

Huon Aquaculture PROSPECTUS

FOR THE OFFER OF 27.9 MILLION SHARES IN HUON
AQUACULTURE GROUP LTD AT \$4.75 PER SHARE

Lead Manager:

CREDIT SUISSE 

Financial Adviser:

Credit Suisse | Emerging Companies
Australia

IMPORTANT NOTICES

OFFER

The Offer contained in this Prospectus is an invitation for you to apply for fully paid ordinary shares in Huon Aquaculture Group Limited (“Huon” or “Company”) (“Shares”). This Prospectus is issued by Huon for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (“Corporations Act”).

LODGEMENT AND LISTING

This Prospectus is dated 6 October 2014 and was lodged with ASIC on that date. Neither ASIC nor the ASX takes any responsibility for the contents of this Prospectus, or the merits of the investment to which this Prospectus relates. Within seven days after the date of this Prospectus the Company will apply to the ASX for listing of the Company and quotation of the Shares on the ASX (“Listing”). As set out in Section 7.2, it is expected that the Shares will be quoted on the ASX initially on a deferred settlement basis. Huon disclaims all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

NOTE TO APPLICANTS

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of any prospective investor.

It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company. In particular, in considering the prospects of the Company, you should consider the risk factors that could affect the financial performance of the Company. You should also consider the assumptions underlying the Forecast Financial Information set out in Section 4.7 and the risk factors that could affect the Company's business, financial condition and results of operations.

You should carefully consider these factors in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest. Some of the risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital by the Company or the payment of a return on the Shares acquired pursuant to this Prospectus.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company, the Directors, the Lead Manager or any other person in connection with the Offer. You should rely only on information contained in this Prospectus.

EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing applications to subscribe for Shares under this Prospectus (“Applications”) in the seven day period after the date of lodgement of this Prospectus (“Exposure Period”). This period may be extended by ASIC by up to a further seven days. The Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

During the Exposure Period, this Prospectus will be made available to Australian residents, without the Application Forms, at the Company's offer website, www.huonaqua.com.au.

PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by Huon. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

DISCLAIMER AND FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements which can be identified by the use of forward-looking terminology, including, without limitation, the terms “believes”, “estimates”, “anticipates”, “expects”, “predicts”, “intends”, “plans”, “goals”, “targets”, “aims”, “outlook”, “guidance”, “forecasts”, “may”, “will”, “would”, “could” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. The Forecast Financial Information in Section 4.7 is an example of forward-looking statements.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the date of this Prospectus, are expected to take place (including the key assumptions set out in Section 4.7).

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements. Many of these statements are beyond the control of the Company, the Directors and management. The Forecast Financial Information and forward-looking statements should therefore be read in conjunction with, and are qualified by reference to, the risk factors as set out in Section 5, the specific and general assumptions set out in Sections 4.2 and 4.7, the sensitivity analysis set out in Section 4.8 and other information in this Prospectus.

The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. The Company has no intention of updating or revising forward-looking statements, or publishing prospective Financial Information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus, including the industry overview in Section 2, uses market data and third party forecasts and projections. Huon has obtained significant portions of this information from market research prepared by third parties. There is no assurance that any of the forecasts contained in the reports, surveys and research of such third parties that are referred to in this Prospectus will be achieved. Huon has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

STATEMENTS OF PAST PERFORMANCE

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

OBTAINING A COPY OF THIS PROSPECTUS

A hard copy of the Prospectus is available free of charge to any Broker Firm Offer Applicant or Applicant under the Employee Offer and the Priority Offer by calling 1800 550 560 (within Australia) or +61 1800 550 560 (outside Australia) from 8:30 am to 5:30 pm (Melbourne time), Monday to Friday. This Prospectus is available in electronic form via www.huonaqua.com.au. The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia. It is not available to persons in other jurisdictions (including in the United States). Potential applicants may, during the Offer period, obtain a hard copy of the Prospectus (free of charge) by calling 1800 550 560 (within Australia) or +61 1800 550 560 (outside Australia) from 8:30 am to 5:30 pm (Melbourne time), Monday to Friday. Applications for Shares may only be made during the Offer period on the Application Form attached to or accompanying this Prospectus. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to or accompanies a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus. Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus.

FINANCIAL YEAR PERIODS

All references to FY2012, FY2013, FY2014 and FY2015F appearing in this Prospectus are to the financial years ended or ending 30 June 2012, 30 June 2013, 30 June 2014 or 30 June 2015 (forecast), respectively, unless otherwise indicated. All references to CY2014 appearing in this Prospectus are to the calendar year end 31 December 2014. All years denoted with an “E” on the end represent “expected” earnings. All years denoted with an “F” on the end represent “forecast” earnings.

All financial amounts contained in this Prospectus are expressed in Australian currency, unless otherwise stated. Any discrepancies between totals and sums of

components in tables contained in this Prospectus are due to rounding.

Section 4 sets out in detail the financial information referred to in the Prospectus. The basis of preparation and presentation of the Financial Information in this Prospectus is set out in Section 4.2. The Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and are qualified by reference to, the information contained in Sections 3 and 5.

Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles prescribed by the Australian Accounting Standards (as issued by the Australian Accounting Standards Board). Compliance with these standards ensures that the Financial Information complies with the recognition and measurement principles of International Financial Reporting Standards. This Prospectus also includes Forecast Financial Information based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information. The Forecast Financial Information presented in this Prospectus is unaudited.

Where “FY” is not mentioned then the date will refer to calendar year.

GLOSSARY

Defined terms and abbreviations used in this Prospectus have the meanings defined in the Glossary. Unless otherwise stated or implied, a reference in this Prospectus to time is to Melbourne Time. Unless otherwise stated or implied, references to dates or years are calendar references.

SELLING RESTRICTIONS

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. In particular, this Prospectus may not be distributed to, or relied upon by, persons in the United States. The Shares to be offered and sold under the Offer have not been, and will not be, registered under the United States Securities Act of 1933 (U.S. Securities Act) or the securities law of any state of the United States, and may not be offered or sold in the United States or to a U.S. Person, unless the Shares have been registered under the U.S. Securities Act, or except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

See Section 7.9 for more detail on selling restrictions that apply to the offer and sale of Shares in jurisdictions outside of Australia.

PRIVACY

By completing and submitting the Application Form to apply for Shares you are providing personal information to Huon through the Company's service provider, Link Market Services Limited (“Share Registry”), which is contracted by the Company to manage Applications. The Company and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Once you have become a Shareholder, the Corporations Act requires information about you (including your name, address and details of the Shares you hold) to be included in the Company's Shareholder register. This information must continue to be included in the Company's Shareholder register even if you cease to be a Shareholder.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may be disclosed to the Company's members, agents and service providers. Some members, agents and service providers of the Company may be located outside Australia, and as a result your personal information may be disclosed overseas.

The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- The Share Registry for ongoing administration of the Shareholder register;
- The Lead Manager in order to assess your application;
- Printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- Market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- Legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Offer and for associated actions.

You may request access to your personal information held by (or on behalf of) the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

Telephone (international): +61 1800 550 560
(within Australia): 1800 550 560
Address: Link Market Services
Level 12, 680 George Street
Sydney NSW 2000
Australia

If you have any concerns or queries about the way your personal information is managed by the Company, please contact the Company by phone on +613 6295 8111 or by email to huonaqua@huonaqua.com.au.

The Company's privacy policy is available on its website (www.huonaqua.com.au). The privacy policy contains information about how you can gain access to or seek correction of personal information that the Company holds about you. It also contains information about how you may make a privacy complaint and how the Company will deal with such a complaint.

REPORT ON DIRECTORS' FORECAST AND FINANCIAL SERVICES GUIDE

The provider of the Investigating Accountant's Report is required to provide Australian retail clients with Financial Services Guide in relation to the review under the Corporations Act. The Investigating Accountant's Report and accompanying Financial Services Guide are provided in Section 8.

COMPANY WEBSITE

The Company maintains a website at www.huonaqua.com.au. Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the website are incorporated by reference.

NO COOLING-OFF RIGHTS

Cooling-off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your application once it has been accepted.

QUESTIONS

If you have any questions about how to apply for Shares, please call your Broker. For any other questions about the Offer, please contact the Huon Offer Information Line on 1800 550 560 (within Australia) or +61 1800 550 560 (outside Australia) between 8:30 am and 5:30 pm (Melbourne time) Monday to Friday.

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SUMMARY OF THE OFFER

The Offer

Number of New Shares offered by Huon under this Prospectus	26.3 million
Number of Existing Shares offered by the Selling Shareholder under this Prospectus	1.6 million
Total number of Shares offered under this Prospectus	27.9 million
Number of Shares offered under the Institutional Offer and Broker Firm Offer	27.0 million
Number of Shares to be issued under the Employee Offer and the Priority Offer ⁽¹⁾	1.0 million
Number of Shares to be held by Existing Shareholders at Completion of the Offer ⁽²⁾	59.4 million
Number of Shares to be held by new Shareholders at Completion of the Offer	27.9 million
Total number of Shares on issue at Completion of the Offer	87.3 million
Offer Price	\$4.75 per share
Amount to be raised under the Offer	\$133 million
Market capitalisation at the Offer Price ⁽³⁾	\$415 million
Pro Forma net debt (cash)	\$(24) million
Enterprise value at the Offer Price ⁽³⁾	\$390 million

- Notes:
- (1) See Section 7.5 for further details of the Employee Offer and the Priority Offer
 - (2) Of which 59.4 million Shares will be subject to voluntary escrow arrangements. See Section 7.8 for further details of these voluntary escrow arrangements
 - (3) Shares may not trade at the Offer Price post Listing

IMPORTANT DATES⁽¹⁾

Lodgement of Prospectus	6 October 2014
Broker Firm Offer, Employee Offer and Priority Offer open	9.00 am (Melbourne time) 14 October 2014
Broker Firm Offer, Employee Offer and Priority Offer close	5.00 pm (Melbourne time) 17 October 2014
Issue of Shares (Completion of the Offer)	23 October 2014
Expected commencement of trading on the ASX (on a deferred settlement basis)	23 October 2014
Expected despatch of holding statements	27 October 2014
Shares expected to begin trading on a normal settlement basis	28 October 2014

Note: (1) These dates are indicative only and may change. Huon, in consultation with the Lead Manager, reserves the right to amend any and all of the above dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, to accept late Applications or to cancel the Offer before settlement). If the Offer is cancelled before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens

How to invest

Applications for Shares can only be made by completing and lodging the Application Form attached to this Prospectus.

Instructions on how to apply for Shares are set out in Section 7.3 and 7.5 of this Prospectus and on the back of the Application Form.

CHAIRMAN'S LETTER

Dear Investor,

On behalf of the Directors, it gives me great pleasure to invite you to become a shareholder of Huon Aquaculture Group Limited, a leading Australian producer of salmon and trout, with exciting growth prospects.

Huon has a proud Tasmanian heritage and has grown since its inception in 1986 under the stewardship of Peter and Frances Bender. Ongoing investment in innovation, commitment to the Huon Method of farming and the Company's marketing initiatives have been integral to strengthening Huon's position as a world class salmon producer.

A key strength of the business model is that the Company's vertically integrated operations enable Huon to control the entire production process from hatcheries through to sales and marketing. The ability to consistently position Huon as a premium brand of salmon with a strong provenance story supports higher margins in head-on gutted fish (HOG) and value added product.

This is the beginning of an exciting chapter in Huon's growth story with the business undergoing a step-change in terms of scale and quality of operations. The Offer will raise approximately \$133 million. The primary proceeds of \$125 million raised in connection with the Offer will be used to fund a number of key growth projects Huon is undertaking to materially expand production and improve farming efficiency:

- Development of broodstock facilities to improve quality, volume and timing of egg development and leading to larger smolt;
- Expansion of the hatchery facilities to increase production volumes;
- Ongoing roll-out of Fortress Pens including the 240m circumference format which the Company believes to be the largest of their kind for salmon production globally;
- Expansion and improvement of the marine farms including the proposed reconfiguration of leases and utilisation of unused marine leases to enable Huon to grow production;
- Investments in a range of Huon designed plant and equipment including state-of-the-art, feed barges targeted at dramatically improving operating efficiency;
- Deployment of a new well-boat in CY2014, the first of its kind in aquaculture operations in Australia, to increase the efficiency of fish bathing in fresh water, and to improve harvest efficiencies and smolt transfers; and
- A new expanded processing facility allowing for significant increases in processing efficiency and value added production.

A further \$8 million of proceeds will result from Peter Bender selling a minor portion of his shareholding in Huon. The Bender Family will remain holders of 68% of the issued capital of Huon at IPO and are fully committed to the Company's continued success.

Huon is subject to a range of risks which include biological risks inherent in agricultural businesses, the risk of a reduction in demand for salmon and falls in salmon prices, the risk of food safety and sanitation breaches and associated brand damage. Please read Section 5 of the Prospectus for a more detailed discussion of the risk factors associated with an investment in Huon.

This Prospectus contains detailed information on Huon and I encourage you to read it carefully and in its entirety before making your investment decision.

On behalf of the Directors, I commend the Offer to you and look forward to welcoming you as a shareholder.

Yours sincerely,



Peter Margin
Non-executive Chairman

INVESTMENT OVERVIEW

Section 1



1. INVESTMENT OVERVIEW

1.1. Introduction

Topic	Summary	For more information
Introduction		
What is Huon?	<ul style="list-style-type: none"> Since its establishment in 1986 by Peter and Frances Bender, Huon has grown into one of Australia's largest vertically integrated salmon production businesses. Operations span all aspects of the supply chain from hatcheries and marine farming to harvesting and processing as well as sales and marketing. Huon's marine farms are located in Tasmania, supported by integrated logistics ensuring quick delivery of salmon to the major fish markets around Australia. Huon's primary product is HOG which it sells to wholesale customers and is well known for its high quality. The business also produces a range of value added products including fresh portions, fillets and cutlets, smoked and cured products as well as gourmet products such as paté and caviar. The Company provides employment for approximately 480 people and in FY2014 harvested 15.2m HOG kg, revenue of \$188.4m and Pro Forma Operating EBITDA of \$52.4m. 	Section 3
What is the Offer?	<ul style="list-style-type: none"> The Offer is an initial public offering of 27.9 million Shares in the Company. The Shares being offered will represent 32% of the total shares in the Company on issue following Listing. 	Section 7.1

1. Investment overview

Topic	Summary	For more information
Introduction		
Why is the Offer being conducted?	<ul style="list-style-type: none"> The purpose of the Offer is to: <ul style="list-style-type: none"> Provide primary capital to support Huon's future growth plans; Provide Huon with a strong balance sheet and financial flexibility to pursue future growth opportunities; Improve Huon's future ongoing access to capital; Achieve a listing on the ASX to broaden the Company's shareholder base and provide a liquid market for the Shares; and Provide an opportunity for the founders of Huon, Peter and Frances Bender, to realise a portion of their investment whilst maintaining a significant ongoing interest in Huon. 	Section 7.1.2

1.2. Key features of Huon

Topic	Summary	For more information
Overview of Huon		
What sectors does Huon operate in?	<ul style="list-style-type: none"> Huon is focused on the farming, processing, marketing and distribution of high quality fresh and value added Atlantic salmon (and some trout) products to a range of wholesale and retail customers throughout Australia, and, to a lesser extent, Asia. The Australian salmonid (salmon and trout) industry has experienced rapid growth over the last decade with harvests of salmonids growing at a CAGR of 10% between CY2000 and CY2013. Salmonids account for 49% of all Australian aquaculture production by value. 	Section 3
How does Huon generate its revenue and what are Huon's significant costs?	<ul style="list-style-type: none"> Huon generates revenue from the sale of fresh HOG and value added products to Australian markets, and to a lesser extent Asia. Huon's primary product is fresh HOG salmon and has been recognised as being of high quality. HOG product (including trout) accounted for approximately 80% of Huon's revenue in FY2014. The business also produces a wide range of value added products which accounted for approximately 20% of Huon's revenue in FY2014. The product range includes fresh portions, fillets and cutlets, smoked and cured products and gourmet products such as paté and caviar sold under the Huon brand. These products are typically sold to retailers such as supermarkets and specialty stores as well as some wholesale customers. Huon has also started selling a select range of its value added products direct to customers online. 	Sections 3.2, 3.3 and 4.6.2

1. Investment overview

Topic	Summary	For more information
Overview of Huon		
How does Huon generate its revenue and what are Huon's significant costs? continued	<ul style="list-style-type: none"> Huon's key costs relate to the farming and processing of fish: <ul style="list-style-type: none"> Feed – Feed is one of Huon's most significant costs and the Company manages this expense through a multi-sourcing strategy. Huon has also invested heavily in Research and Development (R&D) in order to improve the efficiency of its feed formulas and systems. Labour – Labour is a large expense for Huon and primarily relates to wages and salaries, superannuation and payroll tax of its employees involved in the production of salmon. Packing and processing – Comprise the costs associated with processing fish as well as packaging them. Packing and processing expenses also comprise the employment of the processing team. While some of these expenses are fixed pursuant to contractual obligations of Huon, such as site leases, there are variable costs relating to the employment of staff. Freight – Relates to the cost associated with delivering fish to the customers (domestic and international). 	Sections 3.2 and 3.3
Who are Huon's customers?	<ul style="list-style-type: none"> The domestic market is Huon's primary focus due to the premium prices and higher margins compared with the export market. The domestic market represented 94% of FY2014 harvest volume. Within the domestic channel, Huon's key customers are domestic wholesalers of salmon. The business has built well established long-term relationships with key wholesale customers through its consistent delivery of high quality product and excellent service levels. <ul style="list-style-type: none"> The domestic wholesale market accounted for 83% of Huon's harvest volume in FY2014. Huon's top five customers, and 13 of its top 15 customers, have been with the Company for at least five years. Huon has a broad customer base, with no single customer accounting for more than 10% of FY2014 revenue. Huon's wholesale customers primarily supply the section of the market associated with higher prices and quality such as food service, fishmongers and sushi and sashimi restaurants. 	Section 3.3

1. Investment overview

Topic	Summary	For more information
Overview of Huon		
Who are Huon's customers? continued	<ul style="list-style-type: none"> Huon has a range of customers in the retail market including major supermarkets and smaller specialty stores. These customers typically sell Huon's value added products. Historically these customers have accounted for a small proportion of Huon's revenue but the Company has increased its sales into this channel over the last several years and continues to explore strategic opportunities in this channel. In FY2014, the domestic retail channel accounted for 11% of Huon's harvest volume. <ul style="list-style-type: none"> Huon recently began selling a select range of its value added products direct to customers via its website. Huon also exports to several Asian markets and has developed key relationships with niche wholesalers in these markets. Although export volumes have been falling due to strong domestic demand, the well-established relationships that Huon developed due to its high quality product and excellent service have yielded increased pricing from this channel and it is viewed as an important market for the Company, especially if the current favourable domestic market dynamics change. <ul style="list-style-type: none"> Exports accounted for only 6% of Huon's harvest volume in FY2014. 	Section 3.3

1.3. Huon's key strengths

Huon management believes that it has the following key strengths:

Strength	Summary	For more information
Huon's key strengths		
Focus on consistent high quality with operations designed to deliver optimal products	<ul style="list-style-type: none"> The Huon Method of farming is an ethos that the business and its employees follow vigorously. It places the welfare of fish at the centre of operations and ensures salmon are exposed to minimal stress and are well nourished, in an environment which is clean and healthy, and ultimately raised in a responsible fashion. Farming according to the Huon Method ensures that fish grow quickly and are of the highest quality, and exhibit excellent characteristics in terms of taste and texture. 	Section 3.2.1

1. Investment overview

Strength	Summary	For more information
Huon's key strengths		
Established supply channels into profitable domestic markets	<ul style="list-style-type: none"> Huon has a well-established presence in the domestic market and this channel represented 94% of FY2014 harvest volume. <ul style="list-style-type: none"> The domestic market is more attractive than the export market due to the superior pricing and margin dynamics. Huon is the market leader in the domestic wholesale channel which typically exhibits better margin and pricing versus the domestic retail channel. <ul style="list-style-type: none"> The domestic wholesale channel accounted for 83% of Huon's harvest volume in FY2014. Huon has increased its presence in the retail market over the last several years and continues to selectively seek profitable opportunities in this channel. In FY2014, the domestic retail channel accounted for 11% of harvest volume. The Company maintains consistent positioning as a quality producer of salmon with a strong provenance story to support premium pricing. 	Section 3.3
Stable pricing structure in a favourable global backdrop	<ul style="list-style-type: none"> Since FY2012 Huon has maintained relative stability and increased its average price due to an improved channel mix (and rising market prices), primarily driven by the shift to the domestic market. <ul style="list-style-type: none"> In the domestic wholesale market, Huon has long-term and well-established relationships with customers. As a result, the price Huon offers to wholesalers is relatively stable. In the domestic retail market Huon typically enters into 12 month or two year contracts. Prices achieved from the export market tend to be more volatile given competition with global producers, but Huon has reduced its exposure to this market. The Company also has established relationships with a few key international wholesalers who are generally willing to pay a premium above average export prices for Huon's high quality fish. 	Section 3.3.4
Suite of capital projects across supply chain to drive future growth	<ul style="list-style-type: none"> The Company has a strong track record of delivering large-scale growth projects requiring significant capital expenditure. Currently, Huon has a number of strategic capital projects in development which are intended to expand production, increase efficiency and increase the consistency and high quality of fish produced under a Controlled Growth Strategy philosophy. The initiatives to increase production are driven by increasing consumer demand, primarily within the domestic market. Huon has capacity across its marine farms to increase production with less than 70% of its marine lease capacity currently utilised. 	Section 3.6

1. Investment overview

Strength	Summary	For more information
Huon's key strengths		
Vertically integrated and geographically diverse operations	<ul style="list-style-type: none"> Vertically integrated operations enable Huon to optimally manage the production process from hatcheries and marine farms through to harvest and processing as well as sales and marketing. The Company's geographically diversified sites minimise biosecurity risk and the possibility of disease being spread between farming regions. 	Section 3.2
Highly credentialled and skilled management team	<ul style="list-style-type: none"> Huon has established a highly credentialled, skilled and stable management team which has successfully driven the unique vision and growth of the Company, turning it into one of Australia's largest salmon producers. Huon has a long-term, cohesive management team with significant collective experience in aquaculture as a leadership group. 	Section 6.2
Innovative and smart company	<ul style="list-style-type: none"> Huon has developed a number of innovative fish farming techniques aimed at enhancing fish quality and achieving operational efficiencies. Several of these techniques have been adopted across the global salmon farming industry. The Company continues to place a significant focus on R&D and has several current innovative initiatives including (but not limited to): <ul style="list-style-type: none"> Trial feeding pens to optimise feeding solutions in a realistic environment; Enhanced pen designs (Fortress Pens) in order to reduce predator risk; The introduction of a well-boat in CY2014, the only one of its kind currently in Australia, which is expected to significantly improve the efficiency of bathing, harvesting and smolt delivery activities in the medium term; and Feed barges with innovative feeding systems to automate the feeding of fish to appetite, improve the distribution of feed and simultaneously feed all pens at optimal times. 	Sections 3.7 and 3.8
Operating in an attractive industry with increasing consumer consumption and high barriers to entry	<ul style="list-style-type: none"> Huon operates in an industry experiencing strong domestic demand – per capita consumption of salmon in Australia has almost doubled in the last seven years. <ul style="list-style-type: none"> Management believes that the key factors which have underpinned the greater domestic demand for salmon include consumer focus on healthier eating, convenience, the influence of Asian diets and increasing product awareness and presence with retailers. 	Section 2.2

1. Investment overview

Strength	Summary	For more information
Huon's key strengths		
Operating in an attractive industry with increasing consumer consumption and high barriers to entry continued	<ul style="list-style-type: none"> • High barriers to entry limit scope for new market entrants: <ul style="list-style-type: none"> – None of live broodstock, live eggs or salmon milt (sperm) can be imported into Australia due to quarantine and biosecurity laws; – Majority of currently available Tasmanian marine leases and hatchery licences are held by industry incumbents; – Conditions for growing salmon are not suitable in other Australian States; – Stringent Australian quarantine requirements restrict accessibility for major international salmon producers to the Australian fresh HOG market; – Little focus on Australia by global producers due to high freight costs and relatively small Australian market (represents 2% of global consumption); and – High financial costs associated with establishing necessary infrastructure to deliver along all aspects of the salmon value chain. 	Section 2.2

1.4. Huon's growth strategy

Strategy	Summary	For more information
Huon's Growth Strategy		
Controlled Growth Strategy	<ul style="list-style-type: none"> • Huon's growth strategy centres on delivering higher production volumes whilst increasing fish quality and maintaining consistency as well as improving efficiencies to drive higher margins. • Growth and continuous improvement are essential elements to Huon's strategic vision and the Company is undertaking a Controlled Growth Strategy which is guided by six key principles: <ul style="list-style-type: none"> – Increasing production to meet growing customer demand responsibly and safely while also increasing efficiency of farming practices and improving the already high quality of Huon fish; – Improving the health and welfare of fish; – Improving safety for Huon workers; – Reducing the Company's environmental footprint; – Continuing to positively participate in the community; and – Producing world-class salmon products in Tasmania. 	Section 3.6

1. Investment overview

Strategy	Summary	For more information
Huon's Growth Strategy		
Controlled Growth Strategy continued	<ul style="list-style-type: none"> Huon has a number of capital projects, both ongoing and planned, which are being rolled out in order to achieve this strategy over the next several years: <ul style="list-style-type: none"> Due to the integrated nature of Huon's operations, the capital projects need to be developed concurrently such that there are no bottlenecks in the production process. Huon's objective is to achieve a return on incremental capital invested of 20%. However, this is a benchmark used by management for financial planning and no guarantee can be given that such return will be achieved on the capital invested in any project. 	Section 3.6
Increasing production	<ul style="list-style-type: none"> Huon has a track record of delivering production growth and intends to increase production capacity and harvest volume over the next several years. The initiatives to increase production are a function of increasing consumer demand in the domestic market. Key projects targeted at increasing production capacity include: <ul style="list-style-type: none"> New Forest Home hatchery and development and expansion of existing hatchery sites which will increase smolt capacity, and optimise size and quality of smolt for entry to sea water; Access to unused or better configured marine leases which increases farming sites and allows for expansion of volumes; Development of Fortress Pens including the 240m circumference format which is expected to reduce mortalities, and will increase harvest volumes, and lower stocking densities; Introduction of a well-boat which will better manage fish stress and mortalities during bathing, increasing production volumes; Huon designed feed barges which ensure fish are fed consistently and result in larger harvest volumes; and Consolidated processing facility which has capacity to process larger volumes of fish harvested and provide a flexible platform for future new product development. 	Section 3.6
Improving efficiencies	<ul style="list-style-type: none"> The initiatives to improve efficiencies are driven by the goal of delivering higher margins and lowering costs while still ensuring the sustainability of the environment that Huon operates in. 	Section 3.6

1. Investment overview

Strategy	Summary	For more information
Huon's Growth Strategy		
Improving efficiencies continued	<ul style="list-style-type: none"> • Key activities targeted at improving efficiencies include: <ul style="list-style-type: none"> – New hatchery and development of existing sites to grow larger smolt, leading to larger fish; – Access to unused or better configured marine leases to increase farming sites leading to economies of scale; – Development of Fortress Pens to decrease mortalities and reduce labour associated with monitoring pens; – Introduction of automated mortality retrieval systems to reduce diving requirement; – Use of well-boat to reduce costs during bathing as well as improving harvest process and delivery of smolt; – Introduction of feed barges to ensure fish are optimally fed, reducing waste and allowing feeding to take place in remote and higher energy sites; and – Consolidated processing facility to improve efficiencies between wet and value added processing facilities. 	Section 3.6
Ongoing delivery of quality and consistency	<ul style="list-style-type: none"> • Huon will continue to focus on improving consistency all year round in relation to the high quality and size of its fish, even as scale of production increases and operating efficiencies improve. • Key tasks/programs targeted at delivery of quality and consistency include: <ul style="list-style-type: none"> – Optimisation of hatchery sites to improve smolt quality primarily through increasing size and improving quality; – Development of Fortress Pens to reduce the stress of fish and minimise predator interactions which can lead to fish damage; – Deployment of well-boat to reduce fish stress by improving bathing and harvest process as well as improving smolt delivery; – Introduction of feed barges to optimise the feeding process, expected to result in better growth and well-conditioned fish; and – Consolidated processing facility including a dedicated food safety team to ensure products are of the highest quality with new state of the art equipment to improve value added product quality. 	Sections 3.2 and 3.6
How does Huon expect to fund its growth plans?	<ul style="list-style-type: none"> • Huon has entered into a facility agreement to refinance its debt facilities and will have three facilities totalling A\$80m at Listing in place to support general operations and expansion plans. • The debt facilities combined with the proceeds raised from this Offer will enable Huon to undertake its planned capital investment program. • The Directors believe that, following the Offer, Huon will have sufficient capital to fund its current growth plans and strategic objectives. 	Sections 3.6 and 4.4

1. Investment overview

1.5. Huon's key risks

Risk	Summary	For more information
Huon's key risks		
Predator risk	<ul style="list-style-type: none"> Risks relating to predators (primarily seals) may impact Huon's fish stock through higher mortality rates and fish stress, which negatively impact the production volume and quality of the fish stock. Fur seals are native to the south east of Australia and there is a risk they could cause losses through eating fish, causing fish to be lost by creating holes in nets, and allowing fish to escape, stressing fish or disrupting feed. 	Section 5.1
Salmonid disease	<ul style="list-style-type: none"> Risks relating to disease outbreak could widely impact Huon's fish and lead to higher mortality rates and lower quality stock. There is a risk that diseases such as Amoebic Gill Disease (AGD), Infectious Salmon Anaemia (ISA) or Salmon Orthomyxovirus (SOMV) could adversely impact Huon's fish stocks. 	Section 5.1
Algae blooms and jellyfish	<ul style="list-style-type: none"> There is a risk that an outbreak of algae blooms could negatively impact the health of Huon's fish. Jellyfish represent a risk to Huon as certain species are toxic and can increase mortalities. There are a number of different jellyfish species that occur naturally at Huon's marine farms, particularly in summer. 	Section 5.1
Fresh water supply	<ul style="list-style-type: none"> There is a risk to Huon that if access to fresh water supply was significantly limited or restricted, Huon's farming operations could be materially impacted as fresh water is a critical component to its production processes. 	Section 5.1
Seasonal and environmental conditions	<ul style="list-style-type: none"> Seasonal and environmental conditions such as increasing water temperatures, storms and floods could disrupt Huon's operations and/or increase mortality rates among the fish stock, restrict the growth of fish and negatively impact feed conversion ratios. 	Section 5.1
Risk of overstocking growing regions	<ul style="list-style-type: none"> Environmental monitoring in Macquarie Harbour has shown some concerning results in recent years with dissolved oxygen trending downward at depth. The likely contributing factors and long-term outlook are not yet certain and still being investigated although could be related to salmon farming, the environmental impacts (such as storms, swells and current flows) resulting from its unique geography, or other factors. It is possible that stocking levels in Macquarie Harbour may need to be reduced and at this stage Huon is not planning any increase in stocking in Macquarie Harbour. 	Section 5.1

1. Investment overview

Risk	Summary	For more information
Huon's key risks		
Risk of overstocking growing regions continued	<ul style="list-style-type: none"> Due to the enclosed nature of Macquarie Harbour and proximity of Huon's and other salmon producers' marine farming leases, the conduct of other salmon producers operating in the harbour can impact on the sustainability of Huon's operations in this area. If Huon, other salmon producers and/or government regulators do not respond to potentially less favourable growing conditions, then the welfare of Huon's fish and the sustainability of its farming operations in Macquarie Harbour could be put at risk. 	Section 5.1
Feed prices and supply	<ul style="list-style-type: none"> Feed is a vital component to salmon farming operations and one of the largest components of Huon's operating costs. Feed costs are, in turn, a function of the cost of production of key inputs such as fish meal and fish oil, and other vegetable and meat by-product protein sources. Increases in prices of key inputs and/or disruptions in their supply would have a corresponding effect on the price or supply of feed, which could have a material adverse effect on Huon's business and financial performance. 	Section 5.1
Fuel and energy prices	<ul style="list-style-type: none"> Fuel is a material operating expense for Huon and there is a risk that if there are significant increases to fuel or energy prices, such increases could adversely impact Huon's cost of operations. 	Section 5.1
Lack of long-term contracts, salmon prices and competition	<ul style="list-style-type: none"> Falls in the prevailing market price for salmon and/or a reduction in the consumption of salmon could have a material adverse impact on Huon's financial performance. Huon's general wholesale market practice is to negotiate with customers an agreed price that reflects long-term supply and demand scenario, and as a result, it is not possible to guarantee consistency in respect of prices for future transactions. 	Section 5.1
Reduction in demand for salmon	<ul style="list-style-type: none"> There is a risk that a change in economic conditions could cause consumers to reduce their consumption of salmon as they "trade down" to cheaper sources of seafood and proteins. Changes in consumer dietary preferences or sentiment towards seafood and salmon could also result in lower demand for salmon which could reduce the price at which Huon is able to sell its salmon products. 	Section 5.1
Food safety and sanitation	<ul style="list-style-type: none"> Huon, like all food producers, is exposed to the risk of product contamination and product recalls. There is also a risk of a serious food poisoning incident as a result of an operational lapse in food safety, sanitation procedures or malicious tampering. 	Section 5.1

1. Investment overview

Risk	Summary	For more information
Huon's key risks		
Food safety and sanitation continued	<ul style="list-style-type: none"> • The occurrence of a serious food poisoning incident, either involving Huon or one of its wholesalers or another seafood producer, could have significant consequences for Huon, including: <ul style="list-style-type: none"> – Payments of fines and/or compensation; – Closure of the Parramatta Creek and/or Mount Barker processing facilities while the relevant food safety authorities satisfy themselves that the underlying issue has been resolved; – Damage to the Huon brand and loss of consumer trust and consequential increases in expenditure on marketing; and – Widespread loss of consumer confidence in seafood or salmon which would adversely impact Huon's revenues. 	Section 5.1
Brand and reputation calamity	<ul style="list-style-type: none"> • There is a risk that an incident beyond the control of Huon could occur, such as widespread loss of consumer confidence in seafood or salmon, or the occurrence of a serious food safety incident involving another brand of salmon, which would have the effect of reducing consumer confidence or preferences for salmon generally or a Huon product specifically. • The consequences of such an incident could be very significant for Huon with impacts potentially including reduced revenues, loss of consumer trust in the relevant brand or product and reduced prominence of the brand in customers' minds. 	Section 5.1
Security of supply chain	<ul style="list-style-type: none"> • There is a risk that the supply chain for one or more of Huon's products could be materially disrupted with the result that sufficient quantities of Huon product are not delivered on time. • This could result in: <ul style="list-style-type: none"> – The inability to sell some or all products; – An associated loss of revenue; – Potential brand damage; and – Increased costs flowing from alternative transport and delivery arrangements. 	Section 5.1
Risk that growth plans cannot be effected	<ul style="list-style-type: none"> • Huon is in the process of executing significant growth plans and, as with any large capital investment program, there are risks associated with the execution of these plans. • Key risks to project execution include meeting project timelines and acquiring necessary third party approvals. 	Section 5.1

1. Investment overview

Risk	Summary	For more information
Huon's key risks		
Regulatory risk	<ul style="list-style-type: none"> Federal, State and Local environmental laws and regulations affect nearly all of Huon's operations and failure to comply with such laws could result in penalties, damages and/or loss of permits or licences required by Huon to operate its hatcheries, marine farms or processing facilities. The Company could also come under negative scrutiny from a range of non-governmental environmental organisations that could involve negative media coverage and damage to the Huon brand. These events could cause a material adverse effect on Huon's costs, business model and ability to operate in a competitive environment and hence impact the Company's future financial performance. 	Section 5.1
Key personnel	<ul style="list-style-type: none"> Huon's success to date has, to a significant extent, been due to its key personnel, in particular the senior management team led by Peter and Frances Bender. Loss of key personnel, sustained underperformance by key personnel or an inability to recruit or retain suitable new personnel may adversely affect Huon's future operating and financial performance. 	Section 5.1

1.6. Key investment and financial metrics and dividends

Topic	Summary		For more information
Key investment and financial metrics and dividends			
What are the key investment metrics?	Market capitalisation at the Offer Price	\$415 million	Section 4.1
	Pro Forma net debt/(cash)	\$(24) million	
	Enterprise value at the Offer Price	\$390 million	
	Enterprise value/FY2015 Pro Forma Operating EBITDA	7.2×	
	Offer Price/FY2015 Pro Forma Operating EPS	14.1×	

1. Investment overview

Topic	Summary					For more information	
Key investment and financial metrics and dividends							
What is Huon’s historical and forecast financial performance?		Pro Forma Historical			Pro Forma Forecast	Statutory Forecast	Section 4.3
	\$m	FY2012	FY2013	FY2014	FY2015	FY2015	
	Revenue	133.8	152.2	188.4	214.8	214.8	
	Operating EBITDA	23.8	32.8	52.4	53.9	52.0	
	Operating EBIT	14.4	24.6	44.4	43.9	42.0	
	Operating NPAT	7.2	13.7	29.4	29.4	27.2	
	Operating EPS (cents)				33.7	31.2	
	Notes: The Financial Information presented above contains non International Financial Reporting Standards (IFRS) financial measures and is intended as a summary only and should be read in conjunction with the more detailed discussions of the Financial Information disclosed in Section 4 as well as the risk factors set out in Section 5.						
What is the Company’s dividend policy?	<ul style="list-style-type: none">• Directors anticipate an annual dividend payout ratio of up to 35% of net profit after tax, subject to the financing and capital expenditure requirements of Huon.• As the majority of Huon’s profits are derived in Australia, franking credits are expected. It is important to note that Directors do not provide any assurance of the future level of dividends or the extent to which they are franked. The ability to pay dividends and their franking will depend on a number of factors, many of which are beyond the Company’s control.• Shares issued as a result of this Prospectus will rank equally with each other for dividend entitlements.					Section 4.9	
What will be the first dividend and when will it be paid?	<ul style="list-style-type: none">• Directors anticipate an annual dividend payout ratio of up to 35% of net profit after tax, subject to the financing and capital expenditure requirements of Huon.• The Directors anticipate that the first dividend to Shareholders will be declared in respect of the period from Listing to 30 June 2015, and will become payable in September 2015.• Thereafter the Directors expect dividends to become payable in September and March each year.					Section 4.9	

1.7. Overview of the Offer

Topic	Summary	For more information
Overview of the Offer		
Who are the issuers of the Prospectus?	<ul style="list-style-type: none"> • Huon Aquaculture Group Limited (ACN 114 456 781), a company incorporated in Tasmania, Australia and Peter Bender in his capacity as the Selling Shareholder offering Existing Shares for sale under this Prospectus. 	Section 7.1

1. Investment overview

Topic	Summary	For more information																																										
Overview of the Offer																																												
What is the Offer?	<ul style="list-style-type: none">The Offer is an initial public offering of 27.9 million Shares in the Company. The Shares being offered will represent 32% of the total shares in the Company on issue following Listing.	Section 7.1																																										
What is the proposed use of funds raised pursuant to the Offer?	<ul style="list-style-type: none">The funds received by Huon pursuant to the Offer will be used to fund a number of capital projects, both ongoing and planned, in order for Huon to increase production, efficiency in processes, consistency and quality of fish. The key capital projects are detailed in Section 3.6.	Section 7.1.2																																										
Sources and uses of funds	<table><tr><th>Sources</th><th>\$m</th><th>%</th><th>Uses</th><th>\$m</th><th>%</th></tr><tr><td>Issue of New Shares</td><td>125.0</td><td>94%</td><td>Repayment of debt</td><td>39.4</td><td>30%</td></tr><tr><td>Sell down of Existing Shares</td><td>7.7</td><td>6%</td><td>Transaction costs paid</td><td>6.3</td><td>5%</td></tr><tr><td></td><td></td><td></td><td>Payment for Vendor assets</td><td>6.0</td><td>5%</td></tr><tr><td></td><td></td><td></td><td>Cash retained for growth program</td><td>73.2</td><td>55%</td></tr><tr><td></td><td></td><td></td><td>Payment to vendors</td><td>7.7</td><td>6%</td></tr><tr><td>Total sources</td><td>132.7</td><td>100%</td><td>Total uses</td><td>132.7</td><td>100%</td></tr></table>	Sources	\$m	%	Uses	\$m	%	Issue of New Shares	125.0	94%	Repayment of debt	39.4	30%	Sell down of Existing Shares	7.7	6%	Transaction costs paid	6.3	5%				Payment for Vendor assets	6.0	5%				Cash retained for growth program	73.2	55%				Payment to vendors	7.7	6%	Total sources	132.7	100%	Total uses	132.7	100%	Section 7.1.3
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What is the Offer size?	<table><tr><td>Offer Price</td><td>\$4.75 per Share</td></tr><tr><td>Total number of New Shares offered</td><td>26.3 million</td></tr><tr><td>Total number of Existing Shares offered</td><td>1.6 million</td></tr><tr><td>Total Shares offered</td><td>27.9 million</td></tr><tr><td>Total cash proceeds to Huon from the Offer</td><td>\$125.0 million</td></tr><tr><td>Total cash proceeds to the Selling Shareholder from the Offer</td><td>\$7.7 million</td></tr><tr><td>Total cash proceeds from the Offer</td><td>\$132.7 million</td></tr></table>	Offer Price	\$4.75 per Share	Total number of New Shares offered	26.3 million	Total number of Existing Shares offered	1.6 million	Total Shares offered	27.9 million	Total cash proceeds to Huon from the Offer	\$125.0 million	Total cash proceeds to the Selling Shareholder from the Offer	\$7.7 million	Total cash proceeds from the Offer	\$132.7 million	Section 7.1																												
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Total cash proceeds from the Offer	\$132.7 million																																											
How is the Offer structured?	<p>The Offer comprises:</p> <ul style="list-style-type: none">The Broker Firm Offer;The Institutional Offer;The Employee Offer; andThe Priority Offer.	Section 7.1.1																																										

1. Investment overview

Topic	Summary	For more information
Overview of the Offer		
Will the Shares be listed?	<ul style="list-style-type: none"> Huon will apply to the ASX for admission to the official list of the ASX and quotation of Shares on the ASX (which is expected to be under the code HUO within seven days of the date of this Prospectus). Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. 	Section 7.2
Is the Offer underwritten?	<ul style="list-style-type: none"> The Offer is fully underwritten by Credit Suisse (Australia) Limited, the Lead Manager. 	Section 7.6
What is the allocation policy?	<ul style="list-style-type: none"> The allocation of Shares between the Broker Firm Offer and the Institutional Offer was determined by the Lead Manager in consultation with Huon. The Lead Manager, in consultation with Huon, had absolute discretion regarding the basis of allocation of Shares among Institutional Investors. For Broker Firm Offer participants, Brokers will decide as to how they allocate Shares that they are allocated amongst their retail clients. For Applicants in the Employee Offer and the Priority Offer, Huon and the Lead Manager have absolute discretion regarding the allocation of Shares and may reject an Application, or allocate fewer Shares than applied for, in their absolute discretion, subject to the guaranteed minimum allocation of Shares for employees described in Section 7.5. 	Sections 7.3.5, 7.4 and 7.5
Is there any brokerage, commission or stamp duty payable by Applicants?	<ul style="list-style-type: none"> No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. 	Section 7.2
What are the tax implications of investing in the Shares?	<ul style="list-style-type: none"> The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest. 	Sections 7.2 and 9.6
How can I apply?	<ul style="list-style-type: none"> You may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable. 	Section 7.3.2
When will I receive confirmation that my Application has been successful?	<ul style="list-style-type: none"> It is expected that initial holding statements will be despatched by standard post on or around 27 October 2014. 	Section 7.3.6

1. Investment overview

Topic	Summary	For more information
Overview of the Offer		
When can I sell my Shares on the ASX?	<ul style="list-style-type: none"> It is expected that trading of Shares on the ASX will commence on or about 23 October 2014 on a deferred settlement basis. It is expected that despatch of holding statements will occur on or about 27 October 2014 and that Shares will commence trading on the ASX on a normal settlement basis on 28 October 2014. It is the responsibility of each Applicant to confirm their holding before trading. Applicants who sell shares before they receive an initial holding statement do so at their own risk. 	Section 7.11
What is the minimum Application size under the Employee Offer and the Priority Offer?	<ul style="list-style-type: none"> The minimum Application size for investors in the Employee Offer and the Priority Offer is \$2,000 worth of Shares and thereafter in multiples of \$500. The minimum Application size for investors in the Broker Firm Offer is \$2,000 worth of Shares and Applicants in the Broker Firm Offer should contact their Broker regarding the acceptable multiples above \$2,000. 	Section 7.5
Does Huon currently have any debt facilities?	<ul style="list-style-type: none"> Huon has entered into a facility agreement to refinance its debt facilities to have three facilities in place to fund working capital and support expansion plans: <ul style="list-style-type: none"> Facility A – Amortising five year term facility of A\$25m with scheduled repayments of \$5m per annum over five years. Facility B – Bullet five year term facility of A\$25m with the ability for funds to be rolled over after the five year term has lapsed. No interim scheduled principal repayments are required for this facility prior to its maturity date. Facility C – Three year revolver facility with a maximum drawdown of A\$30m which provides support for Huon's capital expenditure plans. Immediately post Listing it is expected that this facility will be undrawn. If required, Facility C will be used to support the Controlled Growth Strategy. 	Section 4.4
Can the Offer be withdrawn?	<ul style="list-style-type: none"> Huon reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer. 	Sections 7.2 and 7.7
Where can I find out more information about this Prospectus or the Offer?	<ul style="list-style-type: none"> Call the Huon Offer Information Line on 1800 550 560 or +61 1800 550 560 (outside Australia) from 8:30 am until 5:30 pm (Melbourne time) Monday to Friday. If you are unclear in relation to any matter or are uncertain as to whether Huon is a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest. 	Section 7.3.6

Section 2



2. INDUSTRY OVERVIEW

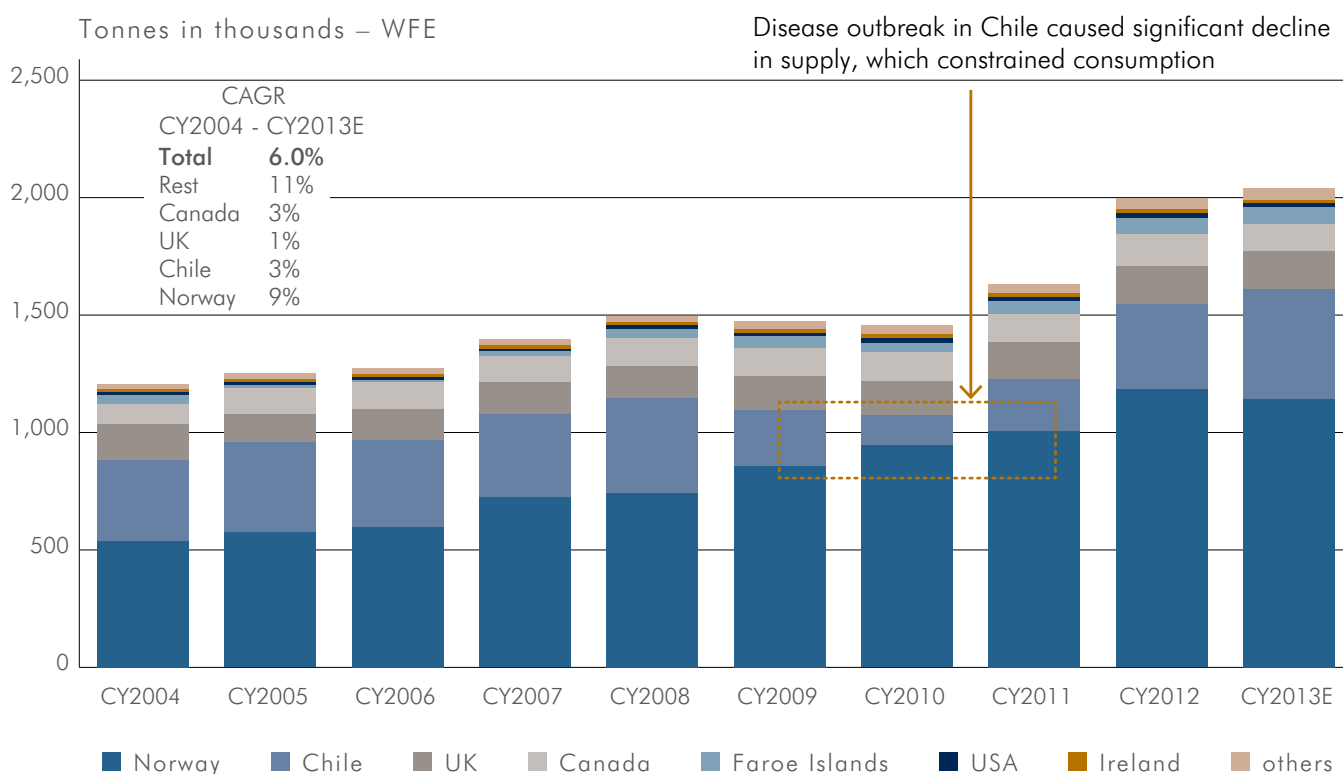
2.1. Global market overview

The global Atlantic salmon industry is an important contributor to the world's supply of farmed fish, with the CY2013E harvest of Atlantic salmon being greater than 2m tonnes. The industry has experienced strong growth over the last decade, with a CAGR of 6.0% from CY2004 to CY2013E due to producers expanding operations driven by an increase in global consumer demand.

Australia contributes approximately 2% of the global harvest. Growing conditions for marine pen farming (floating pens in coastal waters) in Australia are only commercially suitable in Tasmania. Huon is one of Australia's largest salmon producers, contributing approximately 38% of Australia's harvest volume.

Global salmon production is dominated by Norway and Chile, which supplied 56% and 23% of Atlantic salmon volumes respectively in CY2013E. These countries have water temperatures and coastlines with appropriate depth and water currents. North America and the UK also offer good natural conditions; however, production growth in those countries is limited by availability of suitable farming locations. The vast majority of farmed salmon around the world is reared in floating pens in coastal waters.

GLOBAL HARVEST OF ATLANTIC SALMON



Source: Kontali Analyse – Salmon World 2014

2. Industry overview

2.1.1. Major trends in the farmed salmon market

Expected supply constraints

Farmed Atlantic salmon supply has grown at an annual rate of 6% between CY2004 and CY2013E. It is expected that this growth rate will reduce, going forward, to an annual growth rate of 3% in the period CY2013E to CY2020F. This is due to:

- Availability of suitable coastlines: There are very few coastlines suitable for salmon farming; key conditions include appropriate temperatures and certain currents in order to exchange the water.

FEASIBLE COASTLINES FOR SALMON FARMING



Source: Marine Harvest – Salmon Farming 2014 Handbook

- Restrictions on new licences: Respective national and local governments regulate the industry through licence systems. Atlantic salmon farmers in all farming countries (including Norway, Chile, Scotland, Canada and New Zealand) have seen licence conditions and regulation increase as the industry has grown. It is becoming increasingly difficult to obtain new licences to increase production in these countries.
- Diseases impacting farming densities: Over the last decade, the industry has been hampered by outbreaks of diseases, which has constrained supply (see discussion below). In Chile, the spread of Infectious Salmon Anemia was attributable (amongst other factors) to the close geographical proximity of farming operations, poor biosecurity controls and overstocking of pens and sites. Strict biosecurity controls are now in place in Chile, including strict enforcement of regulations governing how close salmon farms can be to each other. In addition there are strict rules covering movement of fish, personnel and equipment between farms.

Diseases in key markets

Salmon farms face the risk that fish will be infected by a number of transmissible diseases that can spread to adjacent farms, causing regional outbreaks. Examples of such diseases are AGD, ISA and Pancreas Disease, which have negatively impacted salmon production in growing regions around the world.

Chile has been severely impacted by ISA in the last 10 years. This led to significantly reduced harvests for a three year period, with harvest volumes falling from over 400,000 tonnes in CY2008 to approximately 130,000 tonnes in CY2010. As a result, Chile has had to make significant changes to the structure of the industry and regulations, which has increased costs and resulted in industry consolidation.

2. Industry overview

Recently Norway, Scotland and Ireland have experienced outbreaks of AGD, which may impact production into the future if the disease cannot be contained. As a result, producers and governments in those countries are investing in research and development to advance AGD detection and treatment methods.

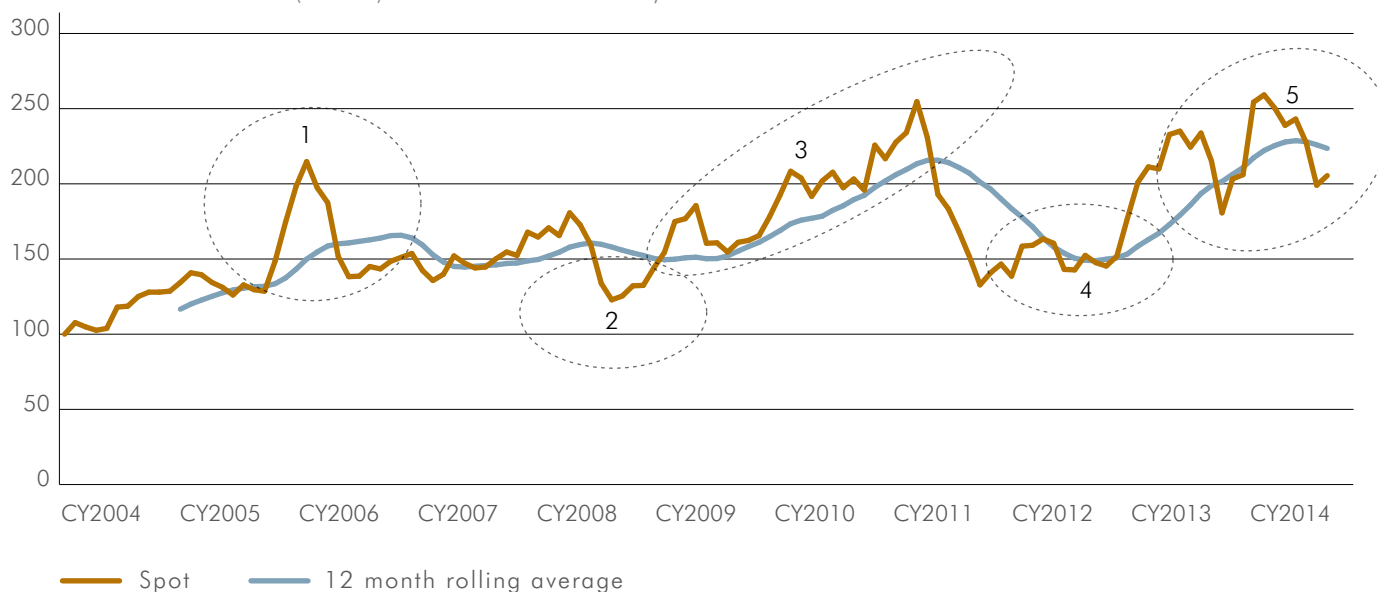
2.1.2. Pricing trends

The global pricing benchmark for salmon is the Farm Bred Norwegian Salmon Index (Index)

- Australia's salmon prices are generally more stable than the Index for the following reasons:
 - Wholesale customers: Australian producers typically manage supply such that it matches domestic demand, with any excess product being exported, which results in stable pricing
 - Retail customers: prices are generally fixed under supply agreements for periods of one to three years
- Domestic salmon prices cannot rise too much higher than the Index: above a certain price differential, it would become profitable (accounting for the cost of freight) for overseas producers to supply to the Australian market, subject to international demand and government regulations
- When exporting salmon, producers are forced to price their product in alignment with the Index due to competition from other global producers, unless selling into niche markets which focus on product characteristics as well as price

FARM BRED NORWEGIAN SALMON (EXPORT PRICE)

Source: Index Mundi Fish (Salmon) Prices. Index = 100 at July 2004



- Notes:
- (1) The threat of bird flu in CY2006 impacted salmon prices through March to June CY2006 and increased consumer awareness of the advantages of fish consumption, with positive effects on salmon demand in its main markets: the E.U., the U.S. and Japan; the tight market and high prices were also explained by some supply limiting factors such as adverse weather conditions and disease problems in Chile
 - (2) Price decreased as a result of Chile destocking its harvest early before ISA impacted fish mortalities
 - (3) Chile withdrew from the market due to ISA, resulting in price rises
 - (4) Chilean supply came back online, putting pressure on prices
 - (5) The farmed salmon industry is currently at an all-time high, with export prices reaching record levels. This has been driven by a combination of constrained supply and strong demand in emerging countries; recent correction primarily due to mild winter in Norway leading to a larger harvest as a result of the better growing conditions

As inferred from the Index above, global salmon export prices are currently at high levels, and the U.S. salmon price has increased significantly over the last two years. This has been driven by:

- Continued constraints on supply relating to both physical and regulatory limits in most major salmon producing nations
- Strong and growing demand for salmon in emerging economies such as Brazil, Russia and China

According to Fish Pool, the price of fresh salmon is projected to increase over the next year.

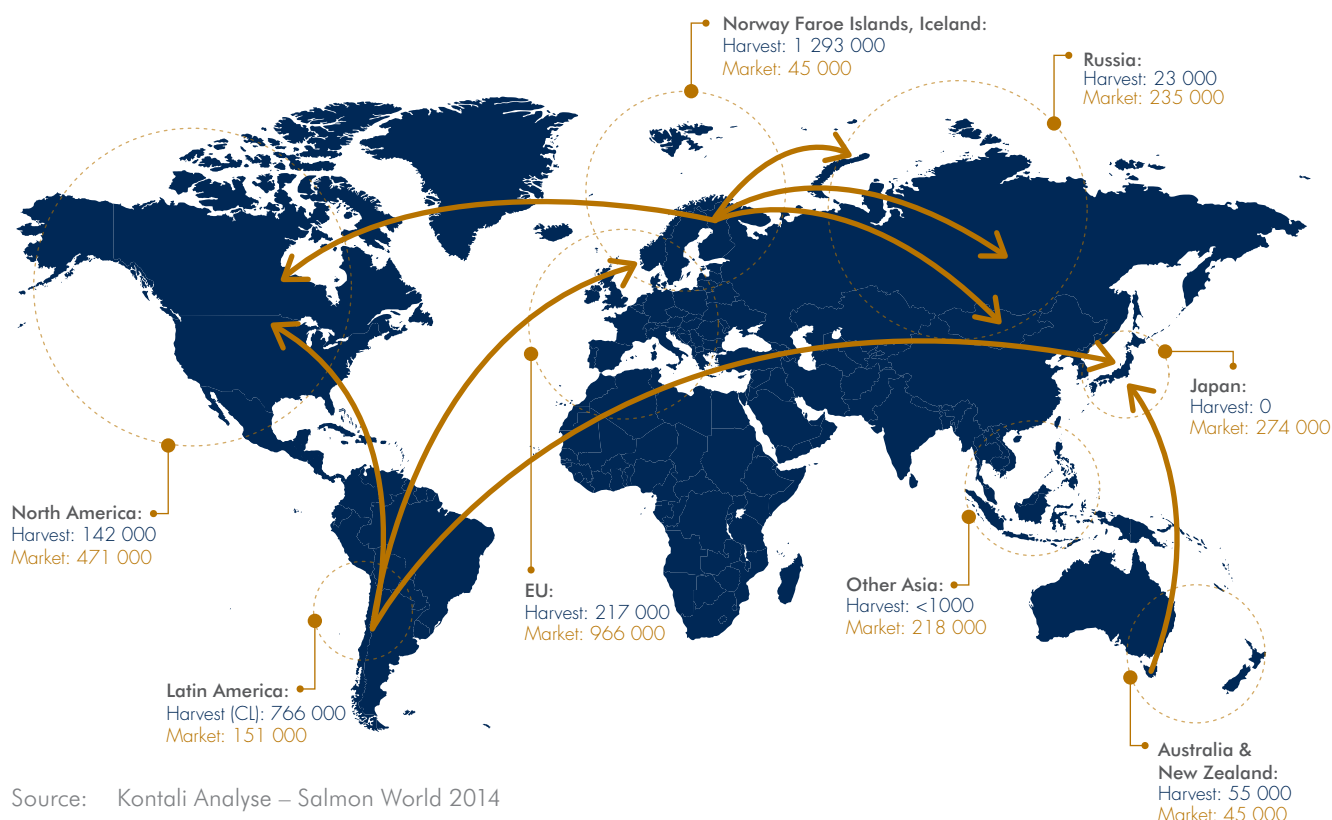
2. Industry overview

2.1.3. Global trade flows

As seen from the map below, supply to the European market is met largely by producers in Norway and Scotland, while the U.S. typically sources supply from Canadian and Chilean producers.

As evidenced in the map below, the vast majority of Atlantic salmon from Tasmania is sold domestically in Australia, with only a small amount exported to Asia (see Section 2.2). Increasing demand from the domestic market has reduced the reliance on exports for Australian producers.

GLOBAL TRADE FLOWS OF FARMED ATLANTIC SALMON – CY2013 (HOG)

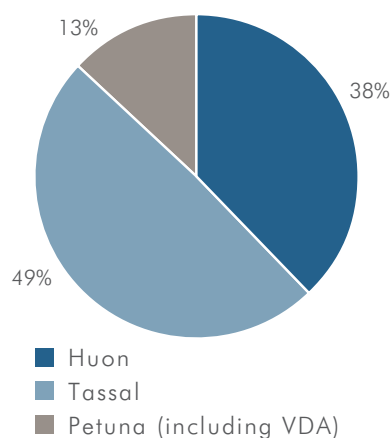


Source: Kontali Analyse – Salmon World 2014

2.2. Australian market overview

2.2.1. Snapshot of the Australian salmon industry

Harvest volumes by supplier (CY2013)

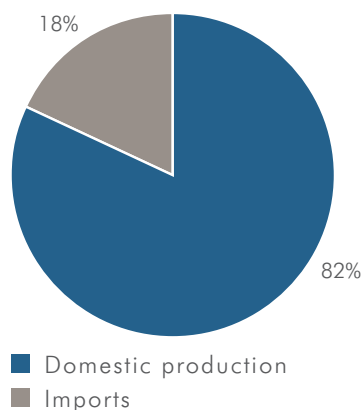


There are four suppliers in the Australian market

- Tassal, listed on the ASX, is the largest supplier and operates marine farms in Macquarie Harbour and south east Tasmania; the majority of its sales are through the retail channel
- Petuna is an integrated producer of trout and salmon, with all marine farms located in Macquarie Harbour; Sealord, a New Zealand aquaculture company, acquired a 50% shareholding of the Petuna business in CY2010
- Huon is the second largest supplier
- Van Diemen Aquaculture (VDA) is another producer, but its operations are small, relative to the other commercial producers; it is privately owned and based in north Tasmania; Petuna is a majority owner and supplies smolt to Van Diemen Aquaculture, which then grows the salmon and sells its back to Petuna

2. Industry overview

Imports share of domestic consumption (CY2013)

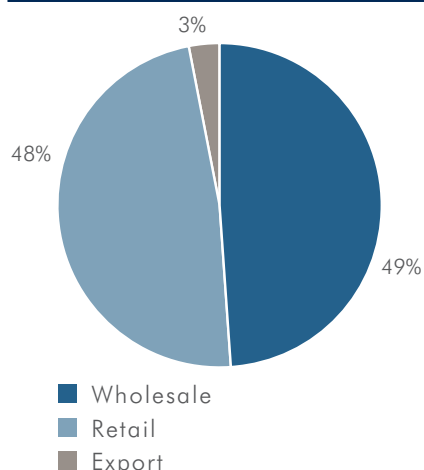


Note: Excludes prepared and preserved salmon

Imports represent almost 20% of the Australian market

- Imports have increased from 10% in CY2011 to 18% in CY2013
- The majority of imports are sold as value added products (such as skin-on or skin-off fillets, portions and smoked products) which are often frozen
- This is primarily due to an increase in frozen salmon from Norway
- There is a limited amount of imported HOG in the wholesale channel due to quarantine restrictions and the focus by wholesalers on quality (shelf life is negatively impacted by travel time)
- Fresh imports are limited by the cost of transporting (international and domestic) the fish from these markets into Australia

Distribution by channel (FY2014)



Note: Tassal and Huon harvest volumes used to represent the Australian market and are indicative only; Petuna data not available

There are two primary channels to market in Australia as exports decline

- The wholesale and retail markets are the two primary channels in the Australian salmon market, with the distribution share being roughly equal between the two
- Approximately 49% of sales in the domestic market are through the wholesale channel, making it one of the primary channels for distribution, through fish markets and restaurants (such as cafes, restaurants, caterers and other foodservice outlets with Japanese cuisine (sushi and sashimi))
- The other primary channel for distribution is retail, as approximately 48% of sales in the domestic market are through the retail market (either through the supermarkets, which are increasing their presence, or smaller retailers)
- Export sales have been declining in recent years due to strong consumer demand in the domestic market

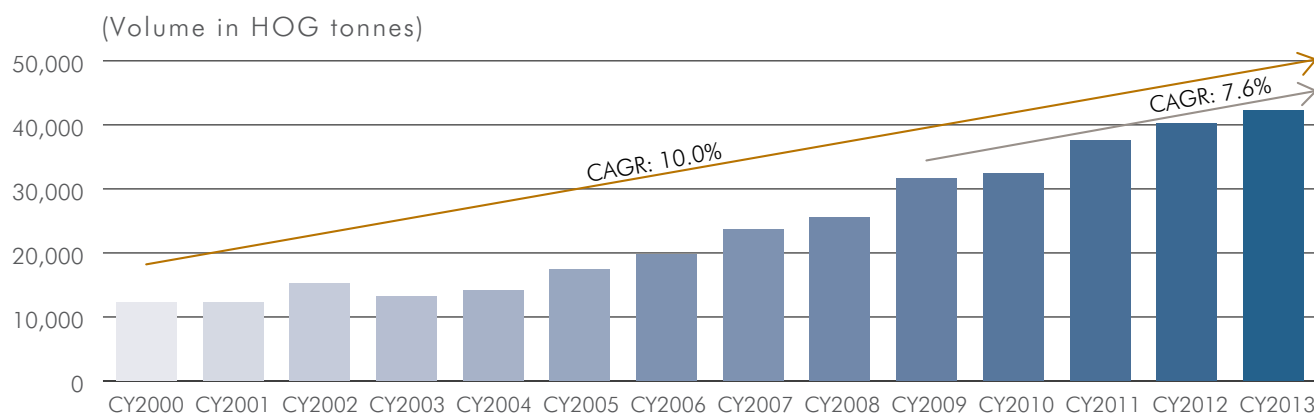
2.2.2. Production in Australia

Due to its ideal climatic conditions, Tasmania is the only State in Australia where Atlantic salmon is commercially farmed. Tasmania is recognised for its pristine waters, low disease risk and ideal water temperatures. Additionally, the Tasmanian Atlantic salmon strain is fast growing, high yielding and has excellent flesh colour.

According to the Tasmanian Salmonid Growers' Association (TSGA), harvest volumes of salmonids (salmon and trout) in Australia has grown at a CAGR of 10% between CY2000 and CY2013 and 8% since CY2009. Due to the rapid growth in the industry, salmonids have emerged as a key farmed fish species in Australia, accounting for 49% of all Australian aquaculture production by value.

2. Industry overview

FARMED ATLANTIC SALMONID HARVEST VOLUMES IN AUSTRALIA



Timeline of industry

As seen in the timeline below, the Australian salmon farming industry has come through a period of consolidation over the last decade, and there are now four commercial salmon producers in the country. The three largest salmon farmers are currently vertically integrated.

Calendar Year	Event
1984 – 1985	<ul style="list-style-type: none"> Tasmania Fisheries Development Authority introduced salmon in order to test Tasmanian waters Salmon Enterprises of Tasmania Pty Ltd (Saltas) joint venture formed between Norquana, the Tasmanian Government and local stakeholders Saltas established a hatchery and research farm in Dover Several smaller companies commenced Atlantic salmon farming in Tasmania
1986	<ul style="list-style-type: none"> Salmon farming business established by Peter and Frances Bender under the Bender family company Tassal established Tasmanian Atlantic Salmon harvested the first salmon with approximately 53t of product
1994	<ul style="list-style-type: none"> Peter and Frances Bender acquired fish farming business from the Bender family company, forming Huon Aquaculture
2002	<ul style="list-style-type: none"> Huon began marketing under its own brand (previously operated as a contract grower for other industry participants only)
2003	<ul style="list-style-type: none"> Tassal acquired Nortas (the third largest salmon producer in Australia with annual revenue of \$30m) Tassal listed on the ASX following receivership and restructure
2005	<ul style="list-style-type: none"> Huon acquired Springs Smoked Seafoods in Mount Barker, South Australia Tassal acquired Aquatas
2008	<ul style="list-style-type: none"> Huon acquired Southern Ocean Trout at Macquarie Harbour Huon secured Storm Bay offshore marine leases (200ha) Tassal acquired Superior Gold

2. Industry overview

Calendar Year	Event
2009	<ul style="list-style-type: none"> Huon established Parramatta Creek Facility to consolidate processing activities Huon's Lonnavele Hatchery commissioned
2010	<ul style="list-style-type: none"> Huon acquired 100% ownership of its Springfield Hatchery Sealord Group acquired 50% of Petuna
2012	<ul style="list-style-type: none"> State and Federal Government approved Macquarie Harbour expansion
2013	<ul style="list-style-type: none"> Huon achieved GLOBALG.A.P. accreditation, covering every input from egg to plate
2014	<ul style="list-style-type: none"> Huon joined Global Salmon Initiative (GSI)

2.2.3. Barriers to entry

The table below shows the barriers to entry across each process of the farmed salmon supply chain. When these barriers to entry (listed below) are considered in conjunction with the vertically integrated business models of the incumbent salmon producers the potential for a new entrant to enter the market is limited. Moreover there are general barriers to entry (regulatory and capital) that are relevant across the supply chain.

Process	Barrier	Commentary
Broodstock	High	<ul style="list-style-type: none"> No live broodstock can be imported into Australia due to quarantine and biosecurity laws Selecting and maintaining broodstock would technically be possible for new entrants given the selective breeding program being run by Saltas and the relatively limited infrastructure and investment required to maintain the broodstock salmon (typically in tanks or ponds) <ul style="list-style-type: none"> It is unlikely that Saltas would supply fish (and if so on what terms) to a new entrant that was not an existing shareholder If a new producer could obtain eggs or fry from existing Tasmanian sources, it would need to rear the fish to maturity to generate enough brood fish to produce sufficient juveniles for commercial scale production, which involves a long lead time
Hatcheries	High	<ul style="list-style-type: none"> No live eggs or salmon milt (sperm) can be imported into Australia due to quarantine and biosecurity laws Limited suitable rivers in Tasmania available to accommodate new flow-through hatcheries New hatcheries could be developed using recirculation technology; however, this would require significant upfront capital investment

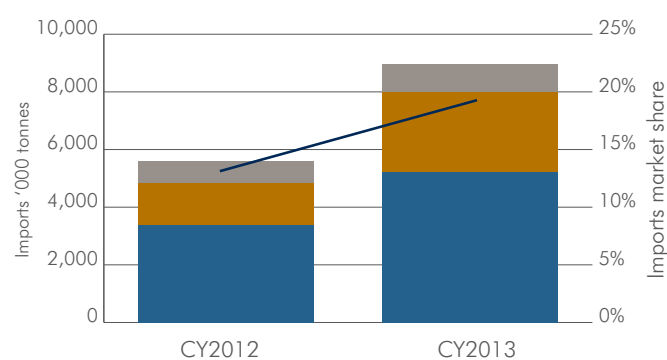
2. Industry overview

Process	Barrier	Commentary
Marine farms	Very high	<ul style="list-style-type: none"> Tasmania is the only State in Australia where salmon can be grown in net pens (too warm in the rest of the nation) Existing industry incumbents control the vast majority of marine leases There are no adequately sheltered suitable sites likely to be approved for salmon production for leasing to new possible entrants <ul style="list-style-type: none"> Remaining sites in Tasmania are either wild and exposed, located relatively far away from convenient fresh water access or have extended periods of high water temperature
Harvesting and Processing	Medium	<ul style="list-style-type: none"> Major barrier for new entrants would be their ability to access market sized salmon year round <ul style="list-style-type: none"> Incumbent producers already have strong presence in each of the channels to market Capital investment for harvesting equipment and processing equipment is high
Regulatory barriers	High	<ul style="list-style-type: none"> Tasmanian Government biosecurity and quarantine controls prohibit the importation of live fish to propagate and populate a new Atlantic salmon species
Capital barriers	High	<ul style="list-style-type: none"> A new industry entrant would need to overcome high set-up costs and long lead times between start up and first harvest (given the three year lifecycle of a salmon)

Imports

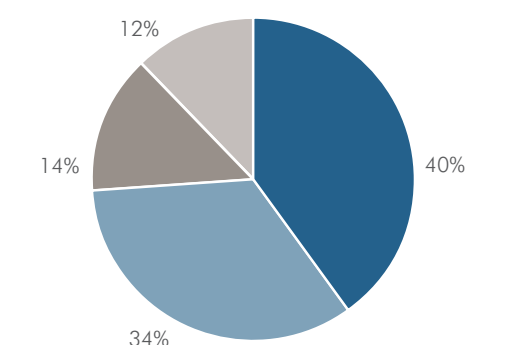
Imports of salmon into Australia represent almost 20% of domestic consumption. Imports of salmon, fresh chilled and frozen fillets and smoked salmon have all increased recently. As can be seen from the charts below, fresh or chilled fish represent a small proportion of imports due to import restrictions (Australian quarantine controls require importers to remove the heads of fish, which limits shelf life). Fish with “heads on” are a preferred product for wholesale customers, as fish quality and freshness can be gauged by the clarity of the eyes and the colour of the gills.

AUSTRALIAN IMPORTS OF SALMONIDS BY PRODUCT



■ Smoked ■ Frozen ■ Fresh or chilled ■ Imports

CY2013 IMPORTS OF SALMONIDS BY ORIGIN



■ Denmark ■ Norway ■ NZ ■ Other

Note: Excludes prepared or preserved salmon

Imports into Australia originate from the following countries:

- Denmark:** Primarily smoked salmon is imported from Denmark to Australia. Although the salmon is farmed in Norway, it is sent to Denmark for processing before being imported.
- Norway:** Imports from Norway currently make up 34% of imports. The salmon from Norway is imported as frozen portions and smoked salmon.

2. Industry overview

- **New Zealand:** Salmon from New Zealand are exempt from the quarantine controls, and these fish are typically imported as fresh HOG. New Zealand salmon is a Pacific Salmon (and not a variety of Atlantic Salmon) and has different characteristics in regard to texture and taste. Pacific Salmon production has been declining in New Zealand due to limited access to new sites, licensing issues and disease outbreak concerns. Furthermore, exports into Australia have decreased due to growing domestic demand in New Zealand.

2.2.4. Regulatory environment

Federal

The Federal Department of Agriculture maintains strict biosecurity procedures through Biosecurity Australia. These procedures prevent the import of viable salmonid biological breeding material (milt, eggs and live salmonids) into Australia, which protects Huon (and other producers) against the risk of imported pathogens and parasites from other overseas farming regions.

State

Tasmanian marine farming activities are regulated by the Department of Primary Industries, Parks, Water and Environment (DPIPWE) under the *Living Marine Resources Management Act 1995* and the *Marine Farming Planning Act 1995*. Fresh water operations and hatchery licences are controlled by the *Inland Fisheries Act 1995* and administered by the Inland Fisheries Service within DPIPWE. Water licences are controlled by the *Water Management Act 1999* and administered by DPIPWE.

A key focus of the state-based regulatory regime is to protect against potential disease outbreak, through the following measures:

- No importation of biological material
- Separately managed land-based smolt supply
- Broodstock being held in land-based facilities between which fish movement is strictly controlled; Tasmania has three grow-out regions and is split into three biosecurity zone (two of which encompass the same disease, so in effect there are two regions), between which fish movement is subject to significant regulation and control

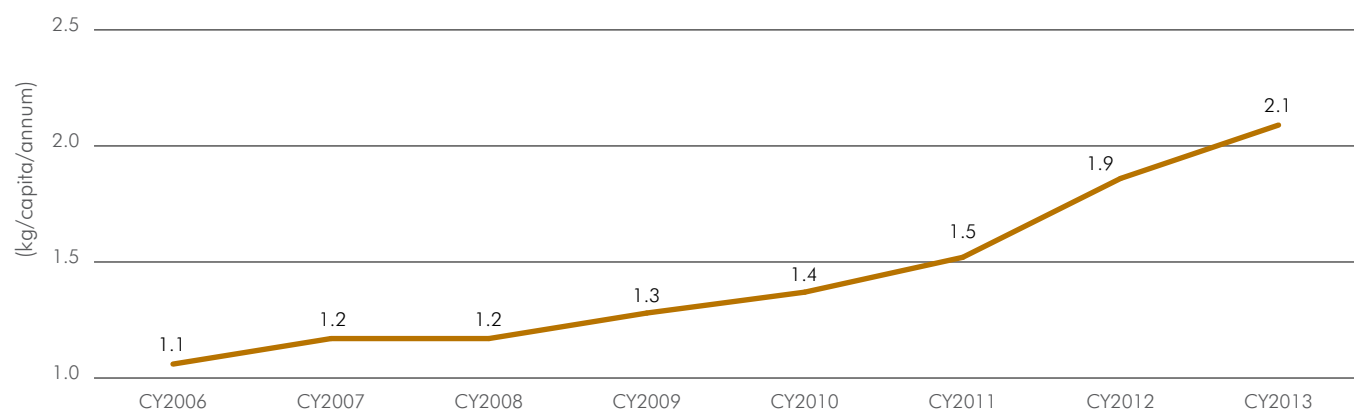
Dissolved nutrient limit

Marine farms in Tasmania's Huon River and D'Entrecasteaux Channel Marine Farming Development Plan are subject to a nitrogen cap (effectively a fish feed quota), which is monitored by DPIPWE. The Total Permissible Dissolved Nitrogen Output (TPDNO) imposes a limit on the nutrients the farms can put into the environment in these marine farming regions, to limit the impact on the environment from fish farming operations and to prevent a potential trophic change in the local ecosystem. The health of the system is monitored by the Broadscale Environmental Monitoring Program (sea bed and water quality) and by on-farm sea bed monitoring. The majority of the quota in respect of the TPDNO is currently held by Huon and Tassal.

2.2.5. Consumption in Australia

As evidenced in the chart below, consumption of salmon in Australia has increased significantly in the last several years. Per capita consumption has almost doubled from 1.06kg in CY2006 to 2.09kg in CY2013, an increase of over 97%.

DOMESTIC CONSUMPTION OF SALMONIDS PER CAPITA



2. Industry overview

One of the major reasons salmon consumption has grown so rapidly over the last several years is due to the relatively short history of the industry in Australia. Before the mid-1980s, there were no commercial salmon producers, and it was not possible to import fresh salmon into Australia due to quarantine and biosecurity restrictions.

Therefore, Huon management believes that the key factors which have underpinned the greater demand for farmed salmon in the domestic market include:

- **Healthier eating** – Consumers are increasingly becoming better informed about the benefits of healthy eating, with consumption patterns shifting towards healthier foods. The latest initiative is the identification and branding of “superfoods” – certain foods that contain specific properties pertaining to health, disease prevention and/or longevity have in recent years been classified and referred to as “superfoods” in a number of countries around the world by media, health bodies and health professionals. Salmon has been identified as one such “superfood”
- **Convenience** – Increasingly middle to high income consumers are living busy, time poor lifestyles that demand foods that are easily and quickly prepared for themselves and their families. Fresh salmon and smoked salmon are both easy and quick to prepare thereby catering for such lifestyles and demand for convenience
- **Product awareness** – Salmon has become a common part of the retail domestic market. Awareness of the product has increased due to a proliferation of cooking and lifestyle shows that have featured salmon, which has led to consumers being more comfortable with salmon and seafood more generally. Huon’s market research suggests that 37% of Australian salmon consumers are eating salmon at least once a week
- **Foreign influence** – Australians are being increasingly influenced by Asian diets, which has led to an increase in consumption of seafood including, for example, the amount of sushi and sashimi consumed in Australia
- **Availability and consistency of supply** – Wild caught fish stocks (noting that wild salmon are not present in Australia) are currently under pressure, and conventional fisheries are facing increasing production costs and regulation. Farmed seafood represents a viable solution to meeting growing consumer demand and can offer year round availability and consistency of quality and supply
- **Retailers** – The increase in demand for salmon products is underpinned by Australian retailers’ demand for sustainable and healthy foods, such as salmon. Furthermore, as consumers have become more comfortable cooking with salmon, retailers have increased the prominence of salmon within stores

2.2.6. Domestic channel mix

As seen in the diagram below, salmon is sold to the end consumer via various channels, with the primary channels being wholesale and retail.

FY2014 AUSTRALIAN SALMON CHANNEL OVERVIEW

Salmon Producer			
Channel	Wholesale Sales to wholesalers and distributors that on-sell to foodservice (cafes/restaurants), fishmongers; also includes sale of by-products to third party food manufacturers (minor)	Retail Major and independent supermarkets, as well as specialty retailers and limited online direct sales.	Export Sales outside Australia
Products	<ul style="list-style-type: none"> • HOG (fresh/frozen) • Fillets, portions and cutlets • Smoked (cold/hot) • Paté/caviar • Heads and frames (minor sales) 	<ul style="list-style-type: none"> • HOG (fresh) • Fillets, portions and cutlets • Smoked (cold/hot) • Paté/caviar 	<ul style="list-style-type: none"> • HOG (fresh)
Huon	Primary channel 83%	Secondary channel 11%	Minor channel 6%
Tassal	Secondary channel 23%	Primary channel 77%	N/A
Petuna	Primary channel	Secondary channel	Minor channel

Note: Channel allocation based on FY2014 harvest volumes

2. Industry overview

Overview of major channels

Although reliable industry data detailing the channel mix across the industry is not readily available, there are some key trends being observed:

Wholesale

Salmon supplied through the wholesale channel are primarily sold as fresh HOG, which is driven by the underlying growth in demand amongst both fishmongers and restaurants (particularly due to the increasing consumption of sushi and sashimi). Butchers, who have traditionally not sold salmon, are beginning to sell fresh HOG portions in their stores, another indication of the growing acceptance of salmon by consumers.

Huon sells the majority of its salmon through the wholesale channel, and management estimates that Huon supplies the majority of both the fresh wholesale market and the sushi and sashimi market in Australia.

The price that wholesalers pay may differ between producers, based on the quality of the product (in relation to size, colour and texture). Huon has long-term, well-established and loyal relationships with its wholesale customers. Because of this, Huon's practice is to negotiate prices that provide stability (for Huon and its customers) and reflects the long-term supply and demand scenario.

Retail

Salmon has become increasingly popular in the retail market, and retailers have increased the prominence of salmon within their stores. Generally, Australia's retail product range for salmon is significantly less than the range stocked in other developed countries (particularly Europe), where major supermarket chains have begun selling salmon as "ready meals" in modified atmosphere packaging which may contain several compartments containing different meat or vegetable dishes. For example, salmon "ready meals" may contain a portion of salmon with a sauce, a salad and potatoes. These meals typically result in higher margins for supermarkets, as consumers are willing to pay a premium for the convenience of the meal being pre-prepared. Currently, in Australia only frozen meal options are generally available.

Traditionally, Australian consumers have been resistant to buying fresh seafood products from supermarkets, however, improving store layouts and design, increasing advertising and hiring fishmongers has assisted in creating a more authentic market environment, building consumer trust and better supply chain processes to improve product freshness. Furthermore, supermarkets in Australia, similar to trends in other grocery products, appear to have a preference for private label branding of salmon products. Producers typically tender for contracts with supermarkets for a period of one to three years with no fixed volume.

As discussed in Section 3.3, currently Huon's predominant sales channel is through wholesalers, with targeted exposure to major retailers.

Export market

Traditionally, Australian producers have exported to Asian countries including Japan, Indonesia, Vietnam, Taiwan, Thailand and China. However, however, due to strong demand in the domestic market, Australian producers have been reducing their supply into these export markets.

Section 3

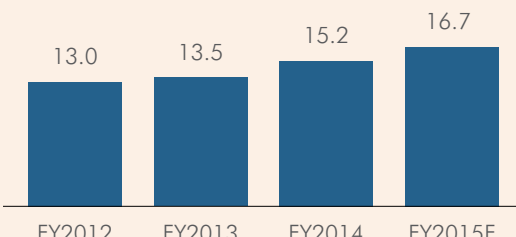


3. COMPANY OVERVIEW

3.1. Overview

Huon is the largest privately owned and vertically integrated salmon producer in Australia. Its operations span all aspects of the supply chain, from hatcheries and marine farming to harvesting and processing including an in-house engineering and fabrication capability, as well as sales and marketing. Huon's marine farms are located in the cool, pristine waters of Tasmania, with the Company's logistics infrastructure delivering salmon quickly and efficiently to the major fish markets around Australia. Huon's primary product is fresh HOG salmon, but the Company also sells a range of value added products. Additionally, the Company sells trout, although this represented less than 3% of FY2014 revenue. Huon focuses on producing the highest quality fish by implementing the Huon Method. This methodology and ethos drive Huon to produce salmon that exhibit excellent characteristics in terms of size and quality by respecting the fish and their environment.

Due to Huon's continued focus on quality, the Company has positioned itself as a premium producer of Atlantic salmon in Australia, demonstrated by its strong presence in the wholesale sector. Huon primarily sells its products to wholesalers, with approximately 11% of Huon's products sold through the retail channel to supermarkets and other retailers. Huon is seeking to increase its retail presence as profitable opportunities arise. Trading exclusively under the Huon brand label, Huon has developed long-term relationships with a range of wholesale customers through its consistent focus on quality, reliable supply and dedicated customer service.

Huon key statistics															
Operational footprint	<ul style="list-style-type: none">• Operations in Tasmania and value added processing in South Australia• Sales offices and distribution throughout Australia (with limited exports to Asia)														
Key products	<ul style="list-style-type: none">• Fresh HOG salmon• Fresh processed salmon: portions, fillets and cutlets• Smoked and cured portions and fillets: hot smoked, cold smoked and gravadlax• Gourmet products: paté and caviar														
Employees	<ul style="list-style-type: none">• Approximately 480 employees throughout Australia														
Harvest volume (m HOG kg)	<div><div>CAGR<ul style="list-style-type: none">• FY2012 – FY2014: 8%• FY2014 – FY2015: 10%</div></div> <table><tr><th></th><th>FY2012</th><th>FY2013</th><th>FY2014</th><th>FY2015F</th></tr><tr><td>Harvest volume (m HOG kg)</td><td>13.0</td><td>13.5</td><td>15.2</td><td>16.7</td></tr></table>						FY2012	FY2013	FY2014	FY2015F	Harvest volume (m HOG kg)	13.0	13.5	15.2	16.7
	FY2012	FY2013	FY2014	FY2015F											
Harvest volume (m HOG kg)	13.0	13.5	15.2	16.7											
Pro Forma revenue	<ul style="list-style-type: none">• \$133.8m	<ul style="list-style-type: none">• \$152.2 m	<ul style="list-style-type: none">• \$188.4m	<ul style="list-style-type: none">• \$214.8m	<ul style="list-style-type: none">• 14.0%										
Pro Forma Operating EBITDA	<ul style="list-style-type: none">• \$23.8m	<ul style="list-style-type: none">• \$32.8m	<ul style="list-style-type: none">• \$52.4m	<ul style="list-style-type: none">• \$53.9m	<ul style="list-style-type: none">• 2.8%										

3. Company overview

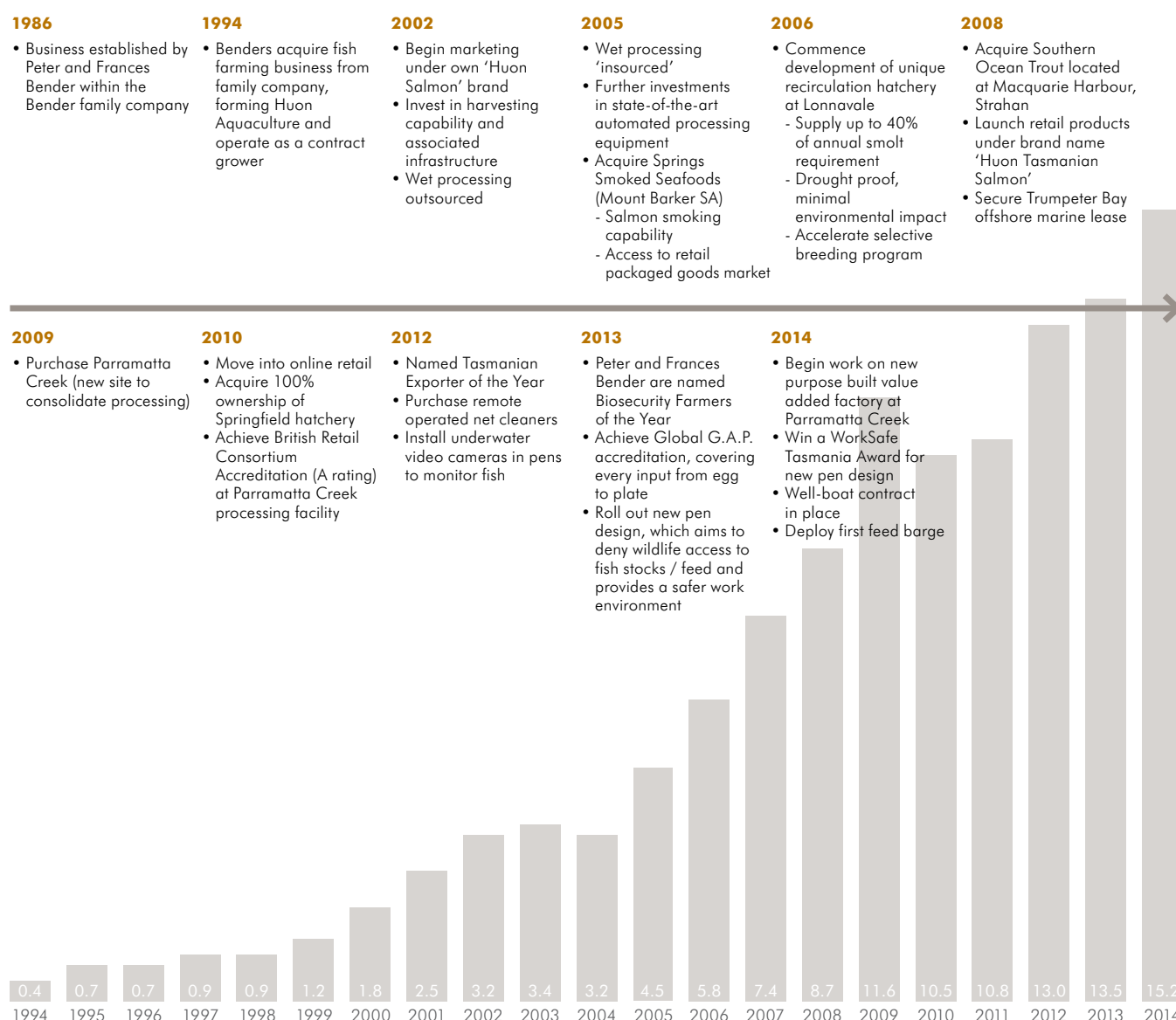
Huon is constantly improving its operations through significant R&D activities and fostering a culture of innovation within the Company. The Company invests strategically for the long-term and has developed a number of initiatives and processes that are now being used across the industry, both domestically and internationally. Huon is in the second year of a four year Controlled Growth Strategy which aims not only to increase production and improve efficiencies but also, importantly, increase the quality of the salmon produced. At the core of Huon's business is the wellbeing and quality of the fish, which has benefited from R&D and new initiatives, evidenced by the prices Huon receives for its product in the wholesale market.

Huon's strategy is centred on supplying premium fresh HOG product, which accounted for approximately 80% of revenue in FY2014. Huon also supplies salmon fillets to customers, and its value added processing facility produces fresh processed salmon (portions, fillets and cutlets), smoked and cured portions and fillets (hot smoked, cold smoked and gravadlax) as well as gourmet products (paté and caviar) for supply into the retail market and third party customers.

3.1.1. History of Huon

Huon was established in 1986 by Peter and Frances Bender, and in 1994 Huon purchased the fish farming business from the Bender family company. Since that time they have been focused on growing the Company into what is today the largest privately owned, and fully integrated salmon producing operation in Australia.

HUON'S CY KEY MILESTONES AND FY HISTORIC HARVEST VOLUMES (M HOG KG)



3. Company overview

3.1.2. Controlled Growth Strategy





Huon plans to expand production significantly beyond its current capacity through its Controlled Growth Strategy, which began in FY2014. This recognises the need to farm sustainably, minimising the impact on the environment and community, as well as improving salmon quality. Huon's growth strategy centres on the following key indicators:

- **Increasing production**
 - Huon expects production to increase over the next several years as capital expenditure initiatives are rolled out. The initiatives to increase production are underpinned by increasing consumer demand primarily within the domestic market.
- **Maintaining consistent supply across the year while continuously focusing on improving quality**
 - The Company endeavours to continuously improve the characteristics of its fish, driven by its Huon Method. As production increases, Huon aims to maintain supply of consistently sized and high quality salmon to its customers 365 days per year. Reducing the stress on salmon is critical to increase the quality of fish.
- **More efficient production practices**
 - Huon is committed to improve operating efficiencies, driven by the goal of delivering higher margins and lowering costs without compromising the high quality and consistency of its products or sustainable farming practices.

Overview of the Strategy

Huon's growth plans involve the Company spending approximately \$200m of capital through the four years to FY2017. Additionally, the Company has entered into a dry-hire agreement for a well-boat at a cost of approximately \$9m pa. Up to the time of the Offer, approximately \$80m had been spent on the Controlled Growth Strategy which commenced in FY2014. The table below summarises the key projects to be implemented throughout Huon's operations in order to ensure that the business has sufficient capacity across its supply chain.

3. Company overview

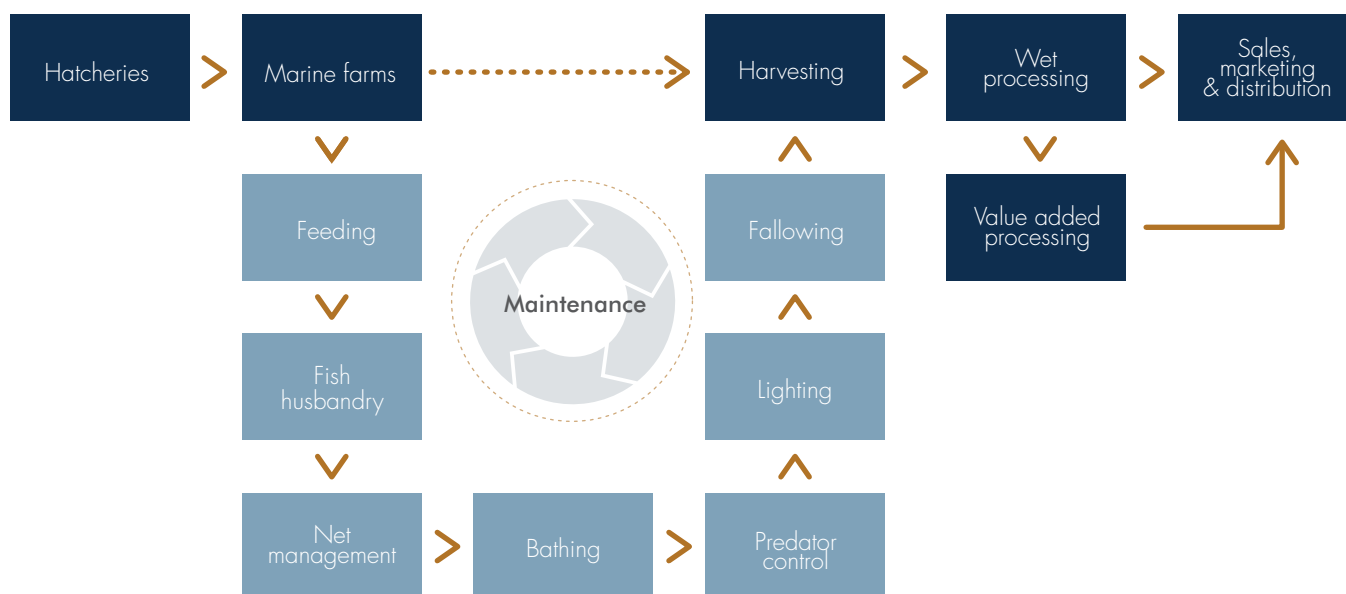
Broodstock	<ul style="list-style-type: none"> New broodstock facility 	<ul style="list-style-type: none"> Enables manipulation of spawning time, which will lead to larger and earlier smolt Improves quality and volume of eggs, leading to larger smolt Enables the production of desired fish size for the entire year 		<ul style="list-style-type: none"> New projects will increase fish size, quality and volume
Hatcheries	<ul style="list-style-type: none"> New hatchery on Huon River Derwent hatchery 	<ul style="list-style-type: none"> Greatly increase smolt capacity, size and quality and enables efficient transfer of smolt to sea Operational by FY2016 for smolt being delivered to sea pens in FY2017 Currently undergoing expansion to increase efficiency and capacity 		<ul style="list-style-type: none"> Huon's current smolt capacity is expected to increase by almost 50% (biomass)
Marine Farms	<ul style="list-style-type: none"> Macquarie Harbour Storm Bay Fortress Pens Well-boat Feed barges New logistics vessel at Strahan 	<ul style="list-style-type: none"> Site will continue to be expanded Leases will lead to improved growing conditions Expected to significantly reduce the cost of mortalities and fish stress, both leading to increased production Larger pen size will drive efficiency and provide access to high energy sites Expected to significantly reduce costs associated with bathing, harvest and smolt delivery and enable offshore farming to commence Expected to allow feeding of larger pens in higher energy sites Improves harvest logistics and increases efficiencies 		<ul style="list-style-type: none"> Huon currently utilises less than 70% of its available marine farming capacity Projects will increase production volumes and improve efficiencies, quality and consistency
Harvesting and Processing	<ul style="list-style-type: none"> Consolidated processing facility at Parramatta Creek 	<ul style="list-style-type: none"> Will combine existing operations at Parramatta Creek and Mount Barker, allowing for significant increases in processing efficiency Operational by early 2015 		<ul style="list-style-type: none"> Existing harvesting facilities are right-sized for increased production of salmon Current projects create flexible platform for future expansion

3.2. Operations

3.2.1. Overview

Huon is a vertically integrated salmon producer with operations spanning hatcheries, marine farming, maintenance, harvesting, processing, value adding, marketing and distribution. The salmon lifecycle is two to three years long, which requires the Company to plan several years in advance when assessing production forecasts. Given the lifecycle of salmon, farming is a rolling process, and at any point in time there are at least three concurrent Year Class of salmon at different stages of their growth cycle. The 2013 Year Class is expected to represent approximately 78% of the total HOG harvested during FY2015.

3. Company overview



The Huon Method focuses on producing the best quality salmon

Huon has always been committed to improving the quality of the fish, which has led to Huon being recognised as a producer of premium salmon in Australia.

Characteristics of Huon salmon		How Huon achieves this
Low stress	<ul style="list-style-type: none"> Huon maintains low stocking density levels, reducing stress, with the maximum stocking density being 12kg/m³; this is significantly lower than the U.K. RSPCA Freedom Food standard, which requires stocking density to remain below 17kg/m³; new Fortress Pens will further reduce stocking density to <8 kg/m³ Tasmania has historically had fewer losses as a result of disease than other growing regions around the world Fish handled in a low-stress manner Minimise predator interactions 	<ul style="list-style-type: none"> Very low stocking density compared to other parts of the world Selective breeding program Harvesting at night, using a humane harvest system, pioneered at Hideaway Bay Clean nets, low stress bathing methods, proactive bath treatments Huon has developed low stress methods of handling fish
Well nourished	<ul style="list-style-type: none"> Salmon grow best when they are provided quality feed at times that match their natural feeding cycle The result is a body shape which delivers optimal yield 	<ul style="list-style-type: none"> Use of adaptive feeding system developed by Huon leads to tightly controlled feeding practices so fish are fed to appetite and waste is minimised Constant and expanding research and trials to improve feed performance and effectiveness
Clean and healthy	<ul style="list-style-type: none"> Huon's sites are located in one of the world's most pristine marine environments Ensuring sites stay clean and healthy is essential to protect the marine environment, allowing fish to thrive in oxygen abundant, clean, open ocean waters 	<ul style="list-style-type: none"> Continual monitoring of water quality and sea bed health Regularly fallowing farm sites preserves the marine environment

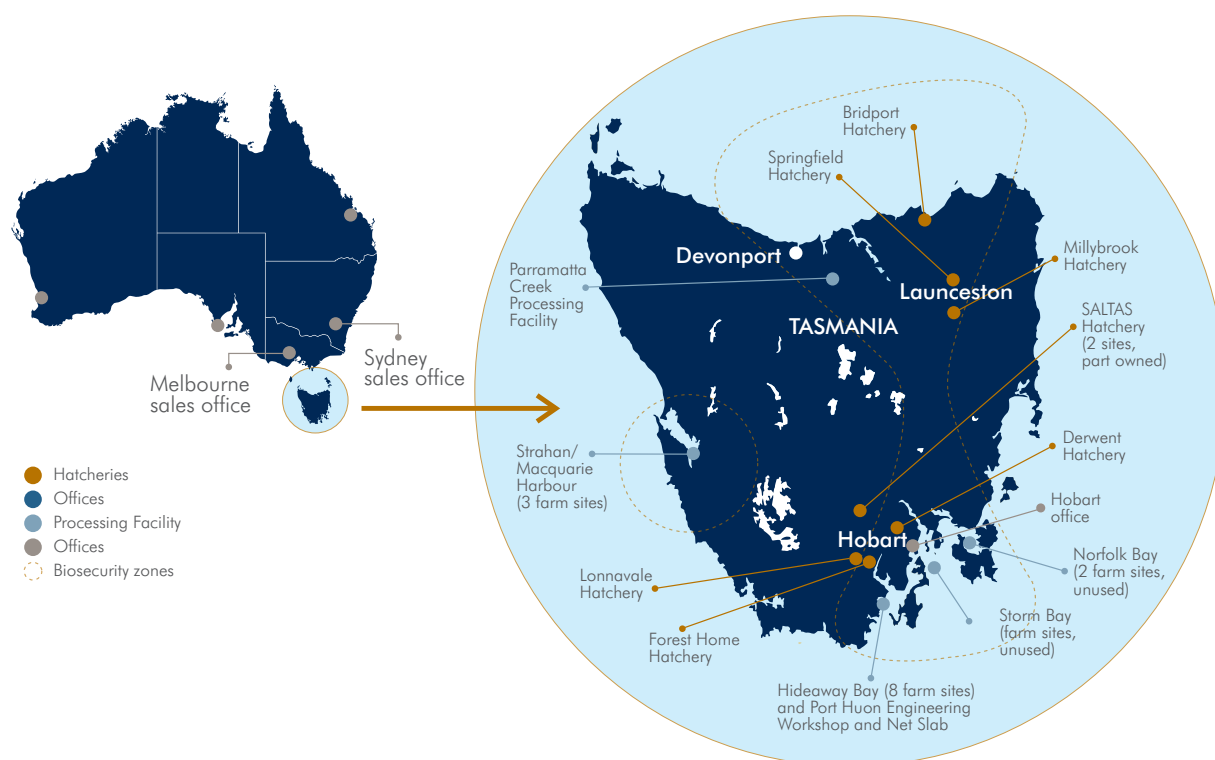
3. Company overview

Characteristics of Huon salmon		How Huon achieves this
Raised responsibly	<ul style="list-style-type: none"> Huon employees are trained to understand fish welfare and to act respectfully and responsibly, and to place the needs of the fish at the centre of operations Huon's commitment to best practice is underpinned by independent audit GLOBALG.A.P. accreditation 	<ul style="list-style-type: none"> State of the art pen design to protect fish from predators Innovative husbandry practices Compliance with Tasmania's rigorous biosecurity controls Sustainability dashboard utilised to deliver best practice and transparency on activities

3.2.2. Locations

Huon's marine farms are located in the cool, pristine waters of Tasmania. Huon's locations and unique harvesting process enable salmon to be harvested and distributed fresh and quickly to major fish markets around Australia; the closest regional markets (Tasmania and Victoria) receive produce within 36 hours of harvest.

HUON LOCATIONS



Note: Diagram not drawn to scale

3.2.3. Hatcheries

Huon currently sources smolt from several Company-owned hatcheries, two third party hatcheries, as well as one hatchery owned by Saltas (in which Huon has a shareholding). The current hatchery capacity is 4.9m smolt. The hatcheries are located throughout Tasmania on different river systems, allowing the Company to take advantage of different water and environmental conditions, providing the precise range of smolt needed to deliver consistent high quality fish all year round, as well as reducing the potential impact of disease outbreak in Tasmania, and smolt supply disruption. Huon is also constructing an additional recirculation hatchery at Forest Home on the Huon River, which will further increase the Company's hatchery capacity, as well as provide flexibility in the event of any disruptions to smolt supply.

Given the two to three year salmon lifecycle, it is important for Huon to forecast the required future harvest volumes and ensure that the hatcheries currently have sufficient salmon stock in order to meet those estimates.

3. Company overview

Once the eggs have been incubated, the fresh water growth cycle is managed in tanks until the salmon are ready to be transferred to the sea and grown into adult salmon. The number of fish put to sea is based on several factors:

- Projected domestic market growth rates
- Expected mortality rates
- Expected average harvest volumes

The hatcheries carry a large “overage” of the total fish planned to be put to sea, subject to different stages of the growth cycle. However, as the fish grow, stock numbers are reduced towards final targets by retaining the highest quality fish. Huon utilises its range of hatcheries and backs up its egg supply each year in case smolt supply is disrupted.

Lonnavale recirculation hatchery

Huon operates a recirculation hatchery at Lonnavale in southern Tasmania which produces approximately 50% of Huon’s smolt requirement each calendar year. This modern facility uses proven water recirculation technology to minimise water use. The small amount of water required for exchange on a daily basis is taken from onsite bores, which reduces the risk of pathogens and pollutants entering the hatchery from open external water sources. The small amount of waste water is irrigated to an adjoining forestry plantation. The recirculation technology minimises Huon’s environmental footprint, whilst at the same time ensuring optimal growing conditions for juvenile

fish, as the water temperature and quality are kept as close to optimal as possible all year round.

Hatchery expansion plans

Huon is planning to increase the capacity of smolt by almost 50% over the next few years through the following initiatives:

- Forest Home Hatchery: This new hatchery on the Huon River will enable efficient transfer of smolt to sea and is anticipated to increase smolt capacity by almost 50% per annum to be staggered over the next few years. Smolt size will also increase in this hatchery.
- Other improvements: Derwent Hatchery is currently undergoing expansion. Smolt size will be increasing in other hatcheries, as stocking densities will be able to be reduced.



3.2.4. Marine farms

The marine farming stage covers the salmon’s life from smolt through to harvest. As the fish acclimatise to the salt water and continue their growth phase, they are transferred into larger sea pens and moved further out to sea.

Marine leases

Huon has marine farms on both the south east (“Southern Farms”) and west coast of Tasmania (“Macquarie Harbour”), which:

- Enables Huon to grow fish all year round
- Provides a more suitable model to manage impacts of disease

Marine lease	Macquarie Harbour	Southern Farms		
				
Proportion of FY2014 production	• ~10%	• ~90%		
Name	• Macquarie Harbour	• Huon River and D’Entrecasteaux Channel	• Storm Bay	• Norfolk Bay
Sites	• 3 used farm sites	• 8 used farm sites	• 1 unused farm site	• 2 unused farm sites
Total lease size	• 230ha	• 451ha	• 200ha	• 67ha
Status	• In use • In the process of being developed	• In use and fully developed	• Not in use • In the process of being reorganised prior to use	• Not in use • Undeveloped

3. Company overview

Huon's marine leases are all valid until at least 2028, and management believes that the risk of non-renewal of marine leases is low. Huon holds all marine farming leases in its own name, with the exception of one lease (accounting for 30ha) which is subleased from a third party.

Furthermore, the Company currently utilises less than 70% of its farming capacity (by hectares farmed), and therefore has sufficient capacity to expand the production of salmon by utilising the remaining 30%, which is not restricted by the TPDNO, as per Sections 2.2.4.

Marine farming process

The key objectives of Huon's marine farming operations are to achieve:

- Consistently high quality fish
- Uniform fish size
- Year round availability

The following activities play an important role in meeting these objectives.

	Description	Huon's approach
Feeding	<ul style="list-style-type: none">• Feed is a vital component of marine farming, as it drives the development of the fish and is the single largest input cost for Huon• Fish must be fed to their optimal appetite without overfeeding to avoid waste and inefficiencies	<ul style="list-style-type: none">• Huon has invested heavily in R&D and uses trial feeding pens to understand the nutritional demands of fish reared in Tasmanian conditions; as a result, Huon has developed a deep understanding of the relative amounts and balances of each nutrient required given the range of environmental conditions that the fish are exposed to• This research has led to the development of diet specifications for each stage of the salmon's growth cycle• This has been complemented by R&D and capital investment to optimise feeding which ensures fish are fed with minimum waste• The use of adaptive feeding systems developed by Huon is a key component of Huon's feeding strategy• Trial pen system utilised to drive down reliance on marine feed inputs
Fish husbandry	<ul style="list-style-type: none">• Several aspects of the marine farming process can lead to stress in fish, such as disease, predators and environmental factors• It is important to minimise these stress elements from the farming process because they can lead to mortalities and poor quality fish	<ul style="list-style-type: none">• Operations are carefully managed to limit anything which leads to fish stress from the production process• To reduce stress levels, Huon's salmon are farmed in some of the largest open sea pens in the world to ensure that fish have sufficient room to behave normally; having low stocking densities (pens are 99% water, 1% fish) allows Huon to produce high quality fish; furthermore Huon is introducing Fortress Pens and tightly manages disease risk in order to minimise stress

3. Company overview

	Description	Huon's approach
Net management	<ul style="list-style-type: none"> Clean nets are required to allow good water circulation and maximise oxygen levels which ensure strong salmon growth 	<ul style="list-style-type: none"> Nets are routinely cleaned in-situ and changed after each Year Class of fish is removed New Fortress Pens will utilise nets made from a strong lightweight material, similar to that used in bullet-proof vests and use more effective in-situ net cleaners
Bathing	<ul style="list-style-type: none"> Bathing of the fish is required to prevent a naturally occurring amoeba which causes AGD 	<ul style="list-style-type: none"> AGD is managed by bathing the fish in fresh water eight to 10 times through the marine growth phase at Huon's southern farms <ul style="list-style-type: none"> Given the fresh water naturally present in the marine farms at Macquarie Harbour (enabling the fish to bathe themselves), salmon in these marine farms are not susceptible to the adverse effects of AGD The selective breeding program assists in developing AGD resistant fish Huon has developed its own proprietary fish transfer systems to transfer fish from the sea water into fresh water for bathing; these systems are designed to minimise stress, ensure virtually zero mortality and allow fish to come back onto feed quickly, maximising welfare and minimising lost growth The well-boat recently contracted by Huon will further optimise the bathing process by: <ul style="list-style-type: none"> Using the latest technology in fish handling systems to safely speed up the bathing process Improving the efficiency of fresh water use Reducing transfer times for fish moving from grow-out sites to the harvest station
Predator control	<ul style="list-style-type: none"> Seals are a natural predator to fish and can cause significant losses by eating fish, creating holes in nets and stressing the fish 	<ul style="list-style-type: none"> Huon places great importance on preventing fish loss due to predators Current roll-out of in-house developed Fortress Pens features a novel (in part patented) design and new materials designed to: <ul style="list-style-type: none"> minimise risk of seal related mortalities modify predator behaviour to reduce interactions that result in fish being harassed and stressed
Lighting/ photoperiod management	<ul style="list-style-type: none"> When salmon become sexually mature, growth slows, skin darkens, and the flesh quality is significantly degraded The onset of maturity in salmon is directly triggered by changes to day length at certain stages of the fish's development (photoperiod) 	<ul style="list-style-type: none"> To control the onset of maturity, Huon uses artificial light in its hatcheries and open sea pens to modify the day length experienced by the fish at specific times This assists Huon to harvest premium quality non-mature salmon all year round

3. Company overview

	Description	Huon's approach
Site utilisation and fallowing	<ul style="list-style-type: none"> Farming activities can impact the sea bed through the build-up of waste 	<ul style="list-style-type: none"> Huon only uses each of the marine sites for part of the year During the resting (fallowing) period, the natural processes in the sea bed break down any organic debris such as faeces which have settled beneath the pens Huon is introducing high energy sites which are less impacted by waste build-up

3.2.5. Key costs

Feed

As Huon buys feed from a number of suppliers, Huon is able to ensure a consistent and secure supply of feed. The feeding trials Huon conducts have enabled the development of a number of feeding formulations that could be implemented if the price of certain raw inputs increased or there were supply disruptions. This enables the formulation to be changed without material adverse effects to the growth and health of the fish.

In FY2015, Huon will incur higher feed costs due to a change in diet of the fish. Based on previous feeding trials, Huon identified a higher energy formulation which is expected to lead to more efficient growth, resulting in higher average weights of fish in the sea pens and better feed conversion ratios (a measure of the salmon's efficiency in converting feed mass into increased weight).

Mortalities

Fish are susceptible to mortalities through predators (such as seals), bacteria, viruses, parasites and environmental factors (such as jellyfish and algae blooms). Huon continually seeks to reduce mortalities and has a number of strategies to do this.

Seals

In order to limit the impact of seal predation, Huon is currently constructing and installing internally developed Fortress Pens. These pens have a double net system, and nets are made from a strong lightweight material, similar to that used in bullet-proof vests. Over 25 of these pens have been rolled-out across the marine farms to date, with completion due by the end of CY2016. Following initial roll-out and a number of trials, Huon believes that the direct and opportunity cost of mortalities will significantly reduce over the next several years.

Diseases

Huon has undertaken a number of initiatives to manage the outbreak of disease and viruses such as employing full-time veterinarian resources and implementing a whole-of-chain biosecurity plan to cover all stages of fish production. Other key programs include:

- Vaccine use:**
 When potential disease organisms are found, an assessment is made of the potential impact of the organism and whether it is a candidate for vaccine development to prevent infection. Currently, Huon vaccinates all fish in the fresh water hatcheries against *Yersinia ruckeri* infection (Enteric Redmouth). All fish that go to the west coast farms receive an injection vaccination against *atypical Aeromonas* and *Vibrio bacteria* that are found in Macquarie Harbour.
- Health monitoring:**
 Huon employs a dedicated fish health team, all of whom are academically qualified and experienced in fish welfare and disease diagnosis. Every dead fish removed from the pens is inspected and categorised, assisting in the early detection of any disease in the populations.
- Ongoing research:**
 Huon is actively engaged in independent and collaborative research projects with domestic and international partners to improve the health outcomes of their fish.
- Quality management:**
 Huon also manage risks through continuous improvement in quality management procedures. Huon has recently achieved GLOBALG.A.P. accreditation, which is a third party audited quality system that requires the Company to identify, measure and reduce risks to the business in order to obtain the accreditation.
- Whole-of-chain biosecurity plan:**
 In CY2012, Huon implemented a whole-of-chain biosecurity plan in order to cover all stages of fish production. As a result of Huon's activities to increase biosecurity practices in its operations, the Company, under the leadership of Peter and Frances Bender, was recognised as the Australian Biosecurity Farmer of the Year in CY2013 – the first aquaculture company ever to win the award.

3. Company overview

- Industry experts:

Huon utilises the services of international experts and the Tasmania Fish Health Unit (a State Government facility) for health screening of uncategorised mortalities in order to monitor any emerging diseases.

Environmental factors

- Environmental factors such as warm water temperatures can lead to increased mortalities. Cool water is optimal for salmon, and mortalities increase when water temperatures rise too quickly. Huon has developed a number of strategies either to improve resilience or to reduce the stress of the fish, which helps salmon cope with these events.
- Use of the selective breeding program develops fish which are more resilient.
- There are a number of specific initiatives that Huon develops to reduce stress, including:
 - Low stocking density in its pens
 - Innovative bathing techniques (well-boat, large fish pumps, fish transfer systems)
 - Fortress Pens (the presence of seals stresses the salmon even if the seals cannot access the fish)

Jellyfish and algae blooms

The presence of jellyfish and outbreaks of algae blooms can also lead to increased mortalities. Huon has developed improved response plans when significant exposure to jellyfish occurs in individual pens, thereby reducing the impact of jellyfish. Huon regularly samples the water and tracks weather conditions at specific times of the year when algae blooms are more prevalent or likely, to ensure that early warning signs are detected. If toxic algae do occur in marine farms, Huon can either use devices to aerate and move the water or tow the pens to a different location in the marine farm.

3.2.6. Harvesting

After the 12 to 18 month sea water growth period, the salmon are ready for harvest. Fish are harvested at night, as Huon management experience has shown that the fish are more relaxed at this time, which improves flesh quality. The fish are then processed quickly (pre-rigor) to ensure that they are delivered to market as fresh as possible. Logistics are coordinated to enable fish to be delivered to mainland markets very quickly post-harvest. The closest regional markets (Tasmania and Victoria) receive produce within 36 hours.

Huon's harvesting system involves transferring the fish from their holding pens up to a purpose-built harvest tank, in a manner that mimics the natural movements of salmon. In the wild, salmon tend to swim upstream into a current. In providing conditions that mimic their natural environment, the Huon Method of harvesting reduces stress in all

harvesting operations. As the fish swim naturally into self-selected channels in the harvest tank, they are automatically stunned by a percussive blow using an U.K. RSPCA fish welfare-accredited system developed in collaboration with Huon on its farms. Immediately after being stunned the fish are bled; it takes less than one second for the fish to go through this part of the process. As a result of Huon's diligent approach to farming and harvesting, Huon salmon have very little blood spotting compared with the fish of other salmon producers. The fish are then placed in an ice slurry ready for transport to the wet processing facility at Parramatta Creek. The fish rapidly chill in the purpose-designed recirculating ice slurry tankers on the way to the processing plant.

3.2.7. Processing

Current operations

Primary (wet) processing

Huon's wet processing facility is based at Parramatta Creek close to the ferry terminal in Devonport. All Huon fish are transferred to the wet processing facility post-harvest. Pre-rigor, each fish is gutted, cleaned, weighed and packed into ice-filled polystyrene boxes for distribution into domestic and export markets. These fish are known as HOG salmon and are delivered to mainland markets via the Devonport ferry for national and international distribution. Salmon is also prepared at Parramatta Creek for certain customers upon request, and processed into fillets, packed into ice boxes and shipped to Mount Barker for further value added processing.

At the processing facility, fish are sorted into grades in order to optimise the potential value of every harvest.

- The best fish, "Grade A", are allocated to wholesale HOG
- Lesser quality fish, "Grade B", are used for value added products
- By-products are on-sold to industrial customers

The Parramatta Creek facility processes salmon all year round and has a British Retail Consortium (BRC) "A" Rating.

Value added (secondary) processing and packaging

Huon's value added facility is currently located at Mount Barker in South Australia. Fillets are transported from Parramatta Creek to the Mount Barker facility. Approximately 7% of salmon go to the value added facility, which operates all year around.

The facility is capable of processing over approximately 1,400 tonnes of fish per year, converting fillets into a range of products including:

- Skin-on or skin-off fillets
- Plain or flavoured hot smoked portions
- Plain or cured cold smoked salmon

3. Company overview

- Gravadlax
- Paté
- Caviar

Huon places great pride in the capabilities of its value added facility and the skill it utilises in producing value added products. It has developed unique and proprietary methods and recipes for smoking, curing and processing fish in order to ensure that the products are of the highest quality. Huon's value added products have won several awards including:

- 2012 Reserve Selection Gravadlax "Champion Seafood" (Royal Hobart Fine Food Awards)
- 2014 Reserve Selection Whisky Cured Cold Smoked Salmon and Reserve Selection Banquet rolls – "Gold medal" (Royal Hobart Fine Food Awards)

New processing facility at Parramatta Creek

Huon is currently constructing a new purpose-built processing facility at Parramatta Creek which will combine the existing value added and wet processing facilities. The new facility is located on the same site as the existing wet processing facility, enabling Huon to produce all fresh HOG and value added products at one site. This will allow for improved operational efficiencies between primary processing and value added, and enables longer-term capacity growth.

The new processing facility is being supported by \$5m of Government grants. \$3.5m is being offered by the Federal Government and \$1.5m by the State Government, both acknowledging the significant creation of jobs the new facility will generate. The new building is expected to be completed in December 2014, with operations targeted to commence by February 2015.

The wet component of the facility already has the BRC "A" Rating, and Huon intends to apply for the accreditation in respect of the value added facility immediately after it opens and becomes operational.

Food safety

Huon also has a food safety department, which constantly monitors hygiene conditions. The focus of this team is at the processing facilities; however, the team also regularly inspects all of Huon's operating sites.

Huon manages the food safety risk by:

- Having a team of food safety personnel who test and continually monitor the health and hygiene of fish whilst they are in the hatchery, at sea, being harvested and processed
- Implementing quality review procedures during processing, including daily swabs testing for *Listeria*

- External audit of operations systems by BRC Global Standards and HACCP
- Maintaining insurance cover against any third party claim where appropriate and cost effective to do so

3.3. Sales

3.3.1. Channels to market

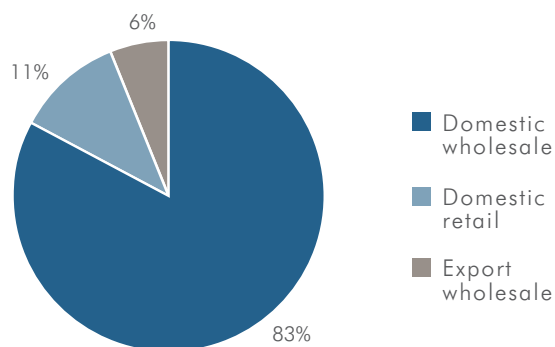
The domestic market is Huon's focus and represented 94% of FY2014 revenue. Exports have decreased in recent years as the domestic market continues to grow, and the prices that Huon achieves domestically significantly exceed export prices. Despite this, Huon has established strong relationships with niche wholesalers in key Asian markets evidenced by strong export price growth in FY2014 and believes that this channel could be utilised selectively if conditions in the domestic market soften.

Within the domestic market, Huon focuses on the wholesale channel, which represented 83% of Huon's harvest volumes in FY2014. This is due to the higher margins Huon typically achieves relative to the retail channel. Huon expects that the wholesale channel will continue to represent a large proportion of Huon's revenue.

Despite the retail channel contributing only 11% of Huon's harvest volumes in FY2014, Huon has increased volumes to the retail segment significantly since FY2012. Huon currently supplies fish to several major retailers and is continuing to explore further profitable opportunities in this channel as they arise. Huon has also begun selling a select range of its value added products direct to customers via its website.

OVERVIEW OF FY2014 CHANNEL MIX

Based on harvest volume

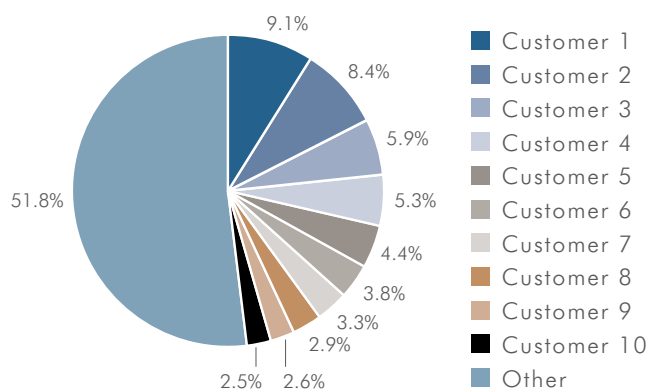


3. Company overview

3.3.2. Customers

Huon has a broad customer base, with no single customer accounting for more than 10% of FY2014 revenue.

TOP 10 FY2014 CUSTOMERS BY REVENUE



A key highlight of Huon's success has been its ability to build deep and enduring relationships with its key customers. This is demonstrated by the fact that Huon's top five customers, and 13 of its top 15 customers, have been with the Company for at least five years. Huon is committed to maintaining relationships with its key customers and also ensuring the highest level of customer service across its sales base.

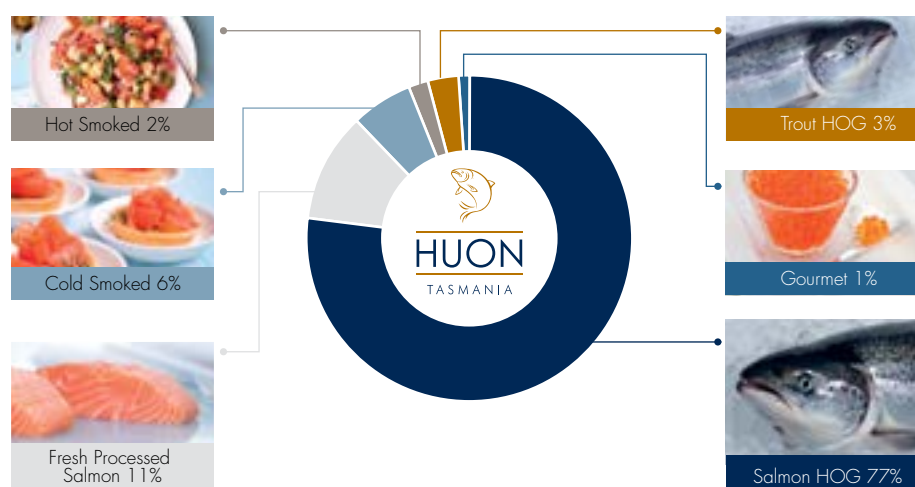
The Company has not historically focused on the supermarket majors, although it will pursue selected opportunities with the major retailers that align with its overall strategy, and currently has relationships with:

- Aldi
- COSTCO
- Woolworths
- Coles

3.3.3. Products

Huon produces a wide range of high quality salmon and trout products for both the wholesale and retail markets.

FY2014 PRODUCT MIX BY REVENUE



HOG product

Huon's product strategy revolves around the high margin, premium fresh HOG product, which accounts for approximately 80% of total revenue. Wholesalers typically buy salmon whole as fresh HOG to maximise shelf life, and on-sell to fishmongers and into foodservice channels, where salmon is supplied to restaurants, cafes, takeaways, (especially sushi and sashimi focussed establishments) and caterers, where salmon is then filleted and portioned in line with customer preferences.

In the wholesale market, Huon is focused on delivering a premium HOG offering of superior size and quality, with firmer and better conditioning, resulting in higher yield and brighter flesh colour to suit customers' demands.

Value added products

Huon also supplies its value added processing facility to produce a wide range of consumer products in both salmon and trout:

- Fresh processed: fillets, portions and cutlets
- Smoked and cured portions and fillets: hot smoked, cold smoked and gravadlax
- Gourmet products: paté and caviar

Huon's value added products follow a typical "good, better, best" pyramid, meeting the needs of consumers at various price points.

3. Company overview

VALUE ADDED PRODUCT RANGE



3.3.4. Pricing

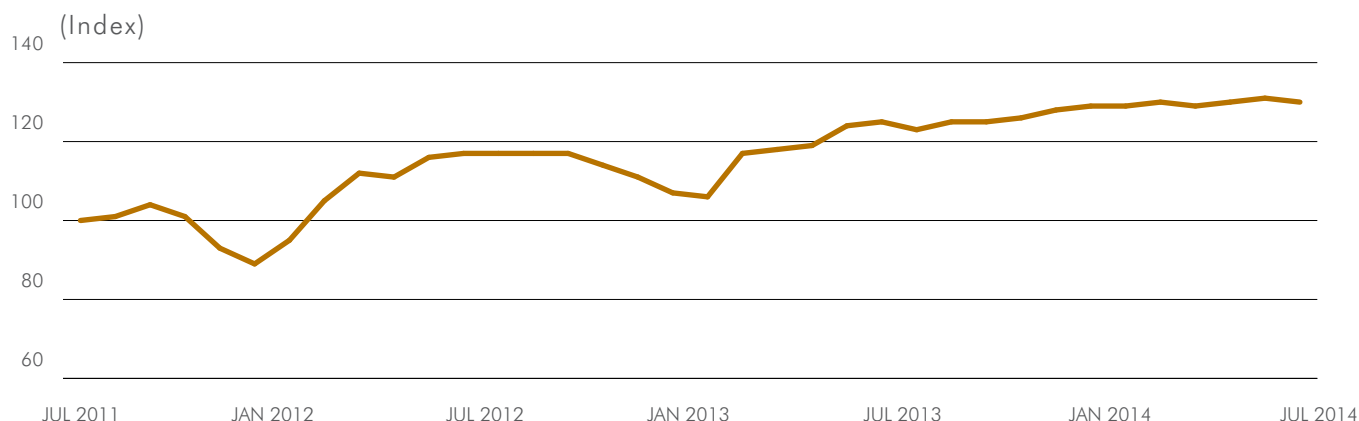
The average salmon price Huon receives per kg has grown steadily since FY2012, with a CAGR of 10% reflecting the continued demand from the domestic market. This price represents a blend of domestic wholesale, domestic retail and export wholesale prices. The domestic wholesale price for salmon has been significantly higher than the export price, which has led to Huon favouring domestic channels over exports.

Huon has long-term relationships with its wholesale customers. As a result, the price Huon offers to wholesalers is relatively stable, even though there are no long-term pricing contracts. The Company consistently receives a premium for its fish based on the consistent quality, higher flesh quality (colour and less gaping) and external fish appearance.

In the retail market, Huon tends to lock in prices with customer contracts, typically lasting at least 12 months.

As discussed in Section 2.1.2, although Huon's prices are influenced by world salmon prices, the average price that Huon has achieved per month has been very stable over the last several years due to the significant decline in export volumes. Furthermore, the Company also has established relationships with a few key international wholesalers who are willing to pay a premium above average export prices for Huon's high quality fish. As discussed above, the vast majority of salmon is sold through the wholesale channel, which has experienced only minor pricing changes over FY2013 and FY2014.

HUON HISTORIC BLENDED PRICE



3. Company overview

3.4. Marketing

Huon's sales and marketing team is coordinated from Melbourne, Australia, and the Company has sales representatives located in every State apart from the Northern Territory

The team comprises the following areas:

- Wholesale
- Retail (supermarket focus)
- Exports/by-products
- Marketing and community engagement

Huon products are marketed nationally and internationally under the "Huon" brand name, recognised for its quality both within the HOG and the value added market.



3.4.1. Brand initiatives

Huon's overall marketing objectives are to significantly increase brand awareness in Australia and position Huon as "the best" in the minds of consumers to achieve a sustainable price premium over competitors. The brand positioning is underpinned by the Huon Method and supported by world class accreditations.

To achieve these objectives, Huon's marketing program has four key elements:

- Build Huon brand presence at the point of purchase by way of point-of-sale and merchandising materials, product branding, product sampling and demonstrations
- Differentiate Huon from major competitors
- Educate consumers about salmon, (primarily cooking tips, recipes and health benefits)
- Increase availability of salmon through new channels and new products to further stimulate consumption

Huon's recent marketing initiatives have included:

- Launch of the Reserve Selection online premium product range in CY2012
- Fuelled by Huon Cycling sponsorship and Tour de France SBS media campaign in CY2013
- Huon Master campaign planned for FY2015
- "Jamie's Ministry of Food" Food Centres product sponsorship and "Jamie's Ministry of Food" Pop Up sponsorship in CY2014
- Launch of Huon's online Sustainability Dashboard in CY2014 which elevated Huon's transparency on activities
- Ongoing reinforcement of Huon product and brand awareness through social media channels and contribution to food social media generally

Huon has also conducted farm open days in the past to promote transparency and understanding of salmon farming with the most recent event (held in March 2014 at the Company's Port Huon base in Tasmania) attracting approximately 5,000 attendees.

3.5. Accreditations

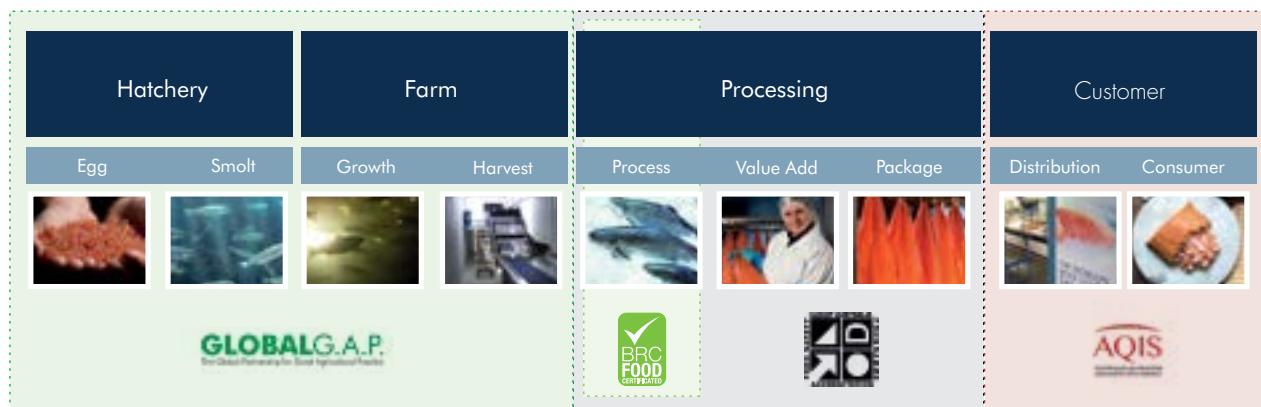
Huon holds several international certifications that cover the Company's entire process, and are of great importance and pride to the business. These include everything from world class farming certifications to strict packaging and food safety standards. Huon has always striven to implement marine farming and processing practices recognised globally as best practice, and accreditations from industry bodies reiterate to the Company, customers, employees and other stakeholders that Huon is safely and efficiently operating the business. Accreditations from respected third parties are also a testament to Huon's focus on quality and:

- Are an indication of Huon's performance against other leading salmon producers, nationally and internationally
- Inspire customer confidence in Huon's farming methods and in the quality of products
- Ensure that Huon remains focused on continuously improving operations, by providing impartial assessment of capabilities

3. Company overview

Huon maintains the following accreditations.

PRODUCTION PROCESS



MANAGEMENT SYSTEMS

	Conservation, Environmental & Biodiversity Management	Fish welfare, Husbandry & Management	Hygiene,waste & Pollution Management	Occupational Health & safety	Record keeping & Site management	Food safety	Traceability	Complaints
GLOBALG.A.P.	✓	✓	✓	✓	✓	✓	✓	✓
BRC FOOD SAFETY CERTIFIED			✓	✓	✓	✓	✓	✓
ISO 22000			✓	✓	✓	✓	✓	✓
AQIS					✓	✓	✓	✓

3.6. Huon vision and growth plans

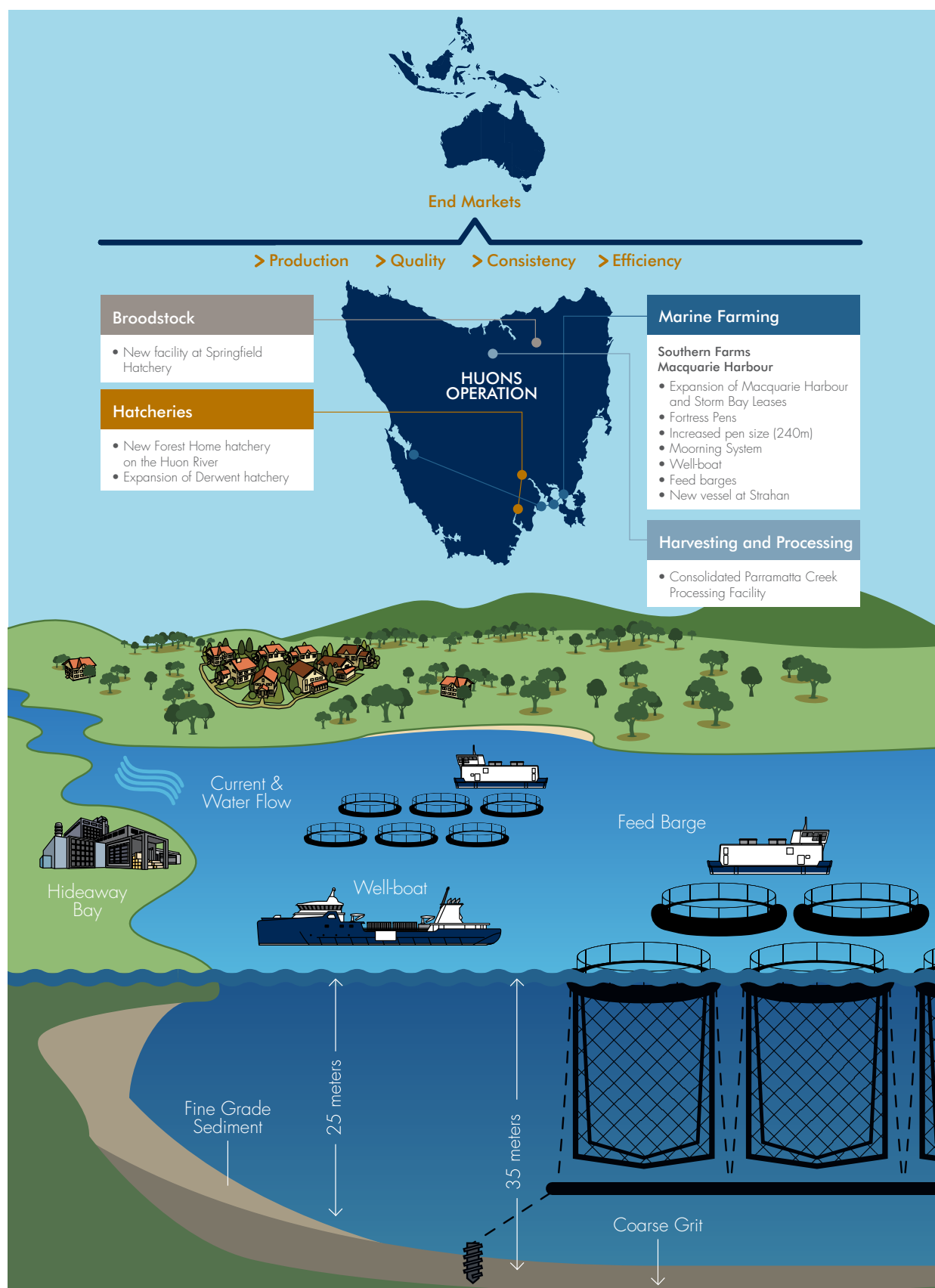
Growth and continuous improvement are essential elements to Huon's strategic vision, and the Company has a strong track record of delivering large-scale growth projects requiring significant capital expenditure. With the funds raised from the Offer, Huon plans to expand production significantly beyond its current capacity under a Controlled Growth Strategy guided by six key principles:

1. Increasing production to meet growing customer demand, responsibly and safely, while improving efficiency of farming practices and quality of fish
2. Improving the health and welfare of fish
3. Improving safety for Huon workers
4. Reducing the Company's environmental footprint
5. Continuing to positively participate in the community
6. Producing world class salmon products in Tasmania

Due to the nature of salmon farming, the business needs to be appropriately sized across the supply chain so that there are no bottlenecks in any area of operations.

3. Company overview

CONTROLLED GROWTH STRATEGY KEY PROJECTS ACROSS HUON'S SUPPLY CHAIN



Note: Diagrams not drawn to scale; only growth sites represented on map

3. Company overview

Huon has a number of capital projects, both ongoing and planned, and expects production to increase over the next several years as these capital expenditure initiatives are rolled out. Huon's Controlled Growth Strategy involves the Company spending approximately \$200m of capital from FY2014 to FY2017. Up to the time of the Offer, approximately \$80m have been spent. The Company is also entering into a dry-hire agreement for a well-boat at a cost of approximately \$9m pa. The initiatives to increase production are driven by increasing consumer demand, primarily within the domestic market.

Huon's objective is to achieve a return on incremental capital invested of 20%. However, this is a benchmark used by management for financial planning and no guarantee can be given that such return will be achieved on the capital invested in any project.

The table below outlines the key projects that form Huon's Controlled Growth Strategy:

Project	Description	Expected benefits	Total cost (A\$m)	Completion
Broodstock	<ul style="list-style-type: none"> Development of new broodstock facility at Springfield Hatchery 	<ul style="list-style-type: none"> Allows temperature control and photoperiod manipulation of broodstock to support the advancement of ova development and spawning times This will allow Huon to have better sized fish at the beginning of the new Year Classes (through having larger smolt to put to sea earlier during the February to March period) Also provides higher quality smolt throughout the year 	<ul style="list-style-type: none"> ~\$1m 	<ul style="list-style-type: none"> FY2015
Forest Home	<ul style="list-style-type: none"> Huon is constructing a large recirculation hatchery on the Huon River 	<ul style="list-style-type: none"> Hatchery will increase smolt capacity by almost 50% Produce larger and better quality smolt Will enable efficient transfer of smolt to sea Will replace more expensive contract hatcheries 	<ul style="list-style-type: none"> ~\$25m 	<ul style="list-style-type: none"> Operational by FY2016 for smolt being delivered to sea by FY2017
Macquarie Harbour	<ul style="list-style-type: none"> Huon secured 120ha of new lease area in the Macquarie Harbour production region in 2011 	<ul style="list-style-type: none"> Increased biomass from 2013 and 2014 salmon Year Classes Assist in smoothing Huon's harvest volumes across the year 	<ul style="list-style-type: none"> Costs largely captured in Fortress Pens, moorings and feed barges 	<ul style="list-style-type: none"> The first increased harvest from new sites will be in FY2015

3. Company overview

Project	Description	Expected benefits	Total cost (A\$m)	Completion
Fortress Pens	<ul style="list-style-type: none"> Huon is developing Fortress Pens to reduce predator risk for fish at sea Size of the pens will be 168m and 240m in circumference compared with existing 120m and 168m pens New pens are being rolled out now, and the roll-out is expected to be completed in CY2016 <ul style="list-style-type: none"> Existing 120m pens will be phased out 	<ul style="list-style-type: none"> Double net system keeps seals further away from fish Improved OH&S <ul style="list-style-type: none"> Keeps staff away from seals Staff will have fully enclosed walkways which will decrease slips Both nets can be cleaned "in-situ", so there will be no need for anti-fouling coating of nets onshore Opportunity to move marine farms further offshore Efficiency gains through fewer and larger pens Wider, deeper nets increase space for fish Also allow for the introduction of automated retrieval systems for dead fish in nets, to reduce diving requirement 	<ul style="list-style-type: none"> ~\$80m 	<ul style="list-style-type: none"> All pens to be deployed by CY2016
New Mooring Systems	<ul style="list-style-type: none"> New mooring systems to handle Fortress Pens and larger 240m pens at more exposed sites 	<ul style="list-style-type: none"> Improved risk management Enables farming on offshore sites 	<ul style="list-style-type: none"> ~\$10m 	<ul style="list-style-type: none"> To be deployed across marine farms by FY2016
Well-boat	<ul style="list-style-type: none"> Huon has secured a long-term lease over a 75m long well-boat (with 3,000m³ holding capacity), the first of its kind to be used in aquaculture operations Will have three key functions <ul style="list-style-type: none"> Bathing fish: able to conduct multiple baths per day Transporting fish to harvest facility Moving smolt 	<ul style="list-style-type: none"> Likely to eliminate approximately 1,125 tows of fresh water annually and the large canvas liners required to supply this water Replaces existing bathing operations (and associated staff and infrastructure) Provides more efficient and less stressful bathing of the fish, leading to lower mortality and improved feed conversion ratio Allows offshore farming at higher energy sites to commence Will move fish at ~12 – 14 knots compared to the 1 – 2 knots used by tow boats, reducing risk and reducing noise pollution Re-uses fresh water 	<ul style="list-style-type: none"> \$9m pa (operating cost) 	<ul style="list-style-type: none"> Will arrive at Huon in CY2014

3. Company overview

Project	Description	Expected benefits	Total cost (A\$m)	Completion
Feed barges	<ul style="list-style-type: none"> Huon is constructing multiple 320t feed barges to support sea operations (1 – 2 weeks of feed) New barges will be able to feed up to 24 pens of fish adaptively (ie the fish choose when and how much they want to feed) Feed is spread better throughout the pen utilising the Huon-designed spreading system, and automated and monitored by video sensors 	<ul style="list-style-type: none"> Increases efficiency with feed logistics so that Huon can operate its farms with one feed transfer vessel per region (no need to fill individual bins) Enables Huon to deliver feed consistently to high energy (remote and exposed) locations Improved spreading of feed throughout the pen and video sensors which control release of feed to optimise feeding that result in better growth, reduce waste and improve size consistency Provides a safer work environment and allows experienced fish feeders to focus on feeding fish rather than maintaining feed hoppers 	<ul style="list-style-type: none"> ~\$35m 	<ul style="list-style-type: none"> New feed barges will be rolled out over the next three years
Captain Bill	<ul style="list-style-type: none"> New harvest, feed and smolt vessel 	<ul style="list-style-type: none"> Allows more efficiency in harvesting fish Ability to transfer 180t of feed at a time to feed barges More efficient transfer of smolt to farming sites 	<ul style="list-style-type: none"> ~\$5m 	<ul style="list-style-type: none"> Acquired FY2015 Settlement of the contract has occurred, and no proceeds from the Offer will be used in connection with payment of the purchase price for this vessel

3. Company overview

Project	Description	Expected benefits	Total cost (A\$m)	Completion
Consolidated Parramatta Creek Processing Facility	<ul style="list-style-type: none"> Huon is consolidating its Mount Barker value added processing facility into the existing Parramatta Creek site 	<ul style="list-style-type: none"> Increased capacity (will be able to process projected increase in volumes resulting from other initiatives in the Controlled Growth Strategy) Lower combined overhead costs across all facilities Improved operational efficiencies between primary processing and value adding Remove handling, packaging and freight costs to ship fillets to Mount Barker Provide a facility to better manage waste water and biosecurity issues Future new product developments Establishment of oil and protein extraction plant for waste products 	<ul style="list-style-type: none"> ~\$20m 	<ul style="list-style-type: none"> Huon acquired site from Bender Family in CY2014 Building completed in CY2014 Move operations in H2 FY2015
Other	<ul style="list-style-type: none"> Various projects across Huon's supply chain 	<ul style="list-style-type: none"> Feed storage infrastructure Bathing equipment Support boats for marine operations Additional infrastructure for enlarged operational footprint Hatchery projects (Meadowbank, Springfield, Bridport, Millybrook) 	<ul style="list-style-type: none"> ~\$25m 	<ul style="list-style-type: none"> FY2017

3. Company overview

3.7. R&D at Huon

Huon has a strong track record of commitment to innovation and improving farming practices through R&D which, combined with its focus for investing in the long-term, has been a very important factor in Huon's successful growth, efficient operations, sustainability and high quality fish.

Huon invests significant resources and human capital into its R&D program, which includes an in-house R&D capability and an extensive network of strategic collaborations both within Australia and internationally.

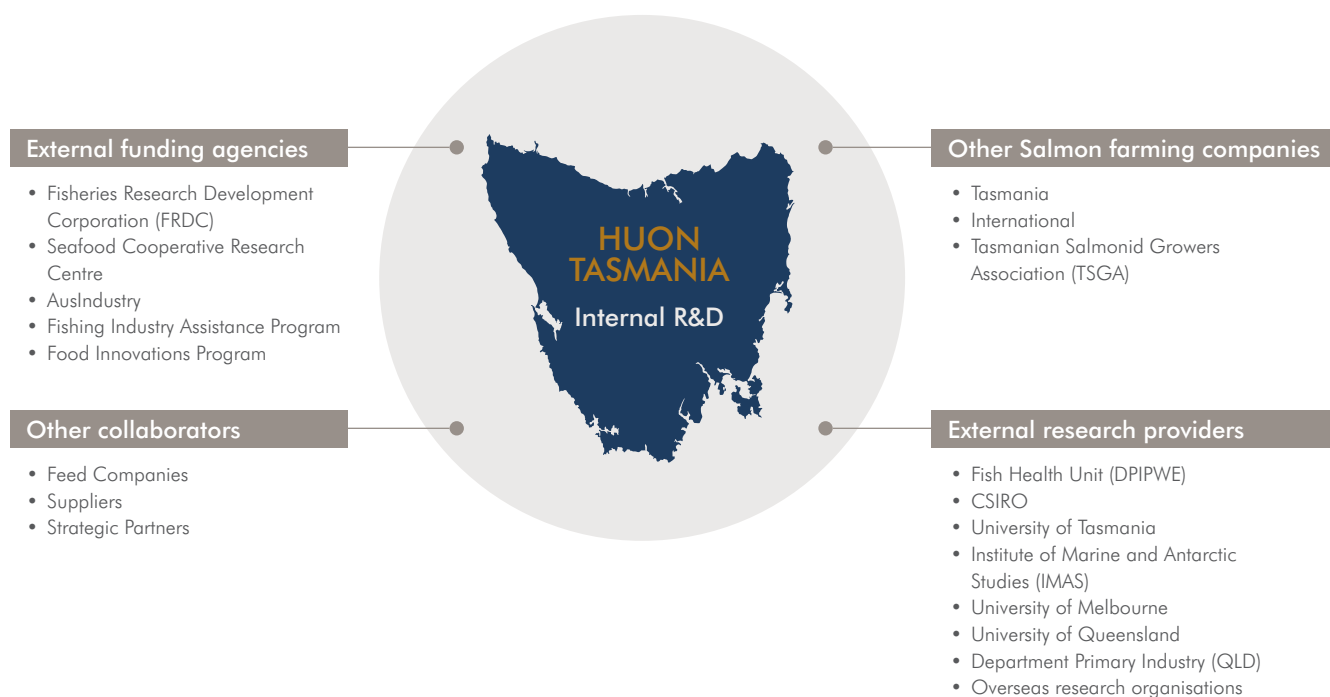
Huon's R&D program is focused on delivering outcomes across the following areas:

- Increasing production
- Improved quality
- Increased efficiency
- Preservation and enhancement of the Company's operating environment

Huon R&D capability	
Project development and prioritisation	<ul style="list-style-type: none">• Projects are developed through consultation between key Huon staff• Extensive external collaboration and networks
Staff	<ul style="list-style-type: none">• Over 30 university graduates on staff (three PhDs), many with extensive R&D experience• Over 35 published scientific papers by staff
Facilities	<ul style="list-style-type: none">• 34 trial pens and laboratory facilities• Prospective financial partner in, and access to the proposed Government funded Experimental Aquaculture Facility (EAF) developed by the University of Tasmania<ul style="list-style-type: none">– Objective of the EAF is to develop and operate a modern experimental research facility for the purpose of delivering practical solutions for the commercial and environmental sustainability of aquaculture in Australia, especially salmonids• Participant in the Biosecure Fish Health Facility (BFHF) located at the DPIPWE Animal Health Labs and key sponsor in the development of the Australian Animal Health Centre of Excellence (AAHCOE)<ul style="list-style-type: none">– Purpose-built facility for vaccine and fish health research• Access to many other experimental facilities under contract

3. Company overview

HUON'S R&D NETWORK



R&D topics

Huon's R&D program covers a broad range of R&D topics and projects including, but not limited to:

Nutrition/feed formulation	<ul style="list-style-type: none"> Improving growth and feed conversion efficiency, new feed ingredients, promoting immune competence, least cost rations, gut health, palatability
Feeding technology	<ul style="list-style-type: none"> Computerised feeding systems, underwater camera technology, feed barges, feed delivery systems
Fish health	<ul style="list-style-type: none"> Vaccine development, diagnostic tests, AGD control, epidemiology and pathogenesis of health issues, fish physiology, biosecurity
Smolt quality	<ul style="list-style-type: none"> Size, physiological readiness, physical condition
Production performance	<ul style="list-style-type: none"> Photoperiod enhanced growth, control of maturation
Fish handling systems	<ul style="list-style-type: none"> Fish pump technology, counting and weighing systems
Farming infrastructure	<ul style="list-style-type: none"> Pen and net design, mooring systems, mortality retrieval
Boat design and construction	<ul style="list-style-type: none"> In-house boat and equipment design and fabrication
Net cleaning technology	<ul style="list-style-type: none"> Net cleaner design and cleaning strategies
High energy site farming	<ul style="list-style-type: none"> Well-boat technology, fresh water reuse
Water Quality Management	<ul style="list-style-type: none"> In-pen oxygenation systems, mitigation of phytoplankton and zooplankton
Low stress harvest systems	<ul style="list-style-type: none"> Automated stunning and bleeding systems, holding and crowding systems for harvest fish
Waste management	<ul style="list-style-type: none"> Value adding fish processing waste, hatchery wastewater management
Predator control	<ul style="list-style-type: none"> Seal and bird exclusion systems

3. Company overview

Environmental sustainability	<ul style="list-style-type: none"> Hydrodynamic and nutrient modelling of farming environments
Broodstock management	<ul style="list-style-type: none"> Broodstock holding facilities, nutrition
Selective breeding program	<ul style="list-style-type: none"> Industry family breeding program in conjunction with industry (Saltas and CSIRO)
Post-harvest technology	<ul style="list-style-type: none"> Pre-rigor processing and pinboning, maximum quality, minimal waste
New products and marketing	<ul style="list-style-type: none"> Extensive and increasing product lines, market analysis
Packaging	<ul style="list-style-type: none"> Modified atmosphere packaging, increased shelf life

3.8. Innovation at Huon

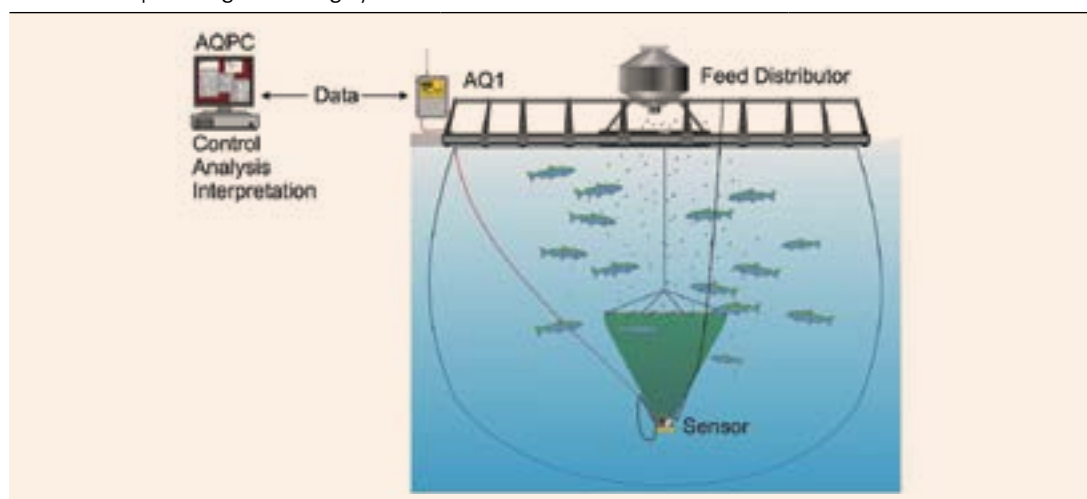
Huon has a history of developing and trialling a wide range of new and innovative fish farming techniques aimed at enhancing fish quality and performance, and achieving operational efficiencies. This is driven by and dependent on both the Company's commitment to R&D and the Company's culture, which encourages staff to develop new ideas across the business. Huon's innovative approach has led to:

- Increasing yields and production
- Increasing quality of the fish
- Increasing efficiency and profitability

Innovative farming practices developed by Huon

Many of Huon's past improvements have subsequently been adopted by the salmon farming industry worldwide.

Innovation	Description	Benefits	Date implemented
Adaptive feeding system	<ul style="list-style-type: none"> Huon designed and implemented an adaptive feeding system which distributes feed at times that match the salmon's natural feeding cycle and behaviours Infra-red sensors and/or video cameras monitor the appetite of the fish and will stop feeding when the fish stop eating Huon worked alongside Australian companies to develop the sensor and video software Huon designed feed hoppers as well as spreading and filling systems 	<ul style="list-style-type: none"> Feeding fish to appetite at times that match their natural feeding cycle results in less waste, more efficient conversion, optimal yields and minimal size variation in the population 	<ul style="list-style-type: none"> Infrared sensors: 1993 Video sensors: 2013



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Innovation	Description	Benefits	Date implemented
Low stress fish movement and harvesting systems	<ul style="list-style-type: none"> Huon designed special pumping equipment, the fish race and harvest transfer systems to minimise stress during essential fish movements Huon assisted the development of a new harvesting system (using stunning) to replace carbon dioxide, recognised by the U.K. RSPCA 	<ul style="list-style-type: none"> These systems reduce stress in fish by allowing the salmon to maintain their natural behaviours Extension in pre-rigor period provides Huon sufficient time to gut and fillet the fish prior to the onset of rigor, which in turn leads to significantly better quality flesh The new harvesting system has reduced stress and blood spotting in fish, leading to better quality flesh 	<ul style="list-style-type: none"> Low stress fish movement systems have been implemented since operations began in the late 1980s Low stress harvesting system implemented in CY2005
Tanker design	<ul style="list-style-type: none"> Huon has developed a tanker design to enable fish and feed to be interchangeably transported With this system, the fish are delivered by truck from one direction, while feed is transported on the return journey The system includes an automated “cleaning in place” capability 	<ul style="list-style-type: none"> The new system has led to improvements in the quality of the fish when they reach the processing facility It has led to a reduction in over 700 truck movements per annum by using the multi-direction delivery system Improved harvest quality from continual harvest process CIP system drives improved hygiene and maintenance of food safety standards 	<ul style="list-style-type: none"> CY2010
Selective breeding program	<ul style="list-style-type: none"> Huon started the first selective breeding program in Tasmania and subsequently supported the establishment of the collaborative Saltas program 	<ul style="list-style-type: none"> A number of benefits have been realised as a direct result of the selective breeding programs <ul style="list-style-type: none"> Improved AGD resistance Reduced baths Increased growth rates Improved feed conversion ratio Improved survival rates/decreased mortality Less deformities 	<ul style="list-style-type: none"> Huon’s selective breeding program began in CY2002 The industry selective breeding program began in CY2005

3. Company overview

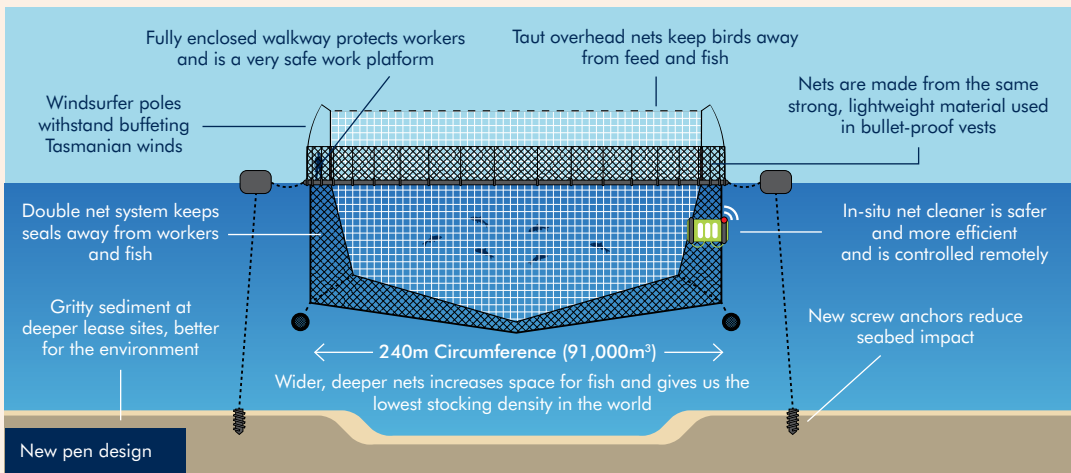
Trial feeding pens

As well as the initiatives listed above, Huon uses 34 trial pens to test new diets, ingredients and feed regimes in a realistic environment (feed is the largest single cost to the Company). No new feed is adopted without being trialled.

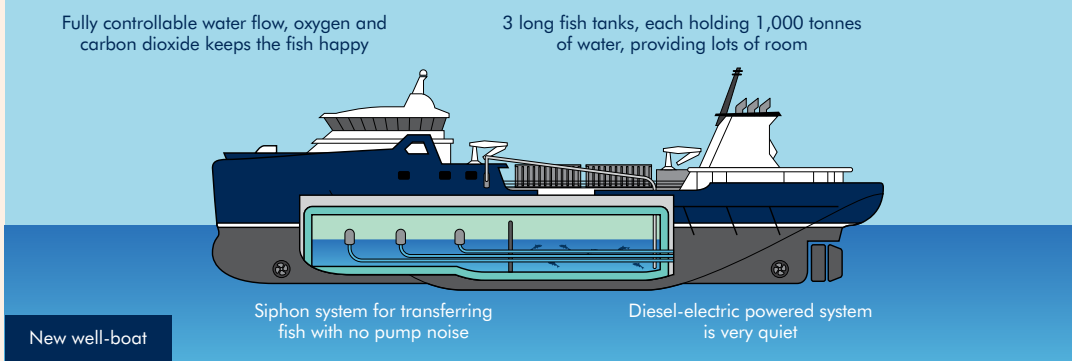
The limited number of fish in each pen means that new feeds, vaccines and techniques can be evaluated with good statistical certainty without putting full production populations at risk. The trial pens have been vital in reducing the proportion of marine-sourced ingredients used in Huon's feeds, directly improving the sustainability of operations.

Current expansion plans include many innovative processes

A number of the projects involved in Huon's Controlled Growth Strategy involve innovative measures.

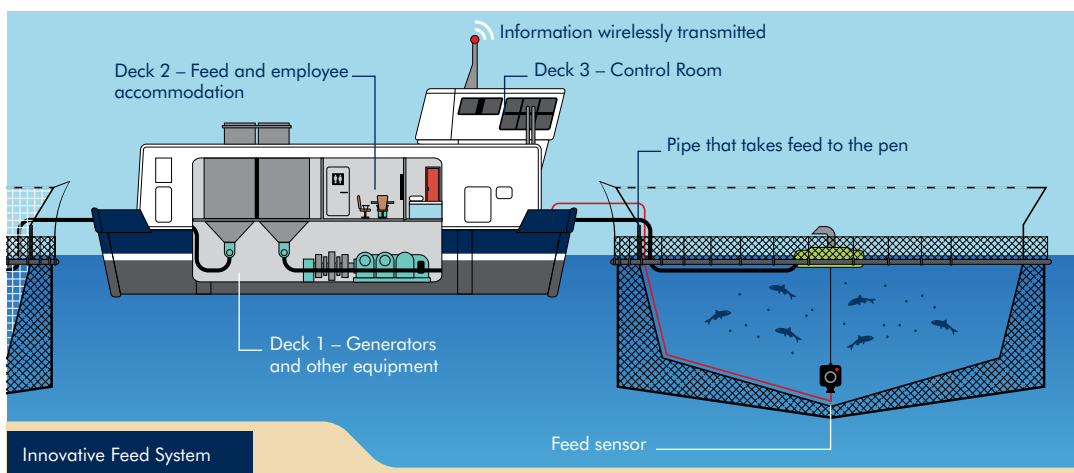
Project	Existing process	New process
Fortress Pens	<ul style="list-style-type: none"> Existing pens are subject to attack by seals 	<ul style="list-style-type: none"> Huon is developing what is believed to be the world's first Fortress Pens to reduce predator risk for fish at sea Nets are made from a strong lightweight material, similar to that used in bullet-proof vests
New mooring systems	 <p>The diagram illustrates a cross-section of a new pen design. It features a fully enclosed walkway at the top for workers, taut overhead nets to keep birds away, and windsurfer poles to withstand Tasmanian winds. A double net system separates workers from the fish. The bottom of the pen is covered in gritty sediment, noted as better for the environment. The pen has a 240m circumference and a volume of 91,000m³. Wider, deeper nets are shown to increase space for fish and reduce stocking density. An in-situ net cleaner is used for safety and efficiency, and new screw anchors are used to reduce seabed impact.</p> <ul style="list-style-type: none"> Existing mooring systems have occasionally failed during large storm events 	<ul style="list-style-type: none"> New mooring systems designed by Huon for 240m pens and more exposed sites Mooring loads modelled by Aquastructures AS (Norway)
Low stress fish movement systems	<ul style="list-style-type: none"> Smaller capacity systems 	<ul style="list-style-type: none"> Huon-designed high capacity, low stress vacuum pump

3. Company overview

Project	Existing process	New process
Well-boat	<ul style="list-style-type: none"> Bathing is a very labour intensive process Requires significant towing and large amounts of fresh water 	<ul style="list-style-type: none"> Huon has invested in a leased well-boat – the only one of its kind in Australia
 <p>The diagram shows a cross-section of a well-boat. It has three long fish tanks, each holding 1,000 tonnes of water. A siphon system is used for transferring fish with no pump noise. A diesel-electric powered system is very quiet. Fully controllable water flow, oxygen and carbon dioxide keeps the fish happy.</p> <p>New well-boat</p>		

Feed barges

- Fish are currently being fed by feed bins which service all pens individually
- This system is ideal for inshore pens; however, is not suitable for offshore leases
- Huon is constructing several 320t feed barges to support sea operations (1 – 2 weeks of feed)
- New barges will be able to simultaneously feed up to 24 pens of fish
- Fish will be fed adaptively by the use of automated video sensing technology (ie the fish choose when and how much they want to feed)
- Feed is spread better throughout the pen using the Huon-designed and patented feed spreaders



3. Company overview

3.9. Employees and community

Huon employs approximately 480 employees, the vast majority of which are in Tasmania. This workforce is managed by a group of senior line managers who have considerable experience within the industry, and the majority have been employed by Huon for over five years. The staff are highly trained and educated, with over 22% having received Certificate 3 or 4 qualifications. Currently, approximately 60% of Huon's workforce have individual contracts, with the remaining 40% under collective agreements (expiring May and July 2015).

The vast majority of employees within the Huon workforce are not unionised (83%) and the Company has no history of industrial action.

Huon recognises the importance of attracting and retaining the highest quality personnel. Huon relies on the contribution of all employees to drive its business and invests significant time and energy in training the staff and building a strong, passionate and unified culture. This is evidenced by the long tenures that employees have generated. Approximately 32% of employees have worked at Huon for over five years. Moreover, the vast majority of the workforce is represented by permanent employees who live in the local communities where they are employed.

Huon has a relatively flat organisational structure. Each department contributes to the management of overheads and profits, encouraging a culture of teamwork, collaboration, accountability and responsibility. The Huon employee structure is presented below:

Division	Total number of staff			
	Full-time	Part-time	Casual	Total
CEO/General Management	10			10
Hatchery	26	2	8	36
Marine operations: Huon	166	2	10	178
Marine operations: Strahan	30	0	2	32
Processing	43	3	5	51
Maintenance and construction	29	0	6	35
Administration	18	5	4	27
Sales and marketing	21	1	6	28
Mount Barker	44	4	33	81
Total	387	17	74	478

Huon operates an employee-wide incentive scheme which helps to deliver employee retention and satisfaction. This incentive scheme will be replaced by new incentive schemes for employees to apply following the ASX listing of Huon, details of which are discussed in further detail at Section 7.5.

3.10. Occupational health and safety

Occupational health and safety (OH&S) is central to Huon's operating culture, with management committed to ensuring that all employees are safe from injuries and risks to health while they are at work. This culture is supported by Huon's practice of providing extensive training and reinforcement of the cultural values of safety to employees, as well as increasing managers' capability and competence.

Management aims to ensure that so far as is reasonably practicable

- A safe working environment and safe systems of work are provided and maintained
- Machinery and all other operating equipment are provided and maintained in a safe condition
- Employees are provided with all the necessary information, instruction, training and supervision to ensure their health and safety
- Consult with workers on matters of OH&S issues

Huon monitors its OH&S statistics very closely, as the safety of its employees is of paramount importance to the business. Huon has implemented an OH&S management system which tracks and logs each hazard and incident that impacts Huon.

All new projects that Huon invests in are assessed on their ability to significantly reduce and control workplace hazards. This was highlighted in 2013, with Huon winning the WorkSafe Tasmania Award in the "Best solution to an identified work health and safety issue" category for the introduction of the Fortress Pens.

3. Company overview

3.11. Environment and sustainability

Environmental awareness and sustainability are core to Huon's values and are ingrained in the Company's culture. Huon is a member of the Global Salmon Initiative (formed by global farmed salmon producers to focus on providing a highly sustainable source of protein whilst minimising the environmental footprint), and the Company and external parties continuously monitor operations for environmental and sustainability compliance. It is central to Huon's philosophy to minimise the impact of its operations on the environment and maintain a sustainable operational footprint. The Company has recently developed a "sustainability dashboard" (refer below for more details) which provides visibility on the business' operations for stakeholders.

Salmon is an efficient and sustainable livestock because there is no need to maintain the salmon's body temperature (unlike terrestrial animals) and no need to support their body mass. As a result, salmon have a much lower impact on the environment than other forms of livestock. However, Huon dedicates time and resources to develop and implement new practices to continually improve and reduce its environmental footprint, including:

- Low stocking density
 - New Fortress Pens (168m and 240m circumference) will mean that Huon has very low stocking densities compared to other parts of the world
- Fallowing: regular movement of pens and clearing a lease site
 - Huon won't re-use a site until the sea-bed has returned to its original condition (which currently takes one to six months)
 - An independent broad scale environmental monitoring program, recently reviewed by the Institute for Marine and Antarctic Studies, found that there has been no significant negative impact on the water quality or sea bed as a result of Huon's farming operations
- In-situ net cleaners are more sustainable, as they eliminate the use of copper-based antifoulants

- The food Huon uses to feed its fish is:
 - Safe: The ingredients have been tested extensively for food safety and are often grown for human food or are the by-products of human food production; fish feed is sourced from the Southern Hemisphere and Australian Government testing has shown that it is well under any local and international limits for dioxins like polychlorinated biphenyls; all of Huon's feed suppliers have extensive screening programs for a host of undesirable substances to prevent fish and customers being exposed to dioxins; additionally, the Federal Government manages a market access program that tests Huon salmon routinely for the full range of undesirable substances, and its fish have never exceeded the permitted limits
 - Sustainable: Huon has significantly reduced its reliance on marine sourced ingredients
 - Traceable: Huon knows exactly how the feed is produced, and it can be traced to its source
- Changing the location of lease sites
 - Huon is relocating some of its leases to farm sites that are better suited to new farming methods and equipment. These will also be further away from communities and users of the current inshore sites
- Responsible use of antibiotics
 - Huon limits the use of antibiotics and will only employ them as a last resort
 - In keeping with the Australian and New Zealand food safety standards, any fish treated with antibiotics are not harvested until the antibiotics have cleared their system

Sustainability dashboard

Huon has recently developed a "sustainability dashboard", available on Huon's website and monitored regularly by senior management, which provides information concerning Huon's:

- Salmon farming practices
- Management of the welfare of its fish
- Impact on the environment

Importantly, the dashboard provides users with an up-to-date scorecard of Huon's performance against a wide range of indicators.

3. Company overview

The dashboard also provides visibility to Huon's stakeholders regarding all aspects of operations, informing customers, suppliers and other interested parties about the quality of the fish they consume and the status of farming operations.

Key metrics monitored are:

- Salmon
 - Health
 - Growing conditions
 - Feed
 - Status of expansion projects
- Huon specific
 - Freshness (getting to market)
 - Certifications
 - Customer service
 - Employees
 - Grants and donations
 - Research and development
- Environment
 - Weather conditions
 - Lease details
 - Seal interactions
 - Sea-bed health



Section 4



4. FINANCIAL INFORMATION

4.1. Introduction

This Section contains both the Historical and Forecast Financial Information for Huon (collectively, the **Financial Information**).

Statutory Historical Financial Information being the:

- Statutory net profit after tax (Statutory NPAT) for the years ended 30 June 2012, 30 June 2013 and 30 June 2014;
- Statutory Operating Cash Flows for the years ended 30 June 2012, 30 June 2013 and 30 June 2014; and
- Statutory Balance Sheet as at 30 June 2014.

The Statutory information as explained in Section 4.2 has been based on the audited accounts of Huon Aquaculture Group Limited (formerly Huon Aquaculture Group Pty Ltd).

Pro Forma Historical Financial Information being the:

- Pro Forma Historical Income Statements for the years ended 30 June 2012, 30 June 2013 and 30 June 2014;
- Pro Forma Historical Operating Cash Flows for the years ended 30 June 2012, 30 June 2013 and 30 June 2014; and
- Pro Forma Historical Balance Sheet as at 30 June 2014.

The Pro Forma Historical Financial Information assumes the Completion of the Offer.

The Statutory Historical Financial Information and the Pro Forma Historical Financial Information are collectively the **Historical Financial Information**.

Statutory Forecast being the:

- Statutory Forecast Income Statement for the year ending 30 June 2015; and
- Statutory Forecast Operating Cash Flows for the year ending 30 June 2015.

Pro Forma Forecast being the:

- Pro Forma Forecast Income Statement for the year ending 30 June 2015; and
- Pro Forma Forecast Operating Cash Flows for the year ending 30 June 2015.

The Statutory Forecast and the Pro Forma Forecast each assume Completion of the Offer.

The Statutory Forecast and the Pro Forma Forecast are collectively the **Forecast Financial Information**.

Also summarised in this Financial Information Section are:

- The basis of preparation of the Financial Information (see Section 4.2);
- The Directors' best estimate assumptions underlying the Forecast Financial Information (see Section 4.7);
- An analysis of the sensitivity of FY2015 Operating Pro Forma EBITDA and NPAT (see Section 4.2.3 for definitions) to changes in key assumptions (see Section 4.8); and
- Huon's dividend policy (see Section 4.9).

The Financial Information has been reviewed by PricewaterhouseCoopers Securities Ltd (PwCS), whose Investigating Accountant's Report is contained in Section 8. Investors should note the scope limitations of the Investigating Accountant's Report.

The information in this Section should also be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

All amounts disclosed in Section 4 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$1,000.

4. Financial Information

Overview of Financial Information

Section	Heading	Page
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4.2. Basis of preparation and presentation of the Financial Information

The Financial Information included in this Section has been prepared and presented in accordance with the recognition and measurement principles described in Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB). Compliance with these standards ensures that the Financial Information complies with the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board.

A summary of significant accounting policies relevant to the Financial Information can be found on the Company's website www.huonaqua.com.au.

The Financial Information is presented in an abbreviated form and does not contain all of the disclosures, statements or comparative information required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

4.2.1. Preparation of Historical Financial Information

The historical information presented in this financial section has been based on the audited consolidated financial statements of Huon Aquaculture Group Limited and its subsidiaries.

Deloitte Touche Tohmatsu audited the 30 June 2012 and 30 June 2013 financial reports of Huon Aquaculture Group Limited (formally Huon Aquaculture Group Pty Ltd), which comprised the statement of financial position as at those dates, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the years ended on those dates, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or

from time to time during the respective financial years. Deloitte Touche Tohmatsu issued unmodified audit opinions for each of those periods.

PricewaterhouseCoopers (PwC) audited the FY2014 Statutory financial statements and issued an unmodified opinion.

In preparing the Pro Forma Historical Financial Information, a number of adjustments were made to the audited results. The Company considered these adjustments appropriate to exclude "non-recurring items", details of which are set out in Section 4.3.3. A reconciliation of the audited financial statements to the Pro Forma Historical Income Statements is also provided in Section 4.3.3.

The Historical Financial Information of Huon has been extracted from the audited special purpose Statutory consolidated financial statements of Huon for FY2012 and FY2013 and the general purpose Statutory consolidated financial statements of Huon for FY2014.

The Financial Information presented throughout this Section is intended as a summary only and should be read in conjunction with the detailed discussion of the Financial Information, as well as the risk factors set out in Section 5.

Investors should note that past results are not a guarantee of future performance.

4.2.2. Preparation of Forecast Financial Information

The Forecast Financial Information has been based on a number of assumptions, including the best estimate assumptions set out in Section 4.7. This information is intended to assist potential investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. The Directors believe that they have prepared the Forecast Financial Information with due care and attention, and consider all best estimate assumptions when taken as a whole, to be reasonable at

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the time of preparing this Prospectus. However, this information is not fact and potential investors are cautioned not to place undue reliance on the Forecast Financial Information.

The Pro Forma Forecast Income Statement and Pro Forma Operating Cash Flows have been derived from the Statutory consolidated Forecast Income Statement and Operating Cash Flows of Huon for FY2015 after adjusting to reflect Huon's operations following Completion of the Offer and to eliminate non-recurring items as set out in Sections 4.3.3 and 4.5.1. The Forecast Financial Information consist of Huon's best estimate forecast for the 12 months to 30 June 2015.

Huon operates on a financial year accounting calendar. Potential investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on the Company's actual financial performance or financial position. Neither Huon nor any other person can give investors any assurance that the outcomes presented in the Forecast Financial Information will arise. Potential investors are advised to review the best estimate assumptions set out in Section 4.7, in conjunction with the sensitivity analysis set out in Section 4.8, the risk factors set out in Section 5 and other information set out in the Prospectus.

The Company has no intention to update or revise the Forecast Financial Information or other forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

4.2.3. Explanation of certain non-international financial reporting standards ("IFRS") financial measures

Huon uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively referred to in Section 4.2.3 as "non-IFRS financial

measures". The principle non-IFRS financial measures that are referred to in this Prospectus are as follows:

Other Income includes all income and revenue received other than from the sale of fish.

EBITDA is earnings before interest, tax, net depreciation and amortisation expenses.

EBIT is earnings before interest and tax expenses.

Net depreciation and amortisation reflects the depreciation and amortisation expense adjusted for changes in depreciation capitalised into inventory.

Operating EBITDA, Operating EBIT and Operating NPAT exclude the impact of the fair value adjustment of biological assets required by AASB141.

Although the Directors believe these measures provide useful information about the financial performance of the Company, they should be considered as supplements to the Income Statements that have been presented in accordance with the Australian Accounting Standards and not as a replacement for them. Because these non-IFRS financial measures are not based on Australian Accounting Standards, they do not have standard definitions and the way that Huon calculates these measures may differ from similarly titled measures by other companies. Potential investors should therefore not place undue reliance on these non-IFRS financial measures.

4.3. Summary of Pro Forma Historical and Pro Forma Forecast Income Statements

Set out below in Table 4.3 is a summary of the Company's Pro Forma Historical Income Statements for FY2012, FY2013 and FY2014 as well as the Pro Forma Forecast Income Statement for FY2015 and the Statutory Forecast Income Statement for FY2015. Huon has a track record of revenue and EBITDA growth. Between FY2012 and FY2014, Pro Forma revenue increased from \$133.8m to \$188.4m and at the same time, Pro Forma Operating EBITDA increased from \$23.7m to \$52.4m. Huon forecasts Pro Forma revenue to grow by 14.0% and Pro Forma Operating EBITDA to increase by 2.8% in FY2015.

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TABLE 4.3: SUMMARY HISTORICAL INCOME STATEMENT INFORMATION FOR FY2012, FY2013 AND FY2014 AND SUMMARY FORECAST INCOME STATEMENTS FOR FY2015

		Pro Forma Historical ⁽¹⁾			Pro Forma Forecast ⁽²⁾	Statutory Forecast
(\$'000)	Notes	FY2012	FY2013	FY2014	FY2015	FY2015
Revenue		133,775	152,160	188,352	214,754	214,754
Fair value adjustment of biological assets	6	3,070	1,396	4,490	2,245	2,245
Other income	3	2,903	3,393	3,378	2,826	2,826
Raw materials and consumable used		(67,657)	(75,170)	(92,854)	(108,431)	(108,874)
Changes in inventories of finished goods and work in progress		3,096	8,675	17,089	16,512	16,512
Employee benefit expenses		(29,833)	(35,275)	(41,586)	(42,273)	(42,273)
Depreciation and amortisation expense		(9,377)	(8,146)	(7,930)	(14,399)	(14,399)
Other expenses		(18,507)	(21,070)	(22,096)	(25,127)	(26,556)
EBIT		17,471	25,964	48,842	46,108	44,236
Finance costs		(5,696)	(4,815)	(3,601)	(2,859)	(3,675)
Finance income		45	65	381	574	574
Profit before tax		11,819	21,214	45,622	43,824	41,135
Tax expense		(2,430)	(6,522)	(13,108)	(12,838)	(12,340)
NPAT		9,389	14,693	32,514	30,985	28,794
Gross depreciation and amortisation expense		9,377	8,146	7,930	14,399	14,399
Depreciation – net impact recognised in changes in inventories of finished goods and work in progress		(32)	94	136	(4,391)	(4,391)
Net depreciation and amortisation	4	9,344	8,240	8,066	10,008	10,008
EBITDA	5	26,815	34,204	56,909	56,116	54,244
Operating EBITDA	6	23,745	32,808	52,419	53,871	51,998

- Notes:
- (1) The Pro Forma Historical Income Statements are reconciled to the Statutory Historical Income Statements in Section 4.3.3. The categorisation of expenses in FY2012 and FY2013 reflects the categorisation adopted in the FY2014 Statutory Income Statements
 - (2) The Pro Forma Forecast Income Statement is reconciled to the Statutory Forecast Income Statement in Section 4.3.3
 - (3) Other income relates to all income other than revenue from the sale of fish. This includes Tasmanian Freight Equalisation Scheme rebates, R&D grants and fuel tax credits
 - (4) The net depreciation and amortisation reflects changes in inventories of finished goods and work in progress. The costs capitalised to inventory include a depreciation component
 - (5) EBITDA is calculated by adding back the net depreciation and amortisation to EBIT
 - (6) The adjustment deducted to derive Operating EBITDA from EBITDA is reflected by the fair value adjustment of biological assets

4.3.1. Earnings summary

Set out in Table 4.3.1 is a summary of Huon's key earnings measures on a Pro Forma Historical basis for FY2012, FY2013 and FY2014, the key earnings measures for the Pro Forma Forecast for FY2015 and Statutory Forecast for FY2015.

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TABLE 4.3.1: SUMMARY OF EARNINGS FOR FY2012, FY2013 AND FY2014 AND SUMMARY FORECAST EARNINGS FOR FY2015

		Pro Forma Historical			Pro Forma Forecast	Statutory Forecast
(\$'000)	Notes	FY2012	FY2013	FY2014	FY2015	FY2015
EBITDA		26,815	34,204	56,909	56,116	54,244
EBIT		17,471	25,964	48,842	46,108	44,236
NPAT		9,389	14,693	32,514	30,985	28,794
AASB 141 impact	1	3,070	1,396	4,490	2,245	2,245
Operating EBITDA	2	23,745	32,808	52,419	53,871	51,998
Operating EBIT	2	14,401	24,568	44,353	43,863	41,990
Operating NPAT	2	7,240	13,715	29,372	29,413	27,223

Notes: (1) AASB141 impact relates to the fair value adjustment of biological assets required by AASB141

(2) Operating EBITDA, Operating EBIT and Operating NPAT exclude the impact of the fair value adjustment of biological assets from EBITDA, EBIT and NPAT respectively as required by AASB141

4.3.2. Key operating metrics

Set out in Table 4.3.2 is a summary of Huon's key operating metrics on a Pro Forma historical basis for FY2012, FY2013 and FY2014, the key operating metrics for the Pro Forma forecast for FY2015 and Statutory forecast for FY2015.

TABLE 4.3.2: SUMMARY OF PRO FORMA KEY OPERATING METRICS FOR FY2012, FY2013 AND FY2014 AND SUMMARY FORECAST KEY OPERATING METRICS FOR FY2015

	Pro Forma Historical			Pro Forma Forecast	Statutory Forecast
	FY2012	FY2013	FY2014	FY2015	FY2015
Smolt entry – volume (m)	3.85	4.07	4.91	4.72	4.72
Smolt entry – biomass (t)	510	547	716	749	749
Harvest volume (HOG tonnes)	13,021	13,500	15,156	16,680	16,680
Revenue (\$ / HOG kg)	10.27	11.27	12.43	12.87	12.87
Operating EBITDA (\$ / HOG kg)	1.82	2.43	3.46	3.23	3.12
Operating EBIT (\$ / HOG kg)	1.11	1.82	2.93	2.63	2.52
Total revenue growth (%)		13.7%	23.8%	14.0%	14.0%
Operating EBITDA margin (%)	17.8%	21.6%	27.8%	25.1%	24.2%
Operating EBIT margin (%)	10.8%	16.1%	23.5%	20.4%	19.6%
Operating NPAT margin (%)	5.4%	9.0%	15.6%	13.7%	12.7%
Channel mix by harvest volume					
Wholesale	71.7%	71.8%	82.6%		
Retail	3.4%	10.6%	11.0%		
Export	24.9%	17.5%	6.4%		
Channel mix by revenue					
Wholesale	74.1%	75.5%	84.7%		
Retail	6.1%	10.8%	9.6%		
Export	19.8%	13.7%	5.8%		
Biological assets (year end – \$'000)	92,201	101,755	122,835		

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4.3.3. Pro Forma Adjustments to the Statutory Income Statements

In presenting the Pro Forma Income Statements included in Section 4.3, certain adjustments to the audited Statutory Income Statements have been made to exclude the impact of certain non-recurring items, normalisation adjustments and changes in accounting policy. These adjustments are summarised below in Table 4.3.3 for the Historical Income Statements for FY2012, FY2013 and FY2014 and the Forecast Income Statement for FY2015.

TABLE 4.3.3: PRO FORMA ADJUSTMENTS TO THE AUDITED STATUTORY HISTORICAL INCOME STATEMENTS FOR FY2012, FY2013 AND FY2014 AND THE STATUTORY FORECAST INCOME STATEMENT FOR FY2015

(\$'000)	Notes	Historical			Forecast
		FY2012	FY2013	FY2014	FY2015
Statutory NPAT		9,901	13,793	33,797	28,794
Listed company expenses	1	(1,121)	(1,121)	(1,121)	(374)
IPO transaction costs (expensed)	2	–	–	165	1,029
Net impact of discontinued lease payments	3	810	832	833	443
Relocation of value added processing	4	–	–	1,219	–
Non-recurring impairment charge	5	–	1,353	–	–
Amortisation expense adjustment	6	(420)	(358)	–	–
Compensation payment	7	–	–	(3,000)	–
Pro Forma finance costs	8	–	–	–	816
Share bonus	9	–	–	–	774
Income tax impact	10	219	194	621	(498)
Pro Forma NPAT		9,389	14,693	32,514	30,985

- Notes:
- (1) Represents incremental company expenses associated with becoming a listed entity, including: investor relations, ASX listing, additional audit and Director fees. Statutory FY2015 forecast factors in the eight month impact of these costs
 - (2) Represents the component of the costs of the Offer that are expensed (including advisory and underwriting fees)
 - (3) Adjustment to eliminate the impact of the historical lease payments (net of depreciation) related to assets that have been, or will be, acquired by Huon prior to the Completion of the Offer. The assets include the Parramatta Creek Processing Facility, land and marine leases
 - (4) Reflects one-off redundancy costs that were recognised in FY2014 in relation to the relocation of valued added processing activities from Mount Barker to Parramatta Creek in FY2015
 - (5) Adjustment adds back a non-recurring impairment charge that was recognised in FY2013 to write-off goodwill recognised on the acquisition of Springfield Hatcheries. Springfield Hatcheries is still a continuing operation of Huon; however, the write-off reflected the fact that Huon was no longer pursuing significant external sales from the hatcheries
 - (6) The treatment of marine leases was changed in FY2014 from carrying the leases at fair value to carrying the leases at cost and amortising them over the remaining life of the leases. The adjustment reflects the amortisation expense that would have been recognised in FY2012 and FY2013 had the current treatment been applied
 - (7) Other Income has been adjusted to exclude a one-off item of \$3.0m which was received by Huon in resolution of a claim by the Company
 - (8) Pro Forma finance costs have been adjusted assuming that the proposed Pro Forma capital structure post Completion of the Offer had been in place at the start of FY2015
 - (9) Adjustment reflects the share-based payment expenses related to a one-off share issue to all employees and a discount offered to employees subscribing to the Offer. The FY2015 forecast includes \$0.4m of expense in relation to a Share based long term incentive plan (LTIP) for senior executives. This impact on the income statement of the LTIP in FY2015 is materially consistent with the historical periods and therefore no pro forma adjustment has been made
 - (10) Cumulative income tax effect on applicable adjustments between the Statutory and Pro Forma accounts. Assumes effective tax rate of 30%

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4.4. Statutory and Pro Forma Balance Sheet

Set out in Table 4.4 is the audited Huon Balance Sheet as at 30 June 2014. Pro Forma adjustments have been made to take into account the effect of the Offer proceeds and transaction costs. These adjustments reflect the impact of the operating and capital structure that will be in place following Completion of the Offer as if they had occurred or were in place as at 30 June 2014.

TABLE 4.4: PRO FORMA HISTORICAL BALANCE SHEET AS AT 30 JUNE 2014

(\$'000)	Notes	Statutory 30 June 2014	Debt funded capex ¹	Impact of the Offer ²	Asset transfer ³	Pro forma 30 June 2014
Assets						
Current assets						
Cash and cash equivalents	4	2,215	–	78,968	(6,027)	75,157
Trade and other receivables		20,585	–	–	–	20,585
Inventories		5,147	–	–	–	5,147
Biological assets	5	122,835	–	–	–	122,835
Other		2,590	–	–	–	2,590
Total current assets		153,371	–	78,968	(6,027)	226,313
Non-current assets						
Other financial assets	6	853	–	–	489	1,341
Property, plant and equipment	7	95,444	23,559	–	5,538	124,542
Goodwill		2,608	–	–	–	2,608
Other intangible assets		99	–	–	–	99
Other		8,115	–	–	–	8,115
Total non-current assets		107,119	23,559	–	6,027	136,705
Total Assets		260,491	23,559	78,968	–	363,018
Liabilities						
Current liabilities						
Trade and other payables		(35,159)	–	165	–	(34,993)
Current tax liabilities		(7,809)	–	–	–	(7,809)
Borrowings	9	(6,216)	–	500	–	(5,716)
Provisions		(4,368)	–	–	–	(4,368)
Other		(58)	–	–	–	(58)
Total current liabilities		(53,610)	–	665	–	(52,944)
Non-current liabilities						
Borrowings	9	(60,473)	(23,559)	38,919	–	(45,113)
Deferred tax liabilities	8	(35,256)	–	1,543	–	(33,712)
Provisions		(1,229)	–	–	–	(1,229)
Total non-current liabilities		(96,958)	(23,559)	40,462	–	(80,054)
Total Liabilities		(150,568)	(23,559)	41,127	–	(132,999)
Net Assets		109,923	–	120,096	–	230,019
Equity						
Issued capital	10	42,937	–	120,355	–	163,293
Retained earnings	10	66,986	–	(260)	–	66,726
Total Equity		109,923	–	120,096	–	230,019

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- Notes:
- (1) Borrowings are estimated to increase by \$23.6m between 30 June 2014 and the Offer date in order to fund production expansion capital expenditure projects detailed in Section 3.7. \$23.6m reflects the Directors' best estimate assumption of the expected increase in borrowings up to the Offer date. Refer to Note 9 below for further detail
 - (2) The impact of the Offer reflects the cash raised net of transaction costs associated with the Offer and the repayment of borrowings as detailed in the Notes below
 - (3) \$5.5m in assets previously leased from related parties will be acquired by Huon just prior to the Offer date and paid for from the Offer proceeds. These assets include marine leases and land and buildings and the Historical lease costs have been added back to Pro Forma NPAT as a Pro Forma adjustment. In addition, \$0.5m of shares in Saltas (a non-listed private company) currently held by a related party will also be acquired by Huon just prior to the Offer and recorded as another financial asset
 - (4) The net cash inflow shown of \$79.0m reflects \$125.0m in new equity to be issued in connection with the Offer, net of an estimated repayment of borrowings of \$39.4m described in Note 9 below, transaction costs associated with the Offer of \$6.3m and a discount offered to employees subscribing to the Offer of \$0.3m (which is assumed to decrease the total proceeds raised by \$0.3m). The outflow of \$6.0m reflects the payment for the assets referred to in Note 3
 - (5) Includes fair value adjustment of biological assets of \$36.1m. Total weight of live finfish at the end of FY2014 was 11,655 tonnes
 - (6) Acquisition of shares in Saltas referred to in Note 3
 - (7) The \$23.6m increase reflects the estimated debt funded increase in property, plant and equipment between 30 June 2014 and the Offer date referred to in Note 1. The \$5.5m increase reflects the acquisition of the assets referred to in Note 3 of this table
 - (8) The \$1.5m adjustment reflects the deferred tax impact of the capitalised transaction costs associated with the new equity raised
 - (9) The \$23.6m adjustment reflects the estimated increase in borrowings between 30 June 2014 and the Offer date referred to in Note 1. An estimated \$39.4m in borrowings will be repaid using proceeds raised by the Offer, such that Huon's borrowings at Offer date will reflect two facilities drawn to \$25m each as the two new facilities will be used to repay the borrowings at 30 June 2014. See Section 4.4.1 and 4.4.2 for further information on indebtedness and New Banking Facilities
 - (10) Huon will issue new equity of \$120.1m, made up of \$125.0m issued in connection with the Offer and \$0.5m issued to employees for no cash consideration, offset by transaction costs associated with the new equity raised of \$5.1m and a discount offered to employees subscribing to the Offer of \$0.3m

4.4.1. Indebtedness and capitalisation

Table 4.4.1 sets out the indebtedness and capitalisation of Huon as at 30 June 2014 before the Offer based on the audited Statutory accounts for Huon and following the Completion of the Offer.

TABLE 4.4.1: PRO FORMA HISTORICAL INDEBTEDNESS AND CAPITALISATION AS AT 30 JUNE 2014 ON A STATUTORY (BEFORE THE OFFER) AND PRO FORMA (AFTER THE OFFER) BASIS

(\$'000)	Notes	Before the Offer	After the Offer
Bank loans	1	66,014	50,154
Other borrowings	2	675	675
Cash	3	(2,215)	(75,157)
Total net indebtedness / (net cash)		64,473	(24,328)
Total capitalisation	4	109,923	230,019

- Notes:
- (1) Bank loans including all borrowings from Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) and Commonwealth Bank of Australia (CBA). Following completion of the Offer, the bank loans will mostly reflect two facilities drawn to \$25m each. These bank loans will be used to repay the facilities utilised at 30 June 2014. For more information refer to Table 4.4.2
 - (2) Other borrowings relate to loans used to fund insurance
 - (3) Cash and cash equivalents as shown in Table 4.4
 - (4) Total capitalisation includes contributed equity, reserves and retained earnings

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4.4.2. Description of New Banking Facilities

Huon entered into a facility agreement to refinance its debt facilities in October 2014 with three new facilities ("New Banking Facilities"). The New Banking Facilities (together with certain proceeds from the issue of New Shares under the Offer) will be utilised to fund operations and Huon's Controlled Growth Strategy. The availability of funds under the New Banking Facilities is subject to satisfaction of conditions precedent which are considered customary, or otherwise appropriate, for facilities of this nature, including the registration of transfers of certain assets from the Bender Family to Huon, and delivery to the financiers of customary closing documentation. Huon expects that the conditions precedent will be satisfied and financial close will occur before Listing.

The New Banking Facilities comprise of:

- \$25m five year amortising term loan facility to refinance existing debt ("Facility A");
- \$25m five year bullet term loan facility to refinance existing debt ("Facility B"); and
- \$30m three year revolving term loan facility to fund capital expenditure ("Facility C").

The New Banking Facilities have a variable interest rate on amounts drawn to be calculated at a variable rate by reference to the Australian dollar BBSY, plus a margin. The margin may differ between financiers and will be documented in separate confidential pricing letters. In addition the Company will be required to pay to each financier agreed line fees (in respect of Facility C) and establishment fees. Other customary fees (such as facility agent and security trustee fees) may also be payable by the Company in respect of the New Banking Facilities.

TABLE 4.4.2: NEW BANKING FACILITIES

At listing (\$'000)	Rabobank / CBA
Facility A – Amortising facility	25,000
Facility B – Bullet facility	25,000
Facility C – Revolver facility	30,000
Total facilities	80,000

Facility A

Facility A is a five year amortising term loan facility with scheduled repayments of \$5m per annum which fully repays the principal amount of the facility within the five year term. Facility A may be prepaid voluntarily prior to maturity without penalty; however, once repaid amounts cannot be redrawn against this facility.

Facility B

Facility B is a five year bullet term loan facility. No interim scheduled principal repayments are required for this facility prior to its maturity date. Facility B may be prepaid voluntarily prior to maturity without penalty; however, once repaid amounts cannot be redrawn against this facility.

Facility C

Facility C is a three year revolving loan facility for capital expenditure. Facility C may be prepaid voluntarily prior to maturity without penalty. It is expected that this facility will be undrawn immediately post IPO.

The New Banking Facilities contain financial covenants which are customary for facilities of their nature, including those described below.

Representations, warranties and undertakings

The facility agreement contains representations, warranties and undertakings which are usual for facilities of their nature, including the financial covenants, undertakings to provide certain information, restrictions on making financial accommodation and distributions and restrictions on making acquisitions and disposal of assets (in each case subject to exceptions typical for facilities of their nature).

Defaults

The New Banking Facilities also contain events of default which are customary for corporate facilities of their nature. These include but are not limited to (and subject to, in some cases, materiality thresholds and remedy periods) failure to make payments that are due, failure to comply with any obligation, any representation and warranty not being true or correct when made or repeated, the occurrence of a default under any other banking or like facilities, failure to satisfy any financial covenant, the occurrence of an insolvency event and the occurrence of any event or series of events which results in a material adverse change.

A breach of, or non-compliance with, the representations, warranties and undertakings in the facility documentation

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or an event of default may lead to the funds borrowed becoming due and payable and the New Banking Facilities being cancelled.

The Company expects to remain in compliance with the representations, warranties and undertakings in the facility documentation and does not expect that an event of default will occur.

Financial covenants

As noted above, the facility agreement contains certain financial covenants. Failure to comply with the financial covenants will lead to an event of default. The applicable financial covenants will require the Company to ensure that:

- The Equity Ratio (Tangible Net Worth/Total Tangible Assets) is greater than 50% (to be measured annually on 30 June);
- The Leverage Ratio (Gross Debt/EBITDA) is less than 2.00 times (measured quarterly on a rolling 12 month basis);
- The Debt Service Cover Ratio (Cash Available for Debt Service/Total Finance Costs) is greater than 1.50 times from financial close until 30 June 2016 and thereafter is greater than 1.75 times (in each case, measured quarterly on a rolling 12 month basis); and
- Actual capital expenditure is not more than 110% of the annual capital expenditure budget approved by financiers

The Company expects to remain in compliance with the financial covenants for the term of the facilities and does not presently expect that an event of default will occur during that period.

Review Event

In addition, the facility documentation will contain a review event which will be triggered upon the occurrence of a change of control post Listing. A change of control will be triggered if without the prior written consent of the lenders, a person (other than the Bender Family) alone or together with associates or controlled entities acquires or exercises control (as defined in section 608(4) of the Corporations Act 2001 (Cth)) of Huon Aquaculture Group Limited. If a review event occurs, the parties will be required to negotiate revised terms for the Facilities which will apply going forward. If agreement as to those revised terms cannot be reached within the specified period, then that may lead to amounts outstanding under the Facilities becoming due and payable, and the New Banking Facilities being cancelled.

Security and guarantees

The New Banking Facilities will be secured by registered mortgages over land, registered mortgages over leases and licences and registered security agreements over assets.

The New Banking Facilities will be supported by interlocking cross guarantees and indemnities between entities in the Huon consolidated group.

4.4.3. Liquidity and capital resources

Following Completion of the Offer, the Company's principal sources of funds will be the New Banking Facilities, the proceeds from the Offer and cash flow from operations.

Huon's Historical and Forecast working capital and capital expenditure are set out in Sections 4.6 and 4.7. The majority of Huon's capital expenditure relates its Controlled Growth Strategy detailed in Section 3.6. The Company expects to have sufficient cash flow to meet its stated objectives during FY2015.

4.4.4. Contractual obligations and commitments

Table 4.4.4 summarises Huon's contractual obligations and commitments (following Completion of the Offer).

- Huon leases property and equipment under non-cancellable operating leases expiring from one to 38 years. Where leases provide a right to renewal, terms will generally be renegotiated;
- Finance leases are entered into as a means of funding plant and equipment. Repayments are fixed and leases do not have escalation clauses. The lease arrangements are secured by the equipment leased;
- Huon has entered into contracts for certain capital expenditure on property plant and equipment;
- Huon is a party to a facility that Saltas entered into with BankWest through a financial guarantee contract. Huon's commitment to the guarantee is limited to \$1.0m; and
- Huon is a party to a \$0.2m bank guarantee facility to secure corporate credit cards.

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TABLE 4.4.4: CONTRACTUAL OBLIGATIONS AND COMMITMENTS AS AT 30 JUNE 2014
(FOLLOWING COMPLETION OF THE OFFER)

(\$'000)	Notes	Payments due by period (\$'000)		
		< 1 year	1 – 5 years	> 5 years
Operating lease commitments	1	2,330	3,347	3,837
Finance lease commitments		131	33	–
Contracted capital expenditure	2	6,938	–	–

Notes: (1) Does not include lease contracts with the Benders as these contracts will be cancelled prior to IPO; does not include the lease for the well-boat contract, as the agreement was entered into post 30 June 2014. The well-boat is leased under a dry-hire agreement at a cost of approximately \$9m per annum (see Section 9.2.3 for further information)
(2) Commitment for the Parramatta Creek processing facility construction contract (see Section 3.2.7 for further information)

4.5. Pro Forma Historical and Pro Forma Forecast Operating Cash Flows

Set out in Table 4.5 is a summary of Huon's Pro Forma Historical Operating Cash Flows for FY2012, FY2013 and FY2014, the Pro Forma Forecast and the Statutory Forecast Operating Cash Flows for FY2015.

TABLE 4.5: PRO FORMA HISTORICAL AND FORECAST OPERATING CASH FLOWS FROM FY2012, FY2013 AND FY2014 AND STATUTORY FORECAST OPERATING CASH FLOWS FOR FY2015

(\$'000)	Notes	Pro Forma Historical			Pro Forma Forecast	Statutory Forecast
		FY2012	FY2013	FY2014	FY2015	FY2015
Operating EBITDA		23,745	32,808	52,419	53,871	51,998
Change in working capital	1	(5,104)	(10,163)	(6,272)	(23,300)	(18,300)
Depreciation – net impact recognised in changes in inventories	2	32	(94)	(136)	4,391	4,391
Non-cash items in Operating EBITDA	3	516	91	438	361	1,135
Net capital expenditure	4	(5,602)	(10,683)	(44,808)	(100,438)	(106,465)
Net finance costs		(5,778)	(4,990)	(3,186)	(2,285)	(3,101)
Income tax paid		216	(265)	(1,690)	(9,704)	(9,206)
Operating cash flow after capital expenditure		8,026	6,705	(3,235)	(77,104)	(79,548)
Proceeds from issue of new shares					124,726	124,726
Repayment of debt	5				(19,313)	(19,313)
IPO transaction costs (capitalised)					(5,145)	(5,145)
Net cash flow before dividends					23,165	20,721

Notes: (1) Includes trade and other receivables, inventory, prepayments, trade and other payables and employee provisions
(2) Reflects the net impact of depreciation recognised in inventory
(3) Non-cash items in Operating EBITDA in the Pro Forma Historical periods include losses on the sale of non-current assets. The Pro Forma and Statutory Forecast for FY2015 includes the estimated expense related to senior management share-based payment expenses. The Statutory Forecast also includes \$0.8m in share-based payment expenses related to a one-off share issue to all employees and a discount offered to employees subscribing to the Offer
(4) Relates to maintenance capital expenditure as well as expenditure required to fund the Controlled Growth Strategy. Refer to Section 3.6 for more details
(5) Reflects the estimated repayment of borrowings from the Offer proceeds (\$39.4m) and further repayments of borrowings in FY2015 (\$3.5m), net of the estimated increase in borrowings to Offer date (\$23.6m)

4. Financial Information

4.5.1. Pro Forma Adjustments to the Statutory Operating Cash Flows

Table 4.5.1 sets out the adjustments that have been made to the audited Statutory Historical Operating Cash Flows for FY2012, FY2013 and FY2014 and the Statutory Forecast Operating Cash Flows for FY2015 to eliminate certain non-recurring items.

TABLE 4.5.1: PRO FORMA ADJUSTMENTS TO THE AUDITED STATUTORY OPERATING CASH FLOWS FOR FY2012, FY2013 AND FY2014 AND THE STATUTORY FORECAST OPERATING CASH FLOWS FOR FY2015

(\$'000)	Notes	Historical			Forecast
		FY2012	FY2013	FY2014	FY2015
Statutory operating cash flow after capex		8,118	6,799	(1,952)	(79,548)
Listed company expenses	1	(1,121)	(1,121)	(1,121)	(374)
IPO transaction costs (expensed)	2	–	–	165	1,029
Net impact of discontinued lease payments	3	810	832	833	443
Relocation of value-added processing	4	–	–	1,219	–
Compensation payment	7	–	–	(3,000)	–
Interest	8	–	–	–	816
Income tax	10	219	194	621	(498)
Pre-IPO restructure acquisitions	11	–	–	–	6,027
Parramatta Creek Government grant	12	–	–	–	(5,000)
Pro Forma operating cash flow after capex		8,026	6,705	(3,235)	(77,104)

Notes: (1 – 10) Refer to Table 4.3.3 for the notes relating to this table

(11) Relates to the acquisition of Saltas shares and assets that were previously leased from related parties

(12) Adjustment to remove one-off Federal and State Government grant funding provided for the development of the Parramatta Creek Processing Facility

4.6. Management discussion and analysis of Historical Results

4.6.1. General factors affecting the operating results of the Company

Below is a summary of the main factors which affected the Company's operations and financial performance in FY2012, FY2013 and FY2014. Huon expects that these factors may continue to affect operating and financial performance of the Company in future periods.

The general factors described below are a summary only and do not represent all factors that affected the Company's operating and financial performance or all factors that are expected to affect operating and financial performance in future periods. The information in this Section should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

Market conditions

The Company's financial performance is impacted by the general market conditions and their subsequent impact on the food sector. Factors including consumer confidence, business confidence, interest rates and population growth also impact the financial performance of the Company. Moreover, as discussed in Section 2.2, domestic demand for salmon has increased in recent years, underlined by consumer trends including healthier eating, increased product awareness, consistency of the salmon product and the influence of Asian cuisines in the domestic market.

Harvest volume

The harvest volume in a particular year is dependent on a number of factors including:

- **Quantity of smolt put to sea**
 - Fish are harvested approximately two years after they are released into marine farms. As a result, Huon makes forward-looking assessments about expected demand when deciding how much smolt to put to sea.
 - The volume of smolt put to sea is a leading indicator of the harvest over the next two years. There must be enough capacity in the marine farms (as well as across harvesting and processing) to grow the smolt in the sea.
- **Mortality losses**
 - Mortalities are caused by factors such as seals, adverse environmental factors and diseases, which negatively impact harvest volume. Costs relating to salmon production are recognised as fish die (or are harvested).
- **Average production weights**
 - The average weight of salmon is influenced by feed consumption and feed conversion (a measure of the salmon's efficiency in converting feed mass into increased weight) and the time they are harvested (ie a fish that is farmed for longer will have the benefit of more feed and, all else being equal, will be larger when harvested).

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Sales channels and product mix

Huon's various sales channels (wholesale, retail and export) yield different prices for the Company's products. Huon has typically achieved a price premium for sales through the wholesale channel relative to the retail channel and sales exported to countries such as Japan. As a result, Huon has intentionally been reducing its exports in recent years (however, a level of exports is maintained in the event that prevailing pricing dynamics change in the future). Huon has been increasing its presence and is selectively assessing opportunities in the retail market, although the wholesale channel represents the vast majority of Huon's domestic sales.

Huon receives a greater price for value added products than its fresh HOG product on a per kg saleable product basis (however also incurs additional costs). On average, margins on fresh HOG product are superior.

Costs

Huon's key operating costs are outlined below:

- **Feed** – Feed is one of Huon's most significant costs and the Company manages this expense through well-established relationships with several suppliers. Huon has also invested heavily in R&D in order to improve the efficiency of its feed formulas and systems. Refer to Section 3.7 for more detail.
- **Labour** – Labour is a large expense for Huon and primarily relates to wages and salaries, superannuation and payroll tax of its employees involved in the production of salmon.
- **Packing and processing** – Comprise the costs associated with processing as well as packaging fish. Packing and processing expenses also comprise the employment of the processing team. While some of these expenses are fixed and contractual, such as site leases, there are variable costs relating to the employment of staff.
- **Freight** – Relates to the cost associated with delivering fish to the customer be they domestic or international.

4.6.2. Seasonality

Huon typically generates greater earnings in the first half of the financial year because fish harvested in the second half of the year incur greater costs. A significant proportion of the fish harvested in the second half of the year are in the sea across two summers, incurring greater production costs due to the warmer water temperature.

4.6.3. Pro Forma historical selected financial and key metrics: FY2013 compared to FY2012

Set out in Table 4.6.3 is the summary of the Pro Forma historical selected financial and key metrics for the Company for FY2012 and FY2013.

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TABLE 4.6.3: SUMMARY PRO FORMA HISTORICAL SELECTED FINANCIAL AND KEY METRICS: FY2013 COMPARED TO FY2012

	Pro Forma Historical		
(\$'000)	FY2012	FY2013	Change
Smolt entry – volume (m)	3.85	4.07	5.6%
Smolt entry – biomass (t)	510	547	7.3%
Harvest volume (HOG tonnes)	13,021	13,500	3.7%
Revenue (\$/ HOG kg)	10.27	11.27	9.7%
Operating EBITDA (\$/ HOG kg)	1.82	2.43	33.3%
Operating EBIT (\$/ HOG kg)	1.11	1.82	64.5%
Channel mix by harvest volume			
Wholesale	71.7%	71.8%	
Retail	3.4%	10.6%	
Export	24.9%	17.5%	
Channel mix by revenue			
Wholesale	74.1%	75.5%	
Retail	6.1%	10.8%	
Export	19.8%	13.7%	
Biological assets (year end – '\$000)	92,201	101,755	10.4%
Revenue	133,775	152,160	13.7%
Total revenue growth (%)		13.7%	
EBITDA	26,815	34,204	27.6%
EBIT	17,471	25,964	48.6%
NPAT	9,389	14,693	56.5%
Operating EBITDA	23,745	32,808	38.2%
Operating EBITDA margin (%)	17.8%	21.6%	
Operating EBIT	14,401	24,568	70.6%
Operating EBIT margin (%)	10.8%	16.1%	
Operating NPAT	7,240	13,715	89.4%
Operating NPAT margin (%)	5.4%	9.0%	

Revenue

Huon's harvest volume increased by 3.7% in FY2013 due to an increase in average harvest weights.

Revenue increased by 13.7% in FY2013 driven by harvest volume (discussed above) and an increase in average sales price. Increased pricing was a result of an improved channel mix with Huon shifting product away from the lower priced export channel due to strong underlying domestic demand. The greater proportion of sales through the domestic channels resulted in revenue per kg of HOG increasing from \$10.27 in FY2012 to \$11.27 in FY2013.

4. Financial Information

Operating EBITDA and EBIT

Operating EBITDA increased by 38.2% from \$23.7m in FY2012 to \$32.8m in FY2013. The Operating EBITDA margin increased from 17.8% in FY2012 to 21.6% in FY2013 reflecting improved pricing (discussed above). This was partially offset by an increase in mortalities at Huon's Southern Farms as a result of higher water temperatures. Operating EBITDA/HOG kg increased 33.3% from \$1.82 in FY2012 to \$2.43 in FY2013.

Operating EBIT increased by 70.6% from \$14.4m in FY2012 to \$24.6m in FY2013. The Operating EBIT margin increased from 10.8% in FY2012 to 16.1% in FY2013 reflecting the improved pricing discussed above.

4.6.4. Pro Forma Historical Operating Cash Flows: FY2013 compared to FY2012

Set out in Table 4.6.4 is the summary Pro Forma Historical Operating Cash Flows for FY2012 and FY2013.

TABLE 4.6.4: SUMMARY PRO FORMA OPERATING CASH FLOWS: FY2013 COMPARED TO FY2012

	Pro Forma Historical		
(\$'000)	FY2012	FY2013	Change
Operating EBITDA	23,745	32,808	38.2%
Change in working capital	(5,104)	(10,163)	99.1%
Depreciation – net impact recognised in changes in inventories	32	(94)	(391.2%)
Non-cash items in EBITDA	516	91	(82.3%)
Net capital expenditure	(5,602)	(10,683)	90.7%
Net finance costs	(5,778)	(4,990)	(13.6%)
Income tax paid	216	(265)	(222.5%)
Operating cash flow after capital expenditure	8,026	6,705	(16.5%)

Change in working capital

Movements in working capital generated a cash outflow of \$10.2m in FY2013 compared with a net outflow of \$5.1m in FY2012. This was primarily the result of live biomass increasing by almost 10% from FY2012.

Capital expenditure

In FY2012, the majority of capital expenditure was in relation to maintenance. In FY2013, the Company increased its capital expenditure by approximately \$5.0m with investment in selected projects including the construction of a work-boat and the acquisition of in-situ net cleaners in order to improve efficiency of farming processes.

4.6.5. Pro Forma historical selected financial and key metrics: FY2014 compared to FY2013

Set out in Table 4.6.5 is the summary of the Pro Forma historical selected financial and key metrics for the Company for FY2014 and FY2013.

4. Financial Information

TABLE 4.6.5: SUMMARY PRO FORMA HISTORICAL SELECTED FINANCIAL AND KEY METRICS: FY2014 COMPARED TO FY2013

	Pro Forma Historical		
(\$'000)	FY2013	FY2014	Change
Smolt entry – volume (m)	4.07	4.91	20.5%
Smolt entry – biomass (t)	547	716	30.9%
Harvest volume (HOG tonnes)	13,500	15,156	12.3%
Revenue (\$/ HOG kg)	11.27	12.43	10.3%
Operating EBITDA (\$/ HOG kg)	2.43	3.46	42.3%
Operating EBIT (\$/ HOG kg)	1.82	2.93	60.8%
Channel mix by harvest volume			
Wholesale	71.8%	82.6%	
Retail	10.6%	11.0%	
Export	17.5%	6.4%	
Channel mix by revenue			
Wholesale	75.5%	84.7%	
Retail	10.8%	9.6%	
Export	13.7%	5.8%	
Biological assets (year end – '\$000)	101,755	122,835	20.7%
Revenue	152,160	188,352	23.8%
Total revenue growth (%)	13.7%	23.8%	
EBITDA	34,204	56,909	66.4%
EBIT	25,964	48,842	88.1%
NPAT	14,693	32,514	121.3%
Operating EBITDA	32,808	52,419	59.8%
Operating EBITDA margin (%)	21.6%	27.8%	
Operating EBIT	24,568	44,353	80.5%
Operating EBIT margin (%)	16.1%	23.5%	
Operating NPAT	13,715	29,372	114.2%
Operating NPAT margin (%)	9.0%	15.6%	

Key metrics

Smolt entry (by volume) increased by 21% in FY2014 while smolt entry (by biomass) increased by 31% due to the higher average weight of the smolt. This increase in smolt entry was due to the Company's view of increased projected demand for salmon in future years.

Revenue

Huon's harvest volume increased by 12.3% in FY2014 to 15.2m HOG kg. This was primarily due to a reduction in mortalities at Huon's Southern Farms as a result of new initiatives implemented by the Company such as investing in operating and capital costs to reduce interactions between predators and fish (reducing losses and stress).

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FY2014 revenue growth of 23.8% was driven by both an increased harvest volume (discussed above) and improved average pricing as a result of improved customer and channel mix as well as an increase in pricing in late FY2013 with the full year impact realised in FY2014. The improved channel mix was driven by a 42% increase in domestic salmon HOG revenue. Consumption of salmon in Australia continued to grow strongly enabling Huon to further optimise channel mix by increasing domestic sales at the expense of exports and enjoying the associated price premium. Revenue/HOG kg increased from \$11.27 in FY2013 to \$12.43 in FY2014.

Operating EBITDA and EBIT

Operating EBITDA increased by 59.8% from \$32.8m in FY2013 to \$52.4m in FY2014. Operating EBITDA margin

increased from 21.6% in FY2013 to 27.8% in FY2014 reflecting improved channel mix which increased Huon's average price (discussed above) and further improvements in farming practices and operating efficiencies particularly in relation to mortalities. Freight costs also fell as Huon continued to reduce exports. As a result Operating EBITDA/HOG kg increased to \$3.46 in FY2014.

Operating EBIT increased by 80.5% to \$44.4m in FY2014. Huon's Operating EBIT margin increased from 16.1% in FY2013 to 23.5% in FY2014.

4.6.6. Pro Forma Historical Operating Cash Flows: FY2014 to FY2013

Set out in Table 4.6.6 is the summary Pro Forma Historical Operating Cash Flows for FY2014 to FY2013.

TABLE 4.6.6: SUMMARY PRO FORMA OPERATING CASH FLOWS: FY2014 COMPARED TO FY2013

(\$'000)	Pro Forma Historical		Change
	FY2013	FY2014	
Operating EBITDA	32,808	52,419	59.8%
Change in working capital	(10,163)	(6,272)	(38.3%)
Depreciation – net impact recognised in changes in inventories	(94)	(136)	44.5%
Non-cash items in EBITDA	91	438	381.4%
Net capital expenditure	(10,683)	(44,808)	319.4%
Net finance costs	(4,990)	(3,186)	(36.1%)
Income tax paid	(265)	(1,690)	537.9%
Operating cash flow after capital expenditure	6,705	(3,235)	(148.3%)

Change in working capital

Movements in working capital generated a cash outflow of \$6.3m in FY2014 compared with a net outflow of \$10.2m in FY2013. This reduction was primarily due to an increase in creditors associated with the increase in capital expenditure (see below) and fish feeding rates in the last quarter of FY2014 being 15% above the last quarter of FY2013.

Capital expenditure

In FY2014 Huon commenced its Controlled Growth Strategy which resulted in capital expenditure increasing from \$10.7m in FY2013 to \$44.8m. For more information refer to Section 3.6.

4.7. Forecast Financial Information

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by the Company which are in accordance with the Australian Accounting Standards. It is assumed that there will be no change to Australian Accounting Standards, the Corporations Act or other financial reporting requirements that may have a material effect on Huon accounting policies during FY2015.

The Forecast Financial Information is based on various best estimate assumptions concerning future events including those set out below. In preparing the Forecast Financial Information, Huon has undertaken an analysis of Historical performance and applied assumptions in order to predict future performance for FY2015. The Company believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus, including each of the general assumptions set out in Section 4.7.

However, the actual results are likely to vary from those forecasts and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Huon, the Directors and management and are not readily predictable.

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Huon, its Directors, management or any other person cannot give you any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.8, the risk factors set out in Section 5 and the Investigating Accountant's Report on the Forecast Financial Information set out in Section 8. A reconciliation of the Pro Forma Forecast Income Statement to the Statutory Forecast Income Statement is set out in Section 4.3.3.

4.7.1. General assumptions

In preparing the Forecast Financial Information, the following general best estimate assumptions have been adopted:

- No material change in the Company's competitive operating environment
- No significant deviation from current market expectations of global or Australian economic conditions relevant to the food retail industry in Australia
- No material business disposals
- No material industrial strikes or other disturbances, environmental costs or legal claims
- No material change in environmental conditions at Huon's operating sites
- Retention of key personnel
- No significant change in legislative regimes (including tax) and regulatory environments in the jurisdictions in which Huon or its key customers or suppliers operate
- No changes in applicable Australian Accounting Standards and other mandatory professional reporting requirements of the Corporations Act which would have a material effect on Huon's financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures
- No change in the Company's capital structure other than as set out in, or contemplated by, this Prospectus.
- No material amendment to any material agreement or arrangement related to the Company's business
- None of the risks factors listed in Section 5 have a material adverse impact upon the operations of the Company

4.7.2. General discussion around key drivers

Growth plans

- As detailed in Section 3.7, Huon is in the process of executing a Controlled Growth Strategy from FY2014 to FY2017 which will increase capacity, harvest volumes and improve operating efficiencies whilst also improving the salmon quality.
- Examples of key projects include:
 - Hatchery optimisation and expansion program: Expected to increase the quality, capacity, size and delivery of smolt to sea;
 - Fortress Pens: Expected to decrease mortalities, leading to increased production volumes;
 - Well-boat: Expected to improve farming efficiencies primarily relating to bathing, harvesting and reducing stress levels as well as being critical to farming the remote and high energy sites in Storm Bay;
 - Feed barges: Expected to improve farming efficiencies through automation and optimisation of the feeding process; and
 - New consolidated processing facility: Expected to improve processing efficiency and accommodate increased harvest volumes.
- The implementation of Huon's growth strategy requires significant capital expenditure commitments and is already being rolled out across operations. Key projects still under development are expected to be finalised over the next several years by utilising proceeds of the Offer and the New Banking Facilities (see Section 4.4.2).
- The Company currently only utilises approximately less than 70% of its total farming capacity (by hectares farmed). Therefore there is sufficient marine farming capacity to expand smolt entry and harvest volume in line with the growth plans.
- The execution of the growth plans and underlying projects shape the fundamental assumptions underpinning the Forecast Financial Information although the full impact of the majority of these projects will not be realised until post FY2015.

Quantity of smolt put to sea

- Huon is using the proceeds of the Offer for a number of capital projects which will enable the Company to increase production capacity (as well as efficiency and quality), including at its hatcheries, marine farms and processing facilities.
- Assuming demand for salmon remains strong, this will enable Huon to increase the quantity of smolt put to sea.

4. Financial Information

Mortality rates

- As discussed in Section 3.2.5, a number of factors may contribute to the death of a salmon. A significant proportion of Huon's planned capital expenditure program and operational initiatives are targeted at reducing the impact of mortalities on the business. The table below summarises these factors and the approach Huon is taking to mitigate these risks

Cause of mortality	Approach of Huon
Seals and other predators	<ul style="list-style-type: none"> Currently constructing and installing internally developed Fortress Pens Investment in operational resources to reduce predator interactions Specifically targeted operational procedures and continuous monitoring in order to quickly identify and eradicate deficiencies An improvement in farming processes in order to reduce net changes and movements which expose fish to predator interactions (ie the installation of in-situ net cleaners which have reduced the need for net changes)
Diseases	<ul style="list-style-type: none"> Employing additional resources allocated to fish health Implementing a "whole-of-chain" biosecurity plan to cover all stages of fish production Use of vaccines Ongoing internal research and external collaboration with selected research partners both domestically and internationally: <ul style="list-style-type: none"> CSIRO Membership of GSI encouraging global best practice and participation in research initiatives
Smolt quality	<ul style="list-style-type: none"> Targeted strategic investments in existing hatcheries to improve hatchery conditions in order to improve smolt quality and size Additional capability in development which will allow improved grading of smolt quality Improvements in procedures and processes of putting smolt to sea
Environmental factors (ie warm water)	<ul style="list-style-type: none"> Developing a number of strategies either to improve resilience of the fish or to reduce stress which helps the salmon cope with adverse environmental factors: <ul style="list-style-type: none"> Selective breeding program Low stocking density in pens Innovative bathing techniques (well-boat, large fish pumps) In-situ net cleaners improving availability of oxygen Fortress Pens (the presence of seals stress the salmon even if the seals cannot access the fish)
Jellyfish and algae blooms	<ul style="list-style-type: none"> Use devices to aerate and move the water Tow the pens to a different location in the marine farm if pens are affected Regular sampling of the water and tracking weather conditions at specific times of the year when risk is at its highest

Average production weights

- In FY2014, Huon introduced a higher energy feed diet which should enable the fish to put on weight more efficiently.

4. Financial Information

4.7.3. Specific assumptions

The Forecast Financial Information is based on various best estimate assumptions, of which the key assumptions are set out below. The assumptions below are a summary only and do not represent all factors that will affect Huon's forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. It should be read in conjunction with the basis of preparation and presentation of the Forecast Financial Information set out in Section 4.7, the general assumptions set out in Section 4.7.1 and the risk factors set out in Section 5.

The Directors' specific assumptions underpinning the Forecast Financial Information include the following:

Revenue assumptions

- The total volume of product sold in FY2015 is forecast to increase by 10.1% (1.5m HOG kg) to 16.7m HOG kg as a result of an increase in harvest volumes driven by the fish performance assumptions discussed below and the following market assumptions.
- The increased harvest volumes are forecast to be sold via the premium priced domestic channels. Export sales are expected to generate approximately \$3.2m of revenue in FY2015 compared to approximately \$11.2m in FY2014. Export sales volumes decreased across FY2014.
- Average prices are forecast to remain at current levels across all sales channels. Some price increases were achieved during FY2014 and the beginning of FY2015; however, they are expected to remain flat across the remainder of FY2015.

Fish performance assumptions

- The average harvest weight forecast to be achieved for the harvest in FY2015 will be 5 – 10% lower than the average weight harvested in the previous three years. This is primarily due to warm water during early smolt transfers, and different harvest phasing due to a shift in channel mix.
- The mortality rate of the 2013 Year Class is forecast to be approximately 4% lower than the average of the prior three Year Classes due to Huon's initial investment in Fortress Pens, predator prevention activities (eg seal night watch, higher jump fences) and initiatives in farming methodologies (eg in-situ net cleaning and rotational bathing) that minimise movement and handling of pen systems allowing a focus on pen system integrity. The 2013 Year Class is expected to represent approximately 78% of the total HOG harvested during FY2015.

Cost assumptions

- Average feed costs per tonne are assumed to remain at the average levels achieved in the final quarter of FY2014. The average price increased during FY2014 due in part to a change in feed formulations; however, it is assumed that these will remain mostly unchanged during FY2015.
- Total labour costs (excluding on-costs) are forecast to be 6.2% higher than FY2014 (excluding bonus payments). This includes all labour, ie: labour related to production and processing as well as administrative and management functions.
- Forecast expenses include an estimated share-based payment expense of \$0.4m related to a new long-term incentive plan which will be aligned to the post IPO performance of the Company. The performance rights granted in FY2015 will only vest on the achievement of certain performance hurdles and will vest over a three year service period. The Company has assumed that the relevant performance hurdles will be met in FY2015.

Other assumptions

- Pro Forma capital expenditure of \$100.4m in FY2015.
- Pro Forma net working capital requirements based on forecast revenue and costs.
- Pro Forma forecast tax expense of 30%.
- Pro Forma finance costs of \$2.9m and an average debt balance of \$48.1m over the forecast period.

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4.7.4. Pro Forma forecast selected financial and key metrics: FY2015 compared to FY2014

Set out in Table 4.7.4 is the summary Pro Forma selected financial and key metrics for FY2015 to FY2014.

TABLE 4.7.4: SUMMARY PRO FORMA SELECTED FINANCIAL AND KEY METRICS: FY2015 COMPARED TO FY2014

	Pro Forma Historical	Pro Forma Forecast	
(\$'000)	FY2014	FY2015	Change
Smolt entry – volume (m)	4.91	4.72	(3.8%)
Smolt entry – biomass (t)	716	749	4.6%
Harvest volume (HOG tonnes)	15,156	16,680	10.1%
Revenue (\$/ HOG kg)	12.43	12.87	3.6%
Operating EBITDA (\$/ HOG kg)	3.46	3.23	(6.6%)
Operating EBIT (\$/ HOG kg)	2.93	2.63	(10.1%)
Channel mix by harvest volume			
Wholesale	82.6%		
Retail	11.0%		
Export	6.4%		
Channel mix by revenue			
Wholesale	84.7%		
Retail	9.6%		
Export	5.8%		
Biological assets (year end – '\$000)	122,835		
Revenue	188,352	214,754	14.0%
Total revenue growth (%)	23.8%	14.0%	
EBITDA	56,909	56,116	(1.4%)
EBIT	48,842	46,108	(5.6%)
NPAT	32,514	30,985	(4.7%)
Operating EBITDA	52,419	53,871	2.8%
Operating EBITDA margin (%)	27.8%	25.1%	
Operating EBIT	44,353	43,863	(1.1%)
Operating EBIT margin (%)	23.5%	20.4%	
Operating NPAT	29,372	29,413	0.1%
Operating NPAT margin (%)	15.6%	13.7%	

Key metrics

Smolt entry (by volume) is forecast to fall by 3.8% in FY2015 however smolt entry (by biomass) is forecast to increase by 4.6% due to forecast higher average weight of the smolt. This forecast increase in smolt entry (by biomass) is due to the Company's view of increased projected demand for salmon in future years.

4. Financial Information

Revenue

Revenue growth in FY2015 is forecast to be driven by an increased harvest volume which is underpinned by strong domestic demand for salmon. The Company also expects to achieve higher revenue due to lower exports and an improved customer base primarily due to: i) better pricing with various retail customers and; ii) additional processing for one of the Company's largest wholesale customers. Huon's revenue per kg of HOG is expected to increase from \$12.43 in FY2014 to \$12.87 in FY2015.

Operating EBITDA and EBIT

Operating EBITDA is forecast to increase by 2.8% to \$53.9m in FY2015 while the Company's Operating EBITDA margin is forecast to decline to 25.1% from 27.8%. This is due primarily to increased freight costs and an increase in feed costs (realised during FY2014 with the full impact being borne in FY2015). Fish inputs are also expected to increase following the introduction of the well-boat. Operating EBITDA/HOG kg is forecast to decline by 6.6% from \$3.46 in FY2014 to \$3.23 in FY2015.

Operating EBIT is forecast to decline from FY2014 to FY2015, falling 1.1% from \$44.4m in FY2014 to \$43.9m in FY2015. The Operating EBIT margin is also forecast to decrease from 23.5% to 20.4% in FY2015 due to the same factors impacting the Operating EBITDA margin and also the increase in capital expenditure incurred in FY2014 and FY2015 which results in greater depreciation expense.

Taxation

Taxation expense for FY2015 has been forecast at the corporate tax rate of 30.0%.

4.7.5. Pro Forma Operating Cash Flows: FY2015 compared to FY2014

Set out in Table 4.7.5 is the summary Pro Forma Operating Cash Flows for FY2015 to FY2014.

TABLE 4.7.5: SUMMARY PRO FORMA OPERATING CASH FLOWS: FY2015 COMPARED TO FY2014

	Pro Forma Historical	Pro Forma Forecast	
(\$'000)	FY2014	FY2015	Change
Operating EBITDA	52,419	53,871	2.8%
Change in working capital	(6,272)	(23,300)	271.5%
Depreciation – net impact recognised in changes in inventories	(136)	4,391	(3329.1%)
Non-cash items in EBITDA	438	361	(17.7%)
Net capital expenditure	(44,808)	(100,438)	124.2%
Net finance costs	(3,186)	(2,285)	(28.3%)
Income tax paid	(1,690)	(9,704)	474.1%
Operating cash flow after capital expenditure	(3,235)	(77,104)	2283.2%

Change in working capital

Movements in working capital are expected to generate a cash outflow of \$23.3m in FY2015 compared with a net outflow of \$6.3m with the movement primarily due to an 18% increase in the value of live biomass to be harvested beyond FY2015.

Capital expenditure

FY2015 is the second year of Huon's Controlled Growth Strategy and to significantly higher capital expenditure is expected. For more information refer to Section 3.6.

4. Financial Information

4.8. Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Huon, its Directors and management, and upon assumptions with respect to future business decisions, which are subject to change.

Set out below is a summary of the sensitivity of the FY2015 Pro Forma forecast Operating EBITDA and Pro Forma forecast Operating NPAT to changes in a number of key assumptions. These changes are modelled on an Operating EBITDA and Operating NPAT basis, and therefore do not factor in the additional impact that the fair value adjustment of biological assets required by AASB141 would have on the Pro Forma Forecast EBITDA and the Pro Forma Forecast NPAT as a result of the variation in the key assumptions. The changes in the key variables are set out in the sensitivity analysis and are not intended to be indicative of the complete range of variations that may be experienced.

TABLE 4.8: PRO FORMA OPERATING EBITDA AND PRO FORMA OPERATING NPAT SENSITIVITY ANALYSIS

Assumption	Sensitivity	Pro Forma Operating FY2015 EBITDA impact \$'000	Pro Forma Operating FY2015 NPAT impact \$'000
Average harvest weight (HOG kg)	+ / - 2.5%	+ / - 3,764	+ / - 2,634
Revenue (\$/ HOG kg)	+ / - \$0.50	+ / - 8,340	+ / - 5,838
Average feed cost per tonne	+ / - 5%	+ / - 1,439	+ / - 1,007
Mortality rate	+ / - 5%	+ / - 3,864	+ / - 2,705
Interest rate	+ / - 25 bps	-	+ / - 84

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables to illustrate the likely impact on the FY2015 Pro Forma Forecast Operating EBITDA and Pro Forma Forecast Operating NPAT. In practice, changes in variables may offset each other or be additive, and it is likely that Huon management would take further measures in response to any adverse change in one variable to minimise the net effect on Huon's EBITDA and NPAT.

4.9. Dividend policy

Directors anticipate an annual dividend payout ratio of up to 35% of net profit after tax, subject to the financing and capital expenditure requirements of Huon. As the majority of Huon's profits are derived in Australia, franking credits are expected to be available. It is important to note that Directors do not provide any assurance of the future level of dividends or the extent to which they will be franked. The ability to pay dividends and their franking will depend on a number of factors, many of which are beyond the Company's control.

Directors anticipate that the first dividend to Shareholders will be declared in respect of the period from Listing to 30 June 2015, and will become payable in September 2015. Following this, dividends are expected to be paid in March and September each year if declared.

Shares issued as a result of this Prospectus will rank equally with each other for dividend entitlements.

Section 5



5. RISKS

The below list of risk factors should not be taken as an exhaustive list of the risks faced by Huon or by investors in Huon. The below factors, and others not specifically referred to below, may materially affect the financial performance of Huon and the value of Shares under the Offer. The Shares issued under the Offer carry no guarantee in respect of profitability, dividends, return on capital or the price at which they may trade on the ASX. Furthermore, there is no guarantee that the Shares will remain continuously quoted on the ASX, which could impact the ability of prospective Shareholders to sell their Shares.

Potential investors should consult their professional adviser before deciding whether to apply for Shares under the Offer.

5.1. Risks specific to Huon Aquaculture

Australian Fur Seals

Australian Fur Seals are endemic to the south east of Australia. There is a risk that seals could cause significant losses to Huon by:

- Eating fish
- Enabling fish to escape by creating holes in the nets
- Stressing the fish and disrupting their feeding, which may impact size of the fish and quality of the salmon

Salmonid diseases and viruses

There is a risk that outbreak of disease in Huon's fish stock and resulting higher mortality rates could have a material adverse impact on Huon's profits, operations and financial performance.

Disease is a business risk that is inherent to fish farming operations. This is evident from the problems that have occurred in Chile, and to a lesser extent Norway and Scotland, over the last decade. The risk to Huon of disease occurring in its fish stock is exacerbated by the proximity of Huon's marine farm sites to those of other producers, which means that if another producer's fish stock caught a virus or disease, Huon's fish stock may also be impacted.

The major diseases that can affect salmon are

- AGD: Salmon can be affected by AGD that compromises gill function and, if left untreated, can lead to significant mortality among fish stock. The disease is only prevalent in the east coast of Tasmania
- ISA: A viral disease that has infected farmed salmon in South America and Europe as described in Section 2.1. The causative agent of ISA has never been found in Tasmania; however, if ISA were to be imported into Australia and impact Huon's fish stocks, then higher than normal mortality levels would arise
- SOMV: Typically caused by stress and high stocking density. While Huon has not suffered any significant losses from SOMV to date, the occurrence of this disease may have a material adverse impact on the Company's operations

There are a number of other diseases and viruses that can impact salmon, which could adversely impact Huon's operations.

Algae blooms

Some algae species are harmful as they can irritate the gills of salmon and depress feeding or produce toxic chemicals. There is a risk that an outbreak of algae blooms could negatively impact the health of Huon's fish, disrupting the Company's operations.

Jellyfish

There are a number of different jellyfish species that occur naturally at Huon's marine farms, particularly in summer at the Hideaway Bay and Storm Bay sites. Jellyfish represent a risk to Huon, as certain species such as Moon jellyfish and Lions Mane jellyfish are toxic and can cause increased salmon mortalities.

Fresh water supply

Fresh water is critical for Huon's operations particularly in the marine farms and hatcheries. There is a risk to Huon that if access to fresh water supply was significantly limited or restricted, this could have a material impact on Huon's farming operations or costs, and its subsequent financial performance.

5. Risks

Seasonal and environmental conditions

As Huon is an agricultural producer (predominantly water-based), there is a risk that Huon could be exposed to a number of natural events such as floods, storms, fire, oil spills and adverse movements in the marine environment, such as changes in water temperatures, dissolved oxygen and salinity levels, many of which are beyond Huon's control.

Adverse environmental conditions can negatively impact fish stock survival, restrict the growth of fish and increase feed conversion ratios. Events such as floods and storms could also cause short, medium or long-term interruptions to Huon's operations and materially impact cash flows, financial performance and operational results.

- Water temperature – If the water temperatures move quickly upwards, then this could lead to increasing levels of mortalities
- Storms – Large storms could pose a risk to Huon's marine farming operations
- Floods – In the event of floods, pollution and waste run-off may flow into marine farms and hatcheries, impacting the health of the fish

Disruption to smolt supply

There is a risk that there could be a major disruption to smolt supply. If such disruption occurred, then, unless the supply from Huon's other hatcheries was sufficient to cover its smolt lost due to the disruption, there could be a material reduction in harvest in following years, resulting in a material adverse impact on Huon's operational results and financial performance.

Risk of overstocking growing regions

As with any livestock farming, it is important that salmon lease areas are not overstocked. This can lead to poor growing conditions and fish stress, ultimately negatively impacting fish health and welfare.

Macquarie Harbour is quite unique in terms of the environmental conditions present. The Macquarie Harbour water body is semi-enclosed and has a naturally very stratified water temperature, salinity and dissolved oxygen profile with limited flushing and/or mixing events. These unusual environmental conditions necessitate added care with regard to overstocking by all salmon producers operating in the harbour.

Environmental monitoring in Macquarie Harbour has shown some concerning results in recent years, with dissolved oxygen trending downward at depth. The likely contributing factors and long-term outlook are not yet certain and still being investigated, although could be related to salmon farming, the environmental impacts (such as storms, swells and current flows) resulting from its unique geography and other factors. It is possible that stocking levels may need to be reduced, and at this stage

Huon is not planning any increase in stocking in Macquarie Harbour until more information is understood about these environmental trends.

However, due to the enclosed nature of Macquarie Harbour and proximity of Huon's and other salmon producers' marine farming leases, for the purposes of this analysis, the stocking of Macquarie Harbour should be considered as essentially one large marine farming site. This means that the conduct of other salmon producers operating in the harbour can impact on the sustainability of Huon's operations in this area. If Huon, other salmon producers and/or government regulators do not respond to potentially less favourable growing conditions, including through responsible management and enforcement of stocking levels, then the welfare of Huon's fish and the sustainability of its farming operations in Macquarie Harbour could be put at risk.

Feed prices and supply

The largest fish production cost relates to feed. Feed costs are, in turn, a function of the cost of production of key inputs such as fish meal and fish oil, and other vegetable and meat by-product protein sources. There is a risk that the following events could occur which would have a material adverse impact on Huon's business, financial performance and operational results:

- Material disruption in the supply of fish meal and fish oil
- Drought impact on vegetable oils and proteins (eg soy bean meal)
- Reduction in the supply of poultry and meat by-product meals
- Material disruption in the supply of feed to Huon and Huon being unable to source alternate supply on similar terms or at all

Fuel and energy prices

Fuel is a material operating expense for Huon and is used across the business by:

- Tankers transporting smolt from the hatcheries to the sea pens
- Trucks transporting harvested fish to the processing plants
- Boats and barges at the marine farms
- The well-boat (following delivery)

There is a risk that there could be significant increases to fuel or energy prices. Such increases could significantly increase Huon's cost of operations, including third party freight costs, and have a material adverse effect on Huon's financial performance.

5. Risks

Lack of long-term contracts, salmon prices and competition

The financial performance of Huon is influenced by variations in the domestic and, to a limited extent, international salmon prices. Major factors that can influence demand and supply in the salmon market and, therefore, the price of salmon, include:

- An increase in supply of salmon from either domestic or offshore competitors, or increased competition from alternative fish species and food sources
- The level of world salmon production relative to consumption requirements
- The rate of world economic development and, in particular, economic growth in Asia
- Changes in import restrictions imposed by the Department of Agriculture
- Movements in exchange rate relativities between the currencies of the major salmon export and import countries

Within the wholesale market, which is Huon's primary distribution channel, Huon negotiates prices on a spot basis, and as a result, it is not possible to guarantee consistency in respect of prices and terms for future transactions. There is a risk that a significant reduction in salmon prices could occur, which could have a material adverse impact on the Company's financial performance and operational results. Moreover, there is also the risk that the level of sales to Huon's customers could decrease given that there are no fixed, long-term contracts in place between Huon and its wholesale customers.

Reduction in demand for salmon

There is a risk that a change in economic conditions could cause consumers to reduce their consumption of salmon as they "trade down" to cheaper sources of seafood and proteins. Changes in consumer dietary preferences or sentiment towards seafood and salmon could also result in lower demand for salmon. Such lower demand could reduce the price at which Huon is able to sell its salmon, resulting in an adverse effect on Huon's financial performance.

Customer credit risk

Huon conducts business with its customers on normal commercial terms. These terms include varying periods from payment upfront to standard settlement of up to 30 days after dispatch of goods. There is a risk that debtors default or make payment late, which could have a material adverse impact on Huon's financial performance, including cash flow and working capital.

Food safety and sanitation

As with all food producers, Huon is exposed to the risk of product contamination and product recalls. There is also a risk that a Huon product could cause a serious food

poisoning incident as a result of an operational lapse in food safety or sanitation procedures or malicious tampering.

The occurrence of a serious food poisoning incident could have significant consequences for the Company and may involve:

- A loss of consumer trust in the Huon brand that may result in reduced revenues
- An increase in expenditure on advertising to attempt to restore consumer trust in the Huon brand
- The Huon processing facilities at Parramatta Creek and Mount Barker being partially or wholly closed while the relevant food safety authorities satisfy themselves that the underlying issue has been resolved satisfactorily
- Payment to affected consumers of some form of compensation and to the relevant food authorities of some form of penalty or fine

There is also the risk that actions of Huon's wholesale customers could compromise the hygiene and safety of Huon products after they have left Huon's processing facility. Contamination caused by a wholesale customer would not result in the closure of Huon facilities or require a fine/compensation to be paid by Huon; however, the potential for brand damage to Huon remains.

Please see also "Brand and reputation calamity" below.

Brand and reputation calamity

There is a risk that some incident beyond the control of Huon could occur which would have the effect of reducing consumer confidence or preferences for salmon generally or Huon products specifically. Such incidents could include:

- The occurrence of a serious food safety incident involving another brand of salmon
- A widespread loss of consumer confidence in seafood or salmon
- A widespread loss of consumer confidence in the food safety procedures in the seafood industry as a whole

The consequences of such an incident could be very significant for Huon, with impacts potentially including reduced revenues, loss of consumer trust in the relevant brand or product, and reduced prominence of the brand in customers' minds.

Security of supply chain

There is a risk that the supply chain for one or more of Huon's products could be materially disrupted with the result that sufficient quantities of Huon product are not delivered on time. This could result from the occurrence of a natural disaster that affects the delivery of harvested fish to either the Parramatta Creek or Mount Barker processing plant or an event that impacts the delivery of processed fish to customers.

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The occurrence of such an event could result in the inability to sell some or all products, with an associated loss of revenue and (potentially) brand damage, increased costs flowing from alternative transport and delivery arrangements, or a combination of both.

Risk that Huon's growth plans cannot be effected

As described in Section 3.6, Huon has growth plans in order to expand production beyond its current capacity. However, as with any growth project, there are risks associated with the execution of these plans which may materially impact Huon's earnings, such as meeting project timelines and acquiring necessary third party approvals.

- **Fortress Pens**

Huon is developing the innovative Fortress Pens, which are expected to greatly reduce predator risk for fish at sea. There is a risk that they may not perform as well in operations as expected.

- **Feed barges**

Huon is in the process of constructing several 320t feed barges in order to support sea operations which feed up to 16 pens of fish adaptively. Huon believes that this will lead to greater operating efficiency and feed logistics; however, Huon may have overestimated the potential efficiency benefits or there may be cost over-runs related to the construction of these barges.

- **New hatchery and expansion of existing sites**

Huon is planning a new hatchery on Huon River (Forest Home) and a grow-out hatchery at Port Huon. These hatcheries (and various other development plans) are expected to increase smolt capacity; however, there is a risk that the expansions and development of new hatcheries may be subject to cost over-runs or may not be operational as planned by Huon.

- **New Parramatta Creek processing facility**

Huon is constructing a new processing facility at Parramatta Creek, combining its current operations at Mount Barker and Parramatta Creek. The development is well progressed; however, there is the risk that the project may run over time, or that construction costs exceed budget, which would impact Huon's earnings.

Regulatory risk

General

Huon is required to comply with a range of laws and regulations. Regulatory areas which are of particular significance to Huon include environment, occupational health and safety, quarantine, customs, and tariff and taxation laws. Safety, employment and similar regulations also give rise to significant requirements and compliance costs for Huon.

There is a risk that non-compliance with such regulations, changes in the interpretation of current regulations, loss or failure to secure renewal of an accreditation, or the introduction of new laws or regulations may occur, which could lead to fines imposed on Huon by the relevant regulatory authority or governmental body, revocation of permits/licences, increased compliance costs, or damage to Huon's reputation. These events could cause a material adverse effect on Huon's costs, business model and competitive environment and therefore its future financial performance and position.

Tax law is complex and subject to regular change. There is a risk that changes in tax law may occur which could adversely impact Huon's future financial performance and position.

In addition, there is a risk that changes to other laws and regulations or accounting standards which apply to Huon from time to time may occur which could materially adversely affect Huon's future financial performance and position.

Environmental regulations and licensing

National and local environmental laws and regulations (including the granting of marine leases and water licences) affect nearly all of Huon's operations. Whilst Huon endeavours to ensure that its operations and activities comply with applicable environmental laws, there is a risk that failure to comply with such laws could occur, which may result in penalties, damages and/or loss of permits or licences required by Huon to operate its hatcheries, marine farms or processing facilities.

In addition, Huon must renew the appropriate permits and licences required to operate its business. Huon is subject to regular inspections, examinations and audits by governmental authorities to renew the various licences and permits. Huon is also subject to periodic and spot inspections conducted by government authorities in order to maintain its operating licences. If serious or repeated findings of non-compliance did occur, there is a risk this would have a negative impact on Huon's ability to renew its licences and have a materially adverse impact on its business operations and financial performance.

Also, there would be a risk that the Company could also come under negative scrutiny from a range of non-governmental environmental organisations that could involve negative media coverage and damage to the Huon brand.

There is also a risk that Huon's marine leases could not be renewed at the expiration of their current terms, which would seriously hinder the Company's operations.

Huon is aware that as a result of activities that occurred on one of its sites by a prior occupier, and past activities undertaken by Huon on that and another site, there may be a requirement to remediate one or both of those sites. While there is no current requirement to remediate any of the sites occupied by Huon, there is a risk that active

5. Risks

management of one or both of these two sites could be required in the future (although it is not known whether the cost of such remediation, if required, would be material).

Key personnel

Huon's success to date has depended to a significant extent on its key personnel, in particular the senior management team led by Peter and Frances Bender (described in Section 6.2). There is a risk that changes could occur that adversely affect Huon's ability to retain key personnel or impede its ability to recruit or retain replacement or additional personnel, which could materially impact Huon's business, operational results and financial performance.

Inability to employ and retain sufficient number of appropriately trained staff in required locations

Huon's current business and execution of its planned growth initiatives is dependent on attracting and retaining suitably skilled workers. Huon's ability to meet its labour needs while controlling costs associated with hiring and training new employees is subject to external factors such as unemployment rates, prevailing wage legislation, the industrial relations landscape and changing demographics. There is a risk that changes in these factors may occur which would inhibit Huon's ability to hire and retain employees and may impact the cost of labour. This could result in decreased operational efficiencies and increased costs.

Huon may not achieve its financial forecasts

Huon has made a number of assumptions in preparing the Forecast Financial Information set out in Section 4. There is a risk that Huon's actual results may differ materially from the Forecast Financial Information. Any difference between the Forecast Financial Information and actual results may materially and adversely affect Huon's profitability and growth and may adversely affect the investment market's perception of Huon which, in turn, may have a negative impact on the share price of Huon.

Litigation risk

There is a risk that Huon could be involved in litigation relating to its key contracts, core commercial activities, employee personal injury and termination of employment claims and, if such claims were to materially increase, costs to the business would increase in turn. Such increases may have a negative impact on the profitability and financial performance of the Company. Similarly, frequent or high profile litigation may undermine consumer confidence in the Huon brand or adversely affect the investment market's perception of Huon, which could in turn negatively impact the financial performance of the Company or the price of shares in the Company.

Bender Family shareholding

The Bender Family will own 68% of Shares following Listing, which would make the Bender Family the largest

Shareholder of the Company. Consequently, the Bender Family will have the ability to influence the election of Directors, the appointment of new management and the potential outcome of matters submitted to the vote of Shareholders. The interests of the Bender Family may differ from the interests of Huon and other Shareholders, and there is a risk that this may adversely affect the Company's share price.

There is a risk that the continued shareholding of the Bender Family, in particular until the end of the escrow period which will continue until the date that is 3 days after the Company has reported its financial results for the full year ending 30 June 2015, may cause or contribute to a limited liquidity in the market for Shares, which could affect the market price at which other Shareholders are able to sell their Shares.

There is also a risk that a significant sale of Shares by the Bender Family after the end of the escrow period, or the perception that such a sale might occur, could adversely affect the price of Shares. The continued shareholding of the Bender Family may also negatively impact the timing and effectiveness of any capital raising activities of Huon, which could adversely affect Huon's cost of capital and financial position.

Risks associated with debt funding

Interest rates may increase

As a borrower of money, Huon is exposed to increases in interest rates which would increase the cost of servicing Huon's debt. Increases in interest rates may also affect the level of customer demand. Huon does not currently hedge against increases in interest rates. Accordingly, there is a risk that any increase in interest rates may have a materially adverse effect on Huon's future financial performance and position.

Debt covenants may be breached if performance declines

As discussed in Section 4.4.4, Huon entered into debt facilities in October 2014 which are subject to various covenants. Factors such as a decline in Huon's operational and financial performance could lead to a breach of its banking covenants. If a breach occurs, Huon's financiers may seek to exercise enforcement rights under the debt facilities, including requiring immediate repayment, which may have a materially adverse effect on Huon's future financial performance and position.

Ability to obtain new or renew existing debt finance

There is a risk that Huon may be unable to refinance or renew its debt facilities following expiry, or will only be able to refinance or renew those debt facilities on terms which are less favourable to Huon than the existing terms. Any inability to refinance debt facilities or obtain capital or financing generally, on favourable terms or at all, may have a materially adverse effect on Huon's future financial performance and position.

5. Risks

Insurance risk

Huon seeks to maintain appropriate policies of insurance consistent with those customarily carried by organisations in its industry sector.

Huon cannot assure that it will be able to obtain insurance coverage in the future at reasonable rates, or at all, or that any coverage it arranges will be adequate and able to cover all claims.

Any increase in the cost of insurance policies of Huon or the industry in which it operates could adversely affect Huon's business, financial condition and operational results.

5.2. Risk factors relevant to Shares

Prices of Shares may fluctuate

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade below the Offer Price. There is no assurance that the price of the Shares will increase following the quotation on the ASX, even if Huon's earnings increase.

Some of the factors which may affect the price of Shares include fluctuations in the domestic and international market for listed stocks and general economic conditions, including interest rates; inflation rates; exchange rates; commodity prices; changes to government fiscal, monetary or regulatory policies, legislation or regulation; inclusion in or removal from market indices; the nature of markets in which Huon operates; and general operational and business risks.

Other factors which may negatively affect investor sentiment and influence Huon specifically or the stock market more generally include acts of terrorism, an outbreak of international hostilities or fires, floods, earthquakes, labour strikes, civil wars and other natural disasters.

No guarantee of dividends

There is no guarantee that dividends will be paid on Shares in the future, as this is a matter to be decided by the Board in its discretion and the Board's decision will have regard, among other things, to the financial performance and position of Huon, relative to its capital expenditure and other liabilities.

Trading in Shares may not be liquid

There is currently no public market through which the Shares of the Company may be sold. There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their

Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that they paid.

Following Listing, the Bender Family will hold 68% of the Shares, which may also have an impact on liquidity, as those Shares will be escrowed until the date that is 3 days after the Company has reported its financial results for the full year ending 30 June 2015 and the Bender Family may elect to continue to hold a majority shareholding for sometime thereafter.

Risk of Shareholder dilution

In the future, the Company may elect to issue shares to engage in fundraisings for various reasons including to fund organic and acquisitive growth plans. Huon will be required to comply with the Listing Rules, which do not permit a listed company to issue more than 15% of its total share capital within a 12 month period without shareholder approval (other than where exceptions apply). Nonetheless, there is a risk that Shareholders may be diluted as a result of such future fundraisings and share issues.

Exposure to changes in tax rules or their interpretation

There is a risk that tax rules or their interpretation in relation to equity investments may change. In particular, both the level and basis of taxation may change. In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in Huon.

KEY PEOPLE, INTERESTS AND BENEFITS

Section 6



6. KEY PEOPLE, INTERESTS AND BENEFITS

6.1. Board of Directors

The Directors bring to the Board a breadth of expertise and skills, including industry and business knowledge, financial management skills and corporate governance experience (including roles on boards of ASX-listed companies).



PETER BENDER
Chief Executive
Officer and
Managing Director

Background

- Founder of Huon with over 28 years' experience in fish farming operations
- Peter is responsible for the leadership, operations and strategic direction of Huon and has always been committed to delivering high quality salmon that is raised responsibly. He sets business strategy and leads the executive team to deliver growth
- He is well recognised for farming innovation both in Australia and internationally and his extensive knowledge of aquaculture coupled with a strong continuous improvement ethic is the foundation on which Huon's success is built
- Peter was born into a Tasmanian business family with farming and agribusiness interest and has a strong background in land-based farm management. The principles that guide land-based farming of keeping the stock well-fed, stress-free and healthy are the central tenets that Peter has successfully transferred to aquaculture
- He was named E&Y's Entrepreneur of the Year in the Retail, Consumer and Industrial Products category within the Southern Region division (CY2007)

Former roles

- Prior to founding Huon, Peter established with a partner the largest trellised apricot orchard in Tasmania and ran several other small businesses

Other current directorships

- Peter is also a director of the TSGA and Salmon Enterprises of Tasmania Pty Ltd

6. Key people, interests and benefits



FRANCES BENDER
Executive Director

Background

- Founder of Huon with over 28 years' experience in fish farming operations
- Frances provides Huon a leading voice in both local, national and international industry, regulatory and stakeholder forums. She was a keynote speaker at the 2014 World Aquaculture Forum in Adelaide and led the industry's response to the (former) Federal Government's Biosecurity Bill
- She is passionate about the community, community support and capacity building for the regions in which Huon operate, demonstrated through the implementation of the Company's "Helping Hand" community grants program
- Frances has been instrumental in the design of the Huon brand and its marketing direction and will continue to be responsible for these areas after ASX listing
- She has also fulfilled various roles with Huon from payroll, HR, accounts and customer service and continues to provide active leadership and guidance in these areas
- Frances was nominated in the Pride of Australia Medal's environment category in 2014
- She was also voted Tasmanian RIRDC Rural Woman of the Year in 2001
- Frances was awarded Centenary Medal for service to agribusiness and community in 2001

Other current directorships

- Currently an alternate director for TSGA

Former directorships and committees

- Board member of Tasmanian Aquaculture and Fisheries Industry
- Member of the Huon Valley Economic Development Advisory Committee
- Member of Huon Valley Council Rural Health Advisory Committee
- Member of Tasmanian Food Industry Council
- Member of Tasmanian Regional Reference Group – South



PETER MARGIN
Non-executive
Chairman

Background

- Peter has many years of leadership experience in major Australian and international food companies
- His most recent role was Chief Executive Officer of ASX-listed company Goodman Fielder Limited and before that Peter was Chief Executive Officer and Chief Operating Officer of National Foods Limited
- Peter has also held senior management roles in Simplot Australia Limited, Pacific Brands Limited, East Asiatic Company and HJ Heinz Company Australia Limited

Education

- Peter holds a Bachelor of Science from the University of New South Wales and a Master of Business Administration from Monash University

Other current directorships

- Peter is currently a non-executive director of ASX-listed companies Bega Cheese Limited, PMP Limited, Pact Limited and Nufarm Limited; and of National Stock Exchange of Australia listed company Ricegrowers Limited

Former directorships

- Executive director of ASX-listed Goodman Fielder Limited (2005 – 2011)
- Chief Executive Officer and Chief Operating Officer of National Foods Ltd (1997 – 2005)

6. Key people, interests and benefits



NEIL KEARNEY
Non-executive
Director

Background

- Neil has significant leadership experience in major Australian and international food companies with senior roles at Goodman Fielder Limited and National Foods Limited
- His most recent role was Chief Strategy Officer of ASX-listed company Goodman Fielder Limited from 2011 – 2014 and before that he was Chief Executive Officer and Managing Director of Warrnambool Cheese & Butter Factory Co. Holdings Limited from 2007 – 2009

Education

- Bachelor of Economics (Monash) and Advanced Management Program INSEAD

Other current directorships

- None

Former directorships

- Neil has previously been a board member for Warrnambool Cheese & Butter Factory Co. Holdings Limited as well as being a Director of National Foods Holdings Ltd 2005 – 2007 and Vitasoy Australia Products Pty Ltd 1999 – 2007



SIMON LESTER
Non-executive
Director

Background

- Simon has been an adviser to Huon since 1994, with extensive experience within the salmon industry
- He has 30 years' experience in corporate finance and corporate tax, having advised the Tasmanian Government and State owned business enterprises
- His former roles include Partner at Deloitte Touche Tohmatsu and PBS Partners as well as senior management roles at Price Waterhouse and KPMG
- Member of Financial Services Institute of Australasia, Institute of Chartered Accountants in Australia, The Tax Institute and Australian Risk Policy Institute

Education

- Simon is a Chartered Accountant with the Institute of Chartered Accountants in Australia with a Bachelor of Commerce from the University of Tasmania, Master of Applied Finance and Investment from the Financial Services Institute of Australasia and Chartered Tax Adviser from The Tax Institute

Other current directorships

- None

Former directorships

- None

The composition of Huon's Board committees and a summary of its key corporate governance policies are set out in Section 6.4.

Each Director above has confirmed to Huon that they anticipate being available to perform their duties as a non-executive Director or executive Director of Huon, as the case may be, without constraint from other commitments.

Independence of Directors

In determining whether a Director is "independent", the Board has adopted the definition of this word in the ASX Recommendations. Consequently, a Director will be considered "independent" if that Director is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis, with the Board Charter to assist in this regard. The Board will regularly review the independence of each Director in light of interests disclosed to the Board and will disclose any change to the ASX, as required by the ASX Listing Rules.

6. Key people, interests and benefits

The Board considers that each of Peter Margin and Neil Kearney is free from any business or any other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgement and so each is considered an independent Director.

Peter Bender, Frances Bender and Simon Lester are currently considered by the Board not to be independent. Peter Bender and Frances Bender are considered not to be independent on the basis of the shareholding in the Company to be retained by the Bender Family (see Section 7.1 for further information). Simon Lester is considered not to be an independent Director on the basis of his long-standing relationship as an adviser to the Company, which commenced in 1994.

Accordingly, the Board does not consist of a majority of Directors who are considered to be independent. The Board acknowledges the ASX Recommendation that a majority of the Board should be independent non-executive Directors has not been followed by Huon. In accordance with condition 13 of Listing Rule 1.1, the Company has provided a statement in Section 6.4 disclosing the extent to which it has not followed the ASX Recommendations and the reasons for not following them.

6.2. Senior management

Peter Bender
*Chief Executive Officer
and Managing Director*

- See Section 6.1 above

Frances Bender
Executive Director

- See Section 6.1 above



PHILIP WIESE
Deputy CEO

Role

- More than 20 years' commercial management and senior accounting experience and joined Huon in 2008
- Philip guides and implements Huon's strategy. He works closely with Huon's CEO with a key focus on growth of the business. Currently, he is overseeing the implementation of Huon's Controlled Growth Strategy (see Section 3.6 for further detail)
- During his time at Huon, the Company has almost doubled its production from approximately 8,000t to the current level of around 15,000t. He also oversaw the Company's expansion into Macquarie Harbour and the Southern Ocean Trout acquisition

Former roles

- Philip's former roles include Commercial Management positions with publicly listed companies including Orica Limited as well as a range of Financial Management roles with companies both in Australia and internationally

Education

- Philip holds a Bachelor of Commerce from the University of Stellenbosch, South Africa and is a Member of the Institute of Company Directors and a Certified Practising Accountant
-

6. Key people, interests and benefits



DR STEVE PERCIVAL
General Manager
Marine Operations

Role

- 25 years' experience in fish farming operations and joined Huon in 1990 as a farm manager
- Other than short periods during that time, Steve has worked with Huon on an ongoing basis
- Steve rejoined Huon in a full-time role in 2007
- Steve manages all farming operations at Huon's marine leases and fish health in both the marine environment and fresh water operations
- He has been responsible for preparing a veterinary health plan for Huon which assisted in the Company recently being named Australian Biosecurity Farmer of the Year
- Steve is well known in the Tasmanian and global aquaculture industry for his in-depth knowledge of fish health and husbandry
- Steve is a current member of the Global Gill Health Initiative which combines global research and experience

Former roles

- Steve has been involved in numerous high level industry and government roles incorporating aquatic, animal health, biosecurity and industry focused R&D

Education

- Steve holds a Bachelor of Veterinary Science and Diploma of Education, both from the University of Queensland



GREGG FLOWER
General Manager
Sales and Marketing

Role

- 30 years' experience in the food industry and joined Huon in 2009
- Gregg is responsible for wholesale, retail and export sales, customer service, marketing (including product development), corporate affairs and community relations
- His focus is on profitably growing Huon's business through sales channel mix (encompassing existing and new channels), product mix (including existing and new products) and brand marketing
- Gregg provides key input into overall business strategy (particularly in relation to "market" inputs such as sales channel, customer and consumer insights, marketing and branding), taking a lead role in sales and marketing strategy for Huon
- He has been responsible for building a highly effective sales and marketing team that has delivered significant growth in sales revenue and profitability for the Company by optimising channel and product mix

Former roles

- Gregg's experience encompasses various sales and marketing roles in the Australian food industry (specialising in fast moving consumer goods) with companies such as Nestlé S.A., Pacific Brands Food Group (division of Pacific Dunlop Limited) and Fonterra Co-operative Group Limited, spanning retail, foodservice and export sales channels

Education

- Gregg holds a Bachelor of Business from Capricornia Institute of Advanced Education, (now known as CQ University) and Master of Enterprise (Executive) from the University of Melbourne

6. Key people, interests and benefits



DAVID MITCHELL
General Manager
Fresh Water
Operations

Role

- 30 years' experience in fish farming operations and joined Huon in 2000
- David manages Huon's hatcheries, taking salmon from egg to smolt. In addition, his role extends to the marine environment and fish performance from egg to harvest
- He has been responsible for Huon's production increases from improved fish performance. This work was exemplified in 2012 when HOG weights did not drop below 4kg in any month of that year
- He is an active member of the TSGA Technical Committee

Former roles

- His former roles include being Technical Manager for Marine Harvest Scotland, overseeing their fish farming research activities. He is also a former Director of the British Marine Finfish Association (1993) and Chairman of that Association from 1997 to 2000

Education

- David has a Bachelor of Science in Marine and Freshwater Biology and a Masters of Science in Aquaculture and Fisheries Management from the Institute of Aquaculture, University of Stirling. He was awarded Honorary Senior Research Fellow in the Institute of Biomedical and Life Sciences at Glasgow University



DR DAVID
MOREHEAD
General Manager
Projects

Role

- 17 years' experience in aquaculture research, fish farming and project management and joined Huon in 2005
- David manages the engineering and maintenance workshop, pen construction and mooring divisions as well as procurement of net, pen and mooring components
- He has been responsible for many of the projects that are currently transforming Huon's operations including: developing Fortress Pens and driving initial stages of AquaHub development and Forest Home hatchery development (see Section 3.6 for further detail)

Former roles

- His former roles include being a research scientist at the Tasmanian Aquaculture and Fisheries Institute, University of Tasmania

Education

- David holds a Bachelor of Applied Science from Curtin University of Technology, a Graduate Diploma in Antarctic and Southern Ocean Studies with Honours (1st Class) from the University of Tasmania, a PhD. from the School of Aquaculture, University of Tasmania and a Post-doctoral Fellow from the Tasmanian Aquaculture and Fisheries Institute

6. Key people, interests and benefits



THOMAS
HASELGROVE
CFO and Company
Secretary

Role

- 23 years' experience within audit, statutory accounting and commerce and joined Huon in 2006
- Tom manages Huon's financial strategy, control and compliance and communicating financial results to the management team. His role also includes treasury, compliance, statutory, tax and audit and company secretarial duties
- He has been responsible for delivering new Rabobank funding facilities in 2012 and 2014 with a new club facility (see Section 4.4.4 for further detail) and managed the implementation of various management controls, business and finance systems

Former roles

- His former roles include a range of financial and commercial positions in the fast moving consumer goods sector such as Chiquita Brands and Southcorp as well as five years at Ernst & Young as a Chartered Accountant and two years as a SAP Business Analyst

Education

- Tom holds a Bachelor of Economics from the University of Adelaide and is a Chartered Accountant



SCOTT NOLAN
General Manager
Processing

Role

- 27 years' experience in fish processing and logistics and joined Huon in 2006
- Scott manages harvest operations, processing and value adding, transport, packaging, by-products and food safety for Huon. He is also the project manager for delivery of Parramatta Creek and relocation of Mt Barker (see Sections 3.2.7 and 3.6 for further detail)
- He has been responsible for consolidating processing operations, upgrading harvesting facilities and improving transport efficiencies as well as driving new products and online retailing
- Scott has a deep understanding of seafood processing and keeps up with current trends in innovation, processing and packaging technology through an extensive global network of contacts

Former roles

- His former roles include being a processing manager at Marine Harvest ASA, and during his time there he built up Marine Harvest's Scottish operations to the biggest plant in Europe (at the time) and oversaw the complete upgrade of operations

6. Key people, interests and benefits



CHARLES HUGHES
General Manager
Commercial and
Planning

Role

- 18 years' experience in commercial business development and joined Huon in 2007
- Charles manages Huon's long-term financial forecasting and business planning, working closely with the Deputy Chief Executive Officer as well as providing commercial support to the Operational General Managers through the preparation of budgets, fish performance and facilities forecasting
- Charles has been responsible for providing new perspectives and financial rigour to Huon's modelling plans and strategies
- He is a Certified Practising Accountant and Fellow of the Financial Services Institute of Australia

Former roles

- His former roles include commercial business transaction, development and planning experience within large corporates such as Coca-Cola Amatil Limited, James Hardie Industries Limited and Wesfarmers Limited

Education

- Charles holds a Bachelor of Rural Science from the University of New England, a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia, a Graduate Diploma in Financial Management from the University of New England and a Graduate Diploma in Business Studies from the University of New England
-

6. Key people, interests and benefits

6.3. Interests and benefits

This Section sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of Huon;
- Person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- Promoter of Huon; or
- Underwriter to the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- The formation or promotion of Huon;
- Property acquired or proposed to be acquired by Huon in connection with its formation or promotion, or in connection with the Offer; or
- The Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of Huon or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of Huon.

6.3.1. Interests of advisers

Huon has engaged the following professional advisers:

- Credit Suisse (Australia) Limited has acted as Lead Manager to the Offer. Huon has paid, or agreed to pay, the Lead Manager the fees described in Section 9.2 for these services;
- Credit Suisse Emerging Companies (Australia) Pty Limited has acted as Financial Adviser to the Offer. The Lead Manager will pay a portion of its fees to the Financial Adviser;
- Clayton Utz has acted as Australian legal adviser (other than in respect of taxation matters) to Huon in relation to the Offer. Huon has paid, or agreed to pay, approximately \$600,000 (excluding disbursements and GST) for these services up until the date of this Prospectus. Further amounts may be paid to Clayton Utz in accordance with its normal time-based charges;

- PricewaterhouseCoopers Securities Ltd has acted as Investigating Accountant and has prepared the Investigating Accountant's Report and has performed work in relation to due diligence enquiries. Huon has paid, or agreed to pay, approximately \$215,000 (excluding disbursements and GST) for the above services up until the date of this Prospectus;
- PricewaterhouseCoopers has provided limited taxation advice to Huon in relation to the Offer. Huon has paid, or agreed to pay, approximately \$30,000 (excluding disbursements and GST) for the above services up until the date of this Prospectus; and
- Baillieu Holst Limited and Bell Potter Securities Limited have agreed to act as Co-Managers to the Offer. Each will be paid fees of 1.5% on their allocation in the Broker Firm Offer. All amounts payable to them are payable by the Lead Manager out of the fees payable to the Lead Manager under the Underwriting Agreement.

These amounts, and other expenses of the Offer, will be paid out of funds raised under the Offer or cash otherwise available to Huon (or one of its subsidiaries). Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.

6.3.2. Directors' interests and remuneration

Chief Executive Officer and Managing Director

Peter Bender is employed in the position of Chief Executive Officer and Managing Director under an employment contract with Huon. Peter is a founder of the Company. Peter's annual remuneration package comprises a base salary of \$450,000 per annum (plus superannuation) and an incentive payment or additional benefit received in accordance with the terms of the Long Term Incentive Plan and Bonus Sacrifice Plan. It is intended that, following Listing, Peter will receive approximately 95,000 performance rights, (representing approximately \$450,000 at the Offer Price) on the terms described in Section 6.6.1 below. The terms and conditions of Peter's incentive payment or additional benefit, including as to targets, vesting and exercise, may be determined by the Company.

Notice

Peter's employment contract may be terminated by either of Huon or Peter by providing 12 months' notice in writing before the proposed date of termination, or in Huon's case, payment in lieu of notice at its discretion.

Huon may also terminate the employment of Peter summarily in certain circumstances (without notice) if he engages in serious misconduct including, but not limited to, for any acts of dishonesty, fraud, wilful disobedience, failure to comply with a lawful and reasonable direction or bankruptcy.

6. Key people, interests and benefits

Restraint

Peter's employment contract also contains a restraint of trade period of up to nine months from the date of termination of his employment. Enforceability of such restraint of trade is subject to all usual legal requirements, in particular, reasonableness.

Executive Director – Frances Bender

Frances Bender is employed as an executive Director of Huon under an employment contract with Huon. Frances is a founder of the Company. Frances' annual remuneration package comprises a base salary of \$146,224 per annum (plus superannuation). Frances may be entitled to receive incentive payments or additional benefits (such as performance rights under the Long Term Incentive Plan and Bonus Sacrifice Plan) in the future, subject to law and compliance with the Listing Rules. The terms and conditions of any future incentive payment or additional benefit, including as to targets, vesting and exercise, may be determined by the Company.

Notice

Frances' employment contract may be terminated by either of Huon or Frances by providing 12 months' notice in writing before the proposed date of termination, or in Huon's case, payment in lieu of notice at its discretion.

Huon may also terminate the employment of Frances summarily in certain circumstances (without notice) if she engages in serious misconduct including, but not limited to, for any acts of dishonesty, fraud, wilful disobedience, failure to comply with a lawful and reasonable direction or bankruptcy.

Restraint

Frances' employment contract also contains a restraint of trade period of up to nine months from the date of termination of her employment. Enforceability of such restraint of trade is subject to all usual legal requirements, in particular reasonableness.

Non-executive Director remuneration

Under the Constitution, the Directors decide the total amount paid to each Director as remuneration for their services as a Director to Huon. However, under the ASX Listing Rules, the total amount of fees paid to all non-executive Directors for their services must not exceed in aggregate in any financial year the amount determined by Huon in a general meeting or, until so determined, as the Board determines. This amount has currently been determined by the Board to be \$800,000. For the financial year ending 30 June 2015, it is expected that the fees payable to the current non-executive Directors will not exceed \$320,000 in aggregate. Annual non-executive Directors' fees currently agreed to be paid by Huon are \$160,000 to the Chairman (Peter Margin), \$90,000 to Neil Kearney and \$70,000 to Simon Lester.

The fees payable to Peter Margin and Neil Kearney referred to above include an amount of \$20,000 for their duties as chair of the Audit and Risk Committee and Remuneration and Nomination Committee respectively. The Company must not pay remuneration to Directors that is calculated as a commission on, or a percentage of operating revenue, or in the case of non-executive Directors, profits. Superannuation payments are included in all non-executive Director fee amounts.

Deeds of access, insurance and indemnity for Directors

Huon has entered into deeds of access, insurance and indemnity with each Director which contain rights of access to certain books and records of Huon for a period of seven years after the Director ceases to hold any office as an officer of the Company or a subsidiary of the Company. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

Indemnification: Pursuant to the Constitution, Huon is required to indemnify all Directors and Secretaries, past and present, against all liabilities allowed under law. Under the deed of indemnity, access and insurance, Huon indemnifies parties against all liabilities to another person that may arise from their position as an officer of Huon or its subsidiaries or any other entity to which a party to this deed has been appointed as a nominee director at Huon's request, to the extent permitted by law. The deed stipulates that Huon will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

Insurance: Pursuant to the deed of access, insurance and indemnity and the Constitution, Huon has arranged and maintains Directors' and Officers' insurance for its Directors to the extent permitted by law. Under the deed, Huon must obtain such insurance during each Director's period of office and for a period of seven years after a Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

Other information

The Company must also reimburse Directors for all reasonable travel and other expenses incurred in connection with the business of the Company.

Subject to the Corporations Act and the Constitution, non-executive Directors may be paid such additional remuneration or benefits as the Board decides is appropriate where a Director performs extra or special services.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

6. Key people, interests and benefits

Directors' shareholdings and option holdings

Directors are not required under the Constitution to hold any Shares or Options. The Directors (and their associates) are entitled to apply for Shares under the Offer. The table below shows the interests of each Director (whether held directly or indirectly) in securities of Huon as at the date of this Prospectus:

Directors' interests

Director	Shares (m)	Options
Peter Bender (individually)	14.8	nil
Peter and Frances Bender (through a controlled company)	44.5	nil

Peter Margin, Neil Kearney and Simon Lester have informed Huon that they, or entities they are associated with, each intend to apply for \$30,000 worth of Shares under the Offer (at the Offer Price)

6.3.3. Executive remuneration

Chief Executive Officer and Managing Director

See Section 6.3.2. above.

Executive Director

See Section 6.3.2. above.

Deputy Chief Executive Officer

Philip Wiese is the Deputy Chief Executive Officer of Huon and has a written employment contract with Huon. Philip's annual remuneration package is comprised of a base salary of approximately \$340,000 and an incentive payment or additional benefit received in accordance with the terms of the Long Term Incentive Plan and Bonus Sacrifice Plan.

The terms and conditions of Philip's incentive payments, including as to targets, are determined by the Directors.

Philip's employment may be terminated by either Huon or Philip by giving at least three months' notice in writing before the proposed date of termination (or payment in lieu of notice at Huon's discretion). Huon may terminate the employment of Philip immediately in certain circumstances including for any act of dishonesty, fraud, wilful disobedience, serious misconduct or serious breach of duty. Philip's employment contract also contains a restraint of trade period of three months from the date of termination of his employment. Enforceability of such restraint of trade is subject to all usual legal requirements.

Chief Financial Officer and Company Secretary

Tom Haselgrove is the Chief Financial Officer and Company Secretary of Huon and has a written employment contract with Huon. Tom's annual remuneration package is comprised of a base salary of

approximately \$245,000 and an incentive payment or additional benefit received in accordance with the terms of the Long Term Incentive Plan and Bonus Sacrifice Plan.

The terms and conditions of Tom's incentive payments, including as to targets, are determined by the Directors.

Tom's employment may be terminated by either Huon or Tom by giving at least three months' notice in writing before the proposed date of termination (or payment in lieu of notice at Huon's discretion). Huon may terminate the employment of Tom immediately in certain circumstances including for any act of dishonesty, fraud, wilful disobedience, serious misconduct or serious breach of duty. Tom's employment contract also contains a restraint of trade period of three months from the date of termination of his employment. Enforceability of such restraint of trade is subject to all usual legal requirements.

Senior management service arrangements

Huon's other key management personnel are employed under individual executive services agreements. These generally establish:

- Total compensation, inclusive of base salary and superannuation contribution to a fund of the individual's election, and for contractors, a daily rate;
- Eligibility to participate in Huon's short term incentive plan and long term incentive plan. For further details about Huon's short term incentive plan and long term incentive plan, refer to Section 6.6;
- Notice and termination provisions (notice period generally 3 months, or at Huon's discretion, payment in lieu of notice), or by Huon without notice in certain circumstances (such as serious misconduct or fraud);
- Restraint of trade provisions (generally for a 3 month period, subject to usual legal requirements) and confidentiality obligations; and
- For employees, leave entitlements as per the National Employment Standard and applicable legislation.

6.3.4. Incentive plans

Full details of Huon's incentive arrangements for its employees and senior management (including executive Directors) are contained in Section 6.6 of this Prospectus.

6. Key people, interests and benefits

6.4. Corporate governance

This Section explains how the Board will oversee the management of Huon's business. The Board is responsible for the overall corporate governance of Huon, including establishing and monitoring key performance goals. The Board monitors the operational and financial position and performance of Huon and oversees its business strategy including approving the strategic goals of Huon and considering and approving an annual business plan, including a budget. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of Huon. In conducting Huon's business with these objectives, the Board seeks to ensure that Huon is properly managed to protect and enhance Shareholder interests, and that Huon, its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing Huon, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Huon's business and which are designed to promote the responsible management and conduct of Huon.

Huon is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released the ASX Recommendations for ASX-listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, Huon will be required to provide a statement in its annual report disclosing the extent to which it has followed the recommendations in the reporting period. Except as set out below, the Board does not anticipate that it will depart from the ASX Recommendations; however, it may do so in the future if it considers that such a departure would be reasonable.

The main policies and practices adopted by Huon, which will take effect from ASX listing, are summarised below. In addition, many governance elements are contained in the Constitution. Details of Huon's key policies and practices and the charters for the Board and each of its committees will be available from Listing at www.huonaqua.com.au.

For the purposes of condition 13 of ASX Listing Rule 1.1, the Company discloses that it does not intend to follow ASX Recommendation 2.4 (ie that a majority of the board of a listed entity should be independent directors) as at the date of admission to the official list of ASX.

While the majority of the Board is not comprised of independent Directors, the roles of Chairman and Chief Executive Officer are exercised by separate individuals. The Board believes that each of the non-executive Directors (other than Simon Lester) brings objective and independent judgement to the Board's deliberations and

that each of the non-executive Directors makes invaluable contributions to the Company through their deep understanding of Huon's business. Consequently, having considered Huon's immediate requirements as it transitions to an ASX-listed company, the Directors are satisfied that the composition of the Board reflects an appropriate range of skills, expertise and experience for the Company after Listing.

6.4.1. Board Charter

The Board Charter adopted by the Board provides a framework for the effective operation of the Board, and sets out:

- The roles and responsibilities of the Board in greater detail;
- The membership of the Board, including the Board's composition and size and the process of selection and re-election of Directors, terms of appointment of Directors and independence of Directors;
- The delegations of authority of the Board to both committees of the Board and to the Chief Executive Officer and Managing Director and other management of Huon; and
- Board process, including how the Board meets.

The management function is conducted by, or under the supervision of the Chief Executive Officer and Managing Director as directed by the Board. The Chief Executive Officer and Managing Director must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively.

Directors may seek independent professional advice, in carrying out their responsibilities at Huon's expense, subject to the consent of the Chairman or the Board as a whole.

6.4.2. Board committees

The Board may, from time to time, establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit and Risk Management Committee and a Remuneration and Nomination Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of Huon, relevant legislative and other requirements and the skills and experience of individual Directors.

Under the Board Charter, Board committee performance evaluations will occur annually.

Audit and Risk Management Committee

Under its charter, the Audit and Risk Management Committee must be of sufficient size, independence and technical expertise to discharge its mandate effectively.

6. Key people, interests and benefits

The Audit and Risk Management Committee must have at least three members, a majority of whom (including the chair) must be independent and all of whom must be non-executive Directors. A member of the Audit and Risk Management Committee, who does not chair the Board, shall be appointed the chair of the Committee.

Currently, the Audit and Risk Management Committee comprises Peter Margin, Neil Kearney and Simon Lester, and Neil Kearney will act as chair. In accordance with its charter, it is intended that all members of the Committee should be financially literate and have familiarity with financial management, and at least one member should have relevant qualifications and experience.

The primary role of the Audit and Risk Management Committee includes:

- Overseeing Huon's process of internal control structure, continuous disclosure, financial and non-financial risk management systems, and compliance and external audit;
- Providing advice to the Board and report on the status and management of the risks to Huon, to ensure the that risks are identified, assessed and appropriately managed;
- Monitoring the Company's compliance with laws and regulations and the Company's codes of conduct and ethics; and
- Encouraging effective relationships with, and communication between, the Board, management and Huon's external auditor.

The Board has adopted a policy regarding the services that Huon may obtain from its auditor. It is the policy of Huon that its external auditor:

- Must be independent of Huon and the Directors and senior executives. To ensure this, Huon requires a formal confirmation of independence from its external auditor on an annual basis; and
- May not provide services to Huon that are, or are perceived to be, materially in conflict with the role of the external auditor. Non-audit or assurance services that may impair, or appear to impair, the external auditor's judgement or independence are not appropriate. However, the external auditor may be permitted to provide additional services which are not, and are not perceived to be, materially in conflict with the role of the auditor, if the Board or Audit and Risk Management Committee has approved those additional services.

Remuneration and Nomination Committee

Under its charter, the Remuneration and Nomination Committee must have at least three members, a majority of whom (including the chairman) must be independent Directors and all of whom must be non-executive Directors. Currently, the Committee comprises Peter Margin, Neil Kearney and Simon Lester, and Peter Margin will act as chair. In accordance with its charter, it is intended that at least one member will have expertise in remuneration.

The main functions of the Remuneration and Nomination Committee are to assist the Board in establishing a Board of effective composition, size, diversity, experience and commitment to adequately discharge the Board's responsibilities and duties, and to seek to ensure that Huon:

- Has coherent remuneration policies and practices which enable Huon to attract and retain executives and Directors who will create value for Shareholders, including succession planning for the Board and executives;
- Fairly and responsibly remunerates Directors and executives, having regard to the performance of Huon, the performance of the executives and the general remuneration environment;
- Has policies to evaluate the performance of the Board, individual Directors and executives on (at least) an annual basis; and
- Has effective policies and procedures to attract, motivate and retain appropriately skilled and diverse persons to meet Huon's needs.

The Remuneration and Nomination Committee will meet as often as is required by its charter or other policy approved by the Board to govern the operation of the Committee. Following each meeting, the Committee will report to the Board on any matter that should be brought to the Board's attention and on any recommendation of the Committee that requires Board approval.

6. Key people, interests and benefits

6.4.3. Risk Management Policy

The identification and proper management of Huon's risks are an important priority of the Board. The Board has adopted a Risk Management Policy appropriate for its business, which will ensure appropriate systems are implemented to identify material risks that may impact on the Company's business and delegate appropriate responsibilities to control any identified risk. The Policy will also ensure that any material changes to Huon's risk profile will be disclosed in accordance with the Company's Continuous Disclosure Policy (see Section 6.4.5 for further detail).

The Board will be responsible for overseeing and approving Huon's risk management strategy and policies, monitoring risk management and establishing procedures which seek to provide assurance that major risks to the business are identified, assessed and appropriately addressed. The Board may delegate these functions to the Audit and Risk Management Committee or a separate risk committee in the future.

The Board will regularly undertake review of its risk management procedures to ensure that it complies with its legal obligations.

6.4.4. Diversity Policy

The workforce of Huon is made up of individuals with diverse skills, backgrounds, perspectives and experience and this diversity is recognised, valued and respected. Huon is committed to developing measurable objectives to achieve gender diversity in its workplace. Huon has implemented a Diversity Policy which is overseen by the Board, and which aligns Huon's management systems with the commitment to develop a culture and business model that values and achieves diversity in its workforce and on its Board.

In its annual report, Huon will disclose the measurable objectives for achieving gender diversity and progress towards achieving them, and will also disclose the proportion of women personnel in the whole organisation, women in senior executive positions and women on the Board.

6.4.5. Continuous disclosure

Once listed, Huon will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, Huon will be required to immediately disclose to the ASX any information concerning Huon which is not generally available and which, if it was made available, a reasonable person would expect to have a material effect on the price or value of Huon's securities, once Huon is aware of such information. Huon is committed to observing its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

Huon has adopted a Continuous Disclosure Policy to take effect from Listing, which establishes procedures to ensure that Directors and senior management are aware of, and fulfil their obligations in relation to continuous disclosure, including the timely, full and accurate disclosure of material price-sensitive information when required. The Continuous Disclosure Policy also sets out procedures for communicating with Shareholders, the media and the market. Under the Continuous Disclosure Policy, the Company Secretary will be primarily responsible for managing Huon's compliance with its continuous disclosure obligations.

6.4.6. Shareholder communications

The Board aims to ensure that Shareholders are provided with sufficient information to assess the performance of Huon and that Shareholders are properly informed of all major developments affecting the affairs of Huon. Huon is required by law to communicate to Shareholders through the lodgement of all relevant financial and other information with the ASX and publishing information on Huon's website, www.huonaqua.com.au.

Huon's website will also contain information about it, including media releases, key policies and the charters of Board committees.

6.4.7. Securities Trading Policy

Huon has adopted a Securities Trading Policy which will apply to Huon, its Directors, officers, employees and senior management, including those persons having authority and responsibility for planning, directing and controlling the activities of Huon, whether directly or indirectly.

The Policy is intended to explain the types of conduct in relation to dealings in the securities of the Company that is prohibited under the Corporations Act and establish procedures in relation to Directors, officers, senior management or employees dealing in the securities.

Subject to certain exceptions, including exceptional financial circumstances, the Securities Trading Policy defines certain "closed periods" during which trading in securities of the Company by the Directors, officers, senior management and certain employees is prohibited. Those closed periods are currently defined as the following periods:

- The Company's year end until the business day after the release of the full year results;
- The Company's half year end until the business day after the release of the half year results; and
- Any additional periods imposed by the Board from time to time (for example when the Company is considering matters which are subject to ASX Listing Rule 3.1A).

6. Key people, interests and benefits

Outside of these periods, Directors, officers, senior management and certain employees must receive clearance for any proposed dealing in securities of the Company. In all instances, buying or selling securities of the Company is not permitted at any time by any person who possesses confidential price-sensitive information concerning the Company.

6.4.8. Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Code of Conduct, to take effect from Listing, to be followed by all employees, contractors and officers. The key aspects to the code are to:

- Act with honesty, integrity and fairness, and in the best interests of Huon as a whole;
- Act in strict compliance with all applicable laws, regulations, policies and procedures;
- Have responsibility and accountability for individuals for reporting and investigating reports of unethical practices;
- Avoid conflicts of interest; and
- Use Huon's resources and property properly.

The Code of Conduct outlines Huon's policies on various matters including protection of confidential information, avoiding conflicts of interest, ethical conduct, business and personal conduct, privacy and financial integrity.

6.5. Related party transactions

Huon hires certain equipment (including 3 cranes) from PAB Contracting Pty Ltd and James Bender Contracting Pty Ltd (entities controlled by sons of Peter and Frances Bender) for use in its business. Huon believes that these hire arrangements have been entered into on arm's length terms. The total amount of hire fees payable by Huon under these arrangements is currently \$0.423m per annum. These contractual arrangements will remain in place until 30 June 2015 in respect of 2 of the agreements, and 30 June 2018 in respect of the other agreement, unless extended by mutual agreement of the parties.

6.6. Employee and executive incentive plans

Huon has established various incentive arrangements to assist in the attraction, retention and motivation of employees and management of Huon as set out below.

6.6.1. Executive team interests and annual remuneration

The executive team's annual remuneration package is comprised of a base salary, cash-based short term incentives in the form of a cash bonus or a bonus sacrifice, and participation in a long term incentive plan. The short term incentive plan gives participants the opportunity to receive a cash bonus based on satisfaction of certain

hurdles and key performance indicators based on the individual's role. Certain eligible employees may also be offered the right to receive performance rights in lieu of the cash bonus under the bonus sacrifice plan (see Section 6.6.2 below).

Both the bonus sacrifice plan and the long term incentive plan are governed by the Long Term Incentive and Bonus Sacrifice Plan Rules (refer to Section 6.6.2). It is intended that, following Listing, the leadership team will receive, in aggregate, approximately 133,000 performance rights, (representing approximately \$632,092 at the Offer Price). This excludes the performance rights that are intended to be granted to the Peter Bender, which are referred to in Sections 6.3.2. The terms and conditions of the performance rights (including those issued to Peter Bender), including as to vesting and exercise (and whether shares will be issued or an equivalent value of cash paid on vesting), will be determined by the Directors.

It is intended that performance rights granted to the leadership team will be offered annually and will vest in three tranches over three years from the date of issue subject to satisfaction of key performance indicators set by the Directors. Those performance rights intended to be granted following Listing are intended, subject to satisfaction of relevant conditions, to vest on 1 April 2017. These vesting conditions are for the FY2015 grant of Performance Rights are subject to the following vesting conditions:

- Achievement of forecast FY2015 performance as per the Prospectus based on EPS measures; and
- Continued service with the Huon Group from 1 July 2014 to 1 July 2017.

It is anticipated that grants under the Long Term Incentive Plan from FY2016 onwards will vest subject to EPS and Return on Net Assets (RONA) measures to be determined by the Directors.

6.6.2. Long Term Incentive and Bonus Sacrifice Plan

The Long Term Incentive and Bonus Sacrifice Plan offers eligible employees (including executives, officers and permanent employees) selected by the Directors:

- Rights to subscribe for or, be transferred, performance rights; or
- Rights to receive performance rights in lieu of all or part of a cash bonus to which the eligible employees may become entitled in respect of their employment.

It is expected that up to approximately 228,000 performance rights will be issued to eligible employees under the Long Term Incentive and Bonus Sacrifice Plan following Listing.

The invitations issued to eligible employees will include information such as performance conditions and upon acceptance of an invitation, the Directors will grant

6. Key people, interests and benefits

performance rights in the name of the eligible employee. On vesting, one performance right is exercisable into one Share (or an equivalent amount of cash) if and as determined by the Board; however, participants in the Long Term Incentive and Bonus Sacrifice Plan will not pay any consideration for the grant of the performance rights.

6.6.3. Tax Exempt Plan

Under the Tax Exempt Plan, Huon will offer eligible employees the right to subscribe for \$1,000 worth of Shares for nil consideration. The Shares issued under the Tax Exempt Plan will be free from income tax provided that current conditions in the Australian tax legislation are satisfied.

It is expected Huon will offer shares under the Tax Exempt Plan on a non discriminatory basis to all current employees of Huon who were employed on the 18th of September 2014. Accordingly, it is expected that up to 102,480 shares will be issued under the Tax Exempt Plan following Listing.

Shares issued under the Tax Exempt Plan will rank equally in all respects with other Shares. Huon will apply for quotation of these Shares on the ASX (like all other Shares).

The Tax Exempt Plan does not set any performance hurdles on the Shares and the Shares will not be subject to forfeiture under any circumstances.

In accordance with the requirements of Australian tax legislation, Shares acquired under the Tax Exempt Plan cannot be transferred, assigned or otherwise dealt with until the earlier of three years after the date of issue and the date on which the holder of those Shares ceases to be an employee of Huon. This restriction may be enforced through an ASX holding lock put in place by Huon. The ASX holding lock will not affect the right to receive dividends or vote in respect of the Shares.

Shares issued to an eligible employee under the Tax Exempt Plan will be tax-free, provided that:

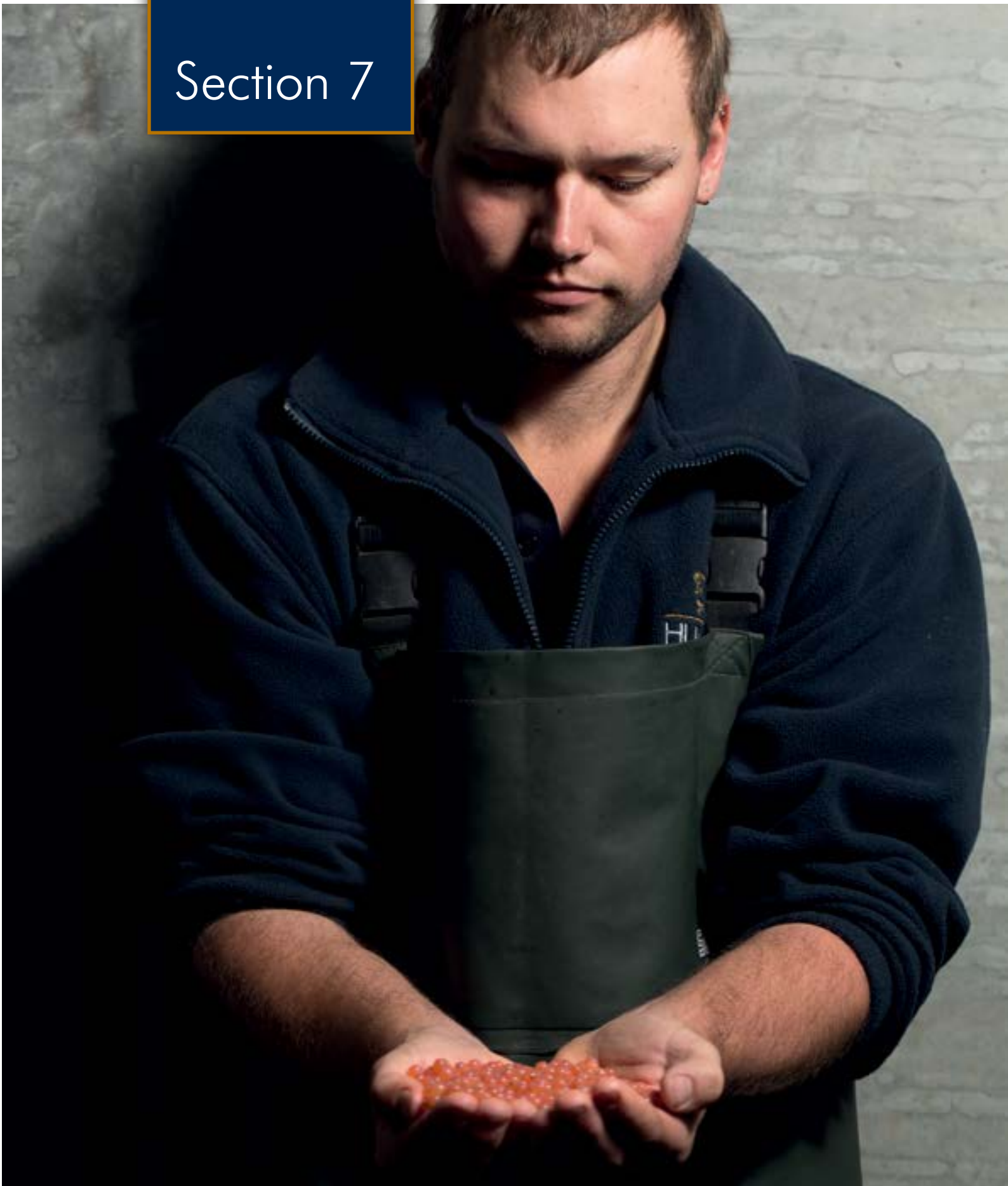
- The employee has not more than 5% of the ownership interest and voting rights in Huon;
- The plan is operated to comply with the disposal restriction periods; and
- The employee's adjusted taxable income (ATI) for the financial year does not exceed \$180,000. Taxable income is adjusted by adding an employee's reportable fringe benefits, reportable superannuation contributions and total net investment loss for the financial year.

Where there is a takeover bid made for Shares in Huon, the Directors may determine that any disposal restrictions cease.

Subject to the ASX Listing Rules, if Huon reconstructs its capital in any way, the Shares acquired under the Tax Exempt Plan will be affected in the same way as other Shares in the same class.

No Share may be offered under the Tax Exempt Plan if to do so would contravene the Corporations Act, the ASX Listing Rules or instruments of relief issued by ASIC from time to time.

Section 7



7. DETAILS OF THE OFFER

7.1. Description of the Offer

This Prospectus relates to an initial public offering of 27.9 million Shares in Huon at an Offer Price of \$4.75 per Share. The Shares to be issued in the Offer will represent approximately 32% of the Shares on issue on completion of the Offer. The total number of Shares on issue on Listing will be 87.3 million and all Shares will rank equally with each other. On Listing, 59.4 million Shares will be held by the Bender Family¹ and will be subject to voluntary escrow arrangements as described in Section 7.8.

The proceeds from the issue of the New Shares will be used by Huon as described in Sections 7.1.2 and 7.1.3. The proceeds received in respect of the sale of Existing Shares will be paid to Peter Bender.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1. Structure of the Offer

The Offer comprises:

- The Broker Firm Offer, being the offer of a firm allocation of Shares to Brokers for allocation to their private clients in Australia that are retail investors;
- The Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia and certain other eligible jurisdictions;
- The Employee Offer, which is only open to Eligible Employees identified by the Company; and
- The Priority Offer, which is only open to persons who have received a personalised invitation to subscribe for Shares in the Offer.

No general public offer of Shares will be made under the Offer. The allocation of Shares between the Broker Firm Offer, Employee Offer, Priority Offer and the Institutional Offer was determined by the Lead Manager in consultation with Huon, having regard to the allocation policies outlined in Sections 7.3, 7.4 and 7.5.

The Offer has been fully underwritten by the Lead Manager. A summary of the Underwriting Agreement, including the events which would entitle the Lead Manager to terminate the Underwriting Agreement, is set out in Section 7.6.

7.1.2. Purpose of the Offer

The purpose of the Offer is to:

- Provide funding flexibility to support future growth plans and projects:
 - Development of a new hatchery on Huon River as well as development of existing hatcheries
 - Expansion into Storm Bay marine lease
 - Reorganisation of certain existing leases
 - Rollout of Fortress Pens and mooring systems
 - Long-term lease of a well-boat
 - Construction of feed barges
 - Consolidation of the processing facility at Parramatta Creek
- Provide Huon with an appropriate capital structure with a strong balance sheet and financial flexibility to pursue future growth opportunities
- Improve Huon's future ongoing access to capital markets
- Achieve a listing on the ASX to broaden the Company's shareholder base and provide a liquid market for the Shares and allow existing and new Shareholders to sell their Shares or buy further Shares on market.
- Provide an opportunity for the Bender Family to realise a portion of its investment and while maintaining a significant ongoing interest in Huon

The Directors believe that following the Offer, Huon will have sufficient working capital to carry out its stated objectives.

1. 14.8 million Shares held by Peter Bender individually, and 44.5 million Shares held by Surveyors Investments Pty Ltd (a company controlled by the Bender Family).

7. Details of the Offer

7.1.3. Sources and uses of funds

The Offer is expected to raise \$125 million for Huon. Proceeds received by Huon will be applied as described in Table 7.1.3.

TABLE 7.1.3: SOURCES AND USES OF FUNDS⁽¹⁾

Sources	\$m	% of Offer	Uses	\$m	%
Issue of New Shares	125.0	94%	Repayment of debt	39.4	30%
Sell down of Existing Shares	7.7	6%	Transaction costs paid	6.3	5%
			Payment for vendor assets	6.0	5%
			Cash retained for growth program	73.2	55%
			Payment to vendors	7.7	6%
Total sources	132.7	100%	Total uses	132.7	100%

(1) Amount raised by the Offer may be reduced by up to \$0.3m reflecting the discount offered to employees as explained in Section 7.5

7.1.4. Shareholding structure

The details of the ownership of Shares before and after the Offer are set out below:

TABLE 7.1.4: HUON SHARES PRE AND POST OFFER AND OUTSTANDING OPTIONS

	Pre Offer		Post Offer		Options
	Shares (m)	%	Shares (m)	%	
The Bender Family	61.0	100%	59.4	68%	nil
New Shareholders pursuant to the Offer			27.9	32%	nil
Total	61.0	100.0%	87.3	100.0%	–

Details of the Shares that will be subject to voluntary escrow arrangements are set out in Section 7.8.

7.1.5. Control implications of the Offer

As noted above in Section 7.1.4, the Bender Family, will own 68% of Shares following the Offer which would make the Bender Family the largest Shareholder of the Company. The Directors expect Peter Bender to control Huon on Completion of the Offer.

7.2. Terms of the Offer

Topic	Summary
What is the type of security being offered?	Fully paid ordinary shares in the Company.
What are the rights and liabilities attached to the security being offered?	A description of the rights and liabilities attaching to the Shares is set out in Sections 7.12 below.
What is the consideration payable for each Share?	The Offer Price is \$4.75 per Share.
What are the cash proceeds to be raised?	\$133 million will be raised under the Offer and this amount has been fully underwritten by Credit Suisse (Australia) Limited.
What is the Broker Firm Offer period?	The key dates, including details of the Broker Firm Offer period, are set out in Important Dates on page 2.

7. Details of the Offer

Topic	Summary
What is the minimum and maximum Application size under the Broker Firm Offer?	The minimum Application amount is \$2,000 and there is no maximum; however, Huon and the Lead Manager reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person.
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer, the Institutional Offer, the Employee Offer and the Priority Offer has been determined by the Lead Manager in consultation with Huon having regard to the allocation policies outlined in Sections 7.3, 7.4 and 7.5.</p> <p>Under the Broker Firm Offer it will be a matter for the Broker (and not Huon or the Lead Manager) how they allocate Shares among their retail clients.</p>
When will I receive confirmation whether my Application has been successful?	It is expected that initial holding statements will be despatched by standard post on or about 27 October 2014.
Will the Shares be quoted?	<p>Huon will apply for admission to the official list of the ASX and quotation of the Shares on the ASX within seven days of the date of this Prospectus. Huon's ASX code is expected to be HUO.</p> <p>If approval is not given within three months after the application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit Huon to the official list is not to be taken as an indication of the merits of Huon or the Shares offered.</p> <p>Huon will be required to comply with the ASX Listing Rules, subject to any waivers obtained by Huon from time to time.</p>
When are the Shares expected to commence trading?	<p>It is expected that the Shares will commence trading on 23 October 2014 on a deferred settlement basis.</p> <p>Trading will be on a deferred settlement basis until the Company has advised the ASX that holding statements have been despatched to Shareholders.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who trade Shares before they receive an initial statement of holding do so at their own risk.</p> <p>The Company and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Huon Offer Information Line, by a Broker or otherwise.</p>
Is the Offer underwritten?	Yes, the Offer is fully underwritten by Credit Suisse (Australia) Limited. Details are provided in Sections 7.6 and 9.2.1.
Are there any escrow arrangements?	Yes. Details are provided in Section 7.8.
Has any ASIC relief or any ASX waivers been obtained or been relied on?	Yes. Details are provided in Section 7.10.

7. Details of the Offer

Topic	Summary
Are there any tax considerations?	Yes. Please refer to Section 9.6 and note it is recommended that all potential investors consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances.
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.

7.3. Broker Firm Offer

7.3.1. Who can apply in the Broker Firm Offer

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia. Investors who have received a firm allocation from a Broker will be treated as an Applicant under the Broker Firm Offer in respect of that allocation.

Investors should contact their Broker to determine whether they may be allocated Shares under the Broker Firm Offer. The Broker Firm Offer is not open to U.S. Persons.

7.3.2. How to apply for Shares under the Broker Firm Offer

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your firm allocation. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out in the Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a copy of this Prospectus.

Applicants under the Broker Firm Offer should note that the minimum Application Amount is \$2,000. There is no maximum value of Shares that may be applied for under the Broker Firm Offer; however, Huon and the Lead Manager reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person. Huon may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.

The Broker Firm Offer opens at 9.00 am (Melbourne time) on 14 October 2014 and is expected to close at 5.00 pm (Melbourne time) on 17 October 2014. Huon and the Lead Manager may elect to extend the Offer or any part of it, or accept late Applications either generally or in particular cases. Your Broker may impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

7.3.3. Payment methods

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions from their Broker.

7.3.4. Application Monies

Huon reserves the right to decline any Application and all Applications in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

7.3.5. Allocations under the Broker Firm Offer

The allocation of firm stock to Brokers has been determined by the Lead Manager.

Shares which have been allocated to Brokers for allocation to their Australian resident retail clients will be issued or transferred to the Applicants who have received a valid allocation of Shares from those Brokers. It will be a matter for the Brokers how they allocate Shares among their retail clients, and they (and not Huon or the Lead Manager) will be responsible for ensuring that retail clients who have received an allocation from them, receive the relevant Shares.

7.3.6. Announcement of final allocation policy in the Broker Firm Offer

Applicants in the Broker Firm Offer will be able to confirm their allocation through the Broker from whom they received their allocation. They may also call the Huon Offer Information Line on 1800 550 560 (within Australia) or +61 1800 550 560 (outside Australia) from 8:30am to 5:30pm (Melbourne time), Monday to Friday after the allocation policy is announced to confirm their allocations.

7. Details of the Offer

7.4. Institutional Offer

7.4.1. Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The Lead Manager separately advised Institutional Investors of the Application procedures for the Institutional Offer.

7.4.2. Allocation policy under the Institutional Offer

The allocation of Shares between the Institutional Offer and the Broker Firm Offer was determined by the Lead Manager. The Lead Manager had absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Lead Manager. The allocation policy was influenced by the following factors:

- The number of Shares bid for by particular Applicants;
- The timeliness of the bid by particular Applicants;
- Huon's desire for an informed and active trading market following Listing;
- Huon's desire to establish a wide spread of institutional Shareholders;
- The overall level of demand under the Broker Firm Offer and Institutional Offer; Employee Offer; and Priority Offer;
- The size and type of funds under management of particular Applicants;
- The likelihood that particular Applicants will be long-term Shareholders; and
- Any other factors that Huon and the Lead Manager considered appropriate.

7.5. Employee Offer and Priority Offer

7.5.1. Guaranteed allocation

Eligible Employees are able to participate in the Employee Offer. Eligible Employees will receive a guaranteed allocation of Shares at a price which is set at a discount of 8% to the Offer Price. The amount of this guaranteed allocation is set out in the personalised Employee Offer invitation email or letter sent to each Eligible Employee.

Priority Offer Applicants are guaranteed an allocation of Shares in the amount specified on their personalised invitation. Applications under the Priority Offer for an amount less than the amount indicated on your personalised invitation must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 of Shares thereafter.

7.5.2. How to apply

Employee Offer Applicants and Priority Offer Applicants may apply for Shares by visiting www.huonaqua.com.au to access the online application facility, completing the online Application Form and paying their Application Monies via BPAY (no physical Application Form is needed when paying in this manner). There are instructions set out on the online Application Form to assist in its completion.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

7.5.3. BPAY payments

When completing your BPAY payment, please make sure to use the specific biller code and unique Customer Reference Number (CRN) generated by the online Application Form. Application Monies paid via BPAY must be received by the Share Registry by no later than 5.00 pm Melbourne time on 17 October 2014 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Neither Huon nor the Lead Manager take any responsibility for any failure to receive Application Monies or payment by BPAY before the Employee Offer or the Priority Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

If you are unable to make a BPAY payment, please contact the Share Registry on 1800 550 560 (inside Australia) or +61 1800 550 560 (outside Australia) to make alternative arrangements.

7.5.4. Acceptance of Applications

Huon and the Lead Manager have absolute discretion regarding the allocation of Shares to Applicants in the Employee Offer or the Priority Offer and may reject an Application, or allocate fewer Shares than the amount applied for, in their absolute discretion.

To the extent permitted by law, an Application by an Applicant under the Employee Offer or the Priority Offer is irrevocable. Acceptance of an Application will give rise to a binding contract.

Applicants under the Employee Offer and the Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

7. Details of the Offer

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing their Application Monies by the Offer Price (or, in the case of Employee Offer Applicants, the discounted Offer Price). Where the Offer Price (or discounted Offer Price) does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down and any excess refunded (without interest).

If the amount of your Application Monies that you pay via BPAY is less than the amount specified on your online Application Form, you may be taken to have applied for such lower Australian dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your online Application Form) or your Application may be rejected.

7.6. Underwriting arrangement

The Offer is fully underwritten by Credit Suisse (Australia) Limited, the Underwriter. The Underwriter and Huon have entered into an Underwriting Agreement under which the Underwriter agrees, subject to certain conditions and termination events, to underwrite Applications for all Shares under the Offer. The Underwriting Agreement sets out a number of circumstances under which the Underwriter may terminate the agreement and its underwriting obligations. A summary of certain terms of the agreement and underwriting arrangements, including the termination provisions, is provided in Section 9.2.

7.7. Discretion regarding the Offer

Huon may withdraw the Offer at any time before the issue of Shares to successful Applicants under the Broker Firm Offer, Institutional Offer, Employee Offer and Priority Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies may be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

Huon and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than the amount applied or bid for.

Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

7.8. Voluntary escrow arrangements

All of the Existing Shares held by Peter Bender and Surveyors Investments Pty Ltd (a company controlled by Peter and Frances Bender) at Listing, details of which are set out in the table in Section 7.1.4, will be subject to voluntary escrow arrangements. Both parties have agreed to enter into voluntary escrow deeds in respect of their Shareholding retained following the Offer, which prevents them from disposing of their respective Shares for the escrow period. These escrow deeds contain identical terms, with the key provisions summarised below.

The escrow period will apply until the date that is 3 days after the Company has reported its financial results for the full year ending 30 June 2015. The escrowed persons may be released early from these escrow obligations to enable:

- Them to accept an offer under a takeover bid in relation to his Shares (provided that holders of at least half of the Shares that are not held by escrowed persons (and subject to voluntary escrow arrangements), have accepted the takeover bid); or
- The Shares held by them to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act.

During the escrow period, escrowed persons, may deal in any of their Shares to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction).

The restriction on “disposing” is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the Shares, encumbering or granting a security interest over the Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Shares or agreeing to do any of those things.

7. Details of the Offer

7.9. Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act laws and any other applicable securities laws.

Each Applicant in the Broker Firm Offer, Employee Offer and Priority Offer will be taken to have represented, warranted and agreed as follows:

- It understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States;
- It is not in the United States;
- It has not, and will not, send the Prospectus or any other material relating to the Offer to any person in the United States; and
- It will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

7.10. ASX waivers and ASIC relief

The ASX has given in principle approval for a waiver from ASX Listing Rule 10.14 to allow a total of approximately 95,000 performance rights to be granted to Peter Bender under the Company's Long Term Incentive and Bonus Sacrifice Plan following Completion of the Offer, without the need for Shareholder approval.

The waiver, if granted, will be conditional on:

- This Prospectus containing the information required by ASX Listing Rule 10.15;
- The performance rights being issued to Peter Bender no later than 12 months from the date of the Company's admission to the official list of the ASX; and

- Details of the performance rights granted to Peter Bender under the Company's Long Term Incentive and Bonus Sacrifice Plan being published in each annual report of the Company relating to the period in which the performance rights have been granted.

Future grants of the performance rights under the Company's Long Term Incentive and Bonus Sacrifice Plan to Peter Bender may require Shareholder approval.

The Company has sought and received from ASIC an exemption from the pre-prospectus advertising and publicity rules in section 734(2) of the Corporations Act to permit the Company to provide employees with certain information relating to the Offer prior to lodgement of this Prospectus with ASIC.

7.11. ASX listing, registers and holding statements, deferred settlement trading

7.11.1. Application to the ASX for listing of Huon and quotation of Shares

Huon will apply for admission to the official list of the ASX and quotation of the Shares on the ASX within seven days of the date of this Prospectus. Huon's ASX code is expected to be HUO.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit Huon to the official list of ASX is not to be taken as an indication of the merits of Huon or the Shares offered.

If permission is not granted for the official quotation of the Shares on the ASX within three months after the date of this Prospectus (or any later date permitted by law), all Application Monies received by Huon will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

Huon will be required to comply with the ASX Listing Rules, subject to any waivers obtained by Huon from time to time.

7.11.2. CHESS and issuer sponsored holdings

Huon will apply to participate in the ASX's Clearing House Electronic Subregister System (CHESS) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister.

For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

7. Details of the Offer

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. Huon and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.11.3. Deferred settlement trading and selling shares on market

It is expected that trading of the Shares on the ASX (on a deferred basis) will commence on or about 23 October 2014.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you trade in Shares before receiving a holding statement, you do so at your own risk. Huon, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, if you trade Shares before receiving your holding statement, even if you obtained details of your holding from the Huon Offer Information Line or confirmed your firm allocation through a Broker.

Shares are expected to commence trading on the ASX on a normal settlement basis on or about 28 October 2014.

7.12. Constitution and rights attaching to the Shares

7.12.1. Introduction

The rights and liabilities attaching to ownership of Shares are:

- Detailed in the Constitution of Huon; and
- In certain circumstances, regulated by statute, the Listing Rules, the ASX Settlement Operating Rules and the general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that Huon is admitted to the official list of the ASX.

7.12.2. Voting at a general meeting

At a general meeting of Huon, every Shareholder present (in person or by proxy), representative or attorney has one vote on a show of hands.

On a poll, every member (or his or her proxy, attorney or representative) is entitled to one vote for each fully paid Share held.

7.12.3. Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of Huon and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules. At least 28 days' notice of a meeting must be given to Shareholders.

7.12.4. Dividends

Subject to the Corporations Act, the Listing Rules, ASX Settlement Operating Rules and the Constitution, the Board may determine that a dividend is payable on Shares. The Board may fix the amount of the dividend, the time for determining entitlements to the dividend, and the time and the method of payment of the dividend.

7.12.5. Transfer of Shares

Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Operating Rules, by a written instrument of transfer which complies with the Constitution or by any other method permitted by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules.

The Board may refuse to register a transfer of Shares where permitted to do so under the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules. The Board must refuse to register a transfer of Shares when required to by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules.

7.12.6. Issue of further shares

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, Huon may issue, or grant options in respect of, or otherwise dispose of further shares on such terms and conditions as the Directors resolve.

7.12.7. Winding up

Subject to the Constitution, the Corporations Act and any special resolution or preferential rights or restrictions attached to any class or classes of shares, members will be entitled on a winding up to a share in any surplus assets of the Company in proportion to the Shares held by them.

7. Details of the Offer

7.12.8. Unmarketable parcels

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, Huon may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

7.12.9. Share buy-backs

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, Huon may buy back shares in itself on terms and at times determined by the Board.

7.12.10. Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval before any proportional takeover bid can proceed. These provisions will cease to apply unless renewed by special resolution of the Shareholders in a general meeting by the third anniversary of the date of the Constitution's adoption.

7.12.11. Variation of class rights

At present, Huon's only class of shares on issue is ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled:

- With the consent in writing of the holders of three quarters of the issued shares included in that class; or
- By a special resolution passed at a separate meeting of the holders of those shares.

In either case, in accordance with the Corporations Act, the holders of not less than 10% of the votes in the class of shares, the rights of which have been varied or cancelled, may apply to a court of competent jurisdiction to exercise its discretion to set aside such a variation or cancellation.

7.12.12. Directors – appointment and removal

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum may not be more than 10. Directors are elected at general meetings of Huon.

The Directors may appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of Huon.

Retirement will occur on a rotational basis so that any Director who has held office for three or more years or three or more annual general meetings (excluding any Managing Director) retires at each annual general meeting of Huon.

7.12.13. Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote.

7.12.14. Directors – remuneration

The Directors, other than the executive Directors, shall be paid by way of fees for services, with the maximum aggregate sum approved from time to time by the Company in a general meeting or, until so determined, as the Board determines. The current maximum aggregate sum determined by the Board is \$800,000. Any change to that maximum aggregate sum needs to be approved by Shareholders. The Constitution also makes provision for the Company to pay all reasonable expenses incurred by Directors in attending meetings or otherwise in connection with the business of the Company. Subject to the Corporations Act and the Constitution, remuneration of executive Directors shall be the amount that the Board decides.

7.12.15. Directors – powers and duties

The Directors have the power to manage the business of the Company and may exercise all powers which are not expressly required by law, the Listing Rules or the Constitution to be exercised by the Company in a general meeting.

7.12.16. Indemnities

Huon, to the extent permitted by law, indemnifies each of its Directors and Secretaries (past and present) against any liability incurred by that person as an officer of the Company or one of its subsidiaries, and certain legal costs incurred by that person (on a solicitor-and-client basis). The Company, to the extent permitted by law, may make a payment (whether by way of an advance, loan or otherwise) to a Director in respect of legal costs incurred by that person in defending an action for a liability of that person (on a solicitor-and-client basis).

Huon, to the extent permitted by law, may pay, or agree to pay, a premium for a contract insuring any Director or Secretary of the Company or its subsidiaries against any liability incurred by such person as an officer of the Company or its subsidiaries, and certain legal costs incurred by that person (on a solicitor-and-client basis).

The Company, to the extent permitted by law, may enter into an agreement or deed with a Director or a person who is, or has been, an officer of the Company or its subsidiaries, under which the Company must do all or any of the following:

- Keep books of the Company and allow either or both that person and that person's advisers access to those books on the terms agreed;

7. Details of the Offer

- Indemnify that person against any liability and certain legal costs incurred by that person (on a solicitor-and-client basis);
- Make a payment (whether by way of advance, loan or otherwise) to that person in respect of certain legal costs incurred by that person (on a solicitor-and-client basis); and
- Keep that person insured in respect of any act or omission by that person while an officer of the Company or a subsidiary of the Company, on the terms agreed (including as to payment of all or part of the premium for the contract of insurance).

7.12.17. Amendment

The Constitution can only be amended by special resolution passed by at least three quarters of the votes cast by Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of Huon.

INVESTIGATING ACCOUNTANT'S REPORT

Section 8





The Directors
Huon Aquaculture Group Limited
PO Box 42
Dover TAS 7117

3 October 2014

Dear Directors

Investigating Accountant's Report

***Independent Limited Assurance Report on Huon Aquaculture Group
Limited Historical Financial Information and Forecast Financial
Information and Financial Services Guide***

We have been engaged by Huon Aquaculture Group Limited to report on the Historical and Forecast financial information of Huon Aquaculture Group Limited (the **Company**) for inclusion in a prospectus dated on or about 6 October 2014 (**Prospectus**), in connection with the issue of shares in the proposed initial public offering and listing of the Company on the Australian Securities Exchange (the **Offer**).

Expressions and terms defined in the Prospectus have the same meaning in this report, unless otherwise specified.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services license under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services license under the Corporations Act 2001. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

The following information of the Company is, collectively, the **Financial Information**:

a) Statutory Historical Financial Information being the:

- i. Statutory net profit after tax ('Statutory NPAT') for the years ended 30 June 2012, 30 June 2013 and 30 June 2014;
- ii. Statutory Operating Cash Flows for the years ended 30 June 2012, 30 June 2013 and 30 June 2014; and
- iii. Statutory Balance Sheet as at 30 June 2014.

**PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of
Australian Financial Services Licence No 244572**
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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b) Pro Forma Historical Financial Information being the:

- i. Pro Forma Historical Income Statements for the years ended 30 June 2012, 30 June 2013 and 30 June 2014;
- ii. Pro Forma Operating Cash Flows for the years ended 30 June 2012, 30 June 2013 and 30 June 2014; and
- iii. Pro Forma Balance Sheet as at 30 June 2014,

which in each case assumes completion of the Offer.

c) Statutory Forecast being the:

- i. Statutory Forecast Income Statement for the year ending 30 June 2015; and
- ii. Statutory Forecast Operating Cash Flow for the year ending 30 June 2015;

d) Pro Forma Forecast being the:

- i. Pro Forma Forecast Income Statement for the year ending 30 June 2015; and
- ii. Pro Forma Forecast Operating Cash Flow for the year ending 30 June 2015,

which in each case assumes completion of the Offer.

The Statutory Forecast and the Pro Forma Forecast are collectively the **Forecast Financial Information**.

The Statutory Historical Financial Information and the Pro Forma Historical Financial Information are collectively the **Historical Financial Information**.

Statutory Historical Financial Information

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Statutory Historical Financial Information has been extracted from financial reports of the Company for the years ended 30 June 2012, 30 June 2013 and 30 June 2014 which were audited in accordance with Australian Auditing Standards. The financial reports of the Company for the years ended 30 June 2012 and 30 June 2013 were audited by Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu issued unmodified audit opinions on those financial reports. The financial report of the Company for the year ended 30 June 2014 was audited by PricewaterhouseCoopers. PricewaterhouseCoopers issued an unmodified audit opinion of that financial report.



The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of the Company, after adjusting for the effects of the Pro Forma adjustments described in Section 4.3.3 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the events and transactions to which the Pro Forma adjustments relate, as described in Sections 4.3.3 and 4.5.1 of the Prospectus, as if those events and transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, and/or cash flows.

Statutory Forecast

The Statutory Forecast Income Statements and Operating Cash Flow of the Company for the year ending 30 June 2015 (the **Statutory Forecast**), as described in Section 4.2.2 of the Prospectus has been prepared in accordance with the directors' best-estimate assumptions underlying the Forecast as described in Section 4.7 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

Pro Forma Forecast

The Pro Forma Forecast Income Statement and Operating Cash Flow of the Company for the year ending 30 June 2015 (the **Pro Forma Forecast**), as described in Section 4.2.2 of the Prospectus has been derived from the Company's Statutory Forecast, after adjusting for the effects of the Pro Forma adjustments described in Sections 4.3.3 and 4.5.1 of the Prospectus. The stated basis of preparation used in the preparation of the Pro Forma Forecast is the recognition and measurement principles contained in Australian Accounting Standards applied to the Forecast and the events and transactions to which the Pro Forma adjustments relate, as described in Section 4.3.3 of the Prospectus, as if those events and transactions had occurred as at 1 July 2014. Due to its nature, the Pro Forma Forecast does not represent the Company's actual prospective financial performance, and/or Operating Cash Flow for the year ending 30 June 2015.

Directors' Responsibility

The directors of the Company are responsible for the preparation of the Historical Financial Information, including its basis of preparation and the selection and determination of Pro Forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information.

They are also responsible for the preparation of the Forecast Financial Information, including its basis of preparation, the best-estimate assumptions underlying the Forecast and the selection and



determination of the Pro Forma adjustments made to the Statutory Forecast and included in the Pro Forma Forecast Financial Information.

This includes responsibility for its compliance with applicable laws and regulations and for such internal control as the directors determine are necessary to enable the preparation of Historical Financial Information and Forecast Financial Information that are free from material misstatement.

Our Responsibility

Our responsibility is to express limited assurance conclusions on the Historical Financial Information, the best-estimate assumptions underlying the Forecast Financial Information, and the reasonableness of the Forecast Financial Information itself, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Financial Information.

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information of the Company, as described in Section 4 of the Prospectus, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2.1 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of the Company as described in Section 4 of the Prospectus, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2.1 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the events and transactions to which the Pro Forma adjustments relate, as described in Sections 4.3.3 and 4.5.1 of the Prospectus, as if those events and transactions had occurred as at the date of the Historical financial information.

Statutory Forecast

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:



- The directors' best-estimate assumptions used in the preparation of the Statutory Forecast do not provide reasonable grounds for the Statutory Forecast, and
- In all material respects, the Statutory Forecast:
 - Is not properly prepared on the basis of the directors' best-estimate assumptions as described in Section 4.7 of the Prospectus, and
 - Is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies, and
- The Statutory Forecast itself is unreasonable.

Pro Forma Forecast

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- The directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast do not provide reasonable grounds for the Pro Forma Forecast, and
- In all material respects, the Pro Forma Forecast:
 - Is not properly prepared on the basis of the directors' best-estimate assumptions, as described in Section 4.7 of the Prospectus, and
 - Is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies, applied to the Pro Forma Forecast and the Pro Forma adjustments as if those adjustments had occurred as at the date of the Forecast, and
- The Pro Forma Forecast itself is unreasonable.

Statutory Forecast and Pro Forma Forecast

The Statutory Forecast and Pro Forma Forecast have been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the year ending 30 June 2015. There is a considerable degree of subjective judgement involved in preparing Forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast and Pro Forma Forecast since anticipated events and transactions frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Statutory Forecast and Pro Forma Forecast are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Statutory Forecast and Pro



Forma Forecast are based; however such evidence is generally future-oriented and therefore speculative in nature.

We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Statutory Forecast and Pro Forma Forecast. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Sections 5 and 4.8 of the Prospectus. The sensitivity analysis described in Section 4.8 of the Prospectus demonstrates the impact on the Statutory Forecast and Pro Forma Forecast of changes in key best-estimate assumptions. We express no opinion as to whether the Statutory Forecast or Pro Forma Forecast will be achieved.

The Statutory Forecast and Pro Forma Forecast have been prepared by the directors for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast or Pro Forma Forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false

Restriction on Use

Without modifying our conclusions, we draw attention to Section 4 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Prospectus.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of the Offer other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.



Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Robert Silverwood', written over a light blue horizontal line.

Robert Silverwood
Authorised Representative of
PricewaterhouseCoopers Securities Ltd



Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 3 October 2014

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Huon Aquaculture Group Limited ("the **Company**") to provide a report in the form of an Investigating Accountant's Report in relation to the issue of shares in the proposed initial public offering and listing of the Company on the Australian Securities Exchange (the **Report**) for inclusion in the prospectus dated 6 October 2014. You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.



5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to \$215,000. Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

PricewaterhouseCoopers is the auditor of the Company.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("FOS"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Robert Silverwood
Authorised Representative
PricewaterhouseCoopers Securities Ltd
2 Southbank Boulevard
GPO Box 1331
Melbourne VIC 3001

Section 9



9. ADDITIONAL INFORMATION

9.1. Company tax status

Huon is subject to tax at the Australian corporate tax rate.

9.2. Material Contracts

The Directors consider that there are a number of contracts which are significant or material to Huon or of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares. The main provisions of these contracts are summarised below, or elsewhere in this Prospectus. These summaries are included for the information of potential investors in the Offer but do not purport to be complete and are qualified by the text of the contracts themselves.

9.2.1. Underwriting Agreement

The Offer is being underwritten by the Underwriter pursuant to an underwriting agreement, dated 6 October 2014, between the Underwriter, the Selling Shareholder, the Financial Adviser and the Company ("Underwriting Agreement"). Under the Underwriting Agreement, the Underwriter has agreed to arrange, manage and underwrite the Offer, and the Financial Adviser has agreed to act as financial adviser to the Offer.

9.2.1.1. Commissions, fees and expenses

In accordance with the Underwriting Agreement, the Company and the Selling Shareholder must pay to the Underwriter an underwriting and selling fee equal to 2.25% of the total Offer proceeds.

The Company and the Selling Shareholder must also pay to the Underwriter a structuring, management and advisory fee equal to: (i) 1.00% of the Offer proceeds less, any proceeds realised from the Employee Offer and from the sale of Shares by the Selling Shareholder under the Offer, (Relevant Offer Proceeds), where the Relevant Offer Proceeds are less than \$100 million; or (ii) \$1 million plus an amount equal to 0.75% of the amount by which the Relevant Offer Proceeds exceed \$100 million where the Relevant Offer Proceeds are equal to or greater than \$100 million.

The Company and the Selling Shareholder may also elect, at their absolute discretion, to pay the Underwriter an

incentive fee of up to: (i) 0.75% of the Relevant Offer Proceeds where the Relevant Offer Proceeds are less than \$100 million; or (ii) \$750,000 plus an amount equal to 1.00% of the amount by which the Relevant Offer Proceeds exceed \$100 million where the relevant Offer Proceeds are equal to or greater than \$100 million.

The Underwriter will pay the Financial Adviser a portion of fees payable to it under the Underwriting Agreement.

The Company and the Selling Shareholder have agreed to reimburse the Underwriter for reasonable costs and expenses incurred by the Underwriter in relation to the Offer. The Underwriter is required to pay any fees or expenses of Co-Managers or Brokers appointed by them under the Underwriting Agreement, with the quantum of any such fees to be agreed as between the Company and the Underwriter.

9.2.1.2. Termination events

The Underwriter may terminate the Underwriting Agreement, at any time after the date of the Underwriting Agreement until 10.00am on the date for settlement under the Offer by notice to the Company and the Selling Shareholder if any of the following events occur:

- **(Disclosures)** a statement in the Prospectus or public information is or becomes misleading or deceptive, or a matter required to be included is omitted from the Prospectus (including, without limitation, having regard to the provisions of Part 6D.2 of the Corporations Act), that in either case is adverse from the point of view of an investor;
- **(Supplementary prospectus)** the Company issues or, in the reasonable opinion of the Underwriter, is required to issue, a supplementary prospectus to comply with section 719 of the Corporations Act;
- **(Market fall)** at any time either the S&P/ASX 200 Index falls to a level that is 90% or less of the level as at the close of trading on the day immediately prior to the close of the bookbuild and is at or below that level at the close of trading for 2 consecutive Business Days prior to the date for settlement under the Offer;

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- **(Change in chief executive officer or chairman)** a change in the chief executive officer or chairman of the Company occurs;
- **(Fraud)** any member of the Group or any of its directors or officers (as those terms are defined in the Corporations Act) or the Selling Shareholder, engage, or have engaged since the date of the initial distribution of the pathfinder prospectus, in any fraudulent conduct or activity whether or not in connection with the Offer;
- **(Prosecution)** any of the following occur:
 - A director of a member of the Group or the Selling Shareholder is charged with an indictable offence; or
 - Any director of a member of the Group or the Selling Shareholder is disqualified from managing a corporation under Part 2D.6;
- **(Listing and quotation)** approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to:
 - The Company's admission to the official list of ASX on or before the date required in the Underwriting Agreement; or
 - The quotation of the Offer Shares on ASX or for the Offer Shares to be traded through CHESS on or before the date required in the Underwriting Agreement,or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- **(Notifications)** any of the following notifications are made in respect of the Offer:
 - ASIC issues an order (including an interim order) under section 739 of the Corporations Act and any such order is not withdrawn within 2 Business Days or, if it is made within 2 Business Days of the date for settlement under the Offer, it has not been withdrawn by the day before the date for settlement under the Offer;
 - ASIC holds a hearing under section 739(2) of the Corporations Act;
 - An application is made by ASIC for an order under Part 9.5 in relation to the Offer or an offer document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or an offer document and any such application, investigation or hearing is not withdrawn within 2 Business Days or if it is made within 2 Business Days of the date for settlement under the Offer it has not been withdrawn by the day before the date for settlement under the Offer;
- Any person who has previously consented to the inclusion of its name in any offer document withdraws that consent; or
- Any person gives a notice under section 730 of the Corporations Act in relation to an offer document;
- **(Certificate)** the Company or Selling Shareholder does not provide a closing certificate as and when required by the Underwriting Agreement or a statement in any closing certificate is false, misleading, inaccurate or untrue or incorrect;
- **(Material contracts)** if any of the obligations of the relevant parties under any of the material contracts summarised in this section 9.2 are not capable of being performed in accordance with their terms (in the reasonable opinion of the Underwriter) or if all or any part of any of the Material Contracts:
 - Is terminated, withdrawn, rescinded, avoided or repudiated;
 - Is breached, or there is a failure by a party to comply, in a respect that the Underwriter believes may be expected to have a material adverse effect on the Offer or outcome of the Offer;
 - Ceases to have effect, otherwise than in accordance with its terms; or
 - Is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and effect, or its performance is or becomes illegal;
- **(Withdrawal)** the Company or Selling Shareholder withdraws the Prospectus or the Offer;
- **(Insolvency events)** any member of the Group or the Selling Shareholder becomes insolvent, or there is an act or omission which is likely to result in a member of the Group or the Selling Shareholder becoming insolvent;
- **(Timetable)** an event specified in the timetable set out in the Underwriting Agreement up to and including the date for settlement under the Offer is delayed by more than 2 Business Days (other than any delay caused solely by the Underwriter or any delay agreed between the Company and the Underwriter in writing or a delay as a result of an extension of the exposure period by ASIC);
- **(Change to Company)**
 - The Company alters the issued capital of the Company; or
 - Any member of the Group disposes or attempts to dispose of a substantial part of the business or property of the Group,

9. Additional information

without the prior written consent of the Underwriter (such consent not to be unreasonably withheld or delayed); and

- **(Charges)** the Company or any of its affiliates charges, or agrees to charge, the whole or a substantial part of the business or property of the Company or the Group other than as disclosed in the Prospectus or as agreed with the Underwriter in writing.

9.2.1.3. Termination subject to materiality

The Underwriter may terminate the Underwriting Agreement, at any time after the date of the Underwriting Agreement until 10.00am on the date for settlement under the Offer by notice to the Company and the Selling Shareholder, if any of the following events occur and the Underwriter has reasonable grounds to believe the event: (i) has or is likely to have a material adverse effect on the success, settlement or marketing of the Offer or on the ability of the Underwriter to market or promote or settle the Offer or on the likely price at which the Offer Shares will trade on ASX, or the willingness of investors to subscribe for the Offer Shares; or (ii) will, or is likely to, give rise to a liability of the Underwriter under, or a contravention by the Underwriter of, any applicable law:

- **(Disclosures in the due diligence committee report)** the due diligence committee report adopted by the due diligence committee established in connection with the Offer is, or becomes, false or misleading or deceptive, including by way of omission;
- **(Adverse change)** any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company and the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Company), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or the Group from those respectively disclosed in the Prospectus;
- **(Hostilities)** hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, Canada, Japan, the United Kingdom, the People's Republic of China, South Korea, Singapore or any member state of the European Union, or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries;
- **(Change of law)** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, New Zealand, the United States, the United Kingdom, Japan, Hong Kong, Singapore or any State or Territory of Australia a new law (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- **(Breach of laws)** there is a contravention by the Company or any entity in the Group of the Corporations Act, the Competition and Consumer Act 2010 (Cth), the Australian Securities and Investments Commission Act 2001 (Cth), its constitution, or any of the Listing Rules;
- **(Compliance with law)** the Prospectus or any aspect of the Offer does not comply with the Corporations Act (and all regulations under those acts), the Listing Rules or any other applicable law or regulation;
- **(Representations and warranties)** a representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of the Company or Selling Shareholder (whether severally or jointly) is breached, becomes not true or correct or is not performed, except in relation to the representation and warranty relating to the pathfinder prospectus, where the pathfinder prospectus (or any investor presentation used in conjunction with the pathfinder prospectus) contains a statement that is not true or correct and this is rectified, with the prior written consent of the Underwriter, in the Prospectus (or the investor presentation used post lodgement of the Prospectus with ASIC);
- **(Breach)** the Company or Selling Shareholder defaults on one or more of its obligations under the Underwriting Agreement;
- **(Constitution)** the Company varies any term of its constitution without the prior written consent of the Underwriter (such consent not to be unreasonably withheld or delayed);
- **(Legal proceedings)** legal proceedings are commenced against any member of the Group or the Selling Shareholder or against any director or officer of a member of the Group;
- **(Information supplied)** any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of the Group or Selling Shareholder to the Underwriter in respect of the Offer, the Company, the Selling Shareholder or the Group is false or misleading or deceptive; or
- **(Disruption in financial markets)** any of the following occurs:
 - A general moratorium on commercial banking activities in Australia, New Zealand, Singapore, Hong Kong, the United Kingdom and the United States, is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;

9. Additional information

- Any adverse effect on the financial markets in Australia, New Zealand, Singapore, Hong Kong, the United Kingdom and the United States, or in foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries;
- Trading in all securities quoted or listed on ASX and the New Zealand Exchange is suspended or limited in a material respect for 2 consecutive days on which that exchange is open for trading;
- **(Form of supplementary prospectus)** the Company lodges a supplementary prospectus with ASIC in contravention of the provisions of the Underwriting Agreement;
- **(Voluntary escrow arrangements)** either of the voluntary escrow arrangements between the Company and each of the Selling Shareholder and Surveyors Investments Pty Ltd referred to in section 7.8 is withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- **(Forecasts)** there are not, or there ceases to be, reasonable grounds in the reasonable opinion of the Underwriter for any statement or estimate in the Prospectus which relate to a future matter or any statement or estimate in the Prospectus which relate to a future matter is, in the reasonable opinion of the Underwriter, unlikely to be met in the projected timeframe (including in each case financial forecasts);
- **(Change in management)** a change in senior management or the board of directors of the Company occurs;
- **(Regulatory approvals)** if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company or Selling Shareholder to perform its obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Prospectus;
- **(Force majeure)** there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal for the Underwriter to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer; or
- **(New Banking Facilities)** the New Banking Facilities are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with; or
- **(Material Contract)** if all or any part of any of the Material Contracts is altered, amended or varied without the consent of the Underwriter (acting reasonably).

9.2.1.4. Indemnity

Subject to certain exclusions relating to, among other things, gross negligence, recklessness, fraud or wilful misconduct by an indemnified party, the Company and the Selling Shareholder agree to keep the Underwriter and Financial Adviser and certain affiliated parties indemnified from losses suffered in connection with the Offer.

9.2.1.5. Conditions, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company and the Selling Shareholder and Surveyors Investments Pty Ltd to the Underwriter (as well as common conditions precedent, including the entry into a voluntary escrow arrangement by the Selling Shareholder in a form and substance acceptable to the Underwriter).

The representations and warranties given by the Company and the Selling Shareholder include but are not limited to matters such as power and authorisations, compliance with applicable laws and ASX Listing Rules, financial information, information contained in the Prospectus, the conduct of the Offer and the due diligence process, litigation, material contracts, environmental laws, dividends and distributions, title to property, internal controls, tax and labour.

The Company and the Selling Shareholder provide undertakings under the Underwriting Agreement which include but are not limited to notifications of breach of any obligation, representation or warranty or undertaking given by them under the Underwriting Agreement, or the occurrence of a termination event, or the non-satisfaction of any condition, and that the Company will not during the period following the date of the Underwriting Agreement until 90 days after the Offer Shares have been issued or transferred under the Offer, issue any Shares or securities without the prior written consent of the Underwriter.

9.2.2. Finance facilities

Further information on the New Banking Facilities, including a summary of the New Banking Facilities is provided at Section 4.4.2.

9.2.3. Well-boat Contract

Huon has agreed to charter, and Solvtrans Rederi AS, Australian Branch ("Solvtrans") has agreed to let the well-boat "Ronja Huon" for a period of eight years, commencing on or about 28 August 2014 ("Well-boat Contract"). The well-boat will be used in Huon's business for the transport and fresh water bathing of live fish (see Section 3.6 for further details). Huon will pay to Solvtrans an annual charter hire fee for the well-boat of 49 million Norwegian Krone (NOK) being approximately A\$9 million based on current currency conversion rates (Annual Charter Hire Fee), to be adjusted for CPI All Groups Hobart on an annual basis.

9. Additional information

The Annual Charter Hire Fee includes an estimated amount for the salary of the charter crew of NOK7.7 million being approximately A\$1.4 million based on current currency conversion rates. There is a monthly adjustment mechanism in respect of the actual costs incurred by Solvtrans, as compared with the estimated salary costs amount.

9.2.3.1. Bank guarantee

Huon has provided a bank guarantee to Solvtrans equal to three months of the Annual Charter Hire Fee, which amounts to approximately A\$2.3 million. Demands under the guarantee may be made by Solvtrans if Huon is in default of its payment obligations under the Well-boat Contract for a period in excess of 15 calendar days. There is no limit in the number of demands that may be made by Solvtrans.

9.2.3.2. Termination rights

Huon has an immediate right of termination should the well-boat be off-hire for a period of more than 30 Business Days in one period. This does not include:

- An annual period of up to 15 consecutive calendar days during which time Solvtrans may undertake maintenance work on the well-boat; or
- Where the working of the well-boat is prevented or hindered due to Huon's action, or by reason of a force majeure event; however, to the extent that a party is prevented from performing its obligations by reason of a force majeure event for more than 15 continuous calendar days, the other party may terminate immediately upon the giving of written notice.

To the extent that a party is in default of the Well-boat Contract, the other party may terminate immediately upon giving written notice, if the defaulting party is in material breach which remains unremedied for a certain period, or an insolvency event occurs in relation to the defaulting party.

Huon may also terminate the Well-boat Contract by providing six months' written notice to Solvtrans if there are significant and adverse changes to its business, or regulatory changes which impact upon its ability to operate the well-boat at full capacity.

9.2.4. Marine farming leases and marine farming licences

Huon and its subsidiaries hold 19 marine farming leases and 11 associated marine farming licences, and currently sub-leases 1 marine farming lease from a third party. It is a condition of each marine farming licence that the licence holder holds and maintains a marine farming lease.

9.2.4.1. Marine farming leases

Marine farming leases are granted to applicants by the Minister administering the *Marine Farming Planning Act 1995* (Tas).

The leases held by Huon and its subsidiaries have been granted on similar terms, under which they must comply with:

- The terms of the lease, which include matters such as payment of rent, compliance with regulation and management controls, maintenance of the lease area and insurance obligations;
- The terms of the licence held in respect of the lease area; and
- Relevant legislation.

Marine farming leases may be granted for a period of up to 30 years. Huon's current marine farming leases have all been granted on a long-term basis, with the soonest renewal date being due in 2028.

9.2.4.2. Marine farming licences

The marine farming licences are granted by the Minister administering the *Living Marine Resources Act 1995* (Tas) and authorise the licence holder to carry on marine farming in the area to which the corresponding marine farming lease relates.

Under the terms of the relevant licences, Huon and its subsidiaries are required to:

- Comply with the terms of the licence, which include various environmental standards, and environmental reporting and recording standards;
- Maintain a marine farming lease in respect of the area to which the licence relates; and
- Maintain certain records as specified under the licence.

Huon's current marine farming licences are renewed on an annual basis, and are valid until November 2014, and Huon is in the process of applying for their annual renewal. The relevant Minister is required to renew a licence where a licence holder applies for such a renewal, subject to the applicant satisfying a number of conditions. These conditions include payment of the necessary renewal fee, compliance with the conditions of the licence in the preceding 5 years and the Minister being satisfied that there are no environmental or resource constraints on renewing the licence.

9.2.5. Water licences

Huon and its subsidiaries hold a number of water licences, which enable the licence holder to take a specified volume of water from rivers, streams and dams, and to store water for farming purposes. Water licences are granted by the Minister administering the *Water Management Act 1999* (Tas), and contain conditions which are specific to each licence. Each licence provides a specific allocation with respect to the volume of water that may be stored or taken within a specified period, as well as a surety level, which provides the surety with which water may be accessed.

9. Additional information

Water licences may be granted for a period of up to 40 years, with provision made for reassessment of licence conditions each five years. The majority of water licences held by Huon and its subsidiaries are valid until 2049, however there are three water licences that are due to expire on 30 November 2014 (and Huon is in the process of applying for their annual renewal). Subject to payment of the necessary renewal fee, compliance with the conditions of the licence for the term of the licence and consistency with the objectives of the *Water Management Act 1999* (Tas) and relevant water management plans, the Minister is required to renew a water licence.

9.2.6. Fish farming licences

Huon and its subsidiaries hold five fish farming licences, which enable the licence holder to farm rainbow trout and Atlantic salmon at specified premises, and are granted by the Inland Fisheries Service. Each of the licences held by Huon are subject to certain conditions with respect to the production, storage, treatment and disposal of fish from the specified fish farm. There are also certain reporting requirements imposed on licence holders to the extent that there are disease outbreaks, or significant mortality of fish.

Huon's current fish farming licences are all valid. Subject to payment of the necessary renewal fee, and the Director of Inland Fisheries being sufficiently satisfied that the applicant is a fit and proper person to hold the licence and that there are no environmental or resource constraints associated with the renewal of the licence, the Director of Inland Fisheries may renew a fish farming licence. In practice, these licences have been renewed each year during which Huon has been operating.

9.2.7. Parramatta Creek grant

Huon Aquaculture Company Pty Ltd has received a grant of \$3.5m from the Department of Infrastructure and Regional Development, for the extension and construction of the value added processing facility at Parramatta Creek.

Huon Aquaculture Company Pty Ltd has received a grant of \$1.5m from the former Department of Economic Development, Tourism and the Arts, for the extension and construction of the value added processing facility at Parramatta Creek.

9.3. Ownership restrictions

The sale and purchase of Shares in the Company is regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section contains a general description of these laws.

9.3.1. Foreign Acquisitions and Takeovers Act 1975 (Cth)

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) applies to acquisitions of shares and voting power in a company by a single foreign person and its associates of 15% or more ("Substantial Interest"), or two or more unassociated foreign persons and their associates of 40% or more ("Aggregate Substantial Interest").

Where an acquisition of a Substantial Interest is made in a company which meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Federal Government's Foreign Investment Policy ("Policy") or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a Substantial Interest or an Aggregate Substantial Interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

9.3.2. Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the company either themselves or through an associate.

9.4. Legal proceedings

So far as the Directors are aware, other than as described elsewhere in this Prospectus, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Huon is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Huon.

9. Additional information

9.5. Consents

Each of the parties referred to below (each a “Consenting Party”), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in, or omissions from, this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given and has not, before the lodgement of the Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. None of the Consenting Parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement which is made in this Prospectus is based, other than as specified below:

- Credit Suisse (Australia) Limited;
- Credit Suisse Emerging Companies (Australia) Pty Limited;
- Clayton Utz;
- Link Market Services Limited;
- Baillieu Holst Limited; and
- Bell Potter Securities Limited.

PricewaterhouseCoopers Securities Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of statements by it, including its Investigating Accountant’s Report in Section 8 and the statements specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which they are included (and all other references to that report and those statements) in this Prospectus.

Deloitte Touche Tohmatsu has given, and has not withdrawn before lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Huon Aquaculture Group Limited’s previous auditor, including as auditor of Huon’s 30 June 2012 and 30 June 2013 consolidated financial reports, and having reviewed the Prospectus, in the form and context in which it is so named.

PricewaterhouseCoopers has given, and has not withdrawn before lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus in relation to limited taxation advice provided to Huon in relation to the Offer, and as Huon’s current auditor, including as auditor of Huon’s consolidated financial report for the year ended 30 June 2014, and having reviewed the Prospectus, in the form and context in which it is so named.

9.6. Taxation considerations

The following comments provide a general summary of Australian tax issues for Australian tax resident investors who acquire Shares under this Prospectus.

The categories of investors considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation funds that hold their shares on capital account.

This summary does not consider the consequences for non-Australian tax resident investors, insurance companies, banks, investors that hold their shares on revenue account or carry on a business of trading in shares or shareholders who are exempt from Australian tax. This summary also does not cover the consequences for investors who are subject to Division 230 of the *Income Tax Assessment Act 1997* (the Taxation of Financial Arrangements or “TOFA” regime). Investors who are subject to TOFA should obtain their own tax advice as to the implications under TOFA (if any).

This summary is based on the law in Australia in force at the time of issue of this Prospectus. Australian tax laws are complex. It also does not take into account the tax law of countries other than Australia. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal will depend upon each investor’s specific circumstances.

Investors should seek professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

9.6.1. Dividends on a Share

Australian resident individuals and complying superannuation entities

Where dividends on a Share are distributed by the Company, those dividends will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend. Such investors should be entitled to a tax offset equal to the franking credit attached to the dividend subject to being a “qualified person” (refer further comments below). The tax offset can be applied to reduce the tax payable on the investor’s taxable income. Where the tax offset exceeds the tax payable on the investor’s taxable income, such investors should be entitled to a tax refund.

Where a dividend paid by the Company is unfranked, the investor will generally be taxed at his or her prevailing marginal rate on the dividend received with no tax offset.

9. Additional information

Corporate Investors

Corporate investors are also required to include both the dividend and associated franking credit in their assessable income. A tax offset is then allowed up to the amount of the franking credit on the dividend.

An Australian resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credit on the dividend received. Such corporate investors can then pass on the benefit of the franking credits to its own shareholder(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the trust or partnership.

Shares held at risk

The benefit of franking credits can be denied where an investor is not a "qualified person" in which case the investor will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset. Broadly, to be a qualified person, an investor must satisfy the holding period rule and, if necessary, the related payment rule.

The holding period rule requires an investor to hold the Shares "at risk" for more than 45 days continuously, measured as the period commencing the day after the investor acquires the Shares and ending on the 45th day after the Shares become ex-dividend. The date the Shares are acquired and disposed of are ignored for the purposes of determining the 45 day period. Any day on which an investor has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the investor held the Shares "at risk". This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed A\$5,000. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to a dividend. The related payment rule requires the investor to have held the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after the day the Shares become ex-dividend. Practically, this should not impact investors who do not pass the benefit of the dividend to another person. Investors should obtain their own tax advice to determine if these requirements have been satisfied.

9.6.2. Disposal of Shares

The disposal of a Share by an investor will be a capital gains tax (CGT) event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.

A CGT discount may be applied against the net capital gain where the investor is an individual, complying superannuation entity or trustee, the Shares have been held for more than 12 months and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the investor in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

9.6.3. Goods and Services Tax

Investors should not be liable for GST in respect of their investment in Shares. Investors may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by investors in this respect.

9. Additional information

9.6.4. Stamp duty

Investors should not be liable for stamp duty in respect of their holding of Shares. Under current stamp duty legislation, no stamp duty would ordinarily be payable by Shareholders on any subsequent transfer of Shares.

9.6.5. Tax file numbers

Resident investors may, if they choose, notify the Company of their TFN, ABN or a relevant exemption from withholding tax with respect to dividends. In the event the Company is not so notified, tax will automatically be deducted as the highest marginal rate, including various compulsory levies, from unfranked dividends and/or distributions. The rate of withholding tax is currently 49%.

The Company is required to withhold and remit to the ATO such tax until such time as the relevant TFN, ABN or exemption notification is given to it. Resident investors will be able to claim a tax credit / rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns.

Legislation has been passed by Parliament approving a 2% Deficit Levy charge for high income earners from 1 July 2014 until 30 June 2017. The legislation received Royal Assent on 25 June 2014 and accordingly the rate of withholding tax will be 49% for the period from 1 July 2014 until 30 June 2017 based on existing law.

9.7. Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in Victoria and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of Victoria.

9.8. Statement of Directors and Selling Shareholder

This Prospectus is authorised by each director of Huon and by the Selling Shareholder who each consents to its lodgement with ASIC and its issue, and no director or the Selling Shareholder has withdrawn their consent.

Glossary



GLOSSARY

The following words and expressions have these meanings in this Prospectus, unless the context otherwise requires:

Term	
\$	Australian dollars
AASB	Australian Accounting Standards Board
AASBs or Australian Accounting Standards or Accounting Standards	Australian Accounting Standards
AASB141	Relates to the fair value adjustment of biological assets required by AASB141
ABS	Australian Bureau of Statistics
AGD	Amoebic Gill Disease, a fish disease that compromises gill function
Applicant	A person who submits an Application
Application	An application made to subscribe for Shares offered under this Prospectus
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)
Application Monies or Application Amount	The amount accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) and, where the context requires, the Australian Securities Exchange operated by ASX Limited
ASX Listing Rules or Listing Rules	The listing rules of the ASX
ASX Recommendations	ASX Corporate Governance Principles and Recommendations (third edition)
ASX Settlement Operating Rules	The rules of ASX Settlement Pty Limited (ACN 008 504 532)
Atlantic salmon or salmon	A fish in the family Salmonidae, which is typically found in the northern Atlantic Ocean and in rivers that flow into the north Atlantic
Bender Family	Peter Bender and Frances Bender, the founders of Huon and (as applicable) Surveyors Investments Pty Ltd (an entity controlled by Peter and Frances Bender)

Glossary

Term	
Biological assets	Farm animals that are classified as assets which, according to International Accounting Standards, must be recorded on balance sheets at their market value. Once the assets have either been slaughtered or harvested, then the assets will become agricultural produce
Board or Board of Directors	The Board of Directors of Huon (from time to time)
BRC	British Retail Consortium
BRC Global Standard	A leading safety and quality certification program
Broker	A broker who is offered a firm allocation of Shares under the Broker Firm Offer
Broker Firm Offer	The offer of a firm allocation of Offer Shares at the Offer Price to Brokers for allocation to their private clients in Australia that are retail investors
Broker Firm Offer Applicant	A person who submits an Application under the Broker Firm Offer
Broodstock	A group of mature fish used in aquaculture for breeding purposes
CAGR	Compound annual growth rate
CBA	Commonwealth Bank of Australia
CGT	Capital gains tax
CHESS	Clearing House Electronic Sub register System, operated in accordance with the Corporations Act and the Listing Rules
Closing Date	The date by which Applications must be lodged for the Broker Firm Offer, the Employee Offer and the Priority Offer, being 17 October 2014 unless varied
Completion of the Offer	Completion in respect of the allotment of Shares of the Offer in accordance with the Underwriting Agreement
Constitution	The constitution of the Company
Controlled Growth Strategy	The strategy under which Huon plans to roll out a number of strategic capital projects across its operations which are intended to expand production, increase efficiency and maintain the consistency and high quality of fish produced
Corporations Act	<i>Corporations Act 2001</i> (Cth)
CPI All Groups Hobart	That index as published by the Australian Bureau of Statistics from time to time
Credit Suisse	Credit Suisse (Australia) Limited
Directors	Each of the Directors of Huon from time to time
DPIPWE	Department of Primary Industries, Parks, Water and Environment
EBIT	Earnings before interest and tax. This is a non-IFRS measure
EBITDA	Earnings before interest, tax, depreciation and amortisation This is a non-IFRS measure
Eligible Employees	Australian resident employees of Huon as at 5.00 pm (Melbourne time) on 18th September 2014
Employee Offer	The offer of Shares under this Prospectus to Australian resident employees of Huon identified by the Company
EAF	Experimental Aquaculture Facility

Glossary

Term	
Existing Shareholders	Peter Bender, Frances Bender and Surveyors Investments Pty Ltd (being a company controlled by Peter and Frances Bender)
Existing Shares	Shares held by all Existing Shareholders as at the date of this Prospectus
Exposure Period	The seven day period after the date of this Prospectus, which may be extended by ASIC for up to an additional seven days, during which an Application must not be accepted
Fallowing	A process during which sites are left clear of fish at the end of a production period, which has recognised benefits within strategies designed to optimise the health of farmed fish and promote environmental sustainability
Farm Bred Norwegian Index	Global index for salmon prices
Financial Adviser	Credit Suisse Emerging Companies (Australia) Pty Limited
Financial Information	Has the meaning given in Section 4.1
Fish Pool	Global exchange for price hedging of fish and seafood products
Forecast Financial Information	Has the meaning given in Section 4.1
Fortress Pens	Fish pens which have been designed by Huon in order to be predator resistant and incorporate a patented stanchion design
Fry	The development stage of a fish once it has grown from being an egg
GLOBALG.A.P.	Non-governmental organisation that sets voluntary standards for the certification of agricultural products around the globe
GSI	Global Salmon Initiative, a leadership initiative by global farmed salmon producers focused on making significant progress towards fully realising a shared goal of providing a highly sustainable source of healthy protein to feed a growing global population, whilst minimising the environmental footprint and continuing to improve our social contribution
GST	Goods and services tax
HACCP	HACCP Australia, a highly specialised company whose sole activity is the provision of technically qualified personnel and services to the food industry
Hatchery	A facility where eggs are hatched under artificial conditions
HIN	Holder Identification Number
Historical Financial Information	Has the meaning given in Section 4.1
HOG	Head-on gutted fish
Huon or the Company	Huon Aquaculture Group Limited (ACN 114 456 781) and its subsidiaries as the context requires
Huon Method	Huon's unique method of farming salmon which places the welfare of fish at the centre of operations and ensures salmon are provided an environment which mimics their natural habitat and are raised i) stress free; ii) well nourished; iii) clean and healthy; and iv) responsibly
Husbandry	The care, cultivation and breeding of crops and animals
IASB	International Accounting Standards Board

Term	
IFRSs	International Financial Reporting Standards
Institutional Investor	An investor: <ul style="list-style-type: none"> • In Australia who is either a “professional investor” or “sophisticated investor” under sections 708(11) and 708(8) of the Corporations Act; and • In certain other jurisdictions, as agreed between the Company and the Underwriter, to whom offers or invitations in respect of securities can be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency
Institutional Offer	The invitation to bid for Shares made to Institutional Investors under this Prospectus to acquire Shares as described in Section 7.4
ISA	Infectious Salmon Anaemia, a viral salmon disease
Lead Manager or Underwriter	Credit Suisse (Australia) Limited
Listing	Admission to the official list of the ASX
Management	The executives of Huon identified in Section 6.2
Milt	The fluid of fish, mollusks, and certain other water-dwelling animals who reproduce by spraying this fluid which contains the sperm, onto roe
New Shares	Shares to be issued by Huon pursuant to this Prospectus
NPAT	Net profit after tax
Offer	Offer under this Prospectus of 26.3 million New Shares to be issued by Huon and the transfer of 1.6 million Existing Shares by the Selling Shareholder
Offer Document	The documents issued or published by or on behalf of the Company in respect of the Offer, including the Prospectus, any application forms, any investor presentation used in connection with the Institutional Offer and any supplementary prospectus
Offer Price	\$4.75 per Share, payable on application for the Shares
Option	An option to be issued a Share
Pacific Salmon	A fish in the <i>Oncorhynchus</i> genus of the family Salmonidae, native to the water ranges draining into the Pacific Ocean
Photoperiod	The duration of an organism’s daily exposure to light, considered especially with regard to the effect of the exposure on growth and development
Priority Offer	The offer of Shares under this Prospectus to persons who have received a personalised invitation to subscribe for Shares in the Offer
Prospectus	This document and any replacement or supplementary prospectus in relation to this document
PwCS	PricewaterhouseCoopers Securities Ltd
PwC	PricewaterhouseCoopers
R&D	Research and development
Rabobank	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

Glossary

Term	
Related Body Corporate	Has the meaning given by section 50 of the Corporations Act
Rigor	<i>Rigor mortis</i> , the stiffening of the muscles of an animal shortly after death
Salmonids	Collective name for all salmon fish species, including trout
Saltas	Salmon Enterprises of Tasmania Pty Ltd
Section	A section of this Prospectus
Selling Shareholder	Peter Bender
Share	A fully paid ordinary share in the capital of Huon
Shareholder	A person who holds Shares
Share Registry	Link Market Services Limited
SOMV	Salmon Orthomyxovirus, a salmon disease
Smolt	A young salmon
SRN	Shareholder Reference Number
Statutory Forecast	Has the meaning given in Section 4.1
Stocking density	The number of livestock in a pen or farm and is expressed as an indication of number of a particular type of animal per unit area
Sustainability Dashboard	A dashboard on Huon's website which provides information concerning Huon's salmon farming practices, management of the welfare of its fish and the impact on the environment
TFN	Tax file number
TPD	Total permanent disability
TPDNO	Total Permissible Dissolved Nitrogen Output
TSGA	Tasmanian Salmonid Growers' Association, Tasmania's peak body representing salmon growers throughout Tasmania
Underwriting Agreement	The agreement of that name between the Company, the Selling Shareholder, the Financial Adviser and the Underwriter, dated on or about 6 October 2014
U.S.\$	U.S. dollars
U.S. Persons	As defined in Regulation S under the U.S. Securities Act
U.S. Securities Act	United States Securities Act of 1933
Value added products	Raw fish which undergo processing in order to be turned into other products such as skin-on or skin-off fillets, portions, cutlets, smoked products, paté or caviar
WFE	Whole fish equivalent
Year Class	The calendar year in which the smolt (salmon) or fingerling (trout) enters the sea for on-growing

CORPORATE DIRECTORY

Huon Registered Office

Huon Aquaculture Group Limited

961 Esperance Coast Road
Dover TAS 7109

Principal Place of Business

Huon Aquaculture Group Limited

961 Esperance Coast Road
Dover TAS 7109

Lead Manager

Credit Suisse (Australia) Limited

Level 31, Gateway
1 Macquarie Place
Sydney NSW 2000

Co-Managers

Baillieu Holst Limited

Level 26
360 Collins Street
Melbourne VIC 3000

Bell Potter Securities Limited

Level 38, Aurora Place
88 Phillip Street
Sydney NSW 2000

Australian Legal Adviser

Clayton Utz

Level 18
333 Collins Street
Melbourne VIC 3000

Financial Adviser

Credit Suisse Emerging Companies (Australia) Pty Limited

Level 41, 101 Collins Street
Melbourne VIC 3000

Investigating Accountant

PricewaterhouseCoopers Securities Ltd

Freshwater Place
2 Southbank Boulevard
Southbank VIC 3006

Auditor

PricewaterhouseCoopers

Freshwater Place
2 Southbank Boulevard
Southbank VIC 3006

Share Registry

Link Market Services

Level 12
680 George Street
Sydney NSW 2000

Huon Offer Information Line

Within Australia: 1800 550 560
Outside of Australia: +61 1800 550 560
Hours of operation: 8:30 am to 5:30 pm
(Melbourne time) Monday to Friday



HUON

TASMANIA