 and 13 November 2019 respectively and which can be found on the ASX website at www.asx.com.au and the Company website at www.websterltd.com.au

(a) Basis of preparation

The historical financial information of Webster is presented in an abbreviated form and does not contain all the disclosures, presentations, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act. It should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements.

The following selected financial information of Webster has been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act. The selected financial information is presented in Australian dollars, which is the Company's functional currency. Amounts have been rounded off to the nearest thousand dollars, unless otherwise stated.

Information About Webster

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(b) Consolidated statement of comprehensive income

The following table presents the historical consolidated statement of comprehensive income for the financial years ended 30 September 2018 and 30 September 2019.

	Consolidated	
	30 Sept 2019 (\$'000)	30 Sept 2018 (\$'000)
Continuing operations		
Revenue	116,995	145,263
Cost of sales	(120,025)	(123,883)
Gross profit	(3,030)	21,380
Other income	37,001	61,999
Distribution expenses	(3,538)	(3,380)
Marketing expenses	(321)	(395)
Operational expenses	(19,146)	(29,784)
Administration expenses	(3,517)	(3,225)
Finance costs	(5,273)	(7,457)
Other expenses	(58)	(236)
Profit before income tax expense	2,118	38,902
Income tax expense	(11,228)	(11,817)
Net (loss)/profit for the year from continuing operations	(9,110)	27,085
Total comprehensive (loss)/income for the year	(9,110)	27,085
(Loss)/profit attributable to:		
Owners of the parent	(9,110)	27,085
	(9,110)	27,085
Total comprehensive (loss)/income attributable to:		
Owners of the parent	(9,110)	27,085
	(9,110)	27,085
(Loss)/earnings per share		
Basic (cents per share)	(2.55)	7.60
Diluted (cents per share)	(2.55)	7.57

Information About Webster

continued

(c) Consolidated balance sheet

The following table presents the historical consolidated balance sheet as at 30 September 2018 and 30 September 2019.

	Consolidated	
	30 Sept 2019 (\$'000)	30 Sept 2018 (\$'000)
Current assets		
Cash and cash equivalents	6,619	11,008
Trade and other receivables	11,947	17,735
Current tax receivable	1,093	-
Inventories	26,284	51,772
Biological assets	23,250	28,589
Other assets	444	218
	69,637	109,322
Assets classified as held for sale	-	133,772
Total current assets	69,637	243,094
Non-current assets		
Property, plant and equipment	370,796	327,773
Investments	112	91
Intangibles – water	186,031	161,952
Intangibles – goodwill	25,896	25,896
Intangibles – other	2,311	1,638
Total non-current assets	585,146	517,350
Total assets	654,783	760,444
Current liabilities		
Trade and other payables	11,126	19,555
Borrowings	194	163,844
Current tax liability	-	3,120
Provisions	1,810	2,237
Other liability	-	7,090
	13,130	195,846
Liabilities directly associated with assets classified as held for sale	-	2,905
Total current liabilities	13,130	198,751
Non-current liabilities		
Borrowings	135,683	46,743
Net deferred tax liability	23,451	13,333
Provisions	171	133
Total non-current liabilities	159,305	60,209
Total liabilities	172,435	258,960
Net assets	482,348	501,484
Equity		
Issued capital	477,865	477,865
Reserves	(110)	(921)
Retained earnings	4,593	24,540
Total equity	482,348	501,484

Information About Webster

continued

(d) Consolidated statement of cash flows

The following table presents the historical consolidated statement of cash flows for the financial years ended 30 September 2018 and 30 September 2019.

	Consolidated	
	30 Sept 2019 (\$'000)	30 Sept 2018 (\$'000)
Cash flows from operating activities		
Receipts from customers (including GST)	135,925	171,638
Payments to suppliers and employees (including GST)	(93,092)	(133,586)
Interest paid	(6,326)	(7,407)
Interest received	93	155
Income tax payment	(3,871)	(5,632)
Net cash provided by operating activities	32,729	25,168
Cash flows from investing activities		
Payment for acquisition of subsidiary (net of cash)	(5,757)	-
Payment for property, plant and equipment	(67,492)	(94,202)
Payment for water entitlements	(24,079)	(25,210)
Proceeds from disposal of a subsidiary	132,744	-
Payment for purchase of financial instrument	(5)	-
Proceeds from sale property, plant and equipment	1,083	2,565
Proceeds from government grants – development works	11,327	7,327
Net cash provided by investing activities	47,821	(109,520)
Cash flows from financing activities		
Proceeds from borrowings	116,500	128,000
Repayment of borrowings	(191,044)	(37,405)
Proceeds from exercising of share options	293	-
Dividends paid	(10,688)	(10,676)
Net cash used in by financing activities	(84,939)	79,919
Net decrease in cash and cash equivalents	(4,389)	(4,433)
Cash and cash equivalents at the beginning of the period	11,008	15,442
Cash and cash equivalents at end of the period	6,619	11,009
Less: Cash balance classified as held for sale	-	(1)
	6,619	11,008

Information About Webster *continued*

5.9. Discussion of financial results

On 13 November 2019, Webster publicly released its preliminary consolidated financial statements for the financial year ended 30 September 2019. The following should be noted:

Webster reported a statutory net loss after tax of \$9.1 million for the year ended 30 September 2019 and a profit before tax of \$2.1 million from its continuing operating business.

The result from continuing operations was slightly ahead of Webster's guidance of a near break-even position as confirmed on 3 October 2019, reflecting the continuing extensive drought conditions affecting all areas of production during the year and lower walnut pricing.

The prior year's net profit after tax of \$27.1 million included the earnings contribution from the Bengerang assets which were sold on 7 November 2018 and the final cotton crop at Lake Tandou which was subsequently de-commissioned.

The statutory result for FY19 was impacted by non-recognition of deferred tax assets in FY19 as a result of the proposed Transaction. The Webster Group has unrecognised revenue and capital tax losses to the extent of \$41.2 million (FY18: \$17.5 million) and \$56.6 million (FY18: \$44.7 million) respectively that are available indefinitely for offsetting against future taxable profits of the Webster Group. Deferred tax assets have not been recognised in respect of these losses as sufficient testing has not been performed to give the Directors confidence that these losses would pass the relevant tests to transfer and be available to be utilised should these losses transfer to PSP following implementation of the Schemes. If the Webster Group were able to recognise all unrecognised deferred tax assets of \$97.8 million, the profit would increase by \$15.5 million (2017: \$5.9 million).

Horticulture

Revenue and other income in the Horticulture division in FY19 was \$63.1 million compared to \$53.4 million for FY18.

Walnut yields were consistent with the prior season but below budgeted expectations. Total production in FY19 was 9,846 tonnes compared to 9,508 tonnes in FY18. However, average selling prices in FY19 were approximately 20 per cent below the prior year, reflecting continued excess supply in international markets.

Webster continued to expand its walnut orchard portfolio during FY19. Additional plantings of 125 hectares at Leeton and 181 hectares at Avondale West were completed. With the additional planting, the 880-hectare development program at Avondale West is now complete.

During FY19 Webster acquired the cropping rights to 422 hectares of walnut orchards located among other Webster-owned Tabbita and Leeton orchards in the Riverina district. The orchards were previously owned by investors in two registered managed investment schemes which were formerly managed by AGW Funds Management Limited as responsible entity.

Agriculture

Following the sale of the Bengerang assets and decommissioning of irrigation infrastructure at Lake Tandou in FY18, Webster planted 4,143 hectares of cotton in FY19 compared to 17,162 hectares in the prior year. The reduction in planted area also reflects the significantly dryer climatic conditions for the FY19 season and less water availability.

Average cotton yields for FY19 of 11.41 bales per hectare were slightly below the prior year's average yield of 11.77 bales per hectare. The cotton lint average sale price of A\$562 per bale in FY19 was slightly ahead of the prior year A\$550 per bale.

Livestock operations continued to be severely impacted by the drought, in both the southern and western regions. High supplementary feed costs impacted earnings from the livestock operations. Levels of livestock have been reduced across all properties to preserve ground cover and minimise feed costs. At all times the higher quality breeding stock has been retained to appropriate levels which has protected the historical investment made in the genetics of the livestock.

An additional \$1.1 million has been invested in FY19 in additional containment lots specifically for the purpose of stock well-being and health.

The Agriculture division also includes the Webster Group's water assets which underpin Webster's water availability for its permanent and annual crops.

During FY19, Webster acquired \$24.1 million in additional water entitlements for future cropping activities associated with properties in the southern connected basin.

The Company's water assets as at 30 September 2019 totalled approximately 167,215 ML of entitlements held across a range of water systems and water products.

Webster continues to focus on converting its water assets into valuable horticultural and agricultural products which the Company believes is likely to provide Ordinary Shareholders with a higher return on their funds in the medium to long term.

Corporate

On 31 October 2018, Ordinary Shareholders approved the sale of the Company's wholly-owned subsidiary, Bengerang Limited, incorporating the agricultural and water assets in northern NSW to AFF Water Pty Limited as trustee for the AFF Water Trust, an entity for a joint venture between Australian Food & Fibre Pty Limited and PSP Investments. The transaction was completed on 7 November 2018 with net proceeds of \$132.7 million being used to reduce net debt.

As part of Webster's acquisition of cropping rights to 422 hectares of walnut orchards in the Riverina, the two remaining managed investment schemes (managed by Webster) which owned the rights to the crop have been wound up. This is expected to realise ongoing savings to Webster in the order of \$700,000 per annum.

Webster acquired an apiary business in NSW for \$5.8 million. The bee colonies from this acquisition will be used to cross-pollinate trees at Webster's Sandy Valley orchard to produce almonds and for the production of honey for sales through domestic channels.

Information About Webster *continued*

Net debt at 30 September 2019 was \$129.3 million compared to \$199.6 million as at 30 September 2018. The decrease in debt reflects the proceeds from the sale of the Bengerang assets, partially offset by the acquisition of walnut cropping rights, the apiary acquisition, the purchase of additional water entitlements and the completion of the Agricultural developments at Darlington Point and Hay properties in NSW.

Webster's financial position remains strong with \$250 million in committed credit facilities. These facilities have fixed maturity dates \$70 million in July 2020 and \$180 million maturing in January 2022. As at 30 September 2019, \$114.3 million of these facilities were undrawn

Given the ongoing difficult conditions caused by the drought, as announced to ASX on 13 November 2019 and consistent with the terms of the Scheme Implementation Agreement, Webster does not intend to pay a dividend on Ordinary Shares in respect of the financial year ended 30 September 2019

5.10. Material changes to Webster's financial position since 30 September 2019

To the knowledge of the Directors, the financial position of Webster has not materially changed since 30 September 2019.

5.11. Discussion of prospects for financial year ended 30 September 2020

Webster expects the financial year ending 30 September 2020 to be another challenging year.

The ongoing drought conditions and low water allocations in the geographical areas in which the Webster Group operates have, and are expected to continue to adversely impact on financial and operating performance. Due to these conditions, Webster has reduced its plantings of annual crops. As a result, total cotton plantings are expected to reduce further in FY20 to approximately 1,935 hectares down from 4,413 hectares in FY19. This represents only around 9.5% of total land available

for cotton planting in the Webster land portfolio. A substantial increase in plantings is not expected to be undertaken until the current drought conditions improve.

Walnut yields are expected to be marginally higher, however pricing is expected to improve for the FY20 crop.

Webster continues to manage through the current difficult conditions and remains focused on operational efficiencies across its operations.

5.12. Directors' intentions for the business

The Corporations Act requires a statement by the Directors of their intentions regarding Webster's business.

If the Ordinary Scheme is implemented, the existing Directors will resign, and the Board will be reconstituted in accordance with the instructions of PSP on the Implementation Date. Accordingly, it is not possible for Directors to provide a statement of their intentions after the Ordinary Scheme is implemented regarding:

- the continuation of the business of Webster or how Webster's existing business will be conducted;
- any major changes, if any, to be made to the business of Webster; or
- any future employment of the present employees of Webster.

If the Ordinary Scheme is implemented, PSP will own and control all Ordinary Shares. The Directors have been advised that the intentions of PSP with respect to these matters are as set out in Section 6.4.

Implementation of the Ordinary Scheme is not conditional on approval by Preference Shareholders of the Preference Scheme Resolution. Accordingly, the above statements of intention apply irrespective of the outcome of the Preference Scheme Resolution.

If the Ordinary Scheme is not implemented, the Directors intend to continue to operate the business of Webster in accordance with the strategy outlined in Section 5.3 and otherwise in the ordinary course and continue to seek to deliver long-term shareholder value.

5.13. Risks relating to Webster's business

The existing risks relating to Webster's business and an investment in Webster will continue to be relevant to Webster Shareholders if the Schemes do not become Effective. A summary of the key risks relating to Webster's business and an investment in Webster is set out in Section 8.

5.14. Publicly available information

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

ASX maintains files containing publicly disclosed information about all companies listed on the ASX. Information disclosed to ASX by Webster is available on the ASX's website at www.asx.com.au.

In addition, Webster is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Webster may be obtained using the ASIC Connect online search function.

Webster Shareholders may obtain a copy of:

- Webster's 2018 Annual Report (including the financial statements for the financial year ended 30 September 2018); and
- Webster's 2019 Annual Report (including the financial statements for the financial year ended 30 September 2019)),

free of charge, from the ASX website (www.asx.com.au), Webster website www.websterltd.com.au or by calling the Webster Shareholder Information Line on 1300 217 429 (within Australia) or +61 2 8022 7919 (outside Australia).

Information about PSP

6

Information about PSP

The information contained in this Section 6 has been prepared by PSP. The information concerning PSP and the intentions, views and opinions contained in this section are the responsibility of PSP. Webster and its officers and advisors do not assume any responsibility for the accuracy or completeness of this information.

6.1. Information relating to PSP

(a) Overview of PSP, PSP Holdco and PSP Guarantor

PSP is an unlisted Australian proprietary company limited by shares incorporated and registered in New South Wales on 24 September 2019 for the purposes of the Schemes. PSP does not conduct business and does not own any assets or have any liabilities other than in connection with its incorporation, the entry into the Scheme Implementation Agreement and other transaction documents in connection with the Schemes and the taking of such other actions as are necessary to facilitate the implementation of the Schemes. PSP is wholly owned by PSP Holdco.

PSP Holdco is also an unlisted Australian proprietary company limited by shares incorporated and registered in New South Wales on 24 September 2019 for the purposes of the Schemes. PSP Holdco does not conduct business and does not own any assets or have any liabilities other than in connection with acting as a holding company of PSP. PSP Holdco is wholly owned by the PSP Guarantor.

PSP Guarantor is a Canadian corporation incorporated on 30 March 2011 under the Canada Business Incorporations Act. PSP Guarantor's main activity is to be a holder of investments for PSP Investments' natural resources group. PSP Guarantor is wholly owned by PSP Investments.

The ultimate holding company of each of PSP, PSP Holdco and the PSP Guarantor is PSP Investments.

(b) Overview of PSP Investments

PSP Investments is a Canadian Crown corporation, incorporated under the *Public Sector Pension Investment Board Act* (Canada), established to invest the amounts transferred by the Canadian Federal Government since 1 April 2000 equal to the proceeds of the net contributions for the pension plans of the Canadian Public Service, the Canadian Forces and the Royal Canadian Mounted Police, and since 1 March 2007, for the Reserve Force Pension Plan. Under section 3.1 of the *Public Sector Pension Investment Board Act* (Canada), the President of the Treasury Board holds all of the shares in the capital of PSP Investments on behalf of Her Majesty in right of Canada. The Treasury Board of Canada is a statutory Cabinet committee of the Government of Canada. The President of the Treasury Board is a Minister in the Government of Canada.

PSP Investments operates through the following asset classes: natural resources, public markets, private equity, real estate, infrastructure and credit investments.

PSP Investments' natural resources group invests globally in timberland, agricultural and related opportunities via direct investments or in partnership with peers and operators. Its strategy is to partner with best-in-class local operators, supporting their efforts to become global leaders in their field and to develop top performing, well-capitalized agricultural properties. PSP Investments is committed to responsible investing and partners with operators who share its philosophy and who are committed to implementing best practices, particularly in the areas of employee health and safety, the environment and sustainability.

(c) Directors of PSP

As at the date of this Scheme Booklet, the directors of PSP comprise Nicholas Philip Gill, Michaël Hassan and Todd Alexander Winkley.

(d) Directors of PSP Investments

As at the date of this Booklet, the directors of PSP Investments comprise Martin J Glynn, Maryse Bertrand, Micheline Bouchard, David C Court, Leon Courville, Garnet Garven, Lynn Haight, FCPA, Timothy E Hodgson, Miranda C Hubbs, Katherine Lee and William A MacKinnon, FCPA.

6.2. Rationale for PSP's proposed acquisition of Webster

The acquisition of Webster under the Schemes reflects PSP Investments' ongoing commitment to its investment in Australian agriculture. PSP Investments sees the acquisition as attractive with long-term positive prospects and the ability to generate good returns.

The acquisition of Webster would enable PSP Investments to gain further exposure to high quality agricultural resources in Australia in a way that is aligned to its objectives. It would also enable PSP Investments to directly operate the underlying assets and to do so in a way that could more greatly leverage the local and global agricultural experience of its owned entities and potentially achieve operational synergies with other Australian partnerships in livestock, tree nuts and dryland cropping.

A take-private initiative, if implemented, would also present PSP Investments with the opportunity to rationalise many of the functions that are associated with running a publicly listed company, and to reduce costs, including those related to listing, independent board requirements, head office and lease, board committees, and regulatory and compliance matters, such as continuous disclosure obligations and running an annual general meeting and producing annual reports for large numbers of shareholders.

Information about PSP *continued*

6.3. Funding arrangements for the Scheme Consideration

If the Schemes are implemented, Ordinary Scheme Participants will be entitled to receive the Ordinary Scheme Consideration of \$2.00 per Ordinary Share and Preference Scheme Participants will be entitled to receive the Preference Scheme Consideration of \$2.00 per Preference Share.

The Schemes are not conditional on PSP obtaining debt or equity finance to fund the payment of the Scheme Consideration.

(a) Maximum cash consideration

Based on the Scheme Consideration and the number of Scheme Shares on issue as at the date of this Scheme Booklet, the maximum amount of cash payable by PSP in connection with the Schemes will be approximately \$586,918,960, comprising:

- \$586,130,960 in respect of the Ordinary Scheme (excluding the Ordinary Shares held by AIHOP); and
- \$788,000 in respect of the Preference Scheme.

(b) Overview of funding arrangements

The Scheme Consideration will be funded entirely using PSP Investments' cash reserves. PSP Investments has access to sufficient cash reserves to fund the Scheme Consideration. As at 31 March 2019, PSP Investments had net assets of CAN\$168.0 billion (A\$177.2 billion) and cash reserves in excess of CAN\$6.8 billion (A\$7.2 billion) held through it and its Subsidiaries.

A funding commitment letter dated 3 October 2019 has been provided by PSP Investments to PSP under which PSP Investments has undertaken to provide PSP with all funds necessary to meet its payment obligations in connection with the Schemes and under the Scheme Implementation Agreement and the Scheme Deed Polls, as and when such payments are required to be made, by way of direct or indirect equity subscription, intercompany loans or otherwise as appropriate.

PSP Guarantor has also guaranteed the funding obligations of PSP under the Scheme Implementation Agreement and the Scheme Deed Polls. As at 31 March 2019, PSP Guarantor had net assets in excess of \$1.5 billion and in addition has the ability to irrevocably and immediately draw funds from PSP Investments in excess of the aggregate Scheme Consideration.

6.4. PSP's intentions if the Schemes are implemented

This Section 6.4 sets out PSP's present intentions in relation to the continuation of the business of Webster if the Schemes are implemented.

The statements set out in this Section are statements of present intention only and have been formed on the basis of facts and information concerning Webster (including certain non-public information made available by Webster to PSP Investments prior to the entry into the Scheme Implementation Agreement) and the general business environment which is known to PSP Investments at the time of preparing this Scheme Booklet. Final decisions on these matters will only be made by PSP Investments in light of all material facts and circumstances at the relevant time. Any major decisions regarding the business of Webster will only be made following receipt of appropriate legal, taxation and financial advice and a detailed review of Webster's strategic, financial and commercial operational matters to determine the optimal manner of operating and managing the business. Accordingly, statements set out in this Section are statements of current intention only which may change as new information becomes available or as circumstances change.

(a) Webster Shares

If the Ordinary Scheme is implemented, PSP will become the holder of all outstanding Ordinary Shares.

If the Preference Scheme is implemented, PSP also will become the holder of all outstanding Preference Shares.

Implementation of the Ordinary Scheme is not conditional on implementation of the Preference Scheme. If the Ordinary Scheme is implemented but the Preference Scheme is not implemented, PSP intends to complete the acquisition of all outstanding Preference Shares by way of a compulsory acquisition process under Chapter 6A of the Corporations Act, following which Webster will become a wholly owned subsidiary of PSP.

(b) Operations

If the Ordinary Scheme is implemented, PSP proposes that Webster will then undertake an internal reorganisation involving:

- the sale of Webster's Tandou livestock assets and business to a PSP Investments majority owned Australian joint venture (**Livestock Assets Reorganisation**);
- the sale of the Kooba Assets to KoobaCo pursuant to the Kooba Sale described in Section 7;
- the sale of Webster's tree nut assets and business and related water entitlements to a PSP Investments majority owned Australian joint venture which is partly owned by Ross Burling (a Director) as described in Section 10.3 (**Tree Nut Assets Reorganisation**).

To ensure continuity of operations following implementation of the restructures outlined above, PSP proposes to procure that a service agreement between KoobaCo and the entities operating the remaining Webster businesses will be documented. Under this proposed agreement, KoobaCo will provide administrative and IT services for an agreed period or until the businesses are established to the point where those services are no longer required. Any services provided by KoobaCo will be reimbursed at cost by the remaining businesses. The terms of this agreement have yet to be agreed.

Information about PSP *continued*

(c) Board of Directors

If the Ordinary Scheme is implemented, PSP intends to reconstitute the Board to include nominees of PSP (who are yet to be identified at the date of this Scheme Booklet).

(d) Management and employees

A review of the organisational structure will be undertaken which, if the Ordinary Scheme is implemented, may lead to some redeployment of resources and/or redundancies to address the potential duplication or cessation of some roles. PSP expects that the existing management and employees currently employed by Webster in relation to the livestock assets and tree nut assets will continue their employment with PSP Investments' joint venture entities, following completion of the Livestock Assets Reorganisation and the Tree Nut Assets Reorganisation. PSP expects that the existing management and employees currently employed in relation to the Kooba Assets will continue their employment with KoobaCo or one of its Subsidiaries, following completion of the Kooba Sale described in Section 7.

(e) Delisting

If the Ordinary Scheme is implemented, PSP intends to cause Webster to apply to terminate the quotation of all Ordinary Shares and Preference Shares on the ASX and to have itself removed from the official list of the ASX as soon as practicable following the Implementation Date.

6.5. PSP's interests in Webster Shares

(a) Interest in Ordinary Shares and Preference Shares

As at the date of this Scheme Booklet, PSP and its Associates have, in their view, a Relevant Interest and voting power in approximately 19.1% of the Ordinary Shares based on the 69,179,683 Ordinary Shares held by AIHOP, an indirect wholly owned Subsidiary of PSP Investments.

PSP has entered into a sale and purchase agreement with AIHOP to acquire the 69,179,683 Ordinary Shares held by AIHOP on the Effective Date of the Ordinary Scheme at a consideration per Ordinary Share equal to the Ordinary Scheme Consideration.

PSP and its Associates do not have any Relevant Interest or voting power in any Preference Shares.

On 7 November 2019, PSP Investments lodged with Webster a notice of change of interests of substantial holder at the request of ASIC, which had formed the view that the PSP Investments Entities (being PSP, the PSP Guarantor and PSP Investments) were associated with each of Belfort and Verolot by virtue of certain arrangements which were described in Webster's ASX announcement of 3 October 2019. The notice filed by the PSP Investments Entities stated that they were of the view that they were not associated with Belfort or Verolot, but had agreed to assist ASIC by filing a substantial holder notice. The notice stated that, to the extent the PSP Investments Entities were associated with Belfort and Verolot, the PSP Investments Entities would have an aggregate voting power of 40.45%.

See Section 5.5 for further details.

(b) Dealing in Webster Shares in previous four months

Other than in respect of the intra-group acquisition from AIHOP and the consideration to be provided under the Schemes, during the period of four months before the date of this Scheme Booklet, none of PSP or any of its Associates have provided or agreed to provide consideration for any Webster Shares.

(c) Benefits to holders of Webster Shares

Other than in respect of the intra-group acquisition from AIHOP and the consideration to be provided under the Schemes, during the period of four months before the date of this Scheme Booklet, none of PSP or any of its Associates has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate to:

- vote in favour of either Scheme; or
- dispose of Ordinary Shares or Preference Shares,

where the benefit was not offered to all Ordinary Shareholders or Preference Shareholders.

(d) Benefits to Webster officers

None of PSP or any of its Associates will be making any payment or giving any benefit to any current officers of Webster as consideration for, or otherwise in connection with, their resignation or retirement from their respective offices if either of the Schemes is implemented.

6.6. Other material information

Except as disclosed elsewhere in this Scheme Booklet, there is no other information relating to PSP or its intentions that is material to the making of a decision in relation to the Schemes at the date of this Scheme Booklet, which has not previously been disclosed to Webster Shareholders.



Kooba Sale Arrangements

7

Kooba Sale Arrangements

7.1. Kooba Sale – overview

The Kooba Sale involves a proposed sale, to occur after implementation of the Ordinary Scheme and, unless PSP waives this condition, the Preference Scheme (or, the acquisition of the Preference Shares by compulsory acquisition, as described in Section 6.4), of the Kooba Assets to KoobaCo, a yet to be incorporated indirect wholly owned Subsidiary of PSP Investments. The assets to be sold are the Kooba Assets described at Section 7.4.

Subject to certain conditions, Belfort (an entity controlled by Christopher Corrigan) and Verolot (an entity controlled by David Fitzsimons), have been given the opportunity to subscribe for a 50.1% interest in KoobaCo and enter into governance arrangements with the PSP Group for the operation of KoobaCo as a joint venture going forward.

These arrangements are intended to give Belfort and Verolot an opportunity to retain an interest in the Kooba Assets following the PSP Group's acquisition of Webster, and allow the PSP Group to benefit from the ongoing involvement of Christopher Corrigan and David Fitzsimons in the management of those assets.

The arrangements for the Kooba Sale are set out in the Scheme Implementation Agreement, the Kooba Deed Poll and the Kooba Sale Agreement.

7.2. Kooba Deed Poll

PSP has entered into the Kooba Deed Poll in favour of Belfort and Verolot. Under the Kooba Deed Poll PSP undertakes to cause KoobaCo to be formed and for PSP and KoobaCo to enter into the Kooba Subscription Agreement following the Ordinary Scheme Meeting but prior to the Second Court Date, subject to the Ordinary Scheme being approved by the requisite majorities at the Ordinary Scheme Meeting (excluding Belfort and Verolot and any votes cast in favour by Belfort and Verolot) (the **Voting Requirement**). It provides each of Belfort and Verolot with a right to then enter into the Kooba Subscription Agreement with PSP and KoobaCo.

At the request of the IBC, each of the PSP Investments Entities, Mr Corrigan/Belfort and Mr Fitzsimons/Verolot have confirmed to the IBC that as at 3 October 2019 there was no agreement, arrangement or understanding (whether formal or informal, enforceable or otherwise) between any of the PSP Investments Entities on the one hand and any of Belfort and Verolot and any person associated with either of them (including Messrs Corrigan and Fitzsimons) on the other hand:

- that is inconsistent with, qualifies, modifies or waives compliance with the Voting Requirement or agrees to do any of these things; or
- under which, any of Belfort and Verolot and any person associated with either of them (including Messrs Corrigan and Fitzsimons) has been or will be granted the opportunity to subscribe for or acquire any shares in KoobaCo other than in accordance with the Kooba Deed Poll and the Kooba Subscription Agreement,

and there is presently no such agreement, arrangement or understanding.

The Kooba Deed Poll specifically provides that Belfort and Verolot remain free to vote or dispose of their Webster Ordinary Shares in their absolute discretion, which will not affect the obligations of PSP under the Kooba Deed Poll. Mr Corrigan, on behalf of Belfort, and Mr Fitzsimons, on behalf of Verolot, have each informed the IBC that Belfort and Verolot have each undertaken to ASIC not to vote in favour of the Ordinary Scheme and intend to abstain from voting on the Ordinary Scheme Resolution however each reserves the right to vote against the Ordinary Scheme Resolution. See Section 1.1 for details of their voting intentions.

A copy of the Kooba Deed Poll was attached to the Notices lodged with ASX by the PSP Investment Entities, Mr Corrigan/Belfort and Mr Fitzsimons/Verolot on 7 and 8 November 2019. See Section 5.6 for details.

7.3. Kooba Subscription Agreement

The Kooba Subscription Agreement sets out the terms on which Belfort and Verolot can subscribe for a 50.1% interest in KoobaCo following completion of the Kooba Sale Agreement. It provides for the following to occur:

- prior to the scheduled date for completion under the Kooba Sale Agreement, PSP to procure that the relevant PSP Group shareholder in KoobaCo funds 100% of the purchase price payable under the Kooba Sale Agreement by:
 - funding 49.9% of the purchase price payable under the Kooba Sale Agreement (which may be a mix of equity and shareholder loan); and
 - providing interim debt funding for the remaining 50.1% of the purchase price payable under the Kooba Sale Agreement (which amount is to be repaid by KoobaCo from the subscription and loan funds received from Belfort and Verolot following completion of the Kooba Sale Agreement as set out below); and
- following completion of the Kooba Sale Agreement, Belfort and Verolot to provide funding (in the same equity to shareholder loan ratio as the 49.9% funding provided by the PSP Group shareholder in KoobaCo above) equivalent to 50.1% of the purchase price payable under the Kooba Sale Agreement. The 50.1% funding is to be provided as to 31.4% by Belfort and 18.7% by Verolot; and
- KoobaCo, the PSP Group shareholder, Belfort and Verolot to enter into the agreed form Kooba Shareholders' Deed.

Kooba Sale Arrangements

continued

The agreement contains various representations and warranties from PSP in favour of Belfort and Verolot in relation to their proposed investment in KoobaCo, including warranties that, at the time of their subscription, completion of the Kooba Sale Agreement will have occurred and KoobaCo will own the Kooba Assets and will not conduct any other business or have any other unrelated assets or liabilities.

The share capital of KoobaCo will be comprised of A class shares, B class shares and C class shares. The A class shares and B class shares in KoobaCo will carry all economic rights and the right to vote at general meetings on all matters other than the appointment and removal of directors and any other matter specifically reserved to holders of another class of shares. The nominal number of C class shares issued will carry the right to vote on the appointment and removal of directors, but not on any other matter.

Following completion of the subscription arrangements under the Kooba Subscription Agreement, the share capital of KoobaCo is expected to be held as follows:

- PSP Group – 100% of B class shares and 30% of C class shares;
- Belfort – 62.7% of A class shares and 43.9% of C class shares; and
- Verolot – 37.3% of A class shares and 26.1% of C class shares.

Of the total number of A class shares and B class shares initially on issue, the A class shares will represent 50.1% and the B class shares will represent 49.9%.

A copy of the form of the Kooba Subscription Agreement was attached to the Notices lodged with ASX by the PSP Investment Entities, Mr Corrigan/Belfort and Mr Fitzsimons/Verolot on 7 and 8 November 2019. See Section 5.6 for details.

7.4. Kooba Sale Agreement

Under the Scheme Implementation Agreement, Webster has agreed to, and PSP has agreed to procure KoobaCo to, enter into the Kooba Sale Agreement following the satisfaction (or waiver by PSP, in the case of the Preference Share acquisition condition) of the following conditions:

- the implementation of the Ordinary Scheme; and
- the acquisition by PSP of all of the issued Preference Shares (pursuant to the Preference Scheme or otherwise).

The Kooba Sale Agreement provides for the acquisition of the Kooba Assets by KoobaCo on the following terms:

Parties: Webster and KoobaCo

Conditions: Once entered into, there are no conditions precedent.

Kooba Assets: The agreement sets out the specific assets to be sold under the agreement being the shares in Webster Southern Ag Pty Limited and Australian Rainforest Honey Pty Limited (together the **Kooba Companies**) and to the extent not held by those Kooba Companies:

- the specified properties comprising the Kooba property aggregation, the Hay properties and the apiary properties (**Kooba Properties**);
- the specified water entitlements related to the Kooba and Hay properties;
- plant and equipment, intellectual property, contracts, livestock and other assets used in the irrigated farming and grazing business carried out on the Kooba Properties and in the bee keeping and honey production, processing and marketing business carried out by Australian Rainforest Honey Pty Limited (the **Kooba Businesses**) at the completion date; and
- certain corporate office assets.

Kooba employees: Prior to completion, KoobaCo will make offers of employment to all Webster employees primarily engaged in the Kooba Businesses together with other employees engaged in the Webster corporate division as determined by KoobaCo. The offer of employment must be on terms no less favourable to the employee and recognise the employee's prior years of service with Webster for determining leave entitlements.

Purchase price: The purchase price payable on completion for the Kooba Assets is \$276.7 million plus the aggregate net working capital of the Kooba Businesses as at the implementation of the Ordinary Scheme.

There are adjustments for:

- an increase in the purchase price for the value of any additional property or water entitlement acquired by Webster prior to the implementation of the Ordinary Scheme and not set out in the Kooba Sale Agreement, which are agreed to be acquired by KoobaCo;
- a decrease in the purchase price for any properties and water entitlement set out in the Kooba Sale Agreement which is sold by Webster prior to the implementation of the Ordinary Scheme; and
- an increase/decrease in the purchase price based on the actual Webster debt and working capital at implementation of the Ordinary Scheme compared to target Webster debt and working capital agreed between Webster and the PSP Group and set out in the agreement.

Between implementation of the Ordinary Scheme and completion of the Kooba Sale Agreement, the Kooba Businesses will be accounted for in a "locked box" so that all income and expenses of the Kooba Businesses during this period will be retained in the Kooba Businesses and transferred to KoobaCo on completion of the Kooba Sale Agreement. An additional payment of 0.6% per annum of the purchase price determined above, calculated daily during this same period, is payable as an addition to the purchase price.

Kooba Sale Arrangements

continued

Further description and analysis of the purchase price determination is set out in section 5.3 of the Independent Expert Report.

A copy of the form of Kooba Sale Agreement was attached to the Notices lodged with ASX by the PSP Investment Entities, Mr Corrigan/Belfort and Mr Fitzsimons/Verolot on 7 and 8 November 2019. See Section 5.6 for details.

7.5. Kooba Shareholders' Deed

The Kooba Shareholders' Deed contains the governance arrangements that will apply to KoobaCo following the above equity subscriptions. The arrangements include the following:

- the holders of a majority of the B class shares may nominate up to one third of the directors to the board of KoobaCo, and the holders of a majority of the A class shares may nominate the remaining majority of the directors to the board;
- subject to certain material reserved matters which will require a special resolution of the shareholders, the board will be responsible for the overall management of KoobaCo. Board decisions are to be determined by a simple majority, except where a director appointed by shareholders holding a majority of the aggregate A and B class shares approves a resolution which is not passed by the board, in which case the matter is referred to the shareholders and can be passed by shareholders holding a majority of shares in the class which represents the majority of the aggregate A and B class shares.

- a special resolution of the shareholders will require the approval of:
 - the holders of a majority of the A class shares and a majority of the B class shares (for so long as the A class shares and B class shares each represent 25% or more of the aggregate A and B class shares);
 - the holders of a majority of the A class shares (for so long as the A class shares represent more than 75% of the aggregate A and B class shares); and
 - the holders of a majority of the B class shares (for so long as the B class shares more than 75% of the aggregate A and B class shares);
- pro-rata rights for holders of A class shares and B class shares to participate in new equity issuances;
- pre-emption rights on transfers of A class shares and B class shares, which provide for those shares to be offered to holders of the same class first, and for any shortfall to then be offered to holders of the other class of shares; and
- rights to undertake certain share transfers outside the pre-emption regime, including permitted transfers to affiliates and a right for Belfort and Verolot, within 6 months of entry into the Kooba Shareholders' Deed, to sell up to half the A class shares to persons approved as suitable co-investors by the relevant PSP Group shareholder in KoobaCo (such approval not to be unreasonably withheld or delayed, having regard to issues such as environmental, social and governance requirements and other reputational matters).

A copy of the form of Kooba Shareholders' Deed was attached to the Notices lodged with ASX by the PSP Investment Entities, Mr Corrigan/Belfort and Mr Fitzsimons/Verolot on 7 and 8 November 2019. See Section 5.6 for details.

7.6. No collateral benefit

In Guidance Note 21 (**GN 21**) the Takeovers Panel (**Panel**) has provided guidance on what it considers to be a collateral benefit, being a benefit that is likely to induce acceptance of an offer under a takeover bid and the circumstances in which a collateral benefit may constitute unacceptable circumstances. While directed at takeover bids, the principles are also relevant to an acquisition by way of scheme of arrangement.

The Panel considers that unacceptable circumstances are likely to exist whenever a bidder provides a shareholder something of value which it does not offer to other shareholders. The Panel also considers that, prima facie, where no 'net benefit' is provided, this equality principle will not be offended.

The opportunity to subscribe for shares in KoobaCo have been offered to Belfort and Verolot alone. To assess whether this opportunity is the provision of a collateral benefit that offends the equality principle, the IBC engaged the Independent Expert to prepare a report setting out, among other things, whether or not, in its opinion the Kooba Subscription confers a net benefit on Belfort and Verolot.

The Independent Expert has concluded that the Kooba Subscription does not confer a net benefit on Belfort and Verolot. The Independent Expert has undertaken both a quantitative and qualitative analysis and has:

- compared the value of the consideration to be paid by Belfort and Verolot to the assessed fair value of their 50.1% interest in KoobaCo, and
- considered the substance and commercial reality of the Kooba Sale including the overall effect of the Transaction.

Kooba Sale Arrangements

continued

The Independent Expert has valued Belfort and Verolot's 50.1% interest in KoobaCo in the range of \$124.3 million to \$145.7 million on a non-marketable and non-full control basis. The consideration to be paid by Belfort and Verolot is calculated by the Independent Expert as \$152.8 million. As the consideration exceeds the assessed range of values for the 50.1% interest in KoobaCo, the Independent Expert considers that there is no net benefit conferred on Belfort and Verolot.

See Section 5 of the Independent Expert Report for details.

The Panel also considers that unacceptable circumstances are unlikely to exist where any arrangement has been approved by fully informed, non-associated shareholders. As noted in Section 7.7 below, Belfort and Verolot will only be able to access any benefits arising under the Kooba Subscription arrangements if the Ordinary Scheme Resolution is passed by the Requisite Majorities of Ordinary Shareholders excluding any votes cast in favour by Belfort and Verolot.

7.7. Ability of Belfort and Verolot to vote on Ordinary Scheme

Each of Belfort and Verolot are Ordinary Shareholders and so may vote on the Ordinary Scheme Resolution.

However, as noted in Section 7.2, Belfort and Verolot may only undertake the Kooba Subscription if the Ordinary Scheme Resolution is passed by the Requisite Majorities excluding any votes cast by Belfort and Verolot in favour of the Ordinary Scheme Resolution. Accordingly, if the Ordinary Scheme Resolution is passed irrespective of any votes cast in favour by either or both of Belfort and Verolot, the Ordinary Shareholder approval Condition for the Ordinary Scheme will have been satisfied and, subject to satisfaction or waiver of all other requirements for the Kooba Subscription, Belfort and Verolot may invest in KoobaCo. However, if the votes of one or both of Belfort and Verolot cast in favour of the

Ordinary Scheme Resolution are necessary to pass that resolution, the Ordinary Scheme will be approved but the condition in the Kooba Deed Poll will not have been satisfied and Belfort and Verolot will not be permitted to invest in KoobaCo.

Belfort and Verolot may also vote against the Ordinary Scheme Resolution or abstain from voting on the Ordinary Scheme Resolution.

Mr Corrigan, on behalf of Belfort, and Mr Fitzsimons, on behalf of Verolot, have each informed the IBC of their respective positions regarding voting at the Ordinary Scheme Meeting:

Mr Corrigan does not consider it appropriate that Belfort vote in favour of the Ordinary Scheme Resolution having regard to the fact that Belfort may acquire an interest in the Kooba Assets should the Ordinary Scheme be implemented. Belfort has undertaken to ASIC not to vote in favour of the Ordinary Scheme. The intention of Belfort is to abstain from voting on the Ordinary Scheme Resolution, however it reserves the right to vote against the Ordinary Scheme Resolution. For the avoidance of doubt, this statement should not be construed in any way as an indication that Mr Corrigan does not support the Ordinary Scheme.

Mr Fitzsimons does not consider it appropriate that Verolot vote in favour of the Ordinary Scheme Resolution having regard to the fact that Verolot may acquire an interest in the Kooba Assets should the Ordinary Scheme be implemented. Verolot has undertaken to ASIC not to vote in favour of the Ordinary Scheme. The intention of Verolot is to abstain from voting on the Ordinary Scheme Resolution, however it reserves the right to vote against the Ordinary Scheme Resolution. For the avoidance of doubt, this statement should not be construed in any way as an indication that Mr Fitzsimons does not support the Ordinary Scheme.



Risks

8

Risks

8.1. Introduction

The IBC Directors consider that it is appropriate for Webster Shareholders, in considering the Schemes, to be aware that there are a number of risk factors, general and specific, which could materially adversely affect the future operating and financial performance of Webster and the value of Webster Shares and Webster's dividends.

This Section 8 outlines:

- general investment risks (refer to Section 8.2); and
- specific risks associated with your current investment in Webster Shares (refer to Section 8.3).

The risk factors described in this Section 8 are not an exhaustive list and should be read in conjunction with the other information contained in this Scheme Booklet. There may be additional risks and uncertainties not currently known to Webster which may also have a material adverse effect on Webster's financial and operational performance and the value of Webster Shares.

If the Scheme applicable to your Webster Shares is implemented, you will receive the Scheme Consideration, sell your Webster Shares the subject of that Scheme to PSP and will also no longer be exposed to the risks set out below (and other risks to which Webster may be exposed) in respect of those Webster Shares. If the Schemes do not proceed, you will continue to hold your Webster Shares, not receive the Scheme Consideration and continue to be exposed to risks and opportunities associated with that investment.

In making your decision to vote on the Scheme Resolutions, you should read this Scheme Booklet carefully. You should carefully consider the risk factors outlined below and your individual circumstances. This Section 8 is general in nature only and does not take into account your individual objectives, financial situation, taxation position or particular needs.

While the IBC recommends a vote in favour of the Schemes in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that each Scheme is in the best interests of the relevant Webster Shareholders, Webster Shareholders are encouraged to make their own independent assessment as to whether to vote in favour of the Scheme Resolution applicable to them.

8.2. General investment risks

The market price of Webster Shares and future dividends made to Webster Shareholders are influenced by a number of factors, including the following:

- change in investor sentiment and overall performance of the Australian and international stock markets;
- changes in sentiment in credit markets;
- general economic conditions, including changes in business and industry cycles, inflation, interest rates, exchange rates, prices of commodities and raw materials, the cost of energy and other utility costs, employment levels, sentiment in credit markets and consumer demand;
- changes in government fiscal, monetary and regulatory policies, including legislative and regulatory regimes for corporations, taxation laws and foreign investment rules;
- government or political intervention in export and import markets and the disruptions this causes to supply and demand dynamics;
- loss of key personnel;
- interruptions at Webster's workplaces arising from industrial disputes, work stoppages and accidents, which may result in business operations delays;
- natural disasters and catastrophes, whether on a global, regional or local scale;

- accounting standards which affect the financial performance and position reported by Webster; and
- reputational risks, particularly in connection with the water industry.

8.3. Risks associated with your current investment in Webster Shares

There are a range of business-specific risks associated with your current investment in Webster Shares, as set out below. You will only continue to be exposed to these risks if the Scheme relevant to you does not proceed.

Strategy

Failure to execute Webster's strategy may result in an inability to achieve business objectives. There is a risk that further development of walnut and almond orchards consistent with the Webster Group's development strategy will not be delivered successfully which will impact on financial and operating performance.

The Webster strategy also involves holding and, where necessary, acquiring sufficient water entitlements and allocations to meet the needs of Webster orchards and, where available, Webster's annual crop. If Webster is unable to obtain or retain sufficient water to meet the needs of its operations at commercially acceptable prices, the financial and operating performance of Webster may be adversely affected.

Weather conditions and environmental events

Webster is exposed to weather conditions and environmental events such as drought, flood and fire, and the associated changes in agricultural activity. Weather variability and environmental events can negatively impact the crop output and therefore result in varied revenue outcomes for Webster.

Risks

continued

Geographical concentration risk

Webster's nut operations at Tabbita, Leeton and Avondale are all in close proximity to each other and so exposes Webster to geographical concentration risk. Adverse climatic conditions affecting the Riverina district of New South Wales may affect all nut operations in the district. Webster's annual cropping activities at Kooba (Darlington Point) and Hay are in relatively close proximity and dependant on water drawn from the Murrumbidgee river. Adverse weather conditions limiting water availability will impact on the financial success of the cropping operations.

Disease and pest risk

Like all agricultural operations, disease and pests could adversely affect walnut, almond and cotton production and livestock operations.

Market prices for agricultural commodities

Webster is exposed in various ways to fluctuations in the prices of agricultural commodities. The market for agricultural commodities can be cyclical and is influenced by various factors, including seasonal conditions, global commodity supply-demand dynamics and economic conditions. Changes in the prices of commodities can have a material impact on Webster's profitability.

Climate change

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaption requirements related to climate change.

Depending on the nature, speed and focus of these changes, transition risks may pose varying levels of financial and reputational risk to Webster (transitional risks of climate change).

Physical risks resulting from climate change can be event driven (acute) or longer term shifts (chronic) in climate patterns. Physical risks may have financial implications for Webster, such as a direct impact on the performance of agricultural and horticultural operations and indirect impacts from supply chain disruption including reduced capacity to acquire and draw water for agricultural and horticultural activities.

Managing growth

As Webster and its operations expand, Webster will be required to continue to improve, and where appropriate, upscale its operational and financial systems, procedures and controls. There is a risk of a material adverse impact on Webster if it is not able to manage its expansion and growth efficiently and effectively. Further, failure to manage change risks linked to key projects, new services and products may affect Webster's ability to meet its business objectives.

Growth through development requires significant investment. This investment can be funded either through internal cash reserves generated from operations or through external debt. If climatic conditions impact on earnings, Webster will be negatively impacted limiting Webster to debt to fund growth which, without a further equity raising, could leverage the Webster Group to levels of debt that are not ideal for an agricultural company.

Ability to attract, maintain and motivate key personnel

Webster's growth and profitability may be limited by the failure to attract, motivate and retain talented employees and to develop the required culture, leadership and behaviours resulting in an inability to achieve business objectives. There may also be increased compensation costs associated with attracting and retaining key management personnel.

Finance Risks

Failure to effectively manage Webster's working capital and consequential debt position from its development activities could lead to reduced access to funding and inability to execute on strategy. Existing credit facilities and internally generated funds may not be enough for expenditure that might be required for working capital, acquisitions and new projects. Webster may need to raise additional debt or equity in the future. No assurance can be given that any future refinancing required from time to time will be available on terms favourable to Webster. In such circumstances, if Webster is unable to secure refinancing or refinancing on favourable terms, this may have a material adverse effect on Webster.

Information Technology

Failure to manage Webster's IT infrastructure, systems and security (including cyber threats) and ensure Webster's IT environment can support its business could potentially affect Webster's ability to deliver services and adversely impact Webster's financial position and performance.

Future payment of dividends

The payment of dividends by Webster is announced at the time of release of Webster's half year and full year results and is determined by the Board at its discretion and with reference to Webster's dividend policy. Preference Shares carry a cumulative right to receive dividends equal to 9% per annum of the paid-up capital of \$1.00 per Preference Share. Ordinary Shares carry no fixed dividend entitlements. Dividend considerations are dependent on the profitability, gearing position, the need to fund working capital and acquisitions in line with strategic objectives and the cash flow of Webster's business. There is no guarantee that any dividend will be paid by Webster or, if paid, that they will be paid in line with previous levels or payout ratios.

Risks

continued

Workplace health and safety

Risks exist of a major health and safety incident occurring in the course of Webster's business that results in a loss of human life or significant injury, especially in the areas of construction activities, machinery, manual handling and chemical handling.

Disputes and litigation

As with all businesses, Webster is exposed to potential legal and other claims or disputes in the course of its business, including contractual disputes, work health and safety claims and other liability claims in relation to the services that it provides. Webster takes legal advice in respect of such claims and, where relevant, makes provisions and disclosure regarding such claims in its consolidated financial statements. Although Webster seeks to minimise the risk of such claims arising, and their impact if they do arise, such claims will arise from time to time and could adversely affect Webster's business, results of operations or financial condition and performance.

Insurance

Webster maintains insurance coverage in respect of its businesses, properties and assets. Some risks are not able to be insured at acceptable prices or at all. Insurance coverage may not be enough in such circumstances and if there is an event or claim causing loss, not all losses may be recoverable.

Changes in laws, regulations and government policies

There may be changes in laws, regulation and government policies that have an adverse impact on Webster's financial performance and position. Failure to comply with legal and regulatory requirements relating to Webster's business activities may also result in reputational damage, fines or other adverse financial consequences which may adversely affect the future earnings, asset values and market value of Webster securities quoted on the ASX.

Changes in the water entitlement and temporary water trading market and regulation could impact adversely on the operations of the Company.

Acquisitions

Webster has historically undertaken acquisitions and its future strategy may involve the acquisition of additional businesses. Acquisition transactions involve inherent risks, including:

- accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquired businesses;
- integration risks including the risk that integration could take longer or cost more than expected or that the anticipated benefits and synergies of the integration may be less than estimated;
- diversion of management attention from existing business;
- potential loss of key personnel and key clients;
- unanticipated changes in the industry or general economic conditions that affect the assumptions underlying the acquisition; and
- decline in the value of, and unanticipated costs, problems or liabilities associated with, the acquired business.

Any of these or other risks could cause Webster not to realise the benefits anticipated to result from any acquisition of new business and could have a material adverse impact on its financial position.

Superior Proposal

There is a possibility that Webster receives, and the IBC Directors recommend, a Superior Proposal before the Second Court Date. If this were to occur, the Scheme Implementation Agreement would likely be terminated and the Transaction would not proceed triggering the payment of the Break Fee to PSP.

As at the date of this Scheme Booklet, Webster has not received a Superior Proposal.



Taxation Implications

9

Taxation Implications

9.1. Introduction

Set out below is a summary of the general Australian tax consequences for Webster Shareholders of the Schemes.

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. All Webster Shareholders should seek independent professional advice on the consequences of the Scheme becoming Effective, based on their particular circumstances.

This summary is based on the provisions of the *Income Tax Assessment Act 1936* (Cth) (**ITAA 36**), the *Income Tax Assessment Act 1997* (Cth) (**ITAA 97**) and the *Tax Administration Act 1953* (Cth) (**TAA 53**) as at the date of this Scheme Booklet.

This summary considers the following Australian tax implications of the Scheme:

- the Australian income tax consequences of the disposal of Webster Shares under the Schemes; and
- certain stamp duty and GST implications.

This summary applies to Australian tax resident and non-resident shareholders who hold their shares on capital account. However, this summary will not apply to Webster Shareholders who:

- are non-residents that hold their Webster Shares in connection with a business carried on through a permanent establishment in Australia;
- acquired their Webster Shares pursuant to an employee share plan of Webster;
- are subject to the investment manager regime in subdivision 842-I of the ITAA 1997 in relation to their Webster Shares; or
- are subject to the taxation of financial arrangements rules in Division 230 of the ITAA 1997 in relation to gains and losses on their Webster Shares.

9.2. Disposal of Webster Shares for Australian tax residents

The disposal of a Webster Share by a Webster Shareholder will trigger capital gains tax (CGT) event A1. The CGT event should occur when the change of ownership of Webster Shares occurs. Under the Schemes, the change of ownership should occur on the relevant Implementation Date.

Broadly, a Webster Shareholder will:

- make a “capital gain” if the capital proceeds from the disposal of their Webster Shares exceeds the cost base of their Webster Shares; or
- make a “capital loss” if the capital proceeds from the disposal of their Webster Shares are less than the reduced cost base of their Webster Shares.

Webster Shareholders who make a capital gain on the disposal of their Webster Shares will be required to include the net capital gain (if any) for the income year in their assessable income.

A capital loss realised on the disposal of Webster Shares by a Webster Shareholder may be used to offset other capital gains derived by the same Webster Shareholder in the income year in which the capital loss is realised or may be carried forward to offset capital gains derived by the Webster Shareholder in future income years.

Specific capital loss recoupment rules apply to companies and trusts to restrict their ability to utilise capital losses in future years in some circumstances. Webster Shareholders should obtain their own tax advice in relation to the operation of these rules.

Capital Proceeds

The capital proceeds for the CGT event arising from the disposal of Webster Shares under the Scheme should consist of the money received, or entitled to be received, by a Webster Shareholder. Accordingly, the capital proceeds should include the Scheme Consideration (being \$2.00 per Webster Share) received under the relevant Scheme.

Cost base

The cost base and reduced cost base of Webster Shares should generally include the amount paid, or the market value of any property given, to acquire the Webster Shares, plus any incidental costs of acquisition (e.g. brokerage fees and stamp duty). The cost base of each Webster Share will depend on the individual circumstances of each Webster Shareholder respectively.

Webster Shares acquired in different transactions may have different cost bases and therefore capital gains may arise in respect of some Webster Shares while capital losses may arise in respect of other Webster Shares.

CGT discount

Generally, Australian resident Webster Shareholders who are individuals, trusts, and complying superannuation funds that have held their Webster Shares for at least 12 months at the time of disposal should be entitled to a CGT discount in calculating the amount of capital gain on disposal of their Webster Shares.

The CGT discount is applied after any 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 Webster Shares is 50% in the case of individuals and trusts or 33 1/3% in the case of Australian complying superannuation entities. The CGT discount is not available for Webster Shareholders that are companies.

As the rules relating to discount capital gains for trusts are complex, Webster recommends that Webster Shareholders who are trustees seek their own independent advice on how the CGT discount provisions should apply to them and the trusts' beneficiaries.

Taxation Implications

continued

9.3. Disposal of Webster Shares for Non-Australian tax resident Webster Shareholders

For a Webster Shareholder who:

- is a foreign resident, or the trustee of a foreign trust for CGT purposes; and
- has not used their Webster Shares at any time in carrying on a business through a permanent establishment in Australia,

the disposal of Webster Shares should generally only result in Australian CGT implications if the shares are “taxable Australian property”, which in respect of the Transaction will be the case if, in broad terms:

- that Webster Shareholder together with its associates held an interest of 10% or more in Webster at the time of disposal or for a 12 month period within two years preceding the disposal (referred to as a “non-portfolio interest”); and
- more than 50% of the market value of Webster’s assets is attributable to direct or indirect interests in “taxable Australian real property” (as defined in the income tax legislation) (referred to as the “principal asset test”).

The CGT discount is not available to foreign residents (including, individuals and trusts).

A non-resident individual Webster Shareholder who has previously been an Australian tax resident and chose to disregard a capital gain or loss in respect of their Webster Shares from CGT event A1 on ceasing to be an Australian tax resident may be subject to Australian CGT consequences on disposal of their Webster Shares.

Webster Shareholders that are non-Australian tax residents should seek their own independent tax advice as to the tax implications of the Scheme, including tax implications in their country of residence.

9.4. Foreign Resident Capital Gains Withholding

Withholding

Under Subdivision 14-D of Schedule 1 of the TAA 53 a foreign resident capital gains withholding tax applies to any

transaction involving the acquisition of the legal ownership of an asset that is taxable Australian property (as noted above) from a “relevant foreign resident”. The current withholding rate is 12.5%.

For the purposes of these rules, a relevant foreign resident is any Webster Shareholder that, at the time the transaction is entered into:

- (a) PSP knows, or reasonably believes to be a foreign resident for tax purposes; or
- (b) PSP does not reasonably believe is an Australian resident for tax purposes; and
 - (i) the Webster Shareholder has an address outside Australia; or
 - (ii) PSP is authorised to provide the Scheme Consideration to a place outside Australia.

Due to the nature of the taxable Australian property test as it applies to the Transaction (such as the associate inclusive nature of the non-portfolio interest test which requires information that is specific to the Webster Shareholders and which PSP will not have access to in the ordinary course), PSP or (in the case of any payment by the PSP Guarantor) the PSP Guarantor will apply the 12.5% withholding on payments to shareholders where it reasonably believes the Webster Shareholder to be a foreign resident for whom withholding may be required, unless a valid declaration has been provided by the relevant Webster Shareholder. If PSP (or the PSP Guarantor as relevant) considers it is likely that withholding will be required, PSP will notify the relevant Webster Shareholder at their registered address. A Webster Shareholder who believes the disposal of their Webster Shares may trigger a foreign resident CGT withholding tax liability should obtain independent advice, and consider contacting PSP.

The aggregate sum payable to Webster Shareholders shall not be increased to reflect the deduction and the net aggregate sum payable to those Webster Shareholders shall be taken to be in full and final satisfaction of the amounts owing to those Webster Shareholders.

Vendor declaration

Where a foreign resident Webster Shareholder provides PSP with a completed “Foreign resident capital gains withholding – vendor declaration” in accordance with subsection 14-225(1) or 14-225(2) of Schedule 1 of the TAA 53 that:

- (a) is provided prior to the relevant Implementation Date,
- (b) is for a period covering the time the transaction is entered into,
- (c) is made within 6 months of the relevant Implementation Date, and
- (d) PSP does not know the declaration to be false,

then PSP (or in the case of any payment by the PSP Guarantor, the PSP Guarantor) should not be required to withhold under Subdivision 14-D of Schedule 1 of the TAA 53.

Webster Shareholders should seek their own advice in relation to the making of an effective vendor declaration or the obtaining of a clearance certificate (as appropriate) in respect of the Transaction.

9.5. GST

There should be no GST payable in respect of the sale of Webster Shares under the Schemes. Where a Webster Shareholder is not registered or required to be registered for GST, the sale will be outside the scope of the GST. Otherwise, the sale of Webster Shares will be an input taxed financial supply. Where this is the case, Webster Shareholders should obtain independent advice in relation to whether there is an ability to claim any input tax credits for the costs (such as legal or professional fees) associated with the disposal of Webster Shares.

9.6. Stamp Duty

No stamp duty should be payable by Webster Shareholders on the disposal of Webster Shares (as relevant) in accordance with the Scheme.

Any stamp duty payable in connection with the transfer of Webster Shares to PSP, must be paid by PSP.

Additional Information

10

Additional Information

10.1. Interests of Directors in Shares

The table below lists the Relevant Interests of Directors in Webster Shares as at the date of this Scheme Booklet.

Director	Ordinary Shares	%	Preference Shares	%
Chris Corrigan	45,774,378	12.64%	-	-
Ross Burling	-	-	-	-
David Cushing	20,244,413	5.59%	-	-
Maurice Felizzi	1,200,000	0.33%	-	-
David Fitzsimons	32,215,862	8.89%	-	-

Directors who hold Ordinary Shares as at 7.00pm (Sydney time) on 1 February 2020 will be entitled to vote at the Ordinary Scheme Meeting and receive the Ordinary Scheme Consideration along with the other Ordinary Scheme Participants. For information regarding the voting intentions of the Directors, see Section 1.1.

10.2. Marketable securities in PSP held by, or on behalf of, Directors

No marketable securities of PSP are held by, or on behalf of, Directors as at the date of this Scheme Booklet.

10.3. Interests of Directors in contracts of a PSP Group member

Mr Burling was nominated to the Board by PSP Investments and is Chief Executive Officer and Director of Stahmann Farms Enterprises Pty Ltd, a non-wholly owned Subsidiary of PSP Investments and part of the Stahmann Farms joint venture which is expected to participate in the Tree Nut Assets Reorganisation referred to in Section 6.4(b). Mr Burling's employment terms with the Stahmann Farms joint venture entitle him to a fixed cash salary and participation in a short-term incentive plan. Mr Burling also currently has an economic ownership interest of approximately 0.6% in the Stahmann Farms joint venture and participates with other members of management in a management incentive arrangement designed to provide an additional ratchet payment based on the long-term returns on the investment made

by PSP Investments. The consideration to be paid by the Stahmann Farms joint venture to the Webster Group for the assets to be acquired under the Tree Nut Assets Reorganisation is currently expected to be approximately \$510 million.

Belfort and Verolot, entities controlled by Chris Corrigan and David Fitzsimons respectively, have received the benefit of the undertakings given by PSP under the Kooba Deed Poll. Under this document, Belfort and Verolot may subscribe for shares representing 50.1% of KoobaCo on the terms set out in the Kooba Subscription Agreement and will enter into the Kooba Shareholders' Deed. Details of these contracts are set out in Sections 7.2, 7.3 and 7.5.

No other Director has any interest in any contract with any PSP Group member.

10.4. Agreements or arrangements with Directors

As noted in Section 10.7, Maurice Felizzi, Chief Executive Officer and Managing Director of Webster, holds 700,000 unvested Ordinary Shares issued under the Webster ELTIP. As a result of the arrangements described in Section 10.7, these ELTIP Shares will be acquired by PSP on implementation of the Ordinary Scheme. The aggregate difference between the issue price for these Ordinary Shares and the Ordinary Scheme Consideration payable for these Ordinary Shares is \$494,500. See Section 10.7 for details.

Other than as set out in Section 10.3 – 10.5, there is no agreement or arrangement made between any Director and any other

person, including any PSP Group member, in connection with or conditional upon the outcome of the Schemes.

10.5. Payments and other benefits to Directors, secretaries or executive officers of Webster

Maurice Felizzi, Chief Executive Officer and Managing Director of Webster, and John Tyndall, Chief Financial Officer of Webster are each entitled to receive payments on the Ordinary Scheme becoming Effective, subject to receipt of approval from Ordinary Shareholders. See Sections 11.1 and 11.3 for details.

Messrs Felizzi and Tyndall also hold ELTIP Shares which will vest early on the Ordinary Scheme becoming Effective. See Section 10.7 for details.

Except as otherwise disclosed in Sections 10 and 11, no payment or other benefit is proposed to be made or given to a director, secretary or executive officer of Webster or any member of the Webster Group as compensation for loss of, or as consideration for or in connection with their retirement from, office in Webster or any member of the Webster Group as a result of the Schemes.

10.6. Other interests of Directors

Other than as set out elsewhere in this Section 10 and Section 11.1, no Director has any other interest, whether as a director, member or creditor of PSP or otherwise, which is material to the Schemes.

Additional Information

continued

10.7. Webster Executive Long Term Incentive Plan

Overview of the ELTIP

As detailed in Webster's annual report for the year ended 30 September 2019, on 27 August 2013 the Board adopted an Executive Long-Term Incentive Plan (**ELTIP**) to give eligible executives the opportunity to acquire Ordinary Shares (**ELTIP Shares**). Under the ELTIP, eligible executives are invited to apply for a set number of ELTIP Shares and a non-recourse interest-free loan is made available to them by Webster for this purpose. The Board may from time to time determine which executives are entitled to participate in the ELTIP based on individual performance as assessed under the annual review process.

ELTIP Shares issued to eligible executives are subject to a holding lock from their issue date until applicable vesting conditions (being continuity of service to the vesting date) have been satisfied and the loans applicable to them repaid. Once vested, the participating executive may sell the ELTIP Shares subject to repaying the loan advanced to fund the purchase of those shares. If the vesting condition is not satisfied or the applicable loan is not repaid by the due date, the ELTIP Shares are forfeited at which time Webster may sell the ELTIP Shares and apply the proceeds to repay the loan advanced to the participating employee. The obligation to repay the loan is limited recourse to the applicable ELTIP Shares meaning that the participating executive's obligation to repay the loan is limited to the net proceeds of sale realised on disposal of the shares.

The issue price of ELTIP Shares is determined based on trading in Ordinary Shares over the five trading days prior to the date of issue or, if purchased on-market, the total cost to acquire those Shares (including brokerage). ELTIP Shares rank pari passu with existing Ordinary Shares and are entitled to participate in dividends as well as future rights and bonus issues. The ELTIP rewards participating executives against the extent of Webster's achievement against improvement in share price and hence shareholder value over the long term.

Details of unvested ELTIP Shares granted as compensation to key management personnel as at 30 September 2019 together with the outstanding loan balances as at that date are shown in the table below.

Unvested ELTIP Shares 30 September 2019

Executive	ELTIP Shares granted	Issue/exercise price	Loan Balance	Grant date	Vesting/expiry date
D C Goullet	193,750	\$1.21	\$220,681	21/09/2016	21/09/2020
	200,000	\$1.34	\$256,500	25/09/2017	25/09/2020
	200,000	\$1.34	\$256,500	25/09/2017	25/09/2021
M Felizzi	250,000	\$1.10	\$257,500	30/05/2016	30/05/2020
	250,000	\$1.21	\$284,750	21/09/2016	21/09/2020
	100,000	\$1.64	\$164,000	21/01/2019	21/01/2022
	100,000	\$1.64	\$164,000	21/01/2019	21/01/2023
B Barry	250,000	\$1.21	\$284,750	21/09/2016	21/09/2020
G J Lok	350,000	\$1.34	\$448,875	25/09/2017	25/09/2020
	350,000	\$1.34	\$448,875	25/09/2017	25/09/2021
	50,000	\$1.64	\$82,000	21/01/2019	21/01/2022
	50,000	\$1.64	\$82,000	21/01/2019	21/01/2023
W Andreatta	200,000	\$1.34	\$256,500	25/09/2017	25/09/2020
	200,000	\$1.34	\$256,500	25/09/2017	25/09/2021
	100,000	\$1.64	\$164,000	21/01/2019	21/01/2022
	100,000	\$1.64	\$164,000	21/01/2019	21/01/2023
J Tyndall	250,000	\$1.64	\$410,000	21/01/2019	21/01/2022
	250,000	\$1.64	\$410,000	21/01/2019	21/01/2023
	3,443,750		\$4,611,431		

Additional Information

continued

Details of vested ELTIP Shares granted as compensation to key management personnel as at 30 September 2019 together with the outstanding loan balances as at that date are shown in the table below.

Vested ELTIP Shares 30 September 2019

Executive	ELTIP Shares granted	Issue/exercise price	Grant date	Loan Balance	Vesting date
D C Goullet	193,750 (ii)	\$1.21	21/09/2016	\$220,681	21/09/2019
S Stegmann	275,000 (i)	\$0.86	05/0/2013	\$184,250	5/09/2016
	275,000 (i)	\$0.86	05/09/2013	\$184,250	5/09/2017
M Felizzi	250,000 (i)	\$1.10	30/05/2016	\$257,500	30/05/2019
	250,000 (i)	\$1.21	21/09/2016	\$284,750	21/09/2019
B Barry	250,000 (i)	\$1.21	21/09/2016	\$284,750	21/09/2019
	1,493,750			\$1,416,181	

(i) In accordance with the ELTIP rules, these current/former executives requested an extension of the term of the loan relating to these ELTIP Shares. Webster granted this request.

(ii) These ELTIP Shares vested on 5 September 2019. In accordance with the ELTIP rules Mr D C Goullet has 90 days to repay the loan provided to acquire these ELTIP Shares.

Maurice Felizzi holds 1,200,000 ELTIP Shares of which 700,000 ELTIP Shares remain subject to vesting conditions. None of the other Directors hold any ELTIP Shares.

Webster does not have any options over any Ordinary Shares on issue as at the date of this Scheme Booklet.

Intended treatment of ELTIP Shares in connection with the Scheme

The ELTIP rules provide that all unvested ELTIP Shares vest automatically on a change of control of Webster without any exercise of discretion by the Board.

Under the terms of the Scheme Implementation Agreement, by no later than the Effective Date Webster must put in place arrangements so that all unvested ELTIP Shares vest and that on implementation of the Ordinary Scheme all vested ELTIP Shares will be acquired by PSP for the Ordinary Scheme Consideration, the loans referable to those shares will be repaid and the balance will be paid to the participating executives.

Voting of ELTIP Shares

Holders of unvested ELTIP Shares may vote on the Ordinary Scheme Resolution in the same way as other Ordinary Shareholders.

ELTIP Shares held by Webster

The ELTIP rules permit Webster to transfer forfeited ELTIP Shares to incoming ELTIP participant employees. In some instances, forfeited ELTIP Shares have been registered in the name of Webster with a notation indicating that these ELTIP Shares are held pending transfer to ELTIP participants. As at the date of this Booklet, there are 647,500 ELTIP Shares of which Webster is the registered Ordinary Shareholder and these ELTIP Shares will not be voted at the Ordinary Scheme Meeting or the General Meeting. These Ordinary Shares will be transferred to PSP if the Ordinary Scheme becomes Effective in the same manner as all other Ordinary Shares.

10.8. Suspension of trading of Webster Shares

If the Court approves the Ordinary Scheme, Webster will notify ASX. It is expected that suspension of trading on the ASX in Ordinary Shares and Preference Shares will occur from close of trading on the Effective Date.

Additional Information

continued

10.9. Warranties by Scheme Participants

The Ordinary Scheme provides that each Ordinary Scheme Participant is taken to have warranted to PSP that:

- all of their Ordinary Scheme Shares (together with all rights and entitlements attaching to those shares) transferred to PSP under the Ordinary Scheme will, as at the date of transfer, be fully paid and free from all Encumbrances;
- they have full power and capacity to sell and transfer their Ordinary Scheme Shares (together with all rights and entitlements attaching to those shares) to PSP under the Ordinary Scheme.

The Preference Scheme provides that each Scheme Preference Shareholder is taken to have warranted to PSP that:

- all of their Preference Scheme Shares (together with all rights and entitlements attaching to those shares) transferred to PSP under the Preference Scheme will, as at the date of transfer, be fully paid and free from all Encumbrances;
- they have full power and capacity to sell and transfer their Preference Scheme Shares (together with all rights and entitlements attaching to those shares) to PSP under the Preference Scheme.

10.10. Summary of Scheme Implementation Agreement

On 3 October 2019 Webster, PSP and the PSP Guarantor entered into a binding Scheme Implementation Agreement under which Webster agreed to propose the Schemes. The Scheme Implementation Agreement sets out the parties' obligations in connection with the Schemes.

A summary of the key elements of the Scheme Implementation Agreement is set out below. A full copy of the Scheme Implementation Agreement was lodged with ASX on 3 October 2019 and can be obtained from www.asx.com.au or from www.websterltd.com.au

Conditions – Ordinary Scheme

Implementation of the Ordinary Scheme is subject to the following Conditions which must be satisfied or waived (where capable of waiver) before the Ordinary Scheme can be implemented:

- **FIRB approval – Transaction** – before 5.00pm on the Business Day before the Second Court Date either:
 - the Treasurer (or the Treasurer's delegate) has provided a written no objection notification to the Transaction either without conditions or with conditions acceptable to PSP; or
 - following notice of the proposed Transaction having been given by PSP to the Treasurer under the FIRB Act, the Treasurer has ceased to be empowered to make any order under Part 3 of the FIRB Act because the applicable time limit on making orders and decisions under the FIRB Act has expired.
- **FIRB approval – Kooba Sale** – before 5.00pm on the Business Day before the Second Court Date either:
 - the Treasurer (or the Treasurer's delegate) has provided a written no objection notification to the Kooba Sale either without conditions or with conditions acceptable to PSP; or
 - following notice of the proposed Kooba Sale having been given by PSP to the Treasurer under the FIRB Act, the Treasurer has ceased to be empowered to make any order under Part 3 of the FIRB Act because the applicable time limit on making orders and decisions under the FIRB Act has expired.
- **ASIC and ASX approval** – before 8.00am on the Second Court Date, ASIC and ASX provides and does not withdraw or revoke any consents or approvals, which the parties agree are reasonably necessary or desirable to implement the Transaction.

- **ACCC approval** – before 8.00am on the Second Court Date, ACCC advises in writing that it does not intend to oppose the Ordinary Scheme or it does not intend to oppose the Ordinary Scheme subject to undertakings, and those undertakings are acceptable to PSP (acting reasonably) and that advice has not been withdrawn or revoked.
- **Ordinary Shareholder approval** – Ordinary Shareholders approve the Ordinary Scheme by the Requisite Majorities in accordance with the Corporations Act.
- **Court approval** – the Court approves the Ordinary Scheme in accordance with section 411(4)(b) of the Corporations Act.
- **Regulatory Authority** – all other material approvals of a Regulatory Authority which PSP and Webster agree are necessary or desirable to implement the Ordinary Scheme are obtained and those approvals are not withdrawn or revoked.
- **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 Ordinary Scheme and no such order, decree, ruling, other action or refusal is in effect as at 8.00am on the Second Court Date.
- **Third party consents** – all other approvals of a third party which PSP and Webster (acting reasonably) agree are necessary or desirable to implement the Transaction are obtained.
- **No Webster Prescribed Event** – no Webster Prescribed Event occurs between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Date.
- **No Material Adverse Effect** – no Material Adverse Effect occurs between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Date.

Additional Information

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- **Webster Representations and Warranties** – the Webster Representations and Warranties are true and correct in all material respects at all times between the date of the Scheme Implementation Agreement and as at 8.00am on the Second Court Date, except where expressed to be operative at another date.

Conditions – Preference Scheme

Implementation of the Preference Scheme is subject to the following Conditions which must be satisfied or waived (where capable of waiver) before the Preference Scheme can be implemented:

- **Preference Shareholder approval** – Preference Shareholders approve the Preference Scheme by the Requisite Majorities in accordance with the Corporations Act.
- **Court approval** – the Court approves the Preference Scheme in accordance with section 411(4)(b) of the Corporations Act.
- **Regulatory Authority** – all approvals of a Regulatory Authority which PSP and Webster agree are necessary or desirable to implement the Preference Scheme are obtained and those approvals have not been withdrawn or revoked.
- **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 Preference Scheme and no such order, decree, ruling, other action or refusal is in effect as at 8.00am on the Second Court Date.
- **Ordinary Scheme Court approval** – the Court approves the Ordinary Scheme in accordance with section 411(4)(b) of the Corporations Act.

Exclusivity

The Scheme Implementation Agreement contains certain exclusivity arrangements in favour of PSP. The exclusivity obligations are contained in clause 11 of the Scheme Implementation Agreement in full and summarised below.

In summary, from the date of the Scheme Implementation Agreement until the earlier of the Implementation Date, 31 May 2019 or such other date as may be agreed by PSP and Webster, **(End Date)** and the date the Scheme Implementation Agreement is terminated in accordance with its terms **(Exclusivity Period)**:

- **(No shop)** Webster must ensure that neither it nor its Representatives directly or indirectly solicits, invites, encourages or initiates any enquiries, negotiations or discussions; or 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.
- **(No talk)** Webster must ensure that neither it nor its Representatives negotiates or enters into, or participates in negotiations or discussions with any other person 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 Webster or any of its Representatives or the person has publicly announced the Competing Transaction.
- **(No due diligence)** in relation to a Competing Transaction Webster must ensure that neither it nor its Representatives enables any person other than PSP or its Representatives to undertake due diligence investigations on any member of the Webster Group or their businesses or operations; or makes available to any other person, or permit any other person to receive any non-public information relating to any member of the Webster Group or their businesses or operations.

- **(Notification of approaches)** Webster must inform PSP if it or any of its Representatives receives an unsolicited approach with respect to any Competing Transaction and must disclose details of that approach. Webster must inform PSP if it provides or receives any request for information, books or records relating to any Webster Group member or any of their businesses or operations which Webster has reasonable grounds to suspect may relate to a current or future Competing Transaction.
- **(Matching right)** Webster must not enter into any legally binding agreement, arrangement or understanding in which Webster or a third party proposes to undertake or give effect to a Competing Transaction and Webster must use its best endeavours to procure that none of its Directors change their recommendation in favour of the Schemes to publicly recommend a Competing Transaction unless:
 - the IBC Directors acting in good faith in order to satisfy their statutory or fiduciary duties (on receipt of written advice from external legal advisors), determine the Competing Transaction would be or would be likely to be an actual, proposed or potential Superior Proposal;
 - Webster has provided PSP with the material terms and conditions of the Competing Transaction, including price and the identity of the Third Party making the Competing Transaction;
 - Webster has given PSP at least 5 Business Days to provide a matching or superior proposal to the terms of the Competing Transaction; and
 - PSP has not announced a matching or superior proposal to the terms of the Competing Transaction by the expiry of the 5 Business Day period.

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continued

If PSP proposes a PSP Counterproposal constituting a matching or superior proposal to the Competing Transaction by the expiry of the 5 Business Day period (PSP Counterproposal), Webster must procure that the IBC Directors consider the PSP Counterproposal. If the IBC Directors acting reasonably and in good faith, determine the PSP Counterproposal would provide an equivalent or superior outcome for Webster Shareholders as a whole compared with the Competing Transaction, then, Webster and PSP must use their best endeavours to agree to the amendments to the SIA, the Schemes and the Deeds Poll reasonably necessary to reflect the PSP Counterproposal, and to implement the PSP Counterproposal. Webster must use its best endeavours to ensure that each member of the IBC Directors continues to recommend the Schemes (as modified by any PSP Counterproposal) to Webster Shareholders.

The “no talk” and “no due diligence” provisions in the Scheme Implementation Agreement do not apply to the extent that they restrict Webster or the Board from taking or refusing to take any action with respect to a genuine Competing Transaction (which was not solicited, invited, encouraged or initiated by Webster in contravention of the Scheme Implementation Agreement) provided that the IBC Directors have determined, in good faith that:

- after consultation with their financial advisors, such a genuine Competing Transaction is, or could reasonably be considered to become, a Superior Proposal; and
- after receiving written legal advice from their 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 Independent Directors’ fiduciary or statutory obligations.

These exclusivity arrangements are set out in full in clause 11 of the Scheme Implementation Agreement.

Break Fee

Webster has agreed to pay PSP a break fee of A\$5,500,000 (**Break Fee**) if the Ordinary Scheme does not proceed because:

- **(Competing Transaction)** a Competing Transaction is announced on or before the End Date, and within 12 months of termination of the Scheme Implementation Agreement, the third party who announced or made the Competing Transaction completes the Competing Transaction or acquires a Relevant Interest in more than 50% of the Ordinary Shares;
- **(Change of Recommendation)** any IBC Director fails to recommend either of the Schemes or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating that he no longer supports either of the Schemes, except where expressly permitted by the Scheme Implementation Agreement in respect of an executive Director or where the change of recommendation or statement is made after the Independent Expert concludes that, in the opinion of the Independent Expert the relevant Scheme is not in the best interests of the relevant Webster 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); or
- **(termination by PSP)** PSP validly terminates the Scheme Implementation Agreement because:
 - Webster has committed a material breach of the Scheme Implementation Agreement; or

- a Condition has not been satisfied or waived (where capable of waiver) by the required date and, in certain circumstances, Webster and PSP are unable to agree on a course of action, and the failure to satisfy the relevant Condition resulted from of a breach of the Scheme Implementation Agreement by Webster or a deliberate act or omission by Webster.

However, the Break Fee is not payable in certain limited circumstances, including if the Ordinary Scheme nevertheless becomes Effective. For full details of the Break Fee, see clause 12 of the Scheme Implementation Agreement.

Termination

The termination rights of Webster and PSP are set out in clause 14 of the Scheme Implementation Agreement. In summary:

- Either Webster or PSP may terminate the Scheme Implementation Agreement if the Ordinary Scheme has not become Effective on or before the End Date or by agreement in writing by both parties.
- Either Webster or PSP may terminate the Scheme Implementation Agreement at any time before 8.00am on the Second Court Date if:
 - a Condition has not been satisfied or waived (where capable of waiver) by the required date and, in certain circumstances, Webster and PSP are unable to agree on a course of action; or
 - the other party commits a material breach of the Scheme Implementation Agreement which is not remedied within the required period.
- PSP may terminate the Scheme Implementation Agreement at any time before 8.00am on the Second Court Date if:

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- except where expressly permitted by the Scheme Implementation Agreement in respect of an executive Director, any IBC Director withdraws, changes or adversely modifies their voting intention or recommendation that Webster Shareholders vote in favour of the Scheme Resolutions or makes a public statement indicating it no longer supports either of the Schemes; or
- Chris Corrigan or David Fitzsimons recommends that Webster Shareholders vote against either of the Scheme Resolutions or makes a public statement indicating it does not support either of the Schemes.
- Webster may terminate the Scheme Implementation Agreement at any time before 8.00am on the Second Court Date if the IBC Directors withdraw, change or modify their voting intention or recommendation that Shareholders vote in favour of the Scheme Resolutions where permitted to do so under the Scheme Implementation Agreement.

Guarantee

The PSP Guarantor irrevocably and unconditionally guarantees to Webster the due and punctual performance of all present and future obligations and the payment of all present and future liabilities of PSP under the Scheme Implementation Agreement, the Schemes and the Deeds Poll and must on demand by Webster perform such obligations or pay such liabilities in the manner specified in those documents if PSP fails to do so on the due date.

10.11. Summary of Deed Polls

On 6 December 2019, PSP executed the Ordinary Scheme Deed Poll in favour of each Ordinary Scheme Participant under which it has undertaken to:

- provide, or to procure the provision of, the Ordinary Scheme Consideration payable to Ordinary Scheme Participants in accordance with the Ordinary Scheme, subject to the Ordinary Scheme becoming Effective; and
- undertake all other actions attributed to PSP under the Ordinary Scheme.

Also on 6 December 2019, PSP executed the Preference Scheme Deed Poll in favour of each Preference Scheme Participant under which it has undertaken to:

- provide, or to procure the provision of, the Preference Scheme Consideration payable to Preference Scheme Participants in accordance with the Preference Scheme, subject to the Preference Scheme becoming Effective; and
- undertake all other actions attributed to PSP under the Preference Scheme.

The PSP Guarantor has also executed the Ordinary Scheme Deed Poll and the Preference Scheme Deed Poll in order to guarantee the performance of PSP's obligations under the respective deed polls and Schemes.

Copies of the Ordinary Scheme Deed Poll and the Preference Scheme Deed Poll are set out in Annexures D and G.

10.12. Implications for creditors of Webster Group

The Schemes, if implemented, are not expected to materially prejudice the Webster Group's ability to pay its creditors. No material new liability will be incurred by the Webster Group as a consequence of implementation of the Schemes other than the transaction costs described in Section 10.15.

The Webster Group has paid and is paying all its creditors within Webster's normal terms of trade. Each Webster Group company is solvent and is trading in an ordinary commercial manner.

10.13. Consents and disclosures

The following parties have given, and have not withdrawn before the date of this Scheme Booklet, their consent to be named in this Scheme Booklet in the form and context in which they are named:

- OB Law Pty Limited as joint legal adviser to the IBC.
- Clayton Utz as joint legal adviser to the IBC.
- Computershare Investor Services Pty Limited as Webster Registry.
- Belfort Investment Advisors Limited as an Ordinary Shareholder.
- Verolot Limited as an Ordinary Shareholder.
- Public Sector Pension Investment Board and Sooke Investments Inc.

The Independent Expert has given and has not withdrawn its consent to be named in this Scheme Booklet and to the inclusion of the Independent Expert Report in Annexure A to this Scheme Booklet and to the references to the Independent Expert Report in this Scheme Booklet being made in the form and context in which each such reference is included.

CBRE Valuations Pty Limited (CBRE) has given and has not withdrawn its consent to the inclusion of the Valuation Report in Annexure A to this Scheme Booklet and to the references to CBRE in the Independent Expert Report being made in the form and context in which each such reference is included.

PSP has given, and has not withdrawn, its consent to be named in this Scheme Booklet and in relation to the inclusion of the PSP Information in this Scheme Booklet in the form and context in which that information is included.

Additional Information

continued

Each person named in this Section 10.13:

- has not authorised or caused the issue of this Scheme Booklet;
- does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than as specified in this Section 10.13; and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet, other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this Section 10.13.

10.14. No unacceptable circumstances

The Directors believe that the Schemes do not involve any circumstances in relation to the affairs of Webster that could reasonably be characterised as constituting “unacceptable circumstances” for the purposes of section 657A of the Corporations Act.

10.15. Transaction Costs

Webster estimates that it will incur approximately \$1,825,000 (excluding GST and disbursements) in external transaction costs related to the Schemes. Of this, approximately \$1,750,000 will be incurred regardless of whether or not the Schemes become Effective, excluding any Break Fee that may be payable to PSP.

These costs are estimated to include the following:

Independent Expert Report	\$429,000
Valuation Report	\$76,000
Legal and counsel fees	\$1,000,000
Investor relations and shareholder engagement	\$100,000
Registry fees	\$50,000
Design, printing and mailing costs	\$120,000
Ancillary costs	\$100,000

10.16. Status of regulatory Conditions

The implementation of the Schemes is subject to various approvals, consents or relief being obtained from various regulatory authorities. As at the date of lodgement of this Scheme Booklet with ASIC for registration, Webster and PSP have applied for all of the regulatory approvals, consents or relief which they consider are necessary or desirable for the purposes of implementing the Schemes.

10.17. ASX relief granted to Webster

ASX provided an “in principle” ruling that Webster is not required to seek Ordinary Shareholder approval for the Kooba Sale or the Kooba Subscription under ASX Listing Rule 10.1.

ASX has confirmed that ASX Listing Rules 11.1 or 11.2 do not apply to the Kooba Subscription.

10.18. No other information material to the making of a decision in relation to the Schemes

Otherwise than as contained or referred to in this Scheme Booklet, including the Independent Expert Report and the information that is contained in the annexures to this Scheme Booklet, there is no other information as at the date of this Scheme Booklet that is material to the making of a decision by an Ordinary Shareholder or Preference Shareholder whether or not to vote in favour of the Ordinary Scheme Resolution or Preference Scheme Resolution (respectively) to approve the Schemes, being information that is known to any IBC Director and which has not previously been disclosed to Webster Shareholders.

10.19. Supplementary information

Webster will issue supplementary information to this Scheme Booklet if it becomes aware of any of the following between the date of this Scheme Booklet and the Effective Date:

- a material statement in this Scheme Booklet is or becomes 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 consultation with PSP and obtaining any relevant approvals, Webster may circulate and publish any supplementary document by:

- making an announcement to the ASX;
- placing an advertisement in a prominently published newspaper that is circulated generally throughout Australia;
- posting the supplementary document to Webster Shareholders at their registered address as shown on Webster Register, or by email for Webster Shareholders who have elected to receive communications electronically; or
- posting a statement on Webster’s website www.websterltd.com.au as Webster, in its absolute discretion, considers appropriate.



General Meeting

11

General Meeting

11.1. Overview

The Directors have convened a general meeting of Ordinary Shareholders to consider two resolutions to approve certain payments to Maurice Felizzi, Chief Executive Officer and Managing Director of Webster and John Tyndall, Chief Financial Officer of Webster. The General Meeting will be held following the Ordinary Scheme Meeting.

The payments the subject of these resolutions are conditional on the Ordinary Scheme becoming Effective. Accordingly, if the Ordinary Scheme Resolution is not passed, the General Meeting will not proceed.

This Section 11 sets out further information relating to the General Meeting.

11.2. Felizzi Resolution

Felizzi Payment

Under the terms of his employment contract with Webster dated 19 December 2017, Maurice Felizzi, Chief Executive Officer and Managing Director of Webster is entitled to a payment on the Implementation Date equal to two full years of remuneration comprising all salary, allowances and expected performance bonus based solely on the percentage assessment of the last remuneration review which includes implementation of the Ordinary Scheme (**Felizzi Payment**). This amount is payable as a result of the change in circumstances of Webster. The aggregate amount of the Felizzi Payment is \$1,199,510.

Details of Mr Felizzi's remuneration in respect of FY18 and FY19 as reported in the preliminary financial report for Webster for FY19 released to ASX on 13 November 2019 are as follows:

Financial year	Short-term			Non-monetary	Super	Share-based amounts	Total
	Salary and fees	Bonus paid	Bonus deferred			ELTIP ⁽ⁱ⁾	
FY18	378,971	105,097	105,097	8,960	20,179	92,143	710,447
FY19	379,712	100,093	-	24,083	20,658	99,292	623,838

(i) The value of the ELTIP benefits granted to key management personnel as part of their remuneration is calculated as at the grant date using the Black-Scholes pricing model. The amounts disclosed as part of the remuneration for part of the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.

For the financial year ending 30 September 2020, Mr Felizzi's total remuneration is \$400,000 and he is eligible to participate in a senior executive short term incentive plan (**STI**). For FY18, Mr Felizzi's STI payment was calculated at 52.5% of his base salary and for FY19 his STI payment was calculated at 25% of his base salary.

Corporations Act requirements

Under section 200B of the Corporations Act, a company may not give a person a benefit in connection with that person's retirement from an officer or a position of employment in a company or a Related Body Corporate if:

- the office or position is a managerial or executive office; or
- the retiree has at any time during the last 3 years before his or her retirement held a managerial or executive office with the company or a Related Body Corporate,

unless there is member approval under section 200E of the Corporations Act.

Under section 208 of the Corporations Act, for a public company or an entity that the public company controls to give a financial benefit to a related party of the public company:

- the public company must obtain the approval of members and give the benefit within 15 months after the approval; or
- the giving of the benefit must fall within an exception set out in sections 210 to 216 of the Corporations Act.

Available exceptions include, under section 211 of the Corporations Act, the provision of a benefit that is remuneration and to give that benefit would be reasonable in the circumstances of the company and the related party.

General Meeting

continued

Application of the Corporations Act

Mr Felizzi is an officer and a related party of Webster to whom sections 200B and 208 apply.

Mr Felizzi's employment contract does not terminate as a result of Implementation of the Ordinary Scheme. Mr Felizzi has had no substantive discussions with PSP regarding the continuation of his employment with Webster following Implementation of the Ordinary Scheme.

Nevertheless, Mr Cushing, as the other IBC Director, has determined that it is appropriate that approval from Ordinary Shareholders be sought before the Felizzi Payment is made. Ordinary Shareholders will be asked to consider and, if thought fit, pass a resolution to approve the Felizzi Payment (**Felizzi Resolution**) at the General Meeting.

The Felizzi Payment will not be made if the Felizzi Resolution is not passed.

The Felizzi Payment is not significant in the context of the Scheme Consideration and is similar in absolute terms to payments made to senior executives of other listed entities involved in a sale by way of scheme of arrangement. However, in view of the magnitude of the Felizzi Payment relevant to Mr Felizzi's base salary, Mr Cushing considered it appropriate for approval by Ordinary Shareholders to be obtained.

Felizzi Resolution

The Felizzi Resolution approves the Felizzi Payment for all purposes including under sections 200B, 200E and 208 of the Corporations Act. The Felizzi Resolution is an ordinary resolution and is passed if more than 50% of votes cast by Ordinary Shareholders entitled to vote on the resolution are in favour of the resolution.

Passage of the Felizzi Resolution is not a Condition to either Scheme becoming Effective.

Recommendations

David Cushing, the only IBC Director other than Mr Felizzi, recommends that Ordinary Shareholders vote in favour of the Felizzi Resolution. The reasons for this recommendation include the following:

- Mr Felizzi had been employed on the basis that he would receive the Felizzi Payment if a change of control of Webster occurred and had proceeded at all times on the understanding that he was contractually entitled to that amount if a change of control occurred;
- the Felizzi Payment recognises Mr Felizzi's contribution to Webster since 2017 and in particular to bringing the company to a position to receive an offer as attractive as that provided by PSP;
- the Felizzi Payment recognised the additional efforts required by Mr Felizzi to bring the Transaction to a conclusion when there is no certainty of continued employment for him following implementation;
- in absolute terms the sum to be provided is similar in absolute terms to payments made to senior executives of other listed entities involved in a sale by way of scheme of arrangement;
- the Scheme Consideration was offered by PSP at a time when it was unaware of clause 8 of Mr Felizzi's employment agreement and the Scheme Consideration is not subject to any adjustment as a result of any payment to Mr Felizzi. Accordingly, Ordinary Shareholders are not prejudiced by the Felizzi Payment.

Mr Cushing does not have an interest in the outcome of the Felizzi Resolution.

Mr Felizzi will receive the Felizzi Payment if the Felizzi Resolution is passed. As he has an interest in the outcome of the Felizzi Resolution, he does not consider it appropriate to make a recommendation on the resolution.

None of the remaining Directors, being Messrs Corrigan, Burling and Fitzsimons, has an interest in the outcome of the Felizzi Resolution. Nor do they consider that they have a conflict in relation to the Felizzi Resolution. However, as each has an interest in the outcome of the Schemes and the Felizzi Payment is conditional on approval and implementation of the Ordinary Scheme, they do not consider it appropriate to make a recommendation on the Felizzi Resolution.

Impact on Webster

The Felizzi Payment will diminish the cash resources of Webster. Webster has access to sufficient cash reserves and debt facilities to make this payment. There are no substantive tax implications for Webster in making this payment.

There is no adjustment to the Scheme Consideration as a result of the Felizzi Payment.

No impact on ELTIP Share vesting and sale

As set out in Section 10.7, Mr Felizzi holds 1,200,000 ELTIP Shares of which 700,000 ELTIP Shares remain subject to vesting conditions. As a result of the arrangements described in Section 10.7, these ELTIP Shares will be acquired by PSP on implementation of the Ordinary Scheme.

The early vesting of Mr Felizzi's ELTIP Shares does not constitute provision of a retirement benefit under section 200B of the Corporations Act and the Directors considered that the provision of ELTIP Shares on the terms of the ELTIP to be reasonable remuneration and so early vesting does not require approval by Ordinary Shareholders under section 208 of the Corporations Act. Nothing in this approval is intended to affect early vesting of these ELTIP Shares.

11.3. Payment of benefits to John Tyndall

Tyndall Payment

Under clause 8 of his employment contract with Webster dated 12 September 2018, John Tyndall, Chief Financial Officer of Webster, is entitled to a payment on the Implementation Date equal to the aggregate of all salary, allowances and expected performance bonus based solely on the percentage assessment of the last remuneration review (Tyndall Payment). This amount is payable as a result of the change in circumstances of Webster which includes implementation of the Ordinary Scheme. The aggregate amount of the Tyndall Payment is \$390,580.

General Meeting

continued

Details of Mr Tyndall's remuneration in respect of FY 19 as reported in the preliminary financial report for Webster for FY19 released to ASX on 13 November 2019

Financial year	Short-term		Bonus deferred	Non-monetary	Super	Share-based amounts	Total
	Salary and fees	Bonus paid				ELTIP ⁽ⁱ⁾	
FY19	187,977	33,638	-	16,657	13,946	40,575	292,793

(i) The value of the ELTIP benefits granted to key management personnel as part of their remuneration is calculated as at the grant date using the Black-Scholes pricing model. The amounts disclosed as part of the remuneration for part of the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.

For the financial year ending 30 September 2020, Mr Tyndall's total remuneration is \$300,000 of total remuneration and he is eligible to participate in the Webster STI. For FY19, Mr Tyndall's STI payment was calculated at 16.6% of his base salary.

Application of the Corporations Act

Mr Tyndall is an officer of Webster to whom section 200B applies.

Mr Tyndall's employment contract does not terminate as a result of implementation of the Ordinary Scheme. Mr Tyndall has had no discussions with PSP regarding the continuation of his employment with Webster following implementation of the Ordinary Scheme.

Nevertheless Messrs Cushing and Felizzi, as IBC Directors, have determined that it is appropriate that approval from Ordinary Shareholders be sought before the Tyndall Payment is made. Ordinary Shareholders will be asked to consider and, if thought fit, pass a resolution to approve the Tyndall Payment (**Tyndall Resolution**) at the General Meeting.

The Tyndall Payment will not be made if the Tyndall Resolution is not passed.

Tyndall Resolution

The Tyndall Resolution approves the Tyndall Payment for all purposes including under sections 200B and 200E of the Corporations Act. The Tyndall Resolution is an ordinary resolution and is passed if more than 50% of votes cast by Ordinary Shareholders entitled to vote on the resolution are in favour of the resolution.

Passage of the Tyndall Resolution is not a Condition to the Ordinary Scheme becoming Effective.

Recommendations

The IBC Directors recommend that Ordinary Shareholders vote in favour of the Tyndall Resolution. The reasons for this recommendation include the following:

- Mr Tyndall had been employed on the basis that he would receive the Tyndall Payment if a change of control of Webster occurred and had proceeded at all times on the understanding that he was contractually entitled to that amount if a change of control occurred;
- the Tyndall Payment recognises the additional efforts required by Mr Tyndall to bring the Transaction to a conclusion when there is no certainty of continued employment for him following implementation;
- in absolute terms the sum to be provided is similar in absolute terms to payments made to senior executives of other listed entities involved in a sale by way of scheme of arrangement;
- the Scheme Consideration was offered by PSP at a time when it was unaware of clause 8 of Mr Tyndall's employment agreement and the Scheme Consideration is not subject to any adjustment as a result of any payment to Mr Tyndall. Accordingly, Ordinary Shareholders are not prejudiced by the Tyndall Payment.

Messrs Cushing and Felizzi do not have an interest in the outcome of the Tyndall Resolution.

None of the remaining Directors, being Messrs Corrigan, Burling and Fitzsimons, have an interest in the outcome of the Tyndall Resolution. Nor do they consider that they have a conflict in relation to the Tyndall Resolution. However, as each has an interest in the outcome of the Schemes and the Tyndall Payment is conditional on approval and implementation of the Ordinary Scheme, they do not consider it appropriate to make a recommendation on the Tyndall Resolution.

Impact on Webster

The Tyndall Payment will diminish the cash resources of Webster. Webster has access to sufficient cash reserves and debt facilities to make this payment. There are no substantive tax implications for Webster in making this payment.

There is no adjustment to the Scheme Consideration as a result of the Tyndall Payment.

No impact on ELTIP Share vesting and sale

As set out in Section 10.7, Mr Tyndall holds 500,000 unvested ELTIP Shares which remain subject to vesting conditions. As a result of the arrangements described in Section 10.7, these ELTIP Shares will be acquired by PSP on implementation of the Ordinary Scheme.



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12.1. Defined Terms

The following terms used in this Booklet (including the Notice of Ordinary Scheme Meeting and Notice of Preference Scheme Meeting in Appendices B and E) have the meanings given to them below, unless the context otherwise requires.

ACCC	the Australian Competition and Consumer Commission
AIHOP	AIHOP Investments Inc., an indirect wholly owned Subsidiary of PSP Investments.
Announcement Date	3 October 2019, the date on which Webster announced execution of the Scheme Implementation Agreement
ASIC	Australian Securities & Investment Commission.
Associate	has the meaning given in section 12 of the Corporations Act.
ASX	ASX Limited (ACN 008 624 691) or the market operated by it, as the context requires.
ATO	Australian Taxation Office.
Belfort	Belfort Investment Advisors Limited, a company controlled by Chris Corrigan
Board	the board of directors of Webster
Booklet or Scheme Booklet	this booklet dated 17 December 2019.
Break Fee	\$5,500,000 payable in the circumstances described in Section 10.10.
Business Day	a business day as defined in the Listing Rules.
CGT	capital gains tax.
Company	Webster Limited (ACN 009 476 000)
Competing Transaction	<p>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, would mean a person (other than PSP or its Related Bodies Corporate) whether alone or together with its Associates would:</p> <ul style="list-style-type: none"> (a) directly or indirectly, acquire an interest or Relevant Interest in or become the holder of 20% or more of the Ordinary Shares (other than as custodian, nominee or bare trustee); (b) acquire control of Webster, 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 or a substantial part or a material part of the assets of or business conducted by the Webster Group (including, for the avoidance of doubt, the Kooba Assets); or (d) otherwise acquire or merge (including by a reverse takeover bid or dual listed company structure) with Webster.
Computershare	Computershare Investor Services Pty Limited.
Conditions	each of the conditions precedent set out in clauses 3.1 and 3.2 of the Scheme Implementation Agreement.
Constitution	the constitution of Webster from time to time.
Corporations Act	<i>Corporations Act 2001 (Cth)</i> as modified or varied by ASIC.
Court	the Supreme Court of New South Wales.
Director	A director of Webster

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continued

EBITDA	earnings before interest, tax, depreciation and amortisation.
Effective	in respect of a Scheme, 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 that Scheme.
Effective Date	when used in relation to a Scheme, the date on which that Scheme becomes Effective, expected to be 6 February 2020.
ELTIP	the Executive Long-Term Incentive Plan adopted by Webster in 27 August 2013 under which participating employees were issued with Ordinary Shares funded by non-recourse loans from the Webster Group.
ELTIP Shares	Ordinary Shares issued pursuant to the ELTIP.
Encumbrance	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.
Excluded Ordinary Shareholder	any Ordinary Shareholder who is a member of the PSP Group which for the avoidance of doubt, as at the date of this document, includes AIHOP.
Felizzi Resolution	the ordinary resolution to approve the grant of certain benefits to Maurice Felizzi to be considered by Ordinary Shareholders at the General Meeting.
FIRB	the Foreign Investment Review Board.
FIRB Act	the <i>Foreign Acquisitions and Takeovers Act 1975 (Cth)</i> .
FY2018	the financial year ended 30 September 2018.
FY2019	the financial year ended 30 September 2019.
General Meeting	the general meeting convened by the Board at which Ordinary Shareholders will vote on resolutions ancillary to the Scheme.
GN 21	Takeovers Panel Guidance Note 21: “Collateral Benefits”
IBC or Independent Board Committee	the Webster independent board committee comprising Maurice Felizzi and David Cushing
IBC Directors or Independent Board Committee Directors	Maurice Felizzi and David Cushing
Implementation Date	the date on which a Scheme is to be implemented, being the 5th Business Day following the Record Date (or such other date after the Record Date as the parties to the Scheme Implementation Agreement agree in writing), expected to be 17 February 2020.
Independent Expert	KPMG Financial Advisory Services (Australia) Pty Limited (of which KPMG Corporate Finance is a division).
Independent Expert Report	the report prepared by the Independent Expert set out in Annexure A.
ITAA 36	<i>Income Tax Assessment Act 1936 (Cth)</i>
ITAA 97	<i>Income Tax Assessment Act 1997 (Cth)</i>

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continued

Kooba Assets	the assets of Webster comprised of the Kooba property aggregation and business, the Hay properties and business, the southern grazing stock and business, the apiary properties and business and certain water entitlements related to the Kooba and Hay properties described in Section 7.4
Kooba Businesses	the irrigated farming and grazing business carried out on the Kooba Properties and the bee keeping and honey production, processing and marketing business carried out by Australian Rainforest Honey Pty Limited
Kooba Companies	Webster Southern Ag Pty Limited and Australian Rainforest Honey Pty Limited, wholly-owned Subsidiaries of Webster
Kooba Deed Poll	the deed poll dated 3 October 2019 under which PSP has given undertakings in favour of Belfort and Verolot in relation to entering into the Kooba Subscription Agreement (the key terms of which are described in Section 7.2)
Kooba Properties	the properties comprising the Kooba property aggregation, the Hay properties and the apiary properties identified in the Kooba Sale Agreement
Kooba Sale	the sale and purchase of the Kooba Assets by Webster and its Subsidiaries to KoobaCo
Kooba Sale Agreement	the document in agreement form to be entered into between Webster and KoobaCo (the key terms of which are described in Section 7.4)
Kooba Subscription	the subscription by Belfort and Verolot for shares in KoobaCo in accordance with the Kooba Subscription Agreement
Kooba Subscription Agreement	the document in agreed form which PSP, under the Kooba Deed Poll, has offered to be entered into between PSP, Belfort and Verolot and KoobaCo in relation to the investment by Belfort and Verolot into KoobaCo (the key terms of which are described in Section 7.3)
KoobaCo	an Australian proprietary limited company to be incorporated as an indirect wholly owned subsidiary of PSP Investments
KoobaCo Shareholders' Deed	the shareholders' deed of KoobaCo to be entered into by KoobaCo, the relevant PSP Group shareholder, Belfort and Verolot pursuant to the Kooba Subscription Agreement (the key terms of which are described in Section 7.5)
Listing Rules	the official listing rules of ASX and any other applicable rules of ASX modified to the extent of any express written waiver by ASX.
Livestock Assets Reorganisation	has the meaning given in Section 6.4.
Material Adverse Effect	has the meaning given in clause 1.1 of the Scheme Implementation Agreement, a full copy of which can be obtained from Webster's ASX announcement on 3 October 2019, which can be obtained at www.websterltd.com.au
NPAT	net profit after tax.
NTA	net tangible asset value per Ordinary Share.
Notice of General Meeting	the notice of meeting relating to the General Meeting which is set out in Annexure H.
Notice of Ordinary Scheme Meeting	the notice of meeting relating to the Ordinary Scheme Meeting which is set out in Annexure B.
Notice of Preference Scheme Meeting	the notice of meeting relating to the Preference Scheme Meeting which is set out in Annexure E.
Notices	has the meaning given in Section 5.6.

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Ordinary Share	a fully paid ordinary share in the capital of Webster.
Ordinary Shareholder	a registered holder of an Ordinary Share.
Ordinary Share Register	the register of holders of Ordinary Shares maintained by or on behalf of Webster
Ordinary Scheme	the scheme of arrangement under part 5.1 of the Corporations Act under which all Ordinary Shares held by the Ordinary Scheme Participants will be transferred to PSP substantially in the form of Annexure C together with any amendment or modification made pursuant to section 411(6) of the Corporations Act
Ordinary Scheme Consideration	the consideration payable by PSP for the transfer of Ordinary Shares held by an Ordinary Scheme Participant to PSP, being, in respect of each Ordinary Share, \$2.00.
Ordinary Scheme Deed Poll	the deed poll granted by PSP in the form of Annexure D.
Ordinary Scheme Meeting	the meeting to be convened by the Court at which Ordinary Shareholders will vote on the Ordinary Scheme.
Ordinary Scheme Participant	each person who is an Ordinary Shareholder at the Record Date other than any Excluded Ordinary Shareholder
Ordinary Scheme Resolution	the resolution to be considered by Ordinary Shareholders at the Ordinary Scheme Meeting, the form of which is set out in the Notice of Ordinary Scheme Meeting in Annexure B.
Ordinary Scheme Share	an Ordinary Share held by an Ordinary Scheme Participant as at the Record Date and, for the avoidance of all doubt, excludes any Ordinary Shares held by any Excluded Ordinary Shareholder.
Panel	Takeovers Panel
Preference Share	a fully paid preference share in the capital of Webster.
Preference Shareholder	a registered holder of a Preference Share.
Preference Share Register	the register of holders of Preference Shares maintained by or on behalf of Webster
Preference Scheme	the scheme of arrangement under part 5.1 of the Corporations Act under which all Preference Shares held by the Preference Scheme Participants will be transferred to PSP substantially in the form of Annexure F together with any amendment or modification made pursuant to section 411(6) of the Corporations Act
Preference Scheme Deed Poll	the deed poll granted by PSP in the form of Annexure G.
Preference Scheme Participant	each person who is a Preference Shareholder at the Record Date.
Preference Scheme Share	a Preference Share held by a Preference Scheme Participant as at the Record Date.
Preference Scheme Consideration	the consideration payable by PSP for the transfer of Preference Shares held by a Preference Scheme Participant to PSP, being, in respect of each Preference Share, \$2.00.
Preference Scheme Meeting	the meeting to be convened by the Court at which Preference Shareholders will vote on the Preference Scheme.
Preference Scheme Resolution	the resolution to be considered by Preference Shareholders at the Preference Scheme Meeting, the form of which is set out in the Notice of Preference Scheme Meeting in Annexure E.
PSP	Henslow Acquisitionco Pty Ltd (ACN 636 393 470), a wholly owned Subsidiary of PSP Holdco

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continued

PSP Group	PSP and its Related Bodies Corporate
PSP Guarantor	Sooke Investments Inc., a wholly owned Subsidiary of PSP Investments
PSP Holdco	Henslow Holdco Pty Ltd (ACN 636 392 946), a wholly owned subsidiary of PSP Guarantor
PSP Investments	Public Sector Pension Investment Board, a Canadian Crown corporation
PSP Investments Entities	PSP Investments, PSP and the PSP Guarantor
PSP Information	the information provided by or on behalf of PSP to Webster for inclusion in this Scheme Booklet, being information regarding PSP, PSP Guarantor and PSP Investments required to be included in this Scheme Booklet under the Corporations Act, Corporations Regulations or ASIC Regulatory Guide 60. PSP Information does not include information about the Webster Group, except to the extent it relates to any statement of intention relating to the Webster Group following the Effective Date, including the implementation of the Kooba Sale.
Record Date	5:00 pm on the second Business Day following the Effective Date, or such other date as Webster and PSP agree, expected to be 10 February 2020
Related Body Corporate	has the meaning given in the Corporations Act.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Representative	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
Requisite Majorities	in respect of a Scheme Resolution is: (d) a majority in number of the relevant Webster Shareholders present and voting (either in person, by proxy or attorney or in the case of a corporate holder, by duly appointed corporate representative) on that Scheme Resolution; and (e) at least 75% of the votes cast on that Scheme Resolution.
Scheme Booklet	this document.
Scheme Consideration	the Ordinary Scheme Consideration or the Preference Scheme Consideration (as applicable)
Scheme Deed Polls	the Ordinary Scheme Deed Poll and the Preference Scheme Deed Poll
Scheme Implementation Agreement	the scheme implementation agreement between Webster, PSP and the PSP Guarantor dated 3 October 2019. A summary is set out in Section 10.10, and a full copy of which is attached to Webster's ASX announcement on 3 October 2019, which can be obtained from www.asx.com.au or from www.websterltd.com.au
Scheme Meeting	the Ordinary Scheme Meeting or the Preference Scheme Meeting (as applicable).
Scheme Participants	the Ordinary Scheme Participants and the Preference Scheme Participants.
Scheme Resolution	a resolution of Webster Shareholders to approve a Scheme to be considered at a Scheme Meeting.
Schemes	the Ordinary Scheme and the Preference Scheme and Scheme means either one of them (as applicable)
Scheme Share	An Ordinary Scheme Share or a Preference Scheme Share (as applicable).

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continued

Second Court Date	the first day on which an application made to the Court for orders under section 411(4)(b) of the Corporations Act approving the Schemes is heard, which must be at least 3 Business Days after the date of the Scheme Meetings, expected to be 5 February 2020.
Second Court Hearing	the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving a Scheme.
Subsidiary	in respect of an entity, is 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 entity 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	a bona fide Competing Transaction which the IBC Directors, acting in good faith, and after taking advice from their legal and financial advisers, determine is: (c) reasonably capable of being completed taking into account all aspects of the Competing Transaction, including any timing considerations, any conditions or other matters affecting the probability of the Competing Transaction being completed, and the identity of the person making such proposal; and (d) of a higher financial value and is more favourable to Webster Shareholders as a whole than the terms of the Transaction, 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.
TAA 53	<i>Taxation Administration Act, 1953 (Cth)</i>
Transaction	the acquisition of Webster by PSP pursuant to the Ordinary Scheme and, if implemented, the Preference Scheme
Tree Nut Assets Reorganisation	has the meaning given in Section 6.4.
Tyndall Resolution	the ordinary resolution to approve the grant of certain benefits to John Tyndall to be considered by Ordinary Shareholders at the General Meeting.
Verolot	Verolot Limited, a company controlled by David Fitzsimons
VWAP	volume weighted average price.
Webster	Webster Limited (ACN 009 476 000)
Webster Group	Webster and its Subsidiaries.
Webster Information	all information contained in this Scheme Booklet other than the PSP Information and the Independent Expert Report.
Webster Registers	the Ordinary Share Register and the Preference Share Register and Webster Register means either one of them (as applicable).
Webster Registry	Computershare or such other person that provides share registry services to Webster from time to time.
Webster Share	an Ordinary Share or a Preference Share (as applicable).
Webster Shareholder	an Ordinary Shareholder or a Preference Shareholder (as applicable).



Annexure A – Independent Expert Report



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The Independent Board Committee Directors
Webster Limited
148 Colinroobie Road
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11 December 2019

Dear Independent Board Committee Directors

INDEPENDENT EXPERT REPORT AND FINANCIAL SERVICES GUIDE

PART ONE – INDEPENDENT EXPERT REPORT

1 Introduction

On 3 October 2019, Webster Limited (**Webster**) announced that it had entered into a binding scheme implementation agreement (**Scheme Implementation Agreement**) with Henslow Acquisitionco Pty Ltd (**PSP**) and Sooke Investments Inc, each indirect wholly-owned subsidiaries of Public Sector Pension Investment Board (**PSP Investments**). Under the Scheme Implementation Agreement, it is proposed that PSP will acquire:

- all of the ordinary shares in Webster (**Ordinary Shares**) that PSP Investments does not already own for cash consideration of \$2.00 per Ordinary Share (**Scheme Consideration**) by way of a scheme of arrangement (**Ordinary Scheme**), and
- all of the preference shares (**Preference Shares**) on issue for \$2.00 in cash per Preference Share (**Preference Scheme Consideration**) via a separate, contemporaneous scheme of arrangement (**Preference Scheme**). Implementation of the Preference Scheme is conditional on Court approval of the Ordinary Scheme.

Together, the Ordinary Scheme and Preference Scheme are referred to as the **Transaction**.

Should the Ordinary Scheme be implemented, Webster will transfer certain assets to a separate, yet to be formed PSP Investments group entity (**KoobaCo**) for consideration of \$276.7 million plus the net working capital acquired with the business¹ (**Kooba Sale**). These assets include the Kooba property

¹ Subject to adjustments for changes in certain assets and liabilities at cost.

aggregation and business (**Kooba**), the Hay properties and business, the southern grazing stock and business, the apiary properties and business and certain water entitlements related to the Kooba and Hay properties (**Kooba Assets**).

Belfort Investment Advisors Limited (**Belfort**) and Verolot Limited (**Verolot**) will be offered an opportunity to acquire a 50.1% interest in KoobaCo after implementation of the Ordinary Scheme (**Kooba Subscription**). Belfort and Verolot own 12.64% and 8.89% of Ordinary Shares, respectively and are entities associated with Chris Corrigan and David Fitzsimons, respectively, both of whom are directors of Webster.

Webster has established an Independent Board Committee (**IBC**) comprising Maurice Felizzi and David Cushing (**IBC Directors**) to consider the merits of the Transaction and to make recommendations to Ordinary Shareholders and Preference Shareholders.

Webster is a leading Australian agribusiness. It operates walnut and almond orchards in New South Wales (**NSW**) and Tasmania (**TAS**), irrigable land for cotton and other annual crops, cattle and sheep production, a portfolio of water entitlements and an apiary business in NSW. Webster is listed on the Australian Stock Exchange (**ASX**) (**WBA:ASX**) and as at 2 October 2019, the last trading day prior to the announcement of the Transaction, it had a market capitalisation of \$460.1 million.²

PSP Investments invests funds for the pension plans of the Canadian Public Service, the Canadian Force Pension Plans, the Royal Canadian Mounted Police and the Reserve Forces. In the 12 months to 30 June 2019, it had \$168.0 billion of assets under management. Through its Natural Resources group, PSP Investments invests globally in agriculture, timberland and related opportunities via direct investments. It has a relevant interest in 19.1% of Ordinary Shares.

Completion of the Ordinary Scheme requires the approval of Ordinary Shareholders and the satisfaction of various conditions precedent and will proceed even if the Preference Scheme is not approved. Completion of the Preference Scheme requires approval of Preference Shareholders and satisfaction of various conditions precedent, including Court approval of the Ordinary Scheme. The Kooba Subscription requires approval of non-associated Ordinary Shareholders (i.e. excluding any votes cast in favour by Belfort and Verolot) and is conditional on the Ordinary Scheme being implemented and Preference Shares being acquired.

Further details in relation to the Ordinary Scheme, Preference Scheme and Kooba Subscription are set out in the Scheme Implementation Agreement, which was lodged with the ASX on 3 October 2019, and in the Notice of Meeting and Explanatory Statement (**Scheme Booklet**) to be sent to the Ordinary Shareholders and Preference Shareholders.

The IBC has requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) prepare an independent expert report for Webster setting out whether or not, in our opinion:

- the Ordinary Scheme is in the best interests of Ordinary Shareholders
- the Preference Scheme is in the best interests of Preference Shareholders, and
- the Kooba Subscription confers a net benefit on Belfort and Verolot for the purposes of takeovers Panel Guidance Note 21: 'Collateral Benefits' or otherwise.

The specific terms of the resolutions to be approved by Ordinary Shareholders in relation to the Ordinary Scheme and Preference Shareholders in relation to the Preference Scheme are set out in the Scheme Booklet to which this report is attached. This report should be considered in conjunction with and not independently of the information set out in the Scheme Booklet.

² Calculated as the closing price on 2 October 2019 of \$1.27 multiplied by 362,245,163 Ordinary Shares.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

2 Requirements for our report

Section 411(3) of the Corporations Act 2001 (**Corporations Act**) requires that an explanatory statement issued in relation to a proposed scheme of arrangement under Section 411 of the Act, include information that is material to the making of a decision by a member as to whether or not to agree with the relevant proposal. The Transaction is to be implemented by two separate, contemporaneous schemes of arrangement (the Ordinary Scheme and the Preference Scheme) under Section 411 of the Corporations Act. In this regard, the IBC has requested KPMG Corporate Finance to prepare an independent expert report to satisfy the requirements of Section 411.

In undertaking our work, we have referred to guidance provided by the Australian Securities and Investments Commission (**ASIC**) in its Regulatory Guides, in particular Regulatory Guide 111 'Content of expert reports' (**RG 111**) which outlines the principles and matters which it expects a person preparing an independent expert report to consider when providing an opinion on whether a transaction is "fair and reasonable", and therefore "in the best interests" of scheme participants.

Chapter 6 of the Corporations Act imposes various constraints on the terms of a takeover bid, including a prohibition on providing collateral benefits. In undertaking our work on whether a net benefit arises, we have also had regard to Takeovers Panel Guidance Note 21: 'Collateral Benefits' in assessing whether the Kooba Subscription confers a net benefit on Belfort and Verolot.

3 Opinion for Ordinary Shareholders

In our opinion, the Ordinary Scheme is **in the best interests of Ordinary Shareholders** in the absence of a superior proposal.

In arriving at this opinion, we have assessed whether the Ordinary Scheme is:

- fair, by comparing the Scheme Consideration to our assessed value of an Ordinary Share on a controlling interest basis. This approach is in accordance with the guidance set out in RG 111, and
- reasonable, by assessing the implications of the Ordinary Scheme for Ordinary Shareholders, the alternatives to the Ordinary Scheme which are available to Webster and the consequences for Ordinary Shareholders of not approving the Ordinary Scheme.

Our assessment has concluded that the Ordinary Scheme is fair and reasonable. As such, in accordance with RG 111, we have concluded that the Ordinary Scheme is in the best interests of Ordinary Shareholders.

We note that Webster's recent financial performance and share price have been adversely impacted by the ongoing drought conditions across south eastern Australia. It is not certain when the drought will end. While the drought continues, Webster's Agriculture business is likely to remain loss making. The Horticulture business will continue to grow given recent plantings but water costs are likely to remain high. Once the drought ends, it will also take some time for Webster to rebuild livestock numbers. Furthermore, the 2019/20 cotton crop has already been planted and the area planted is substantially less than in previous years (1,935 hectares in the 2019/20 season versus 4,143 hectares in the 2018/19 season and 17,162 hectares in the 2017/18 season). Webster will not benefit from a higher area planted until the harvest of the 2020/21 crop in around March/April 2021. The consequence of this is that there is considerable uncertainty as to whether Ordinary Shareholders will receive dividends in the next year or two and the Ordinary Share price is likely to remain depressed.

In the longer term, Webster's earnings are expected to improve as the recent Horticulture plantings mature, as the current drought ends, allowing for increased cotton, maize and wheat production and as Webster is able to utilise newly built farm water infrastructure. However, we consider that the Scheme Consideration adequately compensates Ordinary Shareholders for this growth.

We also note the inherent ongoing risks that exist in relation to future climate conditions and particularly rainfall patterns. Although it is clear that Webster has sought to protect itself from climate change through investment in water rights and improved farm water infrastructure, rainfall and water flows are expected to continue to have a major impact on financial results.

Assessment of fairness

We have assessed the value of an Ordinary Share to be in the range of \$1.59 to \$1.93. Our range of assessed value for Webster has been undertaken on a ‘sum-of-the-parts’ basis and incorporates synergies and benefits that would generally be available to a pool of purchasers. It does not include other potential synergies available to any particular acquirer.

As the Scheme Consideration of \$2.00 per Ordinary Share is greater than our assessed value range for an Ordinary Share, we consider the Ordinary Scheme to be fair.

Our analysis of the fairness of the Ordinary Scheme is detailed further in Section 3.1 below.

Assessment of reasonableness

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Ordinary Scheme to be fair, this means that the Ordinary Scheme is reasonable. Notwithstanding this requirement, we have also considered the following factors that Ordinary Shareholders may wish to consider in assessing whether to approve the Ordinary Scheme. These include:

- the Scheme Consideration represents a substantial premium to the trading prices of Ordinary Shares up until 2 October 2019.³ Therefore, the Ordinary Scheme represent the best opportunity for Ordinary Shareholders to realise a control value for their securities in the absence of a superior proposal
- the Scheme Consideration allows Ordinary Shareholders to immediately realise the value from their investment for cash. It provides certainty as to the pre-tax amount they will receive
- Ordinary Shareholders who receive the Scheme Consideration are no longer exposed to the risks to which Webster is exposed (including the risk of a continued drought conditions and climate change). However, they will not participate in the potential long-term benefits from any future growth in the business (in addition to that forecast). In this regard, Webster has made significant investments in recent years in improved water infrastructure and new tree plantings (amongst other things). The benefit of which is expected to be derived over time and, particularly, when weather conditions improve
- PSP Investments, Belfort and Verolot together hold 40.63% of Ordinary Shares. This is a potential deterrent to an acquirer, and
- in the absence of the Ordinary Scheme or a superior alternative proposal, the Ordinary Share price is likely to fall to levels at which it was trading prior to 2 October 2019 (i.e. prices that do not include a control premium).

Ordinary Shareholders should also consider the general tax implications associated with the Ordinary Scheme, the number of conditions which if not satisfied will result in the Ordinary Scheme not being implemented and the transaction costs that will be incurred irrespective of whether the Ordinary Scheme is implemented.

Our analysis of the reasonableness considerations is detailed further in Section 3.2 of this report.

The decision of whether or not to approve the Ordinary Scheme is a matter for individual Ordinary Shareholders based on their views as to value, expectations about future market conditions and their particular circumstances including their investment strategy and portfolio, risk profile and tax position. If

³ The last trading day prior to the announcement of the Transaction.

in doubt, Ordinary Shareholders should consult their own professional adviser regarding the action they should take in relation to the Ordinary Scheme.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 of this report. We have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in Section 8.3 of our report.

3.1 The Ordinary Scheme is fair

We have assessed the value of Webster (inclusive of a control premium) to be in the range of \$578 million to \$698 million, which corresponds to a value of \$1.59 to \$1.93 per Ordinary Share. As the Scheme Consideration of \$2.00 per Ordinary Share is above our assessed value range for an Ordinary Share, we consider the Ordinary Scheme to be fair.

Our valuation of Webster is set out in Section 10 of this report and is summarised below.

Table 1: Webster valuation summary

\$ million unless otherwise stated	Section reference	Value range	
		Low	High
Horticulture (walnuts and almonds)	10.3	188.7	218.7
Agriculture (including Australian Rainforest Honey, excluding water rights)	10.4	208.4	208.4
Water rights	10.5	353.1	430.3
Capitalised corporate overheads (net of savings)	10.6	(57.6)	(46.4)
Total operating businesses		692.6	811.0
Surplus assets/(liabilities) (net)	10.8	10.0	12.0
Enterprise value		702.7	823.1
Preference Shares	10.9	(0.7)	(0.6)
Net borrowings (other) ¹	10.10	(124.2)	(124.2)
Value of equity attributable to Ordinary Shareholders		577.7	698.2
Diluted number of Ordinary Shares on issue ²		362.2	362.2
Value per Ordinary Share		1.59	1.93

Source: KPMG Corporate Finance analysis. Table may not add due to rounding.

Notes:

1. Cash includes \$4.6 million of cash from repayment of shareholder loans under the Executive Long Term Incentive Plan (ELTIP). Borrowings excludes \$0.4 million book value of Preference Shares.
2. Includes 4,937,500 ELTIP Shares.

Our valuation reflects 100% ownership of Webster and, therefore, incorporates a control premium. As a result, we would expect the value to be in excess of the price at which Ordinary Shares would trade on the ASX in the absence of a takeover offer. In assessing an appropriate premium for control in accordance with RG 111, we have considered synergies that may be available to a pool of potential purchasers. We consider that the most likely buyer of Webster is a financial buyer. As a result, direct synergies available to such an acquirer would likely primarily include public company costs and, potentially, limited back office costs. Therefore, the valuation assumes that these expenses are eliminated (see Section 10.6 of this report).

Webster's operating business has been valued based on a 'sum-of-the-parts' methodology, by aggregating the following:

- the value of walnuts on the basis of a discounted cash flow (DCF) methodology and cross checked utilising a direct comparison (Direct Comparison) approach
- the value of almonds and Australian Rainforest Honey on the basis of the consideration paid by Webster in recent acquisitions plus any subsequent capital expenditure
- the value of Agriculture (including Southern Cotton and Western Grazing) on the basis of aggregating the values of the land, buildings and water storage prepared by CBRE utilising Direct Comparison approach, with the book value of Webster's remaining Agriculture assets

- water entitlements on the basis of a Direct Comparison approach
- the value of the unallocated corporate expenses. In valuing each of Webster's operating businesses, KPMG Corporate has not included the unallocated corporate expenses, which have been capitalised separately at a multiple of 8 to 9 times based on multiples at which agribusiness companies are trading and recent transactions in the industry.

The value of Webster's operating business has been cross-checked utilising a capitalisation of earnings (**Capitalised Earnings**) methodology, taking into account multiples at which listed agribusiness operators are trading and recent transactions in the industry.

We have then added surplus assets (net) and deducted adjusted net interest bearing liabilities and Preference Shares as at 30 September 2019. The key factors considered in our assessment of the value of Webster are:

- operating leverage associated with Horticulture as a result of the substantial fixed costs (e.g. plantings, water, fertiliser) and potential for significant variations in revenue as a result of weather patterns (which impact yield) and the impact of global commodity prices on export and domestic prices (potential for imports)
- value associated with Webster's recent Horticulture plantings
- the adverse impact of recent drought conditions on profitability in both the Agriculture and Horticulture businesses and positive impact on the value associated with Webster's portfolio of water rights
- the impact of future weather conditions including potential for drought conditions to end as well as for adverse climate changes resulting in lower yields and increases in water costs over the longer term
- the costs incurred in recent capital expenditure on farm water infrastructure, and
- synergies available to a pool of potential purchasers.⁴

A comparison of our assessed value per Ordinary Share on a control basis to the Scheme Consideration is illustrated below.

Figure 1: Assessment of fairness



Source: KPMG Corporate Finance analysis.

As the Scheme Consideration of \$2.00 per Ordinary Share is greater than our assessed value range for an Ordinary Share of \$1.59 to \$1.93, we consider the Ordinary Scheme to be fair.

3.2 The Ordinary Scheme is reasonable

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Ordinary Scheme to be fair, this means that they are reasonable. Notwithstanding this requirement, we have also considered

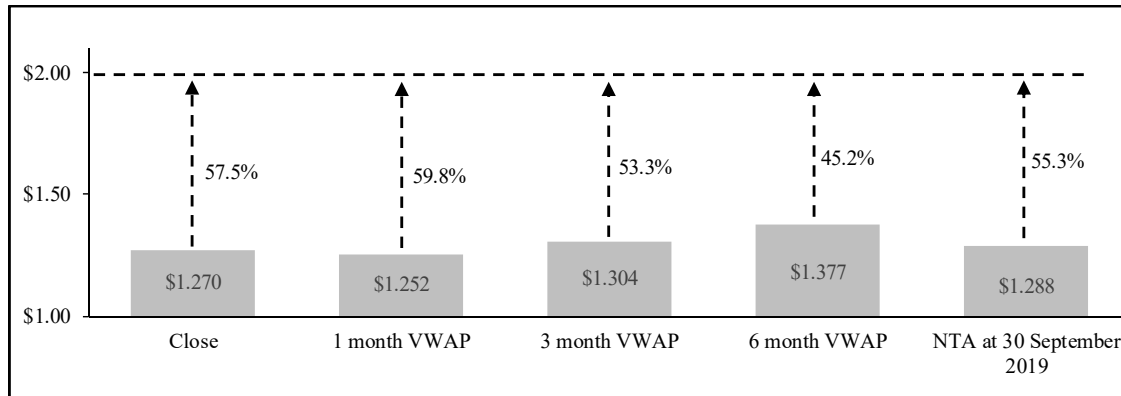
⁴ Refer to Section 10.2.3 of this report.

the following factors that Ordinary Shareholders may wish to consider in assessing whether to approve the Ordinary Scheme.

The Scheme Consideration represents a substantial premium to the trading price of Ordinary Shares prior to the announcement of the Transaction

The premiums of the Scheme Consideration relative to the trading prices of Ordinary Shares over various periods to 2 October 2019, the last trading day prior to the announcement of the Transaction, are illustrated below.

Figure 2: Premium of Scheme Consideration over the Ordinary Share price and NTA per Ordinary Share⁵



Source: IRESS, KPMG Corporate Finance analysis.

With regard to our assessment of the premiums implied by the Scheme Consideration, we note:

- it is commonly accepted that acquirers of 100% of a company should pay a premium over the value implied by the trading price of a share, to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration. Observations from transaction evidence indicate that takeover premiums concentrate around a range between 25% and 40%⁶ for completed takeovers, depending on the individual circumstances of the specific transaction. In transactions where it was estimated that significant synergies could be achieved, the takeover premium was frequently estimated to be at the high end of this range or greater
- the observed premiums over recent share trading prices are above the high end of the range of premiums indicated by transaction evidence
- the substantial premium offered by PSP Investments over Webster's trading prices may reflect the strategic value associated with Webster's land assets and water rights. It may also reflect that Webster's recent share prices have been adversely impacted by drought conditions and trading in Ordinary Shares is illiquid, and
- in comparing the Scheme Consideration to NTA per Ordinary Share, it should be noted that the book value of water rights reflects cost, rather than market value. Furthermore, the asset values as reflected on Webster's balance sheet do not reflect the unallocated corporate costs associated with operating a portfolio of agribusiness assets.

⁵ NTA per Ordinary Share is net assets less goodwill and other intangible assets but including water rights, divided by the diluted number of Ordinary Shares on issue as at 30 September 2019.

⁶ KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2008 and 2018, comparing the Mergerstat 'unaffected' share price of the target company to the final offer price.

Ordinary Shareholders who receive the Scheme Consideration will no longer be exposed to the risks to which Webster is exposed

There are a number of risks associated with an investment in Ordinary Shares, including:

- **continued drought conditions:** this could have a number of adverse consequences for Webster's Agribusiness operations including lower cotton yields and limited area planted in future seasons and further reduction in livestock numbers, as well as higher water costs for Horticulture. Furthermore, once weather conditions improve it will take significant time and cost to restock livestock. The current area of cotton planted (1,935 hectares in the 2019/20 season) is substantially below that in prior seasons (4,143 hectares in the 2018/19 season and 17,162 hectares in the 2017/18 season). Webster will not benefit from a higher planting until the harvest of the 2020/21 crop in around March/April 2021 (partially offset by increased value of water rights)
- **geographical concentration risk:** Webster's Horticulture operations are geographically concentrated in the Riverina and Agriculture is dependent on water drawn from the Murrumbidgee. This concentration increases the risk that regional adverse weather conditions will negatively impact Webster's operations
- **climate change:** is predicted to result in increases in temperature, atmospheric carbon dioxide and frequency of extreme weather events, along with a reduction in rainfall.⁷ These factors are expected to result in lower yields and increases in water costs
- **regulatory risk:** potential for further compulsory buybacks of water rights by the Commonwealth Government
- **commodity price risk:** Webster's operations are exposed to fluctuations in agricultural commodity prices. As a result, it is a 'price taker', particular with regard to cotton (which is primarily exported) but also with respect to walnuts and almonds (which are primarily sold domestically but subject to import competition)
- **operating leverage:** Webster's Horticulture operations have substantial fixed costs (e.g. plantings, water, fertiliser) and, combined with the potential for significant variations in revenue (as a result of weather patterns impacting yield and global commodity prices) could result in significant variation in earnings
- **disease and pest risk:** like all agricultural operations, disease and pests could adversely impact operations
- **foreign exchange risk:** a portion of walnuts sales are denominated in foreign currency, creating a foreign exchange risk (unless hedged), and
- **ability to execute long-term strategy:** risk that Webster will not have sufficient capital to execute on its long-term strategy of transforming undeveloped pastoral land into productive land and further investing in almonds in order to balance its walnut and almond exposure. There is a risk that Webster will not be able to obtain or retain sufficient water rights to meet the needs of its operations at commercially acceptable prices.

Refer to Section 8 of the Scheme Booklet for further discussion of risks.

Ordinary Shareholders who receive the Scheme Consideration will not participate in the potential longer term benefits from any future growth of the business

By exiting their investment in Webster, Ordinary Shareholders will not participate in the potential long-term benefits from any future growth in the business (in addition to that forecast). In this regard,

⁷ Refer to Section 9.4.2 of this report.

Webster's strategy is to focus on transforming undeveloped pastoral land into productive land and further investing in almonds in order to balance its walnut and almond exposure.⁸ Webster has made significant investments in recent years in improved water infrastructure and new tree plantings (amongst other things), the benefit of which is expected to be derived over time and, particularly, when weather conditions improve. However, we note that the Scheme Consideration represents a substantial premium to recent share trading and effectively reflects a long term view of value (i.e. assumes a higher rainfall levels in future and captures the risk adjusted value associated with Webster's recently planted walnut orchards).

No superior alternative proposal has been received

No superior alternative proposal has emerged since the Transaction was announced. There will, however, continue to be opportunity for interested parties to put forward a superior proposal until the Scheme Meetings.

Potential deterrents for an alternative bidder include the substantial interests held by PSP Investments (19.1%), Belfort (12.5%) and Verolot (10.7%), which could represent a blocking stake (particularly if acting together) and the substantial premium to recent share trading offered by PSP Investments.

The Scheme Implementation Agreement, also restricts Webster from either soliciting or entering into discussions with third parties in relation to alternative proposals (other than the director fiduciary duty carve out). Should it become aware of any possible alternative proposal, Webster is required to notify PSP Investments and PSP Investments has a last right to match a competing proposal. Further, in certain circumstances Webster would be required to pay a break fee of approximately \$5.5 million (excluding GST) to PSP. Given the size of the overall transaction we consider it is unlikely that a break fee of this magnitude would prevent an alternative transaction.

Although the likelihood of a superior alternative proposal is impacted by these terms, it does not preclude an alternative proposal from being made. We note that the IBC Directors would be required under their fiduciary duties to consider the merits of an alternative proposal should it arise.

Another potential alternative is the sale of assets on an individual property basis. Although an acquirer may be able to save a greater share of corporate expenses, an acquisition of assets is less attractive than a whole of company transaction since:

- an acquirer would incur greater stamp duty than under a sharemarket offer
- the CBRE property valuations do not include selling costs. Additional selling costs (e.g. legal and agents fees and some broker fees) would likely be incurred, selling costs would be incurred in relation to the Horticulture assets and there would be additional costs (e.g. legal) associated with the subsequent winding up of corporate entities
- it would result in a loss of Webster's tax losses⁹ for the acquirer. There also may be capital gains tax implications
- a sale of the assets in the current drought conditions is likely to be difficult and may require substantial time (say, two years) as well as marketing costs and may require the discounting of assets, and
- extra infrastructure costs would be required in order for Horticulture orchards to be sold on an individual basis where orchards share capacity.

⁸ Refer to Section 9.2 of this report.

⁹ As at 30 September 2019, Webster had unrecognised tax losses of \$41.2 million. Refer to Section 9.7 of this report. It is expected that an acquirer of 100% of Webster's equity would retain tax losses if it passed the 'same business test.'

Webster's Ordinary Share price will likely fall in the absence of the Transaction

The current Ordinary Share price reflects the terms of the Transaction and, therefore, includes a control premium. As such, in the absence of the Transaction, an alternative proposal or speculation concerning an alternative proposal, the Ordinary Share price is likely to fall from current levels to levels consistent with trading prices prior to the announcement of the Transaction, with allowance for any company specific initiatives or financial achievements in the subsequent period which the market may assess as value enhancing and the impact of trends in the broader equity market. In this regard:

- limited time has passed since the announcement of the Transaction
- from 2 October 2019 until 9 December 2019, drought conditions have continued and cotton and walnut prices have slightly increased
- Webster has released their preliminary FY19 results on 14 November 2019. The results were consistent with the broker forecast from the date on which the transaction was announced (3 October 2019), and
- from 2 October 2019 to 9 December 2019, the S&P/ASX 300 has increased slightly (by 1.0%).

Cash nature of Scheme Consideration provides certainty

The Transaction offers Ordinary Shareholders an opportunity to exit their investment in Webster at a price that is certain and which incorporates a substantial premium for control. In the absence of the Transaction or a similar transaction, Ordinary Shareholders could only realise their investment by selling on market at a price that does not include a premium for control and would incur transaction costs (e.g. brokerage).

There is no certainty as to the price at which Ordinary Shareholders would be able to realise their investment in the future, particularly if drought conditions persist, and taking into account the illiquid trading in Ordinary Shares.

3.3 Other considerations

In forming our opinion, we have also considered a number of other factors, as detailed below. While these factors do not impact on our opinion, we consider it appropriate for Ordinary Shareholders to consider these factors in assessing the Ordinary Scheme.

Transaction costs associated with the Ordinary Scheme

Webster management has estimated that Webster will incur costs in relation to the Transaction of approximately \$1.8 million (plus GST and disbursements, excluding any break fee) in the event the Ordinary Scheme does not proceed. One-off transaction costs associated with the Ordinary Scheme primarily relate to adviser, legal and expert fees.

The Ordinary Scheme is subject to the satisfaction of a number of conditions

There are a number of conditions which, if not satisfied, will result in the Ordinary Scheme not being implemented. If the Ordinary Scheme is not approved, Ordinary Shareholders will continue to hold their existing Ordinary Shares.

Taxation implications for Ordinary Shareholders

Section 9 of the Scheme Booklet sets out a general description of the tax consequences for Ordinary Shareholders who hold their Ordinary Shares on capital account. If the Ordinary Scheme is implemented, those Australian resident Ordinary Shareholders who receive the Scheme Consideration will be deemed to have disposed of their Ordinary Shares and the disposal will constitute a capital gains tax event. Ordinary Shareholders will make a capital gain or loss depending on the cost base of their Ordinary Shares.

Foreign residents may be subject to capital gains withholding tax on the capital proceeds. Refer to Section 9.4 of the Scheme Booklet.

We note that Ordinary Shareholders should consider their individual circumstances, review Section 9 of the Scheme Booklet for further information where it applies to their circumstances and should seek the advice of their own professional adviser.

3.4 Consequences if the Ordinary Scheme does not proceed

In the event that the Ordinary Scheme is not approved or any conditions precedent prevent the Ordinary Scheme from being implemented, Webster will continue to operate in its current form and remain listed on the ASX. As a consequence:

- Ordinary Shareholders will not receive the Scheme Consideration and the implications of the Ordinary Scheme, as summarised above, will not occur, other than with respect to the one-off transaction costs incurred, or committed to, prior to the Scheme Meeting. Webster would also likely not be liable to pay a break fee
- Webster will continue to operate as a stand-alone entity. Ordinary Shareholders will continue to be exposed to the risks associated with an investment in Webster as discussed previously
- in the absence of a superior alternative proposal, Webster's ordinary share price will likely fall, for the reasons set out previously, and
- Ordinary Shareholders are unlikely to receive substantial distributions until drought conditions improve and it has sufficient time to plant and harvest a larger cotton crop and restock livestock.

4 Opinion for Preference Shareholders

In our opinion, the Preference Scheme **is in the best interests of Preference Shareholders** in the absence of a superior proposal.

In arriving at this opinion, we have assessed whether the Preference Scheme is:

- fair, by comparing the Preference Scheme Consideration to our assessed value of a Preference Share, and
- reasonable, by assessing the implications of the Preference Scheme for Preference Shareholders, the alternatives to the Preference Scheme which are available and the consequences for Preference Shareholders of not approving the Preference Scheme.

Our assessment has concluded that the Preference Scheme is fair and reasonable. As such, in accordance with RG 111, we have concluded that the Preference Scheme is in the best interests of Preference Shareholders.

Assessment of fairness

We have assessed the value of a Preference Share to be in the range of \$1.50 to \$1.80. As the Preference Scheme Consideration of \$2.00 per Preference Share is greater than our assessed value range for a Preference Share, we consider the Preference Scheme to be fair.

Our analysis of the fairness of the Preference Scheme is detailed further in Section 4.1 below.

Assessment of reasonableness

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Preference Scheme to be fair, this means that the Preference Scheme is reasonable. Notwithstanding this requirement, we have also considered the following factors that Preference Shareholders may wish to consider in assessing whether to approve the Preference Scheme. These include:

- the Preference Scheme Consideration represents a substantial premium to the recent Preference Share trading on the ASX
- there are substantial risks if the Ordinary Scheme is implemented and the Preference Scheme is not implemented:
 - ASX has confirmed in principle that it will approve Webster's application to delist the Preference Shares. If the Preference Shares are delisted, Preference Shareholders will no longer be able to sell their Preference Shares on the ASX
 - PSP Investments intends to compulsorily acquire the Preference Shares. In such an event, there is no certainty that the consideration that Preference Shareholders would receive would be the same as offered under the Preference Scheme and the consideration would be received at a later date than under the Preference Scheme
- the Transaction provides a liquidity event for Preference Shareholders. The Preference Shares do not provide for a liquidity event (e.g. conversion, redemption), other than illiquid trading of the securities on market, and
- it would be difficult to find other securities with a comparable yield and risk profile.

Preference Shareholders should also consider the general tax implications associated with the Preference Scheme, the number of conditions which if not satisfied will result in the Preference Scheme not being implemented and the transaction costs that will be incurred irrespective of whether the Preference Scheme is implemented.

Our analysis of the reasonableness considerations is detailed further in Section 4.2 of this report.

The decision of whether or not to approve the Preference Scheme is a matter for individual Preference Shareholders based on their views as to value, expectations about future market conditions and their particular circumstances including their investment strategy and portfolio, risk profile and tax position. If in doubt, Preference Shareholders should consult their own professional adviser regarding the action they should take in relation to the Preference Scheme.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 of this report. We have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in Section 8.3 of our report.

4.1 The Preference Scheme is fair

We have assessed the value of a Preference Share at \$1.50 to \$1.80. As the Preference Scheme Consideration of \$2.00 per Preference Share is above our assessed value range for a Preference Share, we consider the Preference Scheme to be fair.

The value of the Preference Shares is based on capitalising the 9 cent annual coupon at a yield in the range of 5.0% to 6.0%. The value implied by this primary approach has been cross-checked based on the prices at which the Preference Shares have traded.

The key factors we have taken into consideration in selecting the 5.0% to 6.0% yield for the Preference Shares are:

- yields on comparable, listed preference shares. Yields on preference shares listed in Australia and the US were considered. Only preference shares that have a fixed coupon and are perpetual and non-redeemable were included
- relatively low risk of non-payment
- the yield on the Preference Shares based on trading prices from 1 January 2018 until 2 October 2019

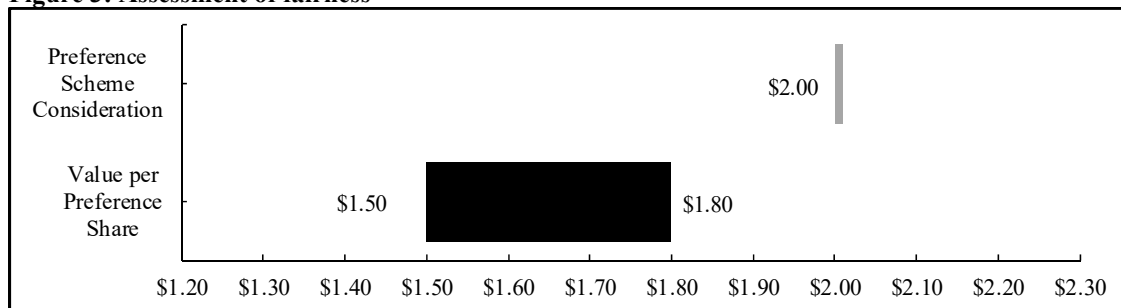
- the current cost of debt financing
- the current low interest rate environment and attractiveness of the Preference Shares as an alternative to fixed income instruments such as bonds
- priority over Ordinary Shares, but below bank debt, in the event of winding up, and
- the Preference Shares have voting rights only in limited circumstances.

We have also considered recent trading prices for Preference Shares. Preference Shares have consistently traded at a premium to face value. From 1 January 2018 until 2 October 2019 (the last trading day prior to the announcement of the Transaction), Preference Shares traded in the range of \$1.35 to \$1.50,¹⁰ at a VWAP of \$1.46 (a 45.7% premium to face value) (refer to Section 9.13.4 of this report).

The valuation of the Preference Shares is set out in Section 10.9 of this report.

A comparison of our assessed value per Preference Share to the Preference Scheme Consideration is illustrated below.

Figure 3: Assessment of fairness



Source: KPMG Corporate Finance analysis.

As the Preference Scheme Consideration of \$2.00 per Preference Share is greater than our assessed value range for a Preference Share of \$1.50 to \$1.80, we consider the Preference Scheme to be fair.

4.2 The Preference Scheme is reasonable

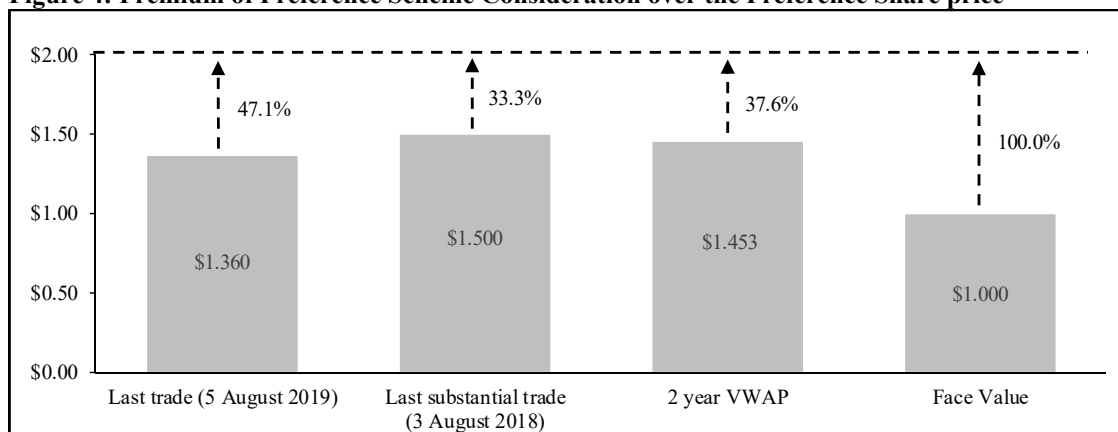
In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Preference Scheme to be fair, this means that the Preference Scheme is reasonable. Notwithstanding this requirement, we have also considered the following factors that Preference Shareholders may wish to consider in assessing whether to approve the Preference Scheme.

The Preference Scheme Consideration represents a substantial premium to the trading price of Preference Shares prior to the announcement of the Transaction

The premiums of the Preference Scheme Consideration relative to the trading prices of Preference Shares over various periods to 2 October 2019, the last trading day prior to the announcement of the Transaction, are illustrated as follows.

¹⁰ Based on market prices on the days when Preference Shares were traded

Figure 4: Premium of Preference Scheme Consideration over the Preference Share price



Source: IRESS, KPMG Corporate Finance analysis.

With regard to our assessment of the premiums implied by the Preference Scheme Consideration, we note:

- the Preference Scheme Consideration represents a substantial premium over recent trading prices and 100% premium over the face value
- the substantial premium offered by PSP Investments over the trading prices of the Preference Shares may reflect:
 - the illiquid trading in Preference Shares
 - the high coupon rate (9%) relative to the current cost of debt financing (4.1% to 4.6% for a BBB credit rating) (refer to Appendix 6 of this report)
 - the relative immateriality of the cost to acquire the Preference Shares (\$0.8 million¹¹) relative to the overall consideration for the Transaction (\$725.3 million¹²) (i.e. 0.1% of the total consideration for Ordinary Shares and Preference Shares), and
 - potentially, a desire by PSP Investments to own 100% of Webster.

Cash nature of Preference Scheme Consideration provides certainty

The Transaction offers Preference Shareholders an opportunity to exit their investment in Webster at a price that is certain. In the absence of the Transaction or a similar transaction, Preference Shareholders could only realise their investment by selling on market at a price that does not include a premium for control and would incur transaction costs (e.g. brokerage).

There is no certainty as to the price at which Preference Shareholders would be able to realise their investment in the future, particularly as trading in Preference Shares is illiquid and there is no liquidity event (e.g. conversion, redemption).

The Transaction provides a liquidity event

The Transaction provides a liquidity event for Preference Shareholders. The Preference Shares do not provide for a liquidity event (e.g. conversion, redemption), other than trading the securities on market, with trading being illiquid.

¹¹ Calculated as \$2.00 Preference Share Consideration multiplied by 394,000 Preference Shares.

¹² Calculated as \$2.00 Ordinary Consideration multiplied by 362,245,163 diluted number of Ordinary Shares, plus the \$2.00 Preference Share Consideration multiplied by 394,000 Preference Shares.

Risks in the event that the Ordinary Scheme is implemented and the Preference Scheme is not implemented

There are substantial risks if the Ordinary Scheme is implemented and the Preference Scheme is not implemented:

- ASX has confirmed in principle that it will approve Webster's application to delist the Preference Shares. If the Preference Shares are delisted, they will cease to be quoted on the ASX and Preference Shareholders will no longer be able to buy or sell Preference Shares through the ASX, and
- PSP Investments intends to compulsorily acquire the Preference Shares under Chapter 6A of the Corporations Act. If the Preference Shares are compulsorily acquired, there is no certainty that the consideration that Preference Shareholders would receive would be the same as offered under the Preference Scheme. Furthermore, under these circumstances, Preference Shareholders would receive consideration for their Preference Shares at a later date than under the Preference Scheme.

It would be difficult to find equivalent, high coupon preference shares

If the Preference Shares are sold, it would be difficult to find equivalent, high coupon preference shares with a comparable risk profile.

An alternative superior proposal is unlikely

As discussed in Section 3.2 of this report, we consider that a superior alternative proposal to acquire the Ordinary Shares of Webster is unlikely. Furthermore, any alternative proposal to acquire the Ordinary Schemes would not necessarily involve an acquisition of the Preference Shares.

4.3 Other considerations

In forming our opinion, we have also considered a number of other factors, as detailed below. While these factors do not impact on our opinion, we consider it appropriate for Preference Shareholders to consider these factors in assessing the Preference Scheme.

Taxation implications for Preference Shareholders

Section 9 of the Scheme Booklet sets out a general description of the tax consequences for Preference Shareholders who hold their Preference Shares on capital account. If the Preference Scheme is implemented, those Australian resident Preference Shareholders who receive the Preference Scheme Consideration will be deemed to have disposed of their Preference Shares and the disposal will constitute a capital gains tax event. Preference Shareholders will make a capital gain or loss depending on the cost base of their Preference Shares.

Foreign residents may be subject to capital gains withholding tax on the capital proceeds. Refer to Section 9.4 of the Scheme Booklet.

We note that Preference Shareholders should consider their individual circumstances, review Section 9 of the Scheme Booklet for further information where it applies to their circumstances and should seek the advice of their own professional adviser.

4.4 Consequences if Ordinary Scheme does not proceed

In the event that the Ordinary Scheme is not approved, the Preference Scheme will not proceed. As a consequence:

- Preference Shareholders will not receive the Preference Scheme Consideration and the implications of the Preference Scheme, as summarised above will not occur, other than with respect to the one-off transaction costs incurred, or committed to, prior to the Scheme Meeting. Webster would also not be liable to pay a break fee

- Webster will continue to operate as a stand-alone entity. Preference Shareholders will continue to receive a fixed, 9 cent coupon, and
- in the absence of a superior alternative proposal, Webster's Preference Shareholders will not have an opportunity for liquidity event (redemption, conversion), other than illiquid trading on the ASX.

5 Opinion on Kooba Subscription

5.1 Summary

KPMG Corporate Finance is of the opinion that **the Kooba Subscription does not confer a net benefit on Belfort and Verolot.**¹³

We have undertaken both a quantitative and qualitative analysis and undertaken the following:

- compared the value of the consideration to be paid by Belfort and Verolot to the assessed fair value of their 50.1% interest in KoobaCo, and
- considered the substance and commercial reality of the Kooba Subscription including the overall effect of the transaction.

Our opinion that the Kooba Subscription does not confer a net benefit on Belfort and Verolot is based on the following:

- Belfort and Verolot are receiving shares in an unlisted company with limited liquidity and restrictions on the transfer of shares. While they will control the day-to-day operations of the company through their majority Board position, they will not have full control. KPMG Corporate Finance has valued the 50.1% interest in KoobaCo in the range of \$124.3 million to \$145.7 million, on a non-marketable and non-full control basis (refer to Section 5.2 of this report). The consideration to be paid by Belfort and Verolot is calculated as \$152.8 million (refer to Section 5.3 of this report). As the consideration exceeds the assessed range of values for the 50.1% interest in KoobaCo, we consider that there is no net benefit conferred on Belfort and Verolot.

Table 2: Calculation of net benefit to Belfort and Verolot

	Section reference	Value range	
		Low	High
Value of Belfort and Verolot's 50.1% equity interest in KoobaCo	5.2	124.3	145.7
Less: Belfort and Verolot 50.1% share of Purchase Price	5.3	(152.8)	(152.8)
Net benefit to Belfort and Verolot		(28.5)	(7.1)

Source: KPMG Corporate Finance analysis.

- following the sale, KoobaCo will provide administrative and IT services to Webster for an agreed period or until the businesses are established to the point where those services are no longer required. These services will be provided at cost.¹⁴ Apiary services will be provided based on market value
- PSP Investments is a sophisticated investor. The terms of the transaction were negotiated on an arm's length basis, and
- the Scheme Consideration is for cash and consequently, the Kooba Subscription will have no impact on outcomes for Ordinary Shareholders.

¹³ Interests of Belfort and Verolot are taken as a whole on the assumption they would act together. We note, however, that Belfort and Verolot have provided no indication as to whether they would act together. To the extent this is not the case, our assessed value of their equity interests in KoobaCo would potentially be lower as a higher discount for lack of full control may be appropriate, resulting in a reduction in any net benefit.

¹⁴ Source: Scheme Booklet, Section 6.4 (b).

The primary rationale for the Kooba Subscription is to provide Belfort and Verolot with an opportunity to retain an interest in the Kooba Assets following PSP Investments' acquisition of Webster, and allow PSP Investments to benefit from the ongoing involvement of Chris Corrigan and David Fitzsimons in management of those assets. We consider that the consideration to be paid by Belfort and Verolot is a fair representation of the value of their interest in KoobaCo. As such, we do not consider that the price paid provides a 'net benefit' to them from an economic standpoint.

5.2 Valuation of a 50.1% interest in KoobaCo

KPMG Corporate Finance has valued Belfort and Verolot's 50.1% interest in KoobaCo in the range of \$124.3 million to \$145.7 million.

The Kooba Assets are described in Section 7.2.3 of this report. KPMG Corporate Finance has valued the Kooba Assets on the basis of a 'sum of the parts' approach, by aggregating:

- the value of Webster Southern Ag's land, water storage and buildings as assessed by CBRE on the basis of a Direct Comparison methodology (refer to Section 10.4.2 of this report)
- the value of land and buildings associated with the Griffith property as assessed by CBRE on the basis of a Direct Comparison methodology (refer to Section 10.4.2 of this report)
- plant and equipment associated with Webster Southern Ag and the Corporate assets based on the book value as at 30 September 2019 (reference to Section 9.8 of this report)
- the value of Australian Rainforest Honey on the basis of the consideration paid by Webster in recent acquisitions plus any subsequent capital expenditure (refer to Section 10.4.1 of this report). We consider that this value incorporates the value of all assets associated with Australian Rainforest Honey (land, property, plant and equipment, goodwill and the 'Australian Rainforest Honey' trademark)
- the value of the water entitlements associated with the Kooba Properties¹⁵ utilising a Direct Comparison approach (refer to Section 10.5.4 of this report). We have also added approximately \$5 million of water entitlements acquired by Webster subsequent to the preparation of the list of water entitlements in the Kooba Sale Agreement that will be allocated to KoobaCo (in accordance with the Kooba Sale Agreement)
- KoobaCo's net working capital as at 30 September 2019
- the value of the KoobaCo's share of unallocated corporate expenses (44.5%, based on the allocation ratio utilised in the Kooba Sale Agreement and consistent with the ratio of our assessed value of the Kooba Assets before corporate costs to the overall value of Webster before corporate costs). In valuing each of the Kooba Assets, KPMG Corporate has not included the unallocated corporate expenses. Consequently, these have been capitalised separately at a multiple of 8 to 9 times based on multiples at which agribusiness companies are trading and recent transactions in the industry, and
- nil value has been assigned to tax losses.

In estimating the value of the Kooba Assets, nil value has been assigned to the following:

¹⁵ The specified properties (i.e. land, water storage, buildings) owned by Webster Southern Ag, including Kooba, South Farm, Glenmea, Pevensey, Yang Yang and Griffith commercial property (Part A of Schedule 2 of the Kooba Sale Agreement).

- the KoobaCo contracts since all contracts are on arm's length terms
- the KOoba AG name as it does not impact farm gate prices or assist in generating sales, and
- the service agreement that PSP proposes to procure between KoobaCo and the entities operating the remaining Webster businesses, since all services will be provided at cost¹⁶ (other than apiary services which will be at market).

In accordance with the agreement, we have deducted core borrowings from the valuation of the KoobaCo enterprise value (nil as at 30 September 2019).

A 20% marketability and non-full control discount has been applied to Belfort and Verolot's combined 50.1% interest in the equity of KoobaCo, taking into consideration the governance arrangements set out in the Kooba Shareholders Deed (Section 7.2.2 of this report) and initial capital structure as set out in Kooba Subscription Agreement (Section 7.2.1 of this report). Ultimately, the level of discount is a matter of judgement which is dependent on the specific facts associated with each circumstance. The specific factors we considered in assessing this discount are:

- ***non-full control discount:***
 - Belfort and Verolot will have control over the day-to-day running of the business through their majority position on the Board. However, there are numerous actions that require a special resolution and, therefore, PSP Investments approval
 - the B class shares will hold a 49.9% voting interest and are concentrated in the ownership of PSP Investments. We have assumed that Belfort and Verolot act together, however, this may not necessarily be the case
 - the Kooba Shareholders Agreement states that sales must occur at a price determined by the Board and which does not reflect a control premium or minority discount, however, it also states that the valuation should take into account "any other factors the Varied Board considers relevant"
 - a full control premium (typically 25% to 40%¹⁷) can likely only be achieved in the event of a sale of 100% of the business. Such a sale would require the approval of PSP Investments. It may be difficult to find a buyer willing to pay full value for an interest of less than 100% in an unlisted entity that has restrictions on sale, and
- ***marketability discount:***
 - the Kooba Shareholders Agreement does not specify the requirement to exclude a marketability discount. We would expect that a marketability discount would be applied by the Varied Board or an independent expert in assessing the fair market value of the shares
 - KoobaCo shares will be unlisted
 - pre-emptive rights exist requiring shares to initially be offered to shareholders in the same class before offering shares to other shareholders, and
 - there are limited permitted transfers outside the pre-emption regime, including permitted transfers to affiliates and a right for Belfort and Verolot, within six months of entry into the Kooba Shareholders Deed to sell up to half the A class shares, however, those persons must be approved as suitable co-investors by the relevant PSP Investments shareholder in KoobaCo

¹⁶ Refer to Section 6.4 (b) of the Scheme Booklet.

¹⁷ KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2008 and 2018, comparing the Mergerstat 'unaffected' share price of the target company to the final offer price.

(although such approval is not to be unreasonably withheld or delayed, having regard to issues such as environmental, social and governance requirements and other reputational matters).

Table 3: Valuation of Belfort and Verolot's 50.1% interest in KoobaCo

	Kooba Sale Agreement	Report	Value range	
Kooba asset	Reference - Schedule (Part)	section reference	Low	High
Webster Southern Ag:				
Land, water storage and buildings ¹	2 (A)	10.4.2	117.2	117.2
Plant and equipment ²	6 (A)	9.8	24.6	24.6
Australian Rainforest Honey:				
Australian Rainforest Honey ³	2 (A) & 6 (B)	10.4.1	5.2	5.2
Corporate assets:				
Griffith land and buildings ¹	2 (A)	10.4.2	5.4	5.4
Plant and equipment ²	6 (C)	9.8	0.7	0.7
Other assets:				
Water entitlements ⁴	3 (A)	10.5.4	173.6	222.0
Finance lease asset	5	9.8	0.3	0.3
Finance lease liability	5	9.8	(0.2)	(0.2)
Working capital	10 (B)	9.8	9.1	9.1
Corporate overhead ⁵		10.6	(25.6)	(20.6)
Value of KoobaCo enterprise value			310.2	363.5
Less: KoobaCo core debt ⁶			-	-
Value of KoobaCo equity			310.2	363.5
Verolot and Belfort pro rata 50.1% interest in KoobaCo equity			155.4	182.1
Minority and marketability discount ⁷			(31.1)	(36.4)
Value of Verolot and Belfort equity interest in KoobaCo			124.3	145.7

Source: KPMG Corporate Finance analysis.

Notes:

1. Based on CBRE valuation.
2. Book value as at 30 September 2019. Plant and equipment excludes finance lease asset which is shown separately.
3. Based on purchase consideration as at May 2019 plus subsequent capital expenditure.
4. Refer to Section 10.5.4 of this report.
5. Calculated as 44.5% of Webster's total capitalised corporate overhead, based on the allocation ratio utilised in the Kooba Sale Agreement and consistent with the ratio of our assessed value of the Kooba Assets before corporate costs to the overall value of Webster before corporate costs). In valuing each of the Kooba Assets, KPMG Corporate has not included the unallocated corporate expenses.
6. Calculated as 20% of Belfort and Verolot's pro rata 50.1% interest in KoobaCo equity.
7. A 20% discount has been assumed to reflect lack of marketability and absence of full control.

5.3 Calculation of Purchase Price

The formula for calculating the Purchase Price is set out in the Kooba Sale Agreement and summarised in Section 7.2.3 of this report. The ultimate Purchase Price paid will depend on a number of factors including the working capital balance within KoobaCo and Webster and the core debt in KoobaCo and Webster as at the date of the implementation of the Ordinary Scheme, expected to occur in early 2020. In our calculation of 50.1% of the Purchase Price, we have included KoobaCo and Webster's working capital and core debt as at 30 September 2019.

Our calculation of Belfort and Verolot's 50.1% of the Purchase Price based on the 30 September 2019 balance sheets is as follows.

Table 4: Belfort and Verolot's 50.1% of the Purchase Price as at 30 September 2019

As at 30 September 2019	\$ million
Consideration for Kooba Assets	276.7
Plus: Kooba Land and Water Additional Acquisition Amount	5.0
Minus: Kooba Land and Water Disposal Amount	-
Plus: Kooba Actual Working Capital Amount ¹	9.1
Enterprise value (including cash and net seasonal debt) level Purchase Price	290.8
Minus: Kooba Actual Core Debt Amount ¹	-
Kooba equity level Purchase Price	290.8
Minus: 44.5% of excess adjustment ²	14.2
Adjusted equity level Purchase Price	305.0
Add: interest ³	-
Purchase Price	305.0
Verolot and Belfort 50.1% share of Purchase Price	152.8

Source: KPMG Corporate Finance analysis.

Notes:

1. Source: 30 September 2019 balance sheet for KoobaCo.
2. Excess adjustment is amount by which Webster actual core debt exceeds the sum of Webster's actual working capital as at date of close, less amount by which Webster target core debt (\$81.1 million) exceeds Webster target working capital (\$44.3 million) i.e. (\$36.8 million), and any Webster water entitlements and properties acquired. As at 30 September 2019, Webster actual core debt (excluding finance leases and Preference Shares) was \$135.3 million and Webster actual working capital (including cash) was \$56.5 million i.e. net of (\$78.8 million) and Webster had acquired \$10 million of water rights.
3. Calculated as 0.6% of the Purchase Price (including adjustments) calculated daily for a period from, but excluding, the Webster Completion Date to and including the completion date of the Kooba Sale.

We note that Purchase Price adequately compensates for any acquisitions or divestments of any properties or water assets from 3 October 2019 until implementation of the Ordinary Scheme. As at the date of this report, Webster had acquired \$10 million of assets of which \$5 million of assets will be held by entities to be acquired by KoobaCo. As the value of these assets is included in our assessment of the value of the Kooba Assets, it is appropriate to include this adjustment in the calculation of the Purchase Consideration.

The Purchase Price formula allows for the actual working capital and core debt as at the implementation date of the Ordinary Scheme to be reflected in the calculation of the Purchase Price. As such, these adjustments to the Purchase Price will offset the actual working capital received and core debt assumed on purchase.

The excess adjustment effectively allows an increase in the purchase consideration by 44.5% of any increase in Webster's net working capital (Webster actual working capital balance minus Webster actual core debt as at the implementation date of the Ordinary Scheme) relative to the target level of net working capital of (\$36.8 million), plus Webster water entitlements and properties acquired. As at 30 September 2019, Webster's net working capital has increased to \$78.8 million (\$135.3 million core debt (excluding finance leases and Preference Shares) less \$56.5 million working capital (including cash)) and Webster had acquired \$10 million of water rights. As such, the formula requires an additional \$14.2 million consideration as at 30 September 2019 that is not offset by any increase in working capital or core debt assigned to KoobaCo (other than that which is compensated for under the Purchase Price formula). It is not possible to predict the final adjustment, however, we note that:

- it is difficult to see Webster paying down substantial core debt out of operating cash flows in the next six months given that operating cash flow was negative in the last two years, as well as the current drought conditions, relatively small cotton crop for the 2019/20 season and destocking of livestock, and
- Webster management expects working capital levels at 31 March 2019 to be similar to levels at 30 September 2019.

An interest rate of 0.6% is consistent with market rates.

The formula does not take into account any increase/decrease in the value of land and buildings or water entitlements up until the implementation of the Kooba Sale, however, as a result of the “locked box” accounting, any capital expenditure will be reflected in an increase in KoobaCo core debt, which results in an increase in the Purchase Price.

5.4 Ongoing Arrangements

Future ongoing arrangements between Webster and KoobaCo include:

- a service agreement that PSP proposes to procure whereby KoobaCo will provide services (e.g. administrative and IT services) to the remaining Webster businesses. The agreement is not yet finalised, however, any services provided by KoobaCo will be provided at cost,¹⁸ and
- ongoing provision of bee hives to Webster’s Horticulture operations from KoobaCo’s Australian Rainforest Honey business, however, the IBC Directors have advised that the sale will be provided at market rates.

6 Other matters

In forming each of our opinions, we have considered the interests of Ordinary Shareholders and Preference Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Ordinary Shareholders or Preference Shareholders. It is not practical or possible to assess the implications of the Ordinary Scheme on individual Ordinary Shareholders (or the Preference Scheme on individual Preference Shareholders) as their financial circumstances are not known.

The decision of Ordinary Shareholders as to whether or not to approve the Ordinary Scheme (or Preference Shareholders as to whether or not to approve the Preference Scheme) is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Ordinary Shareholders and Preference Shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual’s decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual Ordinary Shareholders and Preference Shareholders seek their own independent professional advice.

Our report has been prepared solely for the purpose of assisting Ordinary Shareholders in considering the Ordinary Scheme (and Preference Shareholders in considering the Preference Scheme). We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose. Our opinion should not be construed to represent a recommendation as to whether or not Ordinary Shareholders should elect to vote in favour of the Ordinary Scheme (or Preference Shareholders should elect to vote in favour of the Preference Scheme).

Neither the whole nor any part of our report or its attachments or any reference thereto may be included in or attached to any document, other than the Scheme Booklet to be sent to Ordinary Shareholders and Preference Shareholders in relation to the Ordinary Scheme and Preference Scheme, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of our report in the form and context in which it appears in the Scheme Booklet.

All currency amounts in this report are denominated in Australian dollars unless otherwise stated. References to Webster’s financial year (i.e. the 12 months to 30 September) have been abbreviated to

¹⁸ Refer to Section 6.4 (b) of the Scheme Booklet.

‘FY’. The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully



Ian Jedlin
Authorised Representative



Bill Allen
Authorised Representative

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7 Summary of the Transaction

7.1 Schemes

On 3 October 2019, Webster announced that it had entered into a binding Scheme Implementation Agreement with PSP and Sooke Investments Inc, each indirect wholly-owned subsidiaries of PSP Investments. The Transaction involves two separate, contemporaneous schemes of arrangement:

- **Ordinary Scheme:** PSP will acquire all of the Ordinary Shares that PSP Investments does not already own for Scheme Consideration of \$2.00 cash per Ordinary Share by way of a scheme of arrangement, and
- **Preference Scheme:** PSP will acquire all of the Preference Shares on issue for \$2.00 in cash per Preference Share by way of a Preference Scheme. Implementation of the Preference Scheme is conditional upon Court approval of the Ordinary Scheme.

In the absence of a superior proposal, the IBC unanimously recommends that Ordinary Shareholders vote in favour of the Ordinary Scheme and intend to vote or to procure that the registered shareholder votes all of Ordinary Shares in which the registered shareholder has a relevant interest in favour of the Ordinary Scheme. In the absence of a superior proposal, the IBC unanimously recommends that Preference Shareholders vote in favour of the Preference Scheme.

Webster operates an Executive Long Term Incentive Plan (**ELTIP**) under which it has issued to employees Ordinary Shares funded by non-recourse loans from Webster (**ELTIP Shares**) and rights to Ordinary Shares, including the Employee Loan Funded Shares (**Employee Share Rights**). Under the terms of the ELTIP, unvested shares will vest automatically on implementation of the Ordinary Scheme and holders of Employee Loan Funded Shares will receive Ordinary Scheme Consideration, less the balance of any loan owing to Webster.

7.2 Kooba Subscription

Should the Ordinary Scheme be implemented and, unless PSP waives this condition, the Preference Shares be acquired by PSP, Webster will transfer certain assets to KoobaCo for consideration of \$276.7 million plus the net working capital acquired with the business.¹⁹

Subject to certain conditions (including, among other things, that the Ordinary Scheme is approved by the requisite majorities of Ordinary Shareholders excluding any votes cast in favour by Belfort and Verolot), Belfort and Verolot will be offered an opportunity under the Kooba Subscription Agreement to acquire a 50.1% interest in KoobaCo after implementation of the Ordinary Scheme. Belfort and Verolot own 12.64% and 8.89% of Ordinary Shares, respectively, and are entities associated with Chris Corrigan and David Fitzsimons, respectively, both of whom are Directors of Webster.

7.2.1 Kooba Subscription Agreement

The Kooba Subscription Agreement sets out the terms on which Belfort and Verolot can subscribe for a 50.1% interest in KoobaCo following completion of the Kooba Sale. It provides for the following to occur:

- prior to the scheduled date for completion under the Kooba Sale Agreement, PSP Investments to procure that the relevant PSP Group shareholder in KoobaCo funds 100% of the purchase price payable under the Kooba Sale Agreement by:

¹⁹ Subject to adjustments for changes in certain assets and liabilities.

- funding 49.9% of the purchase price payable under the Kooba Sale Agreement (which may be a mix of equity and shareholder loan)
- providing interim debt funding for the remaining 50.1% of the Purchase Price payable under the Kooba Sale Agreement (which amount is to be repaid by KoobaCo from the subscription and loan funds received from Belfort and Verolot following completion of the Kooba Sale Agreement as set out below)
- following completion of the Kooba Sale Agreement, Belfort and Verolot to provide funding (in the same equity to shareholder loan ratio as the 49.9% funding provided by the PSP Group shareholder in KoobaCo above) equivalent to 50.1% of the purchase price payable under the Kooba Sale Agreement. The 50.1% funding is to be provided as to 31.4% by Belfort and 18.7% by Verolot, and
- KoobaCo, PSP, Belfort and Verolot to enter into the agreed form Kooba Shareholders Deed.

The agreement contains various representations and warranties from PSP in favour of Belfort and Verolot in relation to their proposed investment in KoobaCo, including warranties that, at the time of their subscription, completion of the Kooba Sale Agreement will have occurred and KoobaCo will own the Kooba Assets set out above and will not conduct any other business or have any other unrelated assets or liabilities.

The share capital of KoobaCo will be comprised of the following:

- ***A class shares and B class shares:*** will carry all economic rights and the right to vote at general meetings on all matters other than the appointment and removal of directors and any other matter specifically reserved to holders of another class of shares:
 - ***A class shares (50.1% of total A and B class shares):*** to be held initially 62.7% by Belfort and 37.3% by Verolot
 - ***B class shares (49.9% of total A and B class shares):*** to be held initially 100% by PSPIB Group.
- ***a nominal number of C class shares (1,000 at \$1.00):*** will carry the right to vote at on the appointment and removal of directors in limited circumstances, but not on any other matter and do not carry rights to dividends. They will be held 30% by PSPIB Group and 70% by Belfort and Verolot (43.9% by Belfort and 26.1% by Verolot).

A copy of the form of the Kooba Subscription Agreement was attached to the Substantial Shareholder Notice lodged with the ASX by PSP Investments on 7 November 2019.

7.2.2 Kooba Shareholders Deed

The Kooba Shareholders' Deed contains the governance arrangements that will apply to KoobaCo following the above equity subscriptions. The arrangements include the following:

- ***nomination of Directors:*** the holders of a majority of the B class shares may nominate up to one third of the Directors to the Board of KoobaCo, and the holders of a majority of the A class shares may nominate the remaining majority of the Directors to the Board
- ***Board responsibilities:*** the Board will be responsible for the overall management of KoobaCo, subject to certain matters which will require a special resolution of the shareholders. Board decisions are to be determined by a simple majority, except where a Director appointed by shareholders holding a majority of the aggregate A and B class shares approves a resolution which is not passed by the Board the matter is referred to the shareholders and can be passed by shareholders holding a majority of shares in the class which represents the majority of the aggregate A and B class shares

- **a special resolution** of the shareholders is required for a range of matters including expansion of debt, divestments, diversification of the business or purchase of water entitlements other than for farming, capital changes, development beyond agreed limitations, approval of any change of ownership or control of a shareholder, disposal of shares. A special resolution will require the approval of the holders of a majority of both A and B class shares²⁰
- **pre-emptive rights** on transfers of A class shares and B class shares, which provide for those shares to be offered to holders of the same class first, and for any shortfall to then be offered to holders of the other class of shares. The sale price is based on a Directors' valuation and should not include a control premium or any minority discount, however, it also states that the valuation should take into account "any other factors the Varied Board considers relevant," and
- **rights to undertake certain share transfers** outside the pre-emption regime, including permitted transfers to affiliates and a right for Belfort and Verolot, within 6 months of entry into the Kooba Shareholders Deed to sell up to half the A class shares to persons approved as suitable co-investors by the relevant PSPIB Group shareholder in KoobaCo (such approval not to be unreasonably withheld or delayed, having regard to issues such as environmental, social and governance requirements and other reputational matters).

A copy of the form of Kooba Shareholders Deed was attached to the Substantial Shareholder Notice lodged with ASX by PSP Investments on 7 November 2019.

7.2.3 Kooba Sale Agreement

Under the Scheme Implementation Agreement, Webster has agreed to, and PSP Investments has agreed to procure KoobaCo to, enter into the Business Sale and Purchase Agreement between Webster and Kooba Pty Limited (**Kooba Sale Agreement**). The Kooba Sale Agreement provides for the acquisition of the Kooba Assets by KoobaCo.

Kooba Assets

The assets to be transferred to KoobaCo (**Kooba Assets**) are identified in Kooba Sale Agreement and include the shares in Webster Southern Ag Pty Ltd (**Webster Southern Ag**) and Australian Rainforest Honey Pty Limited (**Australian Rainforest Honey**) and to the extent not held by those companies:

- the specified properties (i.e. land, water storage, buildings) owned by Webster Southern Ag, including Kooba, South Farm, Glenmea, Pevensey, Yang Yang and Griffith commercial property (**Kooba Properties**) (Part A of Schedule 2 of the Kooba Sale Agreement)
- land and buildings owned by Australian Rainforest (Part A of Schedule 2)
- plant and equipment associated with Webster Southern Ag, Australian Rainforest Honey and Webster Corporate (Parts A, B and C of Schedule 6)
- working capital
- certain water entitlements associated with the Kooba Properties (Part A of Schedule 3)
- certain contracts including a lease of the Sydney corporate office, finance leases for tractors and technology user agreements (Schedule 5), and

²⁰ for so long as that class of shares represents 25% or more of the total number of A class shares and B class shares on issue.

- KoobaCo intellectual property, including the Australian Rainforest Honey trademark and the ‘KOOBA AG’ name (Parts A and B of Schedule 7).

Purchase Price formula

The Purchase Price payable for the Kooba Assets is:

- \$276.7 million
- plus the purchase price for any additional Kooba Properties or Kooba water entitlements acquired by Webster prior to the implementation of the Ordinary Scheme and not set out in the Sale Agreement, which are agreed to be acquired by KoobaCo
- minus the sale price for any Kooba Property or water entitlement specified in the Kooba Sale Agreement which is sold by Webster prior to the implementation of the Ordinary Scheme
- plus the Kooba Actual Working Capital Amount
- minus the Kooba Actual Core Debt Amount
- minus 44.5% multiplied by the ‘excess adjustment’, being:
 - [Webster Consolidated Actual Net Working Capital (i.e. Webster consolidated Actual Working Capital Amount²¹ less Webster Consolidated Actual Core Debt Amount²²)
 - plus Webster Consolidated Land and Water Additional Acquisition Amount
 - minus Webster Consolidated Land and water Disposal Amount
 - minus Webster Consolidated Target Net Working Capital of (\$36.8 million)].

Between implementation of the Ordinary Scheme and completion of the Kooba Sale Agreement, the Kooba Businesses will be accounted for in a “locked box” so that all income and expenses of the Kooba Businesses during this period will be retained in the Kooba Businesses and transferred to KoobaCo on completion of the Kooba Sale Agreement. An additional payment of 0.6% per annum of the Purchase Price determined above, calculated daily during this same period, is payable as an addition to the Purchase Price.

7.3 Conditions precedent

7.3.1 Ordinary Scheme

Completion of the Ordinary Scheme is subject to a number of conditions precedent as set out in the Scheme Implementation Agreement, including:

- ASIC and ASX consents and approvals are received by the Second Court Date
- Ordinary Shareholder approval of the Ordinary Scheme by the requisite majorities
- Court approval of the Ordinary Scheme
- regulatory approvals are obtained and there is no regulatory intervention
- third party consents are obtained, and
- other customary conditions, including ‘no prescribed occurrence’, ‘no material adverse change’ and various representations and warranties.

²¹ Includes cash.

²² Excludes finance lease liability and Preference Shares.

Further details on the conditions precedent are contained in Section 10.11 of the Scheme Booklet and Clause 3.1 of the Scheme Implementation Agreement.

The Scheme Implementation Agreement also contains certain exclusivity provisions that apply during the Exclusivity Period²³ including ‘no shop’, ‘no talk’ and ‘no due diligence’ restrictions, a ‘notification’ obligation and a ‘matching right’, subject (in the case of the no talk and no due diligence provisions) to the IBC Directors’ fiduciary obligations. A break fee of approximately \$5.5 million (0.76% of the aggregate Ordinary Scheme Consideration) (excluding GST) is payable to PSP in certain circumstances. Further details of the exclusivity provisions and break fee are contained in Section 10.11 of the Scheme Booklet and Clauses 11 and 12 of the Scheme Implementation Agreement.

7.3.2 Preference Scheme

Completion of the Preference Scheme is subject to a number of conditions precedent as set out in the Scheme Implementation Agreement, including:

- Court approval of the Ordinary Scheme
- Preference Shareholder approval of the Preference Scheme by the requisite majorities
- Court approval of the Preference Scheme, and
- regulatory approvals are obtained and there is no regulatory intervention.

Further details on the conditions precedent are contained in Section 10.11 of the Scheme Booklet and Clause 3.2 of the Scheme Implementation Agreement.

7.3.3 Kooba Sale

The Kooba Sale is conditional on:

- the Ordinary Scheme being approved by the requisite majorities of Ordinary Shareholders excluding any votes cast in favour by Belfort and Verolot
- implementation of the Ordinary Scheme, and
- acquisition by PSP Investments of all of the issued Preference Shares (pursuant to the Preference Scheme or otherwise) unless PSP waives this condition.

8 Scope of Report

8.1 Purpose

The Transaction is to be implemented by two separate, contemporaneous schemes of arrangement (the Ordinary Scheme and the Preference Scheme) under Section 411 of the Corporations Act. The Ordinary Scheme requires approval of the Ordinary Shareholders and the Preference Scheme requires approval of the Preference Shareholders. The IBC has also requested an opinion on whether Belfort and Verolot will receive a ‘collateral benefit’ as a result of the Kooba Subscription.

8.1.1 The Transaction

The IBC has requested KPMG Corporate Finance to prepare a report in accordance with Section 411 of the Corporations Act and the guidance provided by ASIC.

²³ Period from 3 October 2019 to the earlier of the termination date and 31 May 2020 or such later date as agreed by the parties.

Section 411(3) of the Corporations Act requires that an explanatory statement issued in relation to a proposed scheme of arrangement include information that is material to the making of a decision by a member as to whether or not to approve the scheme.

Part 3 Schedule 8 of the Corporations Regulations specifies that the information to be lodged with AISC must include a report prepared by an expert:

- if the other party to a reconstruction in a scheme of arrangement holds at least 30% of the company, or
- where the parties to the reconstruction have common directors.

The report prepared by the expert must state whether, in the expert's opinion, the proposed scheme of arrangement is in the best interests of the members of the body as a whole and set out the expert's reason(s) for forming that opinion.

Even where an independent expert report is not strictly required by the law, it is not uncommon for directors to commission one to ensure they are providing the information that is material to the making of a decision by a creditor or member.

8.1.2 The Kooba Sale and Kooba Subscription

Chapter 6 of the Corporations Act imposes various constraints on the terms of a takeover bid, including a prohibition on providing collateral benefits. Section 602(c) of the Corporations Act states that a purpose of Chapter 6 is to ensure a reasonable and equal opportunity to participate in any benefits accruing to shareholders under a proposal. In particular, Section 623 of the Corporations Act prohibits a benefit that is likely to induce an acceptance and is not offered to all holders in the bid class.

Takeovers Panel's Guidance Note 21: 'Collateral Benefits' sets out the Panel's approach to collateral benefits.

The Panel starts from the idea that unacceptable circumstances will be likely to exist whenever a bidder provides a shareholder with something of value which it does not offer to other shareholders.

The potential collateral benefit should be considered on a holistic basis, by assessing any potential benefit by reference to the commercial balance of advantages flowing to and from the shareholders. In accordance with Guidance Note 21, the factors that influence the view of the balance of advantages include:

- the substance and commercial reality of the transaction
- the context in which the benefit is given or the consideration is given up
- the overall effect of the transaction, and
- an objective assessment of the transaction (rather than the parties' intentions).

Section 17 of the Guidance Note 21 states that although the existence of a net benefit is ultimately a matter for the Panel, there are a number of ways that a party may seek to establish that there is no net benefit, including:

- market testing of the transaction, for example, by a public sale process
- an independent valuation of the transaction, or
- an expert's opinion about whether there is a net benefit.

8.2 Basis of assessment

8.2.1 The Transaction

Regulatory Guide 111 “Content of expert reports”, issued by ASIC, indicates the principles and matters which it expects a person preparing an independent expert report to consider. RG 111 distinguishes between the analysis required for control transactions and other transactions. RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid even though the wording of the opinion will also be whether the proposed scheme is ‘in the best interests of the members of the company’. That form of analysis considers whether the transaction is ‘fair and reasonable’ and, as such, incorporates issues as to value.

In particular:

- ‘fair and reasonable’ is not regarded as a compound phrase
- an offer is ‘fair’ if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer
- the comparison should be made assuming 100% ownership of the ‘target’ and irrespective of whether the consideration is scrip or cash
- the expert should not consider the percentage holding of the ‘bidder’ or its associates in the target when making this comparison
- an offer is ‘reasonable’ if it is ‘fair’.

RG 111.20 states that if an expert would conclude that a proposal was ‘fair and reasonable’ if it was in the form of a takeover bid, it will also be able to conclude that the scheme is in the best interests of the members of the company.

In the circumstance of a ‘not fair but reasonable’ outcome, RG 111.21 states that the expert can also conclude that the scheme is ‘in the best interests’ on the basis that it clearly states that the consideration is less than the value of the securities subject to the scheme but that there are sufficient reasons for members to vote in favour of the scheme in the absence of a higher offer.

RG 111 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the securities subject to the offer. It is a requirement of RG 111 that the comparison be made assuming 100% ownership of the ‘target’ and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the target prior to the bid. That is, RG 111 requires the value of the target to be assessed as if the bidder was acquiring 100% of the issued equity (i.e. on a controlling interest basis).

In addition to the points noted above, RG 111 notes that the weight of judicial authority is that an expert should not reflect ‘special value’ that might accrue to the acquirer. Accordingly, when assessing the full underlying value of Webster we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of Webster. As such, we have not included the value of special benefits that may be unique to the bidder. Accordingly, our valuation of Webster has been determined without regard to the specific bidder, and any special benefits have been considered separately.

Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer, such as:

- the bidder’s pre-existing shareholding in the target
- other significant shareholdings in the target
- the liquidity of the market in the target’s securities

- tax losses, cash flow or other benefits through achieving 100% ownership of the target
- any special value of the target to the bidder
- the likely market price of the target's securities in the absence of the offer and any other consequences of not accepting the offer
- the likelihood of an alternative offer being made, and
- any other advantages, disadvantages and risks associated with accepting the offer.

In forming our opinion, we have considered the interests of Webster shareholders as a whole. As an individual Webster shareholder's decision to vote for or against the resolutions may be influenced by their individual circumstances, we recommend they each consult their own financial advisor.

8.2.2 The Kooba Sale and Kooba Subscription

Section 25 of Guidance Note 21 sets out considerations with regard to an expert's opinion about whether there is a net benefit. An expert's opinion about whether there is a net benefit may incorporate a valuation by the expert or by another person.

It should:

- meet the standards in ASIC RG 111 and Regulatory Guide 112 'Independence of experts' (**RG 112**)
- contain full disclosure of the factors that the expert took into account and methodology, and
- be clear and concise in its conclusions.

Section 26 of Guidance Note 21 states that the Panel may question the methodology even in the absence of manifest error.

In forming our view as to whether the Kooba Subscription confers on Belfort and Verolot a net benefit for the purposes of Guidance Note 21, we have undertaken both a quantitative and qualitative analysis and considered the following:

- whether the consideration to be paid by Belfort and Verolot under the Kooba Sale Agreement represents the fair value of Belfort and Verolot's 50.1% interest in KoobaCo, and
- the substance and commercial reality of the Kooba Subscription including the overall effect of the transaction.

8.3 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of Webster for the purposes of this report.

Furthermore, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. We have had discussions with Webster's management in relation to the nature of the business operations, specific risks and opportunities, historical results and prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Webster has been responsible for ensuring that information provided by them or their representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would

have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included the following forward looking information:

- FY20 budget for Webster (**FY20 Budget**)
- cash flow forecasts for Webster's walnut operations for 1 October 2019 to 30 September 2047 (**Walnut Model**)

KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report and Webster remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information or tested the mathematical integrity of the models.

KPMG Corporate Finance has undertaken various enquiries in relation to the forward-looking information, including holding discussions with management in regard to the key commercial assumptions underlying the model and undertaking site visits to Webster's walnut operations. We have reviewed the key commercial assumptions in the context of current economic, financial and other conditions (e.g. regulatory, contractual). KPMG Corporate Finance is of the view that the forward-looking information has been prepared on a reasonable basis and, therefore, is suitable as a basis for our valuations. In making this assessment, we have taken into account the following:

- the Walnut Model is used by management in their day-to-day operations and for strategy and budgeting purposes
- the Walnut Model is updated periodically based on actual results, current forecasts and changes in outlook
- the Walnut Model forms the basis for forecasts of the walnut operations in the FY20 Budget. The FY20 Budget is approved by the Board
- the Walnut Model was prepared in April 2019 for the purposes of a strategic review and updated in August 2019 by the management of Webster. This model was updated by KPMG Corporate Finance based on the FY19 actual results, and discussions with Webster management. KPMG Corporate Finance has no reason to believe that there is any bias, either positive or negative, in the financial forecasts
- the Walnut Model has been independently reviewed (via a line-by-line review of the model, together with an analytical review and other procedures designed to test the model's logical integrity) by a third party
- KPMG Corporate Finance has formed its own view on revenue and cost growth rates based on various sources, including BIS Oxford Economics CPI forecasts and our internal analysis
- walnut yield and price assumptions are based on Webster's historical experience, and
- operating, harvesting, hulling and drying, overhead and water costs are consistent with Webster's historical experience.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

8.4 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. Webster has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to Webster. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising Webster. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by Webster.

9 Profile of Webster

9.1 Background

Webster is a leading Australian agribusiness company focused on its Horticulture, Agriculture and Apiary businesses. It is the largest grower, processor and exporter of walnuts in the southern hemisphere and accounts for more than 90% of Australia's walnut production. It also owns a portfolio of around 412,960 hectares of land which includes 20,068 hectares of irrigated land and 381,175 hectares of livestock area. Its operations are supported by a diverse portfolio of 167,215 megalitres (ML) of water entitlements. It is listed on the ASX and had a market capitalisation of \$460.1 million²⁴ as at 2 October 2019.

Webster was founded in Hobart in 1831 as a traditional wool and grain business. It expanded into industrial products in the 1900s and acquired an aquaculture business and an onion business in the 1990s. It subsequently divested the industrial business in 2007, aquaculture business in 2010 and onion business in 2015 and focused on its remaining Horticulture and Agriculture businesses as follows:

- acquiring Gunns' walnut operations in 2010 for \$23 million
- entering the cotton industry through the acquisition of the Kooba assets for \$116 million plus crop and inventory in 2014. The transaction added 94,000 ML of water rights, 46,000 hectares of land and 5,000 cattle to Webster's portfolio, and
- increasing the scale and diversification of its Agriculture business and water security through the acquisition of Tandou Limited (**Tandou**) for \$114 million²⁵ in June 2015 and Bengenang Limited (**Benang**) for \$124 million²⁶ in May 2015. These acquisitions added more than 40,000 hectares of irrigated land, 2,000 hectares of dry land, 84,000 ML of water entitlements and extensive grazing land and cattle to Webster's portfolio.

Since 2017, Webster's strategic focus has shifted towards expanding the Horticulture segment, acquiring:

²⁴ Calculated as 362,245,163 Ordinary Shares as at 2 October 2019 multiplied by a closing price of \$1.27 on 2 October 2019 of \$1.27 (the last trading day prior to the announcement of the Transaction).

²⁵ Based on the issue of 84,572,170 Ordinary Shares and a closing share price of \$1.30 on 26 February 2015.

²⁶ Based on the issue of 107,670,120 Ordinary Shares at \$1.15 per share.

- Motspur Park Orchard in Tabbita, NSW in March 2017 for \$23.1 million, which added 250 hectares of walnut orchards
- Sandy Valley Almond Orchard in NSW in March 2018 for \$16.8 million, which added 934.7 hectares of developable planting area, including 260 hectares of 2 and 3 year old almond plantings
- cropping rights to 422 hectares of walnut orchards in NSW in May 2019 for \$10 million, and
- Australian Rainforest Honey Pty Limited for \$5.2 million in May 2019, which complements Webster's almond and walnut operations.

In response to the prolonged dry conditions and unreliable water supply in the Lower Darling Region, Webster decommissioned the Lake Tandou irrigation system in June 2017 and sold 21,901 ML of water entitlements associated with the property to the Commonwealth Government. The consideration paid for the water entitlements and decommissioning for \$78 million. It also scaled back its Agriculture operations by disposing of Bengarang for \$132.7 million in November 2018,²⁷ reducing Webster's irrigable land by 9,500 hectares and resulting in a more geographically concentrated irrigable and cropping land portfolio focused in the Darlington Point and Hay areas.

9.2 Strategy

Webster's strategy is to position itself as a leading land developer for its Horticulture and Agriculture businesses. It seeks to create shareholder value by transforming undeveloped pastoral land into more productive land that can be used for irrigable cotton, walnut or almond orchards through the efficient allocation of its water resources.

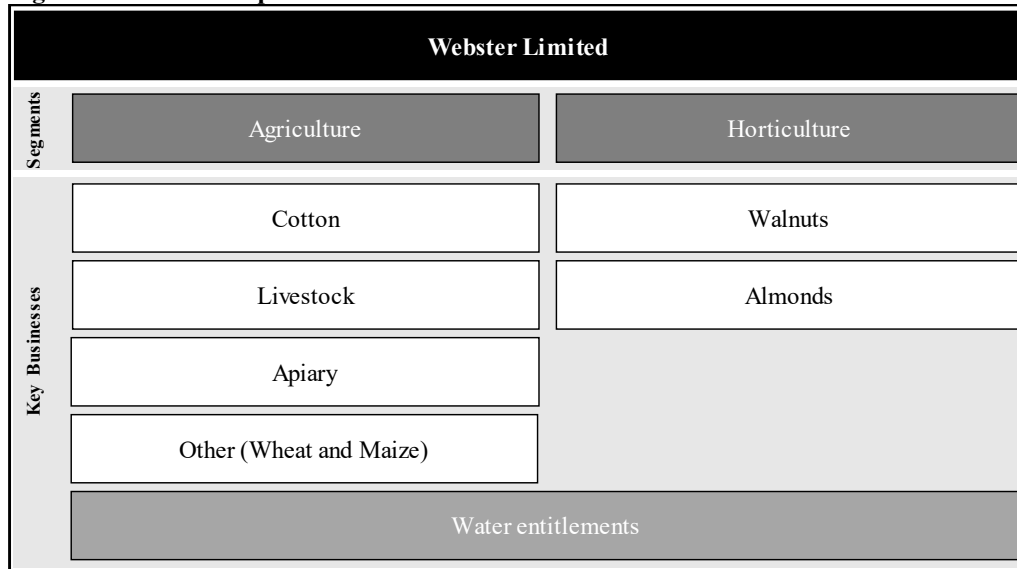
It aims to balance its walnut and almond exposure through further investment into almonds over the next few years, which will also involve expanding its complementary apiary operations. Through this strategy, Webster aims to generate a stable revenue stream from its Horticulture operations during periods of lower water supply and reap the benefits of higher water supply during periods of higher rainfall through its cotton operations.

9.3 Operations

Webster's operations span across the Horticulture and Agriculture (including apiary) segments and are supported by a diverse portfolio of water entitlements.

²⁷ The transaction also included a working capital adjustment whereby Webster retained the right to the proceeds of the 2018 cotton crop.

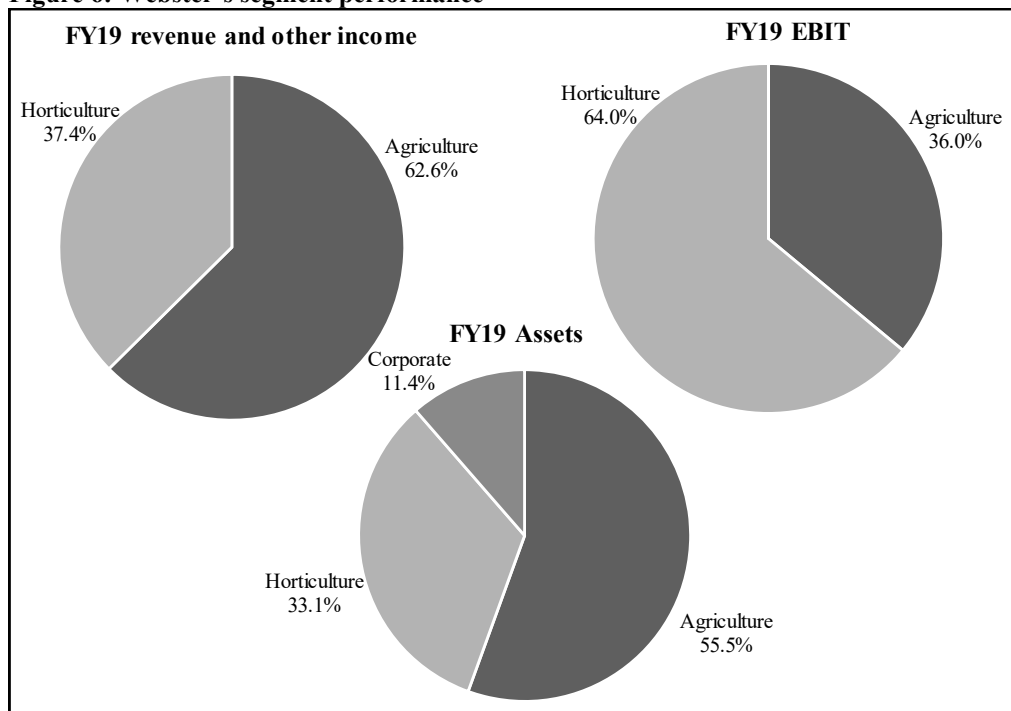
Figure 5: Webster corporate structure



Source: Webster FY19 Preliminary Final Report

Agriculture accounted for a majority (62.6%) of Webster's FY19 revenue and Horticulture accounted for the remaining 37.2%, whereas Agriculture only accounted for 36.0% of the EBIT while Horticulture contributed towards 64.0% of EBIT.²⁸ Agriculture and Horticulture accounted for 56% and 33% of assets²⁹ at 30 September 2019 respectively. This in part reflects that water rights mainly reside in Agriculture and Corporate. The segment contribution is illustrated in the following figures.

Figure 6: Webster's segment performance



Source: Webster FY19 Preliminary Final Report

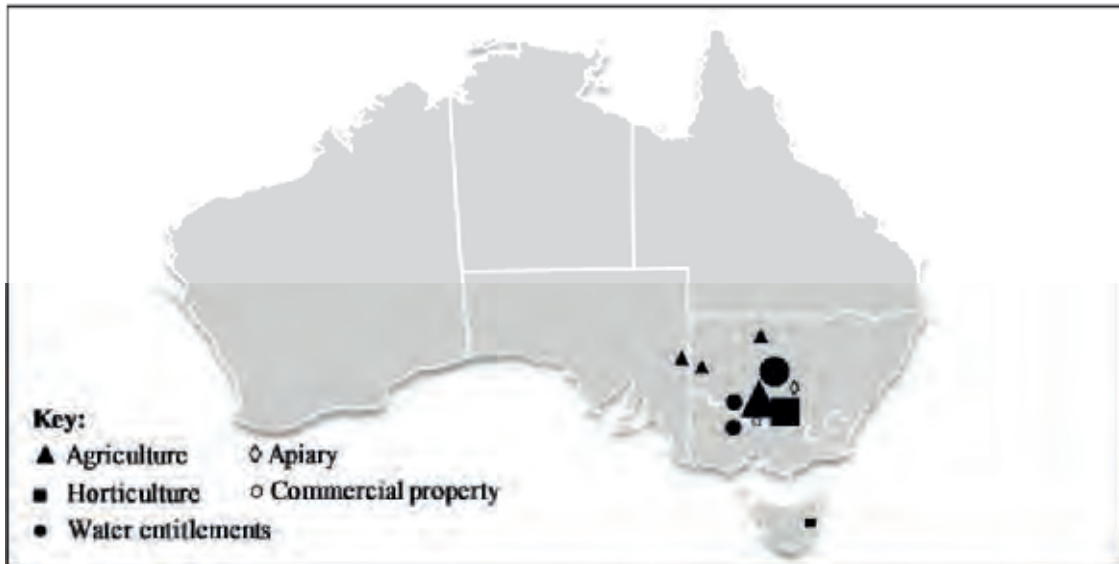
²⁸ Excludes unallocated income and corporate and director's costs.

²⁹ Excludes unallocated assets.

The majority (c. 48%) of Webster's revenue in FY19 was derived from four of the Company's major external customers and no other customer contributed to more than 10% of the Company's revenue. Furthermore, Webster's goods are sold in both domestic (c. 85%) and international markets (c. 15%) and as such provides good diversification across customers as well as geographically.³⁰

Webster's land and water assets are located across NSW, South Australia (SA), Victoria (VIC) and TAS and are concentrated in the Murray Darling Basin.

Figure 7: Location of Webster's assets



Source: Webster FY19 Preliminary Final Report

Note: The size of symbols is indicative of the concentration of Webster's portfolio

9.4 Agriculture

9.4.1 Overview

Webster's Agriculture segment is focused on annual row crops, primarily cotton, which is rotated with wheat and maize, and also livestock. Webster's portfolio consists of 20,068 irrigable hectares of annual crop farming operations and over 380,000 hectares of grazing land for its Dorper sheep and cattle business which are mainly located in the Riverina district in south western and western NSW and eastern SA.

Webster also operates an apiary business under the name Australian Rainforest Honey which was acquired in 2019. This business consists of 5,200 hives located in various locations in NSW.

9.4.2 Cotton industry

Overview

Cotton is a perennial plant that is grown commercially as an annual summer crop in various countries, particularly in subtropical and seasonally dry tropical regions. It is one of the four most water-intensive crops, with 73% of the global cotton harvest coming from irrigated land.³¹ The availability of irrigation water and changes in weather patterns which can impact rainfall, particularly during planting, are key

³⁰ Source: Note 21 d) of the FY19 Preliminary Final Report.

³¹ Thirsty Crops: Our food and clothes: eating up nature and wearing out the environment, 15 January 2013, the World Wide Fund for Nature.

limiting factors in cotton production. Depending on the level of rainfall expected over the year, growers may also plant other crops (e.g. wheat and maize) during the winter months.³² This provides diversification of risks in regions with unstable climatic conditions. In addition, cotton is a pesticide-intensive crop, consuming approximately 16% of all the insecticides and 8% of all herbicides used worldwide.³³

Global demand and supply

Cotton is a global commodity for which pricing is mainly determined by long term global demand and short term supply factors. In the long term, the growth in global demand for cotton textiles is underpinned by growing global populations and incomes, particularly in emerging countries, partially offset by substitution from synthetics³⁴ and is also impacted by trade policies. In the short term, supply is mainly impacted by climate.

Demand

The largest global importers of cotton are currently China, Vietnam, and Turkey. Over the last decade, global consumption has generally increased at a faster rate than the global production level,³⁵ primarily due to economic growth in emerging countries in Asia, particularly China.

Trade policies between key export and import countries also influence demand. As a result of the recent trade disputes between the US and China, China imposed a retaliatory 25% additional import tariff on raw cotton produced in the US in July 2018. This is likely to reduce the competitiveness of US-produced cotton in the Chinese market and provide opportunities for Australia, India and Brazil to expand their market share.³⁶

China has also made a change to the reserve management policies for their domestic cotton industry, whereby the Chinese government could choose to partly replace falling imports from the US by releasing domestic stock at a faster rate. This could partially offset the expected increase in China's demand for cotton from alternative suppliers such as Australia and reduce the expected increase in the world prices of cotton.³⁷

Furthermore, on 7 August 2018, India doubled its import tax on textiles to 20%. This was expected to reduce imports of textiles from Bangladesh, China and Vietnam, as well as reduce world trade and demand for raw cotton.³⁸

The global cotton market is also affected by the price of substitutes, such as wool and synthetic fibres. Cotton primarily competes with polyester in the fibre and apparel markets. In 2010 to 2011, clothing manufacturers switched from cotton to man-made fibres as a result of a sharp increase in cotton prices due to a short term shortage of cotton in exportable locations, and manufacturers have been reluctant to switch back despite lower cotton prices since then.

Supply

The largest global producers of cotton are China, India, the US, Pakistan and Brazil. Australia is a relatively minor producer on a global scale, however, it is one of the world's largest cotton exporters after the US, India and Brazil.³⁹ The level of cotton production in any particular year is mainly influenced by

³² Cotton crop management, the Commonwealth Scientific and Industrial Research Organisation.

³³ The risks of cotton farming, Global Organic Cotton Community.

³⁴ Cotton outlook – September 2018, ABARES.

³⁵ Cotton sector at a glance, US Department of Agriculture.

³⁶ Cotton outlook – September 2018, ABARES.

³⁷ Ibid.

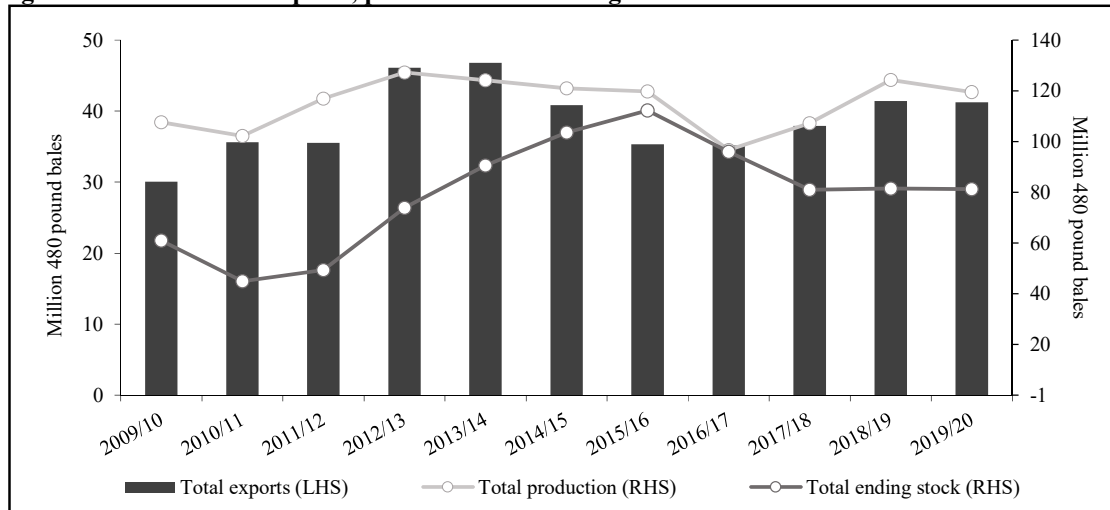
³⁸ Ibid.

³⁹ Australian Raw Cotton Exports 2018, Australian Cotton Shippers Association and ABARES.

climate, particularly rainfall, as well as the global price of cotton and competing crops (e.g. corn). Cotton can be stored for reasonable periods and thus, stocks are used to fill the gap in demand and supply.

The historical levels of global imports, exports, production and ending stock are illustrated in the following figure.

Figure 8: Global cotton exports, production and ending stock



Source: United States Department of Agriculture (USDA) and KPMG Corporate Finance analysis.

Note 1: 2018-19 season statistics represents estimate by USDA as at 10 October 2019.

In the 2010/11 season, production levels were relatively low in exportable locations as a result of heavy rains in China and Pakistan. Furthermore, stocks had been depleted primarily due to the consumption level being higher than the production level of cotton over the previous five years, driven by higher demand from emerging markets.⁴⁰ In addition, in the beginning of 2010, the Chinese government built strategic stockpiles of cotton to protect their textile industry, generating higher demand for foreign cotton, while India introduced an export ban on cotton stocks.

Over the period 2011 to 2013, China's temporary cotton stockpiling program created a price floor that increased support to its farmers and resulted in an unprecedented level of ending stocks for China and the world.⁴¹ Since 2014, China has gradually phased out its stock piling strategies, and experienced favourable climate conditions for larger crops, whilst Brazil has generated greater production through an expansion of its planted area since the 2013/14 season.⁴² In the 2015/16 season, the global production increased while use and trade of cotton remained flat, resulting in higher global ending stocks. Over the period 2016 to 2018, global cotton production was challenged by climate change and resource depletion.⁴³ Turkey has experienced a reduced harvest due to pest attacks and end of season rain, whilst India's production was cut by a weak monsoon season, with the rainfall deficit and pest infestation in the major cotton producing areas reducing the country's cotton harvest.⁴⁴ With a history of adaptation and change, the Australian cotton industry has developed efficient and flexible farming systems to manage crops in variable climates.⁴⁵ Australia has been able to yield high quality cotton and increase exports.

⁴⁰ Cotton sector at a glance, USDA.

⁴¹ Cotton Policy in China, March 2015, USDA.

⁴² Brazilian cotton planted area, production, and exports and forecast up; clothing imports contribute to domestic consumption slide, March 2014, USDA.

⁴³ Cotton: World Markets and Trade, USDA.

⁴⁴ Ibid.

⁴⁵ Climate challenges and cotton, Cotton Australia.

Climate variability and climate change as a result of global warming have become issues for cotton growers. Climate change impacts are predicted to include increases in temperature, atmospheric carbon dioxide and frequency of extreme weather events, along with a reduction in rainfall.⁴⁶

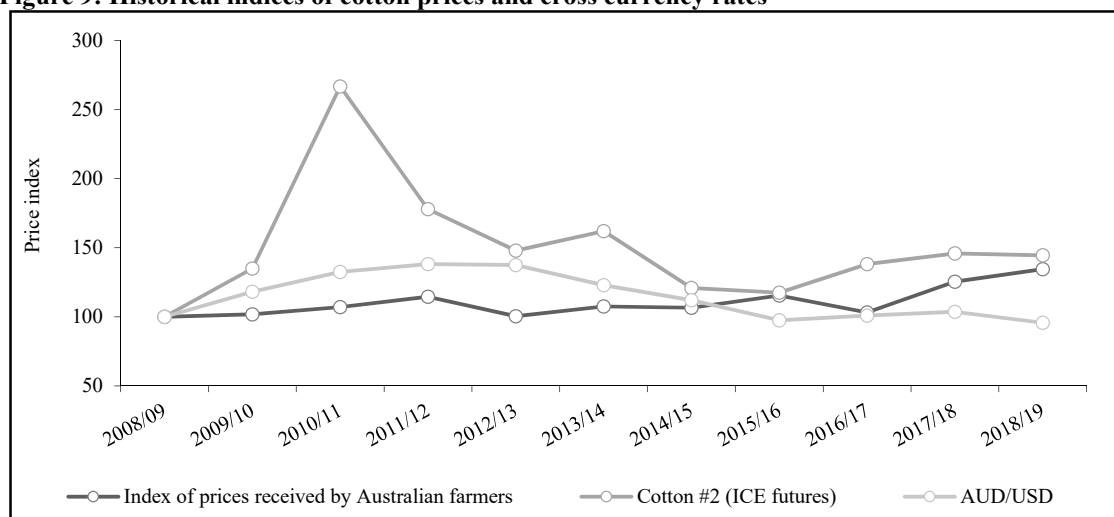
The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) has forecast the world production of cotton to fall from 2018 to 2019 due to dry weather in Australia and the US, as well as insect infestations in India, only partially offset by increases in Brazil and Turkey. Despite Australian production declining, exports are expected to increase via a drawdown of stocks.⁴⁷

Cotton prices

As a staple in the textiles industry, there is robust trading in raw and finished cotton products. Australian cotton prices are heavily influenced by the Intercontinental Commodity Exchange (ICE) No. 2 Cotton futures contract (a US based contract), movements in the Australian dollar relative to the US dollar, as well as the basis component (i.e. an adjustment to the benchmark ICE price to reflect the differences in delivery schedule, grade, and freight terms of Australian cotton).⁴⁸

The following figure illustrates the historical indices of cotton futures prices (in US\$), the prices received by Australian farmers (in A\$) and the cross currency rates between the Australian dollar and the US dollar (each indexed to 100 based on the 2008/09 season).

Figure 9: Historical indices of cotton prices and cross currency rates



Source: ABARES, Bloomberg and KPMG Corporate Finance analysis.

Note 1: 2008/09 season = 100.

In the 2010/11 season, the aforementioned short term shortage of cotton in exportable locations, drawdown in world stocks⁴⁹ and stockpiling in China resulted in a strong increase in cotton prices. Prices subsequently declined up until the 2015/16 season as world production increased. From 2016/17, global shortages of cotton and the depreciating Australian Dollar have led to a moderate increase in demand and, therefore, prices for Australian cotton.

Furthermore, the anticipated lower level of world production in major exporting nations and higher global demand are expected to increase world cotton prices in the near term. The average price achieved on gin-

⁴⁶ Australia's Changing Climate, Australian Climate change Science Programme, Australian Government Department of the Environment and Energy, and the Bureau of Meteorology.

⁴⁷ Cotton outlook – September 2018, ABARES.

⁴⁸ A basic guide to cotton pricing and quality, January 2017, CottonInfo.

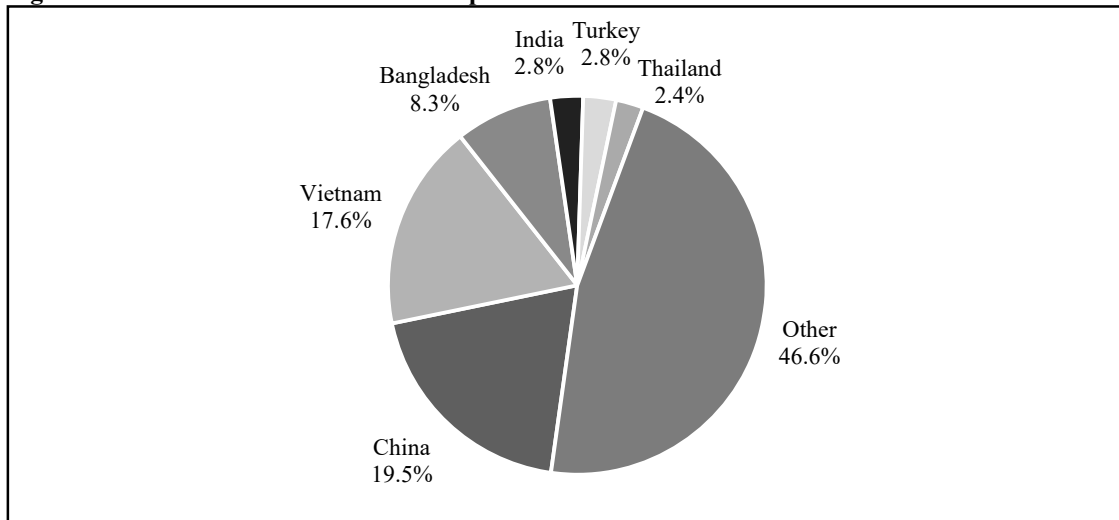
⁴⁹ Cotton sector at a glance, USDA.

gate returns in the 2017/18 season was \$600 per bale, and is estimated to be approximately \$642 per bale in the 2018/19 season.⁵⁰ However, the currently high levels of cotton stock and competition from synthetics may provide an offsetting factor.⁵¹

Australian cotton industry

The Australian cotton industry operates in a deregulated market with numerous ginners, merchants and producers. Australia is one of the world's largest exporters of raw cotton and over 90% of production is exported, primarily to Asian spinning mill customers.⁵² In 2018, China, Vietnam and Bangladesh accounted for approximately 45.5% of Australia's exports, followed by India, Turkey and Thailand.⁵³

Figure 10: 2018 Australian raw cotton exports



Source: ABARES and KPMG Corporate Finance analysis.

In Australia, cotton is mainly grown in the inland regions of northern NSW and southern Queensland, it is also grown along the Barwon and Darling Rivers in the west and the Lachlan and Murrumbidgee Rivers in the south. Australia's cotton growing season lasts approximately six months, with planting commencing around September to October and harvesting starting around March to April, which marks the end of the season.⁵⁴

Australian cotton production can vary between years with rainfall (including in response to El Niño and La Niña⁵⁵ cycles) and the availability of irrigation water, as well as the level of plantings in response to movements in world prices of cotton, competing crops and synthetic fibres.

⁵⁰ ABARES Agricultural commodities: September 2019, ABARES.

⁵¹ Natural Fibres - Agricultural commodities report March 2019, ABARES.

⁵² Farming, food and drought, Department of Agriculture, Australian Government.

⁵³ Australian Raw Cotton Exports 2018, Australian Cotton Shippers Association and ABARES.

⁵⁴ Farming, food and drought, Department of Agriculture, Australian Government.

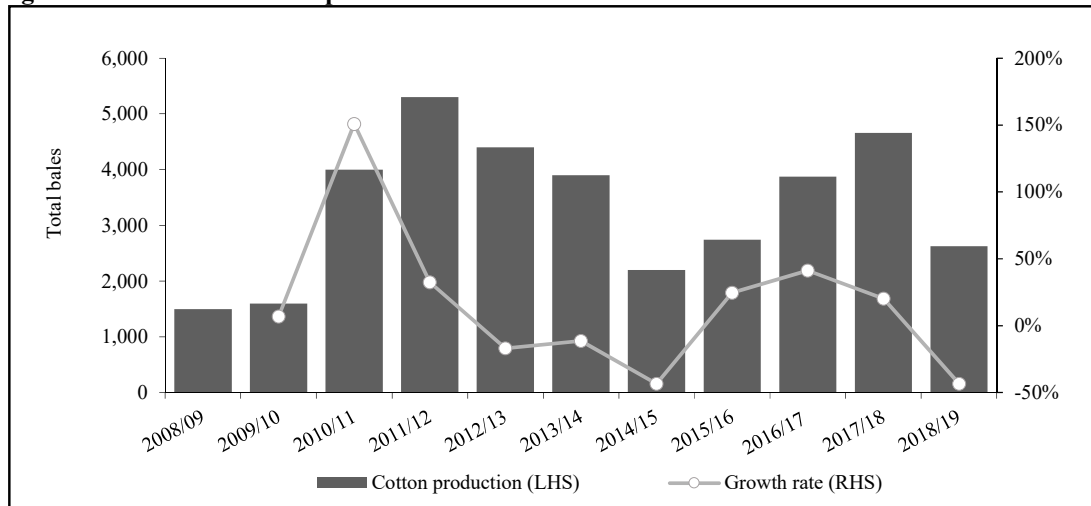
⁵⁵ El Niño and La Niña are an oscillation in the temperatures between the atmosphere and the ocean of the eastern equatorial Pacific region which typically occur between two to seven years, lasting between nine to twelve months. El Niño occurs when sea surface temperatures in the central and eastern Pacific Ocean become substantially warmer than average, causing reduced rainfall and warmer temperatures amongst other factors. La Niña is effectively the opposite, causing increased rainfall and cooler maximum temperatures.

Australian cotton growers' water-use efficiency has gained world recognition as the local industry has achieved a 40% increase in water productivity (usually measured as ML of water used per hectare planted) over the last decade and is currently three times more efficient than the global average.⁵⁶

In Australia, the aid of biotechnology and various best practice and pest management programmes has reduced pesticide use, decreasing production costs such as labour and fuel usage, whilst increasing the quality of soil and yield, thus providing more sustainable products. Over the decade to 2018, Australian cotton production increased by 212%⁵⁷ as a result of such practices.

Australia's historical annual cotton production level is illustrated in the following figure.

Figure 11: Australian cotton production



Source: Cotton Australia, ABARES and KPMG Corporate Finance analysis.

Note 1: 2018/19 season statistics represents estimate by ABARES as at 31 December 2018.

In the 2008/09, 2009/10 and 2014/15 seasons, the level of cotton production in Australia was significantly lower due to the occurrence of El Niño, which resulted in warmer temperatures and reduced rainfall. The decline in the 2018/19 season is primarily due to the prolonged drought in Australia. The climate outlook for October 2019 to January 2020 suggests that near-term improvement in rainfall deficiencies is unlikely.⁵⁸ Furthermore, the Bureau of Meteorology expects an increased chance of El Niño occurring towards the end of 2019, adding pressure to local cotton growers in the 2019/20 season.

9.4.3 Livestock industry

Overview

Livestock production accounts for approximately 40% of the gross value of agricultural production globally,⁵⁹ and is the world's largest user of land resources with grazing land and cropland dedicated to the production of feed representing almost 80% of all agricultural land.⁶⁰ The key production systems for animal products include the following:⁶¹

⁵⁶ Australian Grown Cotton Sustainability Report 2014, Cotton Australia, and Australian Government Cotton Research and Development Corporation.

⁵⁷ Cotton Annual Production Statistics, December 2018, Cotton Australia.

⁵⁸ Climate outlook for October to January, 3 October 2019, Australian Government Bureau of Meteorology.

⁵⁹ Animal Production, Food and Agriculture Organisation.

⁶⁰ Ibid.

⁶¹ Ibid.

- **grazing systems:** almost a quarter of the world's land is used for grazing, however the global market share from these extensive systems is declining relative to other production systems given the increasing scarcity of land,
- **crop-livestock production systems:** ruminant livestock are found in mixed farming systems, particularly in developing countries. The complementarity between crop and livestock is the key to such a production system, with crops and crop residues providing feed, while livestock provide animal traction, manure, food, and a form of risk diversification, and
- **intensive industrial livestock production systems:** intensive systems are common in Asia where there is a shortage of land but relatively cheap labour. Increasing access to capital has allowed for greater investment in machinery, housing and inputs to improve the productivity and boost growth of the industry.

Relative to other meat proteins, cattle and sheep are predominantly raised on pasture or supplemented with grain. As a result, production is less dependent upon the global feed grain market and is strongly influenced by climate variability.⁶²

Global demand and supply

The demand for higher-value and quality foods such as meat, eggs and milk increases as incomes increase, whilst demand for food with plant origin such as cereals falls. The increasing consumption of livestock products is evident in developing countries and is expected to continue as the world population and wealth continue to grow.⁶³

In 2017, China, the US and Brazil were the largest producers of beef and buffalo meat, contributing 19%, 15% and 12% of the world's production, respectively.⁶⁴ China was also the world's largest producer of sheep and goat meat, contributing approximately 47% of the world's production in 2017.⁶⁵ Over the last decade, China's domestic production has not been able to keep pace with its growing demand, making it the world's largest producer, consumer and importer of red meats. Given 95% of China's consumption is domestically produced, small shifts in local supplies can result in a major change in import requirements, thus driving the global market's supply and demand.⁶⁶

In the second half of 2016 a strong restocker demand and limited export supplies for cattle in the global market (which continued into the first half of 2017) drove a surge in cattle prices in the global market.⁶⁷ Competition in the Asian markets further increased, along with stock numbers, which resulted in an oversupply of livestock in the market.⁶⁸

The global red meat demand is forecast to grow at approximately 1% to 2% annually in coming years on the back of increasing populations and a growing middle class. Australia's production of high quality meat is expected to be its competitive advantage in benefiting from this growth in demand.⁶⁹

The growth of the global sheepmeat market has been underpinned by the growth in Asia, the Middle East and Africa, where sheepmeat is more widely consumed and an increasing number of consumers are

⁶² Global Sheepmeat Snapshot January 2019, Meat and Livestock Australia.

⁶³ Animal Production, Food and Agriculture Organisation.

⁶⁴ Ibid.

⁶⁵ Ibid.

⁶⁶ Global outlook, Meat and Livestock Australia.

⁶⁷ Australian Cattle Industry Projections 2017, Meat and Livestock Australia.

⁶⁸ Australian Cattle Industry Projections 2018, Meat and Livestock Australia.

⁶⁹ State of the Industry Report 2018: The Australian red meat and livestock industry, Meat and Livestock Australia.

shifting into higher income brackets and seeking high quality meat.⁷⁰ In 2017, the demand supported by both the Australian domestic and global markets, as well as the increasing supply shortage of finished lambs, saw continued increase in production and rise in lamb prices.⁷¹ Developing markets, primarily in Asia, are anticipated to drive and account for 95% of the sheepmeat consumption growth over the next decade.⁷²

Australian meat and livestock industry

Australia was the world's largest exporter of sheepmeat and third largest exporter of beef in 2017, accounting for approximately 7% of the global sheepmeat production and 3% of the global beef production, respectively.⁷³ The Australian red meat and livestock industry had a turnover of approximately \$65 billion for the financial year ended 30 June 2017.⁷⁴

A range of production systems (i.e. grazing, crop-livestock and intensive industrial livestock production) are utilised in Australia. The Livestock Production Assurance programme provides the Australian Animal Welfare Standards and Guidelines for the producers to adhere to.⁷⁵ The commitment to animal welfare practices in the Australian red meat industry is underpinned by the increasing demand and expectation from customers for evidence of ethical production and food safety. This, in turn, increased Australia's competitive advantage over other countries in producing high quality meat with only regulated and natural hormonal growth promotants applied to livestock, a disease free status and traceability within the industry amongst other factors.⁷⁶

The Australian export livestock industry is regulated by the Department of Agriculture to ensure livestock exporters meet high animal welfare standards. The regulations and standards are underpinned by the Australian Meat and Live-stock Industry Act 1997, the Exporter Supply Chain Assurance System (ESCAS) and the Australian Standards for the Export of Livestock. The introduction of ESCAS in July 2011 was considered the most significant reform for the livestock export industry and has resulted in lower voyage mortality rates⁷⁷. This reform ensures the welfare of exported slaughter and feeder livestock, from on-farm sourcing in Australia, up to and including slaughter in the importing country.

⁷⁰ Global Sheepmeat Snapshot January 2019, Meat and Livestock Australia.

⁷¹ Australian Sheep Industry Projections 2018, Meat and Livestock Australia.

⁷² Global Sheepmeat Snapshot January 2019, Meat and Livestock Australia.

⁷³ State of the Industry Report 2018: The Australian red meat and livestock industry, Meat and Livestock Australia.

⁷⁴ State of the Industry Report 2018: The Australian red meat and livestock industry, Meat and Livestock Australia.

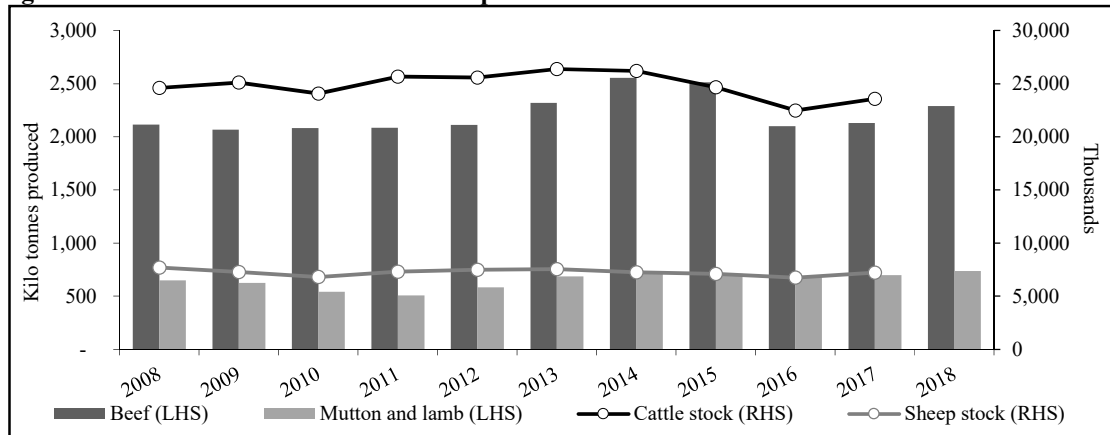
⁷⁵ Animal Welfare and LPA, Meat and Livestock Australia.

⁷⁶ Food Issues, Food Standards Australia New Zealand.

⁷⁷ Livestock – History of the trade and reviews, Department of Agriculture, Australian Government.

Illustrated in the following figure is the historical units of cattle and sheep held and volume of beef and lamb meat produced in Australia.

Figure 12: Historical Australian stock and production of beef and lamb



Source: Australian Bureau of Statistics, Food and Agriculture Organisation of the United Nations and KPMG Corporate Finance analysis

The majority of the red meat produced in Australia is exported. In 2018, approximately 71% of the beef and veal produced in Australia was exported⁷⁸, whilst 61% of lamb and 96% of mutton produced was exported.⁷⁹ Furthermore, approximately 1.2 million cattle and 0.2 million sheep were exported live in 2018.⁸⁰ Over the nine months ended 30 September 2019, 24% and 22% of the beef and veal produced in Australia was exported to Japan and China, respectively, whilst 30% and 12% of the mutton and lamb produced in Australia was exported to China and eastern US, respectively.⁸¹

In 2019, the demand for Australian cattle is expected to remain robust, supported by a depreciating Australian dollar and growing Chinese market.⁸² However, competition remains high with a record amount of beef being traded globally and a high focus on Asian markets.

Over the period 2018 to 2019, the extended drought in Australia led to an increase in the cost of feed. As a consequence, the number of livestock slaughtered increased and prices of cattle continued to decline.⁸³ The drought conditions has also led the Australian Government to offer assistance, which varies across different States and is primarily in the form of subsidies and interest-free loans, to primary producers who have been impacted.⁸⁴ The financial assistance is offered for restocking freight, transporting fodder and water, genetic banking of breeding herds, and installing on-farm fodder and water infrastructure.

Livestock prices

The prices for cattle and sheep vary based on factors such as the breed, weight, muscle score and fat scores. The Eastern Young Cattle Indicator (EYCI) and the Eastern States Trade Lamb Indicator (ESTLI) are the indicators of the general cattle and sheep markets in Australia, respectively, as they represent the seven-day rolling average data collected from each market.

⁷⁸ Fast Facts Australia's beef industry 2018, Meat and Livestock Australia.

⁷⁹ Fast Facts Australia's sheepmeat industry 2018, Meat and Livestock Australia.

⁸⁰ All livestock exports, Department of Agriculture, Australian Government.

⁸¹ Australian red meat export statistics, September 2019 end-of-month red meat export reports, Department of Agriculture, Australian Government.

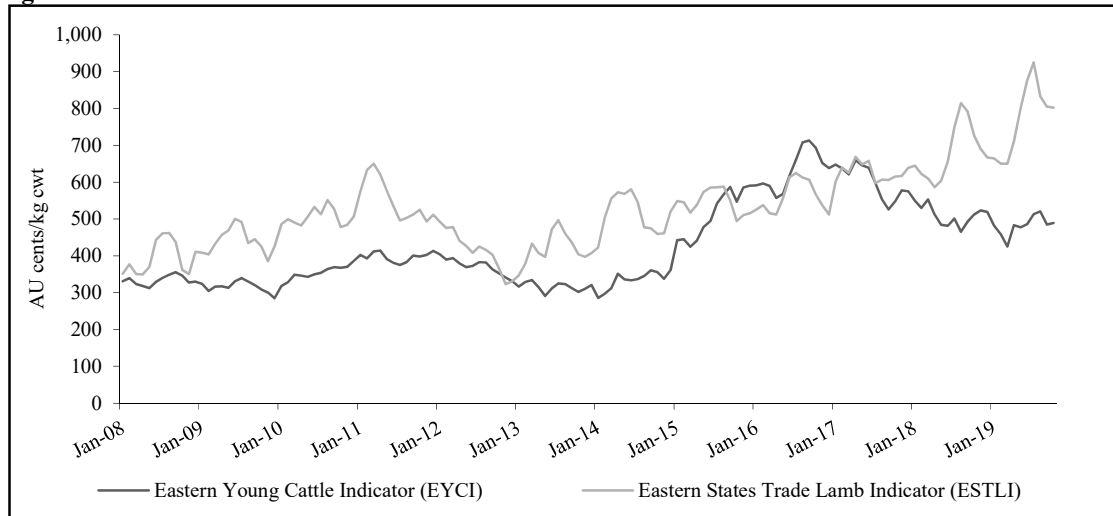
⁸² Australian Cattle Industry Projections 2019, Meat and Livestock Australia.

⁸³ Australian Cattle Industry Projections 2018, Meat and Livestock Australia.

⁸⁴ Minister of Home Affairs, Australian Government.

The historical movements in these two indices are illustrated in the following figure.

Figure 13: Historical EYCI and ESTLI movements



Source: Meat and Livestock Australia and KPMG Corporate Finance analysis

Note 1: cwt = carcase weight

The Australian cattle market peaked around September 2016 to prices in excess of 700 cents per kilogram, which is the highest price since the inception of the EYCI in 1996. The primary drivers for the price surge were strong restocker demand and limited export supplies, which continued into the first half of 2017.⁸⁵ Sale prices of cattle softened subsequently as stock numbers rose and competition in the Asian markets increased.

In 2018, store prices of beef dropped as a result of an increase in slaughter caused by the drought in Australia, with the EYCI averaging 511 cents/kg cwt, down 91 cents or 15% year-on-year.⁸⁶ On the contrary, prices of finished cattle have been boosted by the tightening of supply and are expected to increase further in the near-term as competition remains with a record amount of beef being traded globally.⁸⁷

The Australian sheep industry is largely hinged on seasonal conditions and feed availability. Over the last few years, dry seasonal conditions sustained in many key supply regions saw relatively higher volatility in the Australian lamb and sheep prices.⁸⁸ Over the period from 2017 to 2018, the growing demand and supply shortage of finished lambs saw an increase in both production and rise in prices, which underpinned the continued rise of lamb prices to unprecedented highs in 2018.⁸⁹

In 2019, the rainfall deficiencies underpinned the drop in sheepmeat production, driving price increases across both lamb and mutton throughout the year, with further upside potential expected if seasonal conditions improve and spark restocker demand.⁹⁰ In addition, a decline in production from New Zealand, coupled with strong international demand and a depreciating Australian Dollar, are forecast to support demand for Australian exports and hence domestic saleyard prices. In the near term, the seasonal

⁸⁵ Australian Cattle Industry Projections 2017, Meat and Livestock Australia.

⁸⁶ Australian Cattle Industry Projections 2019, Meat and Livestock Australia.

⁸⁷ Ibid.

⁸⁸ Australian Sheep Industry Projections 2017, Meat and Livestock Australia.

⁸⁹ Australian Sheep Industry Projections 2018, Meat and Livestock Australia.

⁹⁰ Australian Sheep Industry Projections 2019, Meat and Livestock Australia.

conditions in Australia are expected to have a stronger effect on prices than the broader global trends in the international market.⁹¹

9.4.4 Webster's operations

Webster is an irrigated farming producer in Australia with over 20,000 irrigable hectares of prime fertile land holdings across NSW for the production of crops and extensive grazing farmland for the production of cattle and lambs across NSW and SA. The Agriculture business focuses on long term and sustainable farming of complementary crops with the support of its value enhancing water entitlement portfolio. Webster's agriculture presence in the Australian market was gained through the acquisitions of the Tandou, Kooba, Kalabity and Packsaddle Station sites over the last few years.

Cotton

Webster's primary crop focus is on cotton, which is rotated with wheat and maize. Its cotton operations are geographically concentrated at Darlington Point and Hay in NSW, with a portfolio of cropping operations of 20,068 hectares. The cotton business uses technology and expertise to maximise yield and water efficiency.

The following table sets out an overview of Webster's cotton operations and properties.

Table 5: Overview of Webster's Agriculture properties - Cotton

Webster Agriculture				
Cotton		FY17	FY18	FY19
Statistics:				
Bales produced		99,958	201,950	47,258
Hectares planted		10,551	17,162	4,143
Lint price achieved (\$/bale)		480	550	566
Average yield achieved (bales/hectare)		9.47	11.77	11.41
Properties:				
Darlington Point, NSW				
Kooba	Irrigated land	(hectares)		12,718
	Storage	(megalitres)		19,630
Hay, NSW				
South Farm	Irrigated land	(hectares)		3,334
	Storage	(megalitres)		9,260
Pevensey	Irrigated land	(hectares)		1,739
	Storage	(megalitres)		6,000
Glenmea	Irrigated land	(hectares)		2,277
	Storage	(megalitres)		7,700

Source: Webster Annual Report FY17 and FY18, Preliminary Final Report for FY19 and KPMG Corporate Finance analysis

In FY17, the wet and cool early seasonal conditions in the Riverina caused the failure of cotton to develop fully throughout the growing season, and the high and sustained temperature in the northern and western growing areas impacted boll development, resulting in unfavourable yield.

As a result of the Tandou transaction in June 2017, the Lake Tandou irrigation system was decommissioned and the water entitlements associated with the property were sold. The final cotton crop at Lake Tandou was harvested in autumn of 2018. This also underpinned the reduction of hectares planted in FY19.

In FY18, Webster benefited from favourable weather and growing conditions in the southern region. This allowed for a significant planting of cotton in the following year at the Tandou and Bourke properties.

⁹¹ Australian Sheep Industry Projections 2019, Meat and Livestock Australia.

Webster produced 201,950 bales of cotton at an average yield of 11.77 bales per hectare in FY18. Following the completion of the sale of Bengarang in November 2018, Webster's cotton operations became geographically concentrated at Kooba and Hay in NSW.

As a result of the prolonged drought, the limited amount of irrigation water underpinned the reduced production of cotton in FY19. 4,143 hectares of cotton were planted, compared to 17,162 hectares planted in FY18, and Webster produced 47,258 bales of cotton at an average yield of 11.41 bales per hectare.

Wheat and maize

Webster also produces wheat and maize as rotation crops to cotton for sale. However, over the period FY17 to FY19, unfavourable weather conditions have resulted in failed crops and the minimal produce was used as feed for Webster's livestock instead.

Livestock

Webster's livestock operations include a cattle breeding business in the Riverina district and a Dorper sheep breeding business in far western NSW and eastern SA across more than 320,000 hectares of grazing land.

The following table sets out an overview of Webster's livestock operation and properties and operations.

Table 6: Overview of Webster's Agriculture properties - Livestock

Webster Agriculture				
Livestock		FY17	FY18	FY19
Statistics:				
Sheep (\$m)		5.5	4.2	4.1
Cattle (\$m)		8.2	3.6	3.6
Sheep (head)		41,067	35,731	21,022
Cattle (head)		5,924	3,437	3,361
Properties:				
Northern Agriculture				
Packsaddle	Grazing land	(hectares)		40,900
Tandou	Grazing land	(hectares)		123,165
Kalabity	Grazing land	(hectares)		185,680
Southern Agriculture				
Kooba	Grazing land	(hectares)		20,220
Hay	Grazing land	(hectares)		11,210

Source: Webster Annual Report for FY17 and FY18, Preliminary Final Report for FY19 and KPMG Corporate Finance analysis

In FY17, subsequent to the decommissioning of the Lake Tandou irrigation system, the site was used for expanding Webster's organic Dorper sheep business. In March 17, Webster made an addition to its Dorper sheep business through the acquisition of Kalabity Station (**Kalabity**), located in the south east of the Flinders Ranges in SA. Kalabity included 185,000 hectares of land and organic stock of 13,500 breeding Dorper ewes, for \$12.5 million.

Subsequently in April 2018, Webster acquired Packsaddle, a 50,000-hectare property located approximately 180 km north of Broken Hill in NSW, allowing for 5,000 breeding Dorper sheep and complimenting the operations in Kalabity and Lake Tandou.

In FY18, Webster reduced the levels of livestock as a result of the drought in NSW and SA commensurate with available feed, ending the year with 35,731 sheep and 3,437 cattle. The continued dry weather conditions sustained in FY19, causing a further destock of Webster's livestock, ending the year with 21,022 sheep and 3,361 cattle.

Apiary

In May 2019, Webster acquired Australian Rainforest Honey Pty Ltd and an Apiary business located in NSW. As part of the transaction, over 5,200 bee hives and access to 1,800 hectares of land, including the bee permits to State forests in NSW and VIC allowing it to strategically place the hives for optimum honey production and hive health, were acquired.

The bee colonies acquired are used to cross-pollinate trees at Webster's Sandy Valley orchard to produce almonds and for the production of honey for sales through various domestic retail and wholesale channels.

9.4.5 Financial performance

The financial performance of Webster's Agriculture segment for FY17, FY18 and FY19 is summarised in the following table.

Table 7: Financial performance of the Agriculture business

Period ended	15 months to 30 Sep 17	12 months to 30 Sep 18	12 months to 30 Sep 19
\$ million unless otherwise stated			
Underlying segment revenue and other income	131.0	153.7	93.8
Underlying EBIT	6.0	43.1	3.7
Statistics:			
Segment revenue growth (%)	na	na	(39.0%)
EBIT margin (%)	4.6%	28.1%	3.9%

Source: Webster Annual Report FY17 and FY18, Preliminary Final Report for FY19 and KPMG Corporate Finance analysis

Note 1: Revenue and EBIT exclude interest income and significant and non-recurring items

In relation to the financial performance of Agriculture over the last three years, we note:

- In FY17, the aforementioned poor harvest of cotton resulted in an unfavourable yield. This was offset by the relatively strong prices for both sheep and cattle (despite drier than normal conditions throughout the year) and the addition of Kalabity.
- In FY18, Webster Agriculture benefited from favourable weather and growing conditions in the southern region, resulting in above-average yield performance across Webster's irrigated cotton growing properties. The outperformance in the cotton business was partially offset by the underperformance in the livestock business as a result of the extensive drought across Australia. The costs incurred in feedstock increased as grain fodder prices climbed due to the drought conditions. The business de-stocked cattle and sheep levels at the properties in the Riverina, Tandou, Kalabity and Packsaddle properties, respectively, to maintain an appropriate level of stock with available feed and breeding operations. Furthermore, the sale prices of cattle and sheep reduced due to an oversupply of livestock in the domestic market, impacting on the profitability of the livestock business.
- From FY17 to FY19, Webster's development works included \$78 million of capital investment in the expansion of Webster's operation across the Kooba and Hay properties. Capital works include the development of new irrigation land and supporting infrastructure, new water storage, and the re-levelling of land to improve future crop performance as well as to add growing capacity and increase productivity across the properties. The development programme at Kooba and Hay was finalised in FY19, delivering an increase in irrigable hectares and additional water storage capacity to allow for the efficient use of water resources.
- In FY19, the unfavourable weather conditions in Australia continued and due to the limited amount of irrigation water Webster has, less cotton was produced and further destocking was undertaken for

the livestock operations. Furthermore, the cost of feed for livestock and acquisition of water increased from FY18 to FY19 due to the drought, adversely impacting EBIT in FY19.

9.5 Horticulture

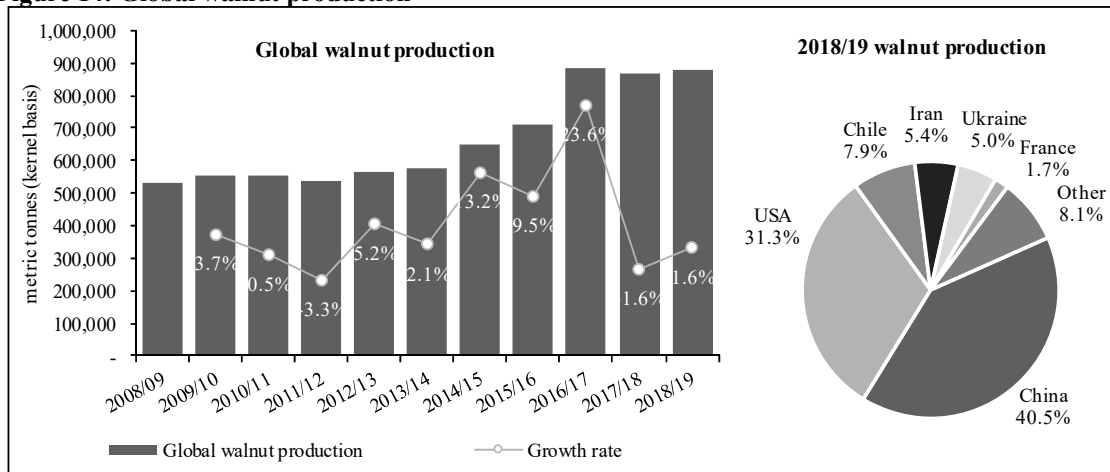
9.5.1 Industry

Walnuts

Global walnut production has increased to c. 880,820 tonnes (kernel basis) in the 2018/2019 season⁹². This represents an increase of 1.6% over the previous period and an increase of 65.7% compared to the 2008/2009 season. The two largest global walnut producers, China and the US, account for c. 356,400 tonnes and 275,400 tonnes of global production, respectively. Other significant producers include Chile, Iran and Ukraine. Due to the growth in the 2018/2019 season, global walnut production has reached a similar level as in the season 2016/2017 and is currently about 37% higher than the previous 10-year average⁹³.

The following graph presents global walnut production since the 2008/2009 season and the main producer countries of walnuts in the 2018/2019 season.

Figure 14: Global walnut production



Source: Nuts & Dried Fruits, Statistical Yearbook 2018/2019 and KPMG Corporate Finance analysis

Global walnut consumption has also increased in line with the increasing global production over the recent years, resulting in a total consumption of 862,698 tonnes in 2017. This reflects an increase of 47.5% compared to 2013. The largest consumer countries are China (42.0%) and the US (15.3%), followed by Iran (4.7%) and France (3.1%)⁹⁴.

The main exporters of walnuts are the US with c. 49% of global exports in the 2016/2017 season followed by the Ukraine (c. 11%) and Chile (c. 11%)⁹⁵.

Key walnut producing regions in Australia include the Riverina in NSW, the Swansea region of TAS, as well as the Goulburn Valley and Murray Irrigation Area of VIC. Walnuts are typically harvested from March through to May in the southern hemisphere, providing counter cyclical supply to the northern hemisphere markets, who generally harvest from August to October.

⁹² Nuts & Dried Fruits, Statistical Yearbook 2018/2019, INC International Nut & Dried Fruit Council

⁹³ Nuts & Dried Fruits, Statistical Yearbook 2018/2019, INC International Nut & Dried Fruit Council

⁹⁴ Nuts & Dried Fruits, Statistical Yearbook 2018/2019, INC International Nut & Dried Fruit Council

⁹⁵ Nuts & Dried Fruits, Statistical Yearbook 2018/2019, INC International Nut & Dried Fruit Council

Australian walnut production has increased significantly in recent years due to an increase in the number of large scale commercial plantings and operations by corporate interests. In 2018, Australia had c. 3,890 hectares planted to walnuts (both yielding and not yielding - immature) of which c. 3,000 hectares were owned/operated by Webster. Total domestic walnut production for the year ending June 2018 was c. 11,800 tonnes (In-shell basis) or, 5,244 tonnes (kernel basis) and represented a production value of \$39 million⁹⁶. The 2018 production was the second-largest yield in Australia being 9% less than 2017.

Australian walnut consumption is currently 0.3kg per annum per capita or c. 8,200 tonnes per annum in total which is expected to increase over time due to the perceived nutritional benefits of walnuts. Export market opportunities also support higher production volumes, e.g. the removal of all tariffs on tree nuts due to the introduction of the China Free Trade Agreement.

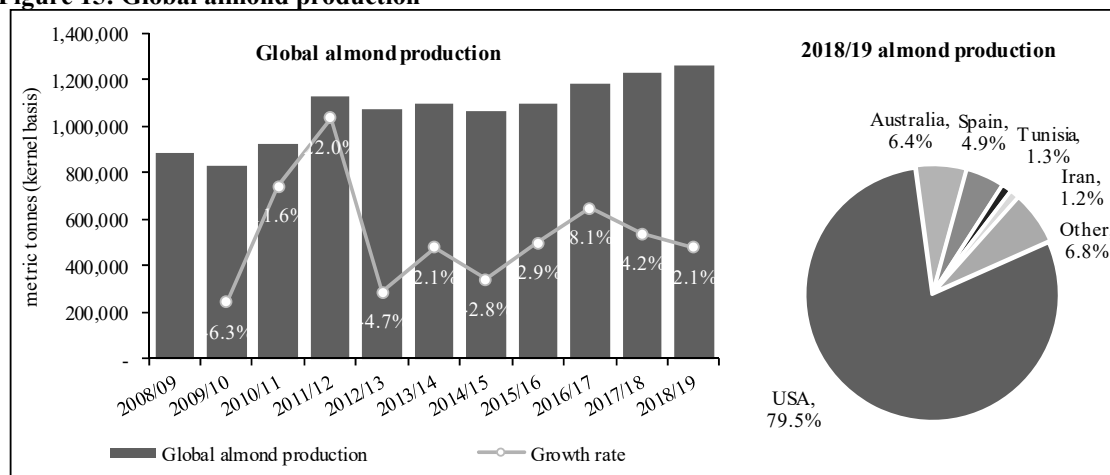
Walnut production in Australia is forecast to increase in volume by c. 70% in 2025 from the level of 2018. This growth is mainly driven by already planted trees becoming mature and therefore providing a higher yield per planted hectare.

Almonds

In the 2018/2019 season global almond production reached c. 1,258,820 tonnes (kernel basis)⁹⁷. This represents an increase of 2.1% over the previous period and an increase of 42.6% compared to the 2008/2009 season. The two largest global almond producers are the US which accounts for c. 1,001,000 tonnes of global production and Australia, the second largest producer, which accounts comparatively for only c. 80,400 tonnes. Other almond producing countries include Spain, Tunisia and Iran. Global production has grown year on year over the last five years with the 2018/2019 season achieving the highest production.

The following graph presents global almond production since the 2008/2009 season and the main producer countries of almonds in the 2018/2019 season.

Figure 15: Global almond production



Source: Nuts & Dried Fruits, Statistical Yearbook 2018/2019 and KPMG Corporate Finance analysis

Global almond consumption has also increased in line with the increasing global production over recent years, resulting in a total consumption of 1,248,447 tonnes in 2017. This reflects an increase of 13.4%

⁹⁶ 2017/18 Australian Horticulture Statistics Handbook, Horticulture Innovation Australian Limited

⁹⁷ Nuts & Dried Fruits, Statistical Yearbook 2018/2019, INC International Nut & Dried Fruit Council

compared to 2013. The largest consumer countries are the US (40.6%) and India (12.8%), followed by Spain (9.5%) and Tunisia (9.0%)⁹⁸.

The main exporter of almonds, consistent with production, are the US with c. 73% of global exports in the 2016/2017 season followed by Spain (c. 9%) and Australia (c. 6%)⁹⁹.

In Australia the main almond producing regions are in the southern States, predominantly in the VIC regions of Sunraysia. Other major production regions include Adelaide and the Riverland region of SA, the Riverina in NSW and the Swan Region in WA. Almonds are typically harvested from February through to April in the southern hemisphere, providing counter cyclical supply to the northern hemisphere markets.

Australian almond production has decreased c. 2.0% p.a. over the last two years, although the production area has increased by 28% over the same period due primarily to unfavourable weather conditions during pollination season. In 2018, Australia had c. 40,000 hectares planted to almonds (both yielding and not yielding - immature)¹⁰⁰. The main producers in Australia are Olam Orchards Australia Pty Ltd with c. 12,000 hectares¹⁰¹ and Select Harvests Limited with c. 7,600 hectares. Webster in 2018 acquired the Sandy Valley almond farm of c. 260 hectares. Total domestic almond production for the year ending June 2018 was c. 113,516 tonnes (In-shell basis) or, 79,461 tonnes (kernel basis) and represented a production value of \$550.1 million. The 2018 production was the third-largest yield in Australia which was only slightly less, by 2%, compared to 2018¹⁰². The 2019 harvest is expected to improve over the previous year, in volume as well as in quality.

Australian almond consumption is currently 1.1kg per annum per capita or c. 28,400 tonnes per annum in total which is expected to increase over time due to the perceived nutritional benefits of almonds. Export market opportunities are also support higher production volumes.

Almond production in Australia is expected to increase further over the next years up to 140,000 tonnes by 2025 which is c. 74% above the level of 2018, which is driven by new established orchards as well as planted trees reaching maturity.

9.5.2 Operations

Webster is Australia's largest producer of premium walnuts and produces around 90% of Australia's annual walnut crop. Webster's walnut operation is vertically integrated, starting with the production of walnut trees in the nursery, which are then developed into trees for planting, continuing with the management of the orchards and growing the nuts, followed by harvesting and drying capabilities. Webster also processes and markets the finished products, as In-shell product or walnut kernels, which are exported directly from their production facilities. Webster's walnuts are purchased for their high quality, food safety credentials and reliability of supply from customers in Australia as well as in Europe, the Middle East and Asia.

Webster has a geographically diverse walnut orchard portfolio located in Swansea in TAS and the Riverina in NSW. The orchards span over 3,000 hectares and comprise modern cultivars including 'Chandler', 'Howard', 'Tulare' and other speciality walnut varieties. All of the walnuts produced from the orchards are either sold In-shell or cracked and processed in Webster's processing facility at Leeton. Capital expenditure in FY18 relating to the walnut operations reached \$16.6 million.

⁹⁸ Nuts & Dried Fruits, Statistical Yearbook 2018/2019, INC International Nut & Dried Fruit Council

⁹⁹ Nuts & Dried Fruits, Statistical Yearbook 2018/2019, INC International Nut & Dried Fruit Council

¹⁰⁰ 2017/18 Australian Horticulture Statistics Handbook, Horticulture Innovation Australian Limited

¹⁰¹ Tree Nut Growing in Australia, August 2019, IBISWorld Industry Report OD5544

¹⁰² Almond Insights 2017-18, Almond Board of Australia

In March 2018 Webster acquired the Sandy Valley almond property in NSW for a total consideration of \$16.8 million. The property has a total size of c.935 hectares and is located close to Webster's existing walnut operations at Tabbita in the Riverina district of NSW. It comprises 260 hectares planted with 2- and 3-year-old trees at the time of acquisition. Webster has planted an additional 464 hectares at the property with almonds since acquisition and expects to further increase the size of its almond operations over the next few years. Capital expenditure in FY18 relating to the almond operations reached \$20.8 million.

The following table presents an overview of the orchards owned by Webster by location.

Table 8: Overview of Webster's Horticulture properties

Webster Horticulture	State			
Orchard		FY17	FY18	FY19
Walnuts				
Area owned				
Tabbita	NSW	913	913	913
Leeton	NSW	761	886	886
Avondale West	NSW	680	880	880
Avondale North	NSW	-	1,000	1,000
Swansea	TAS	391	391	391
Total area owned		2,745	4,070	4,070
Total area harvested		2,065	2,246	2,190
Almonds				
Total area owned				
Sandy Valley	NSW	-	260	724
Total area harvested		-	100	260

Source: Webster Annual Report FY17 and FY18, Preliminary Final Report for FY19 and KPMG Corporate Finance analysis

The following table presents further some statistics in relation to the achieved production volumes, average yield per hectare and selling price per tonne for walnuts.

Table 9: Webster's Horticulture statistics

Webster Horticulture			
Statistics	FY17	FY18	FY19
Walnuts			
Production (tonnes)	12,005	9,508	9,808
Avg. Yield (tonnes per hectare)	5.81	4.23	4.48
Price (\$ per tonne)			
In-Shell	4,318	5,406	4,583
Kernel	10,159	12,828	10,233
Almonds			
Production (tonnes)	-	70	206
Avg. Yield (tonnes per hectare)	-	0.70	0.79

Source: Management and KPMG Corporate Finance analysis

9.5.3 Financial performance

The financial performance of Webster's Horticulture segment for FY17, FY18 and FY19 is summarised in the following table.

Table 10: Financial performance of Horticulture segment

Period ended	15 months to	12 months to	12 months to
\$ million unless otherwise stated	30 Sep 17	30 Sep 18	30 Sep 19
Underlying segment revenue and other income	82.2	53.3	56.1
Underlying EBIT	18.8	10.7	6.6
Statistics:			
Sales revenue growth (%)	na	na	5.1%
EBIT margin (%)	22.8%	20.1%	11.7%

Source: Webster Annual Report FY17 and FY18, Preliminary Final Report for FY19 and KPMG Corporate Finance analysis

Note 1: Revenue and EBIT exclude interest income and significant and non-recurring items

In relation to the financial performance of the Horticulture business over the last 3 years, we note:

- In FY17, Webster produced a record yield of c. 12,000 tonnes of walnuts compared to c. 6,200 tonnes in the year prior, however it needs to be noted that FY17 covered a 15 month period. Yields per hectare reached on average 5.5 tonnes per hectare on owned properties, a significant uplift compared to 2.8 tonnes per hectare in the previous period, due to successful pollination. However, the TAS orchard was below expectations caused by heavy rainfall. Average selling prices for walnuts in FY17 were marginally higher than in the prior year. In the financial year Webster added another 200 hectares of planted area at the Avondale West orchard and acquired an additional 250 hectares of walnut orchards at Motspur Park, close to the Tabbita orchard.
- In FY18, the Webster's walnut crop represented the second highest yield achieved, with a total production of 9,508 tonnes. Total production of walnuts reduced compared to the previous year due to lower yields in the Riverina orchard caused by a non-pollination event impacting certain varieties. Domestic sales of walnuts increased by 28% compared to the previous period, due to securing a major retail chain as an additional domestic sales channel. The average selling prices for walnuts in FY18 improved compared to prior year by c. 17%. In the financial year Webster further developed its walnut orchards concluding the 880 hectare development program at the Avondale West orchard, acquired 150 hectare adjoining its Leeton orchard and a 1,000 hectare property at Avondale North. The first harvest of the acquired almond operations was also within expectations and achieved a total production volume of 70 tonnes, with above-industry yields for like aged trees.
- In FY19, Webster harvested 9,808 tonnes of walnuts, which is 3.2% more than in the previous year. This increase in production was driven by a higher yield per hectare. The average walnut price per tonne, however, decreased by c.20% compared to FY18, which resulted in the reduction of revenue of c.19% for the segment. Webster increased its planted walnut orchards by a further 306 hectares in Avondale and Leeton, to a total of 3,070 hectares, with the development at Avondale West now completed. The second harvest for the acquired almond operations resulted in a total production of 206 tonnes, with a further improved yield per hectare. The planted almond orchard area in Sandy Valley has been extended by 464 hectares during the financial year.
- The reduction in underlying EBIT margin from FY18 to FY19 was underpinned by the prolonged drought in Australia, increasing Webster's requirement for acquired water when water became more expensive compared to FY17. Further the increase in immature planted areas during the FY18 and FY19 added operating cost which are not yet reflected in revenue.

9.6 Water rights

As an agribusiness, Webster is heavily reliant on water for irrigation of its Orchards and cropping activities. The majority of Webster's water portfolio consists of regulated surface water entitlements in the Southern Murray Darling Basin (**Southern Connected System**),¹⁰³ particularly in the Murrumbidgee (85%), as well as in the NSW Murray (5%), Goulburn (2%) and Vic Murray (1%) trading zones. Webster also owns unregulated surface water entitlements in the Gooragool lagoon and ground water entitlements in the Murrumbidgee which account for 6% and 11% of Webster's portfolio, respectively. An overview of the Australian agricultural water market is provided below with a focus on the Southern Connected System and in particular, the Murrumbidgee trading zone.

9.6.1 Industry

Water licences

Surface water is the water collected above the earth's surface and can be regulated or unregulated. Ground water is water that seeps into the ground and accumulates within cracks or aquifers. Agricultural water in Australia can be accessed through the following licenses:

- **regulated surface water entitlements:**¹⁰⁴ provide perpetual licenses to specified proportions of water in the water source with the amount of water available contingent upon water supply
- **unregulated surface water take-and-use licenses:** specify any water extraction restrictions such as the permissible maximum daily extraction limit, and
- **ground water take-and-use licenses:** authorise the holder to excavate a certain amount of ground water through drilling bores or connecting to aquifers.

Most regulated surface water entitlements and unregulated surface water take-and-use licenses are unbundled from the related land and can be traded in water markets. However, there are restrictions in place which determine the zones between which water entitlements can be traded, the allowable direction of trade between the trading zone and the allowable volume that can be traded in each direction. Prices are unregulated and determined by demand and supply. Licensing and trading rules are determined by the State and Territory governments and water authorities.

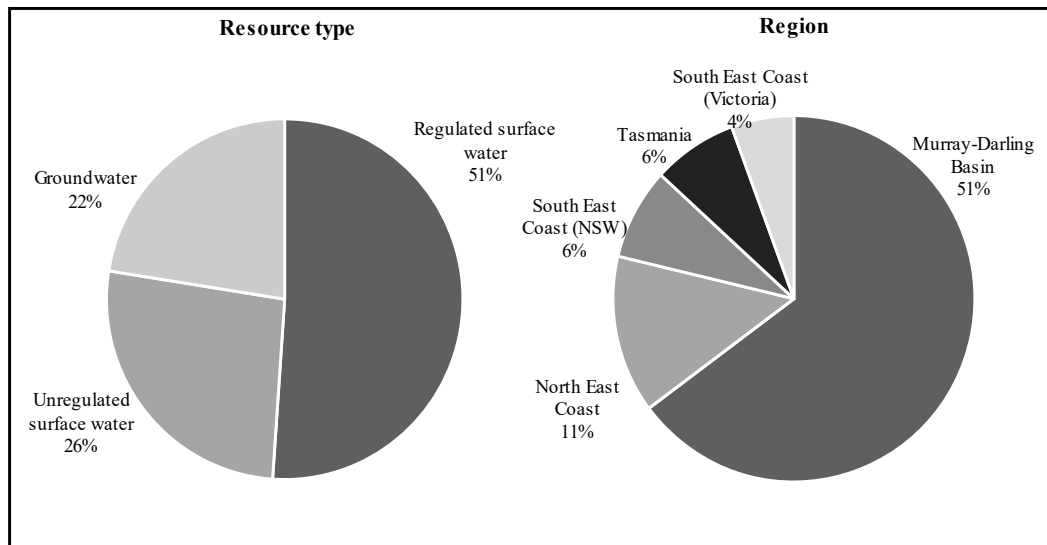
Water from water entitlements can be traded permanently through the sale of water entitlements or temporarily through the sale of water allocations which only temporarily transfer the rights to a specified amount of current water allocation while retaining the rights to any future allocations.

Approximately 39,124,477 ML of water entitlements and take-and-use licenses were on issue in Australia in the year ending 30 June 2019. Surface water (which includes regulated surface water (51%) and unregulated surface water (26%)) and ground water (22%) are the primary sources of water supply in Australia. The majority (51%) of water entitlements on issue in Australia in the year ending 30 June 2019 were located in the Murray Darling Basin, with a particularly significant concentration in the Southern Connected System (34%).

¹⁰³ The Southern Connected System consists of 13 interconnected water trading zones: Greater Goulburn, Lower Goulburn, Campaspe, Lower Campaspe, Part Loddon, Lower Broken Creek, VIC Murray (above Barmah Choke), VIC Murray (from Barmah Choke to SA Border), NSW Murray (above Barmah Choke), NSW Murray (below Barmah Choke), SA Murray, Lower Darling and Murrumbidgee.

¹⁰⁴ Regulated surface water entitlements are referred to as Water Access Licenses in NSW, Water Entitlement Extracts in VIC and Water Licenses in SA

Figure 16: Type and regional composition of agricultural water entitlements and take-and-use licenses in Australia



Source: Bureau of Meteorology, Water Markets Dashboard, Water Markets Report, 2019

As at 30 June 2019, 83% of total regulated surface water entitlements in the major trading zones in the Southern Connected were for consumptive purposes while 17% were held by the Commonwealth for environmental purposes.¹⁰⁵ Our analysis focuses on water entitlements held for consumptive purposes (rather than for environmental purposes by the Commonwealth).

Domestic and stock rights

Land owners and occupiers can also take surface and ground water from a river, estuary or lake near or underlying their land for domestic consumption and stock watering, through domestic and stock rights. Unlike the licenses listed above, domestic and stock rights are attached to the land and granted for a specific purpose and can be cancelled when the purpose ceases to exist. Some jurisdictions require licensing of domestic and stock rights while others (such as NSW) only require approval for construction of bores or dams to draw water from the domestic and stock rights.

Regulated surface water entitlements

Australia has one of the most developed and liquid regulated surface water entitlement trading markets in the world. Three key categories of regulated surface water entitlements are available, which differ in their reliability of water supply:

- **high security entitlements:** water is first allocated to high security water entitlements and they are typically used for permanent crops such as walnuts and almonds that require stable water supply between the growing seasons. There were 38,229,294 ML of high security water entitlements on issue in Australia as at 30 June 2019, the majority of which were located in VIC (48%), followed by SA (27%), QLD (16%), NSW (9%) and NT (1%). We note that the VIC also has the highest volume of high security water due to high historical water allocation to water entitlements and high contribution from non-dammed rivers (such as the Ovens and King) to end of system flows which allows for the majority of water in storage dams to be allocated to water entitlements
- **general security entitlements:** receive second priority in water allocation and are typically used for annual crops such as cotton. General security entitlements allow for carryover of specified proportions of unused water allocations from one year to another which further adds to their value. There were 40,519,638 ML of general security water entitlements on issue in Australia as at 30 June

¹⁰⁵ AITHER Water Markets Report, year ended 30 June 2019 Review and 2019-20 Outlook

2019, the majority of which were located in NSW (75%), followed by VIC (16%), SA (8%) and NT (1%) and

- **supplementary entitlements:** are the least reliable as water supply is opportunistic and only available when supplementary access events occur such as when dams overflow or inflows into regulated rivers exceed the water demand. During supplementary events general security entitlement holders may also be allowed to draw water (e.g. in NSW general security entitlement holders are allowed to pump water in supplementary events if the sum of their carryover plus general security allocation for the period is less than 100%). No supplementary events have been recorded in the majority of trading zones in the Murray Darling Basin since the beginning of the drought in 2017.

The supply of water to entitlement holders is influenced by the amount of rainfall, inflows into storages, the amount of water in storage and any government buybacks. Demand for traded water entitlements for current use decreases in periods of high rainfall and expectations of future water availability also improve, which reduces demand for traded water entitlements for future use. Higher commodity prices also increase demand for water by providing incentives for farmers to increase plantings and yield by applying more water.

Southern Connected System

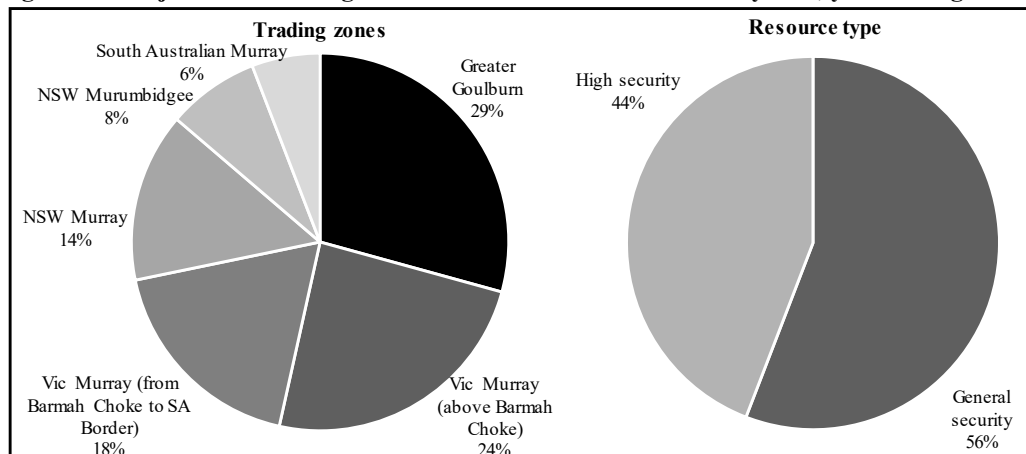
Australia's largest regulated surface water entitlement trading market is located in the Southern Connected System. Relative to other regions, the Southern Connected System has a greater reliance on regulated surface water (86% of water supply) compared with ground water (10%) and unregulated surface water (4%). It accounted for more than 95% of water traded in Australia and had a market value of over \$22.7 billion based on the entitlements on issue in the year ending 30 June 2019.¹⁰⁶ It is a liquid market with more than 237,000 ML (\$699 million worth) of water entitlements traded in the year ending 30 June 2019 (c.4% turnover). There are 13 interconnected water trading zones in the Southern Connected System. Price movements are highly correlated across the different zones, however, the prices themselves can vary significantly between each zone due to physical and regulatory trade barriers such as the Barmah choke trading restriction¹⁰⁷ and inter-valley trading limits.

The following figure illustrates the composition of the Southern Connected System based on the volume of entitlements on issue as at 30 June 2019. NSW Murrumbidgee, NSW Murray, Greater Goulburn and Vic Murray (from Barmah Choke to SA border) are the largest water trading zones with general security entitlements accounting for 56% of total entitlements on issue.

¹⁰⁶ Ibid.

¹⁰⁷ The Barmah Choke is a narrow section of the Murray River which restricts the flow of the River Murray to just around 7,000 ML per day and thus has trade restrictions to protect delivery to existing entitlement holders and to maintain the river environment in the Choke. The restriction only allows trade downstream of the Choke when there is sufficient matching trade capacity available in the opposite direction (known as back trade)

Figure 17: Major water trading zones in the Southern Connected System, year ending 30 June 2019



Source: AITHER Water Markets Report, year ending 30 June 2019 Review and the year ending 30 June 2020 Outlook

The water trading activities are overseen by the Murray Darling Basin authority. Any circumstances where the allowable trade directions may not be valid are defined by State trading rules. The Commonwealth Government ensures that the States comply with water trading rules contained in the Murray Darling Basin Plan.

Impact of the drought in the Southern Connected System

The Murray Darling Basin has been in a period of drought since the beginning of 2017.¹⁰⁸ The period from January 2017 to September 2019 was the driest 33 month period on record on average since 1961. System inflows for the period June 2018 to February 2019 were at 91% of Annual Exceedance Probability, meaning that system inflows were lower than the inflows experienced in 91% of the years recorded historically.¹⁰⁹

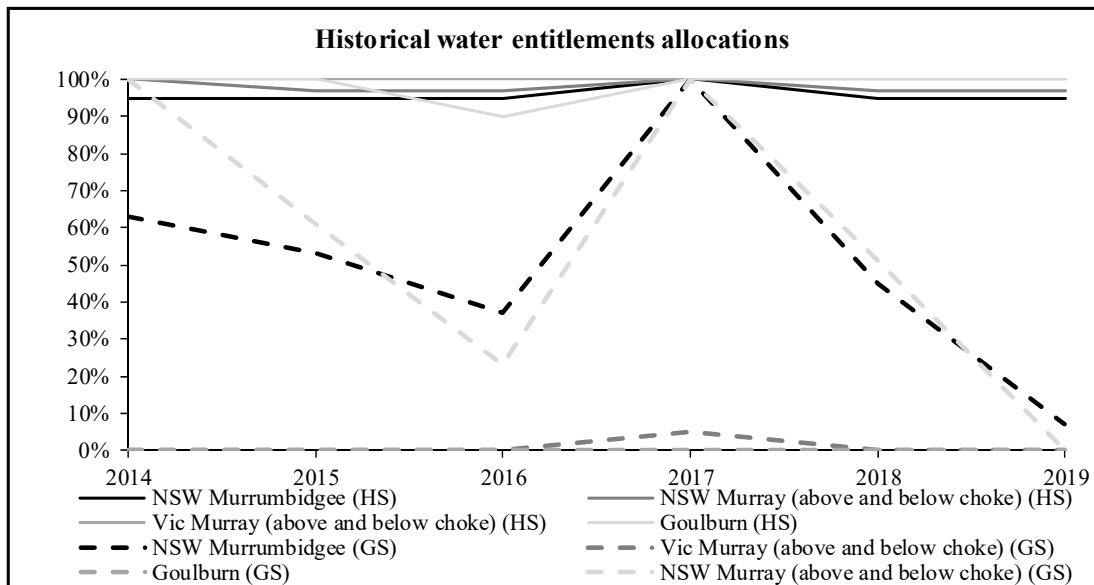
As a result of the dry conditions and high demand, storage levels and water entitlement allocations across the Murray Darling Basin also decreased significantly in the year ending 30 June 2019. Storage levels decreased from 63% in July 2018 to 42% by July 2019 and are currently amongst some of the lowest storage levels experienced since the Millennium drought (2001 to 2009).¹¹⁰ Only 3,326,000 ML water was allocated to water entitlements in the year ending 30 June 2019 which is the lowest since the year ending 30 June 2009. The following figure illustrates the trends in historical closing water allocations to high and general security water entitlements from the year ending 30 June 2014 to the year ending 30 June 2019 in Webster's key trading zones.

¹⁰⁸ Bureau of Meteorology, Water in Australia the year ended 30 June 2018

¹⁰⁹ Losses in the River Murray System year ended 30 June 2019, Murray Darling Basin Authority

¹¹⁰ AITHER Water Markets Report, year ended 30 June 2019 Review and 2019-20 Outlook

Figure 18: Closing water allocations to high and general security water entitlements between 30 June 2014 and 30 June 2019



Source: RuralCo

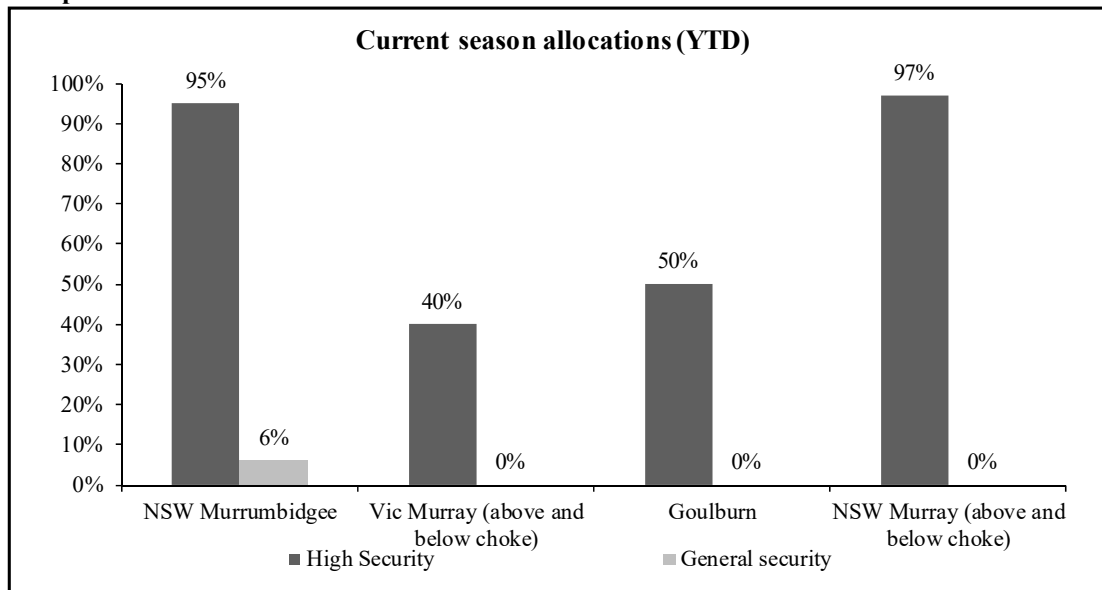
Note: HS refers to high security water entitlements and GS refers to general security water entitlements

As the figure highlights, general security water entitlements have been most impacted by the drought. The closing general security water allocations in the year ending 30 June 2019 were significantly lower than the pre-drought allocations with most trading zones receiving minimal or nil closing water allocations. Whilst the closing water allocations in some high security trading zones such as the Murrumbidgee and Murray decreased over the drought, other trading zones such as the Vic Murray and Goulburn maintained their pre-drought allocation levels.

In the three months to 30 September 2019, the high security allocations in the Vic Murray and Goulburn have declined to 40% and 50%, respectively, and general security water entitlements in most trading zones continue to receive nil allocations.

The allocations to high and general security water entitlements over the current season are summarised in the following figure.

Figure 19: Current season allocations to high and general security entitlements from 1 July 2019 to 30 September 2019



Source: RuralCo

Demand for water entitlements also increased significantly during the year ending 30 June 2019 due to the record low rainfall and high temperature experienced across the Murray Darling Basin. Most farms and irrigation regions received inconsistent and below average rainfall throughout the year.¹¹¹ Several major heat waves were also recorded in the Southern Connected System in December 2018 and January 2019 which led to significantly higher evaporation rates and further increased demand across the Southern Connected System. In addition, higher commodity prices for almonds, citrus and grapes is shifting investment towards higher margin permanent horticulture which are more water intensive and are thus better suited to high reliability water entitlements.¹¹² This is exerting further pressure on high reliability water entitlement prices as the traditional consumers of high security water entitlements (e.g. dairy farmers) now have to compete with permanent horticulture producers for the finite supply for high security water entitlements.

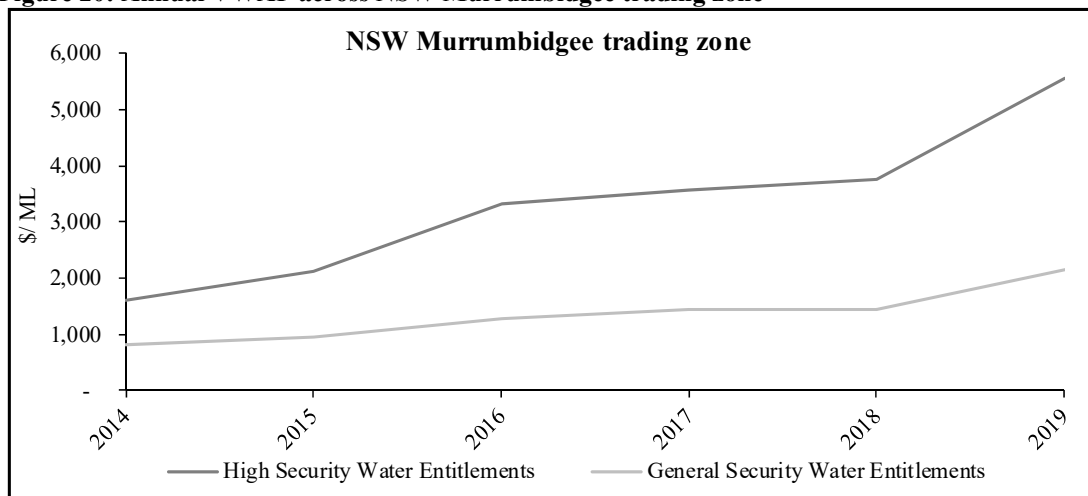
As a result of lower supply, higher demand and changing demand patterns, water entitlement prices across the Southern Connected System reached record highs in the year ending 30 June 2019. The average price over the year ending 30 June 2019 ranged from \$550 per ML to \$630 per ML, which is the highest price recorded since the Millennium drought.¹¹³ The annual VWAPs for high and general security entitlements in the Murrumbidgee increased by a CAGR of 19% and 18% respectively from the pre-drought prices on 30 June 2016 to the drought prices on 30 June 2019. The annual VWAPs for high and general security entitlements of \$5,555 and \$2,137 per ML as at 30 June 2019, respectively, are also the highest annual VWAPs observed over the period.

¹¹¹ AITHER Water Markets Report, year ended 30 June 2019 Review and 2019-20 Outlook.

¹¹² Ibid.

¹¹³ Ibid.

Figure 20: Annual VWAP across NSW Murrumbidgee trading zone



Source: Water NSW

Short-term outlook

The outlook for the year ending 30 June 2020 is expected to be dry or extremely dry. Water allocations to the Southern Connected System are forecast to decline below the year ending 30 June 2019 levels with only 2,500,000 ML to 3,300,000 ML of water expected to be available for allocations to entitlements.¹¹⁴ Commodity prices are also expected to remain strong which, combined with the low supply, is expected to result in sustained high water entitlement prices for the year ending 30 June 2020. Under the dry scenario annual average allocation prices in the Southern Connected System (excluding Murrumbidgee) are forecast to reduce to \$425 per ML and increase to \$590 per ML in extremely dry conditions.¹¹⁵

Significant variations in traded water entitlement prices are also expected across the Murray Darling Basin as trade constraints are likely to be effective in certain trading zones as water storage levels drop further. For example, prices in the Murrumbidgee are expected to increase the least compared to the rest of the Southern Connected System as the Murrumbidgee inter-valley trade (IVT) limit is likely to be effective,¹¹⁶ resulting in limited price movements as a result of limited trade and any price movements are likely to be as a result of trade driven by water demand from local cotton producers.

Long-term outlook

Over the longer term, both the supply and demand outlook for water in the Southern Connected Basin points towards sustained or increasing water entitlement prices, particularly for high security water entitlements.

On the supply side there are two main factors at play; climate change leading to lower inflows and Government policy reducing the consumptive pool. Although climate models are considered more accurate for predicting changes in temperature than rainfall, most models predict lower rainfall and therefore inflows into storages. It is also noted that the impact on runoff may be larger than the impact on rainfall as a generally dryer catchment will not see the same runoff as a saturated catchment. The impact of Government policy and in particular water buybacks has already reduced the consumptive pool for allocation to irrigation by approximately 30% in the Southern Connected Basin. Currently Australian Government policy is to cease buybacks and to recover water for the environment via other efficiency

¹¹⁴ Ibid.

¹¹⁵ Ibid.

¹¹⁶ The Murrumbidgee IVT limit restricts any water trade in and out of the Murrumbidgee when the balance of water in the Murrumbidgee IVT account drops below 100 GL. As at 31 October 2019] the IVT account balance was 99.9 GL and as a result only trade from Murray to Murrumbidgee was open (and not trade from Murrumbidgee to Murray)

gains that reduce losses in the system. However the targets outlined in the Murray Darling Basin Plan are still to be reached and uncertainty exists about how and if these can be reached.

The combination of climate change and water buybacks has created a permanent shift in annual water availability and more frequent severe shortages. Accordingly water users who required high security of supply for permanent plantings or dairy farming are quick to enter the permanent water market even at higher values. It is likely that over the longer term, there may be some softening in prices from the current high levels following any potential flood events (i.e. during high inflow years). However generally it would be expected that the trend will remain upward for traded water entitlement prices.

The demand side also has factors that support higher traded water entitlement prices, particularly for high security water entitlements. High demand for food and fibre from China and Southeast Asia is supporting higher farm gate returns in virtually all agricultural production segments, e.g. the China free-trade-agreement has seen a resurgence in demand for Australian citrus. Land use in the basin is moving from dairy and mixed cropping towards intensive horticulture in categories in such as nuts (almonds), olives, citrus, summer fruits and vegetables. These businesses will pay more for high security water entitlements to reduce risk of lower allocation and higher temporary prices. Given the risk profile in the Southern Connected System, not all water can be allocated to water intensive horticulture but it is likely that approximately 20% of the water will be used for water intensive horticulture compared to approximately 5% historically. For the balance of water, higher dairy and beef prices will also underpin a strong market for irrigated pasture, lucerne and maize. Returns have also been strong in cotton which has moved into the Southern Basin and new industries will emerge for things such as complex oils for industry use. Non-farm businesses e.g. super funds and high-wealth individuals have also entered the water market and are prepared to deploy capital for high security water entitlements as the current scarcity climate provides opportunities for higher returns from leasing or temporary sale of allocations from water entitlements.

Ground water

More than half of the ground water used in Australia relates to irrigation and the demand for ground water is particularly high in arid and semi-arid areas where it may be the only reliable water source available. More than 8,524,000 ML of ground water take and use licenses were on issue in the year ending 30 June 2017, the majority of which were outside the Murray Darling Basin where surface water supply is less reliable.¹¹⁷

Similar to surface water entitlements, ground water entitlements can also be traded temporarily and permanently within the specified regions. However the trade of ground water entitlements is more limited as ground water management also needs to take hydro-geological sustainability issues into consideration.¹¹⁸

Demand (and hence the prices for ground water) are expected to further increase in the future as surface water resources become scarce due to climate change and resulting prolonged droughts as ground water typically reacts slower to climate changes compared to surface water. Research by the Department of Agriculture shows that ground water entitlement prices follow a similar trend to surface water entitlement prices as ground water is used to replace surface water shortfalls in periods of scarcity.¹¹⁹ This is evident in the price movements over the last three years. Demand for ground water has increased over the last three years as the prolonged drought has made high security water entitlements difficult to obtain.¹²⁰ As a result, ground water prices have also increased. For example, the annual VWAP of ground water in the lower Lachlan (which is one of the three major ground water markets in the Southern Connected System)

¹¹⁷ ABARES Australian Water Markets Report 2016-17, Department of Agriculture

¹¹⁸ Ibid.

¹¹⁹ Ibid.

¹²⁰ AITHER Water Markets Report, year ended 30 June 2019 Review and 2019-20 Outlook

has increased by 302% over the three year period from \$745 per ML at 30 June 2016 to \$3,000 per ML at 30 June 2019.

Other long term considerations

Rainfall is a key driver of the market value of water entitlements as well as impacting Agriculture and Horticulture yields and prices and also livestock values. As such it is important to understand the principal factors impacting on its variability.

Australia's rainfall pattern is significantly affected by changes in sea surface temperatures, primarily through El Nino Southern Oscillation (**ENSO**) and the Indian Ocean Dipole (**IOD**).

ENSO is a natural cycle of irregular periodic variation in winds and sea surface temperature over the tropical Eastern Pacific Ocean. La Niña is the cooler phase of ENSO which is associated with higher rainfall over the East of Australia due to more moist rising air on the Australian side of the Pacific. The warmer phase of ENSO is referred to as El Niño and is typically associated with prolonged dry periods. El Niño is a result of warmer than average sea surface temperatures in the central and eastern tropical Pacific Ocean which changes atmospheric circulation and moves the heavy rainfall that typically occurs in the western Pacific (in the Northern regions in Australia) to the central and eastern parts of the Pacific basin. For Australia, this means lower winter and spring rainfall, particularly across the eastern and northern parts of the continent. Nine of the ten driest winter–spring periods on record for eastern Australia occurred during El Niño years. In the Murray–Darling Basin, average winter–spring rainfall over all El Niño events since 1900 was 28% lower than the long-term average, with the severe droughts of 1982, 1994, 2002 and 2006 all associated with El Niño. The most recent El Niño event in 2016, is associated with catastrophic coral bleaching on the Great Barrier Reef, severe droughts in Africa, South America and parts of the Pacific and Southeast Asia, and wildfires in Indonesia and Canada.

The IOD occurs when there is a significant difference between sea surface temperatures in the Arabian Sea (western Indian Ocean pole) and the eastern Indian Ocean south of Indonesia (eastern pole) that can shift moisture to or away from Australia. The IOD involves irregular changes in sea-surface temperatures between positive, neutral and negative phases and is thus a significant contributor to rainfall variability in Australia. A positive IOD phase is caused as a result of higher-than-average sea-surface temperatures and greater precipitation in the western Indian Ocean region, with a corresponding cooling of waters in the eastern Indian Ocean and is typically associated with droughts in Australia. A negative IOD on the other hand brings warmer water and greater precipitation in the eastern Indian Ocean, and cooler and drier conditions in the western Indian Ocean. Eleven negative IOD and ten positive IOD events have been recorded in Australia since 1960 including the positive IOD underpinning the current drought in Australia. The current strong positive IOD started developing in November 2018 and is likely to persist at least until the end of 2019.

While both ENSO and IOD are naturally occurring variations in weather cycles, their impacts have been more severe in recent years as a result of global warming, and may worsen as temperatures continue to rise.

9.6.2 Operations

Webster holds 167,215 ML of water entitlements as at 30 September 2019. The following table summarises the composition of Webster's portfolio.

Figure 21: Composition of Webster's water portfolio as at 30 September 2019 (ML)

Entitlement type	Kooba	Other Webster	Total
High security	75	17,235	17,310
Vic Murray (below Barmah choke) - Zone 7	-	795	795
Goulburn	-	3,785	3,785
NSW Murray (above Barmah Choke)	10	-	10
NSW Murray (below Barmah Choke)	-	3,551	3,551
Murrumbidgee	65	9,104	9,169
General Security	54,554	35,098	89,652
Vic Murray	-	79	79
Goulburn	-	127	127
NSW Murray (above Barmah Choke)	-	2,836	2,836
NSW Murray (below Barmah Choke)	996	-	996
Murrumbidgee	53,558	32,056	85,614
Supplementary	26,659	169	26,828
NSW Murray	-	15	15
Murrumbidgee	26,300	155	26,455
Murrumbidgee (non-transferrable)	359	-	359
Ground Water	18,528	-	18,528
Zone 1	4,806	-	4,806
Zone 3	13,722	-	13,722
Unregulated	10,668	-	10,668
Murrumbidgee (Goorangool Lagoon)	10,668	-	10,668
Stock and domestic	184	-	184
Lower Darling	8	-	8
Murrumbidgee	176	-	176
Other	-	4,045	4,045
Swan River	-	310	310
Wye Surety L5	-	3,735	3,735
Total	110,668	56,547	167,215

Source: Webster Management

The majority (98%) of Webster's portfolio is located in the Southern Connected System, particularly in the Murrumbidgee trading zone (90%). The total portfolio consists of a mix of high security (10%), general security (54%), supplementary (16%) and ground water entitlements (11%) as well as some unregulated water holdings in the Goorangool Lagoon (6%). We note that in recent years the majority of Webster's water allocations received have come from the high security water entitlements as the persistent dry climate since 2017 has significantly reduced the water allocations from general security and supplementary water entitlements.

Water entitlements are a significant strategic asset for Webster. They are central to the performance of its Agriculture and Horticulture segments, as having an extensive and a reliable water network enhances Webster's ability to achieve crop diversity and maximise planted area and yields. It also provides additional opportunities for Webster (e.g. when water allocations from water entitlements exceed demand, the excess water can be utilised towards growing cotton crops to generate additional value).

It is proposed that 110,668 ML of water entitlements will be transferred to KoobaCo.

9.7 Financial performance

The financial performance of Webster for FY17 to FY19 is summarised in the following table.

Table 11: Financial performance of Webster

Period \$ million unless otherwise stated	15 months to 30 Sep 17	12 months to 30 Sep 18	12 months to 30 Sep 19
Underlying revenue and other income:¹			
Horticulture	82.2	53.3	56.1
Agriculture	131.0	153.7	93.5
Apiary	-	-	0.2
Unallocated income	(0.1)	- ⁵	- ⁵
Underlying revenue and other income	213.1	207.1	149.8
Underlying EBITDA:²			
Horticulture	26.5	18.5	15.4
Agriculture	12.3	49.4	8.1
Apiary	-	-	0.2
Unallocated income/(expense)	0.3	0.5	0.3
Corporate and Directors' costs	(7.4)	(7.7)	(7.1)
Underlying EBITDA	31.7	60.6	16.8
Depreciation and amortisation expense	(14.4)	(14.4)	(13.6)
Underlying EBIT:³			
Horticulture EBIT	18.8	10.7	6.6
Agriculture EBIT	6.0	43.1	3.7
Apiary EBIT	-	-	- ⁵
Unallocated income/(expense)	(0.1)	- ⁵	- ⁵
Corporate and Director's costs	(7.4)	(7.7)	(7.1)
Underlying EBIT	17.2	46.2	3.2
Significant and non-recurring items (refer to Table 8)	39.7	-	4.1
Net finance costs	(7.9)	(7.3)	(5.2)
Profit before income tax	49.1	38.9	2.1
Income tax benefit/(expense)	9.2	(11.8)	(11.2)
Statutory NPAT attributable to Webster ordinary shareholders	58.3	27.1	(9.1)
Statistics:			
Sales revenue growth (%)	nmf ⁶	nmf ⁶	(19.5%)
Cost of sales as percentage of sales (%)	82.1%	85.3%	102.6%
Gross margin (%)	17.9%	14.7%	(2.6%)
Underlying EBITDA margin (%)	19.1%	41.7%	14.4%
Underlying EBIT margin (%)	10.4%	31.8%	2.7%
Underlying EBITDA interest cover (times) ⁴	4.0	8.3	3.3

Source: Webster Annual Report for FY17 and FY18, Preliminary Final Report for FY19 and KPMG Corporate Finance analysis

Notes:

1. Underlying revenue and other income includes other income (increment in net market value of agricultural assets, net foreign exchange gains/loss, net income from sale of unused water allocations, gain on disposal of permanent water rights, rental income and other), excludes interest income and significant and non-recurring items.
2. Underlying EBITDA is earnings before interest, tax, depreciation and amortisation, significant and non-recurring items, includes other income (increment in net market value of agricultural assets, net foreign exchange gains/loss, net income from sale of unused water allocations, gain on disposal of permanent water rights, rental income and other), and excludes interest income.
3. Underlying EBIT is underlying EBITDA less depreciation and amortisation.
4. Interest cover is underlying EBITDA divided by net interest.
5. Less than \$0.05 million.
6. Not meaningful since 2017 is a 15 month period.

Webster changed its financial year-end from 30 June to 30 September in the FY17 year to more appropriately align its financial reporting period with the nature of Webster's business.

In relation to Webster's performance in FY17, we note that relatively high revenue was achieved and it reflects:

- the 15-month financial period, which represents one season of the cotton business, one season of the horticulture business, and includes three extra months of operational activity of the horticulture, row cropping, livestock business, corporate overheads and finance charges
- a record yield of c. 12,000 tonnes of walnut produced for Horticulture
- the benefit of strong cattle and sheep prices for Agriculture,
- the partial year revenue impact of the acquisition of the producing walnut orchards from Motspur Park Limited and the addition of 13,500 breeding dorper ewes through the acquisition of Kalabity Station (**Kalabity**) in SA in March 2017, and
- the Tandou transaction, incorporating the consideration of the sale of water rights and decommissioning of the cotton operations.

In June 2017, Webster announced that it had entered into an agreement with the Commonwealth Government to sell its Lower Darling water entitlements and decommission its irrigation system at Lake Tandou after the 2018 growing season. This resulted in an impairment of assets in FY17.

In relation to Webster's performance in FY18, we note that the lower revenue from Horticulture was offset by the higher revenue from Agriculture, reflecting:

- the 12-month financial period, which represents one season of cotton, one season of horticulture business and 12 months of the livestock business
- the harvest of the final cotton crop at Lake Tandou following the decommissioning of the irrigation system at Lake Tandou in FY17 (June 2017)
- the full year revenue impact of the acquisition of Motspur Park and Kalabity, and
- the partial year revenue impact of the acquisition of the Sandy Valley producing almond orchard in March 2018.

The acquisition of Packsaddle in April 2018 added 185,000 hectare of property to Webster's Agriculture portfolio, which would allow for 5,000 additional breeding Dorper sheep. However, it did not give rise to Webster's revenue growth in FY18.

In relation to Webster's revenue in FY19, we note that it reflects:

- significant decline in Agriculture revenue in line with the reduction in annual cropping in areas where the reliability of water flows is not optimal
- the partial year impact of the sale of Bengorang in October 2018
- the partial year revenue impact (\$207,000) from the acquisition of Australian Rainforest Honey in May 2019, and
- the partial year revenue impact of the acquisition of cropping rights for walnut orchards associated with the MIS schemes already owned by Webster in May 2019.

Webster's cost of sales incurred historically has increased as a percentage of sales, resulting in a downward trend in the gross margin from FY17 to FY19. In relation to Webster's expenses and earnings we note:

- in FY18, the increase in Agriculture revenue due to favourable weather and growing conditions for cotton more than offset the increase in costs of sales (as drought conditions resulted in higher water and feed costs for livestock) and other operating expenses (which mainly include chemicals and

fertilisers, labour, and machinery hire). This resulted in an increase in Agriculture EBITDA and underpinned an uplift in Webster's EBITDA margin

- in FY19, prices of acquired water and feed for livestock further increased as the drought continued and general growth in chemicals and energy overheads also contributed to the increase in costs. Along with the reduction in total revenue, the EBITDA margin declined significantly.

In FY19, corporate costs of \$7.3 million (\$7.7 million in FY18) included \$0.9 million of public company costs.

The financial performance of Webster's Agriculture and Horticulture segments is described more fully in Sections 9.4.5 and 9.5.3 of this report.

The majority of Webster's depreciation and amortisation expense is related to Horticulture. In FY19, Webster incurred \$13.6 million in depreciation and amortisation, of which \$8.8 million was in relation to Horticulture, primarily the depreciation of the walnut orchard planting, and \$4.4 million was in relation to Agriculture.

Webster has identified the following significant and non-recurring items.

Table 12: Webster significant and non-recurring items (before tax)

Period	FY17	FY18	FY19
\$ million unless otherwise stated			
Impairment losses (Tandou)	(22.9)	-	-
Gain on disposal of permanent water rights (Tandou)	23.5	-	-
Gain on disposal of PPE	(0.9)	-	-
Income from sale of property (Tandou)	40.0	-	-
Gain on disposal of investment (Bengerang)	-	-	4.1
Total significant and non-recurring items	39.7	-	4.1

Source: Webster Annual Report for FY17 and FY18, Preliminary Final Report for FY19 and KPMG Corporate Finance analysis

In FY17, the decommissioning of the Lake Tandou irrigation systems and sale of water entitlements to the Commonwealth Government for \$78 million (May 2017) resulted in a \$22.6 million gain on disposal of permanent water rights (net of disposal of property, plant and equipment (**PPE**)) and \$40.0 million income from the sale of property, offset by a \$22.9 million impairment of PPE at Lake Tandou.

Finance costs are comprised of interest on loans and other finance costs, including a line fee, commitment fee, security trustee fee, loan extension and establishment fees. In addition, dividends paid on the cumulative non-redeemable preference shares are reflected as finance costs because Preference Shares are classified as financial liabilities. In FY19, Webster incurred interest on loans of \$3.5 million, other finance costs of \$1.8 million, and dividends paid on Preference Shares of \$35,000.

Webster's earnings per share (**EPS**), dividend per share and dividend payout ratios for FY17 to FY19 are as follows.

Table 13: EPS and dividends on Ordinary Shares and Preference Shares

Period	FY17	FY18	FY19
Ordinary shares:			
Statutory NPAT after significant items (\$ million)	58.3	27.1	(9.1)
Weighted average ordinary shares on issue (million)	349.8	356.5	356.9
Basic EPS after significant items (\$)	0.167	0.076	(0.026)
Statistics:			
Weighted average ordinary shares on issue (million)	349.8	356.5	356.9
Basic earnings per share (\$) ¹	\$0.17	\$0.08	\$(0.03)
Dividends per share (\$)	\$0.01	\$0.03	\$0.00
Dividend payout ratio (%)	6.0%	39.5%	(0.0%)
Dividend franking (%)	100.0%	100.0%	100.0%
Preference shares:			
9% cumulative preference shares on issue (thousand)	394.0	394.0	394.0
Dividend per cumulative preference share (\$) ²	0.090	0.090	0.090
Yield on preference shares (%)	9.0%	9.0%	9.0%

Source: Webster Annual Report for FY17 and FY18, Preliminary Final Report for FY19 and KPMG Corporate Finance analysis

Notes:

1. Basic EPS calculated as underlying NPAT after significant items divided by the weighted average Ordinary Shares on issue
2. Dividends paid on Preference Shares were unfranked

Webster does not have an explicit dividend policy in place. Since FY15, Webster has only declared a final dividend, without an interim dividend, given the weighting of sales and earnings occurring in the second half of the financial year. In FY19, no dividend was declared on Ordinary Shares, however, unfranked dividends of 9.0 cents per share were paid on the cumulative non-redeeming preference shares on 27 June 2019.

Webster's income tax is assessed at a corporate tax rate of 30%. As at 30 September 2019, Webster had \$41.2 million of unused group tax losses for which no deferred tax asset was recognised (a potential tax benefit of \$12.4 million at a 30% tax rate), mainly related to accelerated tax deductions of water infrastructure expenditure. There are also \$56 million of capital losses for which no deferred tax asset was recognised consistent with prior years.

9.8 Financial position

The audited financial position of Webster as at 30 September 2017 and 2018 and unaudited financial position as at 30 September 2019 are summarised in the following table.

Table 14: Financial position of Webster

As at 30 September	2017	2018	2019
\$ million unless otherwise stated			
Debtors and prepayments	25.4	18.0	13.5
Inventory	16.3	51.8	26.3
Biological assets	31.0	28.6	23.3
Trade and other payables, current provisions	(21.0)	(32.0)	(12.9)
Net working capital	51.6	66.3	50.1
Property, plant and equipment	305.6	327.8	370.8
Intangibles - permanent water rights	212.9	162.0	186.0
Intangibles - goodwill and other	27.7	27.5	28.2
Investments ¹	0.1	0.1	0.1
Deferred tax liabilities (net)	(8.5)	(13.3)	(23.5)
Non-current provisions	(0.1)	(0.1)	(0.2)
Net assets held for sale (Bengerang)	-	130.9	-
Total funds employed	589.3	701.1	611.6
Cash and cash equivalents	15.4	11.0	6.6
Total borrowings	(119.9)	(210.6)	(135.9)
Net borrowings	(104.5)	(199.6)	(129.3)
Net tangible assets²	457.1	474.0	454.1
Net assets	484.8	501.5	482.3
Statistics:			
Shares on issue at period end (million)	359.7	361.2	362.2
Net working capital as a percentage of sales	31.1%	45.6%	42.8%
NTA per share ³	\$1.27	\$1.31	\$1.25
Gearing ⁴	17.7%	28.5%	21.1%
Directors estimated market value of water portfolio	290.0	350.0	410.0
Modified net assets ⁵	561.9	689.5	706.3
Modified gearing ⁶	15.7%	22.4%	15.5%

Source: Webster Annual Report for FY17 and FY18, Preliminary Final Report for FY19 and KPMG Corporate Finance analysis

Notes:

- Investments are related to Webster's units held in Argyle Water fund through Tandou and Webster's shares held in Almondco Australia Limited through Walnuts Australia. Investments are allocated to Agriculture.
- Net tangible assets (NTA) is calculated as net assets less goodwill and other intangibles, but including water rights.
- NTA per Ordinary Share is calculated as net tangible assets divided by the diluted number of Ordinary Shares at period end.
- Gearing represents total loans and borrowings divided by net assets.
- Modified net assets reflects the market value of water portfolio estimated by the Directors instead of the book value of water intangibles.
- Modified gearing represents total loans and borrowings divided by modified net assets.

Webster's working capital increased at 30 September 2018 due to a greater cropping inventory as a result of favourable weather and planting conditions. As at 30 September 2019, Webster's working capital (including cash) was \$56.5 million and working capital attributable to KoobaCo was \$9.1 million.

Inventory

The majority of stock is sold by September each year and as such, inventory is lowest at year end.

As at 30 September 2019, inventories represented 4.0% of Webster's total assets, compared to 6.8% as at 30 September 2018. The reduction was underpinned by the greater cropping inventory at 30 September 2018 due to favourable weather and planting condition, contrasted with the clearance of cotton stock and

less hectares planted due to unfavourable weather conditions at 30 September 2019. Webster's inventories are primarily non-living (harvested) produce, including horticultural inventories, cropping inventories and apiary.

Webster's inventories are valued at the lower of cost and net realisable value except for walnut and cropping inventories, which are measured at fair value less estimated cost to sell at the point of harvest, and subsequently net realisable value. The breakdown of inventories as at 30 September 2017, 2018 and 2019 is set out as follows.

Table 15: Inventory of Webster

As at 30 September	2017	2018	2019
\$ million unless otherwise stated			
Raw materials	4.2	2.1	2.0
Cropping inventories	0.5	36.1	1.7
Walnut inventory	9.7	12.4	16.4
Walnut nursery trees	0.3	1.2	1.8
Water allocation	1.7	-	3.2
Honey	-	-	1.2
Total book value of inventories	16.3	51.8	26.3

Source: Webster Annual Report for FY17 and FY18, Preliminary Final Report for FY19 and KPMG Corporate Finance analysis

Note: Cropping inventories, water allocation and honey is allocated to the Agriculture segment. Walnut inventory and nursery trees are allocated to Horticulture. Approximately 50% of raw materials is allocated to each of Agriculture and Horticulture.

Biological assets

Webster's biological assets are primarily unharvested produce, including livestock, trees and the preparation of future crop. The costs incurred in bringing each product to its present location and condition are accounted for by Webster in the recognition and measurement of its biological assets. At the end of each reporting period, Webster measures unharvested produce of walnuts and crop at fair value less cost to sell, and livestock at fair value less cost to sell. The net increments or decrements in the market value of biological assets are recognised as either revenue or expense in the income statement.

The breakdown of biological assets as at 30 September 2017, 2018 and 2019 is set out as follows.

Table 16: Biological assets of Webster

As at 30 September	2017	2018	2019
\$ million unless otherwise stated			
Cropping preparation - at cost	14.8	13.6	7.5
Walnuts	2.5	7.2	8.0
Apiary (Honey and Bees)	-	-	0.1
Livestock	13.7	7.8	7.7
Total book value of inventories	31.0	28.6	23.3

Source: Webster Annual Report for FY17 and FY18, Preliminary Final Report for FY19 and KPMG Corporate Finance analysis

Note: Cropping preparation, apiary and livestock are allocated to Agriculture, walnuts are allocated to Horticulture.

Property, plant and equipment

Property, plant and equipment represents the most substantial asset on Webster's balance sheet (54.3% of total assets as at 30 September 2019) and comprises a combination of freehold land, land improvements, buildings, plant and equipment, and horticultural orchards. They are recognised at cost less accumulated depreciation and any accumulated impairment losses.

The book value of Webster's plant, property and equipment as at 30 September 2017, 2018 and 2019 is set out as follows.

Table 17: Property, plant and equipment of Webster

As at 30 September	2017	2018	2019
\$ million unless otherwise stated			
Freehold land	122.8	102.9	107.2
Land improvements	17.5	12.4	15.1
Buildings	27.0	27.3	29.9
Plant and equipment at cost	56.2	68.6	70.8
Equipment under finance lease at cost	0.8	0.5	0.3
Capital work in progress	30.8	54.7	68.8
Walnut orchards ¹	50.5	61.4	78.8
Total book value of property, plant and equipment	305.6	327.8	370.8

Source: Webster Annual Report for FY17 and FY18, Preliminary Final Report for FY19 and KPMG Corporate Finance analysis

Note 1: Almond trees are bearer plants and classified under Walnut orchards in property, plant and equipment

The movement in the book value of Webster's property, plant and equipment from 30 September 2017 to 30 September 2019 is primarily driven by the aforementioned acquisitions, adding walnut orchards, almond orchards, and other plant and equipment to Webster's portfolio. Webster engages a third party valuer to assess the fair value of its property, plant and equipment for impairment testing purposes.

The capital work in progress reflects the development program Webster had in place to maximise its properties' earnings potential. Webster's capital works primarily include the enhancement of the irrigation infrastructure and channels for annual cropping, the expansion program for orchard developments, and the investment in the increase of water storage capacity at Kooba and Hay, and efficient water use. Commonwealth grants received were related to capital work in progress and upon completion of the development projects, they will be offset against property, plant and equipment.

Intangible assets

As at 30 September 2019, Webster recognised \$186.0 million of permanent water rights, including \$151.4 million in Agriculture and \$34.7 million unallocated. The decline in the value of permanent water rights from 30 September 2017 to 30 September 2018 is primarily driven by the decommissioning of the Lake Tandou irrigation system in June 2017 and the sale of Bengerang in October 2018, which reduced Webster's water rights portfolio by 61,188 ML and 21,901ML, respectively.

Webster records permanent water rights at cost, however, in the FY19 Preliminary Final Report, Webster indicated that the market value of water rights is approximately \$410 million. Furthermore, these rights have an indefinite life and are not depreciated.

Other intangible assets mainly relate to goodwill recognised on the acquisition of Tandou.

Borrowings

Details of the financing facilities available and debt maturity profile of Webster as at 30 September 2019 are set out in the following table.

Table 18: Financing facilities of Webster as at 30 September 2019

\$ million	Total facility	Amount drawn	Available facility	Maturity
Rabobank				
Facility A - Core Facility	90.0	68.0	22.0	January 2022
Facility B - Seasonal Facility	35.0	-	35.0	July 2020
ANZ				
Facility A - Core Facility	90.0	67.3	22.7	January 2022
Facility B - Seasonal Facility	35.0	-	35.0	July 2020
Total interest bearing liabilities	250.0	135.3	114.7	
Finance lease liabilities		0.2		
Non-redeemable preference shares		0.4		
Less: capitalised borrowing costs		-		
Borrowings per financial position		135.9		

Source: Webster Preliminary Final Report for FY19 and KPMG Corporate Finance analysis

At 30 September 2019, Webster had a total of \$250.0 million committed credit facilities with two financial institutions with \$114.7 million of these facilities undrawn. Webster has \$70.0 million of bank debt expiring in July 2020 and \$180.0 million expiring in January 2022. All core debt is held at a corporate level.

The weighted average effective interest rate on Webster's bank loans was 3.24% in FY19.

Webster's Board reviews the capital structure of the Company on an annual basis and takes into consideration the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. Webster had a gearing ratio in the range of 18% to 31% based on book values over the period FY16 to FY19. As at 30 September 2019, gearing of 20.8% was towards the low-end of this range.

The financial covenants relating to Webster's debt facilities, together with its actual performance with respect to each of these covenants, are set out in the following table.

Table 19: Financial covenants

As at 30 September		2017	2018	2019
Financial covenant	Covenant			
Gearing ratio	less than 40%	17.7%	28.5%	21.1%
Modified gearing ratio	less than 40%	15.7%	22.4%	15.5%

Source: Webster Annual Report for FY17 and FY18, Preliminary Final Report for FY19 and KPMG Corporate Finance analysis

As at 30 September 2019, Webster had positive headroom in finance facilities for funding expansion of the current business and new opportunities.

Derivatives

Webster undertakes certain transactions denominated in foreign currencies, such as horticultural export transactions, resulting in exposure to exchange rate fluctuations which are managed with the utilisation of forward foreign exchange contracts and currency swap agreements. Webster's policy is to enter into forward foreign exchange contracts to cover up to 100% of the exposure generated by specific foreign currency payments and receipts. In FY19, Webster generated less than 15% of its revenue from international customers. As at 30 September 2019, Webster's net receivables exposure to foreign currency risk include US\$2.4 million and €1.8 million, based on notional amounts.

As at 30 September 2019, there were US\$1.4 million forward contracts outstanding, which are related to the purchase of forward contract sales of cotton. Due to prior decisions made in FY18, the forward sales made for cotton include the amount being produced in FY20.

9.9 Cash flows

The cash flow statements for Webster for FY17 to FY19 are summarised in the following table.

Table 20: Cash flow statements of Webster

Period	15 months to	12 months to	12 months to
\$ million unless otherwise stated	30 Sep 17	30 Sep 18	30 Sep 19
Underlying EBITDA	31.7	60.6	16.8
Payment for biological assets and PPE	(64.8)	(94.2)	(67.5)
Proceeds from government grants - development works	1.4	7.3	11.3
Payment for water entitlements	(9.8)	(25.2)	(24.1)
Changes in working capital and other	48.0	(22.6)	26.2
Operating cash flows	6.5	(74.1)	(37.3)
Proceeds from sale of Bengorang	-	-	132.7
Proceeds on disposal of assets (Tandou)	14.4	2.6	1.1
Proceeds from sale of water entitlements (Tandou)	77.8	-	-
Payment for purchase of financial instrument	-	-	- ¹
Interest paid (net)	(7.9)	(7.3)	(6.2)
Tax paid	2.8	(5.6)	(3.9)
Dividends and other equity distributions	(3.6)	(10.7)	(10.7)
Proceeds from exercising of share options	-	-	0.3
Acquisition of controlled entities, businesses and associates	(10.0)	-	(5.8)
Cash balance classified as held for sale	-	- ¹	-
Net cash generated/(used)	80.0	(95.1)	70.3
Net cash/(borrowings) - opening balance	(184.5)	(104.5)	(199.6)
Net cash/(borrowings) - closing balance	(104.5)	(199.6)	(129.3)

Source: Webster Annual Report for FY17 and FY18, Preliminary Final Report for FY19 and KPMG Corporate Finance analysis

Note 1: Less than \$0.05 million.

In FY17, the proceeds from the disposal of PPE and the compulsory sale of water entitlements at Lake Tandou were primarily used to repay debt.

As presented above, operating cash flows were negative in FY18 and FY19. In FY18, the operating cash flow losses and dividends paid were funded by a drawdown of debt. In FY19, net cash proceeds from the sale of Bengorang were applied to repay debt, fund operating cash flow losses and pay dividends.

9.10 Outlook

Webster has not publicly released specific earnings forecasts for FY20 or beyond, however, on 13 November 2019, it provided guidance that the business should breakeven for FY20. As a result of the ongoing drought conditions and low water allocations, total cotton plantings in 2020 reduced to 1,935 hectares (4,143 hectares in 2019). Furthermore, walnut yields are budgeted to be marginally higher, partially offset by additional costs incurred with a small amount of water purchases and additional investment in orchard operating costs to improve yields.

As far as KPMG Corporate Finance is aware, Webster is followed by one broker who has published updated earnings forecasts following the announcement the FY19 trading update on 13 November 2019. In order to provide an indication of the expected future financial performance of Webster, KPMG Corporate Finance has also considered the broker's forecasts for Webster. The broker forecasts are summarised in the following table and set out in detail in Appendix 3.

Table 21: Broker consensus forecast

Period	Actual	Broker Consensus		
\$ million unless otherwise stated	FY19	FY20	FY21	FY22
Underlying revenue and other income	149.8	92.2	182	209.5
Underlying EBITDA	16.8	13.7	47.9	48.1
Underlying EBIT	3.2	(1.0)	33.1	33.6
Adjusted NPAT	(9.1)	(5.0)	18.8	19.0
Earnings per share (\$) (before significant items)	\$(0.03)	\$(0.01)	\$0.05	\$0.05
Dividend per share (\$)	\$0.00	\$ -	\$0.03	\$0.04
Statistics:				
Sales revenue growth (%)	(27.6%)	(38.5%)	97.4%	15.1%
EBITDA margin (%)	11.2%	14.9%	26.3%	23.0%
EBIT margin (%)	2.1%	(1.1%)	18.2%	16.0%

Source: Broker reports for Webster and Webster Preliminary Final Report for FY19

Note 1: Sales revenue, EBITDA, EBIT and adjusted NPAT are the average for brokers.

The broker is forecasting a reduction in available water allocation for FY20 as a result of the prolonged drought in Australia and hence low water storage levels, adversely driving earnings from row cropping assets, whilst modest improvement in walnut yields and price is expected though likely to be partially offset by additional water purchases. Earnings achieved in FY19 and FY20 are not expected to be reflective of Webster's assets' capability in a more normal water allocation year, and a material step change in EBITDA is expected post FY20.

9.11 Board and Management

The Directors and senior management of Webster are summarised in the following table:

Table 22: Webster Directors and senior management

Board Members	Senior Management
Chris Corrigan (Chairman and Independent Non-Executive Director)	Maurice Felizzi (Managing Director and Chief Executive Officer)*
Bevan David Cushing (Independent Non-Executive Director)*	John Tyndall (Chief Financial Officer and Company Secretary)
David Fitzsimons (Independent Non-Executive Director)	
Ross Leslie Burling (Independent Non-Executive Director)	
Maurice Felizzi (Executive Director)*	
Joseph Corrigan (Alternate for Chris Corrigan)	

Source: Webster FY19 Preliminary Final Report [* IBC]

Webster's current Board is comprised of five Directors. Chris Corrigan and David Fitzsimons are associated with Belfort and Verolot, respectively, which own 12.64% and 8.89% of Ordinary Shares. Ross Burling is an executive director, shareholder and CEO of Stahmann Farms in which PSP Investments owns a majority stake.

9.12 Share capital and ownership

As at 9 December 2019, Webster had on issue:

- 362,245,163 fully paid Ordinary Shares (held by 3,022 registered Ordinary Shareholders) including 4,937,500 ELTIP Shares (of which 3,443,750 are not yet vested), and
- 394,000 Preference Shares (held by 191 registered Preference Shareholders).

Ordinary Shares

The top 10 registered Ordinary Shareholders accounted for approximately 71.5% of Ordinary Shares on issue¹²¹ of which PSP Investments holds 19.1% (through its wholly owned subsidiary AIHOP Investments Inc.), Belfort holds 12.64% and Verolot holds 8.89%.

As Belfort and Verolot will be offered the opportunity to acquire a 50.1% interest in KoobaCo after implementation of the Scheme, ASIC considers Belfort and Verolot and PSP Investments to be associated entities and as such each of Belfort, Verolot and PSP Investments is deemed to have a voting power of 40.63% (representing the aggregate of their individual relevant interests based on the percentage of shares held as at the date of the latest substantial shareholder notices lodged with the ASX) for the purpose of the Transaction.¹²² In the change in substantial shareholder notices lodged by PSP Investments on 7 November 2019 and by each of Belfort and Verolot on 8 November 2019, each stated that they were of the view that they are not associated but had agreed to assist ASIC by filing a change in substantial shareholder notice.

The ownership interests of Webster's substantial Ordinary Shareholders are summarised in the following figure. We note that the following information is based on Webster's FY19 Preliminary Final Report and discussions with Management and thus may differ from the shareholdings reported in the substantial shareholder notices lodged with the ASX.

Table 23: Webster substantial Ordinary Shareholders

	Date of notice	Number of ordinary shares	Percentage of ordinary shares
AIHOP Investments Inc	17/12/2014	69,184,683	19.1%
Belfort Investment Advisors Limited	19/12/2008	45,774,378	12.6%
Kaplan Funds Management Pty Limited	29/05/2015	32,474,953	9.0%
Verolot Limited	20/10/2011	32,215,862	8.9%
Mr Bevan David Cushing as trustee of the KD Cushing Family Trust	9/12/2010	20,244,413	5.6%
Mr Peter Robin Joy	9/12/2010	20,140,116	5.6%
Total		220,034,405	60.7%

Source: ASX substantial shareholder notices, Webster FY19 Preliminary Final Report and Webster management

Preference Shares

The ownership of Preference Shares is more concentrated, with the top 10 holders accounting for 76.2% of Preference Shares on issue as at 9 December 2019. The top 10 holders are mainly individuals and are summarised in the following table.

¹²¹ Based on the Webster share register as at 26 August 2019

¹²² The notice provided by PSP Investments noted an aggregate voting power of 40.45% whilst the notice from Chris Corrigan/ Belfort and David Fitzsimons/ Verolot recorded an aggregate voting power of 40.63%

Table 24: Webster top 10 Preference Shareholders

	Number of preference shares	Percentage of preference shares
Mr David Calvert and Mrs Lorne Calvert and <Southpork Super FD A/C>	73,155	18.6%
Winpar Holdings Limited	55,278	14.0%
Mr Brian David Faulkner and Mrs Wendy Jean Faulkner	50,000	12.7%
Mr Brian David Faulkner	35,019	8.9%
Common Sense Investments Pty Ltd	15,908	4.0%
Mr Leonard Wallace Boyd	15,556	4.0%
Meggsies Pty Ltd	14,334	3.6%
Mrs Frances Lorne Calvert	14,156	3.6%
Mrs June Lorimer Tutty	14,062	3.6%
Anchorfield Nominees Pty Ltd <Peter Martin Super Fund A/C>	12,724	3.2%
Total	300,192	76.2%

Source: Webster management

The key terms of the Preference Shares are summarised in the following table.

Table 25: Key terms of Preference Shares

Issuer	Webster Limited
Security	9% per annum cumulative, non redeemable preference shares which are listed on the ASX (ASX:WBAPA) and were issued by Webster between 1910 to 1956
Face Value	\$1
Dividend Rate	9% of face value
Voting Rights	No right to vote other than in the following circumstances: - where the dividend on preference shares has been in arrears for at least 6 months - on a proposal to reduce the share capital of Webster - on a proposal affecting the rights attached to the preference shares - on a proposal to wind up Webster - on a proposal for the disposal of all of the property, business and undertaking of Webster - on any question considered at a general meeting held during the winding up of Webster
Other rights	In the event of the winding up of Webster, preference shareholders receive priority over ordinary shareholders to receive all arrears of dividends and receive repayment of the capital paid up or credited as paid up on the preference shares

Source: Webster Management

Executive Long-term Incentive Plan

Webster operates an ELTIP under which eligible executives are invited to apply for a set number of Ordinary Shares (as determined by the Board) by means of a non-recourse loan from Webster. Upon acceptance of the application, Webster may issue new shares or acquire shares on-market in the ordinary course of trading of the ASX. If new shares are issued by Webster, the issue price of ELTIP Shares is based on the five-day average trading price of Ordinary Shares prior to issue. If shares are bought on the ASX, the issue price is the purchase price including any acquisition costs.

The ELTIP Shares are subject to a holding lock between the grant date and the vesting date (the vesting conditions can be varied by the Board at their absolute discretion) and until the associated company loans have been repaid. These ELTIP Shares rank *pari passu* to other Ordinary Shares in terms of voting rights, dividend entitlements and rights and bonus issues and any dividends received during the holding lock period are applied to reduce the balance of the loan.¹²³

¹²³ For fully franked dividends, 100% of the dividend is applied to reduce the loan balance while only 70% of the dividend is applied towards the loan for unfranked dividends

4,937,500 ELTIP Shares were granted as at 9 December 2019, of which 3,443,750 were not yet vested. Details of the unvested ELTIP shares and outstanding loan balances as at 9 December 2019 are as follows.

Table 26: Webster performance rights

Grant date	Issue price (\$)	Vesting/ expiry date - Tranche 1	Vesting/ expiry date - Tranche 2	Number unvested	Outstanding loan balance (\$)
30/05/2016	1.10		30/05/2020	250,000	257,500
21/09/2016	1.21		21/09/2020	693,750	790,181
25/09/2017	1.34	25/09/2020	25/09/2021	1,500,000	1,923,660
21/09/2019	1.64	21/01/2022	21/01/2023	1,000,000	1,640,000
Total				3,443,750	4,611,341

Source: Webster Management

In accordance with the ELTIP rules, unvested shares will vest automatically on implementation of the Ordinary Scheme and holders of Employee Loan Funded Shares will receive the Ordinary Scheme Consideration, less the balance of any loan owing to Webster.

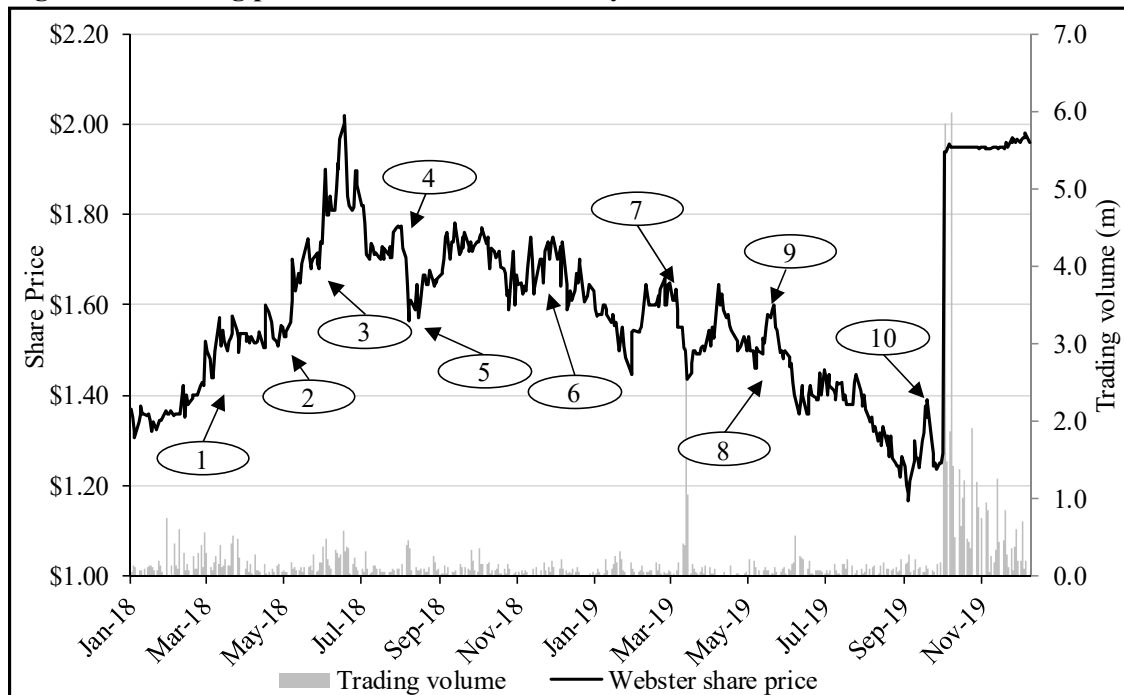
9.13 Share price performance

9.13.1 Recent trading in Ordinary Shares

The trading price¹²⁴ and volume of Ordinary Shares from 1 January 2018 to 9 December 2019 is illustrated in the following chart.

¹²⁴Referenced share prices are closing share prices unless stated otherwise

Figure 22: Trading price and volume of Ordinary Shares



Source: CapitalIQ; KPMG Corporate Finance analysis.

Ordinary Shares traded broadly in the range of \$1.30 to \$1.35¹²⁵ in the second half of 2017, increasing from February 2018 to reach a high of \$2.06 on 18 June 2018, potentially as a result of the following:

- 1 the announcement on 7 March 2018 of the acquisition of Sandy Valley, which led to a 9.0% increase in the share price over the following six trading days
- 2 the announcement on 24 April 2018 of changes to the Board, including the retirement of Chris Langdon (non-executive director) and appointment of David Fitzsimmons (non-executive director) and CEO Maurice Felizzi (CEO and executive director), which precipitated a 11.5% increase in the share price over the next 10 trading days, and
- 3 the release of the half year FY18 results on 23 May 2018 and announcement of improved Agriculture performance (underpinned by higher cotton yields and prices), which partially offset lower-than-expected walnut yields. Webster also confirmed further acquisitions including a greenfield development adjacent to Avondale walnut orchard, an additional 150 hectares adjoining Leeton walnut orchards and the acquisition of 50,000 hectares organic Dorper sheep property in western NSW. Ordinary Shares increased by 13.1% over the nine trading days following the earnings announcement, and increased by a further 5.3% over the following ten trading days.

From the high of \$2.06¹²⁶ on 18 June 2018, Ordinary Shares decreased steadily and closed at \$1.27 on 2 October 2019 (the last trading day prior to the announcement of the Transaction). During this time:

- 4 the NSW Government declared the whole state of NSW in drought on 8 August 2018. Lower rainfall caused crop failure, water scarcity and diminished supply of fodder for cattle and further deterioration in conditions were expected in the near future as the drier than normal conditions were forecast to persist. Immediately following the drought declaration, Ordinary Shares decreased by 20.0% compared to the price observed on 18 June 2018

¹²⁵ Intra-day share price

¹²⁶ Intra-day share price

- 5 on 17 August 2018, Webster entered into an agreement with AFF Group to divest Bengerang. As a result of speculative trading, the shares (which had been declining over the two months prior to the announcement) increased by 6.9% from \$1.67 on 17 August 2018 to reach \$1.78 on 13 September 2018, however, they decreased to \$1.60 following the approval of the transaction on 31 October 2018
- 6 on 22 November 2018, Webster released its FY18 earnings and announced earnings 53.5% lower compared to the prior year. This was due to a combination of factors including lower walnut yields which had an adverse impact on the Horticulture performance and the significant impact of the drought on both the livestock operations, which necessitated a significant reduction in the cotton cropping area for FY19 as a result of limited water availability. Webster also indicated downward pressure on walnut prices for the FY19 crops. This precipitated a series of share price declines. Ordinary Shares declined steeply (by 16.0%) from \$1.72 on 21 November 2019 to \$1.45 by 29 January 2019
- 7 on 8 March 2019 Webster was removed from the ASX/S&P 300 Index (**S&P 300 Index**) and ASX/S&P Small Ordinaries Index (**S&P Small Ordinaries Index**) which led to a 7.4% decline in the share price in the following week (from \$1.55 on the day prior to the index rebalance to \$1.44 by 14 March 2019) on heavy trading as index investors rebalanced their portfolios
- 8 Ordinary Shares recovered temporarily following the announcement of the Australian Rainforest Honey acquisition on 15 May 2019, increasing by 5.6%
- 9 Ordinary Shares declined further following Webster's half year results announcement for FY19 on 22 May 2019 which indicated modest improvement in Horticulture compared to the prior year, offset by 17.1% lower walnut prices and continued pressure from the drought which particularly impacted the livestock operations. As a result the share price declined by 6.9% in the six days following the announcement
- 10 the drought conditions persisted in the second half of 2019. The majority of NSW received below average rainfall, farm dam levels remained low to critically low and the area categorised as drought affected increased. The Bureau of Meteorology's official climate forecast's for June to September continued to indicate higher chances of drier than average conditions across NSW for winter and into spring. This put further strain on Ordinary Shares, culminating in a 15.3% price decline between the start of June 2019 and 2 October 2019

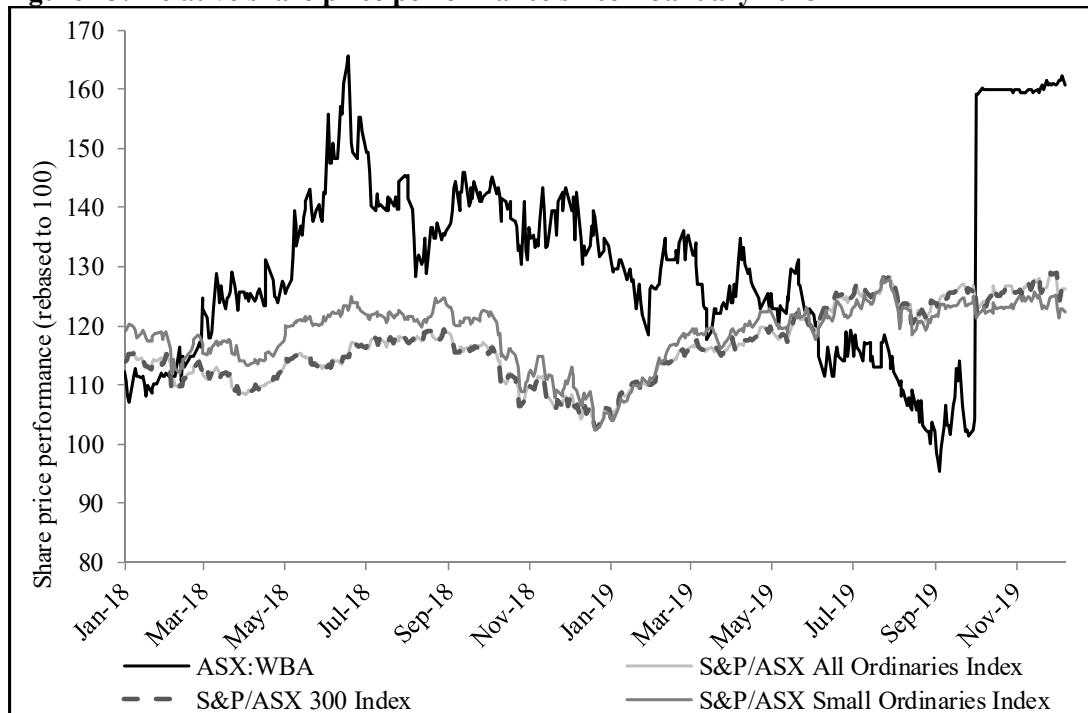
On the announcement of the Transaction on 3 October 2019, Ordinary Shares increased by 52.8% to close at \$1.94. Since then, the shares have traded in the range of \$1.92 to \$1.99, slightly below the offer price of \$2.00 per share. The trading volume also significantly increased to 5.9 million following the transaction announcement on 3 November 2019 and averaged 0.7 million per day following the transaction announcement which is significantly higher than the average daily trading volume observed prior to the transaction announcement (0.1 million per day).¹²⁷

9.13.2 Relative share price performance

Webster is a member of the S&P/ASX All Ordinaries Index (All Ordinaries Index). It also used to be a member of the S&P 300 Index and S&P Small Ordinaries Index until the indices were rebalanced on 8 March 2019. The performance of Ordinary Shares from 1 January 2018 to 9 December 2019, relative to the All Ordinaries Index, S&P 300 Index and S&P Small Ordinaries Index (the Indices) (all rebased to 100) is illustrated below.

¹²⁷ Over the period from 1 January 2018 to 2 October 2019

Figure 23: Relative share price performance since 1 January 2018



Source: IRESS; KPMG Corporate Finance analysis.

Ordinary Shares performed broadly in line with the Indices until February 2018 when it outperformed the Indices until June 2018 as a result of the positive impact from acquisitions (which increased its production capacity), record high walnut production and higher cotton yields and prices for the 2017/18 season.

The Ordinary Share price underperformed from June 2018 until August 2018 as a result of the drought, before declining along with the Indices. The Indices started recovering by the end of December 2018, however, the Ordinary Share price continued to decline on the back of worsening drought conditions. Ordinary Shares underperformed the Indices from June 2019 until the announcement of the Transaction as the drought continued to worsen. Since the announcement of the Transaction on 3 October 2019, Ordinary Shares have significantly outperformed the Indices.

9.13.3 Liquidity

An analysis of the volume of trading in Ordinary Shares, including the VWAP for the period up to 2 October 2019 (the last trading day prior to the announcement of the Transaction on 3 October 2019) is set out in the following table.

Table 27: Volume of trading in Ordinary Shares

Period	Price (low) \$	Price (high) \$	Price VWAP \$	Cumulative value \$ millions	Cumulative volume millions	Percentage of issued capital	Percentage of free float capital
Period to 2 October 2019							
1 day	1.26	1.29	1.27	0.02	0.01	0.0%	0.0%
1 week	1.23	1.30	1.25	0.53	0.43	0.1%	0.2%
1 month	1.16	1.42	1.25	2.71	2.17	0.6%	1.1%
3 months	1.16	1.48	1.30	7.50	5.75	1.7%	3.0%
6 months	1.16	1.65	1.38	15.32	11.12	3.1%	5.7%
12 months	1.16	1.79	1.48	37.67	25.45	7.1%	14.4%

Source: IRESS; KPMG Corporate Finance analysis.

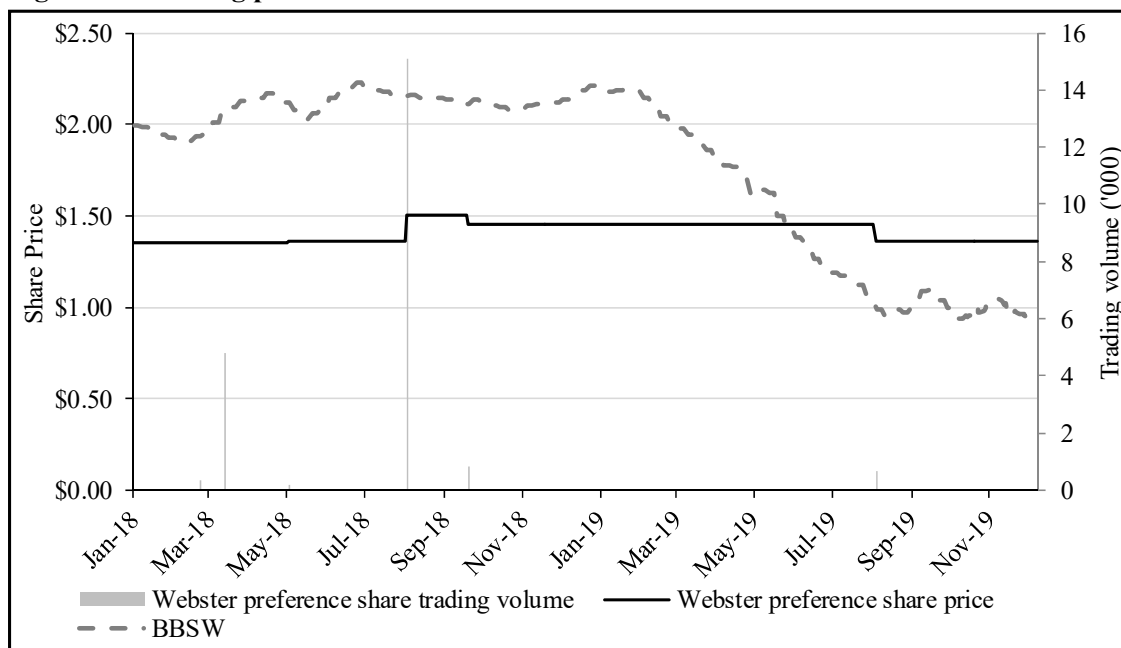
Note 1: Last trading day prior to the announcement of the Transaction on 3 October 2019

During the 12 month period to 2 October 2019, 7.1% of issued shares were traded (14.4% of free float). This level of trading indicates that Ordinary Shares are illiquid, albeit being traded every day over the 12 month period.

9.13.4 Preference Shares

The trading price and volume of Preference Shares from 1 January 2018 to 9 December 2019 is illustrated in the following chart.

Figure 24: Trading price and volume of Preference Shares



Source: S&P Capital IQ; KPMG Corporate Finance analysis.

The chart illustrates that over the last three years, Preference Shares have consistently traded at a premium to face value (\$1.0). From 1 January 2018 until 2 October 2019 (the last trading day prior to the announcement of the Transaction), Preference Shares have traded in the range of \$1.35 to \$1.50,¹²⁸ at a VWAP of \$1.46 (a 45.7% premium to face value).

¹²⁸ Based on market prices on the days when Preference Shares were traded

Over this period Preference Shares were only traded on 6 days and only 0.014% of issued shares were traded in total. Following the transaction announcement, during the two months to 9 December 2019, the Preference Shares were only traded on one day and this only represented 0.0002% of issued shares. This indicates an extremely illiquid market for Preference Shares.

Preference Shares offer a fixed cumulative dividend of 9% which equates to a total annual dividend payments of \$35,460 (based on the 394,000 Preference Shares on issue since 1981). The Preference Share dividends thus carry a relatively low perceived risk of non-payment as the dividends only represent a small proportion of Webster's EBIT. Further, no non-payment events have been noted for Preference Share dividends historically. As a result, the price of Preference Shares has not been significantly impacted by Webster's current or future profitability prospects.

Rather, the value of Preference Shares has been inversely correlated with changes in interest rates (as illustrated by 6 month AUD BBSW) as the Preference Shares provide investors with an alternative to fixed income instruments such as bonds. As illustrated in the chart, the market value of Preference Shares has historically increased in periods of falling interest rates as they present an attractive investment in low yield periods and offer investors an alternative investment with a steady stream of income, relatively low default risk and potentially higher returns than bonds. However, as Preference Shares are illiquid, the price effect of changes in interest rates is only reflected in Preference Shares when the Preference Shares are traded.

10 Valuation of Webster

10.1 Summary

We have assessed the value of Webster to be in the range of \$578 million to \$698 million, which corresponds to a value of \$1.59 to \$1.93 per Ordinary Share. Our range of assessed values reflects 100% ownership of Webster and, therefore, incorporates a control premium.

Webster's operating business has been valued based on a 'sum-of-the-parts' methodology. The value of the operating business is the sum of the following:

- the value of walnuts on the basis of a DCF methodology and cross checked utilising a Direct Comparison approach
- the value of almonds and Australian Rainforest Honey on the basis of the consideration paid by Webster in recent acquisitions plus any subsequent capital expenditure
- the value of Agriculture (including Southern Cotton and Western Grazing) on the basis of aggregating the values of the land, buildings and water storage prepared by CBRE utilising a Direct Comparison approach, with the book value of Webster's remaining Agriculture assets
- the value of water entitlements on the basis a Direct Comparison approach, and
- the value of the unallocated corporate expenses. In valuing each of Webster's operating businesses, KPMG Corporate has not included the unallocated corporate expenses, which have been capitalised separately at a multiple of 8 to 9 times based on multiples at which agribusiness companies are trading and recent transactions in the industry.

The value of Webster's operating business has been cross-checked utilising a Capitalised Earnings methodology, taking into account multiples at which listed agribusiness operators are trading and multiples implied by transactions involving agribusiness operators (refer to Section 10.7 of this report).

We have then added surplus assets (net) and deducted adjusted net interest bearing liabilities and Preference Shares as at 30 September 2019.

Our valuation of Webster is summarised in the following table.

Table 28: Webster valuation summary

\$ million unless otherwise stated	Section reference	Value range	
		Low	High
Horticulture (walnuts and almonds)	10.3	188.7	218.7
Agriculture (including Australian Rainforest Honey, excluding water rights)	10.4	208.4	208.4
Water rights	10.5	353.1	430.3
Capitalised corporate overheads (net of savings)	10.6	(57.6)	(46.4)
Total operating businesses		692.6	811.0
Surplus assets/(liabilities) (net)	10.8	10.0	12.0
Enterprise value		702.7	823.1
Preference Shares	10.9	(0.7)	(0.6)
Net borrowings (other) ¹	10.10	(124.2)	(124.2)
Value of equity attributable to Ordinary Shareholders		577.7	698.2
Diluted number of Ordinary Shares on issue ²		362.2	362.2
Value per Ordinary Share		1.59	1.93

Source: KPMG Corporate Finance analysis.

1. Cash includes \$4.6 million of cash from repayment for shareholder loans under the ELTIP. Borrowings excludes \$0.4 million book value of Preference Shares.
2. Includes 4,937,500 ELTIP Shares.

The valuation of each of the operating businesses is set out in Sections 10.3 to 10.5 of this report. Our valuation reflects 100% ownership of Webster and, therefore, incorporates a control premium. As a result, we would expect the value to be in excess of the price at which Ordinary Shares would trade on the ASX in the absence of a takeover offer. In assessing an appropriate premium for control in accordance with RG 111, we have considered synergies that may be available to a pool of potential purchasers. We consider that the most likely buyer of Webster is a financial buyer. As a result, direct synergies available to such an acquirer would likely primarily include public company costs and, potentially, limited back office costs] Therefore, the valuation assumes that these expenses are eliminated (see Section 10.6 of this report).

Observations from transaction evidence indicate that takeover premiums generally range from 25% to 40%¹²⁹ for completed takeovers depending on the individual circumstances. In transactions where it was expected that the combined entity would be able to achieve significant synergies, the takeover premium was frequently estimated to be towards the high end of this range or greater.

Our valuation range of \$1.59 to \$1.93 per Ordinary Share reflects a premium to the closing price of \$1.27 on 2 October 2019¹³⁰ of 26% to 52% and a premium to the one and three month VWAPs¹³¹ of 27% to 54% and 22% to 48%, respectively. These premiums are towards the high end and above the premiums that are typically observed. We note that:

- Webster's share price likely reflects recent drought conditions, which have decreased yields for Agriculture and increased water costs for Horticulture. Webster did not pay a dividend in FY19 and is unlikely to pay a dividend until the drought ends and Webster is able to plant crops and restock livestock. The absence of a dividend likely also depresses the share price. In contrast, the valuation takes into account the potential for more 'normalised' levels of rainfall in future
- Webster's share trading is illiquid, which may distort prices
- the valuation takes into account value associated with Webster's recent Horticulture plantings and substantial capital expenditure on farm water infrastructure

¹²⁹ KPMG Corporate Finance analysis based on Mergerstat data for Australian transactions completed between 2008 and 2018, comparing the Mergerstat 'unaffected' share price of the target company to the final offer price.

¹³⁰ The trading day prior to the announcement of the Transaction.

¹³¹ One and three month VWAPs to 2 October 2019 are \$1.252 and \$1.304, respectively. Refer to Section 9.13 of this report.

- the valuation takes into account the value associated with Webster’s portfolio of water rights, and
- the valuation includes synergies available to a pool of potential purchasers (albeit they are not substantial as the likely buyer is a financial buyer).

10.2 Valuation methodology

10.2.1 Overview

Our valuation of Webster has been prepared on the basis of ‘fair value’. The generally accepted definition of fair value (and that applied by us in forming our opinion) is the value that would be agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm’s length.

Fair value excludes ‘special value’, which is the value over and above fair value that a particular buyer, who can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

Fair value is commonly derived by applying one or more of the following valuation methodologies:

- Capitalised Earnings
- Direct Comparison
- DCF
- estimated net proceeds from an orderly realisation of assets (**Net Assets**)
- rules of thumb, and
- current trading prices on the relevant securities exchange.

These methodologies are discussed in further detail in Appendix 4. Ultimately, the methodology adopted is dependent on the nature of the underlying business and the availability of suitably robust information. A secondary methodology is often adopted as a cross-check to ensure reasonableness of outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, methodologies such as Capitalised Earnings and DCF are commonly used as they reflect ‘going concern’ values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich, Net Assets or Direct Comparison, where appropriate information is available, are typically adopted as there tends to be minimal goodwill, if any. For listed companies, the trading price typically provides an indication of the fair value of a minority interest where trading is liquid and no takeover speculation is evident.

10.2.2 Selection of methodology

KPMG Corporate Finance’s selected valuation methodologies for Webster’s operating businesses are described in Section 10.1 of this report. A discussion of the rationale for the selection of the valuation methodologies is set out below.

Prices paid in a recent arm’s length transaction

Prices paid for an asset or business in a recent arm’s length transaction provides the most reliable evidence as to the value of that asset or business. Webster’s almond operations and Australian Rainforest Honey have been valued on the basis of the consideration paid by Webster in recent acquisitions.

DCF methodology

A DCF methodology was adopted as our primary methodology for Webster’s walnut operations. This approach allows for analysis of key assumptions and for a range of scenarios to be modelled (e.g. various

combinations of walnut prices, yields and water costs). The DCF analysis was based on a long-term financial model developed by KPMG Corporate Finance, having regard to the long term forecasts prepared by Webster management. The model uses as a starting point the balance sheet for Horticulture (less any assets attributable to almonds) as at 30 September 2019.

KPMG Corporate Finance has undertaken various enquiries in relation to the long term forecasts prepared by Webster management, including holding discussions with management in regard to the commercial assumptions underlying the models and undertaking site visits to Webster's walnut operations. We have reviewed the key commercial assumptions in the context of current economic, financial and other conditions (e.g. regulatory, contractual). KPMG Corporate Finance is of the view that the forward looking information has been prepared on a reasonable basis and, therefore, is suitable as a basis for our valuations. In making this assessment, we have had regard to the factors noted in Section 8.3 of this report.

Direct Comparison methodology

A subset of the Market Approach, the Direct Comparison methodology involves identifying comparable sales and applying the relevant metric (e.g. \$ per hectare or \$ per ML) to the subject company's asset. The relative characteristics of each subject asset and each of the sales are analysed and compared having regard to matters such as location, aspect, topography, the size of the land and the scale of development. This approach contains a high degree of value judgement when sites are not directly comparable in one or a number of aspects.

KPMG Corporate Finance has used this approach in valuing the water rights and in cross-checking the value of the walnut and almond operations. This approach has also been used by CBRE in valuing the Agriculture land, water storage and buildings and the Griffith commercial property.

Capitalised Earnings methodology

Another subset of the Market Approach, the Capitalised Earnings methodology involves estimating a sustainable level of future earnings for a business (maintainable earnings) and applying an appropriate multiple to those earnings, capitalising them into a value for the business.

A Capitalised Earnings methodology is challenging in the case of agricultural companies (particularly those that rely on annual crops that do not have a reliable water source) given their earnings can vary substantially between years depending on rainfall and other weather conditions. For these companies, it may be appropriate to consider an average level of earnings over a number of years. Furthermore, there are relatively few transactions and listed companies from which to calculate meaningful multiples. As such, this methodology has been used as a cross-check to the valuation of Webster's operating business and to capitalise residual corporate overheads only and not as a primary approach.

Webster has not released specific earnings forecasts for FY20 or beyond. Accordingly, the implied forward multiples have been calculated based on broker consensus forecasts for Webster. KPMG Corporate Finance has compared the broker consensus forecasts for Webster with Webster management's forecasts and concluded that broker consensus forecasts are sufficiently close to Webster management's forecasts to be useful for analytical purposes.

Rules of thumb

We are not aware of any rules of thumb utilised in valuing agriculture and horticulture businesses. In any event, we note that rules of thumb should be utilised with caution as they can be misleading.

Net Assets

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). Such an approach does not capture growth potential or internally generated intangible value associated with the business.

10.2.3 Control premium

Consistent with the requirements of RG 111, we have assumed 100% ownership in valuing Webster and each of the business operations of the operating companies and, therefore, our valuation is inclusive of a premium for control. More specifically:

- in valuing the walnut operations, a DCF methodology has been utilised based on ungeared cash flows. This methodology is typically considered to incorporate a control premium
- the Direct Comparison methodology uses comparable control transactions and, therefore, application of metrics based on these transactions results in a control value
- we have specifically considered a premium for control when assessing our Capitalised Earnings based cross-check. Multiples applied in a Capitalised Earnings methodology are generally based on data from listed companies and recent transactions in a comparable industry, with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

The multiples derived for listed comparable companies are generally based on share prices reflective of the trades of small parcels of shares. As such, they generally reflect prices at which portfolio interests change hands. That is, there is no premium for control incorporated in such pricing. They may also be impacted by the level of liquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (i.e. 100%) it is appropriate to also reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected, and

- our valuation has had regard to the additional value resulting from estimated corporate cost savings that would generally be available to a pool of potential purchasers. It does not include any other operational or financing synergies that may be only available to a very limited number of potential buyers. We consider that the most likely acquirer of Webster is a financial buyer. Such acquirers could likely only save public company costs and, potentially, a portion of back office costs. Consequently, public company costs and limited back office costs have been excluded from unallocated corporate expenses for the purposes of our valuation assessment.

10.3 Valuation of Horticulture

10.3.1 Overview

KPMG Corporate Finance has assessed the value of Horticulture, on a control basis, to be in the range of \$189 million to \$219 million. In assessing the value of the walnut operations, KPMG Corporate Finance has adopted a DCF analysis as the primary methodology. We have cross-checked this value using a Direct Comparison methodology. The recently acquired almond operations have been valued based on the purchase consideration paid by Webster in the recent acquisition of the almond business plus subsequent capital expenditure. This value has been cross-checked using a Direct Comparable approach. A DCF analysis is not appropriate as the almond operations are currently still at an early stage development and as such, there is considerable uncertainty regarding future cash flows.

The following summary presents the values adopted for the operations of Horticulture.

Table 29: Horticulture summary

Value of Horticulture (\$ million)		
Operations	Low	High
Walnuts	165.0	195.0
Almonds	23.7	23.7
Total Horticulture	188.7	218.7

Source: KPMG Corporate Finance analysis.

The value range straddles the book value of assets at 30 September 2019 of \$200 million and reflects the following:

- the earnings potential implied by a future replanting of the walnut orchards after the currently planted walnut trees reach the end of their natural life, which results in higher profitability as the initial cost for preparation of the orchards, i.e. irrigation works, drainage and levelling, will not have to be incurred again or will be incurred at a lower level
- productivity gains achieved through the scale of operations. Certain costs have fixed cost characteristics such as machinery and equipment as well as the processing plant in Leeton which can be better utilised with an increasing amount of walnuts harvested. Further the operations of the orchards can be optimised using current experience e.g. treatment of non-pollination events and adaption to a changing climate.
- the Horticulture operations have a significant operating leverage. Prices are largely set externally through the global supply and demand for walnuts and yield is dependent on weather patterns, whereas the costs are largely fixed in nature, and
- the future replanting will occur over a staggered timeframe given the different maturity profile that exists within the current portfolio. As such Webster will also generate earnings from the newly planted crops over a staggered timeframe.

Although Webster owns permanent water entitlement that are used for the irrigation of the Horticulture operations the Walnut Model reflects water cost based on prices for temporary water allocations. As such the financial model assumes that a buyer of the operations would not be in the possession of water entitlements and would have to buy temporary water allocations.

10.3.2 DCF analysis of walnut operations

Assumptions

The DCF analysis uses as a starting point the financial position of the walnut operations as at 30 September 2019 and projects nominal, ungeared after tax cash flows to 30 September 2074 (**Forecast Period**), a period of 55 years, in order to capture the remaining lifecycle of the current trees and one replanting including a full lifecycle of the new walnut trees. A terminal value has been added based on the value of the improved land as at 30 September 2074, by multiplying the area of the improved land of 3,567 hectares with an assumed value per hectare reflecting the value of the improvements made by Webster, such as site infrastructure, drainage and levelling of the land. We have determined the value of the improved land at \$20,000 per hectare (current prices) based on a value per hectare for unimproved land of \$5,000 and cost of improvement of \$15,000 per hectare and then escalated this value using a 2.5% escalation rate per annum based on the expected long-term inflation rate for Australia.

The nominal, ungeared, after tax cash flows are discounted by a weighted average cost of capital (WACC) in the range of 10.0% to 11.0%. Refer to Appendix 6 for further detail on the selection of discount rates. Tax is calculated at 30%. The value of Webster's current tax losses has been determined separately and is included in surplus assets (refer to Section 10.8 of this report).

In undertaking the DCF analysis, we have considered the following key assumptions under Scenario A (Base Case):

- **planted area:** the planted area is initially c. 3,067 hectares, then increases in accordance with Webster business plan, which assumes the planting of an additional 400 hectares in FY20 and 100 hectares in FY21, after which the planted area is held constant at 3,567 hectares. The first major replanting is assumed around FY35, when the currently most mature trees will reach the end of their expected natural life (i.e. 29 years from the first leaf, reflecting a total lifecycle of 29 years)

- **yield per hectare:** the average mature yield for walnut trees is 4.85 tonnes per hectare, which aligns broadly with the historic average yield of Webster's orchards over the period FY17 to FY19 of 4.8 tonnes per hectare. The historical yield in FY17 was higher than the average yield due to favourable weather conditions, whereas the yields in FY18 and FY19 were lower than the average yield due to non-pollination events
- **walnut prices:** these are usually set externally on a US dollar basis and are dependent on global supply and demand. The Walnut Model assumes an exchange rate of 0.70 US\$/A\$ to 0.72 US\$/A\$ over the next five years and long-term assumption of 0.71 US\$/A\$ based on broker forecasts (see Appendix 5) In determining the farm gate price, we have had regard to the pricing history provided by Webster as well as current pricing information (refer to Appendix 5 of this report). We have assumed a farm gate price of A\$3,500 per tonne for Grade 1 and A\$1,600 for Cracking Grade nuts, as well as a processing margin for Grade 1 and Cracking Grade nuts of A\$1,460 per tonne and A\$1,540 per tonne for In-shell nuts and kernels respectively based on observed processing, marketing and freight cost of Webster
- **water cost:** We have considered the cost of water within our DCF analysis as we have valued Webster's water entitlements separately. As such we have reflected the cost of water that would have to be incurred by a buyer without the ownership of permanent water entitlements. Our approach assumes however that they would be able to buy such water, which we consider appropriate, given that Webster actually has such entitlements. The cost for water has been determined based on historical observations. We have assumed a 14-year cycle of water prices with a minimum price of \$22.50 per ML and a maximum price of \$784.80 per ML. This 14-year cycle has been observable historically and has been crossed checked with the implied average water price per ML over the Forecast Period of \$192.85, which is consistent with our expectations. We have escalated the cyclical water cost assuming a 2.0% annual escalation rate, reflecting the increasing scarcity of water in irrigated areas.

Refer Appendix 5 for further detail on the assumptions underlying Scenario A.

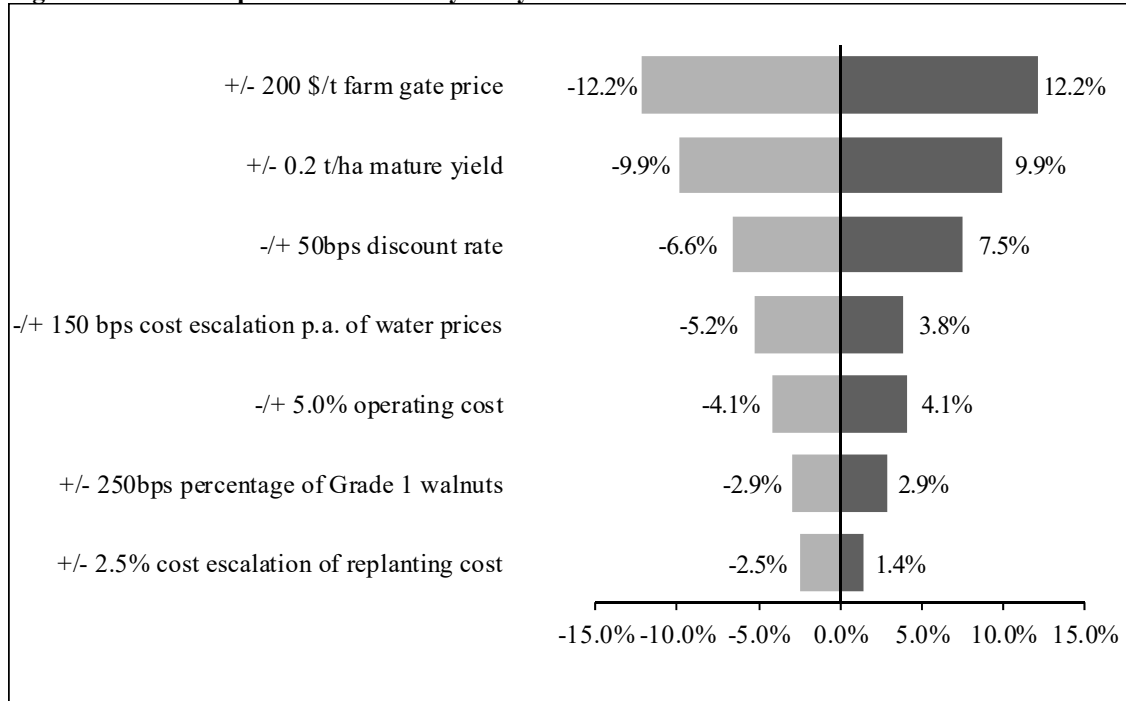
Sensitivity analysis

Scenario A produces a mid-point net present value (NPV) of \$197 million. KPMG Corporate Finance has analysed Scenario A to assess the sensitivity of the NPV outcomes to changes in the following key variables:

- farm gate price: +/- \$200 per tonne
- mature yield: +/- 0.2 tonnes per hectare per annum
- discount rate: +/- 50bps
- operating cost: +/- 5.0% (using a base assumption of \$ 6,248 per hectare for mature trees)
- annual escalation of water prices: +/- 150bps
- percentage of Grade 1 walnuts: +/- 250bps (using a base assumption of 75% Grade 1, 20% Cracking Grade and 5% waste)
- replanting cost escalation: +/- 2.5% (using a base assumption of \$15,000 per hectare)

The output of this sensitivity analysis is summarised below:

Figure 25: Walnut operations sensitivity analysis



Source: KPMG Corporate Finance analysis.

The chart highlights the sensitivity of NPV outcomes to selected movements in a range of key variables. The analysis indicates that:

- the NPV outcomes are highly sensitive to changes in walnut prices and yield. This is to be expected since the walnut operations have high operating leverage (i.e. a high proportion of fixed costs) and capital expenditure is largely independent from revenue. Therefore changes in revenue impact more or less directly on earnings and cash flows. NPV is more sensitive to price than yield since variable costs (e.g. hulling and drying costs) are impacted by volumes but not price (they are calculated on a per tonne basis)
- the NPV outcomes are reasonably sensitive to changes in the discount rate, operating cost and water prices. Changes in operating cost impact directly on earnings and cash flows, however operating cost are on average only about 56% of the total cost over the Forecast Period, which limits the impact of such changes. Although water prices are volatile and can have a major impact on the profitability in a specific year, the average percentage of water cost over the Forecast Period is only c. 19% of the total cost (as forecast) and as such, the NPV impact is moderate
- the NPV outcomes are not particularly sensitive to changes in the percentage of Grade 1 walnuts. This reflects the circumstance that a lower percentage of Grade 1 nuts leads to a higher percentage of Cracking Grade nuts, which can still be sold at a higher margin (on an in-shell equivalent basis), and
- the NPV outcomes are not particularly sensitive to changes in the replanting assumptions, due to these being incurred in FY35 and later. Therefore a change in the \$ per hectare assumption has only a limited effect on the NPV.

As illustrated above, small changes in certain assumptions can have a disproportionate impact on value. In addition, there are inherent uncertainties about future events and a range of potential outcomes for key assumptions, including:

- price per tonne impacted by:**

- price increases or decreases due to global supply and demand for walnuts, however, the impact of global prices on Webster may be limited due to the harvesting season in Australia being counter seasonal to the harvest in the northern hemisphere
- A\$/US\$ exchange rate. As walnut prices are usually set externally on a US dollar basis, any changes in the exchange rate will have an impact on the revenues earned by Webster
- ***higher or lower yield impacted by:***
 - climatic conditions, such as too much rainfall during pollination season or extreme heat during the ripening of the walnuts, can lead to lower yields of the impacted trees but also to higher yields due to favourable climatic conditions
 - non-pollination events such as flower abortion can have a major impact on the yields of the affected trees
 - diseases, such as crown gall, can have a major impact on the yield of impacted trees and may spread across orchards if not efficiently treated
- ***quality of harvest (share of Class 1 versus cracking grade) impacted by:***
 - climatic conditions, such as too much rainfall or heat waves during the ripening of the walnuts can lead to lower quality nuts but favourable conditions can also lead to higher quality nuts
 - diseases, which may lead to lower quality of the harvested walnuts
- ***higher or lower water costs impacted by:***
 - in the short term, prolonged drought conditions or significant rain events
 - in the long term, impacts from changes in climatic patterns and change in agricultural crops planted in surrounding areas increasing the demand for water (e.g. for permanent crops like nuts)
- ***operating cost per hectare impacted by:***
 - the application of fertilisers and chemicals to the orchards, as these are one of the main cost categories
 - inflation rates, impacting on labour cost as well as the cost for power, fuel and chemicals applied to the orchards.
- ***higher or lower replanting costs impacted by:***
 - inflation rates, impacting on the cost of equipment required for the replanting (e.g. irrigation tubes).

It should be noted that the Walnut Model (upon which KPMG Corporate Finance's DCF analysis is based) is not fully integrated and as such, it does not take into consideration interrelationships between the segments of Webster or the operations within Horticulture (i.e. synergies between the walnut and the almond operations or limitations to capital expenditure and working capital requirements on a consolidated business level) nor does it take into account management's ability to mitigate adverse outcomes. However, we consider that the Walnut Model is useful in illustrating the potential impacts on NPV of various outcomes for Horticulture. In any event, Webster management has limited flexibility to reduce operating costs or water requirements within Horticulture in the event of a downturn, due to the permanent nature of the crops.

Scenario analysis

KPMG Corporate Finance has developed a range of scenarios for the walnut operations in order to illustrate the impact on value of potential changes in key variables. It should also be noted that there is a

wide range of other potential outcomes for each variable and even more combinations of those outcomes. KPMG Corporate Finance has developed the following scenarios.

Table 30: Walnut operations scenario analysis

Scenario	Description
Scenario A	Base Case assumptions as set out in Appendix 5.
Scenario B	Scenario A, except a higher mature annual yield of 5.5 tonnes per hectare. To achieve this higher yield it is expected that higher operating cost of \$2,000 per hectare per annum for treatment ¹³² of the orchards will have to be incurred.
Scenario C	Scenario A, except the assumption of a prolonged drought, which leads to 100.0% higher water prices over FY20 to FY25 and a 10.0% lower mature annual yield over the same period.
Scenario D	Scenario A, except a more permanent shift in climate to higher average temperatures, which leads to an annual escalation of water prices by 6.0% per annum over the Forecast Period and results in lower mature annual yields of 4.5 tonnes per hectare.
Scenario E	Scenario A except a reduction in walnut prices by A\$500 per tonne for Grade 1 and A\$250 for Cracking Grade in all years.
Scenario F	Scenario A except an increase in walnut prices by A\$500 per tonne for Grade 1 and A\$250 for Cracking Grade in all years.
Scenario G	Scenario A, except no replanting after the currently planted trees reach the end of their natural life implying a shorter forecast period of 28 years, reflecting a run-off scenario and a sale of the improved land already in FY47.

Source: KPMG Corporate Finance analysis.

We have not developed scenarios which incorporate higher yields in the absence of higher operating costs since we consider this scenario unlikely, nor have we developed a scenario based on higher or lower replanting costs, since as indicated in the sensitivity analysis, NPV is not particularly sensitive to changes in replanting costs.

The output of the DCF analysis for a range of discount rates is summarised below.

Table 31: NPV outcomes

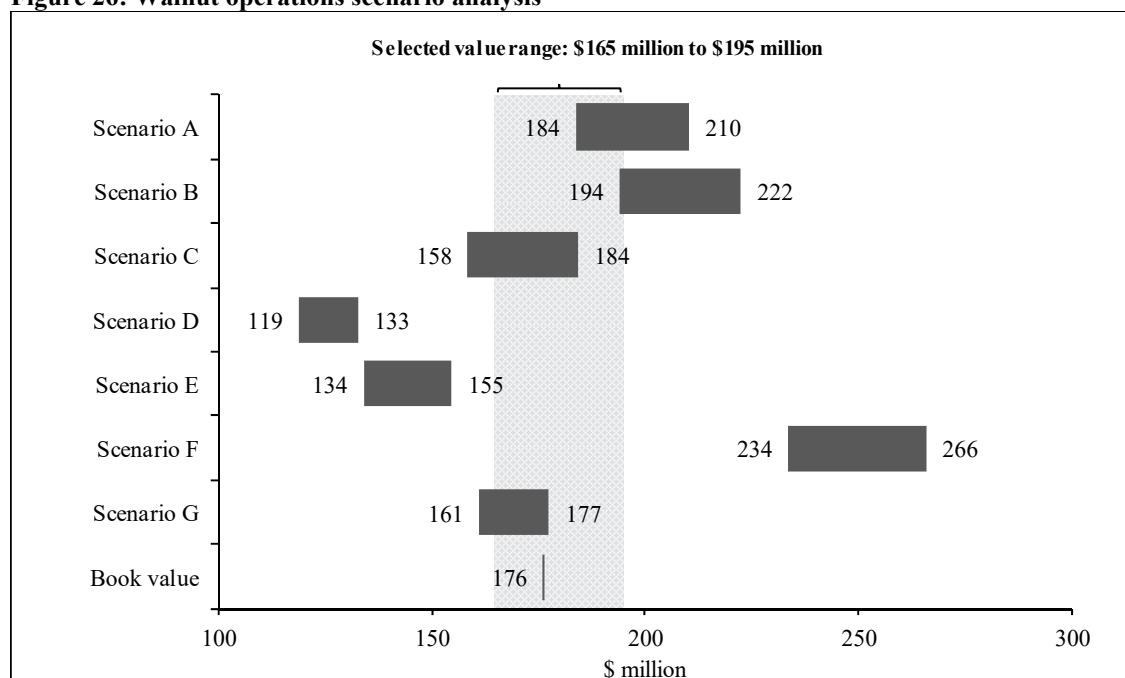
Scenario	NPV Outcomes (\$ million) - WACC Sensitivity					
	13.00%	12.00%	11.00%	10.00%	9.00%	8.00%
Scenario A	145.20	162.52	183.75	210.18	243.71	287.06
Scenario B	152.78	171.33	194.05	222.35	258.24	304.63
Scenario C	121.38	137.99	158.46	184.11	216.82	259.32
Scenario D	97.33	107.24	118.85	132.58	149.00	168.86
Scenario E	104.01	117.44	133.96	154.64	181.00	215.27
Scenario F	186.39	207.61	233.53	265.72	306.41	358.85
Scenario G	140.58	146.99	161.18	177.48	196.32	218.23

Source: KPMG Corporate Finance analysis.

The range of values for each scenario is illustrated in the following chart.

¹³² Treatment includes fertiliser and trimming of trees to facilitate more light and denser nuts per branch.

Figure 26: Walnut operations scenario analysis



Source: KPMG Corporate Finance analysis.

Scenario A is based on the business plan of Webster, it assumes business as usual and is based on current price and cost structures. Except for the addition of 400 hectares in FY20 and 100 hectares in FY21 no further expansion of the walnut operations is planned. As prices escalate by 2.5% per annum and most costs increase at 1.0% per annum for the first 20 years, due to productivity and efficiency gains, gross profit margin and earnings margins increase and then remain constant for the rest of the Forecast Period. A replanting of the orchards is assumed once the currently planted walnut trees reach the end of their natural life, to capitalise on the improved properties.

Scenario B assumes that Webster is able to harvest a higher mature annual yield of 5.5 tonnes per hectare. This higher yield is achieved via the application of conventional methods (e.g. pruning) as well as additional chemical and fertiliser treatment, which requires more maintenance and leads to incremental operating costs of \$2,000 per hectare over the Forecast Period. The NPV is slightly higher than under Scenario A, however, the actual trade-off between yield and operating costs is unknown and will be influenced by a number of other factors, namely climate. Consequently, limited reliance should be placed on this scenario.

Scenario C assumes a prolonged drought impacting the orchards over the next five years, i.e. FY20 to FY25. The financial impact of the drought is reflected via 100.0% higher water costs for temporary water allocations over this period. Compared to the assumptions in Scenario A the average water cost over the next five years has been increased from \$331 per ML to \$663 per ML. The scenario further assumes that the drought impacts average yield such that only 90% of the yield assumed in Scenario A is achieved over the five year period. This scenario results in substantially lower values, however, based on historical experience, a drought for such an extended period is unlikely.

Scenario D can be seen as a more permanent shift in climatic patterns and has a similar setup as the previous scenario although over a longer term. The scenario assumes a shift to higher average temperatures, which results in annual escalations of water prices of 6.0% (compared with annual increases of 2.0% in Scenario A). Unlike Scenario C, the shift to higher temperatures causes a permanent reduction in average mature yields (to 4.5 tonnes per hectare). This scenario results in a substantially lower NPV as a permanent climatic shift will have major impacts on the profitability of the walnut operations in all periods.

Lower Australian dollar prices for walnuts which could occur as a result of a number of factors (e.g. lower global demand, an increase in global supply or an appreciation in the A\$ against the US\$) are reflected in Scenario E, which assumes that farm gate prices for Grade 1 walnuts decrease by A\$500 per tonne (c. 14%) and for Cracking Grade walnuts by A\$250 per tonne (c. 16%) in all years. Conversely, Scenario F assumes that farm gate prices for Grade 1 walnuts are higher by A\$500 per tonne and for Cracking Grade walnuts by A\$250 per tonne in all years.

Webster is a price taker in regard to its walnut operations as prices are determined by global demand and supply. There are a range of factors that could result in an increase or decrease in prices. However, we consider an increase in production volumes specifically from overseas producers (e.g. Chile), which could result in pressure on walnut prices (Scenario E), to be reasonably probable.

Scenario G shows the NPV impact of a run-off scenario without a replanting of trees that have reached the end of their assumed natural life after 29 years. As the oldest trees in Webster's orchards were planted in 1998, this planted area is expected to show a decline in yield from FY27. Operational cost and water requirements will also decline in line with the reduction in planted area. It is assumed that in FY47, orchards are sold at a value that reflects their improvements (\$20,000 per hectare in current dollars, based on a value per hectare for unimproved land of \$5,000 and cost of improvement of \$15,000 per hectare) and then escalated at 2.0% per annum (the expected average inflation rate over the Forecast Period). The resulting NPV is lower than under Scenario A and represents a minimum value for the orchards (assuming no changes in weather patterns relative to those assumed in Scenario A). It also demonstrates the efficiency and productivity gains achieved by a replanting of the orchards in Scenario A.

Analysis of the scenarios above indicates that there is limited upside and greater downside risk. This is because Scenario A assumes that Webster already operates efficiently and there is no substantial decrease in yields or increase in water costs as a result of climate change or continued drought conditions. No substantial increase in yield (relative to that assumed) is expected in the absence of an increase in operating costs (e.g. fertiliser) and consequently, we have not included a scenario that reflects this outcome. However, the trade-off between yield and operating costs is unknown and will be influenced by a number of other factors, namely climate. Consequently, limited reliance should be placed on Scenario B. Recent climatic observations suggest there is a reasonable probability of further downside (Scenario C and D) caused by short or long term changes in climatic patterns. Although we consider Scenario C (an additional five years of drought) to be unlikely based on historical experience, there is mounting evidence as to climate change (Scenario D). Furthermore, as a result of anticipated competition from growers in countries such as Chile, we consider a decrease in walnut prices (Scenario E) to be more likely than an increase in prices (Scenario F).

Lastly, it should also be noted that the walnut operations have substantial operating leverage (a large share of fixed or largely fixed costs). At the same time, revenue is highly variable, with yields subject to climatic conditions and prices influenced by global demand and supply (a 'price taker'). As such, it is possible that Webster could experience a combination of the above scenarios (higher water costs, lower prices and lower yields).

As such, in determining a value range, KPMG Corporate Finance has selected a value for the walnut operations (after consideration of the various Scenarios and the various factors impacting each of them) to be in the range of \$165.0 million and \$195.0 million. The selected value range is below the range of NPVs under Scenario A. On this basis, we consider the selected value range appropriately takes into consideration the risks inherent in the cash flows.

Cross check

With respect to the walnut operations, we have undertaken a cross check of our DCF valuation through a Direct Comparison methodology.

In cross checking our valuation we:

- undertook inspections of the respective walnut orchards and processing facility
- reviewed previous valuation reports prepared in 2018
- made enquiries of Webster management
- obtained details of new acquisitions by Webster
- identified areas of new plantings
- considered crop yields
- investigated the market for transactions to derive analysed rates per hectare, noting a lack of recent transactions involving established walnut orchards
- considered the purchase prices paid by Webster
- considered the costs of improving the properties and planting
- applied analysed rates per hectare to respective areas improved with mature orchards, immature orchards, orchard support areas, future orchard lands, grazing, vegetation and other associated uses
- adopted added value for the existing improvements including the processing facility, administration areas, residences, workshops, sheds and ancillary improvements.

Our independent cross check of values derived from market evidence supports the value range derived through our DCF methodology.

We therefore consider the results of our DCF calculations to be reasonable.

10.3.3 Almond operations

In FY18 Webster acquired the Sandy Valley almond property in NSW for \$16.8 million. Since then Webster has further invested in the property and new almond orchards. The current book value of the almond operations at 30 September 2019 is \$23.7 million.

We have cross-checked the value of the almond operations using a Direct Comparison approach, following the same process as described for the walnut operations (see above). Our cross-check indicates a value for the almond operations of \$29.8 million based on transactions of comparable assets.

10.4 Valuation of Agriculture

10.4.1 Overview

KPMG Corporate Finance has assessed the value of Agriculture (excluding water rights) on a control basis to be \$208.4 million. The valuation represents the sum of the following:

- land, structures and water storage assets (excluding water rights) within Webster's Agriculture portfolio as assessed by CBRE (**CBRE Assets**)
- the book value of working capital as at 30 September 2019
- the book value of plant and equipment as at 30 September 2019, and
- the consideration paid by Webster for Australian Rainforest Honey in May 2019.

The assessed value of these assets is set out in the following table.

Table 32: Valuation summary of Agriculture (excluding water rights)

\$ million unless otherwise stated	Value range	
	Low	High
CBRE valuation		
- land and land improvements	139.7	139.7
- water storage	8.3	8.3
- buildings	8.5	8.5
Total CBRE valuation	156.4	156.4
Net working capital ¹	17.5	17.5
Plant and equipment ¹	29.3	29.3
Australian Rainforest Honey ²	5.2	5.2
Net value of Agriculture operating business (excluding water rights)	208.4	208.4

Source: Webster Preliminary Final Report for FY19, CBRE Report and KPMG Corporate Finance analysis

Notes:

1. Book value as at 30 September 2019.
2. Represents purchase consideration as at 15 May 2019.

The assessed value of Agriculture (excluding water rights) slightly exceeds the book value of Agriculture (excluding water rights) of \$203.0 million as at 30 September 2019.

10.4.2 The CBRE Report

Each of RG 111 and RG 112 contemplates the appointment of an appropriate specialist to assist the independent expert in the valuation of any assets where the independent expert does not have sufficient expertise.

Due to the nature of Webster's agricultural property assets, KPMG Corporate Finance has requested CBRE to assist in the valuation of Webster's agricultural property assets. In their valuation report dated 28 October 2019 to 29 October 2019 (**CBRE Report**) CBRE notes that:

- the report was prepared in accordance with ASIC RG 111 and 112
- in accordance with the International Valuation Standards, the values reported represent market value which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion"
- CBRE had regard to AASB13 Fair Value Measurement and AASB116 Property, Plant and Equipment, which define fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date"
- the fair value of a non-financial asset is based on its highest and best use to market participants
- in accordance with the Australian Property Institute Valuation and Property Standards, the highest and best use is defined as "the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued", and
- CBRE did not assess the value of any related water entitlements, however, the assessed land value inherently assumes it would be sold in conjunction with the water entitlement.

CBRE's adopted definition of market value is consistent with the basis of which fair value is determined by KPMG Corporate Finance.

CBRE notes that their report is based on data, reports and all other relevant information provided by Webster and Local Governments, supplemented by data obtained through publicly available sources and that CBRE have conducted property inspections.

The assessed values of the CBRE Assets are set out in the following table.

Table 33: Valuation summary of CBRE assets

As at 29 October 2019				
\$ unless otherwise stated	Land	Water storage	Structures	Asset value
Southern Cotton:				
Kooba aggregation (Kooba)	76,965,970	4,312,350	5,291,750	86,500,000
South Farm (Southern Grazing)	10,550,678	1,425,000	30,000	12,000,000
Glenmea (Hay)	7,670,540	1,349,775	237,500	9,250,000
Pevensey (Hay)	7,315,900	1,200,000	479,500	9,000,000
Yang Yang (Hay)	125,000	-	211,600	340,000
Subtotal	102,628,088	8,287,125	6,250,350	117,090,000
Western Grazing:				
Tandou Station	18,302,285	-	1,200,000	19,500,000
Kalabity Station	12,999,000	-	754,240	13,750,000
Packsaddle property	5,723,200	-	375,000	6,100,000
Subtotal	37,024,485	-	2,329,240	39,350,000
Griffith Commercial Property				
Land and office building	698,117	-	4,669,257	5,370,000
Subtotal	698,117	-	4,669,257	5,370,000
Total	140,350,690	8,287,125	13,248,847	161,810,000

Source: CBRE Report and KPMG Corporate Finance analysis

Notes:

1. The assessed asset values are rounded.
2. The assessed valuation excludes values of water entitlements.

The assessed value of each CBRE Asset includes the value of water storage assets at each property, which are separate from water entitlements owned by Webster, and are calculated on a rate per megalitre of water stored.

In assessing the values of the CBRE Assets, CBRE primarily adopted a Direct Comparison – Summation approach with reference to market sales activity, cross-checked using a Direct Comparison – overall rate per hectare (\$/Ha) and rate per megalitre (\$/ML) methodology. Direct Comparison methods involve the identification and analysis of comparable sales and the application of rates from those sales to Webster's assets. The relative characteristics of each subject property and each of the sales are analysed and compared having regard to matters such as location, aspect, topography, the size of the land and the scale of development. The sale price is apportioned between the component parts such as land (which has been analysed into different types) and improvements (different buildings on a depreciated basis and ancillary improvements including water infrastructure). These approaches contain a high degree of value judgement when sites are not directly comparable in one or a number of aspects.

In analysing the comparable sales and applying appropriate rates (\$/ha or \$/ML) to the CBRE Assets, CBRE has apportioned each sale into various land categories, being:

- **Land (including structures):** used for large scale grazing properties and reflects a land rate inclusive of structures
- **Irrigation land:** developed for cropping and benefited by additional water infrastructure and entitlement
- **Dryland cropping land:** used for cultivation and growing of annual crops. CBRE's analysis recognises that while arable land can be used for both cropping and grazing, often "in use" cropping land achieves a higher price

- **Grazing land:** considered suitable of the grazing of livestock
- **Timbered grazing land:** land suitable for the grazing of livestock, containing standing timber however still providing ground pasture growth
- **Remnant vegetation:** deemed to have little productive value due to physical factors such as topography or the high density of trees, and
- **Support land:** deemed to have little productive value and usually comprises area under infrastructure and roads.

CBRE's full report (**CBRE Report**) is included in Appendix 7 of this report.

10.4.3 KPMG Corporate Finance valuation analysis

KPMG Corporate Finance has relied on the independent valuations prepared by CBRE for the purposes of its report and did not undertake its own valuations of the Agriculture properties. KPMG Corporate Finance does not have any reason to believe that it is not reasonable to rely on these valuations for this purpose. KPMG Corporate Finance has undertaken a review of the independent valuations. In particular, we have analysed in detail a selection of the valuations, reviewed them for outliers and identified the reasons for substantial changes in values over time.

We have concluded that:

- the agricultural property valuers, CBRE, were independent of Webster
- CBRE took instructions from KPMG Corporate Finance in the valuation of the CBRE Assets
- the valuation of the CBRE Assets was completed by a reputable valuation company and by valuers who have the appropriate qualifications in accordance with the standards of the Australian Property Institute Valuation and Property Standards
- the market has peaked with record prices being achieved over the past 18 months. The continued drought conditions have impacted investment decisions such that market participants are now acting more prudently with respect to price, carrying capacity and the need and cost to restock
- the valuation methods appear to be consistent with those generally applied in the industry (i.e. Direct Comparison – summation and Direct Comparison – overall rate per hectare), with valuation conclusions selected having regard primarily to the Direct Comparison – summation methodology, and
- the adopted values are supported by sales evidence.

This review does not, however, imply that the valuations have been subject to any form of audit or due diligence.

In addition, we note that the valuation of the CBRE Assets:

- only provide a point estimate of values for the properties
- assumes that the properties are sold on an individual basis (and not sold as a portfolio)
- assumes no impact on productivity, marketability, or value would be resulted as a result of fencing to encroach either way between boundaries of rural properties given it is not practical to verify the status of boundaries due to the sheer size and scale of rural properties
- assumes each property is free of elevated levels of contaminants
- assumes no detrimental effect from notifiable or otherwise harmful diseases associated with the portfolio of CBRE Assets or the livestock

- excludes the values of water entitlements held by Webster and the assessed land value inherently assumes it would be sold in conjunction with the water entitlement
- assumes the irrigation infrastructure to be in adequate working order and that the irrigation equipment is included in the associated land value, and
- assumes that the Water Supply Works and Water Use Approvals are current for all of the associated irrigation properties.

On this basis, KPMG Corporate Finance considers that the valuation of the CBRE Assets is reasonable and is therefore appropriate for use in a market value based valuation approach.

We note that significant capital expenditure has been incurred in relation to the properties in recent years primarily around laser levelling and water infrastructure. The full benefits of this capital expenditure has not yet been realised given the on-going drought conditions. Further we would expect that such investment as a minimum supports the values adopted.

10.5 Valuation of Water Entitlement

10.5.1 Overview

KPMG Corporate Finance has assessed the fair value of the water entitlements held by Webster on a control basis to be in the range of \$353.1 million to \$430.3 million. In assessing the fair value of the water entitlements, KPMG Corporate Finance has adopted a Direct Comparison approach as the primary methodology. This approach has been adopted as there is a liquid and active market for a majority of Webster's water entitlements and information is generally readily available in relation to the price at which such entitlements are exchanged.

The following table summarises the fair value of Webster's water entitlements.

Table 34: Fair value of Webster's water entitlements (\$ 000)

Entitlement type	Low	High
High Security	112,886	135,075
Vic Murray (below Barmah choke) - Zone 7	4,612	5,487
Goulburn	17,409	18,923
NSW Murray (above Barmah Choke)	50	60
NSW Murray (below Barmah Choke)	26,631	32,667
Murrumbidgee	64,185	77,939
General Security	172,601	190,228
Vic Murray	39	47
Goulburn	51	63
NSW Murray (above Barmah Choke)	3,970	4,254
NSW Murray (below Barmah Choke)	1,594	1,793
Murrumbidgee	166,947	184,070
Supplementary	19,844	23,152
NSW Murray	3	4
Murrumbidgee	19,841	23,148
Murrumbidgee (non-transferrable)	-	-
Ground Water	47,351	81,422
Zone 1	14,418	23,790
Zone 3	32,933	57,632
Other	465	465
Swan River	465	465
Total	353,148	430,341

Source: KPMG Corporate Finance Analysis

The fair value determined by KPMG Corporate represents a premium in the range of 90% to 131% to the book value as at 30 September 2019 of \$186.0 million. The substantial premium reflects that the water

rights are recognised in the balance sheet at the historical cost, whereas the market value is a current value based on recent trading prices for water entitlements, which have increased substantially in recent years as discussed in Section 9.6.1 of this report.

10.5.2 Valuation analysis

In forming our view as to the fair value of Webster's water entitlements we have considered the following information:

- recent transaction data from the NSW water register (for Murrumbidgee High Security, Murrumbidgee General Security, Murrumbidgee Supplementary, Murrumbidgee ground water, NSW Murray High Security, NSW Murray General Security (below Barmah Choke) and NSW Murray Supplementary)
- recent transaction data from the VIC water register (for Vic Murray High Security (below Barmah Choke), Vic Murray General Security, Goulbourn High Security and Goulbourn General Security water entitlements), and
- recent transaction data and future market outlook provided by various water brokers.

In considering this information, we have had regard to the following:

- key trends pertaining to the overall water entitlement trading market
- the category of the water entitlement (e.g. high security, general security, supplementary, etc.) being valued and associated rights
- the liquidity and transaction size in the observed trading data
- the geographic location (i.e. trading zone) of the water entitlement being valued, and
- whether a premium is appropriate to reflect the strategic or scarcity value of acquiring Webster's substantial portfolio of water entitlements.

In relation to the above, we note that:

- the market prices for most categories of water entitlements in most geographical regions are demonstrating an upward trend. The market prices have significantly increased since the beginning of the current drought in Australia, driven by both demand and supply issues in the water entitlement trading market as detailed in our water industry section (refer section 9.6.1). In summary:
 - the demand for water entitlements from agribusinesses has increased in recent years as a result of the current drought conditions with record low rainfall and high temperatures. Investment into permanent horticulture crops has also increased as the higher market prices for these crops provide an opportunity to generate higher margins. The shift towards permanent horticulture crops has increased demand for high security water entitlements in particular, as these crops are more water intensive than the traditional crops planted in the area and require more upfront investment and thus expose producers to higher risk of crop failure if they are unable to secure sufficient water supply. Permanent horticulture growers are also more willing to purchase the water entitlements at higher prices given the higher margins offered by these crops
 - further, the current drought has resulted in there being few sellers of water entitlements. Water users are holding on to their entitlements due to the security of water supply they provide. Non-water users such as superannuation funds and other institutional investors are also reluctant to sell their water entitlements as they provide the opportunity to generate income from the temporary sale of water allocations as well as the potential for capital gain if prices continue to rise. This, along with the government buybacks has resulted in a supply shortage in the market which is further exacerbating the pressure on water entitlement prices created by the high demand

- as a result, the outlook for water entitlements over the next twelve months is strong. The combination of continued dry conditions, solid commodity prices, a depreciating Australian dollar and water buyback schemes is expected to result in continued high water prices.
- there are significant differences in the market prices for each category of water entitlements due to the different levels of water security they offer
- although prices in most trading zones follow similar trends to the broader water entitlements trading market, the prices can vary significantly based on the geographical location of the particular water entitlement as a result of the local demand and supply factors. For example, water entitlement prices are typically lower in VIC compared to NSW as a greater number of water entitlements are on issue in VIC and the water entitlements in VIC have historically received higher allocations. Physical and regulatory trade barriers such as the Barmah choke trading restriction and inter-valley trading limits further exacerbate the price differences between the different trading zones by restricting trade between zones
- there is limited trading in some of the categories. In these categories use of the most recent transactions may not reflect fair value due to the scarcity of supply particularly where there are limited buyers such as with ground water
- given the size of Webster's water entitlement portfolio, we have considered whether a premium should be applied:
 - in this respect we undertook an analysis of the NSW and VIC water registers. Our analysis did not identify any evidence of a premium being paid for larger transactions (although the sales identified were not of an equivalent size to Webster's portfolio of water entitlements), nor were we able to identify any sales evidence of large water portfolios 'in one line'. In this respect, the Webster portfolio is significant and is likely to have a scarcity value in such circumstances
 - although there is no clear evidence of a premium being paid for a water entitlement portfolio of the scale of Webster's portfolio (relative to the sum of the individual values), we expect that it is likely to attract a number of interested parties, particularly given the current drought conditions which have led to an increased demand and supply shortage
 - it is likely that any sale of the water entitlements either in part or 'in one line' would be undertaken by way of a tender process. Likely buyers in such circumstances could include a variety of participants including corporate investors, other irrigators and the Federal Government. A corporate water investment fund, superannuation fund or sovereign investment fund is the most likely buyers on an 'in one line' scenario given the values involved, and
 - however, we consider that the likelihood of the sale of the water entitlements in one line is remote. The water entitlements are integral to the security of Webster's Horticulture operations. In addition, the values determined by CBRE in relation to the Agriculture assets assume the entitlements would be sold in conjunction with the associated landholdings, rather than on a standalone basis. Further, whilst it is possible to sell them in one line there would be a converse detrimental impact for both the Horticulture and Agricultural valuations unless a buyer had relevant and sufficient unused water entitlements. As such we consider the scarcity/strategic value is sufficiently reflected in the Horticulture and Agriculture businesses.

Based on the above considerations, we have formed an estimate of the range of market values for each category of water entitlements in each trading zone. Given the recent increases in water prices, we consider the most recent trading data to be the most relevant for the majority of the water entitlements and have thus placed particular emphasis on the transactions over the period from 1 October 2019 to 9 December 2019. However, we have extended our analysis to a wider sample of transactions for the less frequently traded water entitlement categories (e.g. ground water and supplementary water

entitlements)¹³³ and applied our judgment to ensure that the range of market values adopted is in line with the current market trends having regard to other factors which will potentially impact future pricing. We have also excluded any outliers and any transactions that do not appear to be at arm's length.

A summary of the key data points considered in our analysis is presented in the following table.

Table 35: Latest broker evidence (\$/ML)

Entitlement type	Broker 1	Broker 2 (Low)	Broker 2 (High)
High Security			
Vic Murray (below Barmah choke)	6,800	6,500	6,900
Goulburn	4,900	5,000	5,000
NSW Murray (above Barmah Choke)	6,500		
NSW Murray (below Barmah Choke)	8,700	9,210	9,930
Murrumbidgee	8,500	8,200	8,200
General Security			
Vic Murray	550		
Goulburn	375		
NSW Murray (above Barmah Choke)	1,550	1,500	1,600
NSW Murray (below Barmah Choke)	1,880	1,845	1,845
Murrumbidgee	2,150	1,950	2,150
Supplementary			
NSW Murray			
Murrumbidgee	875	760	760
Ground Water			
Zone 1	4,950	4,950	4,950
Zone 3	4,350	4,350	4,350

Source: Water brokers and KPMG Corporate Finance Analysis

Note: Very limited broker evidence is publically available for most water entitlement categories

¹³³ Only one transaction was available from NSW register for NSW Murray Supplementary water entitlements from 2019. Other transactions date back to the year ending 30 June 2017

Table 36: Water register evidence (Median \$/ML)

Entitlement type	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
High Security						
Vic Murray (below Barmah choke)	4,825	4,850	5,000	5,050	5,023	5,400
Goulburn	3,500	3,200	3,875	3,900	4,000	3,975
NSW Murray (above Barmah Choke)						
NSW Murray (below Barmah Choke)	5,525	5,660	6,033	6,250	6,825	6,555
Murrumbidgee	5,150	5,640	6,013	6,200	6,200	7,000
General Security						
Vic Murray	600	595	650	650	600	615
Goulburn	540	475	550	485	450	403
NSW Murray (above Barmah Choke)						
NSW Murray (below Barmah Choke)	2,038	1,950	1,850	1,900	1,825	1,720
Murrumbidgee	2,200	2,150	n/a	2,170	2,200	1,950
Supplementary						
NSW Murray	n/a	n/a	450	n/a	n/a	n/a
Murrumbidgee	n/a	620	850	n/a	850	n/a
Ground Water						
Zone 1	n/a	n/a	n/a	n/a	3,500	n/a
Zone 3						
Entitlement type	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
High Security						
Vic Murray (below Barmah choke)	5,000	5,200	5,850	6,000	6,000	6,000
Goulburn	4,000	4,025	4,150	4,500	4,500	4,000
NSW Murray (above Barmah Choke)						
NSW Murray (below Barmah Choke)	6,750	7,000	6,600	7,403	7,450	n/a
Murrumbidgee	1,950	4,575	4,300	4,400	8,000	7,400
General Security						
Vic Murray	630	400	600	600	620	640
Goulburn	400	415	300	400	400	390
NSW Murray (above Barmah Choke)						
NSW Murray (below Barmah Choke)	1,750	1,865	1,850	1,750	1,675	n/a
Murrumbidgee	1,950	2,000	1,875	2,000	1,925	1,900
Supplementary						
NSW Murray	n/a	n/a	n/a	n/a	n/a	n/a
Murrumbidgee	875	n/a	n/a	850	n/a	n/a
Ground Water						
Zone 1	4,950	4,275	n/a	n/a	n/a	n/a
Zone 3						

Source: NSW and VIC water registers and KPMG Corporate Finance Analysis

Table 37: Additional water register evidence considered (Median\$/ML)

Ground Water	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
Zone 1	n/a	2,463	n/a	n/a	3,000	n/a

Source: NSW water register and KPMG Corporate Finance Analysis

In respect to the above we note that:

- for NSW Murray High Security and General Security water entitlements, the NSW register does not differentiate between above and below choke, however, based on our knowledge of the market and discussions with Webster management, we understand that most transactions are below choke, and
- similarly, for NSW Murrumbidgee Ground Water, the NSW register does not differentiate between the trading zones (e.g. zone 1 or zone 3), however, based on our knowledge of the market, we understand that most transactions are for zone 1.

10.5.3 Valuation conclusion

Based on the market data and the considerations outlined in Section 10.5.2 of this report, we have selected the following range of market values per ML of water for each water entitlement category within each trading zone.

Table 38: KPMG Corporate Finance fair value range (\$/ML)

Entitlement type	Low	High
High Security		
Vic Murray (below Barmah choke) - Zone 7	5,800	6,900
Goulburn	4,600	5,000
NSW Murray (above Barmah Choke)	5,000	6,000
NSW Murray (below Barmah Choke)	7,500	9,200
Murrumbidgee	7,000	8,500
General Security		
Vic Murray	500	600
Goulburn	400	500
NSW Murray (above Barmah Choke)	1,400	1,500
NSW Murray (below Barmah Choke)	1,600	1,800
Murrumbidgee	1,950	2,150
Supplementary		
NSW Murray	230	260
Murrumbidgee	750	875
Murrumbidgee (non-transferrable)	-	-
Ground Water		
Zone 1	3,000	4,950
Zone 3	2,400	4,200
Other		
Swan River	1,500	1,500

Source: KPMG Corporate Finance Analysis

In respect to the above, we note that the low and high ends of our valuation ranges are based on an analysis of the market data and key considerations outlined in the section above. In particular, we note that:

- based on our discussion with industry experts, we understand that Zone 3 water entitlements typically trade at a 10% to 15% discount to the market price for Zone 1 water entitlements. They have a lower value due to the inability to use Zone 3 water in either Zones 1 or 2, whereas Zone 1 and Zone 2 water entitlements can be used in Zone 3. We have thus formed a view of the market price for Zone 3 ground water licenses by applying a discount in this range to the observed trading prices for Zone 1.
- there are limited transactions in relation to the Ground Water which has contributed to the wider range of assessed values
- we have not assigned any value to the non-transferable Supplementary water rights in the Murrumbidgee as they are non-tradeable, and
- the value of \$1,500 per ML for the General Access rights to Swan River is based on the cost of commissioning the lake as these rights are non-tradeable.

In addition, we note that Webster also holds 10,668 ML of unregulated water rights,¹³⁴ 184 ML of stock and domestic water rights and 3,735 ML of other water rights.¹³⁵ We have not assigned a market value to these water entitlement categories as they are attached to land and do not have a liquid and traded market.

10.5.4 Market value of the water entitlements to be transferred in the Kooba Sale

Based on the Kooba Sale Agreement and discussions with Webster management, we understand that 110,668 ML of water entitlements which currently form part of Webster's water entitlement portfolio will be transferred to KoobaCo (**Kooba water entitlements**). Details of the Kooba water entitlements are summarised in the following table.

Table 39: Kooba water entitlements

Entitlement type	Volume (ML)
High Security	75
NSW Murray (above Barmah Choke)	10
General Security	54,554
NSW Murray (below Barmah Choke)	996
Murrumbidgee	53,558
Supplementary	26,659
Murrumbidgee	26,300
Murrumbidgee (non-transferrable)	359
Ground Water	18,528
Zone 1	4,806
Zone 3	13,722
Unregulated	10,668
Murrumbidgee (Gooragool Lagoon)	10,668
Stock and domestic	184
Lower Darling	8
Murrumbidgee	176
Total	110,668

Source: Kooba Sale Agreement and Webster Management

Based on the range of market values per ML concluded and the considerations outlined in Section 10.5.2, we have determined the market value of the Kooba water entitlements to be in the range of \$173.6 million to \$222.0 million as summarised in the following table.

¹³⁴ The unregulated water rights relate to the Murrumbidgee Unregulated (Gogelderie to Waldaira) Water Source and entitle Webster draws water subject to access conditions

¹³⁵ These are general access rights are in relation to the Wye Surety

Table 40: Market value of Kooba water entitlements (\$ 000)

Entitlement type	Low	High
High Security	505	613
Vic Murray (below Barmah choke) - Zone 7	-	-
Goulburn	-	-
NSW Murray (above Barmah Choke)	50	60
NSW Murray (below Barmah Choke)	-	-
Murrumbidgee	455	553
General Security	106,032	116,942
Vic Murray	-	-
Goulburn	-	-
NSW Murray (above Barmah Choke)	-	-
NSW Murray (below Barmah Choke)	1,594	1,793
Murrumbidgee	104,438	115,149
Supplementary	19,725	23,012
Murrumbidgee	19,725	23,012
Ground Water	47,351	81,422
Zone 1	14,418	23,790
Zone 3	32,933	57,632
Total	173,612	221,989

Source: KPMG Corporate Finance Analysis

Note: In Kooba Sale Agreement, the 10 ML High Security entitlements for NSW Murray (above Barmah Choke) are noted as General Security. However, based on discussions with Webster management we understand that these are High Security entitlements.

10.6 Unallocated corporate overheads

In valuing the individual business operations of Webster, no allowance was made for unallocated corporate costs. In FY19, unallocated group overheads were \$7.3 million. This amount includes public company costs (e.g. share registry, Directors' fees) of \$0.9 million as well as senior management and executives, employees engaged in asset management and occupancy expenses.

The most likely acquirer of Webster is a financial buyer. A financial buyer of 100% of Webster could likely save all of Webster's public company costs, and potentially some additional back office costs. An allowance of \$0.9 million to \$1.5 million has been made in determining our estimate of maintainable unallocated corporate overheads.

Our valuation of Webster includes the capitalised value of the remaining corporate head office costs. This amount has been calculated based on residual FY19 corporate overheads (net of synergies) and a capitalisation multiple in the range of 8 to 9 based on multiples at which listed agribusiness operators are trading and recent transactions in the industry.

10.7 Cross-check for valuation of operating business

KPMG Corporate Finance's selected value range for Webster has been cross-checked having regard to multiples for listed agricultural, horticultural and rural services companies, with a geographic focus in Australia, and multiples implied by recent transactions involving agriculture and horticulture businesses. These multiples are summarised below and set out in detail in Appendix 8.

10.7.1 Sharemarket evidence

Agriculture and Horticulture companies outside Australia and New Zealand have not been included in our analysis since they operate in markets which have different rates of economic growth, climate factors and agricultural markets which significantly impact their growth prospects and margins and, therefore, multiples. As a result, comparable companies for Webster are extremely limited and the selected companies are not directly comparable to Webster primarily due to differences in product offerings.

The following table sets out the implied EBITDA and EBIT multiples, and price to NTA multiples for the selected listed agricultural, horticultural and rural services companies.

Table 41: Sharemarket evidence

	Market Capitalisation (\$ million) ¹	EBITDA multiple ²			EBIT multiple ³			P/NTA ⁴
		Historical	FY+1	FY+2	Historical	FY+1	FY+2	
Webster⁵	460.1	33.1	40.6	11.6	174.1	nmf	16.8	1.0
Agricultural/horticultural								
Select Harvests Limited ⁶	794.6	108.0	9.0	10.1	nmf ⁷	11.2	12.9	2.3
Duxton Broadacre Farms Limited	49.8	nmf ⁷	n/a ⁸	n/a ⁸	nmf ⁷	n/a ⁸	n/a ⁸	0.8
Olam International Limited	6,036.3	12.3	n/a ⁸	n/a ⁸	18.5	n/a ⁸	n/a ⁸	1.1
Rural services and suppliers								
Elders Limited	895.2	12.6	9.0	7.4	13.5	9.6	7.9	2.9
PGG Wrightson Limited	127.1	nmf ⁷	nmf ⁷	nmf ⁷	nmf ⁷	nmf ⁷	nmf ⁷	0.4

Source: S&P Capital IQ, Mergermarket, company announcement, company financial statement, KPMG Corporate Finance analysis

Notes:

1. Market capitalisation calculated using the share price as at 9 December 2019 in A\$ for all companies except for Webster, which was calculated using the share price as at 2 October 2019
2. Represents the implied enterprise value divided by EBITDA, where EBITDA is earnings before net interest, tax, depreciation, amortisation, other income and significant and non-recurring items.
3. Represents the implied enterprise value divided by EBIT, where EBIT is EBITDA as discussed in note 2 less depreciation and amortisation.
4. NTA as at last reported date.
5. Webster's undisturbed share price of \$1.27 from 2 October 2019 has been used to calculate market capitalisation and enterprise value
6. Select Harvests Limited's historical multiples are based on FY18's financials, as last reported
7. nmf represents not meaningful
8. n/a represents not available.

In relation to the table above, the following is relevant:

- multiples are based on sharemarket prices and, therefore, do not typically include a control premium
- all comparable companies have a 30 June year end except for Select Harvests Limited (**Select Harvests**) and Elders Limited (**Elders**), which have 30 September year ends and Olam International Limited (**Olam**), which has a 31 December year end
- Select Harvests, Duxton Broadacre Farms Limited (**Duxton**) and Olam were identified as relatively more comparable to Webster as their product offerings are comparable to at least one of Webster's segment product offering. Of those:
 - Select Harvests is primarily involved in growing, processing and distributing almonds and other edible nuts and dried fruits. It is an export focused business, with Europe, Middle East and Asia being the key target markets. As at 31 October 2019, Select Harvests had 7,677 planted hectares of Australian almond orchards, including 3,522 hectares owned and 4,155 hectares leased, and 35% of which will reach maturity over the next eight years. Select Harvests has maintained growth through favourable yields and investment in risk mitigating initiatives in HY19, and is projecting underlying organic earnings growth. In FY18, Select Harvests' orchards were negatively impacted by frost and increased water pricing as dry conditions prevailed, which likely accounted for its relatively high trading multiple of 88.2 times historical EBITDA as earnings reduced by 73% from FY17. In addition, it was noted that Select Harvests changed their

year end from June to September in FY18, resulting in a 15-month financial period and reflecting a 3-month transition period adjustment which includes food segment contribution, non-2019 almond crop related contribution and corporate costs

- Duxton is principally engaged in sowing and harvesting of dryland and irrigated crops in Australia. The company grows cotton in summer and other mixed commodities such as wheat, barley, canola, chickpeas and broad beans in winter. The company also trades and breeds livestock and owns water entitlements. The 2019 winter crop was adversely impacted by the severe drought conditions resulting in below average production and yields, which were partially offset by strong 2019 summer crops with the largest ever cotton crop production and favourable cotton prices. The company achieved negative EBITDA in FY19 and therefore the historical EBITDA multiple that is not meaningful
- Olam is a global agri-business operating in over 65 countries worldwide and has a portfolio of agricultural commodities including edible nuts and spices, coffee, cocoa, dairy, grains, cotton and wool. Olam's assets are primarily based in Australia (VIC and QLD) and the US. In FY18, the company achieved revenue growth of 16.0% and volume growth of 45.9%, respectively, with c. 90% of the revenue contributed by sales in Asia, Middle East and Australia. However EBITDA was lower by 6.9% compared to FY17 as improved performance from cocoa, packaged foods and products was offset by lower contribution from the coffee, rice, dairy and peanut businesses
- Elders and PGG Wrightson Limited (**PGG**) are primarily involved in diversified rural services, including retail supply of farm inputs such as seeds, fertilisers and animal health products, agency services whereby the companies earn commission on trading livestock and brokering wool or other agricultural products, as well as providing real estate services. The business models and subsectors Elders and PGG operate in are not directly comparable to that of Webster. As a result, no reliance has been placed on these companies' historical EBITDA multiples.

10.7.2 Transaction evidence

Similar to sharemarket evidence, transactions involving Agriculture and Horticulture companies outside Australia and New Zealand have not been included since they operate in markets which have different rates of economic growth, climate factors and agricultural markets which significantly impact their growth prospects and margins and, therefore, multiples. No relevant transactions were identified in New Zealand. As a result, comparable transactions for Webster are extremely limited (some of which also involve Webster) and the comparability of the selected transactions with Webster is restricted.

The following tables set out a summary of transactions since 2010 of companies involving agricultural/horticultural and rural services companies.

Table 42: Transaction evidence

Table 42: Transaction Evidence							
Date	Target	Acquired %	Implied Enterprise Value (\$ millions) ¹	EBITDA Multiple ²		EBIT Multiple ³	
			Historical	Forecast	Historical	Forecast	
Sep-19	Ruralco Holdings Limited	100.0%	582	9.0	n/a ⁶	11.4	n/a ⁶
Dec-18	GrainCorp Limited	n/a ⁵	3,328	11.4	14.8	21.2	46.9
Nov-18	Bengerang Limited	100.0%	133	n/a ⁶	n/a ⁶	n/a ⁶	n/a ⁶
Feb-15	Bengerang Limited	100.0%	140	n/a ⁶	n/a ⁶	n/a ⁶	n/a ⁶
Feb-15	Tandou Limited	100.0%	149	27.0	16.1	50.5	24.3
Feb-14	Total Eden Holdings Pty Limited	100.0%	57	9.7	7.0	15.1	9.3
Oct-12	GrainCorp Limited	n/a ⁵	2,656	6.2	6.8	7.7	9.3
Dec-10	PGG Wrightson Limited	31.0%	1,072	15.2	n/a ⁶	17.0	n/a ⁶
Aug-10	Landmark ⁴	100.0%	851	12.3	n/a ⁶	n/a ⁶	n/a ⁶

Source: Company financial statements, company announcements, press releases, broker reports, S&P Capital IQ, Mergermarket, KPMG Corporate Finance analysis

Notes:

1. Implied enterprise value represent considerations plus net borrowing assumed and displayed in A\$ millions.
2. Represents the implied enterprise value divided by EBITDA, where EBITDA is earnings before net interest, tax, depreciation, amortisation, other income and significant and non-recurring items.
3. Represents the implied enterprise value divided by EBIT, where EBIT is EBITDA as discussed in note 2 less depreciation and amortisation.
4. This is a pro-forma multiple recalculated by KPMG based on a larger transaction involving the acquisition of AWB Limited by Agrium Inc. The EBITDA multiple of Landmark is based on the EBITDA of the fiscal year ended 30 September 2010 and the allocated value for Landmark as reported by Agrium.
5. n/a represents not available due to the cancellation of transaction.
6. n/a represents not available.

In relation to transaction evidence, the following is relevant:

- there are few transactions for which multiples of EBITDA and EBIT are available
- Ruralco Holdings Limited (**Ruralco**) primarily offered agency services for livestock, wool, rural supplies and real estate. Similar to the comparability of Elders and PGG with Webster as discussed in the previous section, Ruralco's service offering was not directly comparable to that of Webster, hence no reliance has been placed on this transaction in our cross-check analysis
- GrainCorp Limited (**GrainCorp**) is a large vertically integrated business with a focus in the receiving and storage of grain and related commodities. It also provides logistics and marketing services for these products with its strategically located port terminals. In October 2012, GrainCorp received an offer from Archer-Daniels-Midland Company after having acquired 19.9% in GrainCorp in two separate transactions before the bid. However, this transaction was blocked by the Australian Government on the basis that it was contrary to Australia's national interests. In December 2018, Long-Term Asset Partners made a non-binding offer to acquire the balance of 95.8% stake in GrainCorp for \$2.3 billion cash, which was subsequently withdrawn after months of due diligence. As such, we have not considered the multiples implied by the bids
- the transactions involving the acquisition of Tandou Limited and Bengerang Limited, and the subsequent sale of Bengerang Limited by Webster are discussed in detail in section 9.1 of this report
- Total Eden Holdings Limited (**Total Eden**) specialised in providing water management solutions, including irrigation drainage, plumbing, water supply and filtration, etc in Australia. The acquisition of Total Eden by Ruralco Holdings Limited (**Ruralco**) substantially contributed to Ruralco's inorganic growth and expansion of its water services offering, which is not a key service offering of Webster and therefore this transaction has been considered incomparable
- as discussed in the previous section, the comparability of PGG with Webster is extremely low, hence the transactions involving PGG was not considered

- the acquisition of Landmark, a retail business for agricultural products, was a part of the acquisition of AWB Limited by Agrium Inc. in August 2010. Given Landmark's focus in agency services, it is not comparable to the business nature and operating model of Webster
- most of the comparable transactions were not directly comparable to Webster and limited reliance has been placed on the historical EBITDA multiples observed in the selected transactions.

10.7.3 Summary

Select Harvests, Duxton Broadacre and Olam are the most comparable companies to Webster in terms of business model. The only meaningful historical EBITDA multiples of 12.0 times for Olam and 8.5 times forecast year 1 EBITDA multiple based on Select Harvests forecast were noted. No brokers' forecast information was available for Duxton Broadacre or Olam. Price to NTA multiples are in a wide range of 0.8 to 2.3, with Webster's 1.0 time multiple being in the lower end of the range. The high end of the range is represented by Select Harvests, which has a development programme for its trees and orchards, a proven track record of delivery and yields, and has significant leasehold interests. The low end of the range is represented by Duxton Broadacre, which has a relatively limited development pipeline.

Given the lack of public information and comparability between the target companies and Webster it is difficult to derive any meaningful conclusions from the analysis as it pertains to Webster. As such we have placed no reliance on the selected comparable transactions.

10.7.4 Implied multiples

The value attributed to the business operations of Webster's operating business of \$692 to \$811 million implies the following multiples of EBITDA and NTA.

Table 43: Webster implied EBITDA multiples

	Parameter (\$ million)	Value range	
		Low	High
Value of Webster's operating business		692.6	811.0
Multiple of EBITDA:			
FY18 (actual) ¹	60.6	11.4	13.4
FY19 (actual) ¹	16.8	41.2	48.3
FY20 (broker consensus) ²	13.9	49.8	58.3
FY21 (broker consensus) ²	47.9	14.5	16.9
FY22 (broker consensus) ²	48.1	14.4	16.9
Multiple of NTA as at 30 September 2019			
Geared ³	454.1	1.5	1.8
Ungeared ³	583.4	1.2	1.4

Source: KPMG Corporate Finance analysis.

Notes:

- Refer to Section 9.7 of this report.
- Refer to Section 9.10 of this report.
- Refer to Section 9.8 of this report. Geared NTA is calculated as net assets less goodwill and other intangibles but including the book value of water rights.
- Refer to Section 9.8 of this report. Ungeared NTA is total funds employed less goodwill and other intangibles but including the book value of water rights.

Webster has not released detailed earnings forecasts for FY20 or beyond. Accordingly, the implied forecast multiples set out above are based on the median of broker forecasts for Webster (refer to Appendix 3).

The implied EBITDA multiples for Webster's operating business are generally high in comparison to market evidence, however, are reasonable, taking into account the following:

- multiples implied by the valuation of Webster's operating business include a premium for control whereas multiples at which agribusiness operators are trading do not
- EBITDA multiples in FY19 are significantly higher than those in FY18, underpinned by the reduction in earnings as a result of the prolonged drought. The drought has impacted market participants nationwide and the reducing trend in earnings has been observed in Webster's peers
- the reduction in earnings of Webster's Horticulture business in FY18 and slight improvement in FY19 is in line with the performance of its closest peer, Select Harvests, which FY18 earnings results were adversely impacted by the drought and lower yields, and
- Webster's long-term earnings growth prospects, underpinned by the completion of development works to improve Webster's infrastructure and efficiency, the acquisition of cropping rights for walnut orchards associated with the MIS schemes and Australian Rainforest Honey, and higher water allocation post FY20.

10.8 Surplus assets and liabilities

Surplus assets and liabilities represent those assets and non-trading liabilities that are not required in order for Webster to continue to realise its principal source of earnings. Webster's other assets have been valued in the range of \$10 million to \$12 million and mainly include:

- \$5 million to \$7 million tax asset with respect to \$41.2 million unrecognised tax losses, discounted to present value at a discount rate in the range of 10% to 11% and probability adjusted by a factor of 40% to 60% to take into account the risk that they cannot be utilised
- Griffith corporate office at \$5.4 million, based on the CBRE valuation (refer to Appendix 7 of this report)
- book value of the vineyard at 30 September 2019
- book value of Horticulture quality claims provision as at 30 September 2019
- book value of corporate plant and equipment, working capital and provisions, and
- book value of investment¹³⁶ as at 30 September 2019 of \$0.1 million.

10.9 Valuation of the Preference Shares

We have assessed the value of a Preference Share at \$1.50 to \$1.80. The value of the Preference Shares is based on capitalising the 9 cent annual coupon at a yield in the range of 5.0% to 6.0%. The value implied by this primary approach has been cross-checked based on the prices at which the Preference Shares have traded.

The key factors we have taken into consideration in selecting the 5.0% to 6.0% yield for the Preference Shares are:

- yields on comparable, listed preference shares. Yields on preference shares listed in Australia and the US are set out below. Only preference shares that have a fixed coupon and are perpetual and non-redeemable have been considered.

¹³⁶ Investments are related to Webster's units held in Argyle Water fund through Tandou and Webster's shares held in Almondco Australia Limited through Walnuts Australia.

Table 44: Webster valuation summary

Issuer	Ticker	Coupon	Credit Rating	Current yield	Yield to maturity
Australian					
Whitefield Ltd	WHFPA	7.0%	n/a	6.6%	6.8%
Carlton Investments Ltd	CINPA	7.0%	n/a	3.4%	n/a
Sietel Ltd	SSLPA	5.0%	n/a	5.0%	n/a
United States					
Crestwood Equity Partners Ltd	CEQP	9.3%	n/a	9.2%	9.2%
Financial Institutions Inc	FISI	8.5%	n/a	5.4%	5.4%
Southern California Gas Co	SRE	6.0%	n/a	4.8%	4.9%
Wisconsin Electric Power Co	WEC	6.0%	n/a	4.7%	4.7%
PacifiCorp	BRKHEC	7.0%	BBB+	4.6%	4.6%
New England Power Co	NGGLN	6.0%	BBB+	4.1%	4.2%
Southern California Gas Co	SRE	6.0%	BBB	4.1%	4.2%
Central Maine Power Co	AGR	6.0%	BBB	4.1%	4.1%
PacifiCorp	BRKHEC	6.0%	n/a	4.1%	4.1%
Connecticut Natural Gas Corp	AGR	8.0%	BBB	3.8%	3.9%
Union Electric Co	AEE	4.8%	n/a	3.8%	3.8%
Kansas City Southern	KSU	4.0%	n/a	3.6%	3.6%
Emera Maine	EMACN	7.0%	n/a	3.5%	3.5%
Middlesex Water Co	MSEX	7.0%	n/a	1.3%	1.3%

Source: Bloomberg, KPMG Corporate Finance analysis.

- there are only three Australian listed preference shares that have a fixed coupon and which have yields quoted on Bloomberg. These preference shares have coupons of 5%, 7% and 7%
- none of the Australian preference shares has a credit rating. The coupon on the Preference Shares of 9% exceeds the coupon on all of the preference shares with a yield quoted on Bloomberg, although the Preference Share coupon is closer to Whitefield and Carlton. Whitefield has a current yield of 6.6% and yield to maturity of 6.8%, while current yields for Carlton and Sietel are lower
- there is a larger number of US listed preference shares that have a fixed coupon. Their coupons are generally in the range of 6% to 8% and their yields to maturity are mostly in the range of 3.5% to 5.4%. We note that issuers with credit ratings of BBB or BBB+ have yields to maturity in the range of 3.9% to 4.6%
- a factor in relation to the coupon yield is the original date of issue, prevailing interest rates at that time and the size of the preference share issues including the associated liquidity impact (as generally smaller size issues have lower liquidity). There are relatively few Preference Shares on issue and the coupon reset was in 1981 when interest rates were substantially higher
- low risk of non-payment for the Preference Shares, given:
 - the cumulative, fixed nature of the distributions
 - no non-payment events have occurred
 - dividends represent a very small portion of Webster's earnings (\$35,460 per annum)
 - Webster's operating cash flows were negative in FY18 and FY19 (Section 9.9 of this report) and the limited broker evidence indicates that earnings are expected to decline further in FY20, however, the broker evidence indicates earnings are expected to recover in FY21 and FY22
- the current yield on the Preference Shares based on trading prices from 1 January 2018 until 2 October 2019 (in the range of \$1.35 to \$1.50, at a VWAP of \$1.46) (refer to Section 9.13.4 of this report) is in the range of 6.0% to 6.7%, at a VWAP of 6.2%. This yield is likely influenced by the

illiquid trading in the Preference Shares (although it is not possible to say whether the illiquidity would increase or decrease yields)

- the current cost of debt financing (4.1% to 4.6% for a BBB credit rating) (refer to Appendix 6 of this report). We consider that since the Preference Shares are subordinated to other forms of debt, the selected yield should be greater than 4.6%
- the current low interest rate environment and attractiveness of the Preference Shares as an alternative to fixed income instruments such as bonds
- in the event of winding up, Preference Shareholders:
 - receive priority over Ordinary Shareholders to receive all arrears dividends and payment of the capital paid up or credited as paid up on the Preference Shares
 - are subordinated to bank debt. Webster's book gearing of 20.8% as at 30 September 2019 is comparable to other agribusiness companies (refer to Appendix 6 of this report) and its modified gearing is 15.5%¹³⁷ is relatively low compared to peers and significantly below the maximum gearing of 40% permitted by Webster's debt covenants (refer to Section 9.8 of this report), and
- the Preference Shares have voting rights only in limited circumstances (refer to Section 9.12 of this report).

We have also considered recent trading prices for Preference Shares. Preference Shares have consistently traded at a premium to face value. From 1 January 2018 until 2 October 2019 (the last trading day prior to the announcement of the Transaction), Preference Shares traded in the range of \$1.35 to \$1.50,¹³⁸ at a VWAP of \$1.46 (a 45.7% premium to face value) (refer to Section 9.13.4 of this report). The most recent transaction occurred on 5 August 2019 for \$1.36. The only recent transaction of substantial volume (15,100 on 3 August 2018) occurred at \$1.50. We note, however, that these prices are likely impacted by the illiquid trading in Preference Shares. Accordingly, we consider that these prices should represent a minimum value for the Preference Shares.

10.10 Adjusted net interest bearing liabilities

As at 30 September 2019, Webster had a cash balance of \$6.6 million and \$135.5 million of interest bearing liabilities (not including the Preference Shares). In calculating adjusted net interest bearing liabilities, Webster's cash has been increased by the amount of the shareholder loans as at 30 September 2019 of \$4.6 million to arrive at net interest bearing liabilities of \$124.2 million.

¹³⁷ Modified gearing is based on the market value of water rights as assessed by the Directors as at 30 September 2019 as per the lending covenant requirements

¹³⁸ Based on market prices on the days when Preference Shares were traded

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (**APESB**). The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Ian Jedlin and Bill Allen. Each is an authorised representative of KPMG Corporate Finance and a partner of KPMG and has a significant number of years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports. Ian is a member of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Securities Institute of Australasia and holds a Master of Commerce. Bill is an Associate of Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce degree and a Graduate Diploma in Applied Finance.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Ordinary Scheme is in the best interests of Ordinary Shareholders and the Preference Scheme is in the best interests of Preference Shareholders. KPMG Corporate Finance expressly disclaims any liability to any Ordinary Shareholder or Preference Shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Scheme Booklet or any other document prepared in respect of the Ordinary Scheme or Preference Scheme. Accordingly, we take no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Ordinary Scheme and Preference Scheme.

Independence

KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of Webster for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Scheme Booklet to be issued to the shareholders of Webster. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information

- the Scheme Booklet (including earlier drafts)
- the Scheme Implementation Agreement released to the ASX on 3 October 2019
- annual reports of Webster for FY17, FY18 and FY19
- press releases, public announcements, media and analyst presentations material and other public filings by Webster, including information available on Webster's website
- brokers' reports and recent press articles on Webster
- sharemarket data and related information regarding listed companies engaged in agribusiness and on acquisitions of companies and businesses in this industry
- various reports on the agribusiness industry, including from ABARES, AITHER, Almond Board of Australia, Australian Government Department of Agriculture, Australian Government Department of the Environment and Energy, Australian Government Cotton Research and Development Corporation, Australian Government Bureau of Meteorology, Commonwealth Scientific and Industrial Research Organisation, Cotton Australia, CottonInfo, Food Standards Australia New Zealand, Global Organic Cotton Community, Horticulture Innovation Australian Limited, IBISWorld, INC International Nut & Dried Fruit Council, Meat and Livestock Australia, Murray Darling Basin Authority, US Department of Agriculture
- financial information from S&P Capital IQ, Bloomberg, IRESS, ThomsonONE and Connect4.

Non-public information

- Board papers, presentations, working papers and other confidential documents of Webster
- Forward looking information (FY20 budget and Walnut Model) prepared by Webster management.

In addition, we have held discussions with, and obtained information from, the senior management of Webster and its advisors and conducted site visits to Avondale West, Griffith, Kooba Station, Leeton Sandy Valley and Tabbita.

Appendix 3 – Broker consensus

In order to provide an indication of the expected future financial performance of Webster, KPMG Corporate Finance has had regard to the broker forecasts for Webster for FY20, FY21 and FY22.

Set in the tables on the following pages is a summary of the forecasts (on a consolidated level) prepared by the broker that follows Webster. When reviewing this data it should be noted that:

- the forecasts represent the latest available broker forecasts for Webster as at 14 November 2019, and
- as far as KPMG Corporate Finance is aware, Webster is followed by one broker who has published updated earnings forecasts following the announcement the FY19 trading update on 13 November 2019.

Table 45: Brokers' revenue and underlying EBITDA forecasts for Webster

Broker	Report date	Sales Revenue (\$ million)		Underlying EBITDA (\$ million)	
		FY20	FY21	FY22	FY22
Broker 1	14/11/2019	92.2	182	209.5	48.1
Statistics:					
Average growth		(38.5%)	97.4%	15.1%	0.4%

Table 46: Brokers' underlying EBIT and segment EBIT for Webster

Broker	Report date	Underlying EBIT (\$ million)		Agriculture EBIT (\$ million)		Horticulture EBIT (\$ million)	
		FY20	FY21	FY22	FY21	FY21	FY22
Broker 1	14/11/2019	-1.0	33.1	33.6	-3.5	22.7	21.9
Statistics:							
Average growth		(131.3%)	(3,410.0%)	1.5%	(192.1%)	(748.6%)	(3.5%)
					47.0%	81.4%	6.2%

Table 47: Brokers' underlying profit before tax (PBT) and statutory NPAT forecasts for Webster

Broker	Report date	Underlying PBT (\$ million)		Statutory NPAT (\$ million)	
		FY20	FY21	FY22	FY22
Broker 1	14/11/2019	-7.1	26.9	27.2	19.0
Statistics:					
Average growth		255.0%	(478.9%)	1.1%	1.1%

Table 48: Brokers' underlying EPS and DPS forecasts for Webster

Broker	Report date	EPS (underlying) (cents)		DPS (cents)	
		FY20	FY21	FY22	FY22
Broker 1	14/11/2019	-1.40	5.20	5.3	4.0
Statistics:					
Average growth		600.0%	(471.4%)	1.9%	33.3%

Note 1: 'na' is not available.

Appendix 4 – Overview of valuation methodologies

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the valuation date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and within a given industry.

The rate at which the future cash flows are discounted (the **Discount Rate**) should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some industries it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a Capitalised Earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business (maintainable earnings) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable industry, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the entity's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

Appendix 5 – Cash flow assumptions

The key cash flow assumptions underlying Scenario A (Base Case) of the DCF analysis for Horticulture are as follows:

General assumptions

- our DCF analysis projects nominal, after tax cash flows for FY20 to FY74, a period of 55 years, to capture a full lifecycle and one assumed replanting of walnut trees. The first major replanting is assumed around FY35, when the currently most mature trees will reach the end of their expected natural life. Replanting occurs after a period of 30 years
- in FY74, a value of the improved land at the end of the Forecast Period has been added to reflect Webster's ownership of the properties, which are currently used as walnut orchards. The value of the improved land is, reflecting the value of the improvements made by Webster, such as site infrastructure, drainage and levelling of the land. We have determined the value per hectare of the improved land as \$20,000 based on a value per hectare for unimproved land of \$5,000 and cost of improvement of \$15,000 per hectare and then escalated this value using a 2.5% escalation rate per annum based on the expected long-term inflation rate for Australia.

Revenue

- total revenue consists of farm gate revenue, In-shell selling margin and kernel cracking margin
- walnut trees mature after their 4th leaf (3rd year after planting) and yield 0.52 tonnes per hectare, with yield increasing over the next three years to a mature yield of 4.85 tonnes per hectare (equivalent to the 3-year average yield over FY17 to FY19 for all Webster orchards). This mature peak production yield is then assumed to be achieved over the next 20 years after which the yield reduces linearly to nil over four years
- the forecast planted area of walnut orchards is based on the Webster business plan, which assumes an addition of 400 hectares in FY20 and 100 hectares in FY21, after which the planted area is held constant over the Forecast Period at 3,567 hectares
- as described before the yield per hectare is related to the age of the trees as well as the climatic conditions and additional supporting treatment, i.e. application of fertiliser. Scenario A assumes a mature yield of 4.85 tonnes per hectare, which aligns broadly with the historic average yield of Webster's orchards over the period FY17 to FY19 of 4.8 tonnes per hectare. The historical yield in FY17 was higher than the average yield due to favourable weather conditions, whereas the yields in FY18 and FY19 were lower than the average yield due to non-pollination events. These non-pollination events can be reduced via specific treatment of the trees during pollination season, which results in higher operating costs
- harvested nuts are separated into Grade 1, which are sold In-shell and require higher quality, and Cracking Grade, which are of lesser optical quality and usually mechanically cracked and sold as kernels. The scenario assumes a percentage of 75% of Grade 1 nuts, 20% Cracking Grade and 5% waste. These percentages have been determined based on historical observations and are kept constant over the Forecast Period
- as Webster is only a smaller producer of walnuts on a global scale, prices are usually set externally and dependent on global supply and demand. In determining the farm gate price over the Forecast Period we have had regard to the pricing history provided by Webster as well as current pricing information. The farm gate price offered for In-shell walnuts is dependent on a quality matrix with higher prices achieved for lighter kernel colours and bigger sizes and has been assumed with A\$3,500

per tonne for Grade 1 and A\$1,600 for Cracking Grade nuts. We have applied a 2.5% annual price escalation over the Forecast Period to reflect the impact of global supply and demand, with demand outstripping supply in the short term due to the time required for trees to mature, and expected increases in quality and size of the nuts as some of the trees planted in the orchards are still to mature. We have assumed exchange rates of 0.70 US\$/A\$ to 0.72 US\$/A\$ over the next five years and long-term assumption of 0.71 US\$/A\$ based on broker forecasts as presented in the following table

Table 49: Applied exchange rates

Forecast nominal US\$/A\$ exchange rates						
As at 11 November 2019	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
US\$/A\$	0.70	0.71	0.71	0.72	0.72	0.71

Source: KPMG Corporate Finance analysis.

- in addition to the farm gate price Webster earns a margin for cracking and processing the walnuts in the company-owned processing facility in Leeton. Based on historic observations provided by Webster the processing margins for Grade 1 and Cracking Grade have been assumed with A\$1,460 and A\$1,540 per tonne for In-shell nuts and kernels respectively. The processing margin reflects the wholesale price per tonne for In-shell nuts and kernels less the farm gate price (A\$3,500 per tonne and A\$1,600 per tonne, respectively), processing costs (A\$400 per tonne and A\$840 per tonne, respectively), marketing and administrative costs (A\$100 per tonne) and freight costs (A\$250 per tonne). We have applied a 2.5% annual escalation factor over the Forecast Period similar to the assumed farm gate price escalation to reflect the impact of global supply and demand

Expenses

- starting point for the operating cost assumption are the budgeted cost per hectare by Webster for FY20, which are based on operating cost achieved in FY19, however we have adjusted these to exclude water cost, which are reflected separately (see below). Operating cost include, for example, costs for fertilisers, salaries, machinery and electricity. Whilst farm gate prices and processing margins are forecast to grow at an escalation of 2.5% per annum over the Forecast Period, total operating expenses are expected to increase slower at an escalation of 1.0% per annum until 2040. Whilst the assumed improvement in the gross profit margin until 2040 is partially driven by scale, it is also a reflection of more mature trees and process optimisation in the orchards. This results in an increased gross profit margin of approximately 5.0 percentage points until 2040
- similar to operating cost, the harvesting cost forecast has been based on historical observations and Webster's budgeted cost per hectare for FY20. Harvesting cost include mainly hiring cost for machinery and contract labour. Comparable to operating costs, harvesting costs are assumed to increase at an escalation of 1.0% per annum until 2040 and 2.5% afterwards. This is also a reflection of the expected process optimisation in the orchards
- hulling and drying costs reflect the cost incurred for hulling, i.e. the removal of the cover of walnuts, and drying of the walnuts. Similar to operating costs and harvesting costs these have been based on budgeted cost per tonne for FY20 and include mainly costs for fuel, which is used for heating in the drying process, machinery and labour. The scenario reflects a 1.0% per annum escalation of these costs on a per tonne basis until 2040 and 2.5% over the remaining Forecast Period
- overhead costs have been assumed at c. \$3.0 million for FY20 and have been forecasted on a per hectare basis, i.e. with a slight increase in FY20 and FY21. Overhead costs include corporate costs for head office and head office functions as well as costs for research and development. Similar to the other expense categories we have assumed an escalation of 1.0% per annum until 2040 and 2.5% over the remaining Forecast Period

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- to determine the value of the walnut operations we have reflected the cost of water that would have to be incurred by a buyer without the ownership of permanent water entitlements given that we have valued the water entitlements separately. Our approach assumes that a ‘willing buyer’ would be able to buy such water, which we consider appropriate that Webster actually has such entitlements. As such we have included water cost on a per hectare basis for planted areas. The water requirements are dependent on the age of the trees and increase over the first 6 years of the life of a tree to reach a mature water requirement of 11.0 ML per hectare on an annual basis. The water requirement then reduces after 20 years of maturity linear over 4 years parallel to the reduction in yield and increases after replanting in line with the increase in yield. Water prices have been determined based on historical observations. We have assumed a 14-year cycle of water prices with a minimum price of \$22.50 per ML and a maximum price of \$784.80 per ML. This 14-year cycle has been observable historically and has been cross checked with the implied average water price per ML over the Forecast Period of \$192.85, which is consistent with our expectations. We have escalated the water cost assuming a 2.0% annual escalation rate. The applied water cost cycle has a major impact on profitability specifically the EBIT margin, which ranges between -2.0% to 62.4% over the Forecast Period
- depreciation over the Forecast Period is planned using the current book value of PP&E and biological assets (i.e. walnut trees) as well as the expected capex spend. The depreciation term of the walnut trees is 25 years, whereas PP&E items are depreciated over ten years. Capital expenditure over the next years is planned in relation to the expansion of orchards in FY20 and FY21 as well as the acquisition of new equipment in FY23 and FY24. Based on discussions with Management, it has been assumed that maintenance capital expenditure for PP&E is equivalent to depreciation at c. \$5.9 million per annum
- working capital movements have been calculated as a percentage of sales to reflect the variable character of the underlying balance sheet items. Based on FY19 working capital ratios we have adopted 45% of sales as a reasonable level of working capital over the Forecast Period. The movements in working capital year on year have been reflected in the cash flow forecast
- a corporate tax rate of 30% has been assumed throughout the Forecast Period, with tax being paid in the year it is incurred.

Appendix 6 – Discount rate

Where cash flow forecasts consist of free cash flows to all providers of funding, the WACC is commonly employed as the basis for determining an appropriate discount rate. For the purposes of our DCF analyses of Webster's walnuts operations, we have adopted a discount rate in the range of 10.0% to 11.0%.

We consider the selected range appropriately reflects the expected return of a hypothetical prudent purchaser, based upon the perceived risks associated with Webster's walnuts operations.

The selection of an appropriate discount rate to apply to the forecast cash flows of any asset or business operation is fundamentally a matter of judgement rather than a precise calculated outcome. Whilst there is commonly adopted theory that provides a framework for the derivation of an appropriate discount rate, it is important to recognise that given the level of subjectivity involved, the calculated discount rate should be treated as guidance rather than objective truth. Furthermore, discount rate assessments need to consider both current market conditions and future expectations, and to the extent that there are any changes in conditions and expectations over time, an adjustment to the discount rate at a future point in time may be warranted.

In selecting the appropriate range of discount rates to apply to the cash flows of Webster's walnuts operations, we have determined a classical nominal WACC to align with the forecast nominal ungeared cash flows being used to derive the resultant DCF values. A classical WACC represents an estimate of the weighted average required return from both debt holders and equity investors. The WACC is derived using the following formula:

$$WACC = W_d * K_d * (1 - t) + \left(W_e * K_e * \frac{1 - t}{1 - t} \right)$$

Table 50: WACC parameters

Parameter	Description
K _d	Pre-tax Cost of debt
W _d	Percentage of debt in capital structure
K _e	Pre-tax Cost of equity
W _e	Percentage of equity in capital structure
t	Company tax rate

Source: KPMG Corporate Finance analysis.

Cost of equity

The cost of equity can be derived using a modified Capital Asset Pricing Model as follows:

$$K_e = R_f + \beta * (R_m - R_f) + \alpha$$

Table 51: Cost of equity parameters

Parameter	Description
R _f	Risk free rate, representing the return on risk-free assets
R _m	Market rate of return, representing the expected average return on a market portfolio
(R _m - R _f)	Market risk premium, representing the excess return that a market portfolio is expected to generate over the risk free rate
β	Beta factor, being a measure of the systematic risk of a particular asset relative to the risk of a market portfolio
α	Specific risk factor, which may be included to compensate for risks which are not adequately captured in either the other discount rate parameters or the cash flows being discounted

Source: KPMG Corporate Finance analysis.

WACC – Webster’s walnut operations

KPMG Corporate Finance’s rationale for the selection of each of the variables in developing a WACC for Webster’s walnut operations is discussed below.

Risk free rate

The risk free rate of return is the return on a risk free security, typically for a long-term period. In practice, long dated Government bonds are accepted as a benchmark for a risk free security. In Australia, the 10 year Commonwealth Government bond yield is commonly referenced, of which the spot yield was 1.03% as at 30 November 2019.

However, since the global financial crisis in 2008, Government bond yields have remained low compared to long-term averages. Combined with market evidence which indicates that bond yields and the market risk premium are strongly inversely correlated, it is important that any assessment of the risk free rate should be made with respect to the position adopted in deriving the market risk premium. As we adopt a long-term view on the market risk premium (rather than spot), it is also important to do the same with the risk free rate to ensure the combination of the risk free rate and market risk premium represents an appropriate return in the current investment environment.

Consequently, the risk free rate has been selected by reference to both the current spot yield and long-term forecast yields on 10 year Australian Government bonds. We have adopted 3.3% as an appropriate risk free rate, which represents a blend of the spot rate at the valuation date and a forecast long-term bond yield of 3.42% (based on an average of long-term bond yields sourced from various economic forecast providers including Oxford Economics, BIS Shrapnel, Deloitte Access Economics and KPMG Economics).

Market Risk Premium

The Market Risk Premium represents the additional return that investors expect in return for holding risk in the form of a well-diversified portfolio of risky assets (such as a market index) over risk-free assets such as Government bonds. Given that expectations are not observable, a historical premium is generally used as a proxy for the expected risk premium.

Measurement of historical premia in Australia is subject to considerable debate, including in relation to the method of calculation, the relevance of long dated data and the relevant period of observation, as well as the impact of the introduction of imputation credits and the value attributed to imputation credits.

The most recent Australian study of historical premia was completed in by J.C. Handley in 2012¹³⁹ (**the 2012 Handley Study**), as prepared for the Australian Energy Regulator, and was based on earlier works by R.R. Officer in 1989 and T. Brailsford, J.C. Handley and K. Maheswaran in 2008 and 2012. The 2012 Handley Study found that:

- relative to 10 year bonds, the equity risk premium has averaged 6.0% p.a. over 1883–2011 ignoring the impact of imputation credits (this increases to 6.3% p.a. if imputation credits are valued at 100%)
- relative to 10 year bonds, the equity risk premium has averaged 5.8% p.a. over 1958–2010 ignoring the impact of imputation credits (this increases to 6.6% p.a. if imputation credits are valued at 100%).

¹³⁹ J.C. Handley, “An Estimate of the Historical Risk Premium for the period 1883 to 2011”, April 2012

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Consistent with our approach to the risk free rate, we applied a long-term view in setting the market risk premium. A market risk premium of 6.0% is regarded as appropriate by KPMG Corporate Finance for the current long-term investment climate in Australia.

Beta

In selecting an appropriate unlevered beta to apply to Webster's walnuts operations, KPMG Corporate Finance has considered betas for selected listed agribusinesses that are predominantly involved in nuts, citrus fruits and vegetable production as summarised in the following table.

Table 52: Betas and gearing for selected listed nuts, citrus fruits and vegetable producers

Company name	Country	Market Cap AUDm	Unlevered beta 2-year	Debt to value 2-year avg	Unlevered beta 5-year	Debt to value 5-year avg
Webster Limited	Australia	460	0.37	18%	0.65	22%
Nuts						
Select Harvests Limited	Australia	795	0.66	11%	1.20	13%
Australian citrus and vegetables						
Dongfang Modern Agriculture Holding Group Limited	Australia	349	0.56	0%	n/a	n/a
Costa Group Holdings Limited	Australia	978	0.60	14%	n/a	n/a
Other citrus and vegetables						
Alico, Inc.	United States	360	0.34	37%	0.65	34%
Village Farms International, Inc.	Canada	505	1.81	14%	2.35	24%
Fresh Del Monte Produce Inc.	United States	2,349	0.78	22%	0.85	13%
Dalian Tianbao Green Foods Co., Ltd.	China	222	0.66	41%	1.10	28%

Source: S&P Capital IQ, KPMG Corporate Finance analysis.

Notes:

1. Data as at 9 December 2019 for all companies other than Webster (for which data as at 2 October 2019 has been used)
2. n/a represents not available or not statistically significant.

In assessing an appropriate unlevered beta for Webster's walnuts operations, we have had regard to the following:

- unlevered betas that have a low statistical significance or for which there are insufficient data points have been excluded (i.e. the two year betas for Dongfang, Costa Group and Alico and five year betas for Dongfang and Costa Group)
- listed agribusinesses involved in the production of citrus fruits and vegetables have been considered as they are similar to Webster's walnuts operations in terms of their harvest cycles, need for a reliable source of water for their orchards and exposure to weather risks. However, we note that these companies are less comparable since:
 - the market for citrus fruits and vegetables is more local than the market for nuts (whose prices are impacted by global demand and supply factors) and thus citrus fruit and vegetable producers have a different systemic risk profile to nut producing companies
 - a number of these companies has an exposure to other operating segments such as logistics (i.e. Costa Group Holdings), packaged food and drinks (i.e. Fresh Del Monte Produce Inc.) and electricity generation (i.e. Village Farms International)
 - some of the companies (i.e. Fresh Del Monte, Village Farms) are larger and have more diversified activities than Webster's walnut operations. Consequently, they are less exposed to individual market movements and, therefore would have a lower beta, and
 - companies that operate outside Australia are less comparable as they have different labour costs, weather patterns etc.

- there is only one listed "pure play" Australian nut producing company: Select Harvests Limited (**Select Harvests**). Similar to Webster, Select Harvests is a fully vertically integrated Australian nut producer. In FY18, Select Harvests generated 64.5% of its revenue from growing, processing and selling almonds from company owned and leased orchards and providing orchard management services to other companies. Similar to Webster, its orchards are also located in Australia (regional VIC, NSW and SA) which exposes it to similar weather related risks as Webster. It is also exposed to similar demand forces to Webster as both companies' exports are focused towards Europe, Middle East and Asia.
- Select Harvests has a two year unlevered beta of 0.66 and a five year unlevered beta of 1.20. We consider the five year unlevered beta to be most relevant as it reflects the long term systemic risk profile of Australian nut producers, whereas the two year beta is more heavily influenced by the current drought.
- We would expect Webster's walnut operations to have a higher unlevered beta than Select Harvests since:
 - Select Harvests' operations are more diversified than Webster's walnut operations. In addition to the almond operations, Select Harvests is also involved in non-almond related activities such as the processing and distribution of other edible nuts, dried fruits, seeds and a range of health foods which provides its operations with a higher level of diversification. In FY18 51.8% of its revenue was derived from these activities.
 - almond crops are less water intensive than walnuts and can thrive better than walnuts under dry conditions and almond producers would thus be expected to have lower earnings volatility than walnut producers. We also note that almonds have broader application in the food industry than walnuts as while walnuts are predominantly used for consumptive food purposes, almonds are also increasingly used for producing dairy alternatives (such as almond milk). Thus we consider the walnut industry to be more volatile than the almond industry, which further supports the application of a higher beta.
- intuitively, we would expect a beta of greater than 1.0 for a walnut producer. Walnut production requires a significant fixed costs (water, fertiliser, harvesting, etc.), while revenue can vary depending on yield, pricing etc., indicating a high degree of operating leverage.

Taking into account the above, KPMG Corporate Finance has selected an ungeared beta for Webster's walnuts operations in the range of 1.2 to 1.4. In determining the appropriate beta, we have had regard to the five year ungeared beta observed for Select Harvests, the lower level of diversification of Webster's almond operations in comparison to Select Harvests as well as the higher systemic risk associated with walnut production in comparison to almond production.

Gearing

In assessing an appropriate gearing ratio for Webster's walnuts operations, we note:

- Webster's market gearing (calculated as net debt / net debt plus market capitalisation) is 18% observed over a two year period, 22% observed over a five year period and is currently also at 22%. Webster's book gearing (calculated as net debt / net debt plus book value of equity) is 21% as at 30 September 2019 and has remained in the range of c.20% to 30% over the last three years. We also

note that Webster's modified gearing¹⁴⁰ as at 30 September 2019 is 15.5%, which is significantly below the maximum gearing of 40% permitted by Webster's debt covenants

- generally, earnings exhibiting low levels of expected volatility are assumed to support higher levels of debt and vice versa. In this regard, we note that revenue for Webster's walnuts operations are sensitive to weather conditions and global pricing while a large share of costs are fixed, indicating high operating leverage. As such, a conservative level of debt is appropriate, and
- the most comparable company (Select Harvests) has a two year gearing ratio of 11% and five year gearing ratio of 13%

Based on the above, we have selected an optimal gearing ratio of 15% to 20% for Webster's walnuts operations.

Tax rate

We have adopted a corporate tax rate of 30% based on the Australian Corporate tax rate as the majority of revenue from Webster's walnuts operations is derived in Australia.

Pre-tax cost of debt

We have adopted a long-term, pre-tax cost of debt in the range of 4.1% to 4.6%. The following has been taken into consideration in selecting a long-term cost of debt for Webster's walnuts operations:

- the industry's cost of debt and particularly the interest rate of 3.75% observed for Select Harvests as at 30 September 2019
- the expectation of a normalisation of interest rate levels over the forecast period as reflected in our risk free rate assessment
- a credit risk spread of 0.8% to 1.3% based on an assumed BBB credit rating for Webster's walnuts operations.

¹⁴⁰ Modified gearing is based on the market value of water rights as assessed by the Directors as at 30 September 2019 as per the lending covenant requirements

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WACC conclusion – Webster's walnuts operations

The selected parameters result in the following calculated WACC for Webster's walnuts operations.

Table 53: Selected WACC parameters for Webster's walnuts operations

	Parameter	Low	High
Cost of Equity			
Risk free rate	Rf	3.2%	3.2%
Equity market risk premium	EMRP	6.0%	6.0%
Ungearred beta		1.20	1.40
Tax rate		30%	30%
Gearing (debt/equity)		25%	18%
Gearred beta	β	1.41	1.57
Cost of equity (post-tax)	Ke	11.7%	12.6%
Cost of Debt			
Base rate		3.2%	3.2%
Corporate Debt Margin	DM	0.9%	1.4%
All in rate (pre-tax)		4.1%	4.6%
Tax rate	T	30%	30%
Cost of debt (post-tax)	Kd	2.9%	3.2%
Capital Structure			
Estimated market value of equity as % of value	We	80%	85%
Estimated market value of debt as % of value	Wd	20%	15%
Post-tax WACC			
Calculated range		9.9%	11.2%
Midpoint			10.6%
Selected range		10.0%	11.0%
Midpoint			10.5%

Source: S&P Capital IQ, KPMG Corporate

Appendix 7 – CBRE Report

VALUATION REPORT – VOLUME I

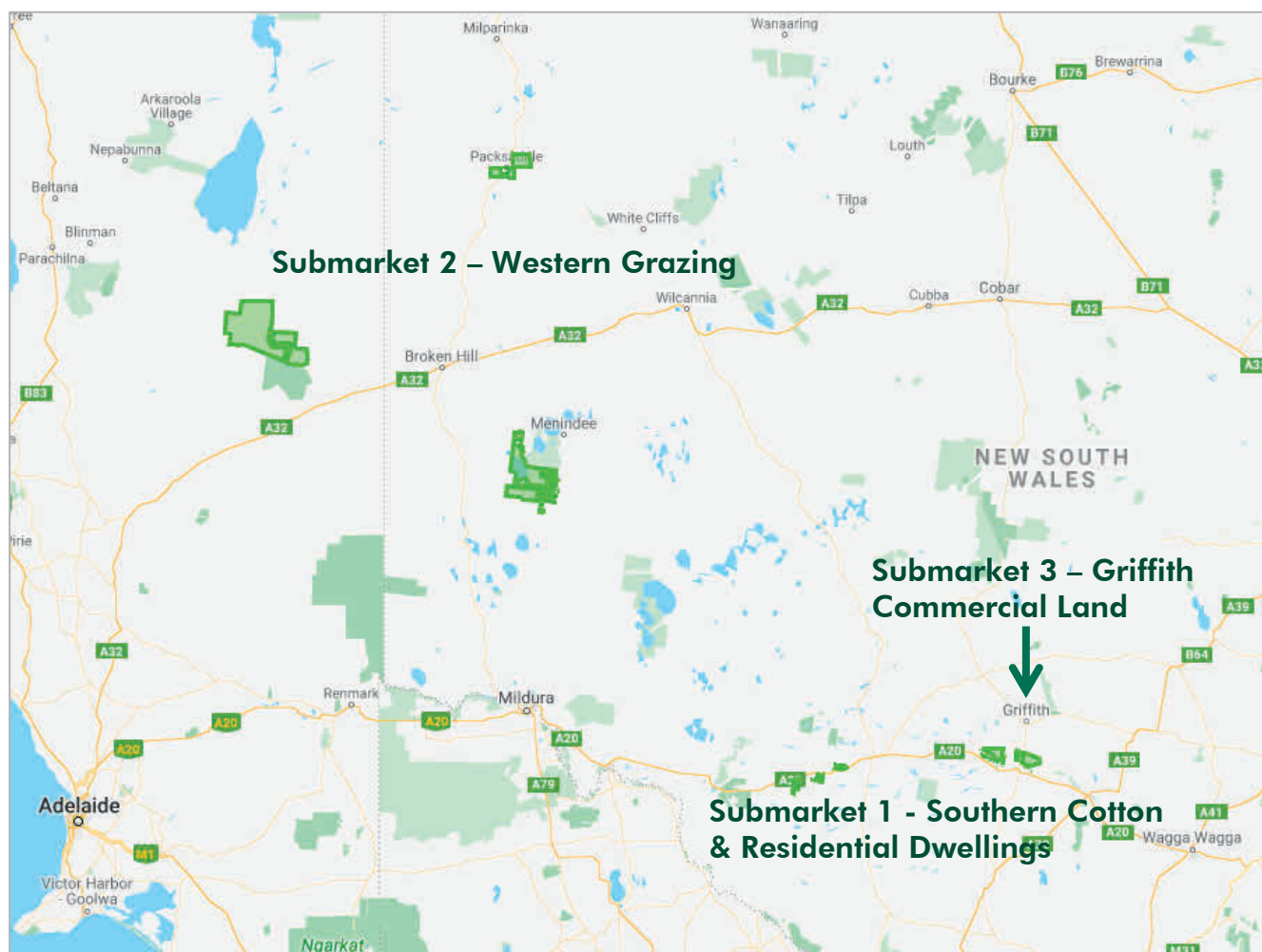
Webster Limited Portfolio (portion only)

Various Addresses, New South Wales and South Australia

28 October 2019 to 29 October 2019.

Mr Maurice Felizzi (Chief Executive Officer) of Webster Limited

Mr Ian Jedlin (Partner) of KPMG Financial Advisory Services
(Australia) Pty Ltd



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1 Executive Summary

INSTRUCTIONS / RELIANCE

Instructing Party	Mr Maurice Felizzi (Chief Executive Officer) of Webster Limited.
Instruction Date	16 October 2019.
Reliant Party/Purpose	Webster Limited for Independent Expert Report purposes only. KPMG Financial Advisory Services (Australia) Pty Ltd for Independent Expert Report purposes only.
Interest Valued	Freehold and Western Land Lease.

PORTFOLIO PARTICULARS

Portfolio Name	Webster Limited Portfolio (portion only).
Asset Description	The properties within the portfolio comprise a range of enterprise activities - refer to body of report for details.
Title Details	Multiple Titles - refer to body of report.

ASSESSMENT

Valuation Approaches	Direct Comparison - Summation; Direct Comparison - Overall Rate Per Hectare.
Dates of Inspection	28 October 2019 to 29 October 2019.
Date of Valuation	28 October 2019 to 29 October 2019.

ADOPTED VALUES All assessments below are 100% Interest, and are provided exclusive of GST.

"Kooba Aggregation"

Market Value - As Is - Vacant Possession

\$86,500,000

(Eighty Six Million, Five Hundred Thousand Dollars)

"South Farm"

Market Value - As Is - Vacant Possession

\$12,000,000

(Twelve Million Dollars)

"Glenmea"

Market Value - As Is - Vacant Possession

\$9,250,000

(Nine Million, Two Hundred and Fifty Thousand Dollars)

"Pevensey"

Market Value - As Is - Vacant Possession

\$9,000,000

(Nine Million Dollars)

"Yang Yang"

Market Value - As Is - Vacant Possession

\$340,000

(Three Hundred and Forty Thousand Dollars)

"Tandou Station"

Market Value - As Is - Vacant Possession

\$19,500,000

(Nineteen Million, Five Hundred Thousand Dollars)

"Kalabity Station"

Market Value - As Is - Vacant Possession

\$13,750,000

(Thirteen Million, Seven Hundred and Fifty Thousand Dollars)

"Packsaddle Station"

Market Value - As Is - Vacant Possession

\$6,100,000

(Six Million, One Hundred Thousand Dollars)

472-480 Banna Avenue, Griffith, NSW, 2680

Market Value - As Is - Vacant Possession

\$5,370,000

(Five Million, Three Hundred and Seventy Thousand Dollars)

Principal Valuer



Daniel Thomas | B.Bus (Prop), FAPI
Registered Valuer No. VAL018921 | Certified Practising Valuer
Regional Director - Agribusiness
Property Inspection - Yes

Secondary Valuer



Tom Burchell
Certified Practising Valuer
Director - Agribusiness
Property Inspection - Yes

Co-Signatory*



Tim McKinnon
Senior Director - Agribusiness
Job Involvement - Co Signatory in capacity of Director

** The Co-Signing Director/Peer or Quality Assurance Reviewer confirms having reviewed the valuation methodology and calculations, however the opinion of the value expressed has been arrived at by the Principal Valuer alone/Principal Valuers jointly.*

Conditional Terms

This summary must not be read independently of the valuation report in its entirety. This valuation is subject to all content, assumptions, disclaimers, qualifications and recommendations throughout the report. The report is prepared for the use of and reliance by the Reliant Party only and limited only to the Purpose specifically stated. No responsibility is accepted or assumed to any third party for the whole or any part of the report.

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2 Valuation Synopsis

2.1 Report Format & Details

- Portfolio Description**
- The valuation report encompasses both Volumes I and II and each should be read in conjunction with the other. The individual property reports in Volume II refer to the main report being Volume I as outlined below.
- Volume I**
- Section 1: Executive Summary contains a summary of the instructions, reliance and assessments.
 - Section 2: The Valuation Synopsis contains a brief portfolio overview and a valuation summary of each property as well as information on critical assumptions, qualifications, reliance/reporting and definitions common to each valuation assessment.
 - Section 3: Contains an explanation of the structure of the Individual Property Reports, which forms Volume II.
 - Section 4: Contains industry and market commentary for each of the subject markets.
 - Section 5: Provides a summary of the sales evidence. A full copy of the sales evidence is attached in the Appendix.
 - Section 6: Provides the valuation methodology and rationale.
- Volume II**
- Detailed individual property reports for the respective properties.

2.2 Brief Description

- Portfolio Description**
- We have been instructed to assess the value of portions of the *Webster Limited* portfolio comprising 9 assets across New South Wales and South Australia.
 - Properties within the portfolio are used for irrigated cropping, dryland cropping and livestock grazing. Overall the portfolio is well developed with a number of recent capital developments, in particular irrigation land development (submarket 1) and the construction of a sheep feedlot on "Tandou Station".
 - In the current property market, the assets would appeal to a range of current or new industry investors, either as a whole or as separately saleable parcels.
- Individual Descriptions**
- "Kooba Aggregation", New South Wales
 - Located approximately 5 radial kilometres north of Darlington Point, approximately 30 radial kilometres south of Griffith and approximately 485 radial kilometres south-west of Sydney. "Kooba Aggregation" comprises a total area of approximately 38,704 hectares and has been developed to approximately 12,626 hectares of irrigation - laser levelled row crop, 1,173 hectares of irrigation - laser levelled flood, 1,370 hectares of irrigation - older development, 20,922 hectares of native grazing, 2,200 hectares of remnant vegetation and 413 hectares of area under water storage. Irrigation water is sourced via both Regulated Murrumbidgee River water and Groundwater entitlements held by associated *Webster Limited* companies. Associated with the "Kooba Aggregation" are three residential dwellings located in the Darlington Point township.
 - "South Farm", New South Wales
 - Located approximately 55 radial kilometres south-west of Hay, 275 radial kilometres north-west of Wagga Wagga and 645 radial kilometres south-west of Sydney. "South Farm" comprises a total area of 7,760 hectares and has been developed to approximately 3,334 hectares of irrigation – laser levelled row crop, 176 hectares irrigation – lateral spray, 3,984 hectares of native grazing/support land and 265 hectares of area under water storage. The property has access to the Murrumbidgee River with Regulated Murrumbidgee River Water entitlements held by associated *Webster Limited* companies.
 - "Glenmea", New South Wales
 - Located approximately 45 radial kilometres south-west of Hay, 265 radial kilometres north-west of Wagga Wagga and 635 radial kilometres south-west of Sydney. "Glenmea" comprises a total area of approximately 6,223 hectares and has been developed to approximately 2,277 hectares of irrigation – laser levelled row crop, 3,753 hectares of native grazing/support land with the balance 192 hectares comprising area under water storage. The property has access to the Murrumbidgee River with Regulated Murrumbidgee River Water entitlements held by associated *Webster Limited* companies.

- “Pevensey”, New South Wales
 - Located approximately 20 radial kilometres south-west of Hay, 255 radial kilometres north-west of Wagga Wagga and 610 radial kilometres south-west of Sydney. “Pevensey” comprises a total area of approximately 5,896 hectares and has been developed to approximately 1,739 hectares of irrigation – laser levelled row crop, 108 hectares of irrigation-laser levelled flood, 3,944 hectares of native grazing/support land with the balance 105 hectares comprising water storages. The property has access to the Murrumbidgee River with Regulated Murrumbidgee River Water entitlements held by associated Webster Limited companies.
- “Yang Yang”, New South Wales
 - Located approximately 50 radial kilometres west of Hay, 290 radial kilometres north-west of Wagga Wagga and 640 radial kilometres south-west of Sydney. “Yang Yang” comprises a total area of 17.61 hectares utilised for rural lifestyle pursuits. The property has frontage to the Murrumbidgee River and is structurally developed with two dwellings and shedding.
- “Tandou Station”, New South Wales
 - Located approximately 45 radial kilometres south-west of Menindee and 410 radial kilometres north-east of Adelaide. “Tandou Station” comprises a total area of approximately 127,337 hectares of both Freehold and Western Lands Lease land and comprises a mix of land types. The property is utilised to support a dorper sheep breeding enterprise and has recently been improved with a sheep feedlot facility comprising 2 development areas being the primary feedlot area with 24 x 2,000 sqm pens and containment area for ewes and lambs comprising 44 x 3,500 sqm pens. Carrying capacity for the property is assessed at approximately 31,500 DSE.
- “Kalabity Station”, South Australia
 - Located approximately 40 radial kilometres north of Olary, 100 radial kilometres west of Broken Hill and 370 radial kilometres north-east of Adelaide. “Kalabity Station” comprises a total area of approximately 185,700 hectares of Crown Leasehold land and comprises a mix of land types. The property is utilised to support a dorper sheep breeding enterprise. Carrying capacity is assessed at approximately 25,000 DSE.
- “Packsaddle Station”, New South Wales
 - Located approximately 160 radial kilometres north-east of Broken Hill, 165 radial kilometres north-west of Wilcannia and 570 radial kilometres north-east of Adelaide. “Packsaddle Station” comprises a total land area 40,880 hectares of Western Lands Lease and comprises a mix of land types. The property is utilised to support a dorper sheep breeding enterprise. Carrying capacity is assessed at approximately 9,000 DSE.
- 472-480 Banna Avenue, Griffith, New South Wales
 - The property comprises a 1,267 square metre commercial site which is currently being developed with a 2-storey commercial office building (under construction), which will form a primary administration site for Webster Limited. The allotment is generally irregular in shape and bounded by Banna Avenue to the north and Banna Lane to the south. The subject is zoned “Local Centre” (B2) pursuant to the Griffith Local Environment Plan 2014.

2.3 Reliance & Liability

Liability	<ul style="list-style-type: none"> ▪ Liability limited by a scheme approved under Professional Standards Legislation.
Reliance	<ul style="list-style-type: none"> ▪ This valuation is strictly and only for the use of the Reliant Party and for the Purpose specifically stated in the Executive Summary (Instructions/Reliance) section.
Confidentiality	<ul style="list-style-type: none"> ▪ This valuation report is strictly confidential between CBRE and the Reliant Party, however any such party may disclose all or part of this valuation report without the other parties’ consent where: <ul style="list-style-type: none"> (a) it is required to do so by law or the listing rules of a recognised stock exchange; (b) it is required to do so by a court, arbitrator or administrative tribunal in the course of proceedings or any determination to which the disclosing party is a party; or (c) which, in the reasonable opinion of the disclosing party, is required to be disclosed to any prospective lender, insurer or other consultant or professional adviser, provided that in each case it first obtains (and

enforces if required by either of the other parties), an undertaking from each such person to keep this valuation in strict confidence.

Transmission	<ul style="list-style-type: none"> Only an original valuation report received by the Reliant Party directly from CBRE or through a Panel Management System authorised by the client can be relied upon.
Restricted	<ul style="list-style-type: none"> No responsibility is accepted or assumed to any third party who may use or rely on the whole or any part of the content of this valuation.
Copyright	<ul style="list-style-type: none"> As between CBRE, the Instructing Party and the Reliant Party, all intellectual property rights in this valuation report are owned by CBRE. Neither the whole nor any part of the content of this valuation may be published in any document, statement, circular or otherwise by any party other than CBRE, nor in any communication with any third party, without the prior written approval from CBRE, and subject to any conditions determined by CBRE, including the form and context in which it is to appear.
Value Subject To Change	<ul style="list-style-type: none"> This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movement or factors specific to the particular property). For the avoidance of doubt, this may include global financial crises or force majeure events. We do not accept liability for losses arising from such subsequent changes in value.
Reliance Period	<ul style="list-style-type: none"> We do not assume any responsibility or accept any liability in circumstances where this valuation is relied upon after the expiration of 90 days from the date of valuation, or such earlier date if the Reliant Party becomes aware of any factors that have any effect on the valuation.
Disclosure	<ul style="list-style-type: none"> CBRE must be advised in the event that the Reliant Party becomes aware of any changes relating to the information and advice provided by the Instructing/Reliant Party during the Reliance Period. This includes, without limitation, any changes to information and advice provided in relation to encumbrances, registered/unregistered interests, title, and land area/dimensions. In any such event, this valuation must not be relied upon without consulting CBRE first to reassess any effect on the valuation.
Valuer's Interest	<ul style="list-style-type: none"> We hereby certify that the Principal Valuer is suitably qualified and authorised to practise as a valuer; does not have a pecuniary interest, financial or otherwise, that could conflict with the proper valuation of the property; and accepts instructions to value the property only from the Responsible Entity/Instructing Party.

2.4 Market Value Definitions

Market Value Definition	<ul style="list-style-type: none"> In accordance with the International Valuation Standard, the definition of market value is: "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."
AASB13 Fair Value Measurement	<ul style="list-style-type: none"> We have had regard to the requirements of the Australian Accounting Standards Board. In particular, we have considered AASB13 Fair Value Measurement, which adopts the following definition of Fair Value: "Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The fair value of a non-financial asset is based on its highest and best use to market participants.
AASB 116 Property, Plant and Equipment	<ul style="list-style-type: none"> Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (See AASB 13 Fair Value Measurement.)
Regulatory Guide 111 and 112	<ul style="list-style-type: none"> This report has been prepared by CBRE in accordance with the Australian Securities and Investment Commission (ASIC) Regulatory Guides (RG) 111 and 112. Neither CBRE nor any of its personnel involved in the preparation of this report have: <ul style="list-style-type: none"> Any material present of contingent interest in either Webster or PSP or in any of the properties described herein; or Any association with Webster or PSP, or related parties of either, which may lead to bias.

- Highest & Best Use**
- In accordance with the Australian Property Institute Valuation and Property Standards, the definition of highest and best use is:
“The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.”

2.5 Qualifications and Independence

- Valuer Competence**
- Pursuant to RG112 we acknowledge the valuers are competent in the valuations of irrigation and dryland cropping properties as well as grazing properties throughout New South Wales and South Australia.
- Qualifications**
- The valuers are suitably qualified to carry out such valuations and have at least 5 years of appropriate experience in this field of valuation.
- Conflict of Interest Disclosure**
- We acknowledge we do not have any pre-occurring interest in *Webster Limited* that may be regarded as being capable of affecting that person’s ability to give an unbiased opinion of value or that could conflict with a proper valuation of the assets.
 - CBRE have completed valuations of the portfolio over the last 5 years outlined below;
 - 2015 – Valuation of the whole portfolio, including the acquisition of the *Tandou* properties and *PrimeAg* properties. Reports prepared for *Pitcher Partners* as part of their Independent Expert Report for the acquisition of the above companies/properties.
 - 2018 – Valuation of the whole portfolio for First Mortgage Security purposes.

2.6 Transaction History

- Previous Sale**
- In the past three years we note the following transactions that now form part of the portfolio:
 - “**Packsaddle Station**” was acquired by *Tandou Ltd* (100%) share on 1 February 2018.
 - Vendor: Berkleman Pty Ltd.
 - Purchaser: *Tandou Ltd*.
 - Date: 1 February 2018.
 - Price: \$6,000,000, “walk in walk out” basis.
 - Deposit: \$600,000.
 - We further note the existence of an additional contract for the sale of the organic business carried out on “Packsaddle Station” prior to the transaction and the additional livestock, plant and equipment on the property at the time of sale. The contracted purchase price of the business and plant and equipment was for \$980,800 and included the purchase of the organic lamb business, 4,385 ewes, 1,500 lambs, 100 rams; and an extensive list of plant and equipment.
 - “**Pevensey**” was acquired by *Tandou Ltd* (100%) share on 23 May 2016.
 - Vendor: John Leo Headon and Lisa Maree Headon.
 - Purchaser: *Tandou Ltd*.
 - Date: 23 May 2016.
 - Price: \$5,950,000.
 - Deposit: \$595,000.
 - We have been provided with a partly executed Contract of Sale for “**Kalabity Station**” with the following detail:
 - Vendor: Kalabity Pastoral Unit Trust.
 - Purchaser: *Tandou Ltd*.
 - Contract Date: March 2017.
 - Price: \$12,500,000, “walk in walk out” basis.
 - The sale price was componentised as follows:
 - Real Property: \$9,317,400.
 - Livestock, Plant and Equipment: \$3,182,600.
- Contract of Sale**
- We have requested but are not aware of any current contracts of sale.

2.7 Marketability

Buyer Demand/ Purchaser Profile

- In the current market, for individual properties, groupings of properties or the portfolio:
 - Anticipated buyer demand/liquidity: Moderate to strong.
 - Likely purchaser profile comprises: Institutions, high net worth individuals, family syndicates, corporates and offshore investors/funds.
 - Estimated selling period (with a professional marketing campaign) for the portfolio is: 6 to 12 months on the basis that assets of this scale and nature usually require lengthy marketing and due diligence periods before transacting.
 - Estimated selling period (with a professional marketing campaign) for individual properties is: 6 to 12 months.

2.8 Critical Assumptions

Our valuation is subject to the following critical assumptions:

Information Relied Upon

- The assessments of value are reliant upon information provided by *Webster Limited* with our instructions.
- We have assumed such information is accurate and that all information and facts that may affect our valuation have been provided. We have not verified the information provided except to the extent specifically noted in this report. A summary of this information is outlined as follows:
 - Summary for the respective properties; namely Title details, land types, paddock/water/development maps and historical livestock records.
 - We have reconciled the areas supplied with Title searches undertaken by CBRE and the on-site inspection appeared in line with areas supplied.

Title

- The land is not subject to any encroachments or restrictions on title.

Identification

- All structures have been erected within the title boundaries of the site and there are no encroachments on or by the subject land.
- We note that in regard to rural properties, it is common for fencing to encroach either way between boundaries. Given that it is not practical to verify the status of boundaries due to the sheer size and scale of rural properties, we assume there to be no impact on productivity, marketability, or value.

Approvals/Permits

- All Council approvals and permits have been obtained for the existing development and the lessees are not in breach of any Pastoral or Crown Lease conditions.

Contamination Conditions

- Unless stated otherwise, we have assumed that each property is free of elevated levels of contaminants. Our visual inspection is an inconclusive indicator of the actual condition of the site. We make no representation as to the actual environmental status of the subject property. If a test is undertaken at some time in the future to assess the degree, if any, of contamination of the site and this is found to be positive, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.
- We do note the existence of chemical stores, above and below ground fuel tanks and cattle spraying areas, but advise that these facilities are common on rural properties and present localised contamination risk only.

Objective Information

- Any objective information, data or calculations set out in the Valuation will be accurate so far as is reasonably expected from a qualified and experienced valuer, reflecting due skill, care and diligence

Notifiable Diseases

- We have not been made aware of any notifiable diseases associated with the portfolio or the livestock thereon. As such we have made our assessments of value assuming no detrimental effect from notifiable or otherwise harmful diseases

Water Entitlements	<ul style="list-style-type: none"> ▪ We have not been instructed to assess the value of any related water entitlements in this valuation. Included in the greater <i>Webster Limited</i> portfolio are multiple entitlements from the following water sources associated with the 4 irrigation properties described herein and further assets under common ownership, but which are excluded from our assessment: <ul style="list-style-type: none"> – Murrumbidgee River – High Security – Murrumbidgee River – General Security – Murrumbidgee River – Supplementary – Murrumbidgee River – Unregulated – Murrumbidgee River– Domestic & Stock – Lower Murrumbidgee Zone 1 Groundwater – Lower Murrumbidgee Zone 3 Groundwater
Land Class Apportionment	<ul style="list-style-type: none"> ▪ In an effort to apportion the land class areas of the subject aggregation, we have relied upon information provided by <i>Websters Limited</i> in obtaining the appropriate areas. We have reconciled the areas provided by <i>Google Earth Pro Mapping Software</i> where possible. ▪ If any of the information is found to be incorrect, we reserve the right to review the valuation.
Irrigation Infrastructure	<ul style="list-style-type: none"> ▪ Via information obtained and through our property inspections, we have been advised that the irrigation infrastructure to be included in this valuation is in adequate working order. Therefore, for the purpose of the valuations we have assumed that the pumps and irrigation infrastructure are in sound working order and that no material expenditure is required to repair pumps, pipes or the like. ▪ The irrigation equipment that we have been advised to include in the valuations is capitalised into the associated land value.
Water Supply Works and Water Use	<ul style="list-style-type: none"> ▪ It is an express assumption that the Water Supply Works and Water Use Approvals are current for all of the associated irrigation properties. ▪ Should this not be the case, associated valuations should not be relied upon.
Capital Works Expenditure	<ul style="list-style-type: none"> ▪ We understand that <i>Websters Limited</i> has undertaken significant capital works on each property since each where purchased. The capital works expenditure predominantly entailed soil amelioration and earthwork activities for the purpose of land class development and the construction of new and renovation of existing improvements. ▪ Subject to the foregoing, we reserve the right to review associated valuations if this information is deemed to be incorrect.
Certificates of Title	<ul style="list-style-type: none"> ▪ We have not been provided with current Certificates of Title and associated Plan searches for all properties within the portfolio. Therefore, as per instructions, we have relied upon a title schedule provided by the client. ▪ It is an express assumption that associated Certificates of Title and associated Plans have not been adversely impacted by any encumbrances / registrations. Further, we assume there has been no change in ownership. ▪ We reserve the right to review our valuation if any of the information provided is found to be incorrect.

2.9 Recommendations

Prior to relying on the report, the Reliant Party is to obtain the following information/additional advice:

Asbestos Report	<ul style="list-style-type: none"> ▪ Asbestos Report – refer to Asbestos Risk section for further details.
Land Areas	<ul style="list-style-type: none"> ▪ Title areas are not always displayed on Certificates of Title. We have reconciled the land areas using supplied documentation, <i>PDSLIVE</i>, <i>CoreLogic</i> and Land & Property Information software programs. We recommend these land areas be verified by a qualified surveyor. Refer to Land Identification (Verification Source).

3 Individual Property Reports

3.1 Introduction

- Summary**
- The portion of the portfolio we have been instructed to assess, comprises 9 assets operating as a part of a single portfolio for which we have assessed each asset a Market Value – Vacant Possession.
 - Detailed information for each of the individual properties is contained in Volume II – Individual Property Reports.
 - We provide the following summary of the individual property reports and the source of information contained therein.

3.2 Title & Interests

- Title**
- We have relied upon the title information provided by *Webster Limited* (as described in Section 2.8 – Critical Assumptions) for each of the properties and have assumed that these titles are current for this valuation. Should further title searches be carried out which show discrepancies to the details provided we reserve the right to review the associated valuation.
- Encumbrances**
- If there are any encumbrances, encroachments, restrictions, leases or covenants which are not noted in this report, they may affect our assessment. If any such matters are known or discovered, we should be advised and a review of our assessment sought.
- Maps**
- We have relied on mapping provided by *Webster Limited* and also undertaken our own GIS Mapping.
 - The site plans are taken from supplied maps provided by *Webster Limited*.

3.3 Highest & Best Use

- Introduction**
- The highest and best use of each property can generally be defined as “that reasonable and probable use that will support the highest present value of the property as at the date of valuation. The opinion of such use may be based upon the highest and most probable use of the property as at the date of valuation or the use likely to be in demand within the reasonably near future.”
 - When determining the highest and best use, there are a number of factors which must be considered including:
 - Existing use
 - Profitability and marketability
 - Financial and social constraints
 - Legal constraints and regulatory controls
 - Physical and functional limitations

3.4 Land Details

- Overview** **For each individual property description we noted the following.**
- Location**
- Distance and direction from nearest regional centre / township.
- Zoning Information**
- We have relied upon information sourced from the respective planning authority for each Local Government Area and we note that all properties appear to have been developed in a manner which is an approved use pursuant to the relevant planning schemes.
- Primary Access**
- Name of road and construction type.
- Services**
- Description and connection details.
- Topography**
- A broad description of the land contour.
- Land Classes**
- Depending on State, land class information is based on:
 - Information supplied by *Webster Limited*, as described in **Section 2.8 – Critical Assumptions**; and
 - Field observations.

Land Use	▪ Details observed during inspection and provided by <i>Webster Limited</i> .
Geology/Soil Type	▪ Field observations.
Average Annual Rainfall	▪ Bureau of Meteorology – Annual Rainfall Data.
Water Supply	▪ Details observed during inspection and provided by <i>Webster Limited</i> .
Drainage	▪ Details observed during inspection.
Irrigation Developed.	▪ Details observed during inspection and provided by <i>Webster Limited</i> .

3.5 Structures

Summary	<ul style="list-style-type: none">▪ Unless otherwise stated all structures listed in this section have been sighted by the valuer, however on occasions an internal inspection was not possible due to tenancies.▪ We have not been supplied with an independent Asbestos register.▪ Whilst reasonable enquiries have been made of the portfolio manager as to the existence of hazardous materials within the buildings, we advise that no other investigation has been conducted by CBRE as to possible environmental hazards.▪ If subsequent information is obtained which indicates the possible existence of hazardous materials within the buildings it is recommended that a relevant building contamination survey be conducted.
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4 Market Commentary

4.1 Agribusiness Overview

4.1.1 Seasonal Conditions & Outlook

Seasonal Conditions & Outlook

Source: Australian Bureau of Meteorology

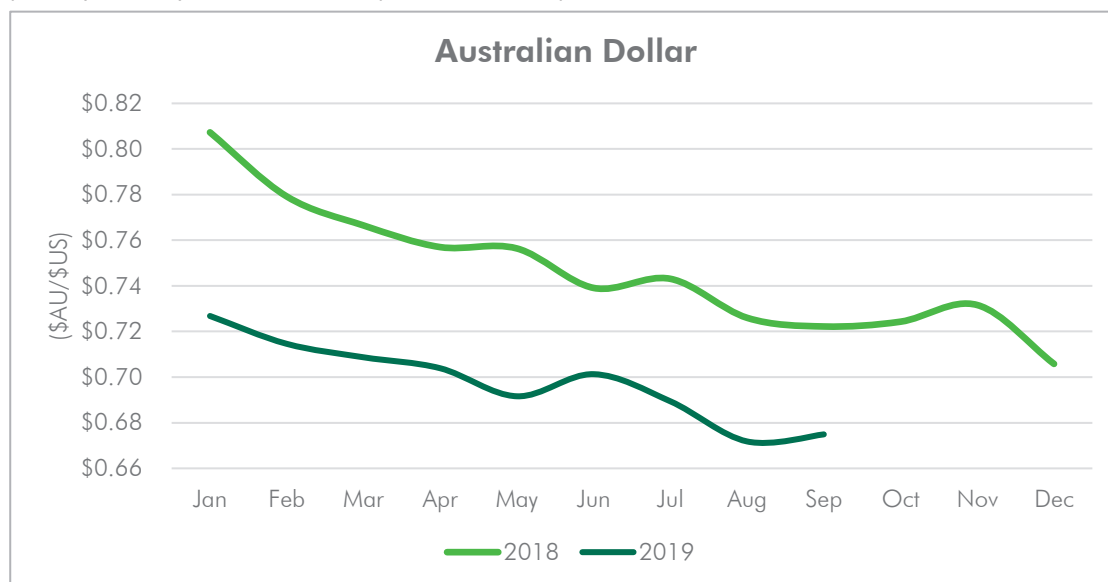
- Rainfall for the 2019 year to date has been below to very much below average for most of Australia and the nation saw its tenth driest September (however still wetter than September 2018) as well as being the fourth driest January to September on record and the driest since 1965.
- Below to very much below average rainfall was seen throughout Australia, particularly for most of New South Wales (excluding some coastal regions), Queensland (except parts of the south-west and the north) and Western Australia (except for the southern half). Additionally, some parts of these states had their lowest September rainfall on record. Furthermore, the north of the Northern Territory, most of Victoria (other than the south-west and South Gippsland), Tasmania and South Australia (excluding the western parts) were also subject to below to very much below average September rainfall.
- However, above average September rainfall was seen throughout most of the Kimberley in Western Australia through to the northern and central parts of the Northern Territory and across to south-west Queensland as a result of consecutive showers in the later part of the month. Some sites in Tasmania, New South Wales and South Australia did however receive record wet days for the month.
- It is noted that in March, tropical cyclone Trevor produced heavy rainfall over the north-eastern Northern Territory and western Queensland. This additional rainfall came after tropical and north-west Queensland both endured abnormally high rainfall events in February (300% to 400% above the average February long-term rainfall) resulting in severe and widespread flood events throughout Townsville as well as northern and western Queensland, causing subsequent extensive stock losses and property damage.
- Australia has experienced above average temperatures and it has been the fourth warmest mean maximum temperature on record for September and the second warmest mean temperature recorded for January to September. Additionally, the national mean maximum and mean minimum temperatures have been the highest and eight highest on record respectively. New South Wales and Western Australia had their warmest mean and mean maximum temperatures on record.
- Cooler than average mean minimum September temperatures were evident across eastern South Australia, western and northern Victoria, parts of western, southern and northern New South Wales, western Queensland as well as the central, northern and far northern coasts, the Northern Territory's Top End and parts of the Kimberley in Western Australia. Moreover, record low mean minimum September temperatures were seen in some sites in Queensland and the Northern Territory.
- South-west Western Australia had a severe frost event, followed by low rainfall and high temperatures resulting in significant crop damage. Frost events also caused crop damage in south-east South Australia and parts of western Victoria.
- Due to the considerable below average rainfall experienced nationally and the significant rainfall deficiencies in drought affected areas, prolonged substantial above average rainfall will be required for national rainfall to return to long-term average levels.

	Average September Rainfall	Departure From Long Term Average
Queensland	1.8mm	-86%
New South Wales	12.5mm	-64%
Victoria	41.6mm	-36%
Tasmania	100.1mm	-27%
South Australia	8.5mm	-51%
Western Australia	3.4mm	-68%
Northern Territory	4.7mm	-34%

4.1.2 Currency

Australian Dollar

- Though January 2018 saw the Australian Dollar return to the highs seen in July/August 2017 at \$US0.80, the dollar progressively fell to \$US0.70 by December 2018.
- There was a slight lift to \$US0.73 in January 2019 before falling back to \$US0.67 for August 2019; the lowest since March 2009; the lowest since the GFC. Weak global economic growth and downside risks stemming from persisting US-China trade tensions continue to create uncertainty. Additionally, the RBA lowered the cash rate for June by 25 basis points from 1.50 percent to 1.25 percent (the first reduction since August 2016) and subsequently by 25 basis point reductions in July and October from 1.25 percent to 0.75 percent which may place further downward pressure on the value of the Australian Dollar relative to other currencies. This easing monetary policy is in line with many other central banks around the world as a response to the uncertain economic outlook. The dollar did lift to \$US0.70 in June 2019 however continued to fall to \$US0.67 for September 2019.
- Nonetheless the continued decline of the Australian dollar to the US dollar, is largely considered a positive for most Australian agribusinesses and commodities, as it enhances our export competitiveness albeit partially offset by increased farm input costs from imports.



Source: Reserve Bank of Australia

4.1.3 Cotton

Overview

Source: The Australian Cotton
Grower Yearbook 2016

- Cotton production in Australia is largely concentrated in New South Wales and Queensland and largely within the Murray Darling Basin.
- New South Wales's main production areas are centred on the Border Rivers; Gwydir Valley; Namoi Valley / Barwon River; Bourke; Macquarie Valley; Menindee (Lake Tandou); Hillston / Lachlan Valley; and Murrumbidgee Valley/Riverina.
- Queensland's main production areas are centred on Emerald / Biloela; Darling Downs; Goondiwindi / Border Rivers; and St George / Dirranbandi.



- Australia's cotton sector has expanded dramatically since its beginnings in the 1960s in the Lower Namoi Valley of New South Wales. Irrigated cotton production is often viewed as an attractive viable land use given its favourable gross margins when prices are above about \$450 per bale and the ability to forward sell production for 3 or more years.
- The vast majority of Australia's cotton is irrigated. Dryland cotton production is quite variable and considered to be relatively opportunistic and dependent on favourable soil moisture levels and cotton prices prevailing at planting time (late spring / early summer).
- Production levels and the growth of the sector are influenced greatly by the availability of reliable irrigation water, as a cotton crop requires between 6 megalitres and 12 megalitres per hectare per annum.
- Irrigation water is sourced from several sources:
 - Aquifers (bores);
 - Regulated and supplementary river allocations below public water storages;
 - Unregulated river entitlements on streams without public water storages; and
 - On farm water harvesting.
- Irrigation water use has become increasingly regulated over the past 20 years resulting in increasing water entitlement values and water use efficiencies.

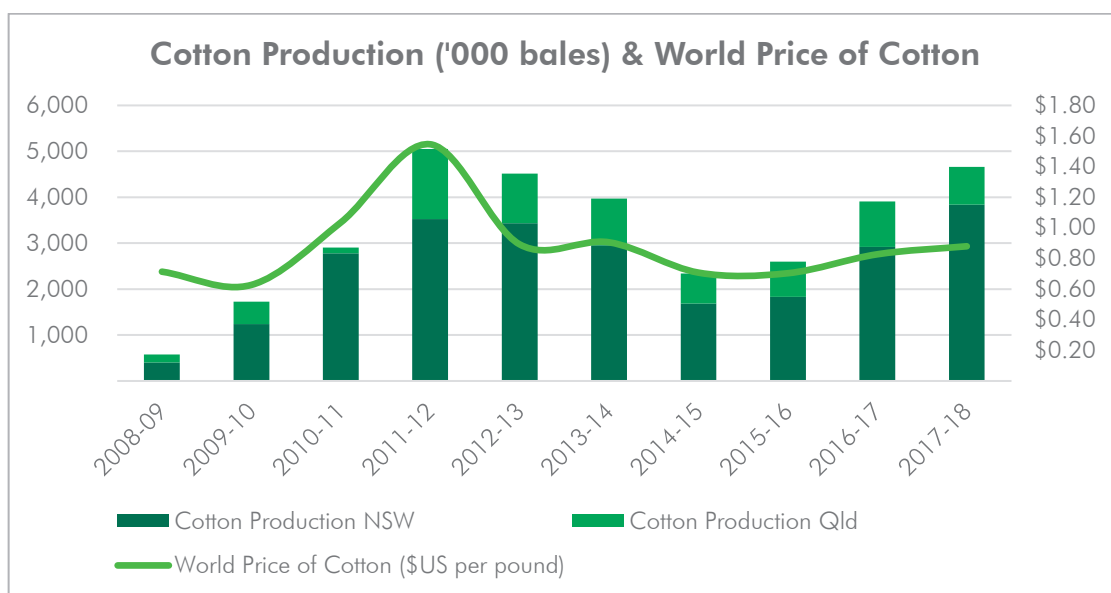
- In most cotton production regions aquifer (bore) water is viewed as the most reliable source of irrigation water followed by regulated river entitlements.
- On-farm storages provide the opportunity for irrigators to capture / harvest run-off from local storm rain events; recycle tail water and capture supplementary flow events from local streams, in accordance with licencing conditions.

Australian Production

- Cotton production in Australia is undertaken by a wide range of growers, some of whom have been producing since the 1960s. Major corporate growers include *Auscott Pty Ltd*, *Webster Limited*, *Australian Food and Fibre Pty Ltd*, *Sundown Pastoral* and “*Cubbie Station*” Consortium. However, in most cotton districts, family entities, both small and very large, remain the dominant growers.
- The expansion of cotton production districts continues as new improved genetically modified (GM) cotton varieties become available, particularly those more suited to the cooler climate of southern New South Wales.
- Cotton is a water-intensive crop that relies on rainfall to boost production. An increase in water supplies through increased rainfall provides an opportunity for cotton farms to boost crop yields, harvest volumes, quality and revenue.
- Increasing water use efficiencies; reduced chemical usage; increasing yields and new picking technology also underpin production levels and expansion whenever water availability and the price of cotton align.
- Australian cotton production can vary significantly depending upon irrigation water availability/certainty and cotton prices.
- Operators in the Cotton Growing industry have endured extreme revenue volatility and fluctuating profit margins, with a range of external factors influencing industry performance. Unfavourable growing conditions, such as prolonged dry weather and reduced irrigation water stocks, over the three years through 2014/15 forced farmers to allocate less land to cotton, which is a water-intensive crop. Consequently, production dropped significantly, leading to revenue declines for most of that three-year period.
- Resurgent rainfall and a global undersupply of cotton allowed the industry to moderately recover over the three years through to 2017/18, however 2018 and into 2019 saw a severe and prolonged drought throughout most of New South Wales and Queensland’s cotton growing regions resulting in very low production. Consequently, the area harvested and in turn, production, decreased approximately 35% and 54% respectively from 2017/18 to 2018/19 and are expected to decrease by a further 58% and 39% respectively into 2019/20.
- Over 95% of processed cotton (ginned cotton) is sold abroad and resultantly, Australia is the world’s third-largest cotton exporter. Historically, increased demand for Australian cotton from Asian textile industries has boosted demand for the industry’s services.

Cotton Price

- Cotton is a world traded commodity and is usually traded in US dollars. Therefore, Australian currency fluctuations can significantly impact on the price Australian growers (who export 100% of their production) receive.
- Global supply and demand for cotton influence world prices. That is, an increase in world cotton prices can be due to volume shortages or increased demand from cotton buyers. Higher prices and increased demand tend to prompt growers to devote more resources to cotton growing, which can boost industry revenue. On the other hand, lower prices due to a global oversupply, can threaten industry revenue.
- In late 2018, cotton traded at \$US530 to \$US650 per bale (\$US0.89/lb), which is above the average historical price of between \$US450 and \$US460 per bale (approximately \$US0.73/lb).
- In early 2019, the cotton price though softened with cotton trading at as low as \$US415 per bale (approximately \$US0.83/lb) and has continued to fall into 2019 trading at circa \$US300 per bale (approximately \$US0.60/lb) from August to October 2019. The price is expected to fall further as cotton continues to compete with other synthetic fibres and as increased global production or raw cotton is forecast to exceed global consumption. There are also additional uncertainties created by the U.S.-China trade tensions after Chinese fibre demand fell following the implementation of tariffs on Chinese garment and textile exports.
- A summary of Cotton Production and World Price of Cotton over the last 10 years is provided overleaf. 2018/19 data is not yet available.



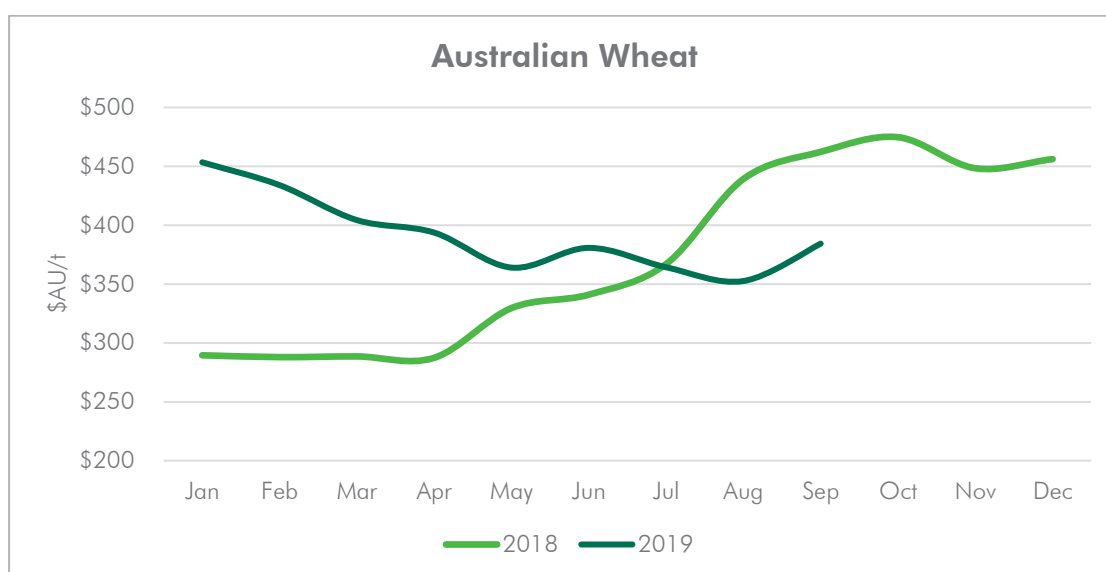
Source: The Australian Cotton Grower

4.1.4 Commodities

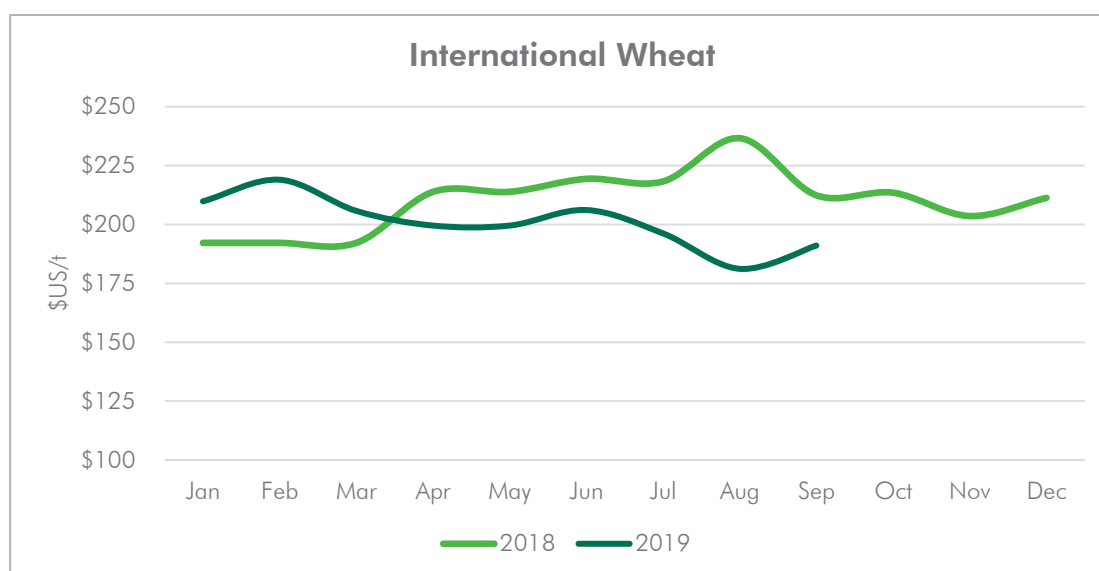
Wheat

Source: USDA and
Analysing Agriculture

- Globally, 2019/20 wheat production in major exporting and importing countries is forecast higher at 766 million tonnes in 2019/20 (a 4.7% increase on the previous year after having fallen 3.8% from 2017/18 to 2018/19) which will in turn increase supply (particularly stocks in major exporting countries). Resultantly downward pressure will likely be placed on global wheat prices, expected to average 6% lower over the same period.
- China's 25% tariff, reducing U.S. wheat imports, is likely to be met by Canadian and Australian production. Argentina is forecast to produce its second consecutive record wheat crop for 2018/19 which will increase competition with Australian wheat, particularly considering the depreciation of the Argentinian peso.
- Australia's 2018/19 wheat production fell 17% from the previous years crop from circa 20.9 million tonnes to 17.3 million tonnes, the lowest since the drought affected 2007/08 crop due to extended dry weather events in the New South Wales and Queensland wheat production regions. Western Australia received the best growing conditions in the country and as a result Western Australian and South Australian wheat is continuing to be shipped to the eastern States to support increased demand for livestock feed and for the first time since 2006, several bulk grain import permits for Canadian milling wheat have been issued to compensate for domestic shortages. Australian wheat exports for 2019/20 are expected to increase 10.8% on the previous year as national production is forecast higher and there is expected to be a slight ease in demand for feed grain.
- Local wheat prices are currently trading in the vicinity of \$384 per tonne (APW1 – NSW Port Kembla) having fallen from \$453 per tonne in January 2019. This reduction in price is relative to the increased forecast wheat production (tonnes) nationally, from circa 17.3 million tonnes predicted for 2018/19 to circa 19.1 million tonnes expected in 2019/20.



Source: Profarmer Australia



Source: Index Mundi

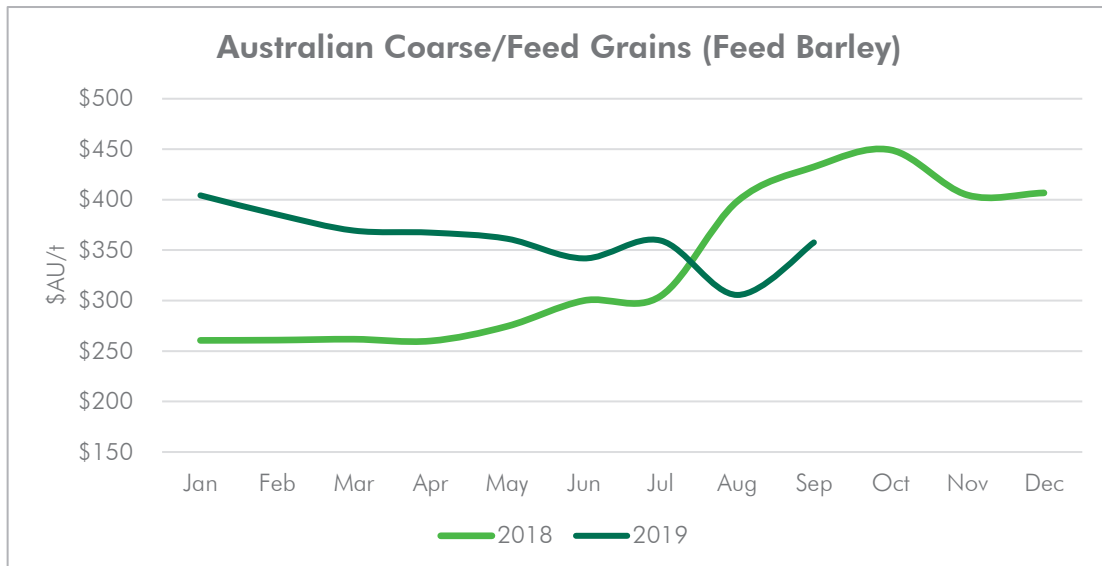
Coarse / Feed Grain

Source: USDA and
Analysing Agriculture

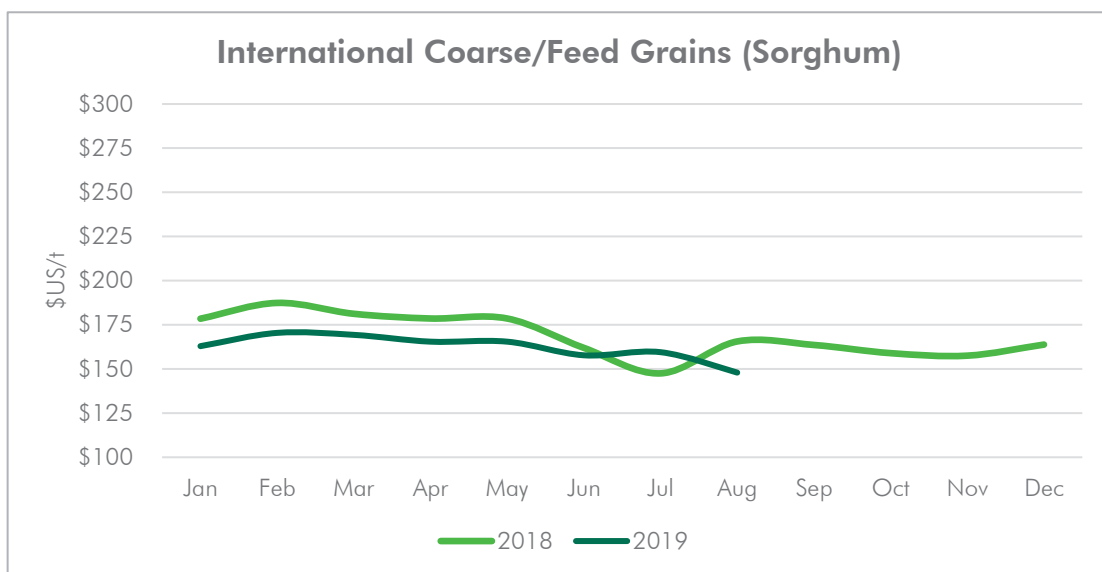
- World production of coarse grains for 2018/19 is estimated at approximately 1.39 billion tonnes, some 3.0% above the previous year's production and 2019/20 world production is expected to increase slightly by 0.4%. Increased substitution of wheat for feed, largely from China, coupled with increased production in the U.S., Canada and Australia and large carry-over corn stocks will place downward pressure on prices which are anticipated to decline by 13% in 2019/20. Higher forecast barley production in the EU in 2019/20 is expected to be met with higher domestic demand as prices return to the long-term average.
- Due to the increasing spread of African Swine Fever (ASF) in China, Chinese pig numbers have reportedly fallen from circa 430 million to 100 million (as at June 2019) equating to an approximate 23% decline in China's national hog herd which is expected to increase to as much as a 55% to 60% decline in the national herd by years end (a potential decline in the global pig herd of 30%), consequently creating a significant void in demand for feed corn in China. This will be partially offset by an increase in Chinese demand for feed grain for poultry feed as poultry production increases in the wake of China's dwindling pig herd. While an increase in Chinese demand for corn for industrial uses is forecast, this still poses a demand risk due to the uncertainty of the speed of Government implementation of biofuel policies in China any will likely not offset the reduced demand from ASF. Ongoing U.S. - China trade tensions also increase international grain market ambiguity.
- Australia's production for 2018/19 was estimated at 10.56 million tonnes, some 10.3% below the previous year due to a dry winter in the eastern states resulting in an overall decline in barley, sorghum and oat

production. This is however expected to somewhat recover for 2019/20 (forecast to increase by 10.9%, albeit with a decrease in grain sorghum grown) provided that seasonal conditions return to average levels.

- In summary, domestic prices are potentially facing downward pressure due to greater supply, with F1 Feed Barley (NSW Port Kembla) trading at approximately \$358 per tonne as at September 2019, having fallen from \$404 per tonne in January 2019.



Source: Proformer Australia



Source: Index Mundi

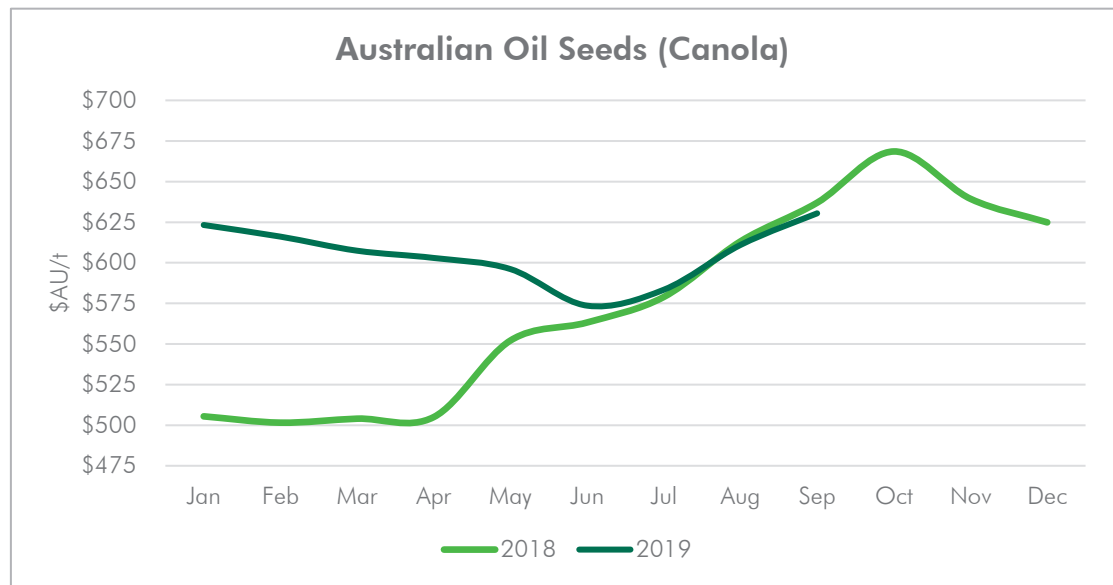
Oil Seed

Source: USDA and
Analysing Agriculture

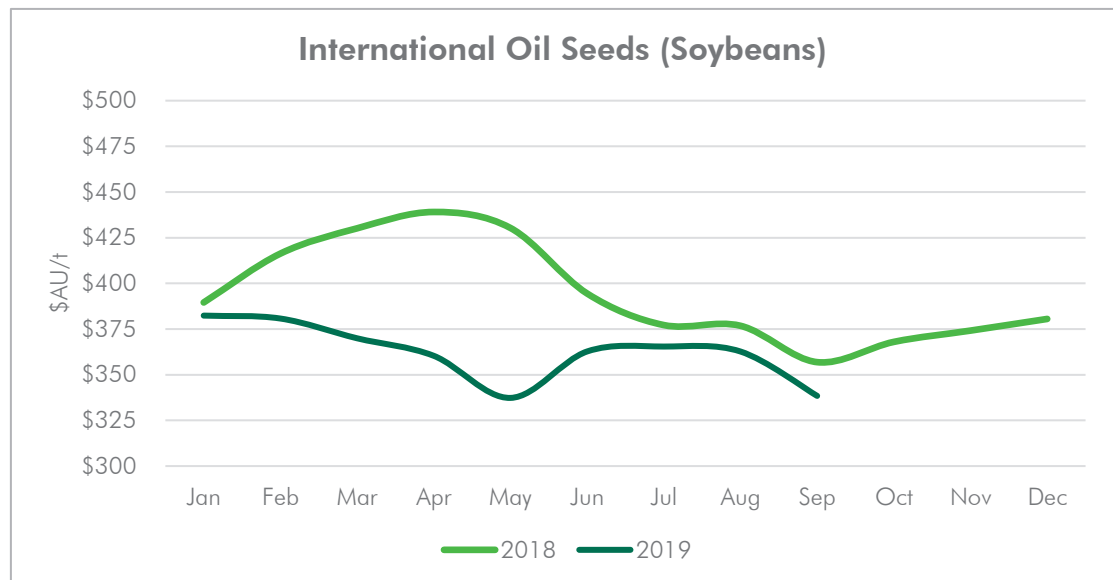
- Overall world oilseed production for 2018/19 is forecast at 588 million tonnes, up by 13 million tonnes on the year prior. Of note this is the record 2018/19 soybean production in South America, with Argentina and Brazil accounting for nearly half the world's soybean production for the same period.
- China faces the increasing spread of disease outbreaks from African Swine fever (AFS) through its pig farming sector which accounts for half the world's pig population with Chinese pig numbers having reportedly fallen from circa 430 million to 100 million (as at June 2019) equating to an approximate 23% decline in China's national hog herd which is expected to increase to as much as a 55% to 60% decline in the national herd by years end (a potential decline in the global pig herd of 30%), consequently creating a significant void in demand for oilseed in China. As China utilise approximately one third of world soybean production, this could have a significant impact on global oilseed imports and prices, which are already being felt with a reduction in global oilseed prices in 2018/19.
- Persisting U.S. - China trade tensions and China's introduction of a 25% tariff on imports of U.S. soybeans led China to source supply from the South American market. Canada and the U.S. (the world's largest canola exporters), historically exported most of their product to China, however in the wake of decreased

Chinese demand and China's various import restrictions/tariffs on Canadian and U.S oil seeds, the respective Governments have announced support packages to farmers. Whilst global oilseed consumption is estimated to increase due to increased global consumption, ultimately, increased global production and lower Chinese demand will continue to place downward pressure on world soybean prices.

- Domestic oilseed production for 2018/19 is estimated at approximately 2.95 million tonnes, some 46% below that of 2017/18 largely due to adverse seasonal conditions throughout major canola growing regions. However, this is expected to recover in 2019/20, increasing by 6% as yields and areas planted return to average levels given normal seasonal conditions. Local canola prices are currently trading in the vicinity of \$630 per tonne for September 2019 having increased from \$574 per tonne in June 2019.



Source: Quandl



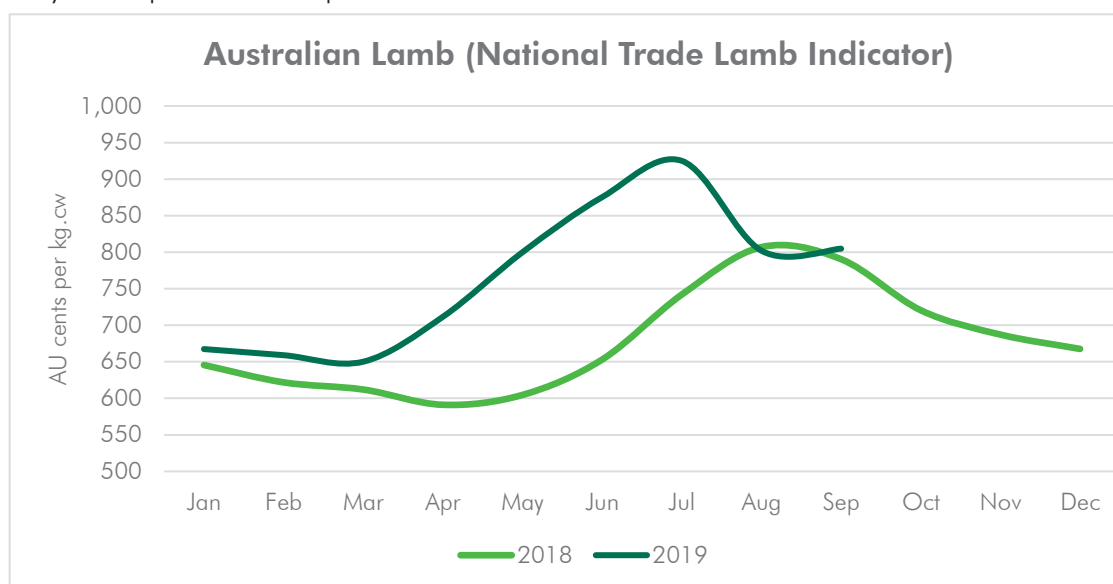
Source: Index Mundi

Lamb

Source: ABARES and
Analysing Agriculture

- Lamb saw a positive, high price trend throughout 2017 with the National Trade Lamb Indicator (NTLI) trending at above 600 cents per kilogram carcass weight for much of 2017. The beginning of 2018 saw the NTLI fall from the January average price per kilogram of 646 cents declining until April to a low of 591 cents per kilogram. Prices then recovered and increased until August with the NTLI for the month finishing at an unprecedented level of 807 cents per kilogram, the highest average rate reflected in 2018. Following this, the NTLI declined considerably from September 2018 into early 2019 however the average price increased sharply in April through to 925 cents per kilogram in July. In September 2019 the lamb price has since declined 120 cents from the peak of July 2019 to 805 cents per kilogram.

- The market has been dominated by limited supplies, which in turn has caused several processing plants to close – some temporarily, others permanently. Limited supply is forecast to remain as Australian sheepmeat producers continue to rebuild the national flock, as well as relatively high wool prices providing an incentive to retain merino wethers, which is leading to a slight decline in sheep and lamb slaughter as retention increases. Additionally, strong foreign demand continues to place upward pressure on prices.
- Ultimately, the average price per kilogram remains significantly higher than historical average prices with record prices continually being reported and expected in 2019/20 as a result of the more limited pool of available supplies, stemming from increased processor and restocker competition.
- Meat and Livestock Australia (MLA) are forecasting strong international demand to remain throughout 2019 and tighter supply conditions as well as a lower Australian Dollar are expected to continue to support current lamb and mutton prices. Lamb exports are anticipated to fall in the short term, in line with lower production, before building up to new highs as the national flock recovers and production increases again.
- Due to the occurrence of African Swine Fever (ASF) in China's pig population, China is seeking alternative protein sources however increases in demand for Australian sheep meat are expected to be minimal as higher prices can be achieved for Australian sheep meat exports to other nations and pig meat is more likely to be replaced with cheaper alternatives.



Source: Meat & Livestock Australia

4.2 Subject Markets

4.2.1 Southern Cotton

Market Category

- The Southern Cotton properties ("Kooba Aggregation", "South Farm", "Glenmea" and "Pevensey") are located in the Riverina region of New South Wales in the Murrumbidgee Valley locality.
- The Murrumbidgee and Lachlan Valleys have undergone significant change in the last 5 years with the development of a cotton industry and increasing interest in horticultural permanent plantings.
- In this time there has been a shift away from traditional rice production to cotton production. This is due to the development of new cotton varieties suited to the cooler climate in Southern New South Wales, as opposed to the traditional varieties in the warmer regions of Northern New South Wales and Queensland.
- Investors have become increasingly attracted to the Murrumbidgee and Lachlan Valleys due to their reliable irrigation water sources, be that Groundwater or High Security river entitlement in conjunction with highly fertile soil types when compared to northern cropping regions.

Market Overview

- There have been a number of large-scale properties transact, both prior and subsequent, to the development of new cotton gins at Whitton, Hay and Carrathool. In more recent times we have witnessed the move to separating large scale mixed farming properties into single enterprises. Notwithstanding the fact that there have been numerous sales throughout the region, we note more often than not, these sales have predominately been either large-scale irrigated cropping properties or large-scale grazing properties and rarely combine both farming systems on a significant scale.

- We have witnessed a number of new entrants in the market, in particular in the irrigated cropping market and the exit of some of the long-established corporate pastoral companies. The development of the Southern Cotton Gin at Whitton added to the viability of cotton production, followed by the addition of two more gins in the Murrumbidgee Valley by *Auscott Limited* (Hay) and *Rivcott Ginning* (Carathool) (supported by *Louis Dreyfus*).
- Although there has been a dearth of large-scale transactions in the past 2 years, we note the two following aggregations which have sold:
 - “Darlington Point Aggregation” formed part of the Sustainable Agriculture Fund (SAF) portfolio which included 5 separate agricultural aggregations throughout Australia. The portfolio comprised a total land area of approximately 24,022 hectares. Regionally, the “Darlington Point Aggregation” is made up of two properties known as “Huddersfield” & “Tubbo” comprising a total area of 4,937 hectares. Collectively the properties feature approximately 2,643 hectares of laser levelled row crop irrigation and 148 hectares of centre pivot irrigation, with the balance comprising dryland cropping, grazing and support land. The transaction also included 7,561 megalitres of Lower Murrumbidgee Zone 1 Groundwater and 5,047 megalitres of Lower Murrumbidgee Zone 3 Groundwater. Refer to Sales Evidence Section for full details on the transaction.
 - Discussions with the selling agents established that there were numerous potential purchasers in the vicinity of the price levels achieved for “Darlington Point Aggregation”. This strong demand demonstrates the current interest for large scale cotton producing holdings in the region.
 - We further note the sale of “Gundaline” which had undergone significant irrigation development upgrades since its original purchase in 2014. The transaction also included a 16,000 megalitre Lower Murrumbidgee Zone 2 Groundwater entitlement, 1,600 megalitre Supplementary water entitlement and a water storage capacity of circa 17,336 megalitres. In total “Gundaline” comprises a total area of circa 14,950 hectares with an irrigation - laser levelled row crop area of 6,008 hectares. “Gundaline” was purchased by a Private Equity Foreign Investor for circa \$64 million. The acquisition was also subject to a separate contract (not included in this sale price) for crop and plant & equipment.
 - In February 2018 *Twynam Agriculture Group*, owned by the Kahlbetzer family, listed their remaining rural properties on the market with price expectations of greater than \$100 million. The large-scale properties included “Jemalong Station” and “Jemalong Citrus” both located on the Lachlan River, west of Forbes and east of Condobolin. A third property included “Merrowie” located at Hillston. All three properties featured access to significant groundwater irrigation entitlements as well as irrigation water direct from the Lachlan River. “Jemalong Citrus” is developed to a large scale citrus orchard with “Jemalong Station” and Merrowie” used predominately for irrigated cotton and annual cash crops. The portfolio sold in two separate transactions with *Optifarm*, who are backed by Dutch investors, purchasing both of the “Jemalong” properties, and “Merrowie” being purchased by *MERS* trading as *MRA Merrowie Pty Ltd*. We understand the three properties were purchased for potential horticultural development.
- We further note the following large scale irrigation property that was recently advertised for sale in the Murrumbidgee Valley:
 - “Cobran” comprises a total land area of approximately 14,149 hectares, situated on the northern and sides of the Murrumbidgee River Road, approximately 25 radial kilometres north-east of Hay NSW. The property features approximately 5,624 hectares of irrigation - laser levelled row crop irrigation with large portions that have been newly developed, 374 hectares of irrigation - square bays, 1,561 hectares of irrigation – contour and 257 hectares of irrigation approved land. Further the irrigation land is supported by approximately 370 hectares of water storage (total holding capacity of 10,671 megalitres) with the balance of the property comprising native grazing and support land. Included in the offering was 6,029 megalitre Lower Murrumbidgee Zone 2 Groundwater entitlement and 12,117 megalitre Murrumbidgee Regulated River General Security entitlement. We understand “Cobran” to have received significant interest throughout the recent Expression of Interest campaign with price levels advised in excess of \$80 million. However, the property did not sell and was taken off the market.
- We note that in the current 2019 season only approximately 12,000 hectares of cotton has been planted in the Murrumbidgee Valley compared to the typical 40,000 plus hectares grown in previous years. This reduction in planted area has been largely due to ongoing drought conditions and the subsequent record price of irrigation water. We caution that if conditions remain dry and irrigation water prices remain unviable for cotton production then we could see a softening of demand cotton irrigated properties throughout the wider region.

4.2.2 Western Grazing

Market Category	<ul style="list-style-type: none"> The three pastoral properties within the Webster portfolio are located in the large-scale pastoral regions of Far West New South Wales ("Tandou Station" and "Packsaddle") and North-East South Australia ("Kalabity Station"). All properties are located with proximity to Broken Hill. The regions are predominantly utilised for livestock grazing on native pastures. Sheep meat, wool, beef and goats are major grazing enterprises carried out in the region. Given the size of the properties within the portfolio, the properties sit within the institutional/large scale family property segment.
Market Overview	<ul style="list-style-type: none"> Land prices for pastoral grazing land in the region have increased over the past 2 – 3 years. In particular, over the past 12-18 months the region had risen significantly in demand with record levels being achieved. These levels have since plateaued somewhat given the ongoing drought conditions being experienced in the majority of pastoral regions. The main drivers of the increase were considered to be: <ul style="list-style-type: none"> Increased confidence in the pastoral market on the back of sound commodity prices for livestock with strong sheep meat, wool, beef and goat prices evident over the previous 12-18 months. The introduction of meat sheep, in particular dorper sheep, to the pastoral regions as well as the strong increase in goat prices, which has allowed for positive cash flows in dry climatic seasons where previously these conditions would have led to financial hardship. Low/stable interest rates and liquidity in farm lending which allows existing farmers to continue farm build-up and/or geographic diversification. Regarding pastoral grazing properties in the region, local real estate agents reported a significant uplift in the number of enquiries over the last 24-36 months. The primary reason for the increased confidence was due to lack of supply and strong livestock commodity prices. The introduction of meat sheep, in particular dorper sheep away from traditional merino wool production was considered to be a positive influence on the market. Even though the broader region has generally experienced a prolonged dry period, grazing enterprises carrying dorper sheep have been able to sustain higher carrying capacities with the added benefit of harvesting goats for an income stream. Land values for poorly-presented properties with inadequate waters and infrastructure had also benefited due to the increased activity for the well-presented better developed properties. Given the ongoing drought these properties have since experienced some mixed demand. The strong price levels were demonstrated by the recent transactions of "Eurella Station" (\$170 per hectare overall), "Netley Station" (\$145 per hectare overall), "Rosewood Station" (\$165 per hectare overall) and "Packsaddle Station" (subject sale – \$147 per hectare overall) all between February 2018 to August 2019. These sales among others represent an increase in buyer demand for grazing properties with adequate scale in the wider eastern South Australia/north-western New South Wales grazing markets. Whilst we expect that current strong livestock commodity prices will continue to fuel demand for pastoral property in the region. We caution however that in the event that conditions continue to remain dry, market participants may act prudently before making an investment decision as there are a number of properties that have been destocked in the last 6 months and may take some time to recover before they can be stocked to their true carrying capacity. Discussions with selling agents have also established that due to the current prolonged dry conditions some properties have failed to sell, where as previously most properties advertised for sale had sold. We further note the following large-scale grazing property that was recently advertised for sale in the Far Western Pastoral Region of New South Wales: <ul style="list-style-type: none"> "Wyoming Station" comprising a total area of approximately 42,836 hectares of leasehold land in the Western Pastoral Region of New South Wales approximately 70 radial kilometres south-east of Menindee. The holding is utilised as a mixed livestock grazing enterprise featuring a commercial Merino sheep enterprise as well as a feral goat mustering program which generates an additional income stream for the property. Cattle have also been known to be run and traded on the property as seasonal conditions permit. We understand carrying capacity estimates to be within the vicinity of approximately 5,500 DSE with regular quarterly income from the sale of Australian bush goats present on the property. "Wyoming Station" is currently listed for sale through an Expression of Interest campaign with "Elders", Mildura.

5 Sales Evidence

5.1 Introduction

Overview

- These sales, amongst others, demonstrate investment activity during the last few years. Not all of the sales are considered to be directly comparable; however, they do provide a range of evidence and set the parameters upon which we have based our assessment of value of the subject properties.
- In our efforts to provide the most recent sales data, there may be occasions where we utilise sales that have not settled, have delayed settlement, or are not registered on third party databases. Separate enquiries are made of the parties to the transaction or their agents to verify this data.
- In situations where there is a lack of comparable sales data in a particular locality, we draw upon sales evidence from other agricultural regions and make necessary adjustments for comparability considerations.
- Whilst the sales analysed in this report have been obtained from reliable sources including third party commercial providers and industry sources, we cannot warrant 100% accuracy in this regard. Every effort has been made to verify the accuracy, however, should any details be found to be incorrect, we reserve the right to amend the valuation accordingly.
- Third party databases do not specify transactions as GST inclusive or exclusive, and where we have been unable to verify the GST status we have assumed the sale price is GST exclusive. Should further enquiries reveal the status to be incorrect, we reserve the right to adjust our analysis and if necessary our valuation.

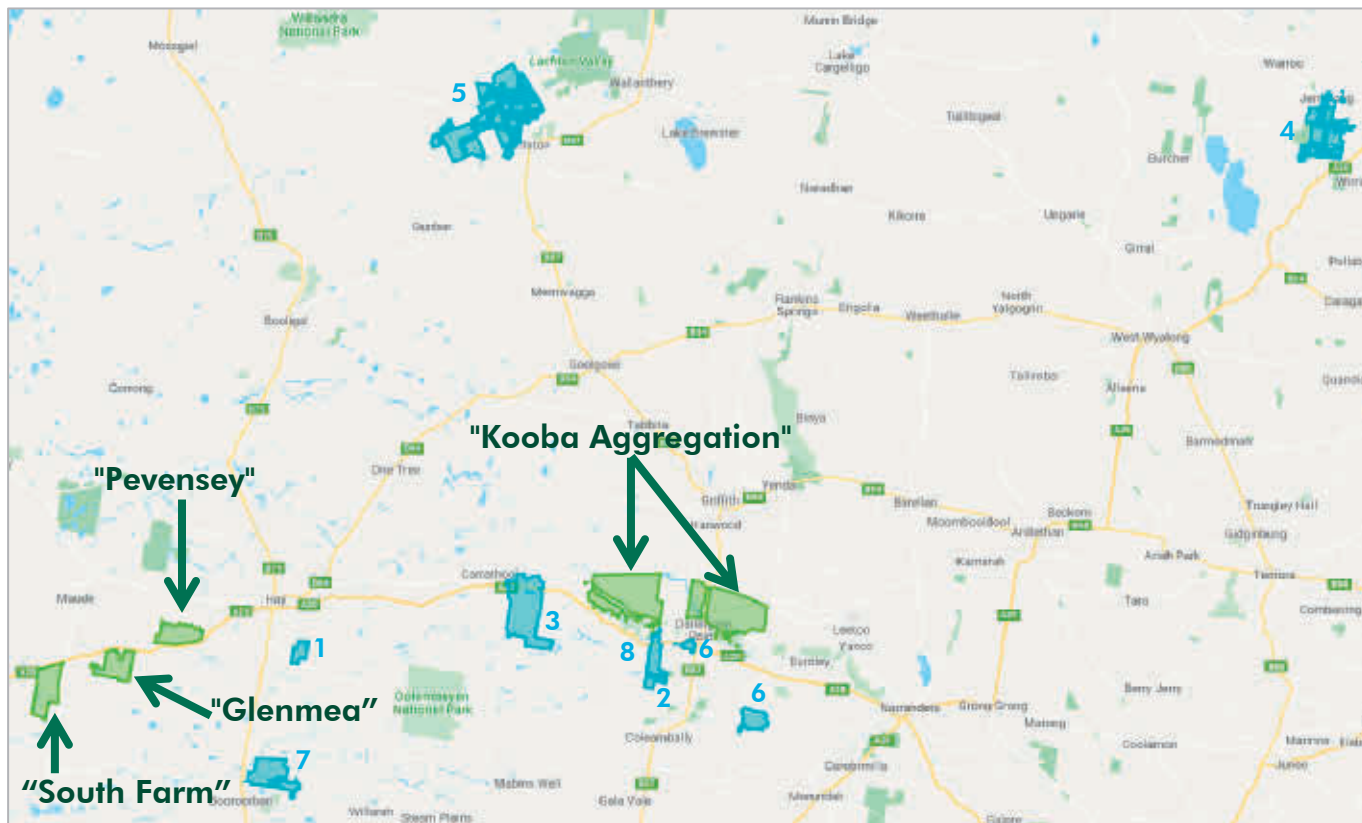
Submarkets

- In order to analyse the sales evidence, we have divided the portfolio into the following submarkets:
- Southern Cotton and Residential Dwellings:
 - "Kooba Aggregation" (including Darlington Point residential dwellings);
 - "South Farm";
 - "Glenmea"; and
 - "Pevensey".
- Western Grazing:
 - "Tandou Station";
 - "Kalabity Station"; and
 - "Packsaddle Station".
- Griffith Commercial:
 - 472-480 Banna Avenue Griffith.

5.2 Submarket 1 – Southern Cotton and Residential Dwellings

Submarkets

- This submarket is situated within the Southern Cotton Region of New South Wales, as depicted on the map below. The residential sales have not been presented on the map.



- The following table provides a summary of recent transactions in the submarket. The analysis below represents the land use rates per hectare.

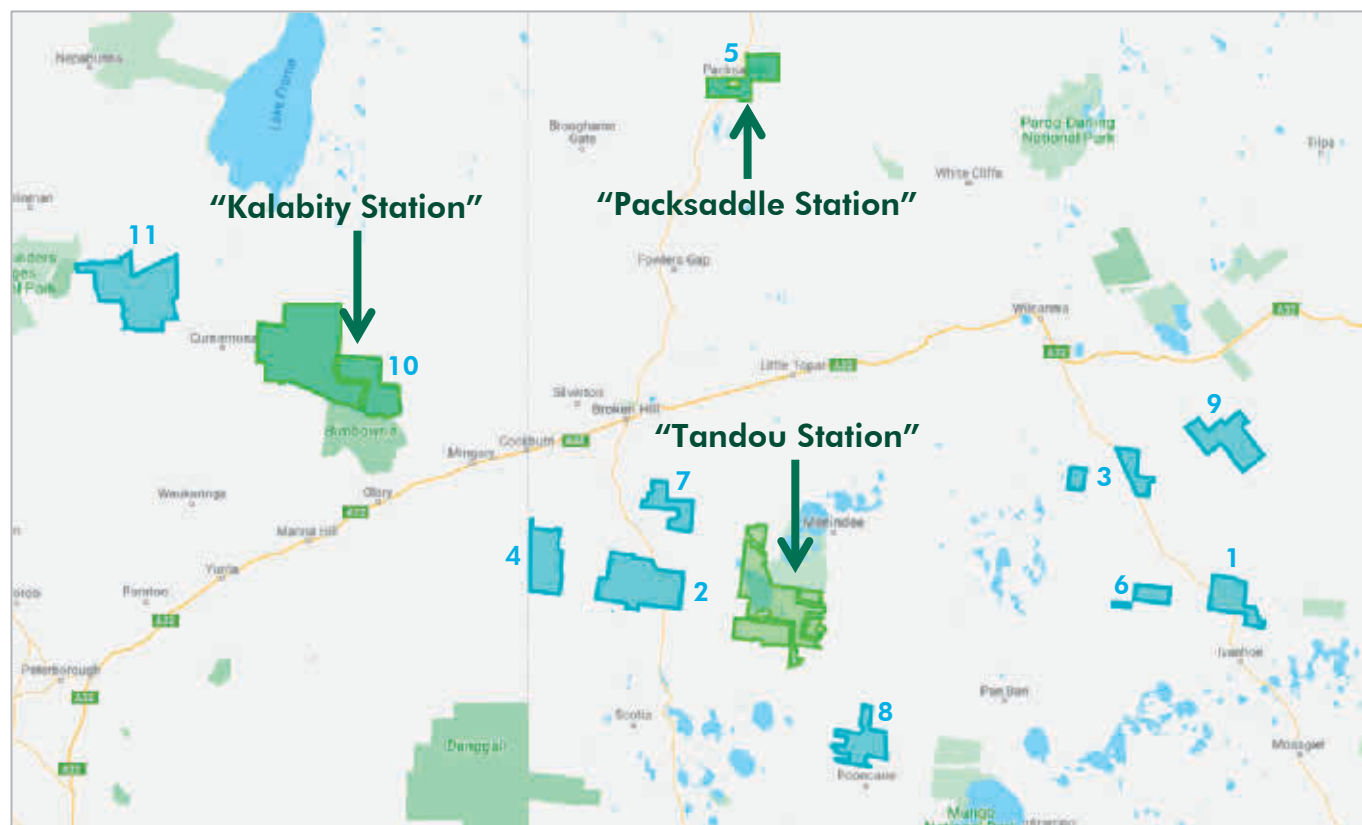
Submarket 1 - Southern Cotton								
#	Property	Sale Price	Sale Date	Area (ha)	Laser Levelled Row Crop (\$/ha)	Centre Pivot / Lateral Move (\$/ha)	Native Grazing (\$/ha)	All Inclusive (\$/ha)
1	"Tindale"	\$3,600,000	Dec-18	2,244	\$2,700	-	\$350	\$1,604
2	"Talinga Park"	\$6,855,000	Jul-18	1,472	\$4,700	-	\$1,000	\$4,657
3	"Gundaline"	\$64,050,000	Apr-18	14,950	\$2,700-3,500	-	\$500	\$4,285
4	"Jemalong Station"	Circa \$47,500,000	Apr-18	13,377	\$4,000	\$3,300	\$700	\$3,551
5	"Morrowie"	Circa \$58,000,000	43160	32,777	\$2,050	\$1,000	\$500	\$1,770
6	"Huddersfield" & "Tubbo"	\$39,900,000	Sep-17	4,937	\$3,000 - \$3,500	\$3,000	\$1,000	\$8,082
7	"Nyangay Station"	\$5,400,000	Aug-17	8,264	\$1,000	-	\$575	\$653
8	"Uri Park"	\$17,500,000	Jul-17	4,002	\$4,000	-	-	\$4,373
Minimum		\$3,600,000			\$1,000	\$1,000	\$350	\$653
Maximum		\$64,050,000			\$4,700	\$3,300	\$1,000	\$8,082

Darlington Point Residential Sales						
#	Property	Sale Price	Sale Date	Lot Size (sqm)	Bedrooms	Cladding
1	26 White Street, Darlington Point	\$175,000	Aug-19	833	3	Fibre Plank
2	17 Lander Street, Darlington Point	\$20,000	Aug-19	735	-	Vacant Allotment
3	20 Narrand Street, Darlington Point	\$270,000	Aug-19	13,400	3	Brick/Fibre Plank
4	20 Uri Street, Darlington Point	\$45,000	Jul-19	2,023	-	Vacant Allotment
5	14 Barwidgee Boulevard, Darlington Poin	\$220,000	Jul-19	1,125	3	Fibre Plank
6	15 Chant Street, Darlington Point	\$220,000	Apr-19	871	3	Brick
7	19 Chant Street, Darlington Point	\$255,000	Apr-19	1,398	4	Fibre Plank
8	2A Curphey Place, Darlington Point	\$170,000	Aug-18	1,589	3	Fibre Plank

5.3 Submarket 2 – Western Grazing

Submarkets

- This submarket is situated within the far western New South Wales and north-east South Australian pastoral regions.



- The table following provides a summary of recent transactions within the submarket. The analysis below reflects the rate per hectare for the individual land components (excluding structures).

Submarket 2 - Western Grazing								
#	Property	Sale Price	Sale Date	Area (ha)	Carrying Capacity (DSE)	\$/DSE	Native Grazing (\$/ha)	All Incl Rate (\$/ha)
1	"Eurella Station", Ivanhoe, NSW	\$4,400,000	Aug-19	25,900	10,000	\$440	\$155	\$170
2	"Netley Station", Broken Hill, NSW	\$10,600,000	Feb-19	73,299	22,500	\$471	\$140	\$145
3	"Rosewood Station", Ivanhoe, NSW	\$4,500,000	Nov-18	27,349	8,500	\$529	\$155	\$165
4	"Burra Station", Broken Hill, NSW	\$5,380,000	Apr-18	43,500	10,000	\$538	\$115	\$124
5	"Packsaddle Station", Broken Hill North, NSW	\$7,000,000	Feb-18	4,880	9,000	\$667	\$138	\$147
6	"Bonton Station", Ivanhoe, NSW	\$2,253,000	Jul-17	16,213	5,000	\$451	\$125	\$139
7	"Eaglehawk Station", Broken Hill, NSW	\$3,450,000	Jul-17	28,240	5,500	\$627	\$113	\$122
8	"Kinross Station", Pooncarie, NSW	\$4,816,875	Apr-17	38,636	9,500	\$507	\$119	\$125
9	"Mount Kew", Bulla, NSW	\$4,500,000	Mar-17	46,094	12,000	\$375	\$92	\$98
10	"Kalabity Station", Olary, SA	\$12,500,000	Mar-17	185,700	25,000	\$500	\$48	\$50
11	"Martins Well Station", Hawker, SA	\$5,975,000	Jan-17	105,200	12,900	\$463	\$44	\$47
Minimum		\$2,253,000			5,000	\$375	\$44	\$47
Maximum		\$12,500,000			25,000	\$667	\$155	\$170

5.4 Submarket 3 – Griffith Commercial Land

Submarkets

- This submarket is situated within the Griffith township.



- The table following provides a summary of recent transactions within the submarket. The analysis below reflects the rate per square metre for the individual land components (excluding structures of the sales).

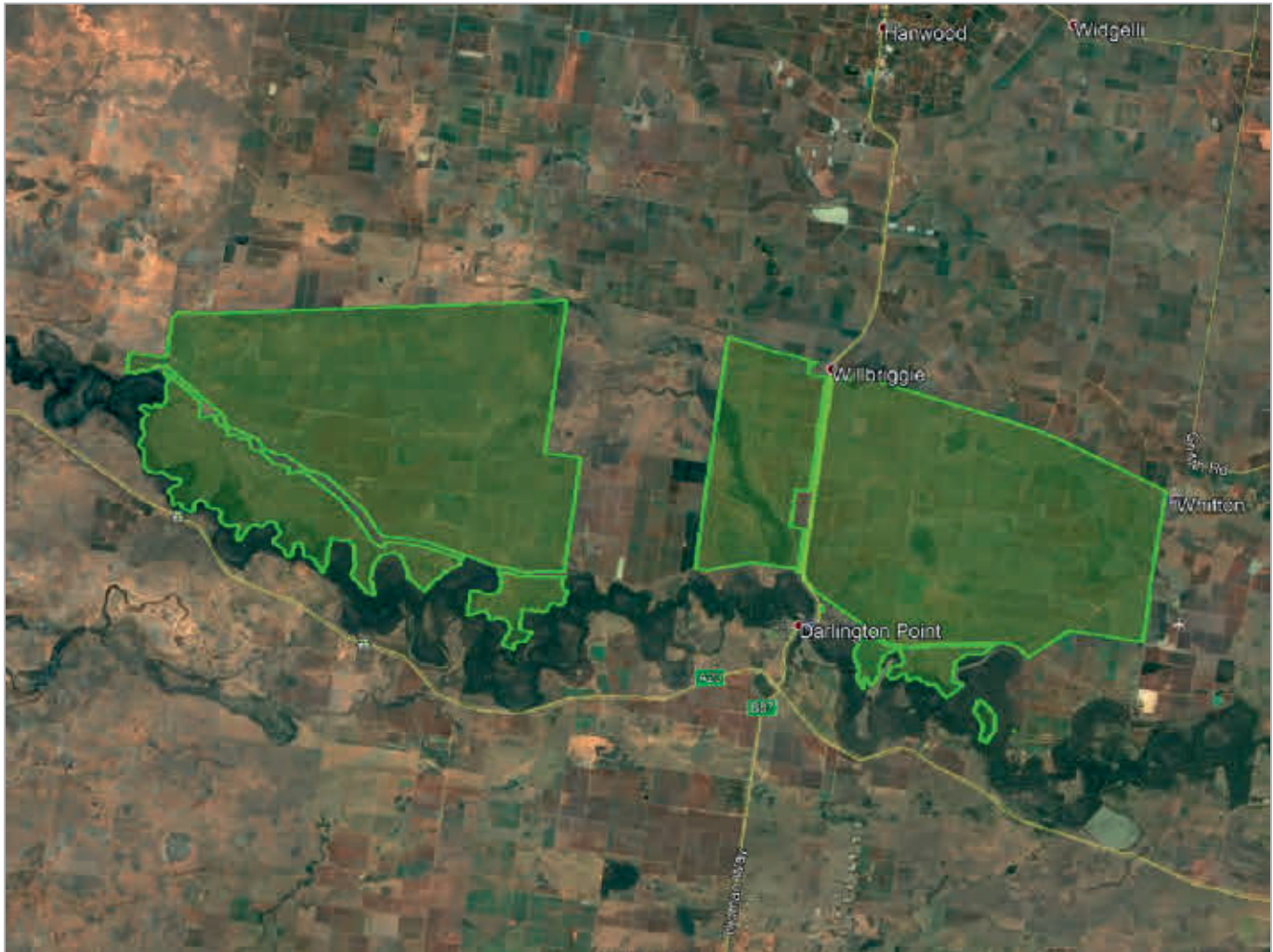
Submarket 3 – Griffith Commercial Land						
#	Property	Sale Price	Sale Date	Area (sqm)	Rate (\$/sqm)	All Incl Rate (\$/sqm)
1	190 Yambil Street, Griffith	\$390,000	Mar-18	1,572	\$248	\$248
2	478 Banna Avenue, Griffith	\$700,000	Apr-17	1,271	\$551	\$551
3	142 Yambil Street, Griffith	Circa \$330,000	Feb-17	784	\$240	\$421
Minimum		\$330,000			\$240	\$248
Maximum		\$700,000			\$551	\$551

6 Valuation Methodology

6.1 Introduction

- Overview**
- In arriving at our opinion of value, we have employed industry recognised valuation methodologies. We have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions of comparable properties (as previously detailed).
- Valuation Approaches**
- In order to arrive at our assessments we have undertaken a direct comparison approach with reference to market sales activity.
 - This method involves the direct comparison of comparable sales on a rate per hectare of land area.
 - The relative merits of each subject property and each of the sales are analysed and compared having regard to matters such as location, aspect, topography, the size of the land and the scale of development. This approach contains a high degree of value judgement when sites are not directly comparable in one or a number of variables.
 - In analysing the sale properties and applying said analysis to the subjects, we have apportioned each sale into various land categories, being:
 - Land (including structures) as used for large scale grazing properties and reflects a land rate inclusive of structures.
 - Irrigation land which is developed for cropping and benefited by additional water infrastructure and entitlement.
 - Dryland cropping land which can be used for the cultivation and growing of annual crops. Our analysis also recognises that while arable land can be used for both cropping and grazing, often "in use" cropping land achieves a higher price.
 - Grazing land which is considered suitable for the grazing of livestock.
 - Timbered grazing land encompassing land suitable for the grazing of livestock, containing standing timber however still providing ground pasture growth.
 - Remnant vegetation deemed to have little productive value due to physical factors such as topography or the high density of trees.
 - Support land deemed to have little productive value and usually comprises area under infrastructure and roads.

6.2.2 "Kooba Aggregation"



Overview

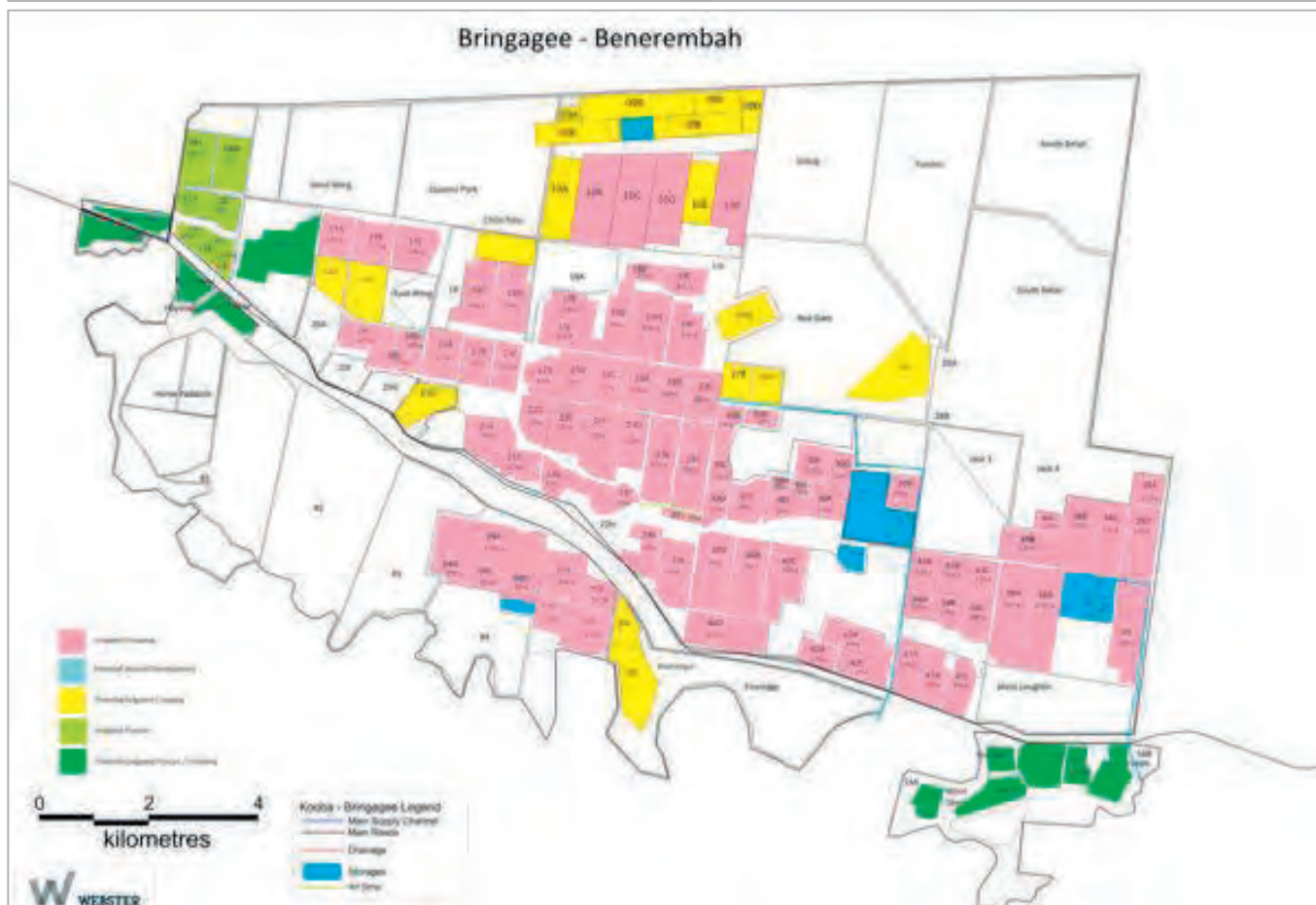
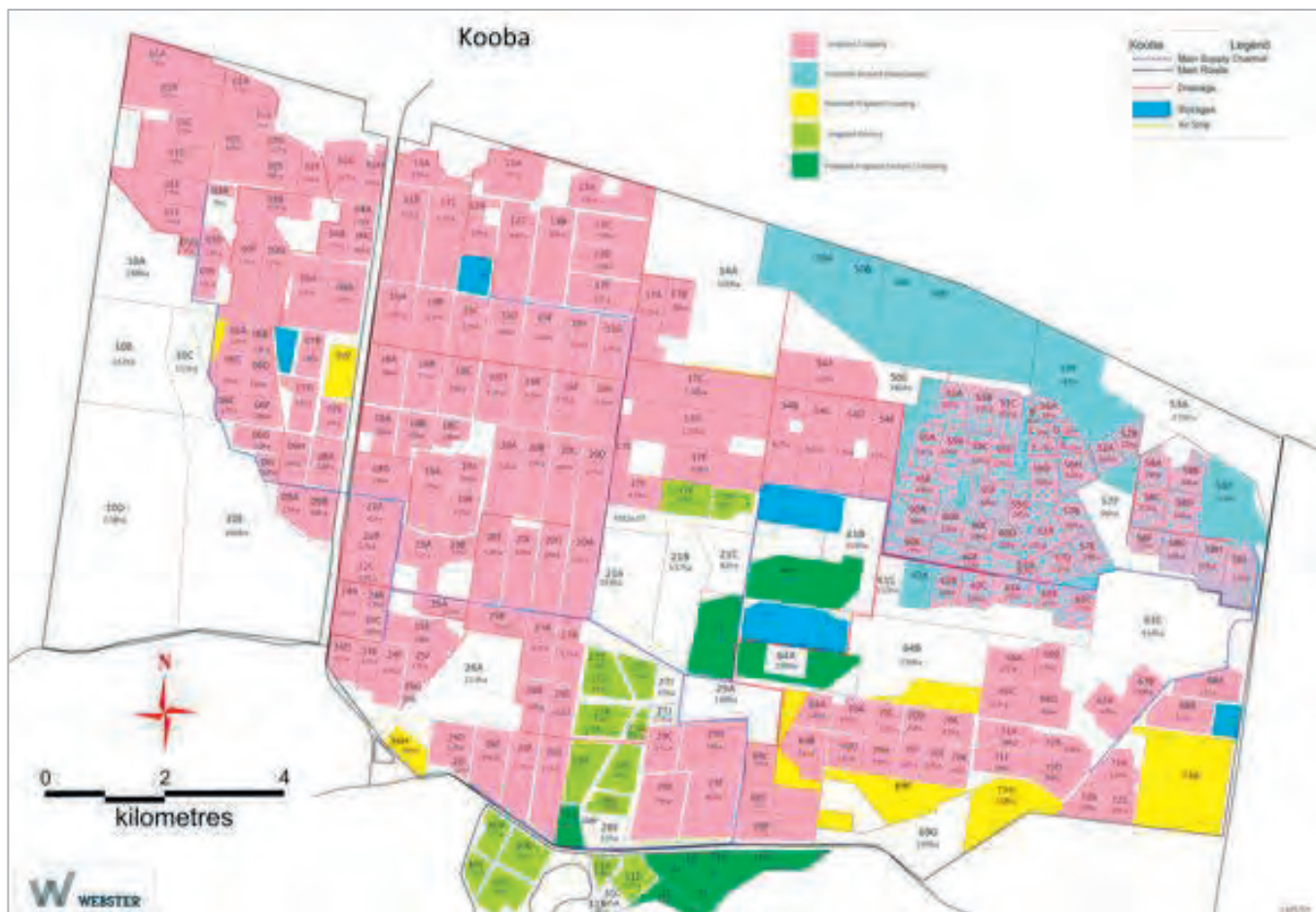
- “Kooba Aggregation” comprises two non-contiguous holdings known as Kooba” and “Benerembah and Bringagee”. The aggregation is located approximately 5 radial kilometres north of Darlington Point, approximately 135 radial kilometres north-west of Wagga Wagga and approximately 485 radial kilometres south-west of Sydney. Both allotments are bound by the Murrumbidgee River to the south. Primary access is via the bitumen sealed Whitton-Darling Point Road, with secondary access via the bitumen sealed Murrumbidgee River Road.
- “Kooba Aggregation” comprises a total area of approximately 38,704 hectares developed to approximately 12,626 hectares of irrigation - laser levelled row crop, 1,173 hectares of irrigation - laser levelled flood, 1,370 hectares of irrigation - older development, 20,922 hectares of native grazing, 2,200 hectares of remnant vegetation and 413 hectares of area under water storage.
- The land is primarily used for irrigated cropping, growing summer crops of predominately cotton.
- The description of each land use is summarised below:

Land Uses	Approximate Area	Proportion
Irrigation - Laser Levelled Row Crop	12,626 ha	33%
Irrigation - Laser Levelled Flood	1,173 ha	3%
Irrigation - Older Development	1,370 ha	4%
Native Grazing	20,922 ha	54%
Remnant Vegetaton	2,200 ha	6%
Water Storages (Land Only)	413 ha	1%
Total:	38,704 ha	100%*

* Total may not equal 100% due to rounding.

Fencing

- Boundary fencing comprises agricultural style construction in fair stockproof condition. We note there are no internal fences to the irrigation land.
- The grazing land is separated from the irrigation land by fencing generally comprising steel posts with ringlock wires.
- “Kooba Aggregation” comprises a highly developed large scale irrigation holding, located in a renowned irrigated cotton region, supported by general security and supplementary water entitlements.



Rationale

- In our sales analysis, we have benchmarked the different land classes to disclose an indicative rate per hectare for each. We have identified the five main classes being:
 - Irrigation - Laser Levelled Row Crop;
 - Irrigation - Laser Levelled Flood;
 - Irrigation - Older Development;
 - Native Grazing; and
 - Remnant Vegetation land.
- **Irrigation – Laser Levelled Row Crop** is land that has been laser levelled and developed to row crop for continuous cropping purposes. It is typically utilised to support cotton production though can also support lower value crops such as cereals.
- **Irrigation – Laser Levelled Flood** is land that is commonly used for pastures or cereal production, it has been laser levelled and is irrigated from a supply channel into a paddock with the grade running in the opposite direction to the inflow point. The layout allows for water to be ponded for periods of time.
- **Irrigation - Older Development** is land which features historical use of irrigation which is now near obsolete or obsolete.
- **Native Grazing** is land which is considered suitable for the grazing of livestock and has not been developed for irrigation.

Irrigation – Laser Levelled Row Crop & Irrigation – Laser Levelled Row Crop (Development)

- We have had particular regard to the sales of “Talinga Park” (\$4,700 per hectare), “Gundaline” (\$2,700 per hectare to \$3,500 per hectare), “Huddersfield & Tubbo” (\$3,000 per hectare to \$3,500 per hectare) and Uri Park \$4,000 per hectare in assessing the Irrigation – Laser Levelled Row Crop land rate for “Kooba Aggregation”.
- “Talinga Park” transacted in July 2018 for \$6,855,000 and reflects a rate \$4,700 per hectare for the Irrigation – Laser Levelled Row Crop land component. The sale comprises a far smaller land area in a comparable locality approximately 15 radial kilometres south of the subject. We note the property was purchased by a neighbouring corporate entity with an elevated desire to purchase the property due to high pumping capacity bores and extraction limits present on the holding. Overall considered superior on a rate per hectare due to the acquisition by a nearby landholder who appears to have paid a premium secure the property and its above average water infrastructure.
- “Gundaline” sold in April 2018 for \$64,050,000 and analysed at \$3,500 per hectare for new development and \$2,700 per hectare for the older development. The new development land on “Gundaline” is considered comparable to that of the new development on “Kooba Aggregation” and is situated in a typically comparable locality within a 35-kilometre radius of the subject holdings. We are of the opinion that the market has improved since the date of this transaction and as such we consider the rates reflected by the sale to be typically inferior to that of the “Kooba Aggregation”.
- Further to this we also note the sale of “Huddersfield & Tubbo” when assessing “Kooba Aggregation” due to land size, locality and land type. “Huddersfield & Tubbo” comprise two non-contiguous holdings within proximity to Darlington Point and the subject aggregation. The holdings both comprise smaller total land areas and developed land areas with a slightly inferior level of development. “Huddersfield” & “Tubbo” were advertised for sale via an extensive marketing campaign in conjunction with 4 other agricultural aggregations situated throughout Australia known as the *Sustainable Agriculture Fund*. The holdings were purchased by an established corporate entity and are considered inferior to “Kooba Aggregation” due to land size and level of development.
- Lastly “Uri Park” which transacted in July 2017 for circa \$17,500,000 reflects a rate \$4,000 per hectare for its Irrigation – Laser Levelled Row Crop land component. The property is situated on the southern side of the Murrumbidgee River and forms part of the southern boundary of “Bringagee & Benerembah Station” (part “Kooba Aggregation”). The property was purchased in an off-market transaction by an overseas investor who we understand plans to use the property for horticultural purposes. Overall considered comparable on a rate per hectare for the Irrigation - Laser Levelled Row Crop land component of the subject.
- We note in recent years significant capital works expenditure has been spent on the development of Irrigation - Laser Levelled Row Crop land on “Kooba Aggregation”. Additionally, “Kooba Aggregation” can access surface water from 4 different sources being: Murrumbidgee River (Regulated River), Murrumbidgee River (via lagoon - Unregulated River) and Murrumbidgee Irrigation Limited (via MIA channels). Further, the aggregation has access to groundwater via Lower Murrumbidgee Zone 1 & 3 aquifers. The numerous water sources allow for superior water security compared to sale properties.

- Given the foregoing, we have considered it appropriate to apply an **Irrigation – Laser Levelled Row Crop** land rate of **\$4,000 per hectare** for “Kooba Aggregation” which sits appropriately within above the sales evidence.

Irrigation – Laser Levelled Flood & Irrigation – Older Development

- It is acknowledged that the sales evidence provided is inferior, as such regard has also been given to transactions within the broader locality which include Irrigation - Laser Levelled Flood land. We note the transaction of “Delta Station” at Mabins Well displaying \$2,750 per hectare, “Warilba” at Gillenbah displaying \$2,650 per hectare for Irrigation – Laser Levelled Flood land and the large scale transaction of “Buckinbong Station” at Sandigo displaying \$2,750 per hectare. The details of these sales are held on file.
- Further, we have also had regard to the sale of “Gundaline” (\$2,700 per hectare) and given the interconnectedness of the irrigation systems throughout the aggregation, there is potential for the land class to be improved to a higher value land use. This potential, as well as the “existing use” value of irrigation land in the region has been considered when forming an opinion of value.
- Given the foregoing, we have applied an Irrigation – Laser Levelled Flood land rate of **\$2,700 per hectare** for “Kooba Aggregation”.
- For the Irrigation – Older Development however, we have applied a land rate of **\$1,250 per hectare** and have again relied on the more dated sales of “Noongaburra” (\$850 per hectare) and “Ringwood & Farm 4002” (\$1,000 per hectare). We consider the quality of development upon the sale properties to be somewhat superior to the older irrigation development on “Kooba Aggregation”. However, we again note the infrastructure supporting the land class as being above district standard.

Native Grazing

- When assessing a native grazing land rate per hectare we have relied upon the key sales of “Talinga Park” (\$1,000 per hectare), “Gundaline” (\$500 per hectare) and “Delta Station” (\$1,000 per hectare). “Talinga Park” comprises only a small portion of this land class however is considered to hold further re-development potential into irrigated or dryland cropping. “Gundaline” and “Delta Station” however comprises a much greater scale of this land class, portions of which are considered partly arable. Native grazing areas on the subject aggregation are considered to sit within the upper end of the sales evidence given their partly arable nature and the premium reflected by the re-development potential.
- Given the foregoing, we have applied **\$1,000 per hectare** to the native grazing/support land on “Kooba Aggregation”.

“Kooba Aggregation” Structures

- We have calculated the added value of the structures by deducing from our analysis of sales evidence.
Darlington Point Dwellings (Part of “Kooba” overall holding)
- When applying values to the residential structures within the Darlington Point township we have relied on the sales of:

Darlington Point Residential Sales						
#	Property	Sale Price	Sale Date	Lot Size (sqm)	Bedrooms	Cladding
1	26 White Street, Darlington Point	\$175,000	Aug-19	833	3	Fibre Plank
2	17 Lander Street, Darlington Point	\$20,000	Aug-19	735	-	Vacant Allotment
3	20 Narrand Street, Darlington Point	\$270,000	Aug-19	13,400	3	Brick/Fibre Plank
4	20 Uri Street, Darlington Point	\$45,000	Jul-19	2,023	-	Vacant Allotment
5	14 Barwidgee Boulevard, Darlington Point	\$220,000	Jul-19	1,125	3	Fibre Plank
6	15 Chant Street, Darlington Point	\$220,000	Apr-19	871	3	Brick
7	19 Chant Street, Darlington Point	\$255,000	Apr-19	1,398	4	Fibre Plank
8	2A Curphey Place, Darlington Point	\$170,000	Aug-18	1,589	3	Fibre Plank

- 15 Uri Street /13 Uri Street**; comprises a 3 bedroom, fibre cement clad dwelling on a 900 square metre allotment, with approximately 870 square metre of surplus land on a separate Title. Applied value of \$90,000.
 - 34 Carrington Street**; comprises a 4 bedroom, brick clad dwelling on a 2,600 square metre allotment. Applied value of \$162,000.
 - 17 Chant Street**; comprises a 3 bedroom, brick clad dwelling on an approximately 900 square metre allotment. Applied value of \$150,000.
- We have included the value of the residential properties which total a sum of **\$402,000** that has been included in the main summation table below.

Valuation

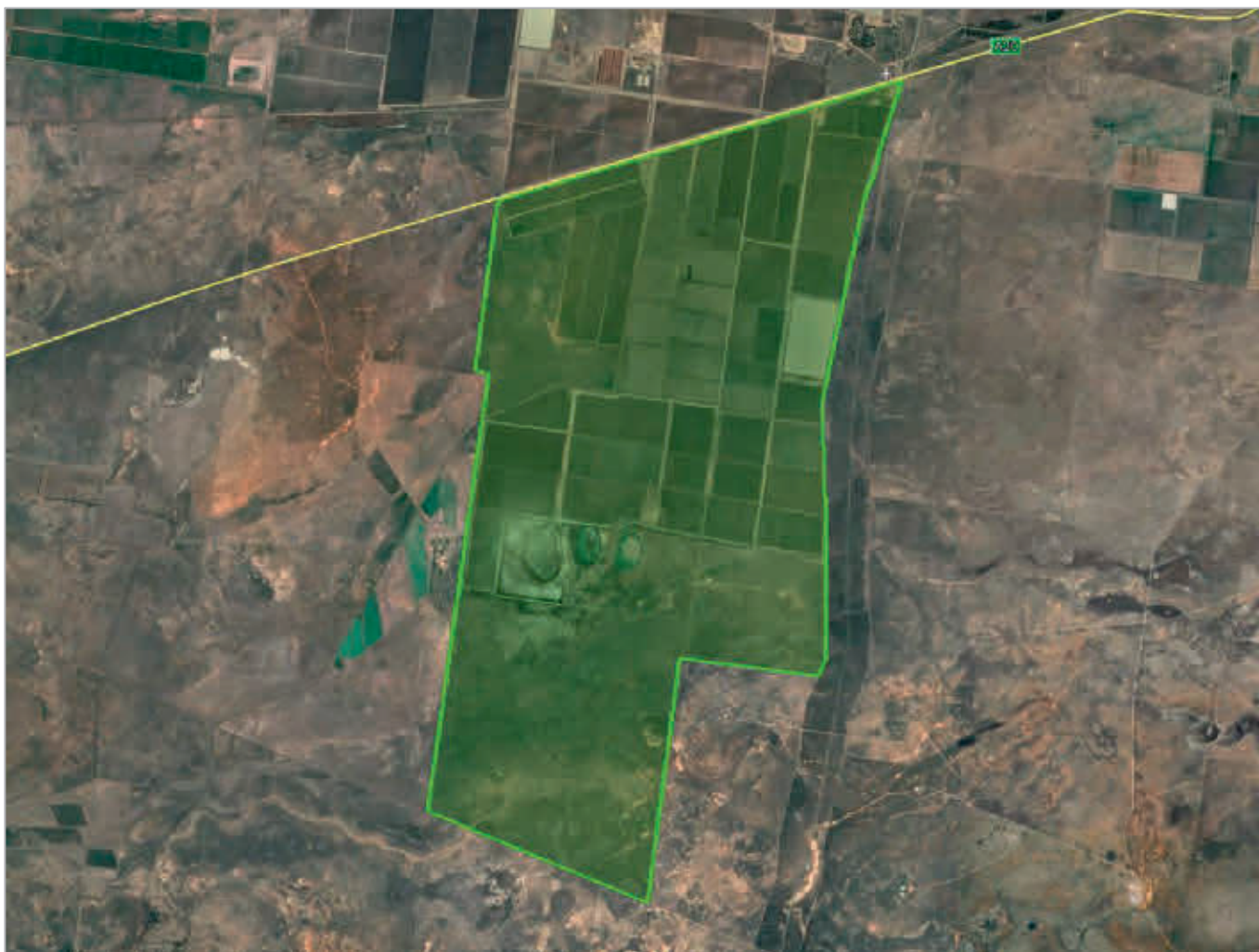
- The summation basis is as follows:

SUMMATION BASIS				
Land	Area (ha)		Rate \$/ha	Value
Irrigation - Laser Levelled Row Crop	12,626.16	@	\$4,000	\$50,504,640
Irrigation - Laser Levelled Flood	1,172.90	@	\$2,700	\$3,166,830
Irrigation - Older Development	1,370.00	@	\$1,250	\$1,712,500
Native Grazing	20,922.00	@	\$1,000	\$20,922,000
Remnant Vegetaton	2,200.00	@	\$300	\$660,000
Water Storages (Land Only)	413.00	@	\$0	\$0
SubTotal	38,704.06			\$76,965,970
Water	MI		Rate \$/MI	Value
"Kooba" Water Storages	10,929	@	\$225	\$2,459,025
"Benerembah" & "Bringagee" Water Storages	8,237	@	\$225	\$1,853,325
SubTotal	19,166			\$4,312,350
Structures				Value
"Kooba" Structures		Say		\$1,409,375
"Hardings" Structures		Say		\$472,375
"Cattle Camp" Structures		Say		\$128,250
"Feedlot" Structures		Say		\$662,500
"Colaragang" Structures		Say		\$164,225
"Gum Creek" Structures		Say		\$60,000
"Cotton Gin" Structures		Say		\$317,500
"Willbridgee" Structures		Say		\$38,000
"Darlington Point" Dwellings		Say		\$402,000
"Benerembah" & "Bringagee"		Say		\$676,525
"Bringagee" Workshop and Office Complex		Say		\$548,000
"Bringagee" Structures		Say		\$413,000
SubTotal				\$5,291,750
Total				\$86,570,070
TOTAL (rounded)				\$86,500,000

Reconciliation

- In consideration of the property features and comparison to the sales evidence, we have adopted a Market Value of \$86,500,000 (excluding all water entitlements) for the "Kooba Aggregation", Whitton Darlington Point Road, Whitton NSW 2705.

6.2.3 "South Farm"



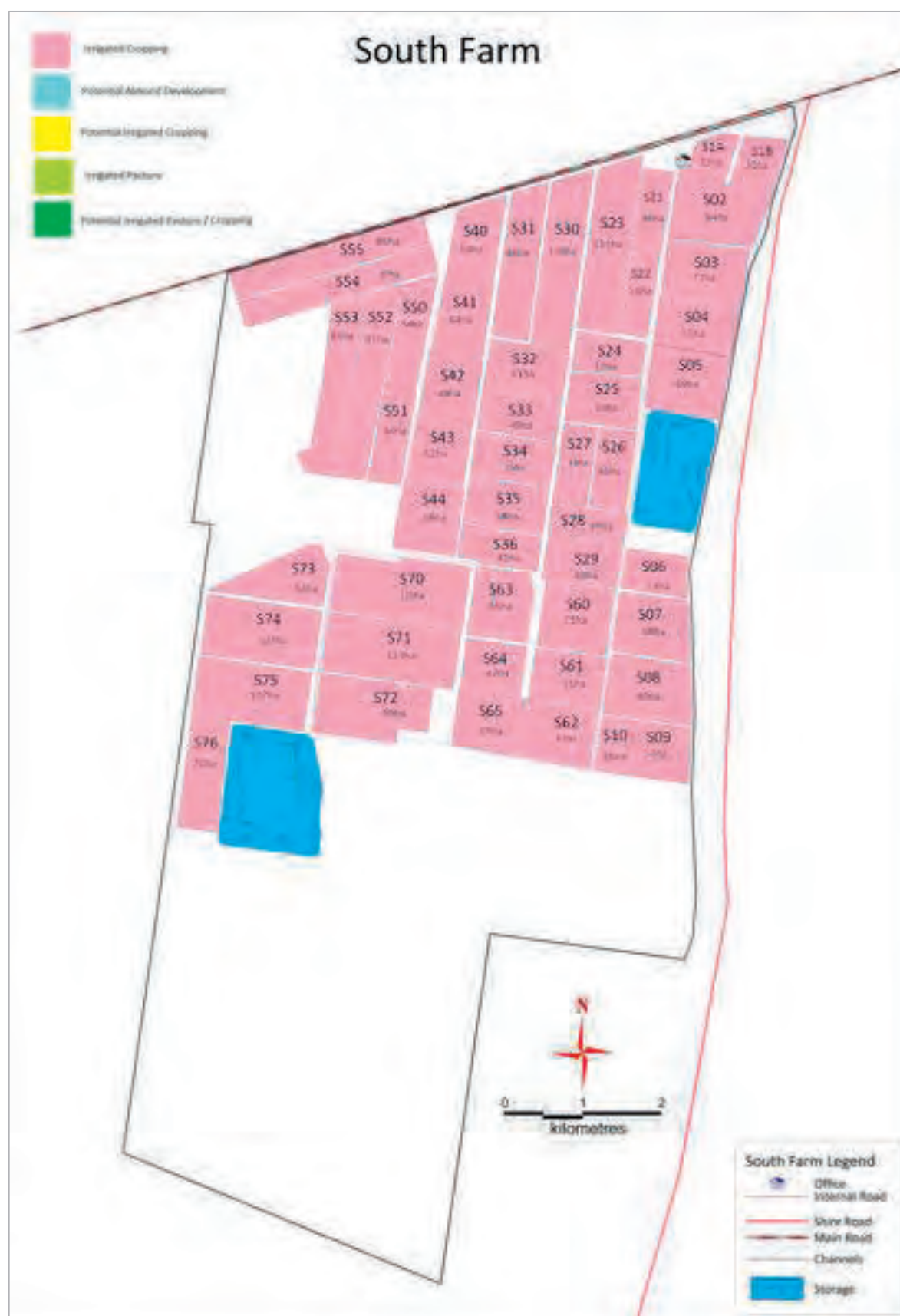
Overview

- “South Farm” is located approximately 55 radial kilometres south-west of Hay, 275 radial kilometres north-west of Wagga Wagga and 645 radial kilometres south-west of Sydney. Primary access is via the bitumen sealed Sturt Highway.
- Primarily utilised for irrigated cropping, growing summer crops of predominately cotton.
- “South Farm” comprises a total area of approximately 7,760 hectares and has been developed to approximately 3,334 hectares of irrigation – laser levelled row crop, 176 hectares irrigation – lateral spray, 3,984 hectares of native grazing/support land with the balance 265 hectares comprising area under water storage.
- The description of each land use is summarised below:

Land Uses	Approximate Area	Proportion
Irrigation - Laser Levelled Row Crop	3,334 ha	43%
Irrigation - Lateral Spray	176 ha	2%
Native Grazing/Support	3,984 ha	51%
Water Storages (Land Only)	265 ha	3%
Total:	7,760 ha	100%*

* Total may not equal 100% due to rounding.

- Fencing is limited to the boundary and the grazing non-irrigated areas.
- “South Farm” comprises a highly developed large scale irrigation holding, located in a renowned irrigated cotton region, supported by a number of water entitlements.
- The property has access to the Murrumbidgee River via a private supply channel, approximately 24 kilometres in length with access to the river to the north-east of the property.
- The native grazing land was used for cattle grazing purposes at the time of inspection.



Rationale

- In our sales analysis, we have benchmarked the different land classes to disclose an indicative rate per hectare for each. We have identified the three main land classes being Irrigation - Laser Levelled Row Crop, Irrigation – Lateral Spray and Native Grazing Land.
 - **Irrigation – Laser Levelled Row Crop** is land that has been laser levelled and developed to row crop for continuous cropping purposes. It is typically utilised to support cotton production though can also support lower value crops such as cereals.
 - **Irrigation – Lateral Spray** is land which has been developed for spray irrigation and includes pumping and water delivery infrastructure.
 - **Native Grazing** is land which is considered suitable for the grazing of livestock and has not been developed for irrigation.

Irrigation – Laser Levelled Row Crop

- We have relied upon our key sales of “Tindale” (\$2,700 per hectare) and the more dated transaction of “Noongaburra” (\$2,000 per hectare) in assessing the Irrigation – Laser Levelled Row Crop land rate for “South Farm”.
- “Tindale” transacted in December 2018 for \$3,600,000 and reflects a rate \$2,700 per hectare for the Irrigation – Laser Levelled Row Crop land component. Situated in a superior locality closer to the Hay township with typically comparable development however on a far smaller scale. The property was sold via an expressions of interest marketing campaign and purchased by an operator from the Hillston region. Overall considered slightly superior on an Irrigation – Laser Levelled Row Crop land rate basis.
- “Noongaburra” (held on file) is a dated transaction though gives an indication of the most closely located irrigation transaction to “South Farm”. The property is situated in a slightly inferior location on the northern side of the Murrumbidgee River. “Noongaburra” is comparable in that irrigation water is accessed from the Murrumbidgee River which must also be pumped quite a distance. The land class/level of development though is considered to be inferior to “South Farm”. Considered inferior to “South Farm” due to land class/level of development and transacting in market conditions that have since seen a strengthening of values.
- In recent years significant capital works expenditure has been spent on the development of Irrigation - Laser Levelled Row Crop land on “South Farm”. The level of irrigation development is benefited by approximately 9,500 megalitres of water storage, which is beneficial for the storing of both temporary and supplementary water when required.
- Given the foregoing, we have applied an Irrigation – Laser Levelled Row Crop land rate of **\$2,600 per hectare**. This rate for “South Farm” sits between the key sales of “Tindale” (\$2,700 per hectare) and “Noongaburra” (\$2,000/hectare) which we consider appropriate.

Irrigation – Lateral Spray

- In assessing the irrigation – lateral spray land rate we have relied upon the key sales of “Jemalong Station” (\$3,300 per hectare) and “Huddersfield & Tubbo” (\$3,000/hectare) which both encompass centre pivot irrigation land. Both properties are situated in a superior location to “South Farm”.
- Given the foregoing, we have applied a rate of **\$2,200 per hectare** for the irrigation – lateral spray land on “South Farm”.

Native Grazing

- When assessing a native grazing land rate per hectare we have relied upon the key sale of “Tindale” (\$350 per hectare) which is situated on the south-eastern side of the Hay Township. “Tindale” is situated in a superior location however comprises inferior access via a gravel road. Further to this we are aware much of the native grazing land comprises inferior underlying land system and as such is considered to reflect a slightly inferior rate.
- Further to this we are also aware of primary grazing properties that have transacted in the region, being “Rosevale”, Hay (\$420 per hectare) and the transaction of “Newmarket North”, Hay (\$330 per hectare) which help to demonstrate the demand for grazing land in the surrounding locality. These transactions are held on file and not detailed here, as they are not considered directly comparable to “South Farm” given they do not include any irrigation development.
- Given the foregoing, we have applied **\$375 per hectare** to the native grazing/support land on “South Farm”.

Structures

- We have calculated the added value of the structures by deducing from our analysis of sales evidence.

Valuation

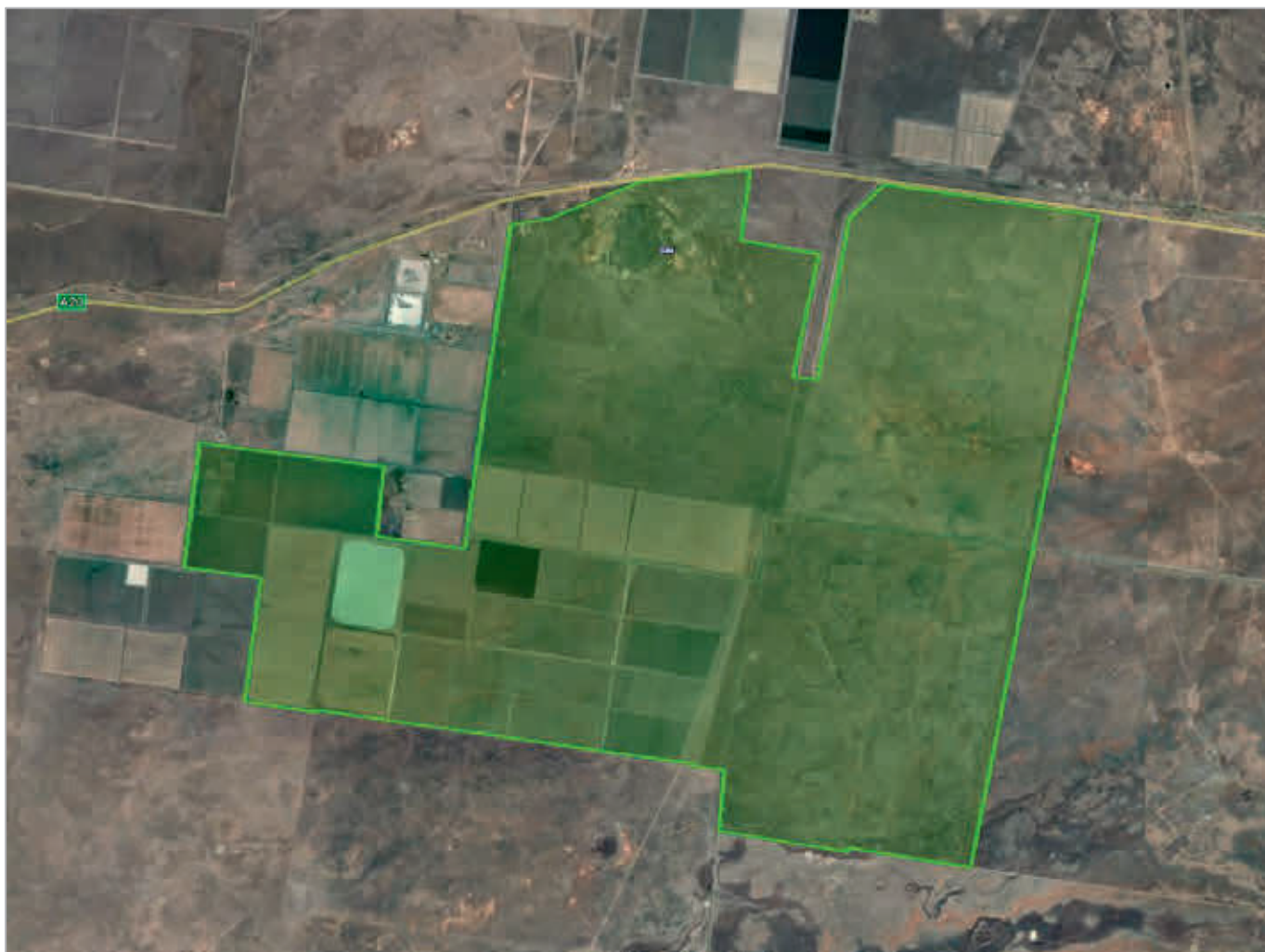
- The summation basis is detailed below:

SUMMATION BASIS				
Land	Area (ha)		Rate \$/ha	Value
Irrigation - Laser Levelled Row Crop	3,334.39	@	\$2,600	\$8,669,414
Irrigation - Lateral Spray	176.00	@	\$2,200	\$387,200
Native Grazing/Support	3,984.17	@	\$375	\$1,494,064
Water Storages (Land Only)	265.00	@	\$0	\$0
SubTotal	7,759.56			\$10,550,678
Water	MI		Rate \$/MI	Value
Water Storage	9,500	@	\$150	\$1,425,000
SubTotal				\$1,425,000
Structures				Value
Office & Shed			Say	\$30,000
SubTotal				\$30,000
Total				\$12,005,678
TOTAL (rounded)				\$12,000,000

Reconciliation

- Based on the foregoing we have adopted a Market Value of \$12,000,000 (excluding water entitlements) for "South Farm", 30615 Sturt Highway, Maude, NSW 2711.

6.2.4 "Glenmea"



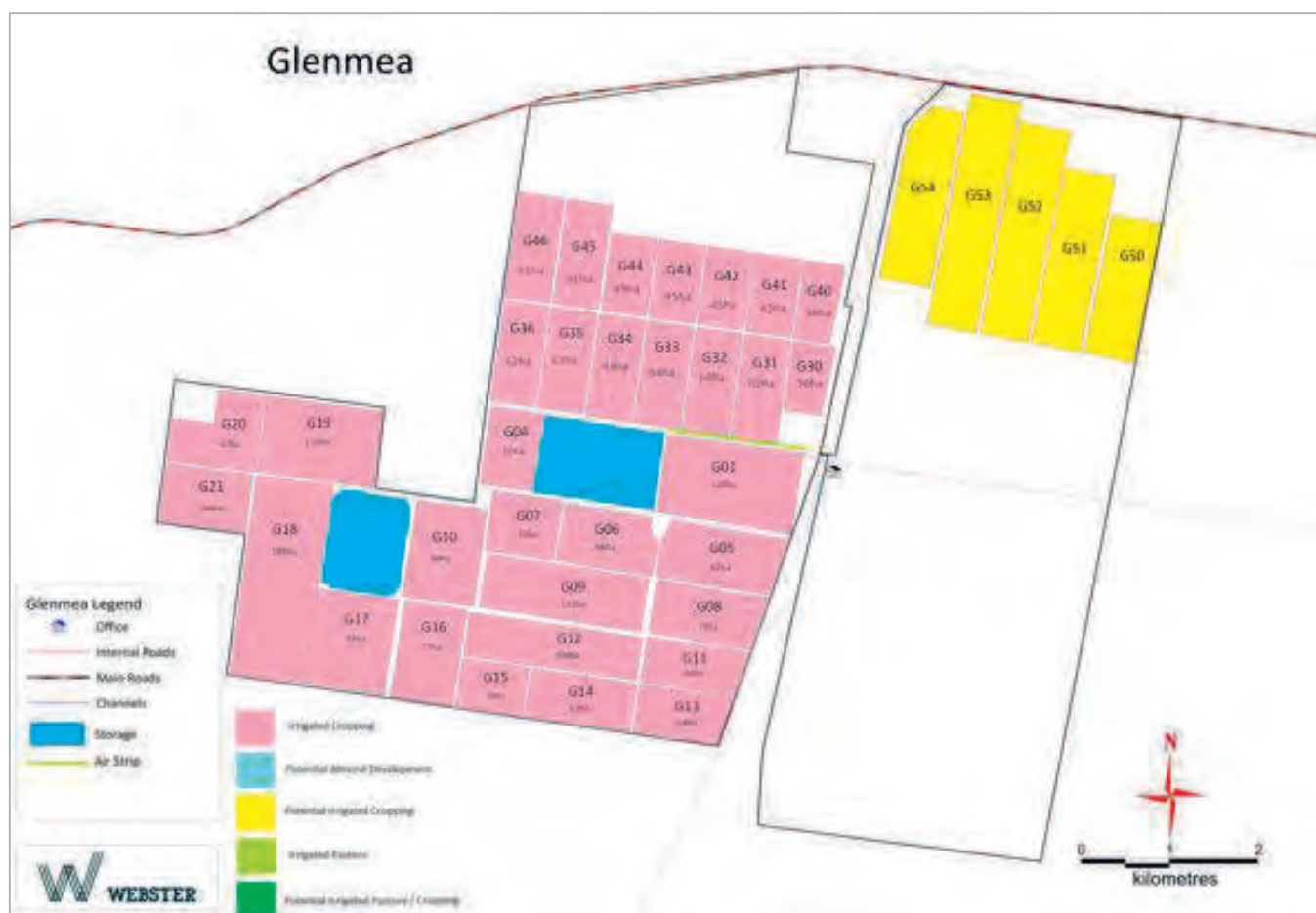
Overview

- “Glenmea” is located approximately 45 radial kilometres south-west of Hay, 265 radial kilometres north-west of Wagga Wagga and 635 radial kilometres south-west of Sydney. Primary access is via the bitumen sealed Sturt Highway.
- Primarily utilised for irrigated cropping, growing summer crops of predominately cotton.
- “Glenmea” comprises a total area of approximately 6,223 hectares and has been developed to approximately 2,277 hectares of irrigation – laser levelled row crop, 3,753 hectares of native grazing/support land with the balance 192 hectares comprising area under water storage.
- The description of each land use is summarised below:

Land Uses	Approximate Area	Proportion
Irrigation - Laser Levelled Row Crop	2,277 ha	37%
Native Grazing/Support	3,753 ha	60%
Water Storages (Land Only)	192 ha	3%
Total:	6,223 ha	100%*

* Total may not equal 100% due to rounding.

- Fencing is limited to the boundary and the grazing non-irrigated areas.
- “Glenmea” comprises a highly developed large-scale irrigation holding, located in a renowned irrigated cotton region, supported by a number of water entitlements.
- The property has access to the Murrumbidgee River via a private supply channel, approximately 14 kilometres in length with access to the river to the north-east of the property.
- The native grazing land was used for cattle grazing purposes at the time of inspection.



Rationale

- In our sales analysis, we have benchmarked the different land classes to disclose an indicative rate per hectare for each. We have identified the two main land classes being Irrigation - Laser Levelled Row Crop, and Native Grazing Land.
 - **Irrigation – Laser Levelled Row Crop** is land that has been laser levelled and developed to row crop for continuous cropping purposes. It is typically utilised to support cotton production though can also support lower value crops such as cereals.
 - **Native Grazing** - is land which is considered suitable for the grazing of livestock and has not been developed for irrigation.

Irrigation – Laser Levelled Row Crop

- We have relied upon our key sales of “Tindale” (\$2,700 per hectare) and the older row crop development land of “Gundaline” (\$2,700 per hectare) in assessing the Irrigation – Laser Levelled Row Crop land rate for “Glenmea”.
- “Tindale” transacted in December 2018 for \$3,600,000 and reflects a rate \$2,700 per hectare for the Irrigation – Laser Levelled Row Crop land component. Situated in a superior locality closer to the Hay township with inferior development on a smaller scale. The property was sold via an expressions of interest marketing campaign and purchased by an operator from the Hillston region. Overall considered slightly inferior on an Irrigation – Laser Levelled Row Crop land rate basis.
- “Gundaline” sold in April 2018 for \$64,050,000 and analysed at \$2,700 per hectare for the older development. The older development land on “Gundaline” is considered typically inferior to that of the irrigation development on “Glenmea” and is situated in a slightly inferior locality albeit comprising comparable Stuart Highway frontage. Overall considered slightly inferior on an Irrigation – Laser Levelled Row Crop basis.
- In recent years significant capital works expenditure has been spent on the development of Irrigation - Laser Levelled Row Crop land on “Glenmea”. The level of irrigation development is benefited by approximately 4,500 megalitres of water storage, which is beneficial for the storing of both temporary and supplementary water when required.
- Given the foregoing, we have applied an Irrigation – Laser Levelled Row Crop land rate of **\$2,750 per hectare**. This rate for “Glenmea” sits slightly above the key sales as mentioned above and is considered appropriate in this instance given the recent land development.

Native Grazing

- When assessing a native grazing land rate per hectare we have relied upon the key sale of “Tindale” (\$350 per hectare) which is situated on the south-eastern side of the Hay Township. “Tindale” is situated in a superior location however comprises inferior access via a gravel road. Further to this we are aware much of the native grazing land comprises inferior underlying land system and as such is considered to reflect a slightly inferior rate.
- Further to this we are also aware of primary grazing properties that have transacted in the region, being “Rosevale”, Hay (\$420 per hectare) and the transaction of “Newmarket North”, Hay (\$330 per hectare) which help to demonstrate the demand for grazing land in the surrounding locality. These transactions are held on file and not detailed here, as they are not considered directly comparable to “Glenmea” given they do not include any irrigation development.
- Given the foregoing, we have applied **\$375 per hectare** to the native grazing/support land on “Glenmea”.

Structures

- We have calculated the added value of the structures by deducing from our analysis of sales evidence.

Valuation

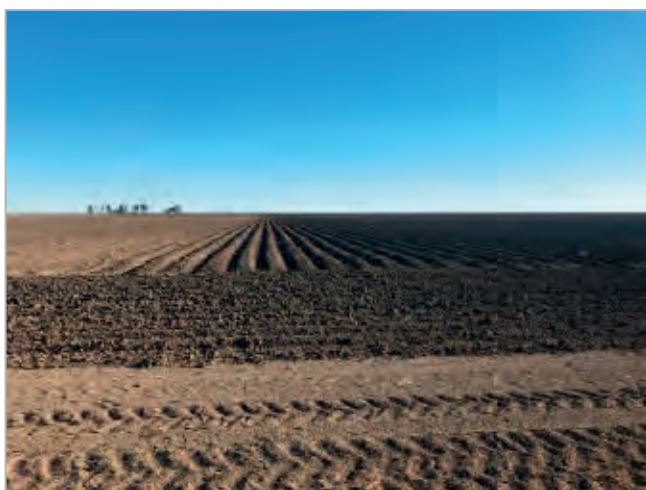
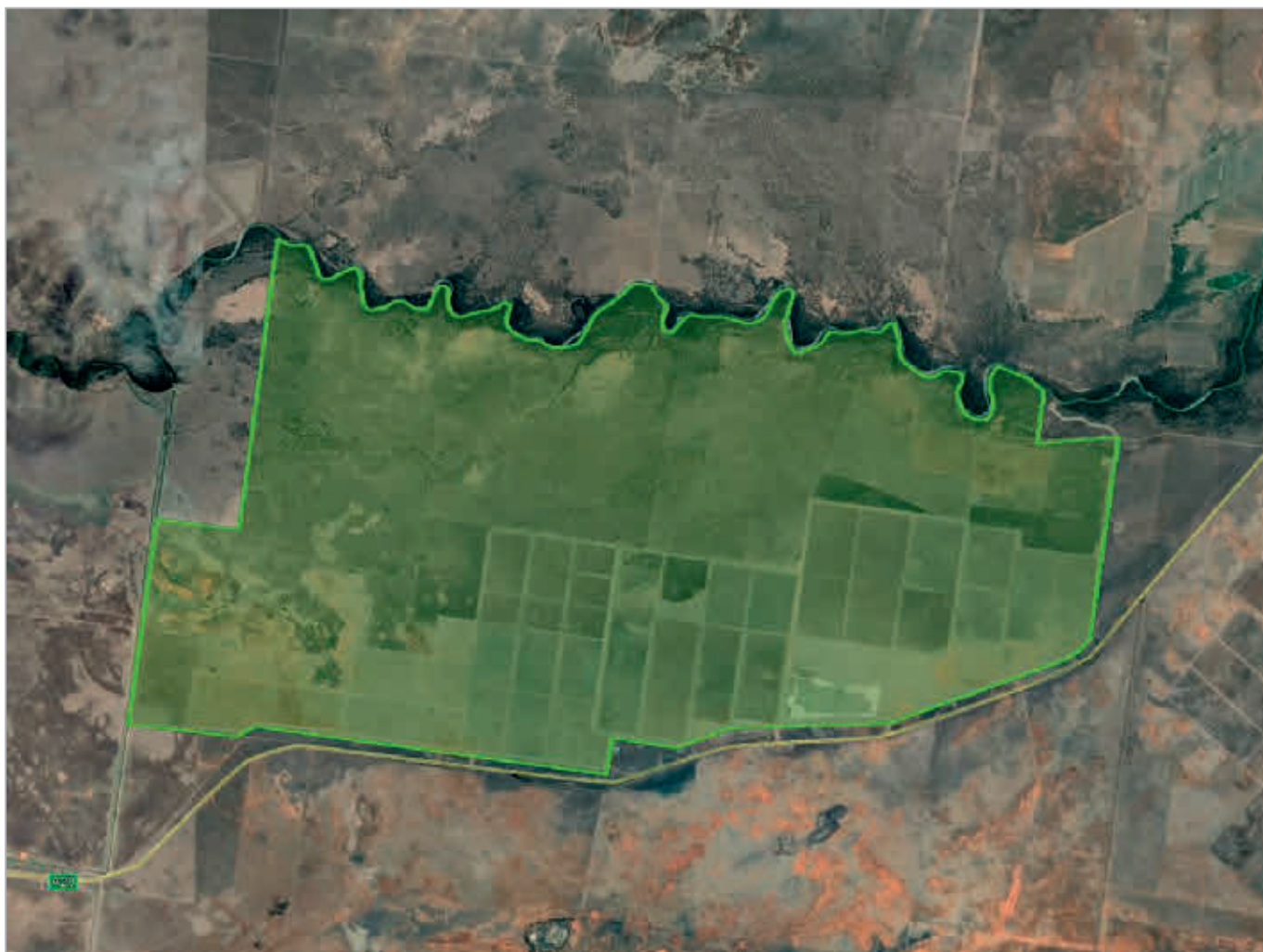
- The summation basis is as follows:

SUMMATION BASIS				
Land	Area (ha)		Rate \$/ha	Value
Irrigation - Laser Levelled Row Crop	2,277.46	@	\$2,750	\$6,263,015
Native Grazing/Support	3,753.40	@	\$375	\$1,407,525
Water Storages (Land Only)	192.00	@	\$0	\$0
SubTotal	6,222.86			\$7,670,540
Water	MI		Rate \$/MI	Value
Water Storage	7,713	@	\$175	\$1,349,775
SubTotal				\$1,349,775
Structures				Value
"Glenmea" Structures			Say	\$237,500
Total				\$9,257,815
TOTAL (rounded)				\$9,250,000

Reconciliation

- Based on the foregoing we have adopted a Market Value of \$9,250,000 (excluding water entitlements) for "Glenmea", 30615 Sturt Highway, Maude, NSW 2711.

6.2.5 "Pevensey"



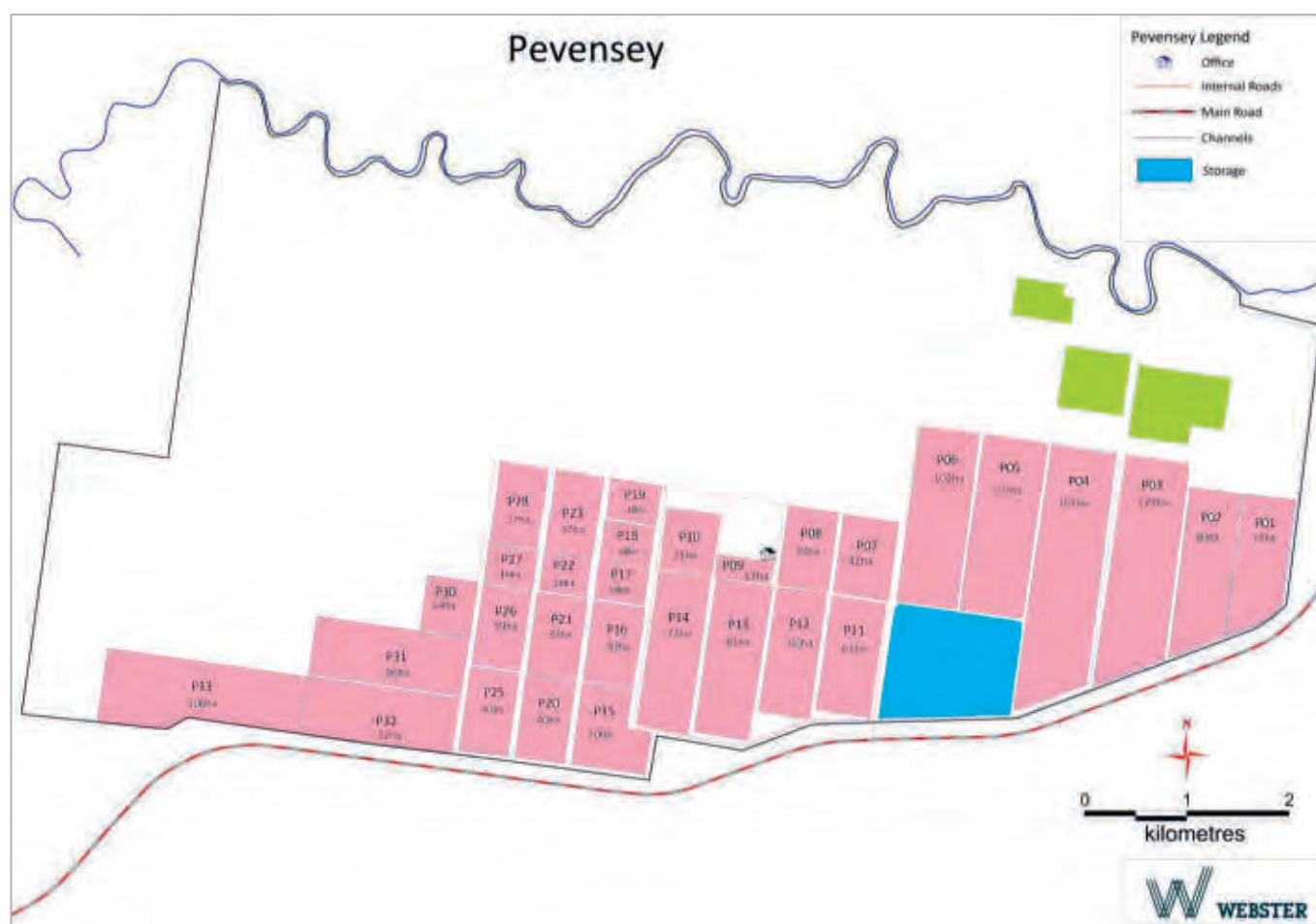
Overview

- “Pevensey” is located approximately 20 radial kilometres south-west of Hay, 255 radial kilometres north-west of Wagga Wagga and 610 radial kilometres south-west of Sydney. Primary access is via the bitumen sealed Sturt Highway.
- Primarily used for irrigated cropping, growing summer crops of predominately cotton.
- “Pevensey” comprises a total area of approximately 5,896 hectares and has been developed to approximately 1,739 hectares of irrigation – laser levelled row crop, 108 hectares of irrigation laser levelled flood, 3,944 hectares of native grazing/support land with the balance 105 hectares comprising area under water storage.
- The description of each land use is summarised below:

Land Uses	Approximate Area	Proportion
Irrigation - Laser Levelled Row Crop	1,739 ha	30%
Irrigation - Laser Levelled Flood	108 ha	2%
Native Grazing/Support	3,944 ha	67%
Water Storages (Land Only)	105 ha	2%
Total:	5,896 ha	100%*

* Total may not equal 100% due to rounding.

- Fencing comprises agricultural style construction. We note there are no internal fences to the irrigation land. The grazing land is separated from the irrigation land by fencing.
- “Pevensey” comprises a highly developed large scale irrigation holding, located in a renowned irrigated cotton region, supported by a number of water entitlements.
- The property has access to the irrigation water from the Murrumbidgee River which bounds “Pevensey” for approximately 15 kilometres to the north.
- The native grazing land was used for cattle grazing purposes at the time of inspection.



Rationale

- In our sales analysis, we have benchmarked the different land classes to disclose an indicative rate per hectare for each. We have identified the three main land classes being Irrigation - Laser Levelled Row Crop, Irrigation - Laser Levelled Flood and Native Grazing Land.
 - **Irrigation – Laser Levelled Row Crop** is land that has been laser levelled and developed to row crop for continuous cropping purposes. It is typically utilised to support cotton production though can also support lower value crops such as cereals.
 - **Irrigation – Laser Levelled Flood** is land that is commonly used for pastures or cereal production, it has been laser levelled and is irrigated from a supply channel into a paddock with the grade running in the opposite direction to the inflow point. The layout allows for water to be ponded for periods of time.
 - **Native Grazing** - is land which is considered suitable for the grazing of livestock and has not been developed for irrigation.

Irrigation – Laser Levelled Row Crop

- We have had particular regard to the sales of “Gundaline” (\$2,700 per hectare to \$3,500 per hectare) and “Huddersfield & Tubbo” (\$3,000 per hectare to \$3,500 per hectare) in assessing the Irrigation – Laser Levelled Row Crop land rate for “Kooba Aggregation”.
- “Gundaline” sold in April 2018 for \$64,050,000 and analysed at \$3,500 per hectare for new development and \$2,700 per hectare for the older development. The new development land on “Gundaline” is considered superior to that of the row crop development on the subject property albeit situated in a slightly inferior locality with comparable Stuart Highway frontage. Overall the new development on “Gundaline” is considered slightly superior to that of “Pevensey” due to the underlying soil types and development.
- “Huddersfield & Tubbo” comprise two non-contiguous holdings within proximity to Darlington Point and reflect rates of \$3,000 per hectare (“Tubbo”) to \$3,500 (“Huddersfield”) per hectare for the Irrigation – Laser Levelled Row Crop land component. “Huddersfield” & “Tubbo” were advertised for sale via an extensive marketing campaign in conjunction with 4 other agricultural aggregations situated throughout Australia known as the *Sustainable Agriculture Fund*. The holdings were purchased by an established corporate entity and are considered to reflect rates both above and below that applicable for “Pevensey”. Overall we consider “Pevensey” to be superior to the “Tubbo” development however inferior to the “Huddersfield” development of the sale.
- In recent years significant capital works expenditure has been spent on the development of Irrigation - Laser Levelled Row Crop land on “Pevensey”. The level of irrigation development will be benefited by approximately 6,000 megalitres of new water storage, which is nearing completion.
- Given the foregoing, we have applied an Irrigation – Laser Levelled Row Crop land rate of **\$3,200 per hectare** for “Pevensey”.

Irrigation – Laser Levelled Flood

- We have had regard to the sale of “Nyangay Station” which reflects \$1,000 per hectare for flood irrigation land and is considered inferior to that of the subject holding due underlying location and level/scale of development. We have also relied upon some more dated sales held on file displaying Irrigation - Laser Levelled Flood land rates being “Noongaburra” (\$850 per hectare) and “Ringwood & Farm 4002” (\$1,000 per hectare). Both of these sales comprise typically dated, lesser quality development on a smaller scale and are overall considered inferior to the development on “Pevensey”. We consider the land class to be superior on the subject as it is largely serviced by the district leading infrastructure (water delivery, water supply, tracks etc.).
- Further, given the interconnectedness of the irrigation systems throughout the property, there is potential for the land class to be improved to a higher value land use. This potential, as well as the “existing use” value of irrigation land in the region has been considered when forming an opinion of value.
- Given the foregoing, we have applied an Irrigation – Laser Levelled Flood land rate of **\$1,600 per hectare** for “Pevensey” as appropriate.

Native Grazing

- When assessing a native grazing land rate per hectare we have relied upon the key sale of “Tindale” (\$350 per hectare) which is situated on the south-eastern side of the Hay Township. “Tindale” is situated in a superior location however comprises inferior access via a gravel road. Further to this we are aware much of the native grazing land comprises inferior underlying land system and as such is considered to reflect a slightly inferior rate.

- Further to this we are also aware of primary grazing properties that have transacted in the region, being "Rosevale", Hay (\$420 per hectare) and the transaction of "Newmarket North", Hay (\$330 per hectare) which help to demonstrate the demand for grazing land in the surrounding locality. These transactions are held on file and not detailed here, as they are not considered directly comparable to "Kooba Aggregation" given they do not include any irrigation development.
- Given the foregoing, we have applied **\$400 per hectare** to the native grazing/support land on "Pevensey".

Structures

- We have calculated the added value of the structures by deducing from our analysis of sales evidence.

Valuation

- The summation basis is as follows:

SUMMATION BASIS				
Land	Area (ha)		Rate \$/ha	Value
Irrigation - Laser Levelled Row Crop	1,739.28	@	\$3,200	\$5,565,696
Irrigation - Laser Levelled Flood	108.00	@	\$1,600	\$172,800
Native Grazing/Support	3,943.51	@	\$400	\$1,577,405
Water Storages (Land Only)	105.00	@	\$0	\$0
SubTotal	5,895.79			\$7,315,901
Water	MI		Rate \$/MI	Value
Water Storage	6,000	@	\$200	\$1,200,000
Structures				Value
"Pevensey" Structures			Say	\$479,500
Total				\$8,995,401
TOTAL (rounded)				\$9,000,000

Reconciliation

- Based on the foregoing we have adopted a Market Value of \$9,000,000 (excluding water entitlements) for "Pevensey", 30615 Sturt Highway, Maude, NSW 2711.

6.2.6 “Yang Yang”



- Overview**
- “Yang Yang” is located approximately 50 radial kilometres west of Hay, 290 radial kilometres north-west of Wagga Wagga and 640 radial kilometres south-west of Sydney. Primary access is via the bitumen sealed Maude Road.
 - Primarily used for rural lifestyle pursuits featuring frontage to the Murrumbidgee River.

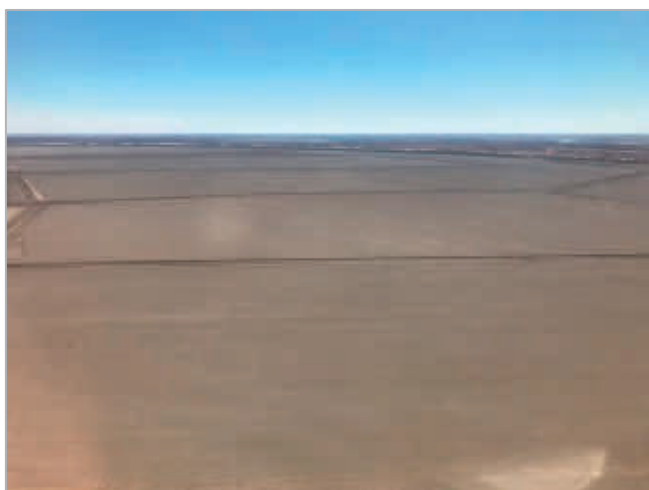
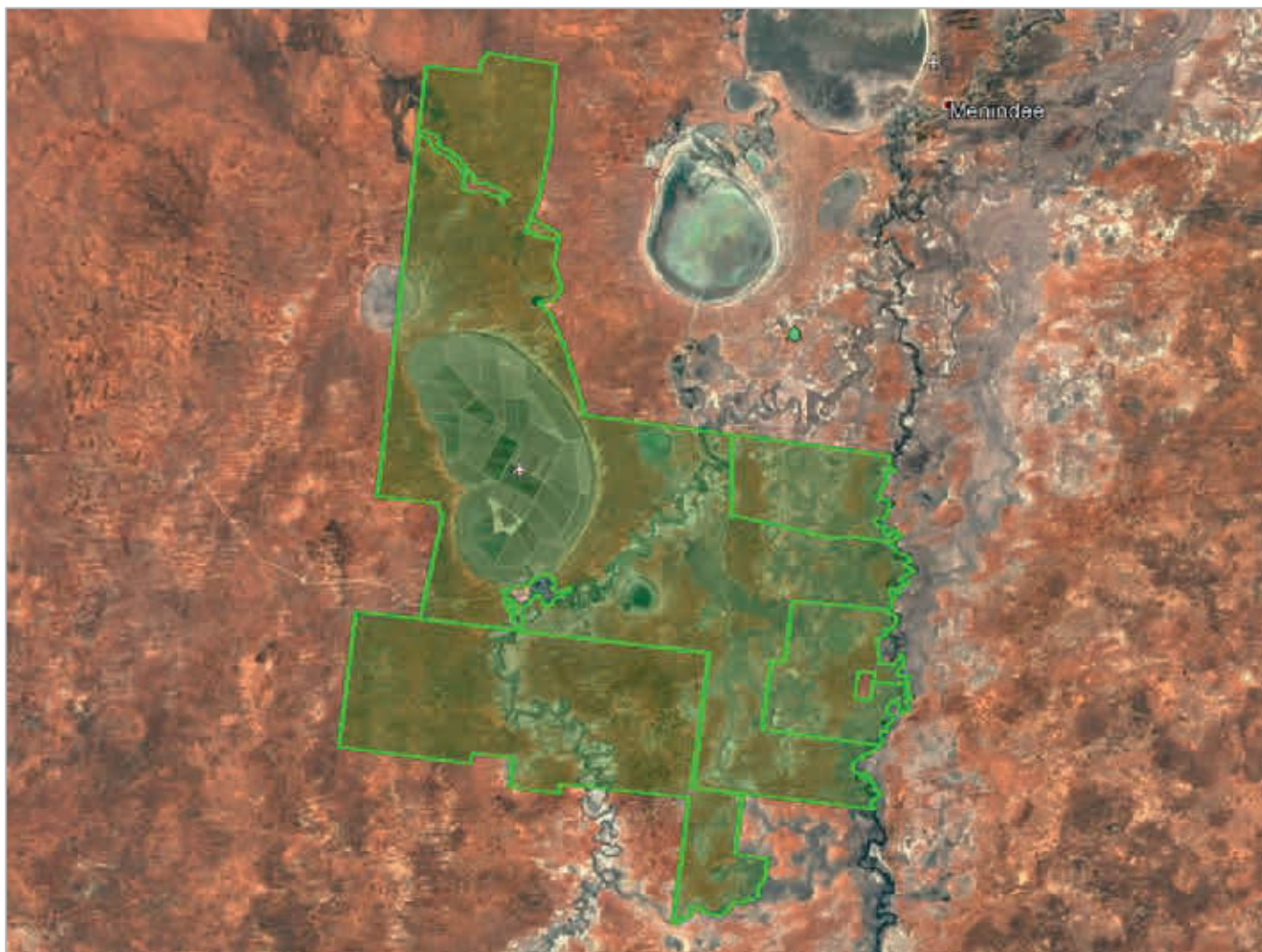
- Improvements**
- Fencing comprises agricultural style construction.
 - Structural development comprises 2 dwellings and a machinery shed.

- Rationale**
- In our assessment of value for “Yang Yang” we have referred to sales attached in the appendices reflecting a range of values between \$250,000 to \$537,700. We consider our most comparable sales evidence to be Sale 1 “Old Howlong”, 4232 Murrumbidgee River Road which sold for \$250,000 in July 2019 and comprises a 20.35 hectare allotment improved with a single dwelling and garden shed. We consider “Yang Yang” to be superior to this key sale and as such have completed our assessment of value below:

SUMMATION BASIS				
Land				Value
Rural Lifestyle				\$125,000
Structures	Area (sqm)		Rate \$psm	Value
Dwelling 1	140	@	\$900	\$126,000
Dwelling 2	115	@	\$700	\$80,500
Machinery Shed	30	@	\$170	\$5,100
SubTotal				\$211,600
Total				\$336,600
TOTAL (rounded)				\$340,000

- Reconciliation**
- Based on the foregoing we have adopted a Market Value of \$340,000 for “Yang Yang”, Maude Road, Maude, NSW 2711.

6.3.2 "Tandou Station"



Overview

- "Tandou Station" is located approximately 45 radial kilometres south-west of Menindee and 410 radial kilometres north-east of Adelaide. Access is via the formed and gravelled Old Pooncarie Road, with secondary access via the formed and gravelled Tandou Road.
- Primarily used for dorper sheep breeding and fattening with the inclusion of a recently developed sheep feedlot constructed on the property. Feedlot infrastructure includes 2 primary penning developments being the primary feedlot area with 24 x 2,000 sqm pens and a ewe containment area comprising 44 x 3,500 sqm pens. In addition to the feedlot, grazing land comprises pastoral grazing land which features frontage to the Darling River.
- Comprising a total area of approximately 127,337 hectares of both Freehold and Western Lands Lease land, "Tandou Station" comprises a mix of land types. The property is level to gently undulating in topography with the highest area of elevation to the northern boundary gradually sloping to the east to the Darling River. The majority of the property is classed as open plains and generally level in contour. The south-eastern portion of "Tandou Station" is traversed by a number of watercourses including Redbank Creek, Coonalhugga Creek and the Darling River to the eastern boundary. We also note the existence of Lake Tandou and some smaller lakes as well as clay pans throughout.
- Vegetation comprises scattered native timber stands to the grazing land. Native pasture species include bluebush, salt bush and a wide range of annual and perennial grasses and herbage. Soil types comprise desert loams, grey to brown soils of heavy texture and solonized brown soils.
- The description of each land use is summarised below:

Land Uses	Approximate Area	Proportion
Native Grazing	111,371 ha	87%
Previous Irrigation & Support Land (Valued as Grazing)	15,967 ha	13%
Total:	127,337 ha	100%*

* Total may not equal 100% due to rounding.

Land Development

- Fencing comprises agricultural style fencing, generally including hingejoint wires on steel posts in stockproof condition. Boundary fencing is considered to be sound condition. We note there has been an extensive capital development program associated with the installation of new fencing. We understand the property is subdivided into approximately 40 main paddocks.

Carrying Capacity

- The pastoral grazing land typically carries dorper ewes. At the date of inspection the property was carrying 10,834 ewes (primarily in feedlots), however we have been advised the property was considered to be understocked due to the ongoing drought and dependent on seasonal conditions can typically carry approximately 15,000 ewes (1 ewe per 8 hectares).
- The Western Lands rating for the surrounding area ranges from 4 to 7 hectares per DSE. Based on our knowledge of district and the subject property we have applied an approximate carrying capacity of 4 hectares per DSE.
- This is in line with the advised total sustainable carrying capacity of approximately 31,500 DSE for "Tandou Station".



Rationale

- In our sales analysis, we have benchmarked the land to disclose an indicative rate per hectare and the added value attributed to structures.

Native Grazing Land

- In assessing the rate of the native grazing land on "Tandou Station", we have relied upon the key local sales of "Eurella Station" (\$155 per hectare), "Netley Station" (\$140 per hectare) and "Burta Station" (\$115 per hectare) as key evidence of value.
 - "Eurella Station" is our most recent sales evidence transacting in August 2019 for \$4,400,000 and reflected a native grazing rate of \$155 per hectare. Situated in a superior locality approximately 200 radial kilometres east of the subject with a significantly smaller land area and superior overall development (fencing, waters and structures). Overall considered superior on a native grazing rate per hectare.
 - "Netley Station" sold in February 2019 for \$10,600,000 and reflected a native grazing rate of \$140 per hectare. The property is situated approximately 50 radial kilometres west of "Tandou Station" in a slightly inferior location albeit comprising superior access via a bitumen sealed roadway traversing the property. The fencing, waters and structures are considered to be in a sound condition and is overall considered to reflect an inferior native grazing rate then that applicable to the subject due to level of development.
 - "Burta Station" transacted In April 2018 for \$5,380,000 and reflected a native grazing rate of \$115 per hectare. Situated approximately 80 radial kilometres west of "Tandou Station" in an inferior location. The fencing, waters and structures are considered to be in a good condition. The land class however is considered inferior to "Tandou Station", therefore a higher rate per hectare is applicable to the subject.
 - "Eaglehawk Station" transacted In July 2017 for \$3,450,000 reflecting a native grazing rate of \$113 per hectare. Situated approximately 30 radial kilometres north-west of "Tandou Station" in an overall inferior location. The fencing, waters and structures are considered to be in a poor condition and in need of significant capital expenditure compared to "Tandou Station". "Eaglehawk Station" received strong demand and sold at auction at perceived strong value levels. Considered inferior to "Tandou Station" due to level of development.
- We have also taken into consideration the subject sale of "Packsaddle Station" for \$6,000,000 (ex W.I.W.O) at an analysed rate of \$138 per hectare for native grazing land. Whilst it is situated a distance from "Tandou Station" in an inferior location north of Broken Hill, it gives evidence of a similarly well-developed property with comparable fencing, waters and infrastructure. This transaction is considered to be superior to neighbouring transactions due to the high level of development. We believe that "Tandou Station" would transact at higher levels to the "Packsaddle Station" transaction due to its standard of development.
- Based on the above discussion, we have applied a value of \$150 per hectare for the native grazing land on "Tandou Station". We have discounted the previous irrigation & support land taking into account the decreased productivity when compared to the developed native grazing, organic status and level of development. On that basis we have applied a value of \$100 per hectare for the previous irrigation and support land on "Tandou Station".

Structures

- We have calculated the added value of the infrastructure by deduction from our analysis of sales evidence. We have also taken into account the recently developed feedlots when assessing value, however we note that given the location and land use some potential purchasers will place limited value on this infrastructure.
- The summation basis is as follows:

SUMMATION BASIS				
Land	Area (ha)		Rate \$/ha	Value
Native Grazing	111,370.88	@	\$150	\$16,705,632
Previous Irrigation & Support Land (Valued as Grazing)	15,966.53	@	\$100	\$1,596,653
SubTotal	127,337.41			\$18,302,285
Structures			Rate \$psm	Value
Residential and Rural Structures			Say	\$800,000
Feedlots (2)			Say	\$400,000
SubTotal				\$1,200,000
Total				\$19,502,285
TOTAL (rounded)				\$19,500,000

- As a check against the primary basis above, we have considered the sales evidence on an Overall Rate Per Hectare Basis.
- It is noted that the Productive Unit Basis (DSE) is becoming arbitrary to some potential purchasers within the region. Comparable sales when assessed on a Dry Sheep Equivalent (DSE) basis are referenced to known district averages, advertised carrying capacity at time of sale, as well as our well-informed estimates from experience in fieldwork. Given the high degree of variability in assessing a sustainable DSE with regards to the various management techniques in the region as well as the information received, in this instance we consider this method somewhat subjective and as such have discounted it.
- The lower end of the sales evidence is represented by "Mount Kew" (\$98 per hectare overall), "Kalability Station" (\$50 per hectare overall) and "Martin Well Station" (\$47 per hectare overall) which are the most dated sales evidence utilised and are all situated in inferior localities with lesser quality development than that of the subject. The upper end of the sales evidence however is represented by "Eurella Station" (\$170 per hectare overall), "Netley Station" (\$145 per hectare overall), "Rosewood Station" (\$165 per hectare overall) and "Packsaddle Station" (\$147 per hectare overall) which all comprise the most recent transaction evidence and include a typically sound to high level of development to fencing, waters and infrastructure.
- The value disclosed in the Summation Basis of \$19,500,000 denotes \$153 per hectare overall which is considered in line with the upper end of the sales evidence given the superior attributes of the property.
- The Overall Rate Per Hectare basis is as follows:

OVERALL RATE PER HECTARE BASIS				
	Area (ha)		Rate \$/ha	Value
"Tandou Station"	127,337.41	@	\$153	\$19,482,624
Total				\$19,482,624
TOTAL (rounded)				\$19,500,000

Reconciliation

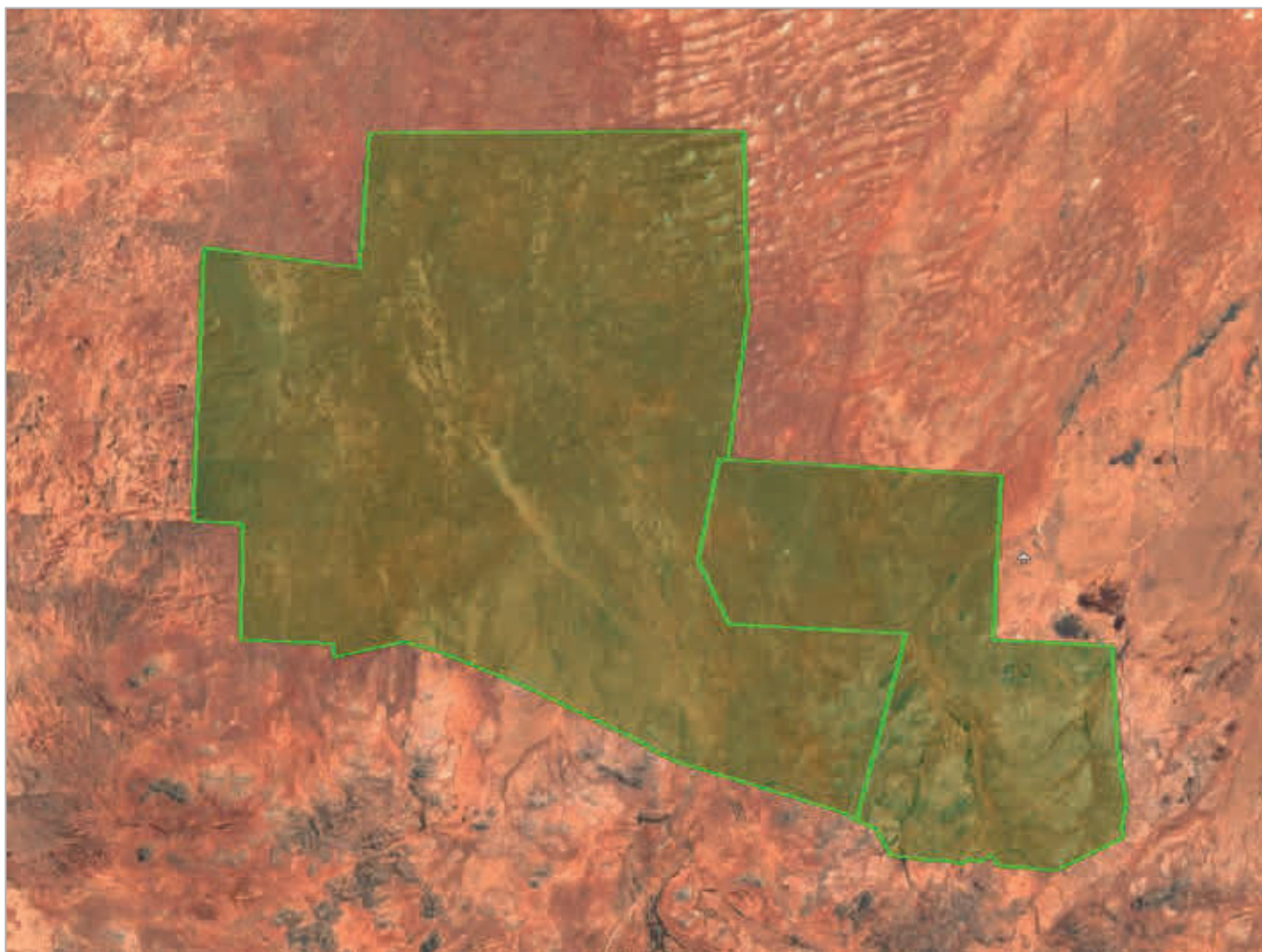
- We have reconciled the values as follows:

VALUATION RECONCILIATION	
Direct Comparison - Summation	\$19,500,000
Direct Comparison - Overall Rate Per Hectare	\$19,500,000
ADOPT	\$19,500,000

Valuation

- Based on the foregoing we have adopted a Market Value of \$19,500,000 for "Tandou Station", Old Pooncarie Road, Menindee, NSW 2879.

6.3.3 “Kalabity Station”



Overview	<ul style="list-style-type: none"> ▪ “Kalabity Station” is located approximately 40 radial kilometres north of Olary, 100 radial kilometres west of Broken Hill and 370 radial kilometres north-east of Adelaide. Access is via the formed and gravelled Kalabity Road, with secondary access via the formed and gravelled Mooleulooloo Road. ▪ Primarily utilised as a dorper sheep breeding enterprise. ▪ Comprising a total area of approximately 185,700 hectares of Crown Leasehold land, “Kalabity Station” comprises a mix of land types. The property is relatively level throughout with pockets of low ridges and low hills to the south-eastern portion of the holding. The majority of the property is classed as open plains and generally level in contour. ▪ Vegetation primarily ranges from salt bush and blue bush to a range of natural grasses and herbage. There are areas of open woodlands throughout which feature bullock bush, mulga, black oak plus some areas of wattle, hopbush, emu bush, river and Mallee box species.
Land Development	<ul style="list-style-type: none"> ▪ Boundary and internal fencing across the aggregation comprise typical agricultural construction of a mixture of ringlock, netting, plain and barbed wires and both steel and timber posts. Fencing is considered to be in overall stockproof condition. The farm manager has advised that in excess of approximately 600 kilometres of new fencing or re-strengthened fencing has been constructed/upgraded since acquisition. There has also been extensive construction of holding paddocks throughout “Kalabity Station”. The aggregation has been subdivided into approximately 65 main paddocks and 23 holding/smaller paddocks. Significant capital expenditure has been undertaken in new fencing / paddock development in recent years. ▪ There is a total of 7 equipped bores and a well (homestead) located throughout the property. These bores are known as Boundary, Ironstone, Toraminga, Nancatee, Boundary, Calico and Ashby Bores. The bores are supported by a total of 12 main dams and 14 secondary dams, as well as numerous watering holes that can catch and hold water throughout the property depending on seasonal conditions. It is noted that all of the main dams have recently been cleaned/desilted.
Carrying Capacity	<ul style="list-style-type: none"> ▪ The pastoral grazing land typically carries dorper ewes. ▪ At the date of inspection, the property was carrying 1,300 ewes, however we have been advised the property was considered to be understocked due to the ongoing drought. Dependent on seasonal conditions we have been advised by the farm manager the property could carry up to approximately 18,000 ewes (1 ewe per 10 hectares). ▪ “Kalabity Station” is rated by the South Australian Pastoral Board as having the ability to carry approximately 25,000 DSE. However, the property has recently undertaken a significant capital works expenditure program of fencing, stock yards and waters and transferred into a purely Dorper meat sheep enterprise which will enhance productivity levels.



- ### Native Grazing Land

- ## Structures

- ## Valuation

- The summation calculation is detailed overleaf:

SUMMATION BASIS				
Land	Area (ha)		Rate \$/ha	Value
Native Grazing	185,700.00	@	\$70	\$12,999,000
Structures				Value
"Kalabity Station" Structures			Say	\$754,240
Total				\$13,753,240
TOTAL (rounded)				\$13,750,000

- As a check against the primary basis above, we have also considered the sales evidence on an Overall Rate Per Hectare Basis.
- It is noted that the Productive Unit Basis (DSE) is becoming arbitrary to some potential purchasers within the region. Comparable sales when assessed on a Dry Sheep Equivalent (DSE) basis are referenced to known district averages, advertised carrying capacity at time of sale, as well as our well-informed estimates from experience in fieldwork. Given the high degree of variability in assessing a sustainable DSE with regards to the various management techniques in the region as well as the information received, in this instance we consider this method somewhat subjective and as such have discounted it.
- The lower end of the sales evidence is represented by "Mount Kew" (\$98 per hectare overall), "Kalabity Station" (subject sale – \$50 per hectare overall) and "Martin Well Station" (neighbouring transaction – \$47 per hectare overall) which are the most dated sales evidence with a lesser standard of development than that currently developed on the subject. The upper end of the sales evidence however is represented by "Eurella Station" (\$170 per hectare overall), "Netley Station" (\$145 per hectare overall), "Rosewood Station" (\$165 per hectare overall) and "Packsaddle Station" (\$147 per hectare overall) which all are situated in superior locations and comprise the most recent transaction evidence and include a typically sound to high level of development to fencing, waters and infrastructure.
- The value disclosed in the Summation Basis of \$13,750,000 denotes \$74 per hectare overall which is considered in line with the sales evidence given the attributes of the property.

OVERALL RATE PER HECTARE BASIS				
	Area (ha)		Rate \$/ha	Value
"Kalabity Station"	185,700.00	@	\$74	\$13,741,800
Total				\$13,741,800
TOTAL (rounded)				\$13,750,000

Reconciliation

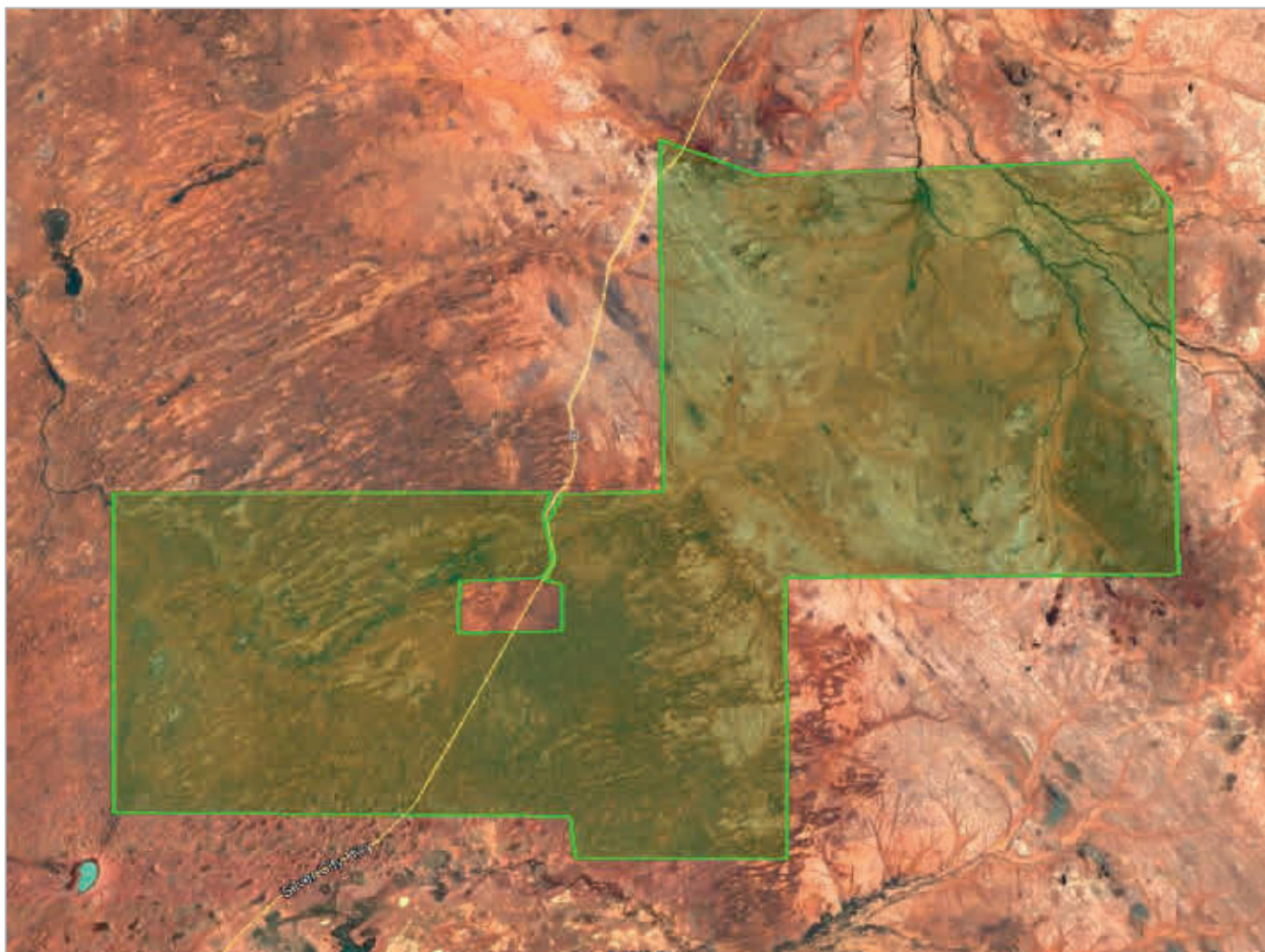
- We have reconciled the values as follows:

VALUATION RECONCILIATION	
Direct Comparison - Summation	\$13,750,000
Direct Comparison - Overall Rate Per Hectare	\$13,750,000
ADOPT	\$13,750,000

Valuation

- Based on the foregoing we have adopted a Market Value of \$13,750,000 for "Kalabity Station", 2322 Kalabity Road, Kalabity SA 5440.

6.3.4 "Packsaddle Station"



Overview	<ul style="list-style-type: none">▪ “Packsaddle Station” is located directly surrounding Packsaddle, approximately 160 radial kilometres north north-west of Broken Hill and approximately 570 radial kilometres north-east of Adelaide. Primary access is via the gravel Silver City Highway.▪ Primarily utilised as a Dorper sheep breeding enterprise.▪ Comprising a total area of approximately 40,880 hectares of Western Lands Lease land, “Packsaddle Station” comprises a mix of land types. The property is relatively level throughout with pockets of low ridges and low hills to the north-eastern portion of the holding. The majority of the property is classed as open plains and generally level in contour.▪ Vegetation primarily ranges from Pearl salt bush, blue bush, Mitchell grass, crowsfoot, cannon ball, copper burr, native clovers, bindi eye, wire grass, spinach and button grass. Timbered with acacia, mulga, box, native pine, black oak, bullock bush and turpentine.
Land Development	<ul style="list-style-type: none">▪ Boundary and internal fencing across the aggregation comprises typical agricultural construction of a mixture of ringlock, netting, plain and barbed wires and both steel and timber posts. Fencing is considered to be in an overall stockproof sound condition.▪ The farm manager has advised that approximately 60 kilometres of new internal fencing or re-strengthened fencing has been constructed/ upgraded over the past 12-18 months.▪ The aggregation has been subdivided into approximately 18 main paddocks and 6 holding/smaller paddocks. Significant capital expenditure has been undertaken in new fencing / paddock development in recent years.
Carrying Capacity	<ul style="list-style-type: none">▪ The pastoral grazing land typically carries dorper ewes.▪ At the date of inspection, the property was carrying 70 ewes, however we have been advised the property was considered to be understocked due to the ongoing drought. Dependent on seasonal conditions we have been advised by the farm manager the property could carry up to approximately 5,500 ewes (1 ewe per 7.8 hectares). However, we specifically note that prior to acquisition only 4,000 ewes were typically being carried (1 ewe per 10.2 hectares).▪ Based on our knowledge of district and the subject property we have applied an approximate carrying capacity of 4.5 hectares per DSE.▪ This is in line with the advised total sustainable carrying capacity of approximately 9,000 DSE for “Packsaddle Station”.



- ## Native Grazing Land

- ## Structures

- ## Valuation

- The summation calculation is detailed overleaf:

SUMMATION BASIS				
Land	Area (ha)		Rate \$/ha	Value
Native Grazing	40,880.00	@	\$140	\$5,723,200
Structures				Value
"Packsaddle Station" Structures			Say	\$375,000
Total				\$6,098,200
TOTAL (rounded)				\$6,100,000

- As a check against the primary basis above, we have also considered the sales evidence on an Overall Rate Per Hectare Basis.
- It is noted that the Productive Unit Basis (DSE) is becoming arbitrary to some potential purchasers within the region. Comparable sales when assessed on a Dry Sheep Equivalent (DSE) basis are referenced to known district averages, advertised carrying capacity at time of sale, as well as our well-informed estimates from experience in fieldwork. Given the high degree of variability in assessing a sustainable DSE with regards to the various management techniques in the region as well as the information received, in this instance we consider this method somewhat subjective and as such have discounted it.
- The lower end of the sales evidence is represented by "Mount Kew" (\$98 per hectare overall), "Kalabity Station" (\$50 per hectare overall) and "Martin Well Station" (\$47 per hectare overall) which are the most dated sales evidence utilised and are all situated in inferior localities with lesser quality development than that of the subject. The upper end of the sales evidence however is represented by "Eurella Station" (\$170 per hectare overall), "Netley Station" (\$145 per hectare overall), "Rosewood Station" (\$165 per hectare overall) and "Packsaddle Station" (\$147 per hectare overall) which all comprise the most recent transaction evidence and include a typically sound to high level of development to fencing, waters and infrastructure.
- The value disclosed in the Summation Basis of \$6,100,000 denotes \$149 per hectare overall which is considered in line with the sales evidence given the attributes of the property and current capital expenditure program in place.

OVERALL RATE PER HECTARE BASIS				
	Area (ha)		Rate \$/ha	Value
"Packsaddle Station"	40,880.00	@	\$149	\$6,091,120
Total				\$6,091,120
TOTAL (rounded)				\$6,100,000

Reconciliation

- We have reconciled the values as follows:

VALUATION RECONCILIATION	
Direct Comparison - Summation	\$6,100,000
Direct Comparison - Overall Rate Per Hectare	\$6,100,000
ADOPT	\$6,100,000

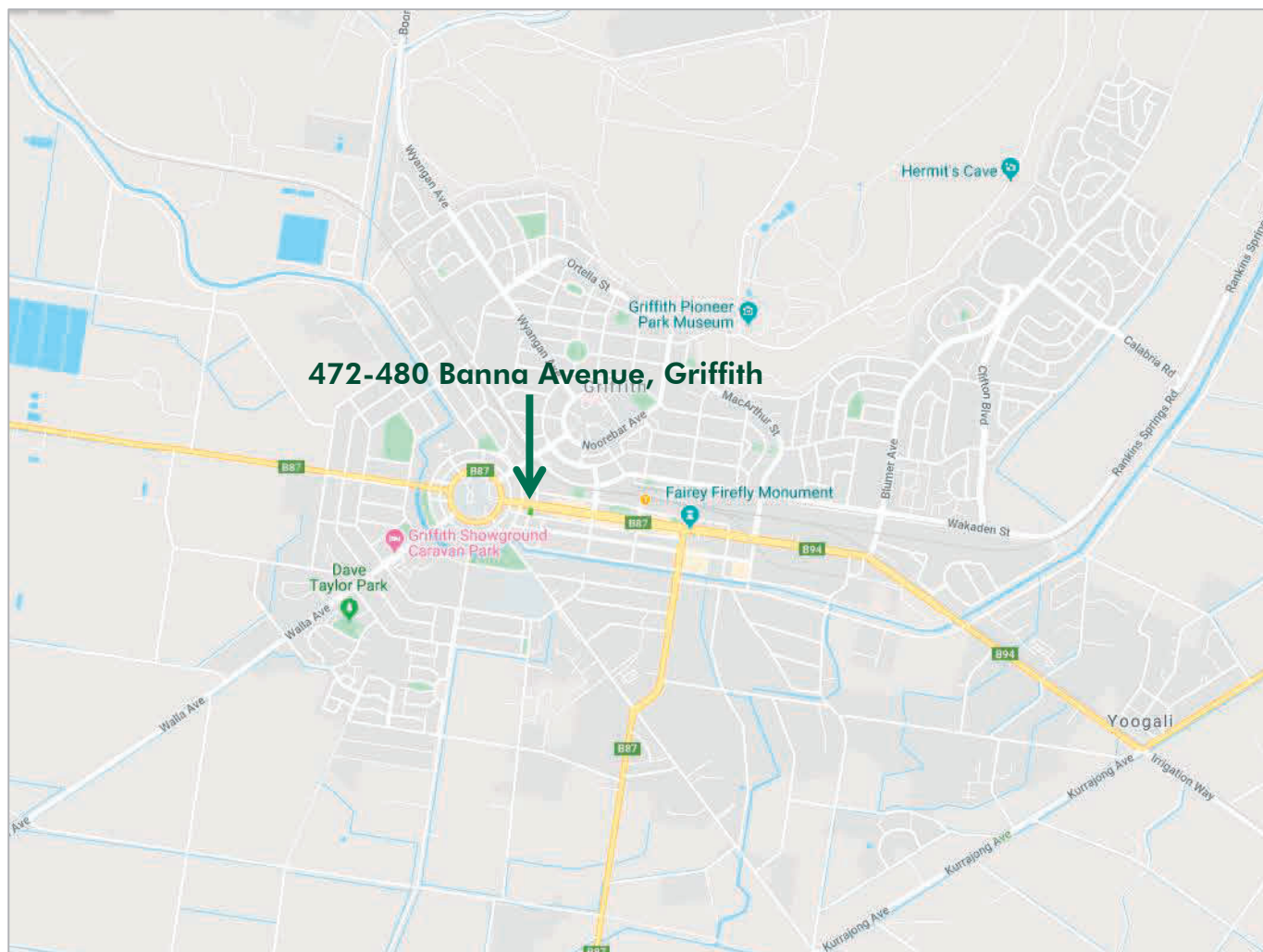
Valuation

- Based on the foregoing we have adopted a Market Value of \$6,100,000 for "Packsaddle Station", 17248 Silver City Highway, Packsaddle, NSW 2880.

6.4 Griffith Commercial Land

6.4.1 Introduction

- Region
- The Griffith Commercial land submarket comprises 472-480 Banna Avenue Griffith.
 - An overview map is provided below as well as a critical information for each respective property:



6.4.2 472-480 Banna Avenue, Griffith



Overview	<ul style="list-style-type: none"> The property comprises a 1,267 square metre commercial site which is currently being developed with a 2-storey commercial office building (under construction) which will form a primary administration site for <i>Webster Limited</i>. The allotment is generally irregular in shape and bound by Banna Avenue to the north and Banna Lane to the south. We note that the building is not yet at “lock up” stage and we have been advised that \$4,669,257 has been spent to the end of September with a total construction cost to be \$6,522,593. The subject is zoned “Local Centre” (B2) pursuant to the Griffith Local Environment Plan 2014.
Development	<ul style="list-style-type: none"> We are aware management are currently in the process of constructing a 2-storey commercial office building on this site. We have been provided with a signed copy of the construction contract which details a total construction cost of \$6,522,593. Once completed the building is to include: <ul style="list-style-type: none"> Lower ground floor <ul style="list-style-type: none"> 2 board rooms; 4 office spaces; Staff breakout area; Male and female amenities facilities; Plant rooms; Lift access; Walkways; Courtyard area with landscaped gardens and water feature; and External hardstand area and 13 carparks. Ground floor <ul style="list-style-type: none"> 5 enclosed office rooms; Open plan office area; Meeting room Storage, printer and kitchen area Dining/living area; 4 bedrooms with amenities facilities; Walkways; Lift access; and Verandah areas.
Methodology	<ul style="list-style-type: none"> We have assessed the land value by analysing land sales of similar size, location and topography to the subject property’s land component, and then applying a rate per square metre of land area. In our sales analysis, we have benchmarked the different land classes to disclose an indicative rate per square metre for each. We have identified the main land class being Local Centre land. <ul style="list-style-type: none"> Local Centre land includes the underlying land value of any structures, as well as vacant land.
Summation Basis	<p>Local Centre</p> <ul style="list-style-type: none"> In assessing a local centre land rate for 472-480 Banna Avenue, Griffith NSW 2680, we have relied upon the following sales: <ul style="list-style-type: none"> 190 Yambil Street (\$248 per square metre over 1,572 square metres): A higher land rate is considered appropriate for the subject property given its significant frontage to Banna Avenue, the main street of Griffith. We also note that the sale occurred under mortgagee-in-possession circumstances. 142 Yambil Street (\$240 per square over 784 square metres): A higher land rate is considered appropriate for the subject property given its significant frontage to Banna Avenue, and being further benefited by dual road frontage and two separate Certificates of Title. We have also considered the sale of the subject property, 472-480 Banna Avenue, which shows \$551 per square metre over 1,271 square metres. <p>Structures</p> <ul style="list-style-type: none"> In assessing the added value of the office building currently under construction we have been advised that \$4,669,257 (total construction cost \$6,522,593) had been spent on the facility up until the end of September 2019 with final stages of construction to be completed in the near future. The Construction appears to be inline with the associated plans and contract therefore we have assessed value based on the current cost to date.

- The summation basis calculation is as follows:

SUMMATION BASIS			
Land	Area (sqm)	Rate \$/sqm	Value
Local Centre Zone	1,267.00 @	\$551	\$698,117
Structures			Value
Office Building Construction Cost to Date			Say \$4,669,257
Total			\$5,367,374
TOTAL (rounded)			\$5,370,000

Reconciliation

- Based on the foregoing we have adopted **\$5,370,000** for **472-480 Banna Avenue, Griffith NSW 2680**.

7 Qualifications

The report must be read in accordance with and subject to the following qualifications:

Market Movement	Values vary from time to time in response to changing market circumstances. The valuation is based on available information as at the date of valuation. No warranty can be given as to the maintenance of this value into the future. Therefore, it should be reviewed periodically.
Extent of Investigations	We are not engaged to carry out all possible investigations in relation to the property. Where in our report we identify certain limitations to our investigations, this is to enable the Reliant Party to instruct further investigations where considered appropriate or where we recommend as necessary prior to Reliance. CBRE is not liable for any loss occasioned by a decision not to conduct further investigations.
Assumptions	Assumptions are a necessary part of undertaking valuations. CBRE adopts assumptions for the purpose of providing valuation advice because some matters are not capable of accurate calculation or fall outside the scope of our expertise, or our instructions. Assumptions adopted by CBRE will be formulated on the basis that they could reasonably be expected from a professional and experienced valuer. The Reliant Party accepts that the valuation contains certain specific assumptions, and acknowledges and accepts the risk that if any of the assumptions adopted in the valuation are incorrect, then this may have an effect on the valuation.
Information Supplied By Others	This document contains information which is derived from other sources. Where this information is provided by experts and experienced professionals, we have relied upon the expertise of such experts and by necessity we have relied upon the information provided being accurate, whether prepared specifically for valuation purposes or not. Unless otherwise specifically instructed by you, we have not independently verified that information, nor adopted it as our own. Notwithstanding the above, we have reviewed the provided information to the extent that such a review would be reasonably expected from a professional and experienced valuer having regard to normal industry practice undertaking a similar valuation/consultancy service. The Reliant Party acknowledges that the valuer is not a specialist in the areas from which the expert information is derived and accepts the risk that if any of the information/advice provided by others and referred to in the valuation is incorrect, then this may have an effect on the valuation.
Future Matters	To the extent that the valuation includes any statement as to a future matter, that statement is provided as an estimate and/or opinion based on the information known to CBRE at the date of this document. CBRE does not warrant that such statements are accurate or correct.
Industry Practice	Subject to the assumptions and qualifications detailed within, this valuation report is issued in accordance with the Australian Property Institute Valuation and Property Standards (ISBN 0-9975414-0-1) and International Valuation Standards (ISBN 978-0-9569313-0-6). Where these are at variance, the assumptions and qualifications included within this valuation report will prevail generally, and the International Valuations Standards will prevail over the Australian Property Institute Valuation and Property Standards.

A. Letter of Engagement



CBRE Valuations Pty Limited
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Level 3, Waterfront Place
1 Eagle Street
Brisbane QLD 4000
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www.cbre.com.au

14 October 2019

Mr Maurice Felizzi
Chief Executive Officer
Webster Limited
Suite 2, Level 2, 13-15 Bridge Street
Sydney NSW 2000

Via Email: maurice.felizzi@websterltd.com.au

Dear Mr Felizzi

Valuation Report – Webster Limited Property Portfolio

Thank you for your recent request for a quote to value the above portfolio.

VALUATION BRIEF

The valuation provided will be the current market value of the properties at the date of valuation on the following basis:

- Market Value – As Is – Vacant Possession.

The valuation will be prepared strictly and only for the use of the Reliant Party and for the Purpose specifically stated, which we understand to be:

- KPMG Financial Advisory Services (Australia) Pty Ltd for Independent Expert Report purposes only.
- Webster Limited for Independent Expert Report purposes only.

We do not assume any responsibility or accept any liability in circumstances where this valuation is relied upon after the expiration of 90 days from the date of valuation, or such earlier date if the Reliant Party becomes aware of any factors that may have an effect on the valuation.

Outlined below is our fee proposal for provision of the valuation services outlined in the letter of engagement ("the Services") and attached are our standard terms and conditions. If accepted by you, this letter and attachments will form the Terms of Engagement between Webster Limited ("Instructing Party") and CBRE Valuations Pty Limited ("CBRE", "the Company" or "we").

PROVISION OF INFORMATION

Refer to Attachment 3 for our information request. Please note that this request is not exhaustive and can be amended or updated by CBRE from time to time. If you do not provide any part of the information requested for whatever reason, we may include limiting conditions to our valuation service as necessary (including limitations on reliance).

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Webster Limited Property Portfolio

FEE PROPOSAL

Base Fee:

Total:

* 0.89% credit card fee where payment is made by credit card (Visa/Mastercard)
Registered searches (Certificates of Title, Associated Plans and Water Entitlements), if required, will be charged at cost in addition to the above fees.

Any additional advice/consultation beyond the scope of the initial valuation brief will require your written request and will incur an Additional Fee as detailed below, unless otherwise agreed in writing.

Additional Fees:	- Director	\$400/hr	+	\$40 GST	=	\$440
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We require a minimum period of 3 weeks ("Minimum Time Frame") from the date of inspection to complete our valuation with completion as per the request by 4 November 2019. The Minimum Time Frame is subject to your co-operation to provide all requested information (see Attachment 3) in a timely manner. Any delay in providing the information may necessitate re-inspection of the property and relevant sales evidence (to be determined at our sole discretion) and will be subject to the Additional Fee rate, unless otherwise agreed in writing.

We will produce an electronic copy of the report in Adobe PDF format. One (1) hard-copy report is also available upon request, at no extra costs. Additional hard copies will incur a cost of \$200 + \$20 GST = \$220 per copy (your written request will be required).

CONFLICT OF INTEREST

You acknowledge that CBRE is a large, multi-national company providing a variety of services to clients. If either party becomes aware of an actual or potential conflict of interest, it will notify the other party as soon as is reasonably practicable thereafter, and the parties will work together to attempt to resolve any such actual or potential conflict.

CANCELLATION POLICY

If you decide for whatever reason to cancel the valuation brief, the following cancellation fees will apply:

- Before property inspections: \$500 + \$50 GST = \$550 (minimum cancellation fee)
- After property inspections: 50% Base Fee
- After issue of preliminary valuation numbers: 85% Base Fee
- After issue of report (draft or otherwise): 100% Base Fee

CBRE is to provide the services as set out in accordance with the Terms of Engagement. Notwithstanding anything else contained in the Terms of Engagement, CBRE reserves its right to terminate the engagement in its absolute discretion where it considers that:

- a conflict of interest arises (notwithstanding the clause 'Conflict of Interest', above);
- any terms are changed by the Instructing Party or Reliant Party that CBRE considers substantially changes the engagement; or
- any other reason that CBRE is unable to continue carrying out the engagement.

Such termination will be notified in writing to the Instructing Party (or any other party as necessary) and will be without recourse.

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Webster Limited Property Portfolio

TERMS OF PAYMENT

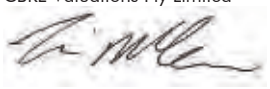
Our invoice will be presented upon delivery of the completed report, however in the event that you require that we delay formalization of our advice or release of our report, then we may present our account at that time. The fee is payable within 14 days of the date of invoice.

Our fee quote is valid for a period of 14 days from the above date.

Should you elect to pay your account via direct deposit, please advise us and we will issue you with your Tax Invoice along with our bank account details. (Please use the Tax Invoice Number as your direct deposit reference number.)

Please complete the Billing Party and Reliant Party details below as acknowledgement and acceptance of the Terms of Engagement.

We thank you for the opportunity to submit our proposal.

Yours sincerely
CBRE Valuations Pty Limited

Tim McKinnon
Registered Valuer
Senior Director – CBRE Agribusiness
Valuation & Advisory Services


Billing Party & Reliant Party Details * Authorised Representative
Company: Webster Limited
Name*: Maurice Felizzi
Signature*: 
Title*: Chief Executive Officer
Date: 16 October 2019

Liability limited by a scheme approved under Professional Standards Legislation.

The valuation and valuation service is provided subject to:

1. All issues, assumptions, disclaimers, qualifications and recommendations as outlined in the advice/report provided. Examples are provided in Attachment 1 and may differ in the report.
2. The "CBRE Valuation & Advisory Services Terms and Conditions" set out in Attachment 2.
3. Compliance with the "Information Request" and Client disclosure set out in Attachment 3.

BILLING PARTY (name in full):	Webster Limited			
Billing Party Address:	PO Box R453	Royal Exchange	NSW	1225
Billing Party ABN (must be provided):	<u>2 3 / 0 0 9 / 4 7 6 / 0 0 0</u>			
Authorised Representative's Name:	Maurice Felizzi			
Authorised Representative's Job Title:	Chief Executive Officer			
Email:	maurice.felizzi@websterltd.com.au			
Telephone:	T: (02) 8249 2305		M: 0458 214 953	

RELIANT PARTY (name in full):	KPMG	Webster Limited
Purpose of Reliance:	Independent Expert Report	
Authorised Representative's Name:	Ian Jedlin	Maurice Felizzi
Signature:		Date: _____

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Attachment 1. Sample of Assumptions, Disclaimers, Limitations, Qualifications

Assumptions	Assumptions are a necessary part of undertaking valuations. CBRE adopts assumptions for the purpose of providing valuation advice because some matters are not capable of accurate calculation or fall outside the scope of our expertise, or our instructions. Assumptions adopted by CBRE will be formulated on the basis that they could reasonably be expected from a professional and experienced valuer. The Reliant Party accepts that the valuation contains certain specific assumptions, and acknowledges and accepts the risk that if any of the assumptions adopted in the valuation are incorrect, then this may have an effect on the valuation.
Flooding Caution	The quality, completeness and accuracy of flood mapping varies widely between localities and Councils. We have not verified, and make no representation as to the appropriateness, accuracy, reliability or currency of the flood mapping reviewed. The Reliant Party may wish to confirm the flood mapping information by obtaining an expert hydrologist's report. If further flooding data is obtained, we reserve the right to review and if necessary amend the valuation.
Site Survey Not Provided	We do not commission site surveys and a site survey has not been provided to us. We have assumed there are no encroachments by or on the property, and the Reliant Party should confirm this status by obtaining a current survey report and/or advice from a registered surveyor.
Site Conditions	We do not commission site investigations to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. We have assumed that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances. In the case of property which may have redevelopment potential, we proceed on the basis that the site has load bearing capacity suitable for the anticipated form of redevelopment without the need for additional and expensive foundations or drainage systems (unless stated otherwise). Include last sentence if property has future redevelopment potential.
We Are Not Contamination Experts	Unless otherwise stated, we have assumed that the site is free of subsoil asbestos or any elevated levels of contaminants. We have made no allowance in our valuation for site remediation works. Our visual inspection is an inconclusive indicator of the actual condition of the site. We make no representation as to the actual environmental status of the subject property. If any testing is undertaken to assess the degree, if any, of contamination of the site and this is found to be positive, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.
We Are Not Hazardous Material Experts	Unless otherwise noted, we have assumed that the improvements are free of asbestos and hazardous materials, or should these materials be present then they do not pose significant risk to human health, nor require immediate removal. We have made no allowances in our valuation for site remediation works. Our visual inspection is an inconclusive indicator of the actual condition/presence of asbestos/hazardous materials within the property. We make no representation as to the actual status of the subject property. If any testing is undertaken and the presence of any asbestos/hazardous materials on site is found to be positive, this valuation must not be relied upon before first consulting CBRE to reassess the valuation.
Liens	We have disregarded the presence of any mortgage or other financial liens pertaining to the property.
Title/Unregistered Interests	We have assumed that there are no further easements, unregistered interests or encumbrances not disclosed by this brief title search which may affect market value. However, in the event that a future title search is undertaken which reveals additional easements or encumbrances, CBRE should be consulted to reassess any effect on the value stated herein.
Planning Information	We assume information provided by the relevant responsible authority is current and accurate. We do not commission formal investigations to verify information provided to us.
Measurement of Lettable Areas	We have assumed that the floor areas provided have been calculated in accordance with the Property Council of Australia (PCA) Method of Measurement or as specifically instructed by the Instructing Party. Should the Reliant Party obtain a survey that reveals a variance in areas, then this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.
Valuation Analyses	In arriving at our opinion of value, we have employed industry recognised valuation methodologies. We have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions of comparable properties (as previously detailed).
Extent of Our Investigations	We are not engaged to carry out all possible investigations in relation to the property. Where in our report we identify certain limitations to our investigations, this is to enable the Reliant Party to instruct further investigations where considered appropriate or where we recommend as necessary prior to Reliance. CBRE is not liable for any loss occasioned by a decision not to conduct further investigations.
Information Supplied by Others	This document contains information which is derived from other sources. Where this information is provided by experts and experienced professionals, we have relied upon the expertise of such experts and by necessity we have relied upon the information provided being accurate, whether prepared specifically for valuation purposes or not. Unless otherwise specifically instructed by you, we have not independently verified that information, nor adopted it as our own. Notwithstanding the above, we have reviewed the provided information to the extent that such a review would be reasonably expected from a professional and experienced valuer having regard to normal industry practice undertaking a similar valuation/consultancy service. The Reliant Party acknowledges that the valuer is not a specialist in the areas from which the expert information is derived and accepts the risk that if any of the information/advice provided by others and referred to in the valuation is incorrect, then this may have an effect on the valuation.

Terms of Engagement

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Attachment 2. CBRE Valuation & Advisory Services Conditions

These conditions form part of the Terms of Engagement provided by CBRE which confirms the scope of Services, the personnel providing those Services and the Company's charges for those Services.

Instructing Party's Obligation to Assist	<p>The Instructing Party agrees to provide all reasonable assistance to the Company to allow the Company to complete this instruction including all relevant documents and/or information the Instructing Party knows or ought reasonably to know will so assist the Company, at its own cost and in a timely fashion, including but not limited to:</p> <ul style="list-style-type: none">all information which the Company requests from time to time for the performance of the Services;reasonable access to the property/properties and to the Instructing Party's premises (if relevant) for the purpose of providing the Services.
Matters Which Affect or May Affect the Valuation	<p>If the Instructing Party and/or Reliant Party become aware of any matters which affect or may affect the valuation, then the Company must be advised of those matters. Reliance will not be placed on the valuation, under any circumstance, unless all such matters are discussed to the Company.</p>
CBRE Does Not Assign Valuations	<p>The Company does not assign valuations. If the Instructing Party has not determined the Reliant Party and Purpose details by the time of report finalisation, the report will be addressed and issued to the Instructing Party for Financial Reporting purposes in PDF format only. Once the Reliant Party and Purpose details have been advised to us, the report will be re-addressed and issued to the Reliant Party. This additional service may incur an additional fee (refer to Fee Quote). No responsibility will be accepted or assumed to any third party who may use or rely on the whole or any part of the content of our valuation.</p>
Confidentiality	<p>Any valuation service is confidential as between the Company and the Reliant Party as specifically stated in the valuation advice/report. Neither the whole of the report, nor any part of it, may be published in any document, statement, circular or otherwise by any party other than the Company, nor in any communication with any third parties, without the prior written approval of the Company of the form and context in which it is to appear.</p>
Future Change in Value	<p>All valuations are current as at the date of valuation only. The value assessed may in the future change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property or particular property sector). The Company does not accept liability for losses arising from changes in value after the date of the valuation.</p>
Lending Practices	<p>Our valuation is prepared for First Mortgage Security purposes and will be provided on the basis that any associated the lending must comply with the Banking Act 1959; follow prudent finance industry lending practices and credit risk for any potential borrower including the borrower's ability to service and repay any mortgage loan; follow prudent loan to value ratio guidelines. No responsibility is accepted where these requirements are not strictly observed.</p>
Fees & Disbursements	<p>All disbursements, including travelling and other reasonable expenses incurred by the Company in the provision of the Services are fully recoverable from the Instructing Party as and when incurred.</p> <p>All invoices are payable within 14 days of the date of invoice, unless otherwise stated in the Terms of Engagement. A late payment fee of 2% per month (or part thereof) for any overdue amount may be charged by the Company.</p> <p>All legal and debt recovery costs which the Company may incur in recovering overdue account balances from the Instructing Party shall be fully recoverable from the Instructing Party as and when incurred.</p>
Suspension of Services	<p>The Company has the right to suspend its engagement where the Instructing Party fails to pay any invoiced fees and disbursements within the required time frame, by giving the Instructing Party seven days' notice in writing. Should the engagement be suspended by the Company, all obligations by the Company to the Instructing Party cease and, furthermore, all documents that the Company receives from the Instructing Party prior to the engagement being suspended becomes the property of the Company and, unless otherwise agreed, the Company shall be free to use this information and to value the Property for any other party.</p> <p>Once all outstanding invoices have been paid, the Company will at the request of Instructing Party, return documents owned by the Instructing Party within a reasonable time.</p>
Electronic Communication	<p>If the Instructing Party asks the Company to send any documents by email, the Instructing Party will be deemed to have accepted the risk of (and the Company will have no responsibility for) the message being intercepted, not being received or not being viewed by the recipient.</p> <p>If the Instructing Party asks the Company to provide the Instructing Party with a copy of a document by email or disk, the Company will do so on the basis that the Company does not warrant that the disk or email communication will be virus or defect free and on the basis that:</p> <ul style="list-style-type: none">the Company will not be responsible for any loss or damage sustained by the computer system which reads the disk or email; and

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	<ul style="list-style-type: none"> precautions will be taken by the Instructing Party to ensure that the disk or email does not cause any loss or damage.
Copyright	Copyright in any written work, drawing, compilation, table, graph and similar works created by or on behalf of the Company remains with the Company.
Variation	The conditions can only be varied by agreement in writing by the Instructing Party and the Company.
Privacy	<p>The Instructing Party acknowledges that the Company will collect certain personal information within the meaning of that term in the Privacy Act 1988 (Cth) ("Personal Information") from or about the Instructing Party to perform its obligations hereunder, including promoting its services.</p> <p>Subject to clause c) below:</p> <ul style="list-style-type: none"> the Company will only collect, store, use and disclose Personal Information in accordance with the Company's privacy policy as it applies from time-to-time located at Privacy Policy and Privacy Statement; ("Privacy Policy") and as permitted under the Privacy Act 1988 (Cth) in order to perform its duties under this Agreement and achieve the purposes specified in clause above; and the Instructing Party warrants that it has read and understood the Company's privacy policy and consents to the Company handling the Personal Information in the manner specified in this clause. Without limiting the foregoing, the Instructing Party specifically consents to the disclosure of the Personal Information on the internet and to third parties such as advisors, suppliers, property data service providers, government and statutory bodies and financial institutions. Where the Instructing Party has indicated in writing that the Personal Information is confidential, the Company will only disclose the Personal Information to a third party (other than a related body corporate of the Company) with the Instructing Party's written consent or as required by law, an order of the court or request by a government authority, or otherwise for the purposes of obtaining financial or legal advice. The obligation of confidence by the Company will end upon the confidential information becoming publicly available other than by a breach of this obligation of confidence by the Company. The Instructing Party must not provide the Company with Personal Information of any other individual unless it has the express consent of that individual to do so. The Instructing Party warrants that it has that individual's consent to provide their Personal Information to the Company.
Limitation of Liability	<p>Liability limited by a scheme approved under Professional Standards Legislation.</p> <p>The Company accepts no responsibility or liability whatsoever for the Services unless full disclosure of all information likely to affect the valuation has been made.</p> <p>Conditions, warranties or other rights for the Instructing Party's benefit may be implied or given in respect of these terms and conditions by Competition and Consumer Act 2010 (Cth), the Fair Trading Act 1986 (NZ) (as relevant) or other laws. Where it is not lawful or possible to exclude them, then those conditions, warranties or other laws apply but only to the extent required by law.</p> <p>All other implied conditions, warranties and rights together with any implied by custom or other circumstances are excluded.</p> <p>The Company limits its liability for breach of any implied condition, warranty or right to the extent allowed by law. Subject to the qualifications in the Competition and Consumer Act 2010 (Cth) or in other laws, the Company's liability for any breach of any such implied condition, warranty or right is limited in the case of services supplied to the level of the fees.</p> <p>To the full extent permitted by law, neither party will have any liability to the other (whether arising in contract, tort (including negligence), statute, equity or otherwise) for Excluded Loss under or arising out of this engagement. "Excluded Loss" means any: (a) loss of revenue, use, production, goodwill, profit, income, business, contract or anticipated savings, (b) financing costs or increase in operating costs, or (c) other financial or economic loss or any other special or indirect loss or damage (excluding any losses and damages to the extent arising naturally according to the usual course of things from the relevant conduct or breach).</p>
Entirety of Terms of Engagement	<p>The Engagement Letter in terms of engagement, subject to any qualifications, conditions, assumptions, and reservations set out in any report or opinion furnished to you:</p> <ul style="list-style-type: none"> Constitutes the entire understanding and agreement of the parties relating to the matters dealt within in; Supersedes and extinguishes all prior agreements, statements, representations and understandings whether verbal or written between us relating to the matters dealt with in this Engagement Letter; and May be varied at any time by mutual agreement in writing.

B.Sales – Submarket 1 Southern Cotton

SALE 1

"Tindale", 1 Jerilderie Road, Hay South, NSW

PID: 17136614

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Hutchison to Jones	\$3,600,000	Dec-2018	2,244.00	\$1,604	\$1,450

"Tindale" is located on the northern side of Jerilderie Road, approximately 13 radial kilometres south-east of Hay.

The property is irregular in shape and level in topography. Soils typically include approximately 75% grey soils and approximately 25% red soils with some lighter ridges of sandy soils.

At the time of sale the property was operated as a mixed irrigated cropping and grazing enterprise, with a total land area of approximately 2,244 hectares. Irrigation land includes approximately 1,050 hectares developed to laser levelled flood irrigation (row crop) with the majority being bankless channel layout. We understand the irrigation land has recently been developed. The balance of the land, approximately 1,194 hectares, comprises native grazing land.

Irrigation water is sourced via 2 bores on the property with a capacity of circa 20 megalitres to 25 megalitres per bore per day and a total annual extraction limit of 3,500 megalitres. Water storage consists of a 1,400 megalitre turkeys nest dam equipped with lift pump. The property can also receive water from the Murrumbidgee River via the Eli Elwah Scheme channel. The property sold without any water entitlements.

Fencing is considered to be in stockproof condition, subdividing the property into approximately 14 cropping paddocks and approximately 12 grazing paddocks.

Structures include a workers cottage with office, workshop and grain silos.

"Tindale" is zoned "Primary Production" (RU1) pursuant to the Hay Shire Council.

"Tindale" was sold via an expressions of interest marketing campaign to an operator from the Hillston region.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Irrigation - Laser Levelled Flood (Row Crop)	1,050.00 @	\$2,700	\$2,835,000
Native Grazing / Support	1,194.00 @	\$350	\$417,900
			\$3,252,900
Water	Volume (MI)	Rate (\$/MI)	
Water Storage	1,400.00 @	\$150	\$210,000
Structures			
Rural Structures		Say	\$140,000

Total Apportionment	\$3,602,900
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SALE 2

"Talinga Park", 623 Macleay Road, Coleambally, NSW

PID: 17136252

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Burgess to OptiFarm	\$6,855,000	Jul-2018	1,472.00	\$4,657	\$4,142

"Talinga Park" is located on the western side of the Macleay Road, approximately 15 radial kilometres south-west of Darlington Point.

Soil on the property comprises a mixture of red brown and grey self-mulching clays and red clay loam as well as light red sandy loams to part. Vegetation comprises small stands of remnant timber and retained timber throughout.

"Talinga Park" is primarily utilised as an irrigated cropping enterprise with approximately 1,250 hectares developed to laser levelled irrigation which has been historically utilised for oil seed and cereal production. The balance of land comprises grazing and remnant vegetation land. Included in the sale was 58 megalitres of Murrumbidgee General Security water entitlement.

The property also features 3 Lower Murrumbidgee Deep Groundwater (Zone 2) deep lead bores. Collectively the bores can lift 70 megalitres per day.

Structures comprise a 6 bedroom brick veneer dwelling, shearing shed, machinery shed, workshop and sundry rural structures.

The properties are zoned "Primary Production" (RU1) under the Murrumbidgee Local Environment Plan 2013.

The property was acquired by an adjoining corporate owner, with the bores and associated extraction limit being a key feature of the property.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Irrigation - Laser Levelled Flood	1,250.00 @	\$4,700	\$5,875,000
Support Land/Native Grazing	222.00 @	\$1,000	\$222,000
			\$6,097,000
Water	Volume (ML)	Rate (\$/ML)	
Murrumbidgee General Security Water Entitlement	58.00 @	\$2,000	\$116,000
Structures			
All Structures		Say	\$640,000

Total Apportionment	\$6,853,000
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SALE 3

"Gundaline", Stuart Highway, Carrathool, NSW

PID: 10203235

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Gundaline Pty Ltd to Undisclosed	\$64,050,000	Apr-2018	14,950.39	\$4,284	\$1,553

"Gundaline" is located approximately 40 radial kilometres west of Darlington Point on the northern and southern sides of Sturt Highway. The property enjoys extensive frontage to the Murrumbidgee River which forms the northern boundary.

Soils are well regarded with the majority of the irrigation land being heavier self-mulching clay loam soils or grey clays with the balance being red loams and sandy rises.

The property includes a total land area of approximately 14,950 hectares with some 3,408 hectares developed to laser levelled row crop irrigation (new development), 2,600 hectares developed to laser levelled row crop irrigation (older development) and 390 hectares of water storage (circa 17,336 megalitres across 3 separate storages). The balance of the land, approximately 8,552 hectares, is native grazing land; however it is noted that some of this land has a history of irrigation/cultivation.

Included in the sale was 16,000 megalitres of Lower Murrumbidgee Groundwater (Zone 2) and 30,000 megalitres of carryover groundwater. The groundwater can be accessed by six irrigation bores with a total pumping capacity of circa 130 megalitres per day. Each bore comprises a 400mm to 450mm casing equipped with an Amarillo right angle gear drive turbine pump coupled to a 400kW Caterpillar 3406 diesel engine. A further 1,600 megalitres of Murrumbidgee Regulated River (Supplementary) and 690 megalitres of Victorian Murray (Low Reliability) were also included in the transaction. Surface water can be accessed from the Murrumbidgee River via 3 electric motor driven river pumps with a total capacity of approximately 240 megalitres per day.

The grazing land comprises native pastures with adequate stock water facilities and fencing infrastructure providing subdivision into approximately seven main paddocks. A 16 megalitre stock and domestic licence was also included in the transaction. There is no internal fencing to the irrigation development.

Structures comprise six dwellings, one office with staff quarters, numerous workshops, grain and fertiliser storages.

Zoned "Primary Production" pursuant to the Murrumbidgee Shire Council.

"Gundaline" was sold via an off-market campaign: Purchased by a Private Equity Foreign Investor with other holdings in the area. The acquisition was also subject to a separate contract (not included in this sale price) for crop and plant & equipment.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Irrigation - Laser Levelled Row Crop (New)	3,408.00 @	\$3,500	\$11,928,000
Irrigation - Laser Levelled Row Crop (Older)	2,600.00 @	\$2,700	\$7,020,000
Native Grazing	8,552.39 @	\$500	\$4,276,195
Water Storages (Land Only) & Support	390.00 @	\$0	\$0
			\$23,224,200
Water	Volume (ML)	Rate (\$/ML)	
Lower Murrumbidgee Groundwater (Zone 2)	16,000.00 @	\$2,150	\$34,400,000
Murrumbidgee Regulated River (Supplementary)	1,600.00 @	\$700	\$1,120,000
Victorian Murray (Low Reliability)	690.00 @	\$300	\$207,000
Water Storages	17,336.00 @	\$200	\$3,467,200
Groundwater Carryover	30,000.00 @	\$35	\$1,050,000
			\$40,244,200
Structures			
Structures		Say	\$600,000

Total Apportionment

\$64,068,400

SALE 4

"Jemalong Station", Forbes-Condobolin Road, Jemalong, NSW

PID: 17133525

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Twynam to Undisclosed (overseas investors)	Circa \$47,500,000	Apr-2018	13,377.00	\$3,551	\$2,739

"Jemalong Station" is located on the southern and northern sides of the Lachlan Valley Way which traverses the northern portion of the holding, approximately 30 radial kilometres west of Forbes. The northern boundary of the property fronts the Lachlan River with some 8 kilometres of frontage.

"Jemalong Station" is generally regular in shape and generally level to slightly undulating in topography. The highest areas of elevation are situated to the eastern boundary which fronts the Jemalong Ranges. Native vegetation comprises river red gums, yellow box, pine, kurrajong and belah species and is situated throughout including areas of dense timber stands and scattered shade trees.

Soils are considered varied, generally comprising a mixture of red clays and red loams transitioning to heavy grey and black self-mulching soils.

The land fronting the northern boundary of the property includes Lachlan River alluvial soil types.

At the date of sale, "Jemalong Station" was operated as a mixed irrigated and dryland cropping/grazing enterprise with approximately 1,369 hectares developed and utilised for laser levelled flood irrigation, 856 hectares of fixed irrigation – centre pivot / lateral move irrigation land in varied condition, 42 hectares on spray irrigation, 9,500 hectares utilised for dryland arable land with the balance (1,610 hectares) being remnant vegetation / timbered grazing land.

Surface irrigation water is sourced from the Lachlan River via a Jemalong Irrigation Limited General Security surface water entitlement of 2,560 megalitres. The property also has access to irrigation groundwater via a 3,107 megalitre Upper Lachlan Alluvial Zone 5 licence. The groundwater is accessed via 2 bores with 8 megalitre/day capacity each.

Livestock water is sourced via bores (15 stock and domestic bores throughout) which reticulates water throughout to stock troughs and catchment dams.

Fencing is considered to be in stock proof condition, generally comprising steel posts with hinge joint wire dividing the property into approximately 100 main paddocks.

Structures include the historic Jemalong Homestead (Circa 1863) of weatherboard construction including 9 bedrooms set on the banks of the Lachlan River. Further residential accommodation includes a large office complex, 2 homesteads and 16 further residences. Equine infrastructure includes 2 polo fields, indoor arena, stable complex and day yards which we understand are leased back to the vendor for 3 years.

Rural structures include a 14 stand shearing shed and steel yards, 4 sets of cattle yards, numerous hay / machinery sheds, 2 aircraft hangars (+ airstrip), 2,000 tonne grain shed, 15 grain silos and sundry rural structures.

Zoned "Primary Production" pursuant to the Forbes Local Environmental Plan 2013.

In February this year Twynam Agriculture Group, owned by the Kahlbetzer family, put their remaining rural properties on the market with price expectations of greater than \$100 million. The large scale properties included "Jemalong Station" (circa 13,377 hectares) and "Jemalong Citrus" (circa 360 hectares) both located on the Lachlan River, west of Forbes and east of Condobolin. A third property "Merrowie" (circa 32,730 hectares) located at Hillston.

It is understood the portfolio initially had been contracted via an "off market" transaction, however due to the new FIRB rules the portfolio had to be publicly marketed. The portfolio eventually sold for a reported \$115.5 million via three separate transactions. We have not been able to confirm exact sales details due to the confidential nature of the transaction, however have been advised of the following: Optifarm, who are backed by Dutch investors, purchased both "Jemalong Station" (circa \$47.5 million) with "Jemalong Citrus" (circa \$10 million) properties, and "Merrowie" (circa \$58 million) being purchased by a US based institutional investor trading as MRA Merrowie Pty Ltd.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Irrigation - Flood	1,369.00 @	\$4,000	\$5,476,000
Irrigation - Centre Pivot / Lateral Move	856.00 @	\$3,300	\$2,824,800
Irrigation - Spray	42.00 @	\$3,300	\$138,600
Dryland Cropping / Grazing	9,500.00 @	\$2,850	\$27,075,000
Remnant Vegetation / Timbered Grazing	1,610.00 @	\$700	\$1,127,000
			\$36,641,400
Water	Volume (ML)	Rate (\$/ML)	
General Security (JIL Scheme)	8,885.00 @	\$700	\$6,219,500
Groundwater	3,107.00 @	\$800	\$2,485,600
			\$8,705,100
Structures			
Structures		Say	\$2,150,000

Total Apportionment

\$47,496,500

SALE 5

"Merrowie", Roto Road, Hillston, NSW

PID: 17133843

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Twynam to Undisclosed (overseas investors)	Circa \$58,000,000	Mar-2018	32,777.10	\$1,770	\$832

"Merrowie Station" is a large scale irrigated cropping enterprise located at Hillston in the northern Riverina region of New South Wales. The property is situated directly north of the Lachlan River.

"Merrowie Station" comprises a total land area of approximately 32,777 hectares and is currently operated as an irrigated/dryland cropping and livestock grazing enterprise. The irrigation land primarily focuses on the production of cotton with winter crops also being grown in rotation.

The property features approximately 5,906 hectares of developed laser levelled row crop, 2,593 hectares of lateral move spray irrigation, 927 hectares of border check irrigation, 2,019 hectares of dryland cropping/dated drip line irrigation, 605 hectares of area under storage and the balance 21,332 hectares, considered as open and timbered grazing and support.

The holding has access to numerous water sources and is currently benefited by 6,689 megalitres of Lachlan River General Security entitlements, 10,528 megalitres of Lachlan Regulated Aquifer groundwater entitlements and 209 megalitres of Stock & Domestic water entitlements. Furthermore, we note the property also has approximately 16,000 megalitres of dam storage in two large ring tanks located across the property.

Fenced to all boundaries and internally subdivided into approximately 40 main grazing paddocks. Construction typically comprises 5 plain wires on steel posts or hinge joint netting with a top barbed wire on steel posts. Whilst over 20 kilometres of fencing has been replaced in the past 12 months, a significant further proportion needs repair / replacement. Typically though, irrigation areas have limited to no internal fencing infrastructure.

Structures on the property include a homestead, 2 dwellings, a cottage and extensive working structures.

Zoned "Primary Production" (RU1) pursuant to the Carrathool Local Environmental Plan 2012.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Irrigation - Laser Levelled Row Crop	5,906.00 @	\$2,050	\$12,107,300
Irrigation - Linear Move	2,593.00 @	\$1,000	\$2,593,000
Irrigation - Border Check	927.00 @	\$750	\$695,250
Dryland Cropping & Dated Drip	2,019.00 @	\$750	\$1,514,250
Grazing	20,727.10 @	\$500	\$10,363,550
Water Storages	605.00 @	\$0	\$0
			\$27,273,350
Water	Volume (ML)	Rate (\$/ML)	
Lachlan Regulated River - General Security	6,689.00 @	\$750	\$5,016,750
Lower Lachlan Groundwater	10,528.00 @	\$2,000	\$21,056,000
Domestic & Stock	209.00 @	\$0	\$0
Water Storage (Merrowie)	10,000.00 @	\$125	\$1,250,000
Water Storage (Brooklyn)	6,000.00 @	\$300	\$1,800,000
			\$29,122,750
Structures			
Structures		Say	\$1,600,000

Total Apportionment	\$57,996,100
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SALE 6

"Huddersfield" & "Tubbo", Kidman Way, Darlington Point, NSW

PID: 17076353

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
AgCAP Pty Ltd to Global Ag Properties II Australia P/L	\$39,900,000	Sep-2017	4,937.00	\$7,798	\$2,287

"Huddersfield" & "Tubbo" are situated in the Murrumbidgee Valley of New South Wales and include two non-contiguous properties situated approximately 20 radial kilometres apart.

"Huddersfield":

Located approximately one radial kilometre south-west of Darlington Point on the southern side of the sealed Sturt Highway and the western side of the sealed Kidman Way. Soils are well regarded with the majority of the irrigation land being heavy self-mulching clay loam soils with the balance being sandy rises. The property includes a total land area of approximately 1,254 hectares, with approximately 962 hectares developed to row crop irrigation (syphons) with the balance including approximately 13.5 hectares of water storages (circa 115 megalitres) and 278 hectares of dryland/support land. Included in the sale was 7,561 megalitres of Lower Murrumbidgee Groundwater (Zone 1) which can be accessed by 4 high production bores powered by Cat 134 / 186kW diesel engines driving Pleuger, Layne and Bowler submersible pumps. Secondary irrigation water can be accessed from the Murrumbidgee River via a 112kW Hebco electric motor/Lane and Bowler mixed flow river pump and transferred via an easement through neighbouring properties. There are also 2 storage dams and a smaller dam in the western portion of the property with a total storage capacity of circa 115 megalitres. A full recycle/reuse system provides additional storage if needed. Structures comprise a brick dwelling with 3 bedrooms and a detached garage, 2 machinery sheds, storage shed, workshop/office, manager's office/mess room and sundry rural structures. Grain storage includes 2 x 700 tonne aerated flat bottom silos, 1 x 200 tonne flat bottom silo, 1 x 50 tonne conical base bottom silo and 3 x 30 tonne conical base bottom silos. Zoned "Primary Production" pursuant to the Murrumbidgee Shire Council Local Environmental Plan.

"Tubbo"

Located on the western side of Main Canal Road (gravel), approximately 22 radial kilometres south-east of Darlington Point. The property is irregular in shape and generally level to gently undulating, with soil types comprising red sandy loams to the northwest, heavier red loams to the north-east, red to chocolate and grey clay loams to the balance. Overall it includes a total land area of approximately 3,683 hectares with approximately 1,681 hectares developed to row crop irrigation (syphons), 148 hectares under centre pivot irrigation (via 4 separate fixed centre pivot irrigators) with the balance including approximately 131 hectares of water storage (circa 3,835 megalitres) and 1,723 hectares of dryland/support land. The property benefits from direct supply from the Coleambally main channel which is aligned along the western boundary with lift pumps to supply water into the storage dams. Groundwater is pumped via 2 main bores to the circa 3,835 megalitre storage dams where the water is then gravity fed to the irrigation areas. Included in the sale was access to 5,047 megalitres of Lower Murrumbidgee Groundwater (Zone 3) and 10 megalitres of CICL Normal Security (Class B) surface water. Structures include a 4 bedroom homestead, 3 bedroom dwelling, office, heavy duty steel framed machinery / storage shed, 2 machinery sheds and sundry rural shedding. The property features an extensive grain complex with circa 2,641 tonnes of silo storage, weighbridge, transfer in/out loading facilities and dryer. Zoned "Primary Production" pursuant to the Murrumbidgee Shire Council Local Environmental Plan.

"Huddersfield" & "Tubbo" aggregation was advertised for sale via an extensive marketing campaign in conjunction with 4 other agricultural aggregations situated throughout Australia known as the Sustainable Agriculture Fund. The purchase was on a "walk in walk out" basis including crop (price negotiated in September at the time of contract) and plant & equipment.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Huddersfield: Irrigation - Laser Levelled Row Crop	962.00 @	\$3,500	\$3,367,000
Tubbo: Irrigation - Laser Levelled Row Crop	1,681.00 @	\$3,000	\$5,043,000
Tubbo: Irrigation - Centre Pivot	148.00 @	\$3,000	\$444,000
Huddersfield: Dryland/Support	292.00 @	\$2,000	\$584,000
Tubbo: Dryland/Support	1,854.00 @	\$1,000	\$1,854,000
			\$11,292,000
Water	Volume (ML)	Rate (\$/ML)	
Lower Murrumbidgee Aquifer (Zone 1)	7,561.00 @	\$2,200	\$16,634,200
Lower Murrumbidgee Aquifer (Zone 3)	5,047.00 @	\$1,600	\$8,075,200
CICL Normal Security (Class B)	10.00 @	\$1,600	\$16,000
Total Water Storage	3,950.00 @	\$225	\$888,750
			\$25,614,150
Structures			
Huddersfield Structures		Say	\$650,000
Tubbo Structures		Say	\$950,000
			\$1,600,000
Inclusions			
Huddersfield: Crop			\$200,000
Huddersfield: Plant & Equipment			\$300,000
Tubbo: Crop			\$700,000
Tubbo: Plant & Equipment			\$200,000
			\$1,400,000

Total Apportionment

\$39,906,152

SALE 7

"Nyangay Station", 7818 Cobb Highway, Boorooban, NSW

PID: 12439190

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Chapman to Hook	\$5,400,000	Aug-2017	8,264.00	\$653	\$612

"Nyangay" is situated on the eastern side of the Cobb Highway, approximately 40 radial kilometres south of Hay and 70 radial kilometres north of Denilquin within proximity to the township of Boorooban.

"Nyangay" is an irregular shaped allotment and relatively level in topography. Timbered woodlands bound Nyangay Creek (a seasonal water course) which traverses the holding in a general north-east to south-west direction. Scattered timber also follows the riparian zone of the Coleambally Outfall Channel which traverses the south-west portion of the property.

"Nyangay" has been utilised to support a dryland grazing and irrigated cropping enterprise. The holding supports approximately 720 hectares of land developed to both laser levelled and contour flood irrigation. The irrigation layout has been historically utilised for rice production. Irrigation water is provided by a 1,275 megalitre Class F water entitlement which is accessed via the Coleambally Outflow Channel. The irrigation land is further benefited by an 800 megalitre storage dam.

Fencing is in sound stockproof order noting that a central laneway system facilitates efficient vehicle and livestock movement to approximately 30 paddocks.

The property is understood to support a self-replacing merino flock of 4,000 head (including followers). The sustainable carrying capacity however is calculated to be 7,545 (rounded) Dry Sheep Equivalents (DSE) equating to 1.00 DSE per hectare.

"Nyangay" predominantly supports a red riverine sandy clay loam soil type.

Livestock water is reticulated via a polythene pipe system and is primarily sourced from a bore and a 97 megalitre class G water entitlement. The system features 10 header tanks coupled to concrete troughs and 18 earthen dams.

Structures comprise a timber "pug-and-pine" homestead, workman's cottage (2), workshop / machinery shed and a 7 stand raised board shearing shed. The shearing shed is benefited by adjoining undercover yards with bugle draft and drenching race. Steel cattle yards are in proximity to the shearing shed and feature a loading ramp, undercover cattle crush and processing area. Other buildings include sundry rural structures.

The property is zoned "Primary Production" (RU1) pursuant to the Conargo Local Environmental Plan 2013.

"Nyangay" was sold via auction subsequent to a significant public marketing campaign. The auction attracted approximately 15 people and 3 active bidders. All bidders were understood to be local owner operators.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Irrigation - Contour (Incl. water)	55.00 @	\$1,000	\$55,000
Irrigation - Flood (Incl. water)	665.00 @	\$1,000	\$665,000
Native Grazing	7,544.00 @	\$575	\$4,337,800
			\$5,057,800
Structures			
Homestead & Surrounds		Say	\$125,000
Cottage (2)		Say	\$20,000
Workshop & Machinery Shedding		Say	\$50,000
Shearing Shed & Yards		Say	\$100,000
Cattle Yards		Say	\$45,000
Sundry Rural Structures		Say	\$5,000
			\$345,000

Total Apportionment	\$5,402,800
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SALE 8

"Uri Park", 16343 Sturt Highway, Darlington Point, NSW

PID: 17136616

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Shaw to Optifarm	\$17,500,000	Jul-2017	4,002.00	\$4,373	\$2,224

"Uri Park" is located on the northern and southern sides of the Sturt Highway and western side of Macleay Road, approximately 13 radial kilometres south-west of Darlington Point.

The property is irregular in shape and level to gently undulating in topography. Soils typically include grey, brown and red clays.

At the time of sale the property was operated as a mixed irrigated cropping and grazing enterprise, with a total land area of approximately 4,002 hectares. The irrigation land includes approximately 1,100 hectares developed to laser levelled flood irrigation (row crop) and approximately 2,087 hectares of dryland which includes both cropping and grazing land. The balance of the land, approximately 815 hectares, comprises dense vegetation typically situated to the north portion of the holding.

Surface irrigation water can be provided via the Murrumbidgee River. The property was sold with a 2,760 megalitre Lower Murrumbidgee Zone 2 groundwater licence.

Fencing is considered to be in stockproof condition, subdividing the property into a significant amount of cropping and grazing paddocks.

Structures include 2 dwellings set in established garden surrounds, machinery sheds, shearing shed with yards, 3 large grain silos and sundry structures.

"Uri Park" is zoned "Primary Production" (RU1) pursuant to the Murrumbidgee Shire Council.

"Uri Park" was sold off-market to an overseas investor and is managed by Custom Farm Management.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Irrigation - Laser Levelled Flood (Row Crop)	1,100.00 @	\$4,000	\$4,400,000
Dryland	2,087.00 @	\$2,000	\$4,174,000
Dense Vegetation	815.00 @	\$400	\$326,000
			\$8,900,000
Water	Volume (MI)	Rate (\$/MI)	
Groundwater	2,760.00 @	\$2,700	\$7,452,000
Structures			
Rural Structures		Say	\$1,150,000

Total Apportionment	\$17,502,000
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C. Sales – Submarket 2 Western Grazing

SALE 1

"Eurella Station", 43606 Cobb Highway, Ivanhoe, NSW

PID: 17136594

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Stanmore to Undisclosed	\$4,400,000	Aug-2019	25,900.00	\$170	\$155

"Eurella Station" is situated on eastern and western sides of the Cobb Highway, north-western and south-eastern sides of Tasman Road, approximately 28 kilometres north of Ivanhoe.

The allotment is irregular in shape and level to gently undulating in topography with the highest elevation found to the south-eastern portion of the holding, with soils primarily consisting of red sandy loam.

Vegetation consists of burr medics, barrel and cut leaf clover, crowsfoot with winter rains and spear grass, barley grass, copper burr, some saltbushes and cannon ball. Timber consists of mainly belah, rosewood with some nelia and yarran.

At the date of sale the property was operated as a Dorper sheep and cattle grazing enterprise. We understand the property has a sustainable carrying capacity of circa 10,000 DSE.

Stockwater is supplied via a bore and then reticulated via pipelines to the paddocks. There is a Reverse Osmosis desalination plant at the pump shed supplying water to the houses. There are also ground tanks at 8 watering points throughout.

Fencing is generally in stockproof condition, comprising 8 plain wires and 2 barb wires.

Structures include a two storey dwelling comprising 5 bedrooms, office, sewing room, meat house and coolroom. A second dwelling comprises 4 bedrooms and is considered to be in poor condition.

Sundry rural structures include a 4 stand shearing shed, hay shed, machinery shed, horse stables, sheep yards, cattle yards and grain storage.

"Eurella Station" is zoned "Primary Production" (RU1) pursuant to the Central Darling Local Environmental Plan 2012.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Native Grazing	25,900.00 @	\$155	\$4,014,500
Structures			
Dwellings (2)		Say	\$200,000
Rural Structures		Say	\$185,000
			\$385,000

Total Apportionment	\$4,399,500
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SALE 2

"Netley Station", 1509 Netley Road, Broken Hill, NSW

PID: 17136593

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Radford to Swiss Australia Farm Holding	\$10,600,000	Feb-2019	73,299.00	\$145	\$140

"Netley Station" is situated on the northern and southern sides of Netley Road, eastern and western sides of Silver City Highway and northern and southern sides of Tandou Road, approximately 70 kilometres south of Broken Hill.

The allotment is irregular in shape and gently undulating in topography with the highest elevation found to the north-west portion of the holding, with soils consisting of red clay with sand rises and some "crab hole" country.

Vegetation consists of blue bush, salt bush, cotton bush and timbers principally of black oak, mulga, nelia, bullock bush and box bum. Seasonal grasses comprise of copperburr, canon ball, Mitchell grass, bindi and native clovers.

At the date of sale the property was operated as a sheep and cattle station enterprise. We understand that the total sustainable carrying capacity is estimated to be approximately 22,500 Dry Sheep Equivalents.

Stockwater is supplied via 8 bores located throughout the 20 main larger paddocks and 11 smaller paddocks for stock management have a reticulated supply via pipelines and tanks to over 65 plus permanent watering points. Troughs are predominantly concrete on concrete aprons. The station has 5 major dams and New Well Creek flowing through from the north-west boundary to the centre of holding.

Fencing is generally in stockproof condition, external fences to 90% of its boundary and the majority of its internal fences are considered to be in sound condition.

Structures include a dwelling comprising 4 bedrooms, 2 living areas, kitchen, bathroom, 2 toilets, walk in coolroom, outdoor entertaining area and 1 bedroom self contained demountable guest accommodation. The second dwelling comprises 3 bedrooms.

Sundry rural structures including a workshop, machinery shed and 8 stand shearing shed. Livestock yards are situated throughout the holding comprising cattle yards and 3 sets of sheep/ goat yards.

"Netley Station" isn't zoned pursuant to the Unincorporated Far West.

The property was purchased by Swiss Australia Farm Holding who have been an active market participant in the purchasing of pastoral holdings.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Native Grazing	73,299.00 @	\$140	\$10,261,860
Structures			
Dwelling & Surrounds		Say	\$150,000
Rural Structures		Say	\$200,000
			\$350,000

Total Apportionment	\$10,611,860
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SALE 3

"Rosewood Station", 51964 Cobb Highway, Ivanhoe, NSW

PID: 17136595

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Coolamara Pty Limited to Thomas	\$4,500,000	Nov-2018	27,349.40	\$165	\$155

"Rosewood Station" is situated across two separate holdings with the main holding located on the eastern and western sides of the Cobb Highway, approximately 75 radial kilometres south-south-east from Wilcannia. The second holding is located approximately 25 radial kilometres west from the main holding and approximately 70 radial kilometres south from Wilcannia.

The allotments are both irregular in shape and level to gently undulating in topography. The soils primarily consist of red loams.

Vegetation consists of spear grass, natural herbages, crowsfoot, blue bush, copper burr and cannon ball. Timbered with neila, mulga, pine, oak, cabbage bush and Mallee.

At the date of sale the property was operated as a sheep and goat enterprise. We understand that the sustainable annual carrying capacity is approximately 8,500 DSE.

Stockwater is supplied via 15 earth tanks that can reticulate water via a pipeline system with solar pump.

Fencing is generally in stockproof condition, with large areas of hinge joint.

Structures include a homestead consisting of 4 bedrooms, 2 living areas, kitchen, bathroom, laundry and separate room with ensuite and cottage.

Sundry rural structures including two 4 stand shearing sheds and yards, machinery shed, workshop, sheep and cattle yards.

"Rosewood Station" is zoned "Primary Production" (RU1) pursuant to the Central Darling Local Environmental Plan 2012.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Native Grazing	27,349.40 @	\$155	\$4,239,157
Structures			
Structures		Say	\$260,000

Total Apportionment	\$4,499,157
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SALE 4

"Burta Station", Netley Road, Broken Hill, NSW

PID: 17133327

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Sutherland to Withheld	\$5,380,000	Apr-2018	43,500.00	\$124	\$115

Situated on the western side of Silver City Highway with access via Netley Road, approximately 75 radial kilometres south-west of Broken Hill.

The allotment is irregular in shape and varies in topography from undulating in the north to becoming near level in the southern and central portions. Soils generally comprise red loams transitioning to sandy loams.

Vegetation includes scattered bullock bush and black oak, with native grazing species including blue bush, salt bush and areas of Mitchell grass associated with the Harri Harri Creek and Muturoo Creek plains which traverse the property.

Stockwater is supplied via a solar powered pump equipped bore and reticulated via an extensive pipeline to watering points, plus several large catchment ground tanks are also situated throughout. Internal and external fencing is considered to be in sound condition.

At the date of contract the property was utilised as a merino sheep grazing enterprise. The property has an estimated total sustainable carrying capacity of 10,000 DSE.

Structures on the property include a 6 bedroom brick homestead, cottage, shearing shed with associated yards and rural structures.

"Burta Station" is not zoned being in an Unincorporated Area of NSW.

We understand the the property sold to a neighbouring operator.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Native Grazing	43,500.00 @	\$115	\$5,002,500
Structures			
Structures		Say	\$377,500

Total Apportionment	\$5,380,000
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SALE 5

"Packsaddle Station", Silver City Highway, Broken Hill North, NSW

PID: 17133329

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Berkleman Pty Ltd to Websters	\$7,000,000	Feb-2018	40,880.00	\$147	\$138

Situated on the eastern and western sides of the Silver City Highway at Packsaddle, approximately 160 radial kilometres north-west of Broken Hill.

The allotment is an irregular shape and near level transitioning to slightly undulating land. Soils typically comprise a mixture of red sandy loam soils, transitioning to stony plains, quartz rises and some floodplain land associated with Packsaddle Creek and its tributaries.

Vegetation comprises acacia, mulga, box, native pine, black oak, bullock bush and turpentine, while native grasses and herbage includes pearl salt bush, blue bush, Mitchell grass, crowsfoot, cannon ball, copper burr, native clovers, wire grass, spinach, button grass and never fail.

We have been advised that the property had previously carried approximately 4,000 ewes. However we understand that the new owners intend to carry approximately 5,500 ewes.

At the time of sale the fencing and water system throughout the property was considered to be mainly new and constructed to a sound standard.

Structures include a 4 bedroom dwelling, a dated shearers quarters, ATCO quarters, 5 stand shearing shed and sundry shedding.

The property is not zoned being in an Unincorporated Area of NSW.

The property sold on a "walk in walk out" basis including livestock and plant and equipment analysed at \$980,800. The property was purchased by an active market participant for grazing land in the Broken Hill region.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Native Grazing	40,880.00 @	\$138	\$5,641,440
Structures			
Structures		Say	\$375,000
Inclusions			
Stock, Plant & Machinery			\$980,800
Total Apportionment			\$6,997,240

SALE 6

"Bonton Station", 2529 Terywynia Road, Ivanhoe, NSW

PID: 17133334

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Hawkins to Pitt	\$2,253,000	Jul-2017	16,213.00	\$139	\$125

Situated north of Ivanhoe-Menindee Road with access via an unnamed track, approximately 50 hectares north-west of Ivanhoe. "Bonton Station" comprises two properties - "Bonton Home" and "Needlebush".

The holding is generally regular in shape and level in topography. Soils typically comprise a mixture of red and sandy loams and includes areas on Mallee land types.

Native pastures and herbage include clover, copper burr, cannonball and blue bush species.

Stockwater is supplied via 1 bore reticulated to troughs. Additional catchment dams are situated throughout the property.

At the date of sale the property operated a merino sheep enterprise as well as opportunistic goat herding. The property has an estimated total sustainable carrying capacity of 5,000 DSE.

Fencing is in mixed condition comprising varying agricultural styles, subdividing the property into 9 main paddocks.

Structures include a 4 bedroom homestead, shearers quarters, shearing shed and further sundry structures.

The property is zoned "Primary Production" (RU1) pursuant to the Central Darling Local Environmental Plan 2012.

We understand the property sold to the Pitt family to be run in conjunction with their northern Victorian holdings.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Native Grazing	16,213.00 @	\$125	\$2,026,625
Structures			
Structures		Say	\$225,000

Total Apportionment

\$2,251,625

SALE 7

"Eaglehawk Station", 21602 Silver City Highway, Broken Hill, NSW

PID: 17133313

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Harvy to Local Syndicate	\$3,450,000	Jul-2017	28,240.40	\$122	\$113

"Eaglehawk Station" is situated to the west of the Silver City Highway with access via a private road. Located approximately 40 radial kilometres south of Broken Hill.

The allotment is irregular in shape and gently undulating in topography. Soils throughout the property typically comprise a mixture of red and sandy loams. Vegetation includes scattered oak, mulga and bullock bush, while native pastures include Mitchell and button grass, native clovers, native salt bush varieties, pearl, blue & black bush, Sturt's Desert pea and crowsfoot.

The property has an estimated total sustainable carrying capacity of approximately 5,500 DSE.

Stockwater is provided via 1 functional equipped bore and 13 catchment dams situated throughout. We note at the time of sale a further 3 bores were non-operational and in need of repair.

Fencing is considered to be in an overall poor condition.

Structures comprise a homestead, workers quarters, hangar and shearing shed with associated yards considered to be in poor condition only.

"Eaglehawk Station" is not zoned being in an Unincorporated Area of NSW.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Native Grazing	28,240.40 @	\$113	\$3,191,165
Structures			
Structures		Say	\$260,000

Total Apportionment

\$3,451,165

SALE 8

"Kinross Station", 410 Karpa Kora Road, Pooncarie, NSW

PID: 17133385

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Reid to Cullinan	\$4,816,875	Apr-2017	38,636.00	\$125	\$119

"Kinross Station" is situated on the south-western and north-eastern sides of Pooncarie-Menindee Road, approximately 17 kilometres north-east of Pooncarie.

The allotment is irregular in shape, being partly bound by the Darling River to the west. Topography generally comprises gently undulating to near level land, consisting mainly of a mix of open, semi-open bushland and grassland. We note the existence of some heavy Mallee scrub scattered throughout.

The areas surrounding the Darling River are heavier soil types with the balance being mainly red and sandy loams.

At the date of sale the property was operated as a sheep station as well as a goat mustering enterprise. We understand that the total sustainable carrying capacity is estimated to be 9,500 Dry Sheep Equivalents.

Stockwater is supplied via the Darling River, which is then reticulated to watering points in all paddocks.

Fencing is generally in stockproof condition, with the property having carried goats in recent years.

Structures comprise a 4 bedroom dwelling and sundry rural structures including a workshop, machinery shed and dated shearing shed. Livestock yards are situated throughout the holding.

The property is zoned "Primary Production" (RU1) pursuant to the Wentworth Shire Local Environmental Plan 2012.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Native Grazing	38,636.00 @	\$119	\$4,597,684
Structures			
Structures		Say	\$220,000

Total Apportionment	\$4,817,684
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SALE 9

"Mount Kew", 3449 Baden Park Road, Bulla, NSW

PID: 17133317

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Ryan to Withheld	\$4,500,000	Mar-2017	46,094.00	\$98	\$92

"Mount Kew" is situated on the eastern and western sides of Baden Park Road, approximately 100 radial kilometres north of Ivanhoe.

The property is irregular in shape and generally level to gently undulating in topography. Soils typically include red loam transitioning to sandy loam. Vegetation includes areas of dense mulga scrub and scattered mallee vegetation; native pastures generally includes spear grass, crowsfoot, button grass, copper burr and native clover.

We understand "Mount Kew" has a history of carrying merino sheep, angus cattle with additional goat harvesting. The property has an estimated total sustainable carrying capacity of 12,000 DSE, albeit at the time of sale the property was carrying no stock.

Stockwater is supplied via 5 bores, 1 submersible pump and 1 windmill, each equipped with header tanks which reticulate to waterpoints. Additional stockwater is supplied via 12 earthen dams, 2 have power connected and are reticulated to further water points. Water infrastructure was however considered to be in poor condition at the time of sale.

Fencing typically comprises steel or timber posts with a variety of agricultural wires, we understand fencing was in poor condition at the time of sale, with the property subdivided into approximately 10 main paddocks.

Structures include a homestead, a cottage, 2 shearing sheds, machinery shed, hay shed and additional sundry rural structures. The structures were generally considered to be in poor condition at the time of sale.

"Mount Kew" is zoned "Primary Production" (RU1) pursuant to the Cobar Shire Council.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Native Grazing	46,094.00 @	\$92	\$4,240,648
Structures			
Structures		Say	\$260,000

Total Apportionment	\$4,500,648
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SALE 10

"Kalabity Station", 2322 Kalabity Road, Olary, SA

PID: 17133307

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Kalabity Pastoral Unit Trust to Tandou Ltd	\$12,500,000	Mar-2017	185,700.00	\$50	\$48

Situated on the north-west side of Kalabity Road, approximately 40 radial kilometres north of Olary and approximately 100 radial kilometres west of Broken Hill. The property includes the amalgamation of two properties formerly known as "Kalabity" and "Telchie" which comprise a total leasehold area of 185,700 hectares.

"Kalabity Station" is irregular in shape and relatively level throughout, with pockets of low ridges and low hills to the south-eastern portion of the holding. The majority of the property is classed as open plains and generally level in contour. Vegetation primarily ranges from salt bush and blue bush to a range of natural grasses and herbage. There are areas of open woodlands throughout which feature bullock bush, mulga, black oak with some areas of wattle, hopbush, emu bush, river and Mallee box species.

At the time of sale "Kalabity Station" was utilised predominantly as a sheep grazing enterprise featuring a commercial dorper enterprise. Cattle were also traded on the property as seasons permit. The property is rated by the South Australian Pastoral Board as having the ability to carry approximately 25,000 DSE.

Stockwater is supplied via bores and catchment dams, comprising 6 bores, 12 main dams and 14 secondary dams supplying over 90 watering points throughout "Kalabity Station".

The property is subdivided into approximately 30 main paddocks and numerous smaller paddocks. Boundary and internal fencing across the aggregation comprises typical agricultural construction of a mixture of ringlock, netting, plain and barbed wires and both steel and timber posts.

"Kalabity Station" includes a homestead complex featuring two dwellings and additional extensive rural infrastructure.

The property is zoned "Remote Areas" (RA) pursuant to the Pastoral Unincorporated Area SA.

The property was sold on a "Walk In Walk Out" basis including livestock (dorper sheep) and plant and equipment.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Native Grazing	185,700.00 @	\$48	\$8,913,600
Structures			
Structures		Say	\$400,000
Inclusions			
Livestock, Plant and Equipment			\$3,182,600
Total Apportionment			\$12,496,200

SALE 11

"Martins Well Station", 2101 Erudina Road, Hawker, SA

PID: 17133681

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Fargher to MF Jebson Group	\$5,975,000	Jan-2017	105,200.00	\$47	\$44

"Martins Well Station" is located approximately 90 kilometres north-east of Hawker on the Wirrealpa Road, a gravel carriageway off the Flinders Ranges Way.

The property is irregular in shape and generally of open plains land comprising open saltbush and blue bush plains featuring native grasses and herbage. The land transitions to undulating hilly ridges to the west on the land fronting the Flinders Ranges.

Water infrastructure includes 16 bores, 2 wells and 2 permanent springs, plus there is also access to five pipelines which run to various points on the property. The Wilpena Creek runs east to west and provides water to the alluvial flood plains and red gum water courses in times of rain.

The property has been operating as a Merino sheep and Hereford cattle enterprise, with all stock included in the sale on a "walk in walk out" basis and included approximately 5,950 merino sheep and 500 hereford cattle, along with some nominated station plant and equipment. The South Australian Pastoral Board stock rating for "Martins Well Station" is 12,900 Dry Sheep Equivalents (DSE).

Fencing is considered to be in stockproof condition.

Structures include a well-appointed 5 bedroom stone dwelling situated within an established setting, 2 bedroom stone cottage, 7 stand shearing shed and shearing quarters, rural shedding, 5 sheep yards located at various points on the property and a substantial set of steel post and rail cattle yards.

"Martins Well Station" was purchased at auction by a Hong Kong based company who will focus on the regeneration and rehabilitation of indigenous flora and fauna, with the intention to run the property for adventure and eco-tourism purposes.

The property is zoned "Remote Areas" (RA) pursuant to the Pastoral Unincorporated Area SA.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Native Grazing	105,200.00 @	\$44	\$4,628,800
Structures			
Dwelling & Surrounds		Say	\$150,000
Livestock Yards		Say	\$100,000
Shearing Shed		Say	\$70,000
Rural Structures		Say	\$40,000
			\$360,000
Inclusions			
Livestock			\$990,000

Total Apportionment	\$5,978,800
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D. Sales – Submarket 3 Griffith Commercial

SALE 1					
190 Yambil Street, Griffith, NSW				PID: 17133443	
Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Rossi to MNCTT Pty Ltd	\$390,000	Mar-2018	0.16	\$2,480,916	\$2,480,000
190 Yambil Street is situated on the southern side the road, in the township of Griffith, comprising two contiguous allotments on separate Certificates of Title.					
The property is rectangular in shape with frontages to Yambil Street to the north and Canal Street to the south. The topography is level throughout, with a significant portion of the allotment having been cleared of vegetation.					
Structures comprise an aged weatherboard dwelling, albeit was inhabitable at the time of sale and considered to be of no added value.					
The land is zoned "Local Centre" pursuant to the Griffith Local Environment Plan 2014.					
Discussions with the selling agent reveal that it was a mortgagee-in-possession sale, with the campaign attracting 6-7 interested parties with 2 competitive bidders at auction, ultimately selling significantly above the reserve price to a local purchaser.					
Apportionment					
Land	Area (sqm)		Rate (\$/sqm)		
Local Centre	1,572	@	\$248		\$389,856
Total Apportionment					\$389,856

SALE 2					
478 Banna Avenue, Griffith, NSW				PID: 17133451	
Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
DDF Investments Pty Ltd & GRE Investments Pty Ltd to Tandou Limited	\$700,000	Apr-2017	0.13	\$5,508,775	\$5,510,000
478 Banna Avenue is situated on the southern side of the road in the township of Griffith.					
The allotment is generally rectangular in shape comprising 2 separate titles and benefited by extensive frontage to both Banna Avenue and Banna Lane.					
The block is level in topography throughout and comprises vacant land, devoid of any structures.					
The land is zoned "Local Centre" pursuant to the Griffith Local Environment Plan 2014.					
We understand that the block had remained vacant for a number of years prior to its sale. We have been advised that the purchaser is intending to construct office and residential space.					
Apportionment					
Land	Area (sqm)		Rate (\$/sqm)		
Local Centre	1,271	@	\$551		\$700,156
Total Apportionment					\$700,156

SALE 3

142 Yambil Street, Griffith, NSW

PID: 17133445

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	Sale Rate (Ex Incl.) (\$/ha)	Land Rate (\$/ha)
Undisclosed to Gaffey	Circa \$330,000	Feb-2017	0.08	\$4,209,184	\$2,400,000

142 Yambil Street is situated on the southern side of the road in the township of Griffith.

The allotment is rectangular in shape and benefited by a 15 metre frontage to Yambil Street.

The block is level in topography throughout, and primarily supports a commercial premises, with a small portion of vacant land towards the southern boundary.

Structures comprise a semi-detached commercial premises which has historically been utilised for automotive related purposes, as well as an attached 2 bedroom residence.

The land is zoned "Local Centre" pursuant to the Griffith Local Environment Plan 2014.

We have been advised that the property sold prior to auction after receiving considerable interest, with the local purchaser intending to preserve the character of the building, utilising it for a automotive themed eatery. We are further advised that a large number of interested parties maintained the intent to demolish the building and utilise the site for commercial building purposes.

Apportionment

Land	Area (sqm)	Rate (\$/sqm)	
Local Centre	784 @	\$240	\$188,160
Structures			
Structures	300 sqm @	\$475 per sqm	\$142,500

Total Apportionment	\$330,660
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E. Sales –Small Scale Rural Sales

SALE 1

"Old Howlong", 4232 Murrumbidgee River Road, Carrathool, NSW

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	All Incl Rate (\$/ha)	Land Rate (\$/ha)
Dossetor to Raccanello	\$250,000	Jul-2019	20.35	\$12,285	\$7,375

"Old Howlong" is located on the southern side of Murrumbidgee River Road, approximately 3 radial kilometres south of Carrathool.

The property is irregular in shape though level in topography with the Murrumbidgee River making up the southern boundary.

At the time of sale the property was utilised as a rural lifestyle holding, with a total land area of approximately 20 hectares.

Structures include a dwelling with 3 bedrooms and 1 bathroom and a shed.

"Old Howlong" is zoned "Primary Production" (RU1) pursuant to the Carrathool Shire Council.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Rural Lifestyle	20.35 @	\$7,375	\$150,081
Structures			
Dwelling & Surrounds		Say	\$100,000

Total Apportionment

\$250,081

SALE 2

25926 Sturt Highway, Hay South, NSW

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	All Incl Rate (\$/ha)	Land Rate (\$/ha)
Maslen to Harrison	\$295,000	Sep-2018	3.23	\$91,331	\$29,400

The property is located on the northern side of Sturt Highway, approximately 6 radial kilometres east of Hay.

The property is irregular in shape though level in topography with the Murrumbidgee River making up the northern boundary.

At the time of sale the property was utilised as a rural lifestyle holding, with a total land area of approximately 3 hectares.

Structures include a dwelling and machinery shed.

"Old Howlong" is zoned "Primary Production" (RU1) pursuant to the Hay Shire Council.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Rural Lifestyle	3.23 @	\$29,400	\$94,962
Structures			
Dwelling & Surrounds		Say	\$200,000

Total Apportionment

\$294,962

SALE 3

Murrumbidgee River Road, Carrathool, NSW

Sale Details/Comment	Sale Price	Sale Date	Land Area (ha)	All Incl Rate (\$/ha)	Land Rate (\$/ha)
Hill to Ward	\$537,700	Sep-2017	177.24	\$3,034	\$2,750

The property is located on the southern side of Murrumbidgee River Road, approximately 15 radial kilometres east of Carrathool.

The property is irregular in shape though level in topography with the Murrumbidgee River making up the southern boundary.

At the time of sale the property was utilised as a rural lifestyle and grazing enterprise, with a total land area of approximately 177 hectares.

Structures include basic rural structures.

The property is zoned "Primary Production" (RU1) pursuant to the Carrathool Shire Council.

Apportionment

Land	Area (ha)	Rate (\$/ha)	
Rural Lifestyle	177.24 @	\$2,750	\$487,410
Structures			
Dwelling & Surrounds		Say	\$50,000
Total Apportionment			\$537,410

F. Sales –Residential Sales

SALE 1

26 White Street, Darlington Point, NSW

PID: 17136632

Sale Details/Comment	Sale Price	Sale Date	Land Area (sqm)
Harvison to Steven	\$175,000	Aug-2019	883

Situated on the southern side of White Street, in the township of Darlington Point.

The allotment is rectangular in shape and level in topography.

The main structure comprises a fibre plank dwelling. Accommodation comprises 3 bedrooms, bathroom, kitchen / meals and laundry.

The dwelling presents well, having been constructed circa 2000.

Apportionment

Land	Area (sqm)	Rate (\$/sqm)
Residential	883 @	\$50

\$44,150

Structures

Dwelling & Surrounds	Say	\$134,000
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Total Apportionment

\$178,150

SALE 2

17 Lander Street, Darlington Point, NSW

PID: 17136636

Sale Details/Comment	Sale Price	Sale Date	Land Area (sqm)
Walters to Mills	\$20,000	Aug-2019	735

Situated on the northern side of Lander Street, in the township of Darlington Point.

The allotment is rectangular in shape and level in topography.

There are no structures on the site.

Apportionment

Land	Area (sqm)	Rate (\$/sqm)
Residential	735 @	\$27

\$20,066

Total Apportionment

\$20,066

SALE 3

20 Narrand Street, Darlington Point, NSW

PID: 17136630

Sale Details/Comment	Sale Price	Sale Date	Land Area (sqm)
Johnston to Payne	\$270,000	Aug-2019	13,400

Situated on the northern side of Narrand Street, in the township of Darlington Point.

The allotment is irregular in shape and level in topography.

The main structure comprises a 3 bedroom dwelling with rear enclosed verandah area. Surrounds include a 8 metre x19 metre shed with carport and mature trees along the perimeter.

The property has the potential to be subdivided into 7 smaller allotments, subject to council approval.

Apportionment

Land	Area (sqm)	Rate (\$/sqm)
Residential	13,400 @	\$9

\$119,260

Structures

Dwelling & Surrounds	Say	\$150,000
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Total Apportionment

\$269,260

SALE 4

20 Uri Street, Darlington Point, NSW

PID: 17136629

Sale Details/Comment	Sale Price	Sale Date	Land Area (sqm)
Callaway to Harrison	\$45,000	Jul-2019	2,023

Situated on the western side of Uri Street, in the township of Darlington Point.
The allotment is rectangular in shape and level in topography.
There are no structures on the site.

Apportionment

Land	Area (sqm)	Rate (\$/sqm)	
Residential	2,023 @	\$22	\$45,113

Total Apportionment	\$45,113
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SALE 5

14 Barwidgee Boulevard, Darlington Point, NSW

PID: 17136634

Sale Details/Comment	Sale Price	Sale Date	Land Area (sqm)
Wilson, Sofra to Webb	\$220,000	Jul-2019	1,125

Situated on the southern side of Barwidgee Boulevard, in the township of Darlington Point.
The allotment is rectangular in shape and level in topography.
The main structure comprises a fibre plank dwelling. Accommodation comprises 3 bedrooms, 2 bathrooms, kitchen / meals and laundry. The property also features a 2 car garage under the main roofline.
The dwelling presents well having been constructed circa 2000.

Apportionment

Land	Area (sqm)	Rate (\$/sqm)	
Residential	1,125 @	\$45	\$50,625

Structures

Dwelling & Surrounds	Say	\$170,000
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Total Apportionment	\$220,625
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SALE 6

15 Chant Street, Darlington Point, NSW

PID: 17136633

Sale Details/Comment	Sale Price	Sale Date	Land Area (sqm)
Ransley to Brauman	\$220,000	Apr-2019	871

Situated on the western side of Chant Street, in the township of Darlington Point.
The allotment is rectangular in shape and level in topography.
The main structure comprises a brick dwelling. Accommodation comprises 3 bedrooms, bathroom, kitchen / meals and laundry. The property also features a tool shed and garden shed.
The dwelling presents well having been constructed circa 2000.

Apportionment

Land	Area (sqm)	Rate (\$/sqm)	
Residential	871 @	\$51	\$44,421

Structures

Dwelling & Surrounds	Say	\$175,000
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Total Apportionment	\$219,421
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SALE 7

19 Chant Street, Darlington Point, NSW

PID: 17136635

Sale Details/Comment	Sale Price	Sale Date	Land Area (sqm)
McIntosh to Gras	\$255,000	Apr-2019	1,398

Situated on the western side of Chant Street and southern side of Campbell Street, in the township of Darlington Point.

The allotment is irregular in shape and level in topography.

The main structure comprises a fibre plank dwelling. Accommodation comprises 4 bedrooms, 2 bathrooms, kitchen / meals, laundry and rear patio. The property also features a detached enclosed double garage.

The dwelling presents well having been constructed circa 2010.

Apportionment

Land	Area (sqm)	Rate (\$/sqm)	
Residential	1,398 @	\$47	\$65,706
Structures			
Dwelling & Surrounds		Say	\$190,000

Total Apportionment	\$255,706
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SALE 8

2A Curphey Place, Darlington Point, NSW

PID: 17136631

Sale Details/Comment	Sale Price	Sale Date	Land Area (sqm)
Carroll to Burge Super fund Pty Ltd	\$170,000	Aug-2018	1,589

Situated on the southern side of Curphey Place, in the township of Darlington Point.

The allotment is irregular in shape and level in topography.

The main structure comprises a fibre plank dwelling. Accommodation comprises 3 bedrooms all with builtin robes, bathroom, kitchen / meals and laundry. The property also features a garden shed.

The dwelling presents well having been constructed circa 2000.

Apportionment

Land	Area (sqm)	Rate (\$/sqm)	
Residential	1,589 @	\$35	\$55,615
Structures			
Dwelling & Surrounds		Say	\$115,000

Total Apportionment	\$170,615
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G. Structure Values

"Kooba Aggregation"

Structures	Area (sqm)		Rate \$psm	Value
"Kooba" Structures				
"Kooba" Homestead & Surrounds	775	@	\$700	\$542,500
"Kooba" Office & Surrounds	300	@	\$950	\$285,000
Riverside 1 & Surrounds	110	@	\$700	\$77,000
Riverside 2 & Surrounds	290	@	\$400	\$116,000
Riverside 3 & Surrounds	240	@	\$450	\$108,000
Riverside 4 & Surrounds	65	@	\$700	\$45,500
Lagoon Cottage & Surrounds	145	@	\$400	\$58,000
Sundry Accommodation			Say	\$20,000
"Kooba" Workshop	500	@	\$150	\$75,000
"Kooba" Machinery Shed 1	675	@	\$100	\$67,500
"Kooba" Storage Shed	260	@	\$25	\$6,500
"Kooba" Hay Shed	335	@	\$25	\$8,375
"Hardings" Structures				
Grain Complex			Say	\$400,000
"Hardings" Cottage	125	@	\$500	\$62,500
"Hardings" Machinery Shed	395	@	\$25	\$9,875
"Cattle Camp" Structures				
Cattle Yards			Say	\$125,000
"Cattle Camp" Machinery Shed	65	@	\$50	\$3,250
"Feedlot" Structures				
Feedlot Cottage	180	@	\$350	\$63,000
"Kooba" Shearing Shed and Yards	810	@	\$200	\$162,000
"Feedlot" Commodities Shed	375	@	\$200	\$75,000
"Feedlot" Machinery Shed	375	@	\$100	\$37,500
Feedlot			Say	\$250,000
"Feedlot" Cattle Yards			Say	\$75,000
"Colaragang" Structures				
"Colaragang" Dwelling	170	@	\$800	\$136,000
"Colaragang" Hay Shed	215	@	\$15	\$3,225
"Colaragang" Cattle Yards			Say	\$25,000
"Gum Creek" Structures				
"Gum Grey" Dwelling	100	@	\$600	\$60,000
"Cotton Gin" Structures				
Darlington Point Main Dwelling	120	@	\$850	\$102,000
Darlington Point Cottage 1	100	@	\$650	\$65,000
Darlington Point Quarters	125	@	\$300	\$37,500
Portable Accommodation			Say	\$40,000
Packing Shed / Old Cotton Gin	750	@	\$50	\$37,500
Grain Storage Shed	710	@	\$50	\$35,500
"Willbridge" Structures				
Grain Machinery Shed	760	@	\$50	\$38,000
"Darlington Point" Dwellings				
15 Uri Street	90	@	\$1,000	\$90,000
34 Carrington Street	135	@	\$1,200	\$162,000
17 Chant Street	120	@	\$1,250	\$150,000
"Benerembah" & "Bringagee"				
New Managers Dwelling & Surrounds	150	@	\$1,750	\$262,500
"Benerembah" Cottage	70	@	\$650	\$45,500
"Bringagee" Cottage 1	72	@	\$750	\$54,000
"Bringagee" Cottage 2	100	@	\$600	\$60,000
"Bringagee" Cottage 3	70	@	\$750	\$52,500
"Bringagee" Cottage 4	125	@	\$600	\$75,000
"Benerembah" Single Man Quarters	85	@	\$250	\$21,250
"Benerembah" Cattle Yards			Say	\$25,000
"Bringagee" Cattle Yards			Say	\$75,000
"Benerembah" Hayshed	385	@	\$15	\$5,775
"Bringagee" Workshop and Office Complex				
Grain Complex			Say	\$400,000
"Bringagee" Machinery Shed	340	@	\$100	\$34,000
"Bringagee" Grain Storage / Machinery Shed	540	@	\$75	\$40,500
"Bringagee" Workshop	345	@	\$100	\$34,500
"Bringagee" Chemical Shed	40	@	\$300	\$12,000
"Bringagee" Office	45	@	\$600	\$27,000
"Bringagee" Structures				
"Bringagee" Main Homestead	350	@	\$750	\$262,500
"Bringagee" Gate Cottage	120	@	\$350	\$42,000
"Bringagee" Quarters	235	@	\$100	\$23,500
"Bringagee" Cattle Yards			Say	\$75,000
Sundry Rural Structures			Say	\$10,000
SubTotal				\$5,291,750

"Glenmea"

Structures	Area (sqm)	Rate \$psm	Value
Staff Quarters (3)		Say	\$125,000
Office and Amenities		Say	\$40,000
Machinery Shed	500 @	\$125	\$62,500
Fertiliser Shed	200 @	\$25	\$5,000
Sundry Structures		Say	\$5,000
SubTotal			\$237,500

"Pevensey"

Structures	Area (sqm)	Rate \$psm	Value
Pevensey Homestead & Surrounds		Say	\$250,000
Workers Cottage 1		Say	\$50,000
Workers Cottage 2		Say	\$50,000
Workshop	230 @	\$75	\$17,250
Machinery Shed 1	220 @	\$50	\$11,000
Machinery Shed 2	180 @	\$50	\$9,000
Hay Shed	90 @	\$25	\$2,250
Fertiliser Shed		Say	\$40,000
Livestock Yards		Say	\$20,000
Sundry Rural Structures		Say	\$30,000
SubTotal			\$479,500

"Kalabity Station"

Structures	Area (sqm)	Rate \$psm	Value
Main Homestead & Surrounds		Say	\$300,000
Dwelling & Surrounds		Say	\$80,000
Overseers Quarters		Say	\$70,000
Shearing Shed & Yards	500 @	\$175	\$87,500
Mens Quarters & Associated Shed		Say	\$10,000
Shearers Quarters Complex		Say	\$5,000
Constance Hut	45 @	\$100	\$4,500
New Machinery Shed	720 @	\$150	\$108,000
Aircraft Hangar & Airstrip	180 @	\$75	\$13,500
Vehicle Shed	216 @	\$15	\$3,240
Sundry Rural Structures		Say	\$2,500
Livestock Yards		Say	\$70,000
SubTotal			\$754,240

"Packsaddle Station"

Structures	Area (sqm)	Rate \$psm	Value
Dwelling	200 @	\$900	\$180,000
Portable Cottage	50 @	\$450	\$22,500
Shearing Shed & Yards	300 @	\$185	\$55,500
Workshop	175 @	\$200	\$35,000
Machinery Shed	180 @	\$150	\$27,000
Livestock Yards (2)		Say	\$55,000
Subtotal			\$375,000

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- (f) We confirm that the valuer does not have a pecuniary interest that would conflict with a proper valuation of the interest in the property.
- (g) CBRE has prepared the valuation reports for inclusion within the Scheme Booklet but has not been involved in the preparation of any other part of the Scheme Booklet. CBRE has not been required to approve or express any opinion about any part of the Scheme Booklet other than the valuation reports. CBRE disclaims any liability to any person in the event of an omission from, or false and misleading statements included in the Scheme Booklet.
- (h) This document is for the sole use of persons directly provided with it by CBRE. Use by, or reliance upon this document by anyone other than those parties named above is not authorised by CBRE and CBRE is not liable for any loss arising from such unauthorised use or reliance.
- (i) CBRE's liability is limited by a scheme approved under Professional Standards Legislation.

You and the investors acknowledge and agree that the information contained in the valuation reports is provided for information purposes only and cannot be relied upon when making an investment decision. You and the investors acknowledge and agree that CBRE who have prepared the valuation reports accepts no responsibility for any reliance by any party on the valuation reports.

Appendix 8 – Market evidence

Sharemarket evidence

Agriculture and Horticulture companies outside Australia and New Zealand have not been included since they operate in markets which have different rates of economic growth, climate factors and agricultural markets which significantly impact their growth prospects and margins and, therefore, multiples. As a result, comparable companies for Webster are extremely limited and the selected companies are not directly comparable to Webster.

The following table sets out the implied EBITDA and EBIT multiples, and price to NTA multiples for the selected listed agricultural, horticultural and rural services companies.

Table 54: Sharemarket evidence

	Market Capitalisation (\$ million) ¹	EBITDA multiple ²			EBIT multiple ³			P/NTA ⁴
		Historical	FY+1	FY+2	Historical	FY+1	FY+2	
Webster⁵	460.1	33.1	40.6	11.6	174.1	nmf	16.8	1.0
<i>Agricultural/horticultural</i>								
Select Harvests Limited ⁶	794.6	108.0	9.0	10.1	nmf ⁷	11.2	12.9	2.3
Duxton Broadacre Farms Limited	49.8	nmf ⁷	n/a ⁸	n/a ⁸	nmf ⁷	n/a ⁸	n/a ⁸	0.8
Olam International Limited	6,036.3	12.3	n/a ⁸	n/a ⁸	18.5	n/a ⁸	n/a ⁸	1.1
<i>Rural services and suppliers</i>								
Elders Limited	895.2	12.6	9.0	7.4	13.5	9.6	7.9	2.9
PGG Wrightson Limited	127.1	nmf ⁷	nmf ⁷	nmf ⁷	nmf ⁷	nmf ⁷	nmf ⁷	0.4

Source: S&P Capital IQ, Mergermarket, company announcement, company financial statement, KPMG Corporate Finance analysis

Notes:

1. Market capitalisation calculated using the share price as at 9 December 2019 in A\$ for all companies except for Webster, which was calculated using the share price as at 2 October 2019
2. Represents the implied enterprise value divided by EBITDA, where EBITDA is earnings before net interest, tax, depreciation, amortisation, other income and significant and non-recurring items.
3. Represents the implied enterprise value divided by EBIT, where EBIT is EBITDA as discussed in note 2 less depreciation and amortisation.
4. NTA as at last reported date.
5. Webster's undisturbed share price of \$1.27 from 2 October 2019 has been used to calculate market capitalisation and enterprise value
6. Select Harvests Limited's historical multiples are based on FY18's financials, as last reported
7. nmf represents not meaningful
8. n/a represents not available.

The multiples are based on share market prices as at 9 December 2019 and do not typically include a control premium. A brief description of each company is outlined below.

Agriculture/Horticulture

Select Harvests Limited

Select Harvests Limited operates in mainly two segments in Australia: Almond Division which grows, processes and sells almonds from owned and leased almond orchards; and Food Division which processes, packages, markets and distributes dried fruits, seeds, and other natural health foods. Select Harvest's portfolio includes over 7,677 hectares of company owned and leased almond orchards and land suitable for

planting. In FY19, the Almond and Food Divisions contributed 53% and 47% of total revenue, respectively. Select Harvest's water entitlements are currently a third owned, a third leased and a third are purchased at the spot price.

Duxton Broadacre Farms Limited

Duxton owns and operates two major aggregations located in Australia comprising of dryland and irrigated land over 20,000 hectares which produces both summer crops (including cotton) and winter crops (including wheat, barley, canola, chickpeas, etc). Duxton either owns or leases over 15,000 ML of water entitlements.

Olam International Limited

Olam International Limited operates in five segments worldwide, namely Food Staples and Packaged Foods, Confectionery and Beverage Ingredients, Industrial Raw Materials and Infrastructure and Logistics, Edible Nuts and Spices, and Commodity Financial Services. In FY18, Food Staples and Packaged Foods (which includes rice, sugar, sweeteners, grains, edible oils and packaged foods) accounted for 47.6% of the revenue, followed by Confectionery and Beverage Ingredients contributing 23.4%, and Industrial Raw Materials, Infrastructure and Logistics contributing 14.9%. Olam is also an owner of water rights in Australia.

Elders Limited

Elders Limited provides livestock, real estate and wool agency services in Australia with Rural Products (including Retails Products and Wholesale Products), Agency Services and Real Estate Services being the top three revenue contributing segments for FY19 at 43%, 33% and 10%, respectively. The remaining divisions include Financial Services, Digital & Technical Services, and Feed & Processing Services.

PGG Wrightson Limited

PGG Wrightson Limited provides goods and services for the agricultural sector in New Zealand and operates in two segments being Retail and Water (76% of FY19's revenue) and Agency (24% of FY19's revenue). The Retail and Water segment includes rural supplies stores offering products such as animal health products, fertilizers, pasture protection products. The Agency segment provides services for the sale and purchase of livestock, irrigation systems to farmers as well as exports of wool products.

Transaction evidence

Similar to sharemarket evidence, transactions involving Agriculture and Horticulture companies outside Australia and New Zealand have not been included since they operate in markets which have different rates of economic growth, climate factors and agricultural markets which significantly impact their growth prospects and margins and, therefore, multiples. No relevant transactions were identified in New Zealand. As a result, comparable transactions for Webster are extremely limited and the comparability of the selected transactions with Webster is restricted.

The following tables set out a summary of transactions of companies involving agricultural/horticultural and rural services companies.

Table 55: Transaction evidence

Date	Target	Acquired %	Implied Enterprise Value (\$ millions) ¹	EBITDA Multiple ²		EBIT Multiple ³	
				Historical	Forecast	Historical	Forecast
Sep-19	Ruralco Holdings Limited	100.0%	582	9.0	n/a ⁶	11.4	n/a ⁶
Dec-18	GrainCorp Limited	n/a ⁵	3,328	11.4	14.8	21.2	46.9
Nov-18	Bengerang Limited	100.0%	133	n/a ⁶	n/a ⁶	n/a ⁶	n/a ⁶
Feb-15	Bengerang Limited	100.0%	140	n/a ⁶	n/a ⁶	n/a ⁶	n/a ⁶
Feb-15	Tandou Limited	100.0%	149	27.0	16.1	50.5	24.3
Feb-14	Total Eden Holdings Pty Limited	100.0%	57	9.7	7.0	15.1	9.3
Oct-12	GrainCorp Limited	n/a ⁵	2,656	6.2	6.8	7.7	9.3
Dec-10	PGG Wrightson Limited	31.0%	1,072	15.2	n/a ⁶	17.0	n/a ⁶
Aug-10	Landmark ⁴	100.0%	851	12.3	n/a ⁶	n/a ⁶	n/a ⁶

Source: Company financial statements, company announcements, press releases, broker reports, S&P Capital IQ, Mergermarket, KPMG Corporate Finance analysis

Notes:

1. Implied enterprise value represent considerations plus net borrowing assumed and displayed in A\$ millions.
2. Represents the implied enterprise value divided by EBITDA, where EBITDA is earnings before net interest, tax, depreciation, amortisation, other income and significant and non-recurring items.
3. Represents the implied enterprise value divided by EBIT, where EBIT is EBITDA as discussed in note 2 less depreciation and amortisation.
4. This is a pro-forma multiple recalculated by KPMG based on a larger transaction involving the acquisition of AWB Limited by Agrium Inc. The EBITDA multiple of Landmark is based on the EBITDA of the fiscal year ended 30 September 2010 and the allocated value for Landmark as reported by Agrium.
5. n/a represents not available due to the cancellation of transaction.
6. n/a represents not available.

Description of comparable transactions

A brief description of the selected comparable transactions is provided below.

Acquisition of Ruralco Holdings Limited by Nutrien Limited

On 13 September 2019, Ruralco announced the implementation of the scheme of arrangement under which Agrium Australia Pty Limited (a wholly-owned subsidiary of Nutrien Limited and related body corporate of Landmark Operations Limited) would acquire 100% of the issued share capital of Ruralco. As of 30 September 2019, Ruralco operates as a subsidiary of Landmark Operations Limited.

Acquisition of GrainCorp Limited by Long-Term Asset Partners (transaction cancelled)

On 3 December 2018, Long-Term Asset Partners made a non-binding indicative proposal to acquire the remaining 95.8% stake in GrainCorp Limited for \$2.3 billion cash. GrainCorp operates as a food ingredients and agribusiness company in Australia and internationally. However on 6 May 2019, Long-Term Asset Partners announced that they would no longer proceed, and withdrew the proposal to acquire GrainCorp.

Acquisition of Tandou Limited and Bengerang Limited, and the subsequent sale of Bengerang Limited by Webster Limited

On 27 February 2015, Webster made an offer to acquire Tandou for approximately \$110 million in stock. Tandou produced and sold irrigated cotton and cereal crops in Australia and internationally, operating in two segments being Farming and Water operations.

On the same day, Webster made an offer to acquire Bengerang from Australian Food & Fibre Limited, Belfort and Verolot for approximately \$140 million. Bengerang owned and operated agricultural land and water assets in northern NSW and eastern QLD, and an asset portfolio consisting of irrigated and dryland farming operations.

On 17 August 2018, Australian Fire & Fibre Limited entered into a share purchase agreement to acquire Bengerang from Webster for approximately \$130 million. Bengerang owned and operated agricultural land and water assets in northern NSW and eastern QLD, and an asset portfolio consisting of irrigated and dryland farming operations.

Acquisition of Total Eden Holdings Pty Limited by Ruralco Holdings Limited

Ruralco Holdings Limited entered into a share sale deed to acquire Total Eden Holdings Pty Limited from Anchorage Capital Partners and other for \$57.4 million on 13 February 2014. Total Eden Holdings provided water management solutions and also sold water-related products including irrigation, drainage and dust suppression in Australia.

Acquisition of 10% interest in GrainCorp Limited by Archer-Daniels-Midland Company (transaction cancelled)

On 18 October 2012, Archer-Daniel-Midland Company proposed to acquire an additional 10% interest in GrainCorp Limited for approximately \$230 million in cash. GrainCorp operates as a food ingredients and agribusiness company in Australia and internationally. However on 29 November 2013, the Australian government blocked Archer-Daniel-Midland's bid stating concerns over the control of key infrastructure such as silos and ports.

Acquisition of 31% interest in PGG Wrightson Limited by Agria (Singapore) Pte Limited and New Hope Group

Agria (Singapore) Pte Limited and New Hope Group made an offer to acquire an additional 31% stake in PGG Wrightson Limited for approximately NZD 140 million on 23 December 2010. Agria and New Hope Group will acquire approximately 235 million shares at the price of NZD 0.60 per share. PGG Wrightson Limited provides goods and services for agricultural sector in New Zealand. The company operates in two segments, Agency, and Retail & Water.

Acquisition of Landmark by Agrium

In August 2010, Agrium Inc. acquired 100% of AWB (Australia) Pty Ltd which included the rural services and agency business under the Landmark banner and the domestic and international commodity trading divisions, for a total consideration of approximately \$851 million.

PART TWO – FINANCIAL SERVICES GUIDE

Dated 10 December 2019

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) (**'KPMG Corporate Finance'**), Ian Jedlin as an authorised representative of KPMG Corporate Finance, authorised representative number 404177 and Bill Allen as an authorised representative of KPMG Corporate Finance, authorised representative number 405336 (**Authorised Representative**).

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representative and how they can be contacted
- The services KPMG Corporate Finance and its Authorised Representative are authorised to provide;
- How KPMG Corporate Finance and its Authorised Representative are paid;
- Any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representative;
- How complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- The compensation arrangements that KPMG Corporate Finance have in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance.

This FSG forms part of an Investigating Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Corporate Finance and the Authorised Representative are authorised to provide

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- Deposit and non-cash payment products;
- Derivatives;
- Foreign exchange contracts;
- Government debentures, stocks or bonds;
- Interests in managed investments schemes including investor directed portfolio services;
- Securities;
- Superannuation;
- Carbon units;
- Australian carbon credit units; and
- Eligible international emissions units, to retail and wholesale clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged by Webster Limited (Client) to provide general financial product advice in the form of a Report to be included in the Notice of Meeting and

Explanatory Statement (Document) prepared by Webster Limited in relation to the proposed transaction with Public Sector Pension Investment Board.

You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.

KPMG Corporate Finance and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance \$415,000 for preparing the Report. KPMG Corporate Finance

and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Corporate Finance officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Corporate Finance's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Corporate Finance nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The AFSL Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint. Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than **45 days** after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to provide free advice and

assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 56 55 62

Facsimile: (03) 9613 6399

Email: info@afca.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1800 931 678 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover in accordance with section 912B of the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:

KPMG Corporate Finance
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
Level 38, Tower Three
300 Barangaroo Avenue
Sydney NSW 2000

PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
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Ian Jedlin
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Australia Square
NSW 1213

Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Annexure B – Notice of Ordinary Scheme Meeting

Annexure B – Notice of Ordinary Scheme Meeting

Webster Limited
(ACN 009 476 000)

Notice of Ordinary Scheme Meeting

Notice is hereby given that by an order of the Supreme Court of New South Wales (**Court**) made on 12 December 2019 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**) a meeting of the holders of ordinary shares in Webster Limited (ACN 009 476 000) (**Webster**) other than the Excluded Ordinary Shareholders will be held as follows

Date: 3 February 2020
Time: 2:00pm
Venue: The Press Room
Radisson Blu Sydney
27 O'Connell Street
Sydney NSW 2000

The Court has also directed that David Cushing is to act as Chairperson of the meeting or failing him Maurice Felizzi and has directed the Chairperson to report the result of the resolution to the Court.

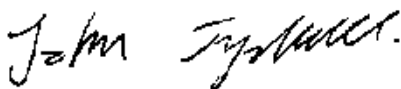
BUSINESS

Ordinary Scheme Resolution – Approval of Ordinary Scheme

To consider, and if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

*“That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Webster Limited and the holders of its fully paid ordinary shares (other than certain excluded ordinary shareholders) (**Ordinary Scheme**), the terms of which are contained in and more particularly described in the Scheme Booklet of which this Notice of Ordinary Scheme Meeting forms part, is approved (with or without alterations or conditions as approved by the Court and which are agreed to by Webster) and, subject to approval of the Ordinary Scheme by the Court, the board of directors of Webster is authorised to implement the Ordinary Scheme with any such alterations or conditions.”*

By order of the Court



John Tyndall
Company Secretary
17 December 2019

Explanatory Notes

These notes should be read in conjunction with the Notice of Ordinary Scheme Meeting and the information in the Scheme Booklet, of which this Notice of Ordinary Scheme Meeting forms part. Terms used in this Notice of Ordinary Scheme Meeting have the same meaning as set out in the Glossary in section 12 of the Scheme Booklet.

Requisite Majorities

In accordance with section 411(4)(a)(ii) of the *Corporations Act*, the Ordinary Scheme Resolution must be approved by:

- a majority in number of the Ordinary Shareholders present and voting (either in person, by proxy or attorney or in the case of a corporate holder, by duly appointed corporate representative) at the Ordinary Scheme Meeting; and
- at least 75% of the votes cast on the Ordinary Scheme Resolution.

Annexure B – Notice of Ordinary Scheme Meeting *continued*

Entitlement to Vote

The Court has ordered that, for the purposes of the Ordinary Scheme Meeting, Ordinary Shares will be taken to be held by the persons who are registered as Ordinary Shareholders of Webster as of 7.00pm (Sydney time) on 1 February 2020. Accordingly, transfers registered after this time will be disregarded in determining entitlements to vote at the Ordinary Scheme Meeting.

Excluded Ordinary Shareholders may not attend or vote at the Ordinary Scheme Meeting.

Voting at the Meeting

If you are eligible to vote at the Ordinary Scheme Meeting, you may:

- vote in person at the Ordinary Scheme Meeting;
- appoint one or two proxies to attend and vote at the Ordinary Scheme Meeting on your behalf;
- appoint an attorney to attend and vote at the Ordinary Scheme Meeting on your behalf; or
- if you are a body corporate, appoint a corporate representative to attend and vote at the Ordinary Scheme Meeting on your behalf.

Voting will be conducted by poll.

Voting in person

To vote in person, you must attend the Ordinary Scheme Meeting on the date and at the place set out in the Notice of Ordinary Scheme Meeting.

Jointly held securities

If you hold Ordinary Shares jointly with one or more other person, only one of you may vote. If more than one of you attempts to vote in person at the meeting, only the vote of the holder whose name appears first on the Webster Register will be counted.

Proxies

If you are unable to attend the meeting, you may appoint one or two proxies to attend and vote at the Ordinary Scheme Meeting on your behalf. If you wish to appoint a proxy, please complete the enclosed proxy form or lodge your proxy online using the login information provided.

If you appoint two proxies, each proxy may be appointed to exercise a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half of your votes. Please refer to the enclosed proxy form for instructions on completion and lodgement.

A proxy does not need to hold Ordinary Shares. A proxy may be an individual or a body corporate. If you appoint a body corporate as proxy, the body corporate will need to ensure that it appoints an individual as corporate representative and provides satisfactory evidence of that appointment.

If you return your proxy instruction form without identifying a proxy on it, you will be taken to have appointed the Chairperson of the Ordinary Scheme Meeting as your proxy to vote on your behalf. You can direct your proxy how to vote by following the instructions on the proxy form (i.e. by ticking the relevant boxes next to the Ordinary Scheme Resolution on the proxy form (being 'for', 'against' or 'abstain')).

If you do not instruct your proxy how to vote, your proxy may vote as he or she sees fit at the Ordinary Scheme Meeting. If the Chairperson of the Ordinary Scheme Meeting is appointed as your proxy (or is appointed your proxy by default), he intends to vote all valid undirected proxies which appoint (or are taken to appoint) the Chairperson of the Ordinary Scheme Meeting in favour of the Ordinary Scheme Resolution.

Any directed proxies that are not voted on a poll at the Ordinary Scheme Meeting by the appointed proxy will automatically default to the Chairperson of the Ordinary Scheme Meeting who is required to vote proxies as directed on a poll. If you hold Ordinary Shares jointly with one or more other persons, in order for your proxy appointment to be valid, all of you must sign the proxy form. Your appointment of a proxy does not preclude you from attending in person, revoking the proxy and voting at the Ordinary Scheme Meeting.

Annexure B – Notice of Ordinary Scheme Meeting *continued*

The signed and completed proxy form must be received by the Webster Registry, Computershare Investor Services Pty Limited, by 2:00pm on 1 February 2020. If the Ordinary Scheme Meeting is adjourned, proxy forms must be received by the Webster Registry no later than 48 hours before the resumption of the Ordinary Scheme Meeting in relation to the resumed part of the Ordinary Scheme Meeting.

If the proxy form is signed under power of attorney or other authority, the original or a certified copy of the power of attorney must be received by the Webster Registry or Webster at the same time as the proxy form (unless previously provided to Webster).

The completed proxy form may be:

- mailed to the Webster Registry at Webster Limited C/- Computershare Investor Services Pty Limited, GPO Box 242 Melbourne Vic 3000;
- faxed to the Webster Registry on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia);
- submitted online to the Webster Registry by visiting the website, www.investorvote.com.au. You will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) and Control Number as shown on your proxy form. You will be taken to have signed the proxy form if you lodge it in accordance with the instructions on the website; or
- for Intermediary Online subscribers (custodians), submitted online to the Webster Registry by visiting the website, www.intermediaryonline.com. You will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) and Control Number as shown on your proxy form. You will be taken to have signed the proxy form if you lodge it in accordance with the instructions on the website.

Voting by power of attorney

You may appoint an attorney to attend and vote at the Ordinary Scheme Meeting on your behalf.

Powers of attorney must be received by the Webster Registry by no later than 2:00pm on 1 February 2020.

Persons attending the Ordinary Scheme Meeting as an attorney should bring to the Ordinary Scheme Meeting the original or certified copy of the power of attorney under which they have been authorised to attend and vote at the Ordinary Scheme Meeting.

Your appointment of an attorney does not preclude you from attending in person and voting at the Ordinary Scheme Meeting.

Voting by corporate representative

If you are a body corporate, you may appoint a corporate representative to attend and vote at the Ordinary Scheme Meeting on your behalf. The appointment must comply with section 250D of the Corporations Act.

A corporate representative should bring to the Ordinary Scheme Meeting evidence of their appointment, including any authority under which the document appointing them as corporate representative was signed.

Court Approval

If the Ordinary Scheme Resolution put to this Ordinary Scheme Meeting is passed by the Requisite Majorities and the other conditions to the Ordinary Scheme are satisfied or waived (if applicable) in accordance with the Ordinary Scheme, Webster intends to apply to the Court for the necessary orders to approve the Ordinary Scheme.

In order for the Ordinary Scheme to become effective, it must be approved by the Court and an office copy of the orders of the Court approving the Ordinary Scheme must be lodged with ASIC. Further details in respect of the Ordinary Scheme Resolution to be put to the Ordinary Scheme Meeting are set out in the accompanying Scheme Booklet.



Annexure C – Ordinary Scheme

Scheme of Arrangement – Ordinary Scheme

Dated

Webster Limited (ACN 009 476 000) ("**Webster**")

Scheme Participants

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

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Scheme of Arrangement – Ordinary Scheme

Details

Parties	Webster and Scheme Participants	
Webster	Name	Webster Limited
	ABN	23 009 476 000
	Address	148 Colinroobie Road, Leeton NSW 2705
	Email	Maurice.felizzi@websterltd.com.au
	Attention	Maurice Felizzi
Scheme Participants	Each person registered as a holder of fully paid ordinary shares in Webster on the Record Date other than any Excluded Ordinary Shareholder.	
Governing law	New South Wales, Australia	

General terms

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited or the market operated by it, as the context requires.

Business Day means a business day as defined in the Listing Rules.

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

Court means the Federal Court of Australia, or such other court of competent jurisdiction under the Corporations Act agreed in writing by PSP, PSP Guarantor and Webster.

Deed Poll means the deed poll executed by PSP and PSP Guarantor substantially in the form of Annexure C of the Scheme Implementation Agreement or as otherwise agreed by PSP, PSP Guarantor and Webster under which PSP covenants in favour of each Scheme Participant to perform (and PSP Guarantor covenants to procure the performance of) PSP's 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.

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 (2) of the PPSA, or any agreement to create any of them or allow them to exist.

End Date means 31 May 2020 or such other date as is agreed by PSP and Webster.

Excluded Ordinary Shareholder means any Ordinary Shareholder who is a member of the PSP Group.

Immediately Available Funds means a bank cheque or other form of cleared funds acceptable to Webster.

Implementation Date means the fifth Business Day following the Record Date or such other date as is agreed by PSP, PSP Guarantor and Webster.

Listing Rules means the Listing Rules of the ASX.

Ordinary Share means a fully paid ordinary share in the capital of Webster.

Ordinary Shareholder means each person registered in the Ordinary Share Register as a holder of Ordinary Shares.

Preference Share means a fully paid preference share in the capital of Webster.

PSP means Henslow Acquisitionco Pty Ltd (ACN 636 393 470).

PSP Guarantor means Sooke Investments Inc.

PSP Group means PSP and its Related Bodies Corporate.

Record Date means 5.00pm on the 2nd Business Day following the Effective Date or such other date as Webster and PSP agree.

Register means the register of holders of Ordinary Shares maintained by or on behalf of Webster in accordance with section 168(1) of the Corporations Act.

Registered Address means, in relation to an Ordinary Shareholder, the address shown in the Register.

Related Body Corporate has the meaning it has in the Corporations Act.

Scheme means this scheme of arrangement between Webster and Scheme Participants under which all of the Scheme Shares will be transferred to PSP 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 Webster, PSP and PSP Guarantor in accordance with clause 8 of this Scheme.

Scheme Booklet means, in respect of the Scheme, the information booklet to be approved by the Court and despatched to Ordinary Shareholders which includes the Scheme, an explanatory statement complying with the requirements of the Corporations Act, notice of the Scheme Meeting and proxy forms.

Scheme Consideration means \$2.00 paid in respect of each Scheme Share to be provided by PSP to Scheme Participants under the terms of this Scheme for the transfer to PSP of their Scheme Shares.

Scheme Implementation Agreement means the scheme implementation agreement dated 3 October 2019 between Webster, PSP and PSP Guarantor under which, amongst other things, Webster has agreed to propose this Scheme to Ordinary Shareholders, and each of PSP, PSP Guarantor and Webster has agreed to take certain steps to give effect to this Scheme.

Scheme Meeting means the meeting to be convened by the Court at which Ordinary Shareholders will vote on the Scheme.

Scheme Participant means each person who is an Ordinary Shareholder at the Record Date other than any Excluded Ordinary Shareholder.

Scheme Share means an Ordinary Share held by a Scheme Participant as at the Record Date and, for the avoidance of all doubt, excludes any Ordinary Shares held by any Excluded Ordinary Shareholder.

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.

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.

Trust Account means the trust account operated by or on behalf of Webster to hold the Scheme Consideration on trust for the purpose of paying the Scheme Consideration to the Scheme Participants in accordance with clause 6.1 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;
- (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 Webster

Webster is:

- (a) a public company limited by shares;
- (b) incorporated in Australia and registered in Tasmania; and
- (c) admitted to the official list of the ASX and Ordinary Shares are officially quoted on the stock market conducted by ASX.

As at the date of the Scheme Booklet, Webster's issued securities are:

- (d) Ordinary Shares: 362,245,163; and
- (e) Preference Shares: 394,000.

2.2 PSP

PSP is:

- (a) a proprietary company limited by shares;
- (b) incorporated in Australia and registered in New South Wales.

2.3 If Scheme becomes Effective

If this Scheme becomes Effective:

- (a) in consideration of the transfer of each Scheme Share to PSP, Webster will procure PSP to provide the Scheme Consideration to Webster on behalf of each Scheme Participant in accordance with the terms of this Scheme;
- (b) all Scheme Shares will be transferred to PSP on the Implementation Date; and
- (c) Webster will enter the name of PSP in the Register in respect of all Scheme Shares transferred to PSP in accordance with the terms of this Scheme.

2.4 Scheme Implementation Agreement

Webster, PSP and PSP Guarantor have agreed by executing the Scheme Implementation Agreement to implement the terms of this Scheme.

2.5 Deed Poll

PSP and PSP Guarantor have executed the Deed Poll for the purpose of covenanting in favour of the Scheme Participants to perform (or procure the performance of) PSP's 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, neither the Scheme Implementation Agreement nor the Deed Poll 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 condition precedent in item (f) (Court approval)) in accordance with the terms of the Scheme Implementation Agreement;
- (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, Webster, PSP and PSP Guarantor having accepted in writing any modification or condition made or required by the Court under section 411(6) of the Corporations Act; and
- (d) 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

Webster and PSP 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 clause 3.1(c) and clause 3.1(d) 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 clause 3.1(c) and 3.1(d) 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(d) of this Scheme) are satisfied, Webster 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 PSP, PSP Guarantor and Webster agree in writing.

5.2 Transfer and registration of Scheme Shares

On the Implementation Date, but subject to the provision of the Scheme Consideration for the Scheme Shares in accordance with clause 6 of this Scheme:

- (a) the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to PSP without the need for any further act by any Scheme Participant (other than acts performed by Webster as attorney and agent for Scheme Participants under clause 7.8 of this Scheme) by:
 - (i) Webster delivering to PSP a duly completed and executed Scheme Transfer executed on behalf of the Scheme Participants; and
 - (ii) PSP duly executing the Scheme Transfer and delivering it to Webster for registration; and
- (b) as soon as practicable after receipt of the duly executed Scheme Transfer, Webster must enter the name of PSP in the Register in respect of all Scheme Shares transferred to PSP in accordance with the terms of this Scheme.

5.3 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to PSP of the Scheme Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clause 6 of this Scheme.

5.4 Title and rights in Scheme 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, PSP will be beneficially entitled to the Scheme Shares transferred to it under the Scheme, pending registration by Webster of PSP 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 their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, in accordance with the terms of this Scheme.

5.6 Warranty by Scheme Participants

Each Scheme Participant warrants to PSP and is deemed to have authorised Webster to warrant to PSP as agent and attorney for the Scheme Participant by virtue of this clause 5.4, that:

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

5.7 Transfer free of encumbrances

To the extent permitted by law, all Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred to PSP under this Scheme will, at the date of the transfer of them to PSP, vest in PSP 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 PSP as sole proxy

Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clauses 5.2 and 6.1 of this Scheme, on and from the Implementation Date until Webster registers PSP as the holder of all of the Scheme Shares in the Register, each Scheme Participant:

- (a) irrevocably appoints Webster as attorney and agent (and directs Webster in such capacity) to appoint PSP 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 Ordinary 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)); and
- (b) must take all other actions in the capacity of the registered holder of Ordinary Shares as PSP directs.

Webster undertakes in favour of each Scheme Participant that it will appoint PSP 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) of this Scheme.

6 Scheme Consideration

6.1 Payment of Scheme Consideration

- (a) No later than the Business Day before the Implementation Date, PSP must deposit (or procure the deposit of) in Immediately Available Funds the aggregate amount of the Scheme Consideration payable to all Scheme Participants into the Trust Account.
- (b) Any interest on the amount deposited into the Trust Account under clause 6.2(a) will be credited to PSP's account.
- (c) On the Implementation Date, subject to receipt of the Scheme Consideration from PSP in accordance with clause 6.1(a) of this Scheme, Webster must pay to each Scheme Participant an amount equal to the Scheme Consideration for each Scheme Share transferred to PSP on the Implementation Date by that Scheme Participant.
- (d) Unless otherwise directed by the Scheme Participants before the Record Date, the amounts referred to in this clause 6.1(c) of this Scheme must be paid by direct credit or sending a cheque drawn on an Australian bank in Australian currency on the Implementation Date to each Scheme Participant by pre-paid ordinary post (or, if the address of the Scheme Participant in the Register is outside Australia, by pre-paid airmail post) to their address recorded in the Register at the Record Date.

6.2 Unclaimed monies

Webster may cancel a cheque issued under clause 6.1(c) of this Scheme if the cheque:

- (a) is returned to Webster; or
- (b) has not been presented for payment within 6 months after the date on which the cheque was sent.

During the period of 1 year commencing on the Implementation Date, on request from a Scheme Participant, Webster must reissue a cheque that was previously cancelled under this clause 6.2.

6.3 Orders of a court

In the case of notice having been given to Webster (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 6.1(c) of this Scheme, then Webster must procure that payment is made in accordance with that order; or
- (b) which would prevent Webster from dispatching payment to any particular Scheme Participant in accordance with 6.1(c) of this Scheme, Webster 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 6.1(c) of this Scheme is permitted by law.

6.4 Joint holders

In the case of Scheme Shares held in joint names any bank cheque required to be paid to Scheme Participants by PSP 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.

6.5 Foreign resident capital gains withholding

If PSP determines, acting reasonably, that it must pay an amount to the Commissioner of Taxation ("**Commissioner**") pursuant to Subdivision 14-D of Schedule 1 to the *Tax Administration Act 1953* (Cth) ("**TAA**") with respect to the acquisition of Scheme Shares from a Scheme Participant, PSP will, for any such Scheme Participant:

- (a) determine the amount to be paid to the Commissioner ("**Payment Amount**");
- (b) remit the Payment Amount to the Commissioner within the time required under the TAA; and
- (c) reduce the amount of Scheme Consideration payable to that Scheme Participant by the Payment Amount for the purposes of the Deed Poll, the Scheme and the Scheme Implementation Agreement.

For the avoidance of doubt, PSP will, for the purposes of the Deed Poll, the Scheme and the Scheme Implementation Agreement, be deemed to have satisfied its obligations to pay the Scheme Consideration to a Scheme Participant if the amount paid to the Scheme Participant is the amount of the Scheme

Consideration that would have otherwise been payable to the Scheme Participant pursuant to the Scheme, less the Payment Amount for that Scheme Participant.

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 Webster 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 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 the Record Date at the place where the Register is kept.

7.2 Register

Webster 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 the Record Date.

7.3 No disposals after Effective Date

If this Scheme becomes Effective, 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 Effective Date in any way except as set out in this Scheme and any such disposal will be void and of no legal effect whatsoever.

Webster 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 Record Date (except a transfer to PSP pursuant to this Scheme and any subsequent transfer by PSP or its successors in title).

7.4 Maintenance of Webster Register

For the purpose of determining entitlements to the Scheme Consideration, Webster 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 PSP 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 PSP contemplated in clauses 5.2 and 7.3 of this Scheme, any statements of holding in respect of Scheme Shares will cease to have effect after the Record Date as documents of title in respect of those shares (other than statements of holding in favour of PSP and its successors in title). After Record Date, each entry current on the Register as at the Record Date (other than entries in respect of PSP or its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration.

7.6 Details of Scheme Participants

Within 3 Business Days after the Record Date Webster will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Participant, as shown in the Register on the Record Date are available to PSP in such form as PSP reasonably requires.

7.7 Quotation of Ordinary Shares

Suspension of trading on ASX in Ordinary Shares will occur from the close of trading on ASX on the Effective Date.

7.8 Termination of quotation of Ordinary Shares

After the Scheme has been fully implemented, Webster will apply:

- (a) for termination of the official quotation of Ordinary 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 Webster 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 document necessary or expedient to give effect to this Scheme including the Scheme Transfer; and
 - (b) enforcing the Deed Poll against PSP and PSP Guarantor (as applicable),
- and Webster 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 Webster, 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 Webster's registered office or at the office of the registrar of Ordinary Shares.

9.2 Accidental omission

The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Ordinary Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

10 General

10.1 Variations, alterations and conditions

Webster may, with the consent of PSP (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.

10.2 Further action by Webster

Webster 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.

10.3 Authority and acknowledgement

Each of the Scheme Participants:

- (a) irrevocably consents to Webster and PSP doing all things necessary or expedient for or incidental to the implementation of this Scheme; and
- (b) acknowledges that this Scheme binds Webster 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 Webster.

10.4 No liability when acting in good faith

Neither Webster nor PSP, 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.

10.5 Enforcement of Deed Poll

Webster undertakes in favour of each Scheme Participant to enforce the Deed Poll against PSP and PSP Guarantor on behalf of and as agent and attorney for the Scheme Participants.

10.6 Stamp duty

PSP will pay all stamp duty (including any fines, penalties and interest) payable in connection with this Scheme.

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.

Annexure D – Ordinary Scheme Deed Poll

EXECUTION VERSION

Deed Poll – Ordinary Scheme

Dated

Henslow Acquisitionco Pty Ltd (ACN 636 393 470) (“**PSP**”)
Sooke Investments Inc (“**PSP Guarantor**”)

In favour of each Scheme Participant

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

Deed Poll – Ordinary Scheme

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Deed Poll – Ordinary Scheme

Details

Parties	PSP and PSP Guarantor	
PSP	Name	Henslow Acquisitionco Pty Ltd
	ACN	636 393 470
	Address	C/- King & Wood Mallesons, Level 61, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000
	Email	renewableresources@investpsp.ca
		Attention: Managing Director, Natural Resources with a copy to: legalnotices@investpsp.ca Attention: Legal Department
PSP Guarantor	Name	Sooke Investments Inc.
	Address	1250, René-Lévesque Blvd. West, Suite 1400, Montréal, Québec Canada H3B 5E9
	Email	renewableresources@investpsp.ca
		Attention: Managing Director, Natural Resources with a copy to: legalnotices@investpsp.ca Attention: Legal Department
In favour of	Each Scheme Participant	
Governing law	New South Wales, Australia	
Recitals	A	The directors of Webster have resolved that Webster should propose the Scheme.
	B	The effect of the Scheme will be that all Scheme Shares will be transferred to PSP.
	C	PSP is entering into this deed poll for the purpose of covenanting in favour of the Scheme Participants to perform its obligations in relation to the Scheme.

- D** The PSP Guarantor is a holding company of PSP and is entering into this deed poll to guarantee the obligations and liabilities of PSP under this deed poll and the Scheme.
-

Deed Poll – Ordinary Scheme

General terms

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

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.

First Court Date means the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme is heard.

Scheme means the proposed scheme of arrangement in respect of Webster ordinary shares between Webster and Scheme Participants under which the Scheme Shares will be transferred to PSP under Part 5.1 of the Corporations Act, substantially in the form of Annexure A to this deed poll, or as otherwise agreed by PSP and Webster, 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 by Webster and PSP in accordance the Scheme.

All other words and phrases used in this document and defined in the Scheme 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.

1.3 Nature of deed poll

The parties acknowledge that 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.

2 Conditions precedent and termination

2.1 Conditions precedent

The parties' obligations under clause 3 are subject to the Scheme becoming Effective.

2.2 Termination

The parties' 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 party is released from its obligations to further perform this document except those obligations contained in clause 6.2 and any other obligations which by their nature survive termination; and
- (b) each Scheme Participant retains the rights, powers or remedies they have against a party in respect of any breach of this document which occurs before it is terminated.

3 Performance of obligations and payment of Scheme Consideration

- (a) Subject to clause 2, PSP undertakes in favour of each Scheme Participant to:
 - (i) by no later than the Business Day before the Implementation Date, deposit (or procure the deposit of) in Immediately Available Funds the aggregate amount of the Scheme Consideration payable to all Scheme Participants into the Trust Account; and
 - (ii) undertake all other actions attributed to it under the Scheme, subject to and in accordance with the terms of the Scheme.
- (b) Subject to clause 2, PSP Guarantor undertakes in favour of each Scheme Participant to procure that all obligations of PSP under this document and the Scheme are met.

4 Representations and warranties

Each party represent and warrant 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)** is not Insolvent.

5 Continuing obligations

This document is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) the parties have fully performed their obligations under this document; or
- (b) the earlier termination of this document under clause 2.2.

6 Costs

6.1 Costs

PSP agrees to pay all costs in respect of the Scheme (including, in connection with the transfer of Ordinary Shares to PSP in accordance with the terms of the Scheme) except for amounts covered by clause 6.2.

6.2 Stamp duty and registration fees

PSP:

- (a) agrees to pay or reimburse 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 these amounts); and
- (b) indemnifies each Scheme Participant against, and agrees to reimburse and compensate it, for any liability in respect of stamp duty under clause 6.2(a).

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) if before the First Court Date, the variation is agreed to by Webster and each party in writing; or
- (b) if on or after the First Court Date, the variation is agreed to by Webster and each party in writing and the Court indicates that the variation, alteration or amendment would not itself preclude approval of the Scheme,

in which event each party 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 a party 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 party and 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 consent of each party and Webster.

8.5 Further steps

Each party 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 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.

8.7 Foreign resident capital gains withholding

If PSP determines, acting reasonably, that it must pay an amount to the Commissioner of Taxation ("**Commissioner**") pursuant to Subdivision 14-D of Schedule 1 to the *Tax Administration Act 1953* (Cth) ("**TAA**") with respect to the acquisition of Scheme Shares from a Scheme Participant, PSP will, for any such Scheme Participant:

- (a) determine the amount to be paid to the Commissioner ("**Payment Amount**");
- (b) remit the Payment Amount to the Commissioner within the time required under the TAA; and
- (c) reduce the amount of Scheme Consideration payable to that Scheme Participant by the Payment Amount for the purposes of the Deed Poll, the Scheme and the Scheme Implementation Agreement.

For the avoidance of doubt, PSP will, for the purposes of the Deed Poll, the Scheme and the Scheme Implementation Agreement, be deemed to have satisfied its obligations to pay the Scheme Consideration to a Scheme Participant if the amount paid to the Scheme Participant is the amount of the Scheme Consideration that would have otherwise been payable to the Scheme Participant pursuant to the Scheme, less the Payment Amount for that Scheme Participant.

9 Governing law and jurisdiction

9.1 Governing law and jurisdiction

- (a) The law in force in the place specified in the Details, being New South Wales, governs this document.
- (b) Each party irrevocably submits to the exclusive jurisdiction of the courts exercising jurisdiction in New South Wales and courts competent to determine appeals from those courts in respect of any proceedings arising out of or in connection with this document.
- (c) Each party irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

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 a party by being delivered or left at that party's address set out in the Details.

EXECUTED as a deed poll

Signing page

EXECUTED by **HENSLOW ACQUISITION CO PTY LTD** in accordance with section 127(1) of the *Corporations Act 2001* (Cth) by authority of its directors:

Signature of director/company secretary*
*delete whichever is not applicable

Name of director/company secretary*
(block letters)
*delete whichever is not applicable

Office held

Office held

Deed Poll – Ordinary Scheme

Annexure A – Ordinary Scheme

Annexure E

– Notice of Preference Scheme Meeting

Annexure E – Notice of Preference Scheme Meeting

Webster Limited
(ACN 009 476 000)

Notice of Preference Scheme Meeting

Notice is hereby given that by an order of the Supreme Court of New South Wales (**Court**) made on 12 December 2019 pursuant to section 411(1) of the Corporations Act 2001 (Cth) (**Corporations Act**) a meeting of the holders of preference shares in Webster Limited (ACN 009 476 000) (**Webster**) will be held as follows

Date: 3 February 2020
Time: Immediately after the General Meeting but not before 3:00pm
Venue: The Press Room
Radisson Blu Sydney
27 O'Connell Street
Sydney NSW 2000

The Court has also directed that David Cushing is to act as Chairperson of the meeting or failing him Maurice Felizzi and has directed the Chairperson to report the result of the resolution to the Court.

BUSINESS

Preference Scheme Resolution – Approval of Preference Scheme

To consider, and if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

*"That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Webster Limited and the holders of its fully paid preference shares (**Preference Scheme**), the terms of which are contained in and more particularly described in the Scheme Booklet of which this Notice of Preference Scheme Meeting forms part, is approved (with or without alterations or conditions as approved by the Court and which are agreed to by Webster) and, subject to approval of the Preference Scheme by the Court, the board of directors of Webster is authorised to implement the Preference Scheme with any such alterations or conditions."*

By order of the Court



John Tyndall
Company Secretary
17 December 2019

Explanatory Notes

These notes should be read in conjunction with the Notice of Preference Scheme Meeting and the information is set out in the Scheme Booklet, of which this Notice of Preference Scheme Meeting forms part. Terms used in this Notice of Preference Scheme Meeting have the same meaning as set out in the Glossary in Section 12 of the Scheme Booklet.

Requisite Majorities

In accordance with section 411(4)(a)(ii) of the *Corporations Act*, the Preference Scheme Resolution must be approved by:

- a majority in number of the Preference Shareholders present and voting (either in person, by proxy or attorney or in the case of a corporate holder, by duly appointed corporate representative) at the Preference Scheme Meeting; and
- at least 75% of the votes cast on the Preference Scheme Resolution.

Annexure E – Notice of Preference Scheme Meeting *continued*

Entitlement to Vote

The Court has ordered that, for the purposes of the Preference Scheme Meeting, Preference Shares will be taken to be held by the persons who are registered as holders of preference shares of Webster as of 7.00pm (Sydney time) on 1 February 2020. Accordingly, transfers registered after this time will be disregarded in determining entitlements to vote at the Preference Scheme Meeting.

Voting at the Meeting

If you are eligible to vote at the Preference Scheme Meeting, you may:

- vote in person at the Preference Scheme Meeting;
- appoint one or two proxies to attend and vote at the Preference Scheme Meeting on your behalf;
- appoint an attorney to attend and vote at the Preference Scheme Meeting on your behalf; or
- if you are a body corporate, appoint a corporate representative to attend and vote at the Preference Scheme Meeting on your behalf.

Voting will be conducted by poll.

Voting in person

To vote in person, you must attend the Preference Scheme Meeting on the date and at the place set out in the Notice of Preference Scheme Meeting.

Jointly held securities

If you hold Preference Shares jointly with one or more other person, only one of you may vote. If more than one of you attempts to vote in person at the meeting, only the vote of the holder whose name appears first on the Webster Register will be counted.

Proxies

If you are unable to attend the meeting, you may appoint one or two proxies to attend and vote at the Preference Scheme Meeting on your behalf. If you wish to appoint a proxy, please complete the enclosed proxy form or lodge your proxy online using the login information provided.

If you appoint two proxies, each proxy may be appointed to exercise a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half of your votes. Please refer to the enclosed proxy form for instructions on completion and lodgement.

A proxy does not need to hold Preference Shares. A proxy may be an individual or a body corporate. If you appoint a body corporate as proxy, the body corporate will need to ensure that it appoints an individual as corporate representative and provides satisfactory evidence of that appointment.

If you return your proxy instruction form without identifying a proxy on it, you will be taken to have appointed the Chairperson of the Preference Scheme Meeting as your proxy to vote on your behalf. You can direct your proxy how to vote by following the instructions on the proxy form (i.e. by ticking the relevant boxes next to the Preference Scheme Resolution on the proxy form (being 'for', 'against' or 'abstain')).

If you do not instruct your proxy how to vote, your proxy may vote as he or she sees fit at the Preference Scheme Meeting. If the Chairperson of the Preference Scheme Meeting is appointed as your proxy (or is appointed your proxy by default), he intends to vote all valid undirected proxies which appoint (or are taken to appoint) the Chairperson of the Preference Scheme Meeting in favour of the Preference Scheme Resolution.

Any directed proxies that are not voted on a poll at the Preference Scheme Meeting by the appointed proxy will automatically default to the Chairperson of the Preference Scheme Meeting who is required to vote proxies as directed on a poll. If you hold Preference Shares jointly with one or more other persons, in order for your proxy appointment to be valid, all of you must sign the proxy form. Your appointment of a proxy does not preclude you from attending in person, revoking the proxy and voting at the Preference Scheme Meeting.

Annexure E – Notice of Preference Scheme Meeting *continued*

The signed and completed proxy form must be received by the Webster Registry, Computershare Investor Services Pty Limited, by 3:00pm on 1 February 2020. If the Preference Scheme Meeting is adjourned, proxy forms must be received by the Webster Registry no later than 48 hours before the resumption of the Preference Scheme Meeting in relation to the resumed part of the Preference Scheme Meeting.

If the proxy form is signed under power of attorney or other authority, the original or a certified copy of the power of attorney must be received by the Webster Registry or Webster at the same time as the proxy form (unless previously provided to Webster).

The completed proxy form may be:

- mailed to the Webster Registry at Webster Limited C/- Computershare Investor Services Pty Limited, GPO Box 242 Melbourne Vic 3000;
- faxed to the Webster Registry on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia);
- submitted online to the Webster Registry by visiting the website, www.investorvote.com.au. You will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) and Control Number as shown on your proxy form. You will be taken to have signed the proxy form if you lodge it in accordance with the instructions on the website; or
- for Intermediary Online subscribers (custodians), submitted online to the Webster Registry by visiting the website, www.intermediaryonline.com. You will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) and Control Number as shown on your proxy form. You will be taken to have signed the proxy form if you lodge it in accordance with the instructions on the website.

Voting by power of attorney

You may appoint an attorney to attend and vote at the Preference Scheme Meeting on your behalf.

Powers of attorney must be received by the Webster Registry by no later than 3:00pm on 1 February 2020.

Persons attending the Preference Scheme Meeting as an attorney should bring to the Preference Scheme Meeting the original or certified copy of the power of attorney under which they have been authorised to attend and vote at the Preference Scheme Meeting.

Your appointment of an attorney does not preclude you from attending in person and voting at the Preference Scheme Meeting.

Voting by corporate representative

If you are a body corporate, you may appoint a corporate representative to attend and vote at the

Preference Scheme Meeting on your behalf. The appointment must comply with section 250D of the Corporations Act.

A corporate representative should bring to the Preference Scheme Meeting evidence of their appointment, including any authority under which the document appointing them as corporate representative was signed.

Court Approval

If the Preference Scheme Resolution put to this Preference Scheme Meeting is passed by the Requisite

Majorities and the other conditions to the Preference Scheme are satisfied or waived (if applicable) in accordance with the Preference Scheme, Webster intends to apply to the Court for the necessary orders to approve the Preference Scheme.

In order for the Preference Scheme to become effective, it must be approved by the Court and an office copy of the orders of the Court approving the Preference Scheme must be lodged with ASIC. Further details in respect of the Preference Scheme Resolution to be put to the Preference Scheme Meeting are set out in the accompanying Scheme Booklet.

Annexure F – Preference Scheme

Scheme of Arrangement – Preference Scheme

Dated

Webster Limited (ACN 009 476 000) (“**Webster**”)

Scheme Participants

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

Scheme of Arrangement – Preference Scheme

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Scheme of Arrangement – Preference Scheme

Details

Parties	Webster and Scheme Participants	
Webster	Name	Webster Limited
	ABN	23 009 476 000
	Address	148 Colinroobie Road, Leeton NSW 2705
	Email	Maurice.felizzi@websterltd.com.au
	Attention	Maurice Felizzi
Scheme Participants	Each person registered as a holder of fully paid preference shares in Webster on the Record Date.	
Governing law	New South Wales, Australia	

General terms

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited or the market operated by it, as the context requires.

Business Day means a business day as defined in the Listing Rules.

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

Court means the Federal Court of Australia, or such other court of competent jurisdiction under the Corporations Act agreed in writing by PSP and Webster.

Deed Poll means the deed poll executed by PSP and PSP Guarantor substantially in the form of Annexure D of the Scheme Implementation Agreement or as otherwise agreed by PSP, PSP Guarantor and Webster under which PSP covenants in favour of each Scheme Participant to perform (and PSP Guarantor covenants to procure the performance of) PSP's 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.

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 (2) of the PPSA, or any agreement to create any of them or allow them to exist.

End Date means 31 May 2020 or such other date as is agreed by PSP and Webster.

Excluded Ordinary Shareholder means any Ordinary Shareholder who is a member of the PSP Group.

Immediately Available Funds means a bank cheque or other form of cleared funds acceptable to Webster.

Implementation Date means the fifth Business Day following the Record Date or such other date as is agreed by PSP, PSP Guarantor and Webster.

Listing Rules means the Listing Rules of the ASX.

Ordinary Share means a fully paid ordinary share in the capital of Webster.

Ordinary Shareholder means each person registered in the Ordinary Share Register as a holder of Ordinary Shares.

Ordinary Share Register means the register of holders of Ordinary Shares maintained by or on behalf of Webster in accordance with section 168(1) of the Corporations Act.

Ordinary Scheme means the scheme of arrangement between Webster and the Ordinary Scheme Participants under which all of the Ordinary Scheme Shares will be transferred to PSP under Part 5.1 of the Corporations Act.

Ordinary Scheme Participant means each person who is an Ordinary Shareholder at the Record Date other than any Excluded Ordinary Shareholder.

Ordinary Scheme Share means an Ordinary Share held by an Ordinary Scheme Participant as at the Record Date.

Preference Share means a fully paid preference share in the capital of Webster.

Preference Shareholder means each person registered in the Register as a holder of Preference Shares.

PSP means Henslow Acquisitionco Pty Ltd (ACN 636 393 470).

PSP Guarantor means Sooke Investments Inc.

PSP Group means PSP and its Related Bodies Corporate.

Record Date means 5.00pm on the 2nd Business Day following the Effective Date or such other date as Webster and PSP agree.

Register means the register of holders of Preference Shares maintained by or on behalf of Webster in accordance with section 168(1) of the Corporations Act.

Registered Address means, in relation to a Preference Shareholder, the address shown in the Register.

Related Body Corporate has the meaning it has in the Corporations Act.

Scheme means this scheme of arrangement between Webster and Scheme Participants under which all of the Scheme Shares will be transferred to PSP 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 Webster, PSP and PSP Guarantor in accordance with clause 8 of this Scheme.

Scheme Booklet means, in respect of the Scheme, the information booklet to be approved by the Court and despatched to Preference Shareholders which includes the Scheme, an explanatory statement complying with the requirements of the Corporations Act, notice of the Scheme Meeting and proxy forms.

Scheme Consideration means \$2.00 paid in respect of each Scheme Share to be provided by PSP to Scheme Participants under the terms of this Scheme for the transfer to PSP of their Scheme Shares.

Scheme Implementation Agreement means the scheme implementation agreement dated 3 October 2019 between Webster, PSP and PSP Guarantor under which, amongst other things, Webster has agreed to propose this Scheme

to Preference Shareholders, and each of PSP, PSP Guarantor and Webster has agreed to take certain steps to give effect to this Scheme.

Scheme Meeting means the meeting to be convened by the Court at which Preference Shareholders will vote on the Scheme.

Scheme Participant means each person who is a Preference Shareholder at the Record Date.

Scheme Share means a Preference Share held by a Scheme Participant as at the Record Date and, for the avoidance of all doubt, includes any Preference Shares issued on or before the Record Date.

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.

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.

Trust Account means the trust account operated by or on behalf of Webster to hold the Scheme Consideration on trust for the purpose of paying the Scheme Consideration to the Scheme Participants in accordance with clause 6.1 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;
- (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 Webster

Webster is:

- (a) a public company limited by shares;
- (b) incorporated in Australia and registered in Tasmania; and
- (c) admitted to the official list of the ASX and Preference Shares are officially quoted on the stock market conducted by ASX.

As at the date of the Scheme Booklet, Webster's issued securities are:

- (d) Ordinary Shares: 362,245,163; and
- (e) Preference Shares: 394,000.

2.2 PSP

PSP is:

- (a) a proprietary company limited by shares;
- (b) incorporated in Australia and registered in New South Wales.

2.3 If Scheme becomes Effective

If this Scheme becomes Effective:

- (a) in consideration of the transfer of each Scheme Share to PSP, Webster will procure PSP to provide the Scheme Consideration to Webster on behalf of each Scheme Participant in accordance with the terms of this Scheme;
- (b) all Scheme Shares will be transferred to PSP on the Implementation Date; and
- (c) Webster will enter the name of PSP in the Register in respect of all Scheme Shares transferred to PSP in accordance with the terms of this Scheme.

2.4 Scheme Implementation Agreement

Webster, PSP and PSP Guarantor have agreed by executing the Scheme Implementation Agreement to implement the terms of this Scheme.

2.5 Deed Poll

PSP and PSP Guarantor 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, neither the Scheme Implementation Agreement nor the Deed Poll having been terminated;
- (b) all of the conditions precedent in clause 3.2 of the Scheme Implementation Agreement having been satisfied or waived (other than the conditions precedent in items (b)(Court approval) and (e) Ordinary Scheme Court approval)) in accordance with the terms of the Scheme Implementation Agreement;
- (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, Webster, PSP and PSP Guarantor having accepted in writing any modification or condition made or required by the Court under section 411(6) of the Corporations Act;
- (d) the Court having approved the Ordinary Scheme, with or without any modification or condition, pursuant to section 411(4)(b) of the Corporations Act, and if applicable, Webster, PSP and PSP Guarantor having accepted in writing any modification or condition made or required by the Court under section 411(6) of the Corporations Act; 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

Webster and PSP 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 clause 3.1(c), 3.1(d) and clause 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 clause 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, Webster 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 PSP, PSP Guarantor and Webster agree in writing.

5.2 Transfer and registration of Scheme Shares

On the Implementation Date, but subject to the provision of the Scheme Consideration for the Scheme Shares in accordance with clause 6 of this Scheme:

- (a) the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to PSP without the need for any further act by any Scheme Participant (other than acts performed by Webster as attorney and agent for Scheme Participants under clause 7.8 of this Scheme) by:
 - (i) Webster delivering to PSP a duly completed and executed Scheme Transfer executed on behalf of the Scheme Participants; and
 - (ii) PSP duly executing the Scheme Transfer and delivering it to Webster for registration; and
- (b) as soon as practicable after receipt of the duly executed Scheme Transfer, Webster must enter the name of PSP in the Register in respect of all Scheme Shares transferred to PSP in accordance with the terms of this Scheme.

5.3 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to PSP of the Scheme Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clause 6 of this Scheme.

5.4 Title and rights in Scheme 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,

PSP will be beneficially entitled to the Scheme Shares transferred to it under the Scheme, pending registration by Webster of PSP 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 their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, in accordance with the terms of this Scheme.

5.6 Warranty by Scheme Participants

Each Scheme Participant warrants to PSP and is deemed to have authorised Webster to warrant to PSP as agent and attorney for the Scheme Participant by virtue of this clause 5.4, that:

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

5.7 Transfer free of encumbrances

To the extent permitted by law, all Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred to PSP under this Scheme will, at the date of the transfer of them to PSP, vest in PSP 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 PSP as sole proxy

Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clauses 5.2 and 6.1 of this Scheme, on and from the Implementation Date until Webster registers PSP as the holder of all of the Scheme Shares in the Register, each Scheme Participant:

- (a) irrevocably appoints Webster as attorney and agent (and directs Webster in such capacity) to appoint PSP 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 Preference 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)); and
- (b) must take all other actions in the capacity of the registered holder of Preference Shares as PSP directs.

Webster undertakes in favour of each Scheme Participant that it will appoint PSP 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) of this Scheme.

6 Scheme Consideration

6.1 Payment of Scheme Consideration

- (a) No later than the Business Day before the Implementation Date, PSP must deposit (or procure the deposit of) in Immediately Available Funds the aggregate amount of the Scheme Consideration payable to all Scheme Participants into the Trust Account.
- (b) Any interest on the amount deposited into the Trust Account under clause 6.1(a) will be credited to PSP's account.
- (c) On the Implementation Date, subject to receipt of the Scheme Consideration from PSP in accordance with clause 6.1(a) of this Scheme, Webster must pay to each Scheme Participant an amount equal to the Scheme Consideration for each Scheme Share transferred to PSP on the Implementation Date by that Scheme Participant.
- (d) Unless otherwise directed by the Scheme Participants before the Record Date, the amounts referred to in this clause 6.1(c) of this Scheme must be paid by direct credit or sending a cheque drawn on an Australian bank in Australian currency on the Implementation Date to each Scheme Participant by pre-paid ordinary post (or, if the address of the Scheme Participant in the Register is outside Australia, by pre-paid airmail post) to their address recorded in the Register at the Record Date.

6.2 Unclaimed monies

Webster may cancel a cheque issued under clause 6.1(c) of this Scheme if the cheque:

- (a) is returned to Webster; or
- (b) has not been presented for payment within 6 months after the date on which the cheque was sent.

During the period of 1 year commencing on the Implementation Date, on request from a Scheme Participant, Webster must reissue a cheque that was previously cancelled under this clause 6.2.

6.3 Orders of a court

In the case of notice having been given to Webster (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 6.1(c) of this Scheme, then Webster must procure that payment is made in accordance with that order; or
- (b) which would prevent Webster from dispatching payment to any particular Scheme Participant in accordance with clause 6.1(c) of this Scheme, Webster 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 6.1(c) of this Scheme is permitted by law.

6.4 Joint holders

In the case of Scheme Shares held in joint names any bank cheque required to be paid to Scheme Participants by PSP 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.

6.5 Foreign resident capital gains withholding

If PSP determines, acting reasonably, that it must pay an amount to the Commissioner of Taxation ("**Commissioner**") pursuant to Subdivision 14-D of Schedule 1 to the *Tax Administration Act 1953* (Cth) ("**TAA**") with respect to the acquisition of Scheme Shares from a Scheme Participant, PSP will, for any such Scheme Participant:

- (a) determine the amount to be paid to the Commissioner ("**Payment Amount**");
- (b) remit the Payment Amount to the Commissioner within the time required under the TAA; and
- (c) reduce the amount of Scheme Consideration payable to that Scheme Participant by the Payment Amount for the purposes of the Deed Poll, the Scheme and the Scheme Implementation Agreement.

For the avoidance of doubt, PSP will, for the purposes of the Deed Poll, the Scheme and the Scheme Implementation Agreement, be deemed to have satisfied its obligations to pay the Scheme Consideration to a Scheme Participant if the amount paid to the Scheme Participant is the amount of the Scheme Consideration that would have otherwise been payable to the Scheme Participant pursuant to the Scheme, less the Payment Amount for that Scheme Participant.

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 Webster 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 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 the Record Date at the place where the Register is kept.

7.2 Register

Webster 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 the Record Date.

7.3 No disposals after Effective Date

If this Scheme becomes Effective, 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 Effective Date in any way

except as set out in this Scheme and any such disposal will be void and of no legal effect whatsoever.

Webster 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 Record Date (except a transfer to PSP pursuant to this Scheme and any subsequent transfer by PSP or its successors in title).

7.4 Maintenance of Webster Register

For the purpose of determining entitlements to the Scheme Consideration, Webster 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 PSP 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 PSP contemplated in clauses 5.2 and 7.3 of this Scheme, any statements of holding in respect of Scheme Shares will cease to have effect after the Record Date as documents of title in respect of those shares (other than statements of holding in favour of PSP and its successors in title). After the Record Date, each entry current on the Register as at the Record Date (other than entries in respect of PSP or its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration.

7.6 Details of Scheme Participants

Within 3 Business Days after the Record Date Webster will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Participant, as shown in the Register on the Record Date are available to PSP in such form as PSP reasonably requires.

7.7 Quotation of Preference Shares

Suspension of trading on ASX in Preference Shares will occur from the close of trading on ASX on the Effective Date.

7.8 Termination of quotation of Preference Shares

After the Scheme has been fully implemented, Webster will apply:

- (a) for termination of the official quotation of Preference 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 Webster 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 document necessary or expedient to give effect to this Scheme including the Scheme Transfer; and
- (b) enforcing the Deed Poll against PSP and PSP Guarantor (as applicable),

and Webster 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 Webster, 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 Webster's registered office or at the office of the registrar of Preference Shares.

9.2 Accidental omission

The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Preference Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

10 General

10.1 Variations, alterations and conditions

Webster may, with the consent of PSP (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.

10.2 Further action by Webster

Webster 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.

10.3 Authority and acknowledgement

Each of the Scheme Participants:

- (a) irrevocably consents to Webster and PSP doing all things necessary or expedient for or incidental to the implementation of this Scheme; and
- (b) acknowledges that this Scheme binds Webster 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 Webster.

10.4 No liability when acting in good faith

Neither Webster nor PSP, 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.

10.5 Enforcement of Deed Poll

Webster undertakes in favour of each Scheme Participant to enforce the Deed Poll against PSP and PSP Guarantor on behalf of and as agent and attorney for the Scheme Participants.

10.6 Stamp duty

PSP will pay all stamp duty (including any fines, penalties and interest) payable in connection with this Scheme.

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.

Annexure G – Preference Scheme Deed Poll

EXECUTION VERSION

Deed Poll – Preference Scheme

Dated

Henslow Acquisitionco Pty Ltd (ACN 636 393 470) (“**PSP**”)
Sooke Investments Inc (“**PSP Guarantor**”)

In favour of each Scheme Participant

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

Deed Poll – Preference Scheme

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Deed Poll – Preference Scheme

Details

Parties	PSP and PSP Guarantor	
PSP	Name	Henslow Acquisitionco Pty Ltd
	ACN	636 393 470
	Address	C/- King & Wood Mallesons, Level 61, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000
	Email	renewableresources@investpsp.ca
		Attention: Managing Director, Natural Resources with a copy to: legalnotices@investpsp.ca Attention: Legal Department
PSP Guarantor	Name	Sooke Investments Inc.
	Address	1250, René-Lévesque Blvd. West, Suite 1400, Montréal, Québec Canada H3B 5E9
	Email	renewableresources@investpsp.ca
		Attention: Managing Director, Natural Resources with a copy to: legalnotices@investpsp.ca Attention: Legal Department
In favour of	Each Scheme Participant	
Governing law	New South Wales, Australia	
Recitals	A	The directors of Webster have resolved that Webster should propose the Scheme.
	B	The effect of the Scheme will be that all Scheme Shares will be transferred to PSP.
	C	PSP is entering into this deed poll for the purpose of covenanting in favour of the Scheme Participants to perform its obligations in relation to the Scheme.

D The PSP Guarantor is a holding company of PSP and is entering into this deed poll to guarantee the obligations and liabilities of PSP under this deed poll and the Scheme.

Deed Poll – Preference Scheme

General terms

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

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.

First Court Date means the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme is heard.

Scheme means the proposed scheme of arrangement in respect of Webster preference shares between Webster and Scheme Participants under which the Scheme Shares will be transferred to PSP under Part 5.1 of the Corporations Act, substantially in the form of Annexure A to this deed poll, or as otherwise agreed by PSP and Webster, 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 by Webster and PSP in accordance the Scheme.

All other words and phrases used in this document and defined in the Scheme 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.

1.3 Nature of deed poll

The parties acknowledge that 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.

2 Conditions precedent and termination

2.1 Conditions precedent

The parties' obligations under clause 3 are subject to the Scheme becoming Effective.

2.2 Termination

The parties' 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 party is released from its obligations to further perform this document except those obligations contained in clause 6.2 and any other obligations which by their nature survive termination; and
- (b) each Scheme Participant retains the rights, powers or remedies they have against a party in respect of any breach of this document which occurs before it is terminated.

3 Performance of obligations and payment of Scheme Consideration

- (a) Subject to clause 2, PSP undertakes in favour of each Scheme Participant to:
 - (i) by no later than the Business Day before the Implementation Date, deposit (or procure the deposit of) in Immediately Available Funds the aggregate amount of the Scheme Consideration payable to all Scheme Participants into the Trust Account; and
 - (ii) undertake all other actions attributed to it under the Scheme, subject to and in accordance with the terms of the Scheme.
- (b) Subject to clause 2, PSP Guarantor undertakes in favour of each Scheme Participant to procure that all obligations of PSP under this document and the Scheme are met.

4 Representations and warranties

Each party represents and warrants 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)** is not Insolvent.

5 Continuing obligations

This document is irrevocable and, subject to clause 0, remains in full force and effect until:

- (a) the parties have fully performed their obligations under this document; or
- (b) the earlier termination of this document under clause 2.2.

6 Costs

6.1 Costs

PSP agrees to pay all costs in respect of the Scheme (including, in connection with the transfer of Preference Shares to PSP in accordance with the terms of the Scheme) except for amounts covered by clause 6.2.

6.2 Stamp duty and registration fees

PSP:

- (a) agrees to pay or reimburse 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 these amounts); and
- (b) indemnifies each Scheme Participant against, and agrees to reimburse and compensate it, for any liability in respect of stamp duty under clause 6.2(a).

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) if before the First Court Date, the variation is agreed to by Webster and each party in writing; or
- (b) if on or after the First Court Date, the variation is agreed to by Webster and each party in writing and the Court indicates that the variation, alteration or amendment would not itself preclude approval of the Scheme,

in which event each party 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 a party 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 party and 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 consent of each party and Webster.

8.5 Further steps

Each party 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 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.

8.7 Foreign resident capital gains withholding

If PSP determines, acting reasonably, that it must pay an amount to the Commissioner of Taxation ("**Commissioner**") pursuant to Subdivision 14-D of Schedule 1 to the *Tax Administration Act 1953* (Cth) ("**TAA**") with respect to the acquisition of Scheme Shares from a Scheme Participant, PSP will, for any such Scheme Participant:

- (a) determine the amount to be paid to the Commissioner ("**Payment Amount**");
- (b) remit the Payment Amount to the Commissioner within the time required under the TAA; and
- (c) reduce the amount of Scheme Consideration payable to that Scheme Participant by the Payment Amount for the purposes of the Deed Poll, the Scheme and the Scheme Implementation Agreement.

For the avoidance of doubt, PSP will, for the purposes of the Deed Poll, the Scheme and the Scheme Implementation Agreement, be deemed to have satisfied its obligations to pay the Scheme Consideration to a Scheme Participant if the amount paid to the Scheme Participant is the amount of the Scheme Consideration that would have otherwise been payable to the Scheme Participant pursuant to the Scheme, less the Payment Amount for that Scheme Participant.

9 Governing law and jurisdiction

9.1 Governing law and jurisdiction

- (a) The law in force in the place specified in the Details, being New South Wales, governs this document.
- (b) Each party irrevocably submits to the exclusive jurisdiction of the courts exercising jurisdiction in New South Wales and courts competent to determine appeals from those courts in respect of any proceedings arising out of or in connection with this document.
- (c) Each party irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

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 a party by being delivered or left at that party's address set out in the Details.

EXECUTED as a deed poll

Deed Poll – Preference Scheme

Signing page

DATED: _____

EXECUTED by HENSLOW
ACQUISITIONCO PTY LTD in
accordance with section 127(1) of the
Corporations Act 2001 (Cth) by
authority of its directors:

.....)
Signature of director)	Signature of director/company secretary*
)	*delete whichever is not applicable
)	
.....)
Name of director (block letters))	Name of director/company secretary*
)	(block letters)
)	*delete whichever is not applicable

EXECUTED by SOOKE
INVESTMENTS INC. by its authorised
representatives:

.....)
Signature of authorised representative)	Signature of authorised representative
)	
.....)
Name of authorised representative (block letters))	Name of authorised representative (block letters)
)	
.....)
Office held)	Office held

Annexure H – Notice of General Meeting

Annexure H – Notice of General Meeting

Webster Limited
(ACN 009 476 000)

Notice of General Meeting

Notice is hereby given that a meeting of the holders of ordinary shares in Webster Limited (ACN 009 476 000) (**Webster**) will be held as follows

Date: 3 February 2020
Time: Immediately following the Ordinary Scheme Meeting but not before 2:00pm
Venue: The Press Room
Radisson Blu Sydney
27 O'Connell Street
Sydney NSW 2000

BUSINESS

1. Felizzi Resolution

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to and conditional on the Ordinary Scheme becoming Effective and the Implementation Date occurring, approval be given for all purposes, including sections 200B, 200E and 208 of the Corporations Act, for the giving of termination and other benefits comprising up to \$1,199,510 to Mr Maurice Felizzi in connection with the implementation of the Ordinary Scheme and ceasing to hold an office or position in Webster Limited, on the terms set out in the Scheme Booklet"

Without limitation, Sections 200B, 200E and 208 of the Corporations Act may apply to this Resolution. The voting exclusion statement for this Resolution is set out below.


2. Tyndall Resolution

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to and conditional on the Ordinary Scheme becoming Effective and the Implementation Date occurring, approval be given for all purposes, including sections 200B and 200E of the Corporations Act, for the giving of termination and other benefits comprising up to \$390,580 to John Tyndall in connection with the implementation of the Ordinary Scheme and ceasing to hold an office or position in Webster Limited, on the terms set out in the Scheme Booklet"

Without limitation, Sections 200B and 200E of the Corporations Act may apply to this Resolution. The voting exclusion statement for this Resolution is set out below.

By order of the Board



John Tyndall
Company Secretary
17 December 2019

Annexure H – Notice of General Meeting *continued*

Entitlement to vote

The Directors have determined under regulation 7.11.37 of the Corporations Regulations, 2001 that for the purpose of determining entitlements to attend and vote at the Meeting, Ordinary Shares will be taken to be held by the persons who are the registered holders at 7.00pm (Sydney time), on 1 February 2020. Accordingly, Ordinary Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Voting exclusions

In accordance with section 224 of the Corporations Act, the following parties may not cast a vote in favour of the following Resolutions:

- in relation to Resolution 1 – Maurice Felizzi,

unless the vote is cast as a proxy for a person who is entitled to vote:

- in accordance with their directions of how to vote on the proxy form; and
- it is not cast on behalf of the relevant excluded person for that Resolution or its Associates.

In accordance with section 200E(2A) of the Corporations Act, a vote may not be cast (in any capacity) by:

- in relation to Resolution 1 – Maurice Felizzi and his Associates; and
- in relation to Resolution 2 – by John Tyndall and his Associates.

In accordance with section 250BD of the Corporations Act, the following parties may not cast a vote in favour of the following Resolutions:

- in relation to Resolution 1 – Maurice Felizzi and his closely related parties; and
- in relation to Resolution 2 – by John Tyndall and his closely related parties.

Voting at the General Meeting

If you are eligible to vote at the General Meeting, you may:

- vote in person at the General Meeting;
- appoint one or two proxies to attend and vote at the General Meeting on your behalf;
- appoint an attorney to attend and vote at the General Meeting on your behalf; or
- if you are a body corporate, appoint a corporate representative to attend and vote at the General Meeting on your behalf.

Voting will be conducted by poll.

Voting in person

To vote in person, you must attend the General Meeting on the date and at the place set out in the Notice of General Meeting.

Jointly held securities

If you hold Ordinary Shares jointly with one or more other person, only one of you may vote. If more than one of you attempts to vote in person at the meeting, only the vote of the holder whose name appears first on the Webster Register will be counted.

Proxies

If you are unable to attend the meeting, you may appoint one or two proxies to attend and vote at the General Meeting on your behalf. If you wish to appoint a proxy, please complete the enclosed proxy form or lodge your proxy online using the login information provided.

If you appoint two proxies, each proxy may be appointed to exercise a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half of your votes. Please refer to the enclosed proxy form for instructions on completion and lodgement.

A proxy does not need to hold Ordinary Shares. A proxy may be an individual or a body corporate. If you appoint a body corporate as proxy, the body corporate will need to ensure that it appoints an individual as corporate representative and provides satisfactory evidence of that appointment.

Annexure H – Notice of General Meeting *continued*

If you return your proxy instruction form without identifying a proxy on it, you will be taken to have appointed the chair of the General Meeting as your proxy to vote on your behalf. You can direct your proxy how to vote by following the instructions on the proxy form (i.e. by ticking the relevant boxes next to the Resolution on the proxy form (being 'for', 'against' or 'abstain')).

If you do not instruct your proxy how to vote, your proxy may vote as he or she sees fit at the General Meeting. If the chair of the General Meeting is appointed as your proxy (or is appointed your proxy by default), he intends to vote all valid undirected proxies which appoint (or are taken to appoint) the chair of the General Meeting in favour of each Resolution.

Any directed proxies that are not voted on a poll at the General Meeting by the appointed proxy will automatically default to the chair of the General Meeting who is required to vote proxies as directed on a poll. If you hold Ordinary Shares jointly with one or more other persons, in order for your proxy appointment to be valid, all of you must sign the proxy form. Your appointment of a proxy does not preclude you from attending in person, revoking the proxy and voting at the General Meeting.

The signed and completed proxy form must be received by the Webster Registry, Computershare Investor Services Pty Limited, by 2:00pm on 1 February 2020. If the General Meeting is adjourned, proxy forms must be received by the Webster Registry no later than 48 hours before the resumption of the General Meeting in relation to the resumed part of the General Meeting.

If the proxy form is signed under power of attorney or other authority, the original or a certified copy of the power of attorney must be received by the Webster Registry or Webster at the same time as the proxy form (unless previously provided to Webster).

The completed proxy form may be:

- mailed to the Webster Registry at Webster C/- Computershare Investor Services Pty Limited, GPO Box 242 Melbourne Vic 3000;
- faxed to the Webster Registry on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia);
- submitted online to the Webster Registry by visiting the website, www.investorvote.com.au. You will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) and Control Number as shown on your proxy form. You will be taken to have signed the proxy form if you lodge it in accordance with the instructions on the website; or
- for Intermediary Online subscribers (custodians), submitted online to the Webster Registry by visiting the website, www.intermediaryonline.com. You will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) and Control Number as shown on your proxy form. You will be taken to have signed the proxy form if you lodge it in accordance with the instructions on the website.

Voting by power of attorney

You may appoint an attorney to attend and vote at the General Meeting on your behalf.

Powers of attorney must be received by the Webster Registry by no later than 2:00pm on 1 February 2020.

Persons attending the General Meeting as an attorney should bring to the General Meeting the original or certified copy of the power of attorney under which they have been authorised to attend and vote at the General Meeting.

Your appointment of an attorney does not preclude you from attending in person and voting at the General Meeting.

Voting by corporate representative

If you are a body corporate, you may appoint a corporate representative to attend and vote at the General Meeting on your behalf. The appointment must comply with section 250D of the Corporations Act.

A corporate representative should bring to the General Meeting evidence of their appointment, including any authority under which the document appointing them as corporate representative was signed.

Required majority

The Resolutions described for each item of business in this notice are ordinary resolutions. Each will be passed if more than 50% of votes cast by Ordinary Shareholders entitled to vote on the resolution are in favour of the resolution.

Corporate Directory

Webster Limited

148 Colinroobie Road
Leeton NSW 2075
www.websterltd.com.au

Directors

Christopher Corrigan
(Chairman)

Maurice Felizzi
(Managing Director and CEO)

Ross Burling
(Non-Executive Director)

David Cushing
(Non-Executive Director)

David Fitzsimmons
(Non-Executive Director)

Joseph Corrigan
(Alternate to Christopher Corrigan)

Co-Legal Advisor

OB Law Pty Limited

7 Nicholls Ave
Haberfield NSW 2045

Co-Legal Advisor

Clayton Utz

Level 15
1 Bligh Street
Sydney NSW 2000

Shareholder Information Line

1300 217 429 (within Australia)
+61 2 8022 7919 (outside Australia)
Monday to Friday between 8.30am to
5.30pm (Sydney time).

Independent Expert

KPMG Corporate Finance
A division of KPMG Financial Advisory
Services (Australia) Pty Limited
Level 38, Tower Three
300 Barangaroo Ave
Sydney NSW 2000

Share Registry

**Computershare Investor
Services Pty Limited**

Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

Stock Exchange Listing

Ordinary Shares and Preference Shares are
listed on the Australian Securities Exchange

(ASX codes: WBA and WBAPA)

