

TasFoods Limited ACN 084 800 902

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By ASX Online

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Proposed acquisition of Nichols Poultry

TasFoods Limited (**TasFoods** or **Company**) is pleased to announce it has an option to acquire Nichols Poultry Pty Ltd and associated assets (**Nichols Poultry**) from Robert and Joanne Nichols and their related entities.

This marks another step forward in achieving the Company's strategy of building an integrated business based on premium food products primarily sourced from Tasmania, and follows on from the Company's 2015 acquisition of the Meander Valley Dairy, a branded dairy food products business based in Tasmania.

Nichols Poultry is in a growth market of chicken meat. The purchase by TasFoods will provide the funding required to action an existing business plan of Nichols Poultry for expansion into high value chicken products with national distribution.

Nichols Poultry is a well recognised local food brand. It is the second largest poultry processor in Tasmania producing chickens and turkeys for the Tasmanian market. Nichols Poultry is located in Sassafras on the north west coast of Tasmania, a 15 minute drive south east of the Devonport port. Under the option TasFoods has the right to acquire 100% of the company which owns and operates the poultry processing business and facility and related plant and equipment, an electricity generating wind turbine and approximately 91 hectares of land on which the processing facility and wind turbine are located, together with a farm house, sheds and other improvements.

The option to acquire Nichols Poultry expires on 31 May 2016 (but may be extended by the Company up to 30 June 2016 due to delays in the transaction timetable). Once exercised, the acquisition becomes unconditional and completion is required to occur within 5 business days.

Additionally, at completion of the acquisition the Company will grant a lease of part of the land to Rob Nichols for grazing and cropping for a period of 3 years, and enter into a grower's agreement with Rob Nichols for him to raise chickens for the Nichols Poultry business for a period of 3 years.

The business utilises a network of contract growers located on neighbouring farms and the 91 hectare property to raise the Nichols Poultry owned chickens using feed supplied by the feed mill owned by Nichols Poultry. Nichols Poultry has a number of attributes that position the business to supply products for a premium market including the use of European air chill technology. The opportunity is to expand production capacity of the business and then actively market premium poultry and value added products to grow Nichols Poultry from a local Tasmanian brand into a national distributor of premium poultry. The business has been in operation since the mid-1980s and now has approximately 100 employees.

Based on unaudited management accounts for the 6 months ended 31 December 2015, Nichols Poultry achieved revenue of approximately \$12.5 million, and profit before interest, tax and extraordinary items of approximately \$0.9m.¹

The Company believes an opportunity exists to grow significantly the business by expanding its distribution channels to interstate markets and developing value added products. The acquisition is subject to shareholder approval and other conditions for completion (see below).

Acquisition consideration

The consideration for the acquisition is \$12,550,000, subject to adjustments for the amount or value of stock, capital expenditure, accounts receivable, accounts payable, employee entitlements, bank debt and other liabilities of Nichols Poultry at completion of the acquisition. TasFoods has paid a \$500,000 non-refundable option fee which will be applied to reduce the consideration payable at completion, if the option is exercised.

Up to \$2 million of the consideration is to be satisfied by the issue of fully paid ordinary shares in the Company to Rob Nichols (or a related entity) at an issue price which is the lower of \$0.30, the issue price under the proposed capital raising (see below) and the volume weighted average price of the Company's shares during the 5 trading days immediately prior to completion of the acquisition.

The balance of the consideration is to be paid in cash.

Capital raising

The Company proposes to raise in the order of \$15 to \$20 million of capital to assist with funding of the acquisition and to provide TasFoods with working capital as it continues its strategy of developing and acquiring premium branded food products and businesses. The issue of shares under the capital raising will require shareholder approval at a general meeting of the Company under rule 7.1 of the ASX Listing Rules given its likely size, and the offer will be a general offer made under a prospectus to be lodged with ASIC.

Further details on the size and pricing of the capital raising will be released to the market in the notice of meeting to be sent to shareholders. The shares to be issued to investors or as consideration for the acquisition will rank equally from the date of their issue with the existing fully paid ordinary shares in the Company.

Senior management

It is intended that Rob Nichols will remain the chief executive officer of the Nichols Poultry business following completion.

Shareholder approvals

Given the significant change to the nature and scale of the Company's activities in consequence of the proposed acquisition of Nichols Poultry, ASX has exercised its discretion under rule 11.1.2 of the ASX Listing Rules to require the Company to obtain shareholder approval in connection with the acquisition. The Company is preparing to convene a general meeting for that purpose, which is expected to be held on 29 April 2016. At that meeting shareholder approval will also be sought for the issue of shares under the proposed capital raising and to Rob Nichols (or a related entity) in part satisfaction of the acquisition consideration.

Further details about the acquisition and share issue will be set out in the notice of meeting.

¹ These results encompass the revenue and expenditure of or attributable to the Nichols Poultry business and other assets that are the subject of the option as if all assets were owned by a single entity. As noted, the results are unaudited and will be subject to an audit review when presented in the notice of the general meeting at which the acquisition will be considered by shareholders. The audit reviewed results may differ from these unaudited figures.

Re-satisfaction of ASX admission requirements

ASX has also exercised its discretion under rule 11.1.3 of the ASX Listing Rules to require the Company to re-satisfy the requirements in chapters 1 and 2 of the ASX Listing Rules, in light of the proposed acquisition. Chapters 1 and 2 set out the rules relating to the admission of an entity to ASX's official list and quotation of the entity's securities on the securities exchange operated by ASX. Those requirements include the Company having to issue a prospectus for the proposed capital raising mentioned above.

Accordingly, assuming shareholders approve the proposed acquisition, the Company's shares will be suspended from quotation until the conditions for admission are re-satisfied.

The Company intends to lodge the prospectus and to apply to ASX for quotation of the new shares to be issued under the prospectus, and for those shares to be issued, and the other requirements under chapters 1 and 2 to be re-satisfied, by early June 2016.

Exercise of option and completion of acquisition

As noted above, once the option to acquire Nichols Poultry is exercised, the acquisition becomes unconditional and completion is required to occur within 5 business days.

Accordingly, the Company will only exercise the option if:

- (a) shareholders approve the acquisition and issue of shares under the capital raising;
- (b) sufficient capital is raised to complete the acquisition; and
- (c) the Company believes that it will be able otherwise to re-satisfy the ASX admission requirements.

Key dates

Hold general meeting of Company	29 April 2016
Lodge prospectus with ASIC and open capital raising offer	4 May 2016
Close capital raising offer	20 May 2016
Issue shares to fund acquisition of Nichols Poultry	31 May 2016
Complete acquisition	31 May 2016

Dates in this announcement are indicative only and subject to change. If the above timetable changes materially, the change will be announced through the ASX.

Update on share purchase plan offer shortfall and share placement

As announced to ASX on 11 December 2015, the Company issued approximately 7.4 million new shares under a share purchase plan offer which was approved by shareholders at the general meeting of the Company held on 19 November 2015. This resulted in a shortfall of approximately 17.7 million shares under the offer. At the general meeting shareholders also approved the issue of up to 4.5 million new shares under a placement offer.

The Company is in the process of finalising commitments from sophisticated and professional investors to subscribe for all of the shortfall shares and placement shares, and expects to issue those shares later this week.

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If you have a query about any matter covered by this announcement, please contact Jane Bennett on 0418 567 480 or Rob Woolley on 0414 508 130.