

TASFOODS LIMITED

ACN 084 800 902

PROSPECTUS

**AN INVITATION TO APPLY FOR
121 MILLION ORDINARY SHARES AT
\$0.25 EACH TO RAISE UP TO \$30.25 MILLION**

**Valid acceptances must be received by
5:00 pm (Melbourne time) on 7 June 2016**

This is an important document and requires your immediate attention. It should be read in its entirety. If you are in doubt about what to do, you should consult your stockbroker, accountant, financial or other professional adviser without delay.

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Important notices and information

This document has been prepared by TasFoods Limited (**TasFoods** or **Company**) and issued as a prospectus for the purposes of Part 6D.2 of the Corporations Act and is dated 25 May 2016. A copy of this document was lodged with the Australian Securities and Investments Commission (**ASIC**) and given to ASX Limited (**ASX**) on the date of this document. Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this document or the merits of the investment to which this document relates.

This document expires as a prospectus 13 months after the date of this document and no securities will be issued on the basis of this document after the expiry date. The expiry date is 25 June 2017.

This document sets out the terms of the invitations (**Offer**) by TasFoods to apply for the issue of 121 million ordinary shares (**Shares**) in TasFoods at \$0.25 each to raise up to \$30.25 million.

This document does not constitute an invitation or offer in any place in which, or to any person to whom, it would not be lawful to make such an invitation or offer. In particular, this document does not constitute an offer to sell, or a solicitation of an offer to buy securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act 1993 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act 1993 and applicable US state securities law.

No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this document. Any information or representation not contained in this document may not be relied upon as having been authorised by TasFoods in connection with the Offer. Neither TasFoods nor any other person warrants the future performance of TasFoods or any return on any investment made under this document, except as required by law and then, only to the extent so required.

Any forecast or any forward looking statement contained in this document may involve significant elements of subjective judgment and assumption as to future events which may or may not be correct, and there are usually differences between forecasts and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material. Nothing contained in this document is, or may be relied on as, a promise or representation as to the future.

The information in this document does not constitute a securities recommendation or financial product advice, and does not purport to constitute all the information that a prospective applicant may require to evaluate effectively and completely whether to apply for Shares under the Offer. In preparing this document, TasFoods has not taken into account the investment objectives, financial situation or particular needs of any particular person. Accordingly, before acting on this document, each prospective applicant should assess whether an investment in TasFoods would be appropriate in light of that person's own financial circumstances, and in particular each prospective applicant should read and assess the terms of the Offer in section 2 and the risk factors in section 7 and should seek professional financial, legal and other advice as required by them.

Except to the extent prohibited by law, TasFoods, its officers, employees and advisers disclaim all liability that may otherwise arise due to any of the information in this document being inaccurate or incomplete.

This prospectus will be issued in paper form and may also be viewed in electronic form on, and downloaded from, the Company's website at www.tasfoods.com.au. The Offer pursuant to the electronic version of this prospectus is not available to persons receiving the electronic version of this prospectus outside Australia, and, in particular, it is not available to persons receiving the electronic version of this prospectus in the United States. Persons who receive the electronic version of this prospectus should ensure that they read and download the entire prospectus. During the application period, a paper copy of this prospectus will be provided free of charge to any person who is entitled to receive a copy and who requests a copy by contacting Advanced Share Registry by telephone on +61 8 9389 8033, by facsimile on +61 8 9262 3723 or by email at admin@advancedshare.com.au. Applications for Shares may only be made by completing the application form that is attached to this document in accordance with the instructions set out in section 3. The Corporations Act prohibits any person from passing an application form on to another person unless it is attached to or is accompanied by a complete and unaltered version of this document.

A number of terms used in this document are defined in the glossary in section 10. Unless otherwise stated, a monetary reference in this document is a reference to Australian currency.

Contact details

If you have any query or question about this document or the Offer, you may contact Advanced Share Registry by telephone on +61 8 9389 8033, by facsimile on +61 8 9262 3723 or by email at admin@advancedshare.com.au, between 8:30 am and 5:00 pm (Perth time) Monday to Friday.

Timetable

Event	Date
General meeting held approving the Nichols Poultry acquisition and issue of Shares under Offer	Monday 23 May 2016
Company's Shares suspended from quotation	Monday 23 May 2016
Lodge prospectus with ASIC and provide a copy to ASX	Wednesday 25 May 2016
Offer opens	Wednesday 25 May 2016
Lodge re-admission application with ASX	Wednesday 25 May 2016
Close of the Offer	Tuesday 7 June 2016 at 5:00 pm (Melbourne time)
Satisfaction of conditions of the Offer and issue of Shares	On or before Wednesday 15 June 2016
Completion of Nichols Poultry acquisition	Wednesday 15 June 2016
Suspension of quotation ends and quotation of new Shares commences	Monday 20 June 2016
Holding statements issued for Shares	Wednesday 22 June 2016 (for new shareholders) or Thursday 7 July 2016 (for existing shareholders)

These times and dates are indicative only and subject to change, in particular the date for satisfaction of the conditions to the Offer (and consequently the dates for ending suspension of quotation for Shares and issue of new Shares) may occur after the dates indicated above. TasFoods reserves the right, subject to the Corporations Act and the ASX Listing Rules, to change any date, including to extend the closing date of the Offer, to close the Offer early, to accept late applications either generally or in particular cases, or to withdraw or reduce the size of the Offer without notice. Any extension of the closing date will have a consequential effect on the issue date of new Shares. If the Offer is withdrawn, application money will be returned in full as soon as reasonably practicable without interest.

Letter from chairman

TasFoods Limited

ABN 53 084 800 902

ACN 084 800 902

Dear investors

On behalf of the directors of TasFoods, I am pleased to invite you to participate in the Offer of new Shares set out in this document.

Outline of the Offer

As previously announced, the Company has been granted an option to acquire 100% of the shares in Nichols Poultry Pty Ltd, which owns and operates the Nichols Poultry branded processing business. The Company also has inter-conditional options to acquire an electricity generating wind turbine and approximately 91 hectares of land on which the Nichols Poultry processing facility, feed mill and wind turbine are located. The consideration payable to acquire Nichols Poultry Pty Ltd and associated assets is \$12.55 million (plus any GST and subject to adjustments).

In connection with those transactions, the Company is inviting applications for the issue of 121 million Shares at \$0.25 each to raise \$30.25 million. Funds raised under the Offer will be used to assist in funding the Nichols Poultry acquisition, and to provide the Company with working capital as it continues its strategy of developing and acquiring premium branded food products and businesses.

Application forms to participate in the Offer must be returned with the required payment by **5:00pm (Melbourne time) on Tuesday 7 June 2016**. Please note that this time and date may be subject to change by the Company.

Offer is conditional

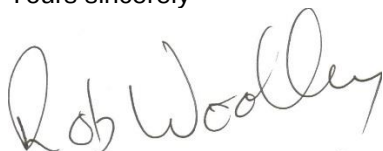
The issue of Shares under the Offer is subject to the Company being satisfied that completion of the Nichols Poultry acquisition is imminent. If the Offer does not proceed or is withdrawn for any reason (including where the conditions are not satisfied), or if any Shares that are applied for by an applicant are not allocated to that applicant, the application money with respect to those Shares will be returned in full as soon as reasonably practicable, without interest.

Further information

Further information about the Offer is set out in this document, which you should read in its entirety before deciding whether to participate in the Offer. A list of questions and answers regarding the Offer is set out in section 1 to assist you in navigating this document. Important risk factors to consider before making any decision to participate in the Offer are set out in section 7.

On behalf of the directors, I encourage you to consider this investment opportunity carefully.

Yours sincerely



Robert Woolley
Chairman

1. Answers to key questions about the Offer

Question and answer	Where can I find more information?
<i>What is the Offer?</i> The Offer is an invitation to apply for the issue of 121 million Shares in TasFoods at \$0.25 each to raise \$30.25 million.	Section 2
<i>Can I participate in the Offer?</i> The Offer is open to persons with a registered address in Australia, and to persons located in any other place in which, or to whom, it would be lawful to make such an offer.	Sections 2.1 and 2.13
<i>How will the money raised be used by the Company?</i> Funds raised under the Offer will be used to assist in funding the acquisition of 100% of the shares in Nichols Poultry Pty Ltd, which owns and operates the Nichols Poultry branded processing business, together with an electricity generating wind turbine and approximately 91 hectares of land on which a processing facility, feed mill and wind turbine are located. Funds raised under the Offer will also be used to provide the Company with working capital as it continues its strategy of developing and acquiring premium branded food products and businesses.	Sections 2.2, 4 and 5.11
<i>How do I apply for Shares under the Offer?</i> You should complete the application form attached to this document and lodge it by the closing date for the Offer together with the application money for the Shares you are applying for.	Section 3
<i>Is there a limit on the number of Shares that I can apply for?</i> There is no maximum limit on the number of Shares that you may apply for under the Offer.	Section 2.1
<i>Is there a minimum number of Shares that I have to apply for?</i> Applications must be for a minimum of 10,000 Shares (at a cost of \$2,500). Applications for more than 10,000 Shares must be in multiples of 2,000 Shares (at an additional cost of \$500 for each multiple).	Sections 2.1 and 3
<i>When do I have to give the Company my application?</i> All applications and payments for new Shares under the Offer must be received by 5:00 pm (Melbourne time) on 7 June 2016. Please note that this time and date is subject to change by the Company.	Sections 2.5 and 3
<i>How will allocations of Shares be made under the Offer?</i> Applications for Shares under the Offer will be accepted at the discretion of TasFoods and Shares allocated in accordance with applications that are accepted and firm allocations of Shares made by Bell Potter in consultation with TasFoods. TasFoods reserves the right to reject any application for Shares under the Offer or to allocate any applicant fewer Shares than the number applied for, and reserves the right not to issue any of the Shares. There is no guarantee that an applicant will be issued any or all of the Shares for which they apply.	Sections 2.6 and 3.2

Question and answer	Where can I find more information?
<i>When do I have to pay for the Shares that I apply for? When will the Shares be issued?</i> New Shares must be paid for in full on application. Application money received from applicants for new Shares under the Offer will be held in a separate account by or on behalf of TasFoods until those Shares are issued. No Shares will be issued until the conditions to the Offer are satisfied. It is expected that the issue of the new Shares applied for under the Offer will take place at or immediately prior to completion of the Nichols Poultry acquisition (anticipated to be on 15 June 2016). If the Offer does not proceed or is withdrawn for any reason (including where the conditions are not satisfied), or if any Shares that are applied for by an applicant are not allocated to that applicant, the application money with respect to those Shares will be returned in full as soon as reasonably practicable, without interest.	Sections 2.10 and 3
<i>What are the conditions to the Offer?</i> The Offer of Shares pursuant to this document is conditional on TasFoods being satisfied that completion of the Nichols Poultry acquisition is imminent. This requires, among other things, that TasFoods has raised sufficient capital to complete the acquisition (which may be less than the full amount of \$30.25 million which the Company is seeking to raise under the Offer). If the conditions are not satisfied, no funds will be raised pursuant to the Offer, no new Shares will be issued pursuant to the Offer and all the application money with respect to the Offer will be returned in full as soon as reasonably practicable, without interest.	Sections 2.4 and 6.1
<i>Is the Offer underwritten?</i> The Offer is partly underwritten by Bell Potter pursuant to the Underwriting Agreement. Bell Potter has agreed to underwrite \$25 million of the Offer, which is approximately 83% of the amount the Company is seeking to raise under the Offer.	Sections 2.9 and 6.2
<i>What are the tax consequences of participating in the Offer?</i> Investors should consult their own professional taxation advisers to obtain advice in relation to the taxation laws and regulations applicable to their personal circumstances. TasFoods cannot, and does not, offer any advice to any person relating to taxation implications of participating in the Offer.	Section 2.14
<i>Who should I contact if I have any questions?</i> If you have any questions regarding the Offer or the matters set out in this document, you may contact Advanced Share Registry by telephone on +61 8 9389 8033, by facsimile on +61 8 9262 3723, or by email at admin@advancedshare.com.au between 8:30 am and 5:00 pm (Perth time) Monday to Friday. If you have received a firm allocation of Shares under the Offer and have questions about applying for those Shares, you may contact Bell Potter on 1300 023 557 or +61 3 9256 8700 between 8:30 am and 5:00 pm (Melbourne time) Monday to Friday. Announcements made to ASX by the Company and other information relating to the Offer can be obtained from ASX's website at www.asx.com.au (ASX code: TFL).	

2. Details of the Offer

2.1 The Offer

The Company invites applications for the issue of 121 million Shares in TasFoods at \$0.25 each to raise \$30.25 million.

There is no maximum limit on the number of Shares that may be applied for under the Offer, however applications must be for a minimum of 10,000 Shares (at a cost of \$2,500). Applications for more than 10,000 Shares must be in multiples of 2,000 Shares (at an additional cost of \$500 for each multiple).

The Offer is open to persons with a registered address in Australia, and to persons located in any other place in which, or to whom, it would be lawful to make such an offer (**Eligible Investors**).

2.2 Purpose of the Offer and use of funds

TasFoods has been granted an option to acquire 100% of the shares in Nichols Poultry Pty Ltd, which owns and operates the Nichols Poultry branded processing business. The Company also has inter-conditional options to acquire an electricity generating wind turbine and approximately 91 hectares of land on which a processing facility, feed mill and wind turbine are located. The acquisition is subject to a lease of part of the 91 hectare property to Robert Nichols for grazing and cropping and a grower's agreement with Robert Nichols for him to raise chickens for the Nichols Poultry business.

The options to acquire Nichols Poultry expire on 30 June 2016. Once exercised, the acquisition becomes unconditional and completion is required to occur within 5 business days. The Company currently anticipates exercising the options and completing the acquisition on 15 June 2016.

The consideration for the acquisition is \$12,550,000 (plus any GST), subject to certain adjustments — see section 6.1 for further details. The adjustments include certain finance debt and related party liabilities owing by Nichols Poultry Pty Ltd that the Company has agreed to pay on behalf of Nichols Poultry Pty Ltd at or after completion of the acquisition and for which there is a corresponding reduction in the consideration payable to the Nichols Parties for the Nichols Poultry acquisition.

Up to \$2 million of the consideration is to be satisfied by the issue of fully paid Shares in the Company to Nichols Investments Pty Ltd. The notional issue price for each of those Shares will be \$0.25. The balance of the consideration is to be paid in cash.

It is intended that the money raised under the Offer will be applied to the costs of the Offer and the balance will be applied to pay the consideration for the Nichols Poultry acquisition and to provide the Company with working capital as it continues its strategy of developing and acquiring premium branded food products and businesses.

See section 4 for further details about the Nichols Poultry acquisition and the Nichols Poultry business, and section 5.11 for further details about how the Company intends to use the funds to be raised under the Offer.

2.3 ASX quotation and re-compliance with chapters 1 and 2 of the ASX Listing Rules

The Company is currently admitted to the ASX Official List.

ASX has advised the Company that it considers that the proposed Nichols Poultry acquisition represents a significant change to the nature and scale of the Company's activities. Accordingly, 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 held a general meeting on 23 May 2016 for this purpose, and to approve the Offer, and all of the required resolutions were passed at that meeting.

Additionally, ASX has 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 Nichols Poultry 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. One of the requirements of ASX is that the Company undertakes the Offer to raise the equity capital to fund the acquisition pursuant to a prospectus that satisfies the disclosure requirements of section 710 of the Corporations Act and this document has consequently been prepared and issued as a prospectus for that purpose and lodged with ASIC accordingly.

The Company's Shares were suspended from quotation from the time of closure of the general meeting on 23 May 2016 and will not be reinstated until ASX approves the Company's re-compliance with chapters 1 and 2 of the ASX Listing Rules.

The Company will apply to ASX within 7 days after the date of this document for official quotation of the Shares offered under the Offer on ASX.

While the Company anticipates that it should meet the requirements for re-admission on completion of the Offer and the Nichols Poultry acquisition, re-admission and quotation of the Shares is ultimately at the discretion of ASX and so there is no guarantee that re-admission or quotation will occur.

2.4 Conditions of the Offer

The issue of Shares under the Offer is subject to TasFoods being satisfied that completion of the Nichols Poultry acquisition is imminent.

The Company anticipates that once this condition is satisfied and the Nichols Poultry acquisition is completed, all requirements for re-admission of the Company to the ASX official list and for quotation of the Shares will be satisfied.

2.5 Applications for Shares

Instructions for applying for Shares under the Offer are set out in section 3.

All applications and payments for new Shares under the Offer must be received by 5:00 pm (Melbourne time) on 7 June 2016, however please note that this time and date may be varied by the Company without notice, subject to the ASX Listing Rules.

New Shares must be paid for in full on application.

2.6 Allocation of Shares

Applications for Shares under the Offer will be accepted at the discretion of TasFoods and Shares allocated in accordance with applications that are accepted and firm allocations of Shares made by Bell Potter in consultation with TasFoods. TasFoods reserves the right to reject any application for Shares under the Offer or to allocate any applicant fewer Shares than the number applied for, and reserves the right not to issue any of the Shares.

There is no guarantee that an applicant will be allocated or issued any or all of the Shares for which they apply.

2.7 Application money

Application money received from applicants for new Shares under the Offer will be held in a separate account by or on behalf of TasFoods until those Shares are issued. Any interest earned on any application money will be applied against the costs of the Offer, with any balance being retained by TasFoods.

No Shares will be issued until the conditions to the Offer are satisfied.

If the Offer does not proceed or is withdrawn for any reason (including where the conditions are not satisfied and/or the Shares are not admitted to quotation within 3 months of the date of this document or such longer period as is permitted by the Corporations Act), or if any Shares that are applied for by an applicant are not allocated to that applicant, the application money with respect to those Shares will be returned in full as soon as reasonably practicable, without interest.

2.8 Issue of Shares

It is expected that the conditions will be satisfied, and the issue of the new Shares applied for under the Offer will take place, at or immediately prior to completion of the Nichols Poultry acquisition (anticipated to be on 15 June 2016).

Holding statements for the new Shares will be despatched after completion of the issue by TasFoods' share registrar (for shareholdings on TasFoods' issuer sponsored sub-register) or by ASX Settlement and Transfer Corporation Pty Ltd (for shareholdings that are broker sponsored under the ASX Clearing House Electronic Sub-registry System (CHES)).

It is the responsibility of applicants to be sure of their respective holdings of new Shares prior to trading in them. ***Applicants who sell Shares before they receive their holding statements will do so at their own risk.***

2.9 Offer is partly underwritten

The Offer is partly underwritten by Bell Potter to 100 million Shares (or \$25 million of the \$30.25 million the Company is seeking to raise under the Offer). See section 6.2 for a summary of the key terms of the Underwriting Agreement.

2.10 No minimum acceptance condition

The Offer is not conditional on the Company receiving applications or subscriptions for a minimum number of Shares.

2.11 Ranking of new Shares

Once issued, the new Shares will rank equally with all other Shares then on issue.

2.12 Discretions

Without limiting the other powers and discretions set out in this document, the Company may implement the Offer in the manner it thinks fit and settle any difficulty, anomaly or dispute which may arise either generally or in a particular case in connection with, or by reason of, the operation of the Offer or a matter in this document, as it thinks fit, whether generally or in relation to any applicants or any Shares, and the determination of the Company is conclusive and binding on all applicants and other persons to whom the determination relates.

2.13 Jurisdictional restrictions on Offer

No action has been taken to register or qualify the Offer, or the new Shares to be issued under it, or otherwise permit the Offer to be made, in any jurisdiction outside Australia. In particular, the Shares have not been, and will not be, registered under the U.S. Securities Act 1933.

The distribution of this document in jurisdictions outside of Australia may be restricted by law, and persons who come into possession of this document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

This document does not constitute an invitation or offer in any place in which, or to any person to whom, it would not be lawful to make such an invitation or offer. In particular, this document does not constitute an offer to sell, or a solicitation of an offer to buy securities, in the United States of America.

2.14 Taxation

Investors should consult their own professional taxation advisers to obtain advice in relation to the taxation laws and regulations applicable to their personal circumstances. TasFoods cannot, and does not, offer any advice to any Eligible Investor or any other person relating to taxation implications of the Offer.

2.15 Governing law

The Offer and the contracts arising due to acceptance by the Company of an application to participate in the Offer are governed by the law in force in Victoria, Australia.

3. How to apply

3.1 Application forms

Eligible Investors who wish to participate in the Offer should complete the application form that accompanies this document in accordance with the instructions set out on the form.

There is no maximum limit on the number of Shares that an Eligible Investor may apply for under the Offer, however applications must be for a minimum of 10,000 Shares (at a cost of \$2,500). Applications for more than 10,000 Shares must be in multiples of 2,000 Shares (at an additional cost of \$500 for each multiple).

Completed application forms should be forwarded, together with payment for the amount due in respect of the number of new Shares you have applied for (being that number multiplied by \$0.25) so that it is received by TasFoods' share registrar no later than 5:00 pm (Melbourne time) on 7 June 2016 (unless you have received a firm allocation of Shares from Bell Potter — see below). The share registrar's mailing and delivery addresses are set out in the application form.

Cheques, money orders and bank drafts must be for payment in Australian currency and drawn on an Australian financial institution or an Australian branch of a foreign financial institution. Cheques, money orders and bank drafts should be made payable to 'TasFoods Limited – 2016 Prospectus Offer' and crossed 'Not Negotiable'. Do not send cash. Receipts for payment will not be forwarded to applicants who apply for new Shares.

If you have received a firm allocation of Shares under the Offer from Bell Potter, do not forward your completed application form and payment to TasFoods' share registrar. Instead, you should lodge your completed application form and payment with Bell Potter, by no later than 5:00 pm (Melbourne time) on 7 June 2016, in accordance with the instructions set out on the form and any other instructions given to you by Bell Potter. Bell Potter will act as your agent to provide your application and payment to TasFoods. The Company takes no responsibility for any acts or omissions of Bell Potter in connection with such applications for such Shares under the Offer.

Your completed application form, once sent to TasFoods' share registrar or Bell Potter, cannot be withdrawn.

3.2 Acceptance of applications and allocation of Shares

Receipt of your completed application form and payment of the subscription price for the Shares applied for will constitute an irrevocable offer by you to subscribe for Shares in accordance with, and your agreement to, the terms of the Offer, including those set out in this document. The application form does not need to be signed to be a valid application. An application for Shares will be deemed to have been accepted by the Company upon issue of the Shares.

You should note that TasFoods is not required to consider any application or to issue any new Shares to a person accepting the Offer under this document unless the share registrar or Bell Potter receive a completed application form and payment for the full amount due in respect of the new Shares applied for by the applicable closing time and there are sufficient funds in the account on which any instrument is drawn so that the instrument clears in favour of TasFoods when it is first presented for payment.

However, if the application form is not completed correctly, or if the accompanying payment of the application moneys is for the wrong amount, it may still be treated as valid. The Company's decision as to whether to treat the application as valid and how to construe, amend or complete the application form is final. However, an applicant will not be treated as having applied for more Shares than is indicated by the amount of the application money that accompanies an application form.

By lodging a completed application form (whether with TasFoods' share registrar or Bell Potter), the applicant is taken to have warranted to and for the benefit of TasFoods that it is an Eligible Investor and that it is able to participate in the Offer without breaching any applicable law or regulation. Each applicant should seek professional advice before doing so if there is any doubt about this.

TasFoods reserves the right to reject any application for Shares under the Offer, or to allocate to any applicant fewer Shares than the number applied for.

Application money received but not applied towards applications for new Shares will be returned in full as soon as reasonably practicable, without interest.

3.3 Privacy

The application form requires you to provide information that may be personal information for the purposes of the *Privacy Act 1988* (Cth). TasFoods, its share registrar and Bell Potter collect, hold and use personal information in order to assess applications for new Shares under the Offer, service the needs of Shareholders, provide facilities and services and/or to administer TasFoods generally.

If you do not provide the information requested of you in the application form, TasFoods may not be able to process your application form or administer your holding of Shares appropriately.

By completing and submitting an application form, you agree that TasFoods may use the information provided for the purposes set out above and may disclose it for those purposes to the share registrar and TasFoods' related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers (including Bell Potter), and to ASX and other regulatory authorities.

4. TasFoods, the Nichols Poultry acquisition and the Australian chicken meat and dairy manufacturing industries

4.1 TasFoods

Following completion of its share buy-back and the transfer of its two residual Chinese food dining loyalty program businesses in June 2015, the Company identified the food sector as an area for its investment focus. Since then, the directors have been exploring a number of investment opportunities based on a strategy of ultimately building an integrated business based on premium food products primarily sourced from Tasmania.

Consistent with that investment focus, the Company completed the acquisition of the Meander Valley Dairy branded food products business based in Tasmania in September 2015. Meander Valley Dairy specialises in the production of premium cream and dairy products. Its processing facility is located near Launceston and its branded products are sold through distributors throughout Australia. The Company is looking to relocate the dairy operations with the objective of gaining greater efficiencies and expanding the dairy products range.

The Company also enhanced its capability in the areas of branded food products and strategic business development in September 2015 through the appointment of Rob Woolley and Roger McBain as directors, and the appointment of Jane Bennett on 17 February 2016 as managing director and chief executive officer (having previously been TasFoods' Head of Strategic Development and General Manager of Dairy).

In addition to the Nichols Poultry acquisition, the Company has recently entered into an agreement to acquire the issued shares of Shima Wasabi Pty Ltd, which owns and operates a wasabi production and distribution business. See section 6.3 for a summary of the key terms of that acquisition.

4.2 The Nichols Poultry acquisition

(a) The Nichols Poultry business

The Nichols Poultry branded poultry processing business is owned and operated by Nichols Poultry Pty Ltd. Nichols Poultry is a well recognised local food brand in Tasmania. It is in a growth market of chicken meat and is the second largest poultry processor in Tasmania, producing chickens for the Tasmanian market. The business has also previously produced turkeys for the Tasmanian market and intends to recommence doing so in 2017. The Nichols Poultry business is located in Sassafras on the north west coast of Tasmania, a 15 minute drive south east of the Devonport port.

The business utilises a network of contract growers located on nearby farms and the 91 hectare property to raise the Nichols Poultry owned chickens using feed supplied by the feed mill owned by Nichols Poultry. The Nichols Poultry business has a number of attributes that position it to supply products for a premium market, including using air chill technology during processing instead of tumbling the chicken meat in chlorinated water. There is an opportunity 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 70 full time employees, 35 part time and casual employees, and 20 contractors.

In addition to the 91 hectare property and wind turbine, the assets that are either owned by Nichols Poultry Pty Ltd or will be acquired as part of the property or separately in consequence of exercising the options as part of the Nichols Poultry acquisition, include 2 farm houses, 12 chicken raising sheds, chicken processing and packing facilities and equipment, a blast chiller, freezer and other refrigeration equipment, grain silo and storage facility, feed mill and feeding equipment, and water tanks, pumps and water treatment plant.

(b) Nichols Poultry management

Robert Nichols is the current managing director of the Nichols Poultry business. He has approximately 30 years' experience in the poultry industry, and it is intended that he will continue as chief executive officer of the business following completion of the Nichols Poultry acquisition.

(c) Financial performance of Nichols Poultry

See section 5 for details regarding the historical financial performance of Nichols Poultry.

(d) Rationale for the Nichols Poultry acquisition

The Company considers that the Nichols Poultry acquisition is superior to any known alternative investment opportunities that the Company could currently pursue because:

- (1) the Nichols Poultry business is well-established and profitable with a strong brand presence in Tasmania, and has a number of provenance attributes that the business can actively market to help achieve a premium brand position for its products;
- (2) the purchase by the Company will provide the funding required to action a business plan of Nichols Poultry for development of a premium range and brand with national distribution;
- (3) the acquisition fits well with the Company's strategy of ultimately building an integrated business based on premium branded food products primarily sourced from Tasmania; and
- (4) the Nichols Poultry operation has a network of established contract growers, a highly skilled workforce and a management team with a depth of industry knowledge and expertise.

(e) Terms of the Nichols Poultry acquisition

See section 6.1 for a summary of the key terms of the Nichols Poultry acquisition.

(f) Prospectus for issue of Shares to Nichols Investments

As well as being a prospectus for the Offer, this document is a prospectus for the 8 million Shares which are proposed to be issued to Nichols Investments at a notional issue price of \$0.25 each, in part satisfaction of the consideration to be provided by the Company for the Nichols Poultry acquisition (if the Company exercises its options to acquire the shares in Nichols Poultry Pty Ltd and associated assets).

(g) Shares to be issued to Nichols Investments subject to voluntary escrow restrictions

ASX has advised the Company that it would be likely to form the view that no restrictions on dealing under chapter 9 of the ASX Listing Rules, such as disposing of shares or creating security interests in them, would be applied to the 8 million Shares which are proposed to be issued to Nichols Investments in part satisfaction of the consideration for the Nichols Poultry acquisition. However, Nichols Investments has agreed to enter voluntarily into an escrow deed with the Company which restricts Nichols Investments from dealing with any of those Shares, such as disposing of them or creating security interests in them, for a period of 6 months from the date they are issued.

4.3 Australian chicken meat industry

(a) Background

The chicken meat industry is substantial and growing, with a strong presence in many rural and regional communities.¹ With minimal international trade in chicken meat into or out of Australia, almost all chicken eaten in Australia, including all fresh and raw frozen chicken, is produced locally.²

(b) Value

The annual gross value of poultry commodities produced in Australia for the financial year ended 30 June 2015 was estimated to total \$2.609 billion.³

(c) Structure and ownership

Two large integrated national companies supply more than 70% of Australia's broiler chickens (being chickens produced for meat) — Baiada and Inghams Enterprises.⁴ The balance of the market is supplied by another six medium-sized, privately owned companies, with each supplying between approximately 3% and 9% of the national market, and a number of other smaller processors.⁵

Growing broiler chickens, from day old chicks to the day of processing, is generally contracted out by processing companies to contract growers.⁶ Approximately 800 growers produce about 80% of Australia's meat chickens under these contracts.⁷ Other meat chickens are produced on large company farms, or on farms owned and managed by 'intermediary' companies which own a number of farms, each managed by a farm manager, and who enter into contracts with processing companies to grow chickens on a larger scale.⁸

(d) Production

The amount of chicken meat produced in Australia has increased steadily over the past 20 years to meet increasing demand from Australian consumers. Australian chicken meat production is estimated to increase by 3% in 2015-16 to 1.16 million tonnes (carcase weight) and by a further 4% in 2016-17 to 1.20 million tonnes.⁹ Over the medium term, chicken meat production is projected to increase by around 3% a year to 1.36 million tonnes in 2020-21.¹⁰

By 2020-21 the share of chicken meat in total meat production is expected to reach 29.5% on a carcase weight basis compared with 23.3% in 2014-15.¹¹ The share of red meat is expected to decline.¹²

¹ Australian Chicken Meat Federation Inc., *The Australian Chicken Meat Industry: An Industry in Profile* (2011), page 9.

² Australian Chicken Meat Federation Inc., *The Australian Chicken Meat Industry: An Industry in Profile* (2011), page 9.

³ Australian Bureau of Statistics, *7503.0 – Value of Agricultural Commodities Produced, Australia, 2014-15* (2015).

⁴ Australian Chicken Meat Federation Inc., *Chicken Meat Industry: Structure and Ownership* (2016), www.chicken.org.au/page.php?id=2.

⁵ Australian Chicken Meat Federation Inc., *Chicken Meat Industry: Structure and Ownership* (2016), www.chicken.org.au/page.php?id=2.

⁶ Australian Chicken Meat Federation Inc., *Chicken Meat Industry: Structure and Ownership* (2016), www.chicken.org.au/page.php?id=2.

⁷ Australian Chicken Meat Federation Inc., *Chicken Meat Industry: Structure and Ownership* (2016), www.chicken.org.au/page.php?id=2.

⁸ Australian Chicken Meat Federation Inc., *Chicken Meat Industry: Structure and Ownership* (2016), www.chicken.org.au/page.php?id=2.

⁹ Australian Bureau of Agricultural and Resource Economics and Sciences, 'Chicken meat, Outlook to 2020-21', *Agricultural Commodities* (March quarter, 2016), page 130.

¹⁰ Australian Bureau of Agricultural and Resource Economics and Sciences, 'Chicken meat, Outlook to 2020-21', *Agricultural Commodities* (March quarter, 2016), page 130.

¹¹ Australian Bureau of Agricultural and Resource Economics and Sciences, 'Chicken meat, Outlook to 2020-21', *Agricultural Commodities* (March quarter, 2016), page 130.

¹² Australian Bureau of Agricultural and Resource Economics and Sciences, 'Chicken meat, Outlook to 2020-21', *Agricultural Commodities* (March quarter, 2016), page 130.

(e) Consumption¹³

Growth in chicken meat consumption is primarily a response to retail prices remaining well below those of beef, lamb and pork. Population growth has also contributed to growing domestic demand. Total chicken meat consumption has increased by an average of 4% a year over the past 10 years, while the rise in per person consumption has averaged around 2.4% a year over the same period. High retail prices are forecast for alternative meats, particularly beef and lamb, so per person consumption of chicken meat is forecast to increase by 2% in 2015-16 to 46.2 kilograms and by a further 2% in 2016 to 47.0 kilograms.

Chicken meat consumption is forecast to continue rising over the medium term but at a slower rate. By 2020-21 consumption of chicken meat is forecast to reach 49 kilograms a person, 8% higher than in 2014-15. This compares with 25.7 kilograms of beef (12% lower than in 2014-15), 9.2 kilograms of lamb (2% lower) and 28.3 kilograms of pig meat (7% higher).

(f) International trade

(1) Imports¹⁴

Australia has strict trade policies and biosecurity measures in place to ensure that the country and its domestic poultry industries are protected from diseases not usually found in Australia. Imports of chicken meat (other than from New Zealand, or as canned or fully retorted products) were prohibited until 1998 and remain subject to stringent conditions, resulting in very limited imports of processed chicken meat and no imports of fresh chicken meat.

(2) Exports

Australian trade in chicken meat remains a relatively small component of the industry.¹⁵ Unlike the red meat industries, the chicken meat industry is almost entirely focused on the domestic market — with exports historically accounting for less than 5% of production.¹⁶

4.4 Australian dairy manufacturing industry(a) Dairy manufacturing¹⁷

The Australian dairy manufacturing sector is diverse and includes farmer-operated co-operatives, public, private and multi-national companies. Farmer owned co-operatives now account for less than 40% of Australia's milk production. The largest co-operative is Murray Goulburn accounting for nearly 37% of national milk output.

Large multi-nationals have operated in the Australian dairy industry for many years and currently include Fonterra (New Zealand), Kirin (Japan) and Lactalis (France).

Other Australian dairy companies cover a diverse range of markets and products, from the publicly listed Bega Cheese Limited and Warrnambool Cheese & Butter (88% controlled by Canadian dairy company Saputo since early 2014) to the privately owned Regal Cream (Bulla Dairy Foods), Burra Foods and Australian Consolidated Milk to name just a few, together with many highly specialised cheese manufacturers.

¹³ Australian Bureau of Agricultural and Resource Economics and Sciences, 'Chicken meat, Outlook to 2020-21', Agricultural Commodities (March quarter, 2016), page 131.

¹⁴ Australian Chicken Meat Federation Inc., *The Australian Chicken Meat Industry: An Industry in Profile* (2011), page 31.

¹⁵ Australian Bureau of Agricultural and Resource Economics and Sciences, 'Chicken meat, Outlook to 2020-21', Agricultural Commodities (March quarter, 2016), page 131.

¹⁶ Australian Bureau of Agricultural and Resource Economics and Sciences, 'Chicken meat, Outlook to 2020-21', Agricultural Commodities (March quarter, 2016), page 131.

¹⁷ Dairy Australia Limited, *Australian Dairy Industry In Focus 2015* (2015), pages 17-18.

(b) Production

Australian milk production increased by nearly 360 million litres, or 3.8%, to 9.73 billion litres in 2014-15.¹⁸ Production of cheese (approximately 10%¹⁹), butter and anhydrous milk fat and butteroil (approximately 2%²⁰) and skim milk powder (approximately 10%²¹) each increased from the previous year while production of whole milk powder declined.²²

(c) Consumption²³

The major Australian consumer dairy products are drinking milk, cheese, butter and butter blends and yoghurts. Per capita consumption trends have varied quite significantly over the past two decades by individual product. These trends reflect changes in consumer tastes and preferences in response to a multitude of variables, such as multicultural influences on food trends, health perceptions around dairy products and manufacturers' responses (with low-fat variants), new product development, flavour and packaging innovations, competitive category offerings, and the distribution and hence availability of products.

In 2014-15, per capita consumption of drinking milk (105 litres), cheese (13.6 kilograms), butter/butter blends (4 kilograms) and yoghurt (7.2 kilograms) remained relatively stable from the previous year.

(d) International trade**(1) Exports²⁴**

Australia currently exports approximately \$2.88 billion worth of dairy products representing approximately 34% of its total milk production. The proportion of Australian dairy products sent to export markets has exhibited a decreasing trend over the past two decades.

The major export markets for Australian dairy products are based in Asia and include Greater China (18% of total, 136,400 tonnes), Japan (14% of total, 103,900 tonnes), Singapore (11% of total, 86,600 tonnes), Indonesia (8% of total, 59,400 tonnes) and Malaysia (7% of total, 51,100 tonnes). Other major export markets for Australian dairy products are the Philippines, Thailand, New Zealand, United Arab Emirates and Taiwan.

(2) Imports²⁵

Although Australia is a net exporter of dairy products, it still imports a significant amount of dairy products from New Zealand and other countries. Of these, the most significant dairy products imported are cheese (82,396 tonnes), whole milk powder (31,370 tonnes), lactose (20,254 tonnes), butter (19,627 tonnes) and ice-cream (19,369 tonnes).

4.5 Funding of TasFoods

As at 31 December 2015, the Company had cash and cash equivalent assets and accounts receivable of approximately \$4,517,000 and accounts payable and other liabilities of approximately \$1,176,000, and no borrowings.

¹⁸ Dairy Australia Limited, *Australian Dairy Industry In Focus 2015* (2015), pages 14-15.

¹⁹ Dairy Australia Limited, *Australian Dairy Industry In Focus 2015* (2015), page 25.

²⁰ Dairy Australia Limited, *Australian Dairy Industry In Focus 2015* (2015), page 26.

²¹ Dairy Australia Limited, *Australian Dairy Industry In Focus 2015* (2015), page 28.

²² Dairy Australia Limited, *Australian Dairy Industry In Focus 2015* (2015), page 28.

²³ Dairy Australia Limited, *Australian Dairy Industry In Focus 2015* (2015), page 22.

²⁴ Dairy Australia Limited, *Australian Dairy Industry In Focus 2015* (2015), pages 19-20.

²⁵ Dairy Australia Limited, *Australian Dairy Industry in Focus 2015* (2015), page 50.

Since 31 December 2015 to the date of this document, the Company's available net cash resources have increased by approximately \$4,087,000 to \$7,428,000, principally due to the issue of Shares in February 2016 to make up the shortfall under the Company's share purchase plan offer conducted in November 2015 and under a small placement.

In addition, the Company is seeking to raise up to \$30.25 million under the Offer.

Accordingly, if the Offer is fully subscribed, the Company expects to have sufficient available cash resources to pay the cash component of the consideration for the Nichols Poultry acquisition (together with the expected completion adjusted finance debts and related party liabilities owing by Nichols Poultry Pty Ltd that the Company has agreed to pay on behalf of Nichols Poultry Pty Ltd at or after completion of the acquisition) and to provide it with approximately \$24,937,000²⁶ in working capital to fund the ongoing operations of the Company (combined with the Nichols Poultry business) and to continue its strategy of developing and acquiring premium branded food products and businesses.

4.6 Board members of TasFoods

The board of the Company comprises the following directors:

(a) Rob Woolley — Chairman

Rob is the chairman of ASX-listed Bellamy's Australia Limited, a branded organic baby food company. He is also a board member of the not-for-profit Tasmanian Leaders Inc, and a former chairman of Tandou Ltd and a former board member of Forestry Tasmania. Rob was previously managing director of Webster Limited following over 20 years as a partner of Deloitte.

(b) Jane Bennett — Managing director and chief executive officer

Jane has extensive experience in the premium branded food sector in Tasmania, including as the former managing director of Ashgrove Cheese, one of Australia's leading premium dairy brands. Jane also chaired the Tasmanian Food Industry Council for 8 years and was a board member of the Brand Tasmania Council for 10 years. Jane has spent the past 4 years working as a non-executive director in a diverse portfolio of companies including the CSIRO, Australian Broadcasting Corporation and Tasmanian Ports Corporation.

(c) Roger McBain — Executive director (finance)

Roger is currently a consultant with Deloitte, having previously been a partner for 5 years. Prior to this he was a partner in a privately owned accounting firm for 25 years. Roger holds a Bachelor of Business degree and is a member of Chartered Accountants Australia and New Zealand and the Taxation Institute of Australia.

(d) Hugh Robertson — Non-executive director

Hugh is a senior investment adviser with Bell Potter. He has worked in the stockbroking industry for 30 years with a variety of firms including Falkiners Stockbroking, Investor First and Wilson HTM. Among his areas of interest is a concentration on small cap industrial stocks and he currently sits on the boards of AMA Group Ltd, Centrepont Alliance Limited and Primary Opinion Limited.

²⁶ This amount has been calculated as the Company's estimated current available net cash resources of \$7,428,000 plus the additional share capital of \$30.25 million through the Offer less the estimated completion adjusted cash component of the consideration and payment of the assumed finance debt and related party liabilities of Nichols Poultry Pty Ltd at completion totalling \$10,550,000 less the estimated Offer and transaction costs of \$2,191,000 (see further notes 3 and 7 in section 5.5).

(e) Tony Robinson — Non-executive director

Tony has held a number of senior management positions in a variety of service industries, including stockbroking, financial services, telecommunications and transport. He is currently a director of Bendigo & Adelaide Bank Limited, Primary Opinion Limited, PSC Insurance Group Limited and Pacific Current Group Limited, and was previously managing director of Centrepont Alliance Limited. Tony was the managing director of TasFoods from June 2014 to September 2015.

No changes are expected to be made to the board of the Company in consequence of the Offer or the Nichols Poultry acquisition.

4.7 Management structure of TasFoods

Immediately following completion of the Nichols Poultry acquisition, the senior management structure of the Company is anticipated to be as follows:

(a) Jane Bennett — Managing director and chief executive officer

See section 4.6(b).

(b) Tom Woolley — Chief operating officer

Tom Woolley has over 11 years of private equity and investment banking experience. Tom worked at Credit Suisse for 3 years followed by 8 years as a director at Ironbridge Capital, an Australian private equity company focussed on growth investments. During 2015, Tom was engaged as an independent consultant to two ASX 300 listed companies assisting them with business development projects and acquisitions.

TasFoods has also commenced the process of appointing a chief financial officer. Once an appointment has been made, Roger McBain intends to relinquish duties as executive director for finance (but remain a non-executive director of the Company).

4.8 TasFoods' corporate governance and continuous disclosure

Copies of the Company's corporate governance policies and charters may be downloaded from the Company's website at www.tasfoods.com.au/corporate-governance.

A summary of the corporate governance practices of the Company, including the Company's compliance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (3rd edition, 2014), is set out in the Corporate Governance Statement on pages 61 to 72 of the Company's 2015 annual report, which is available from ASX's website at www.asx.com.au (ASX code: TFL). Where the Company has not followed a particular recommendation, the Corporate Governance Statement includes the reasons and discloses any alternative practices the Company has adopted.

During the 12 months after completion of the Nichols Poultry acquisition it is intended that the board will continue to have regard to the *Corporate Governance Principles and Recommendations* as it assesses whether any amendments are required to its corporate governance policies and practices in light of the change in circumstances of the Company arising from its continuing development, particularly due to the Nichols Poultry acquisition.

The Company currently has an audit and risk committee and a nomination and remuneration committee, each comprised of Tony Robinson (committee chairman), Rob Woolley and Hugh Robertson.

As the Company is admitted to the official list of ASX, it is also subject to continuous disclosure obligations under the ASX Listing Rules. The Company is required to disclose to ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's securities (subject to any applicable exceptions in the ASX Listing Rules). The Company has in place a continuous disclosure policy to assist it to comply with its continuous disclosure obligations. Among other things, that

policy specifies the Company officers responsible for communications management and managing trading halts.

4.9 TasFoods' business model

The Company has in place a management and board structure suitable to the nature, scale and activities of the Nichols Poultry business, and the Nichols Poultry business has an independent management structure which will be adopted. There will be no need to significantly modify the Company's operating business model to accommodate the Nichols Poultry acquisition.

4.10 TasFoods' employee share ownership plan

(a) Background

The Company adopted an employee share ownership plan (**TasFoods ESOP**) in 2015 which was approved by shareholders at a general meeting of the Company held on 19 November 2015 for the purposes of part 2J.2 and part 2J.3 of the Corporations Act, for the purpose of exception 9 of rule 7.2 of the ASX Listing Rules and for all other purposes.

(b) Terms of TasFoods ESOP

Under the terms of the TasFoods ESOP:

- (1) employees and directors of the Company and its related bodies corporate (and a person who has been made an offer to become such an employee or director) are eligible to participate;
- (2) eligible participants may acquire Shares, options over Shares and rights to, or interests in, such Shares (including directly or by a nominee, or as a beneficiary of a trust established by the Company or participants); and
- (3) the directors have a broad discretion as to the terms on which eligible participants may acquire securities under the TasFoods ESOP including as to the number and type of securities that may be offered, the price payable for securities (which may be nil) and how payment for the securities may be made (e.g. by loans from the Company, whether interest-free or limited recourse or otherwise, or by salary sacrifice or sacrifice of cash bonuses).

The directors may also impose a requirement that securities acquired under the TasFoods ESOP may be bought back by the Company or cancelled on such terms as the directors may determine, and may impose restrictions on dealing in securities acquired under the TasFoods ESOP (e.g. prohibiting them from being sold or transferred for a period of time), and may amend the terms of the TasFoods ESOP (subject to the Corporations Act and ASX Listing Rules), or suspend or terminate it at any time.

The directors of the Company may also determine the terms of options which may be acquired under the TasFoods ESOP such as the exercise price, any restrictions as to exercise (e.g. vesting conditions), any restrictions as to the disposal or encumbrance of any options or underlying Shares once acquired, and the expiry date of the options. Other terms of options are as follows:

- (1) An option holder will be entitled to have the number of options, the exercise price of the options and/or the number of Shares underlying the options varied in the event of a bonus issue, rights offer or reconstruction of the share capital of the Company, in accordance with the ASX Listing Rules.
 - (2) The Company is not required to issue any Shares following an exercise of options unless the Company can be satisfied that an offer of those Shares for sale within 12 months after their issue will not need disclosure to investors under part 6D.2 of the Corporations Act.
-

- (3) Subject to the Corporations Act and the ASX Listing Rules, no options may be disposed of (e.g. by sale or transfer) until any vesting conditions have been satisfied, and no options may be transferred except in circumstances (if any) permitted by the Company.

(c) Current participation

As at the date of this document, the Company has issued 18.5 million options to directors and senior executives (or their nominees) under the TasFoods ESOP, with each such option being issued for nil consideration and entitling the holder to subscribe for 1 new fully paid Share, as follows:

Director/senior executive	Number of options	Exercise price	Expiry date
Rob Woolley	4,750,000	\$0.21	3 September 2019
	4,750,000	\$0.42	3 September 2019
Jane Bennett	1,250,000	\$0.21	3 September 2019
	1,250,000	\$0.42	3 September 2019
Roger McBain	1,250,000	\$0.21	3 September 2019
	1,250,000	\$0.42	3 September 2019
Tony Robinson	1,500,000	\$0.21	3 September 2019
Tom Woolley	1,250,000	\$0.21	3 September 2019
	1,250,000	\$0.42	3 September 2019
Total	18,500,000		

A copy of the TasFoods ESOP may be obtained free of charge by contacting Advanced Share Registry by telephone on +61 8 9389 8033, by facsimile on +61 8 9262 3723 or by email at admin@advancedshare.com.au between 8:30 am and 5:00 pm (Perth time) Monday to Friday.

4.11 TasFoods' subsidiaries

TasFoods currently has the following subsidiaries, all of which are wholly-owned by TasFoods:

- (a) Van Diemen's Land Dairy Pty Ltd ACN 608 847 016 is an Australian-registered company which is currently dormant, but proposed to be used as a vehicle for future acquisitions and business activities.
- (b) MarketSmart International Pty Limited, which is a residual business of TasFoods from its previous operations as a provider of loyalty, rewards and payment solutions. This company continues to operate as a developer and licensee of software for running rewards programs, and TasFoods is continuing to explore whether the software can be used as a platform for other services in the sector.
- (c) OnCard Ltd, OnCard (China) HK Ltd, OneRewards Ltd, Consolidated Payment Services Limited, Payment Services China Limited and OnCard Pte Ltd are companies registered in Hong Kong or Singapore. All of those companies related to TasFoods' previous business and are now non-operational. OnCard Pte Ltd was placed into voluntary liquidation on 8 July 2015 and the other companies are proposed to be liquidated or otherwise deregistered.

5. Financial information and effect of the Offer

5.1 Introduction

This section contains historical financial information about the Company and its Acquisitions, and includes the following:

Statutory Historical Financial Information for the Company, being the:

- (a) statutory historical consolidated income statements (**Statutory Historical Income Statements**) for the years ended 30 June 2013 (**FY2013**), 30 June 2014 (**FY2014**) and 30 June 2015 (**FY2015**) and the half year ended 31 December 2015 (**HY2015**);
- (b) statutory historical consolidated statement of cash flows (**Statutory Historical Statement of Cash Flows**) for FY2013, FY2014, FY2015 and HY2015; and
- (c) statutory historical consolidated statement of financial position (**Statutory Historical Balance Sheet**) as at 31 December 2015.

The Statutory Historical Financial Information has been based on the financial statements of TasFoods which have been audited and reviewed by BDO East Coast Partnership and unqualified opinions have been issued.

Pro-Forma Historical Financial Information of the Company and its Acquisitions, being the:

- (a) pro-forma historical consolidated income statements (**Pro-Forma Historical Income Statements**) for FY2013, FY2014, FY2015 and HY2015;
- (b) pro-forma historical consolidated statement of cash flows (**Pro-Forma Historical Statement of Cash Flows**) for FY2013, FY2014, FY2015 and HY2015; and
- (c) pro-forma historical consolidated statement of financial position (**Pro-Forma Historical Balance Sheet**) as at 31 December 2015.

The Statutory Historical Financial Information and Pro-Forma Historical Financial Information is collectively referred to as **Historical Financial Information**. The FY2014, FY2015 and HY2015 financial statements of Nichols Poultry have been audited by PKF (NSW) Audit and Assurance Limited Partnership and unqualified opinions have been issued. Unaudited financial information has been adopted in respect to the Shima Wasabi acquisition and the acquisition of the goat herd and related plant and equipment from Cosy Goats.

All amounts disclosed in this section 5 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$1,000.

5.2 Basis of preparation and presentation of Historical Financial Information

The Historical Financial Information was prepared by management and was adopted by the directors. The directors are responsible for the inclusion of all of the Historical Financial Information in this prospectus. The Historical Financial Information has been reviewed and reported on by PKF Corporate Finance (NSW) Pty Limited as set out in the independent accountant report in schedule 1 to this document. Investors should note the scope and limitations of the independent accountant report.

The Historical Financial Information included in this section 5 has been prepared in accordance with the measurement and recognition criteria (but not the disclosure requirements) of Australian Accounting Standards and the key accounting policies detailed in schedule 2 to this document. The Historical Financial Information is presented in an abbreviated form and does not include all the disclosures and notes required in an annual financial report prepared in accordance with the Australian Accounting Standards and the Corporations Act.

Basis of Statutory Historical Financial Information

The Statutory Historical Financial Information presented in this section 5.2 for FY2013, FY2014, FY2015 and HY2015 has been extracted from the:

- (a) audited financial statements of TasFoods for the half year ended 31 December 2012;
- (b) audited financial statements of TasFoods for the years ended 31 December 2013, 31 December 2014 and 31 December 2015; and
- (c) reviewed financial statements of TasFoods Limited for the half years ended 30 June 2013, 30 June 2014 and 30 June 2015.

Basis of Pro-Forma Historical Financial Information

The Pro-Forma Historical Financial Information set out in sections 5.3 to 5.5 for FY2013, FY2014, FY2015 and HY2015 has been prepared solely for the purposes of inclusion in this prospectus. The Pro-Forma Historical Financial Information reflects the following pro-forma adjustments (**Pro-Forma Adjustments**) as if they occurred on 1 July 2012:

- (a) post-31 December 2015 capital raising by the Company;
- (b) impact of any historical acquisitions or divestments;
- (c) impact of the Meander Valley Dairy business acquisition;
- (d) impact of the Nichols Poultry acquisition;
- (e) impact of the Shima Wasabi acquisition;
- (f) impact of the goat herd and related plant and equipment acquisition from Cosy Goats; and
- (g) impact of the Offer.

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

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

TasFoods uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards (**AAS**) or IFRS. These measures are collectively referred to in this section 5 as non-IFRS measures.

The directors believe that these measures provide useful information about the financial performance of the Company. However, they should only be considered as supplements to the historical financial information that have been presented in accordance with the AAS and not as a replacement for them. Because these non-IFRS measures are not based on AAS, they do not have standard definitions, and the way TasFoods calculates these measures may differ from similarly-titled measures used by other entities. Readers should therefore not place undue reliance on these non-IFRS measures.

The principal non-IFRS financial measures that are referred to in this prospectus are:

- (a) **EBITDA** which means earnings before interest, tax, depreciation and amortisation expenses;
 - (b) **EBIT** which means earnings before interests and tax expenses;
 - (c) **Working Capital** which means trade debtors, prepayments less creditors, employee entitlements and other liabilities excluding interest bearing debt; and
-

(d) **Capex** which means capital expenditure invested in property, plant and equipment.

5.3 Pro-Forma Historical Income Statements

Pro-Forma Historical Income Statements

Set out below is the Pro-Forma Historical Income Statements of TasFoods for FY2013, FY2014, FY2015 and HY2015:

(\$'000)	Pro-Forma Historical			
	FY2013	FY2014	FY2015	HY2015
Revenue	15,374	20,389	23,526	13,574
Cost of Sales	(9,086)	(13,147)	(14,754)	(7,900)
Gross Profit	6,288	7,243	8,772	5,674
Other Revenue	361	350	403	220
Employment Expenses	(5,217)	(6,941)	(8,583)	(4,395)
Insurance Expenses	(267)	(260)	(258)	(72)
Occupancy Expenses	(292)	(317)	(405)	(218)
Repairs and Maintenance Expense	(140)	(320)	(186)	(123)
Other Expenses	(1,131)	(1,463)	(1,310)	(783)
Total Expenses	(7,048)	(9,301)	(10,742)	(5,591)
EBITDA	(399)	(1,709)	(1,567)	303
Depreciation and Amortisation	(197)	(254)	(265)	(151)
EBIT	(596)	(1,962)	(1,832)	152
Interest Income	1	6	10	-
Interest Expense	(99)	(134)	(147)	(77)
Net Profit Before Tax (NPBT)	(693)	(2,090)	(1,970)	75
Income Tax Expense	262	327	306	(178)
Net Profit After Tax (NPAT)	(431)	(1,763)	(1,664)	(103)

Pro-Forma Adjustments to the Statutory Historical Income Statements

Set out below are the adjustments that have been made to the Statutory Historical Income Statements:

(\$'000)	Note	FY2013	FY2014	FY2015	HY2015
Statutory NPAT	1	2,442	2,681	8,967	(1,263)
Significant Change of Operations	2	(2,442)	(2,681)	(8,967)	1,263
Head Office Related Expenses	2	(1,346)	(1,346)	(1,346)	(673)
Total Impact of Divestments		(3,788)	(4,027)	(10,313)	590
Meander Valley Acquisition	3	351	110	20	24
Nichols Poultry Acquisition Statutory NPAT	4	166	(716)	(786)	364
Normalisation Adjustments for Nichols Poultry	4	399	189	451	164
Shima Wasabi Acquisition	5	(1)	(0)	(3)	19
Pro Forma NPAT		(431)	(1,763)	(1,664)	(103)

Note 1: Statutory net profit after tax (**NPAT**) as per audited or reviewed financial statements of TasFoods.

Note 2: TasFoods has undergone a significant change in operations during the periods above. In order to present a comparative representation of TasFoods and the Acquisitions as it presently operates, the income and costs of related divested entities have been removed from the pro-forma calculation. Head office expenses for the Company have been historically reflected above.

A summary of TasFoods' divestments (**Divestments**) since 1 July 2012 include:

- (a) sale of SmartPASS announced on 18 September 2014;
- (b) on 1 June 2015, the Company disposed of its interests in the following entities (following a decision to cease operations in China):
 - (A) OnCard Consulting Services Shanghai Ltd;
 - (B) Yin Chang Information Technology Shanghai Co. Ltd;
 - (C) Shanghai Yifutong Network Technology Co. Ltd; and
 - (D) Beijing All Payments Company Ltd.
- (c) OnCard Pte Ltd, the company through which TasFoods previously conducted its operations in Singapore, was placed into voluntary liquidation on 8 July 2015 following a decision to close operations in the previous financial year.

Note 3: On 4 September 2015, TasFoods announced the acquisition of the Meander Valley Dairy business based in Tasmania. The historical financial results of Meander Valley Dairy have been included in the Pro-Forma Adjustments.

Note 4: On 18 February 2016, TasFoods announced it had an option to acquire 100% of the shares in Nichols Poultry Pty Ltd and associated assets. The historical financial results of the Nichols Poultry business have been included in the Pro-Forma Adjustments. In addition, normalisation adjustments have been made to the reported historical earnings of Nichols

Poultry for one off or non-recurring items, new employment terms with key management and revised terms for related party dealings. Detailed below are the relevant adjustments:

(\$000)	Note	FY2013	FY2014	FY2015	HY2015
Rent for Growing Sheds	4.1	145	145	145	72
Rent for Farm Lands	4.1	50	50	50	25
Profit on Sale of Wind Turbine	4.2	-	(213)	-	-
Wind Turbine	4.3	-	-	52	25
Reversal of Rent Paid to Nichols Farms	4.4	144	146	144	107
Rates and Water Rights	4.5	(20)	(20)	(20)	(10)
Bring Feedmill into Nichols Poultry	4.6	190	190	190	-
Rob Nichols Employment Agreement	4.7	(110)	(110)	(110)	(55)
Total normalisation adjustments		399	189	451	164

Notes:

- 4.1** Additional rental income which is expected to be received by the Company for the leaseback to Rob Nichols of land and the shed infrastructure on part of the 91 hectare property to be acquired by the Company.
- 4.2** Eliminate profit on sale of wind turbine to a Nichols Party in June 2014 as the wind turbine is to be acquired by Nichols Poultry.
- 4.3** Eliminate electricity costs paid by Nichols Poultry to a Nichols Party for electricity generated by the wind turbine that is to be acquired by the Company.
- 4.4** Elimination of rental costs paid by Nichols Poultry for the use of part of the 91 hectare property that is to be acquired by the Company.
- 4.5** Additional rates and on costs associated with the 91 hectare property to be acquired by the Company.
- 4.6** Adjustment of gross margin for feed stock supplied to Nichols Poultry by a Nichols Party under an arrangement that will terminate upon acquisition.
- 4.7** Additional employment costs to Rob Nichols under his employment contract.

Note 5: TasFoods has allocated certain funds (from its existing cash resources) for further acquisitions (which, in the case of the Shima Wasabi acquisition, is conditional on the Shares being reinstated to quotation following their suspension in connection with the Nichols Poultry acquisition). The historical financial results as per the special purpose financial statements have been included in the Pro-Forma Adjustments.

Summary of historical key metrics

Set out below is a summary of the Company's key historical operating metrics relating to the Pro-Forma Historical Income Statements:

	Pro-Forma Historical			
	FY2013	FY2014	FY2015	HY2015
Poultry Revenue:				
Revenue (\$'000)	14,310	18,865	22,035	12,476
Growth (%)	n/a	31.8%	16.8%	n/a
Average Selling Price (\$ per Chicken)	7.49	7.53	8.12	8.22
Growth (%)	n/a	0.5%	7.8%	1.2%
Gross Profit (\$'000)	5,605	6,553	8,180	5,340
Gross Profit Margin (%)	39.2%	34.7%	37.1%	42.8%
Growth (%)	n/a	16.9%	24.8%	n/a
Corporate Statistics				
Employment Expenses	5,217	6,941	8,583	4,395
Growth (%)	n/a	33.1%	23.7%	n/a
Occupancy Expenses	292	317	405	218
Growth (%)	n/a	8.4%	28.0%	n/a

There are no key financial operating metrics on Shima Wasabi and Meander Valley Dairy as they are emerging businesses and, accordingly, the metrics detailed above relate to Nichols Poultry only.

5.4 Pro-Forma Historical Statement of Cash Flows

Pro-Forma Historical Statement of Cash Flows

Set out below is the Pro-Forma Historical Statement of Cash Flows of TasFoods for FY2013, FY2014, FY2015 and HY2015:

	Pro-Forma Historical			
	FY2013	FY2014	FY2015	HY2015
(\$'000)				
EBITDA	(399)	(1,709)	(1,567)	303
Changes in Working Capital	463	130	1,519	(212)
Operating Cash Flows Before CAPEX	64	(1,578)	(48)	91
Capital Expenditure	(230)	(484)	(670)	(516)
Operating Cash Flows After CAPEX	(166)	(2,062)	(718)	(425)

Pro-forma Adjustments to Statutory Historical Statement of Cash Flows

Set out below are the adjustments that have been made to the Statutory Historical Statement of Cash Flows:

(\$'000)	Note	Pro-Forma Historical			
		FY2013	FY2014	FY2015	HY2015
Net Cash Generated from Operating Activities After CAPEX (Statutory)	1	(1,534)	(1,548)	(4,663)	(2,391)
Significant Change of Operations	2	1,534	1,548	4,663	2,391
Head Office Related Expenses	2	(1,346)	(1,346)	(1,346)	(673)
Total Impact of Divestments		188	202	3,317	1,718
Impact of Meander Valley Acquisition	3	351	110	20	35
Impact of the Nichols Poultry Acquisition (including Normalisation Adjustments)	4	823	(836)	602	192
Impact of Shima Wasabi Acquisition	5	6	9	6	22
Net Cash Generated from Operating Activities After CAPEX (Pro-Forma)		(166)	(2,062)	(718)	(425)

The following notes set out the basis of preparation of the Pro-Forma Adjustments to Statutory Historical Statement of Cash Flows set out above:

Note 1: Statutory net profit after tax (**NPAT**) as per audited or reviewed financial statements of TasFoods.

Note 2: TasFoods has undergone a significant change in operations during the above periods. In order to present a comparative representation of the Company inclusive of the Acquisitions, the cash flows have been adjusted to take into account:

- (a) elimination of the divested entities;
- (b) the proposed head office structure; and
- (c) inclusion of the operating cash flows/outflows from the Acquisitions.

The above points, except for head office costs, have been dealt with in notes 3 to 5 below. In relation to head office costs, there has been no adjustment for Working Capital and, accordingly, the net outflow has been assumed to be the same as operating loss. Note there is no depreciation or other non-operating costs included in the head office costs.

See note 2 in section 5.3 for a summary of TasFoods' Divestments since 1 July 2012.

Note 3: On 4 September 2015, TasFoods announced the acquisition of Meander Valley Dairy. The historical cash flows of Meander Valley Dairy have been included in the Pro-Forma Adjustments. The earnings of Meander Valley Dairy have been used as a proxy for cash flow; that is, there have been no Working Capital adjustments assumed in the calculation of cash flows.

Note 4: On 18 February 2016, TasFoods announced it had been granted options to acquire the shares in Nichols Poultry Pty Ltd and associated assets. The historical cash flows of Nichols Poultry have been included in the Pro-Forma Adjustments. Cash flows have been derived using the earnings of Nichols Poultry, adjusted for normalisations and changes in Nichols Poultry's Working Capital.

Note 5: The historical cash flows have been taken from cash items as per the special purpose financial statements of Shima Wasabi. The earnings of Shima Wasabi have been used as a proxy for cash flow; that is, there have been no Working Capital adjustments assumed in the calculation of cash flows.

5.5 Pro-Forma Historical Balance Sheet

Pro-Forma Historical Balance Sheet

Set out below is Statutory and Pro-Forma Historical Balance Sheet for the Company as at 31 December 2015:

	As at 31 December 2015									
	Statutory Historical Balance Sheet	Issue of Shares	Pro-Forma (Pre Offer & Acquisition)	Impact of Nichols Poultry	Impact of Shima Wasabi	Asset Purchase	Impact of the Offer (Min.)	Pro-Forma (Min.)	Impact of the Offer (Max.)	Pro-Forma (Max.)
(\$'000)	Note 1	Note 2		Note 3	Note 4	Note 5	Note 6		Note 7	
Current Assets										
Cash & Cash Equivalents	2,799	5,822	8,621	(7,275)	(2,648)	(346)	23,720	22,073	28,754	27,107
Trade & Other Receivables	1,718	-	1,718	1,963	48	-	-	3,729	-	3,729
Stock	30	-	30	1,334	-	207	-	1,570	-	1,570
Other Current Assets	71	-	71	-	-	-	-	71	-	71
Total Current Assets	4,618	5,822	10,440	(3,978)	(2,600)	(139)	23,720	27,444	28,754	32,477
Non-Current Assets										
Property, Plant & Equipment	230	-	230	9,113	2,700	111	-	12,154	-	12,154
Prepayments	-	-	-	-	-	-	-	-	-	-
Deferred Tax Asset	-	-	-	706	-	-	384	1,090	449	1,155
Intangible Assets	1,879	-	1,879	3,435	-	-	-	5,314	-	5,314
Total Non-Current Assets	2,109	-	2,109	13,254	2,700	111	384	18,558	449	18,623
Total Assets	6,727	5,822	12,550	9,276	100	(28)	24,104	46,001	29,203	51,100
Current Liabilities										
Trade & Other Payables	990	-	990	5,175	-	-	-	6,165	-	6,165
Current Tax Payable	-	-	-	-	-	-	-	-	-	-
Provisions	187	-	187	246	-	-	-	433	-	433
Borrowings	-	-	-	1,618	-	-	-	1,618	-	1,618
Total Current Liabilities	1,177	-	1,177	7,039	-	-	-	8,216	-	8,216
Non-Current Liabilities										
Provisions	-	-	-	43	-	-	-	43	-	43
Borrowings	-	-	-	895	-	-	-	895	-	895
Total Non-Current Liabilities	-	-	-	939	-	-	-	939	-	939
Total Liabilities	1,177	-	1,177	7,977	-	-	-	9,154	-	9,154
Net Assets	5,551	5,822	11,373	1,298	100	(28)	24,104	36,847	29,203	41,946
Equity										
Contributed Equity	6,618	5,822	12,440	2,000	300	-	24,234	38,974	29,332	44,072
Reserves	584	-	584	-	-	-	-	584	-	584
Retained Earnings / (Losses)	(1,651)	-	(1,651)	(702)	(200)	(28)	(130)	(2,711)	(130)	(2,710)
Total Equity	5,551	5,822	11,373	1,298	100	(28)	24,104	36,847	29,203	41,946

The following notes set out the basis of preparation of the Pro-Forma Historical Balance Sheet set out above:

Note 1: The actual reviewed consolidated statement of financial position of the Company as at 31 December 2015 (as set out in the appendix 4E – preliminary final report that was lodged with ASX on 29 February 2016) has been adopted as the starting point for the preparation of the Pro-Forma Historical Balance Sheet.

Note 2: On 19 February 2016 and 8 March 2016, the Company issued a total of 23,432,000 Shares at \$0.25 each to sophisticated and professional investors who took up the shortfall in the Company's share purchase plan offer and under placements of Shares. The amount reflected above in the Pro-Forma Adjustments is net of any costs incurred.

Note 3: The following Pro-Forma Adjustments have been made to reflect the impact of the Nichols Poultry acquisition:

- (a) The estimated consideration to be provided to the sellers totalling \$12,550,000, comprising:
 - (A) an issue of up to \$2,000,000 of Shares; and
 - (B) a cash component of \$6,575,000 plus completion adjustments of \$3,975,000 based on the reviewed 31 December 2015 as reported in its reviewed special purpose financial statements for the 6 months ended 31 December 2015). The

amount of the completion adjustments is likely to vary as it is to be based on the balance sheet of Nichols Poultry as at the date of completion;

- (b) The value of the assets and liabilities of Nichols Poultry Pty Ltd at 31 December 2015 as reported in its reviewed special purpose financial statements for the 6 months ended 31 December 2015 plus the value of the land, wind turbine and other associated assets based on the consideration agreed to be paid for them, being \$5,327,000 on a net basis, resulting in intangible assets on acquisition of \$3,248,000. The directors have prepared the above Pro-Forma Adjustment on a provisional basis in accordance with paragraph 45 of AASB 3 *Business Combinations*.
- (c) Costs of the acquisition which are assumed will total \$702,000, comprising stamp duty in the amount of \$277,000 and legal, accounting and other costs in the amount of \$425,000.

Note 4: The following Pro-Forma Adjustments reflect the impact of the acquisition of Shima Wasabi on the Company (which is conditional on the Shares being reinstated to quotation following their suspension in connection with the Nichols Poultry acquisition):

- (a) To recognise the estimated consideration to be provided by the Company totalling \$2,750,000, to be satisfied by:
 - (1) a cash payment of \$2,450,000; and
 - (2) an issue of 1,200,000 Shares at a notional issue price of \$0.25 each (totalling \$300,000).
- (b) Recognition of the fair value of the assets and liabilities of Shima Wasabi as at 31 December 2015. The net assets in Shima Wasabi's balance sheet are \$113,000 and these have been fair value adjusted by \$2,637,000 so as to represent the purchase price. The adjustment has been applied against property, plant and equipment.
- (c) Costs of the acquisition which are assumed will total \$200,000, comprising stamp duty, legal fees and other transaction costs.

Note 5: Pro-Forma Adjustment to reflect potential asset purchase of goat herd and related plant and equipment, assuming the following:

- (a) Purchase of 512 goats and 10 bucks at a price of \$400 and \$200 for each goat and buck respectively for a total of \$207,000 recorded as stock.
- (b) Recognise the purchase of associated plant and equipment for a total of \$111,000 recorded as property, plant and equipment.
- (c) Costs of the purchase which include a stamp duty and legal fees of approximately \$28,000.

Total consideration to be paid for the above assets totals \$346,000.

Note 6: Pro-Forma Adjustment to reflect the impact of the proposed Offer (on a minimum subscription basis) on the Company, assuming the following:

- (a) The Offer is taken up to the extent that it is underwritten (i.e. 110 million Shares will be issued for \$0.25 each).
- (b) Costs of the Offer have been estimated to be \$1,259,000 comprising:
 - (A) underwriting fee in the amount of \$1,000,000 (being 4% of the proceeds raised) payable to the underwriter on the basis that it arranges subscriptions for 100 million Shares under the Offer; and

- (B) legal, accounting and other costs in the amount of \$346,000.

The above costs of the Offer have been deducted from equity to the extent permitted by AASB 132 *Financial Instruments*, net of any deferred income tax benefit.

Note 7: Pro-Forma Adjustment to reflect the impact of the proposed Offer (on a maximum subscription basis) on the Company, assuming the following:

- (a) The Offer is fully subscribed (i.e. 121 million Shares on offer will be issued for \$0.25 each).
- (b) Costs of the Offer have been estimated to be \$1,489,000 comprising:
- (A) underwriting fee in the amount of \$1,210,000 (being 4% of the proceeds raised) payable to the underwriter on the basis that it arranges subscriptions for the full 121 million Shares under the Offer; and
- (B) legal, accounting and other costs in the amount of \$279,000.

The above costs of the Offer have been deducted from equity to the extent permitted by AASB 132 *Financial Instruments*, net of any deferred income tax benefit.

Taxation

TasFoods and its Australian subsidiaries are currently a tax consolidated group. Following completion of the Nichols Poultry acquisition it is intended that Nichols Poultry will be included in the tax consolidated group from the date of acquisition. The impact of tax consolidation on TasFoods' tax balances has not been undertaken or reflected in the Pro-Forma Historical Balance Sheet. A full assessment of the income tax consolidation implications will be completed following Completion of the Offer. In addition, the acquisition of Shima Wasabi and acquisition of the goat herd and related plant and equipment from Cosy Goats will form part of the TasFoods tax consolidated group following completion of those acquisitions.

Movement in cash and cash equivalents

The following table provides reconciliation between actual and pro-forma cash and cash equivalents as at 31 December 2015:

	Minimum Subscription	Maximum Subscription
(\$'000)		
Actual as at 31 December 2015	\$ 2,799	\$ 2,799
Net Proceeds from Capital Raising	\$ 5,822	\$ 5,822
Impact of Nichols Poultry	\$ (7,275)	\$ (7,275)
Impact of Shima Wasabi	\$ (2,948)	\$ (2,948)
Asset Purchase	\$ (346)	\$ (346)
Net Proceeds from the Offer	\$ 23,720	\$ 28,754
Pro-Forma as at 31 December 2015 (Minimum)	\$ 21,773	\$ 26,807

Movement in share capital

The following table provides a reconciliation between actual and pro-forma share capital as at 31 December 2015 on a minimum and maximum subscription basis:

Minimum Subscription	Un-Diluted			Fully-Diluted		
	(#'000)	(\$'000)	%	(#'000)	(\$'000)	%
Actual as at 31 December 2015	29,898	\$ 6,618	18.40%	29,898	\$ 6,618	16.52%
Shares Issued under Share Purchase Plan	22,232	\$ 5,522	13.68%	22,232	\$ 5,522	12.28%
Shares Issued 8 March 2016 placement	1,200	\$ 300	0.74%	1,200	\$ 300	0.66%
Eligible Participants to the ESOP	n/a	n/a	n/a	18,500	\$ 5,670	10.22%
Consideration Shares for Nichols Poultry	8,000	\$ 2,000	4.92%	8,000	\$ 2,000	4.42%
Consideration Shares for Shima Wasabi	1,200	\$ 300	0.74%	1,200	\$ 300	0.66%
The Offer (Minimum Subscription)	100,000	\$ 24,234	61.53%	100,000	\$ 24,234	55.24%
Pro-Forma (Minimum)	162,530	\$ 38,974	100.00%	181,030	\$ 44,644	100.00%

Maximum Subscription	Un-Diluted			Fully-Diluted		
	(#'000)	(\$'000)	%	(#'000)	(\$'000)	%
Actual as at 31 December 2015	29,898	\$ 6,618	16.29%	29,898	\$ 6,618	14.80%
Shares Issued under Share Purchase Plan	22,232	\$ 5,522	12.11%	22,232	\$ 5,522	11.00%
Shares Issued 8 March 2016 placement	1,200	\$ 300	0.65%	1,200	\$ 300	0.59%
Eligible Participants to the ESOP	n/a	n/a	n/a	18,500	\$ 5,670	9.16%
Consideration Shares for Nichols Poultry	8,000	\$ 2,000	4.36%	8,000	\$ 2,000	3.96%
Consideration Shares for Shima Wasabi	1,200	\$ 300	0.65%	1,200	\$ 300	0.59%
The Offer (Maximum Subscription)	121,000	\$ 29,332	65.93%	121,000	\$ 29,332	59.89%
Pro-Forma (Maximum)	183,530	\$ 44,072	100.00%	202,030	\$ 49,742	100.00%

Indebtedness and capitalisation

The Pro-Forma Historical Balance Sheet as at 31 December 2015 has been adjusted to reflect the impact of Pro-Forma Adjustments as if were in place or occurred as at that date. The following table sets out the indebtedness and capitalisation of the Company as at 31 December 2015 on a statutory and pro-forma basis:

	Notes	Statutory Basis	Pro-Forma Basis (Minimum Subscription)	Pro-Forma Basis (Minimum Subscription)
(\$'000)				
Borrowings	1	-	2,513	2,513
Cash and Cash Equivalents		(2,799)	(22,073)	(27,107)
Total Indebtedness / (Net Cash)		(2,799)	(19,560)	(24,594)
Contributed Equity		6,618	38,974	44,072
Reserves		584	584	584
Retained Earnings / (Losses)		(1,651)	(2,711)	(2,710)
Total Equity		5,551	36,847	41,946
Total Capitalisation		2,752	17,287	17,352

Note 1: Borrowings relate to an ANZ overdraft facility and asset finance liabilities held by Nichols Poultry Pty Ltd as at 31 December 2015.

Liquidity and capital resources

Following completion of the Offer, TasFoods will have, on a pro-forma basis, cash of \$21.8 million and \$26.8 million on a minimum and maximum subscription basis respectively arising from the Offer and debt facilities of \$2.5 million, as described in this section 5.5.

TasFoods expects that it will have sufficient cash to meet its operational requirements and other business needs to meet its objectives — see section 5.11 for further details. On that

basis, TasFoods will not be relying on debt facilities to assist in funding the Nichols Poultry acquisition or provide working capital.

As TasFoods' operations are to be conducted in Australia, there is no exposure to foreign currency risks.

5.6 Management discussion and analysis of Historical Financial Information

General factors affecting the operating and financial results of TasFoods

Below is a summary of the main factors to influence the Pro-Forma Historical Financial Information for the Company during FY2013, FY2014, FY2015 and HY2015. The discussion predominantly relates to Nichols Poultry given the emerging nature of Meander Valley and Shima Wasabi. The factors identified are a summary only and do not represent all possible factors influencing the Company's operating and financial performance. It is important to read this section in conjunction with the risks identified in section 7 and other information contained in the prospectus.

Revenue

An overview of the difference revenue streams generated by TasFoods and the key drivers of each revenue stream are set out below:

- (a) In FY2014, Nichols Poultry went through a process to meet RSPCA accreditation which then resulted in a major supermarket becoming a key customer in September 2013. The increase in revenue from FY2013 to FY2014 is predominantly attributed to the new supermarket customer. In addition, Nichols Poultry made a decision to stop selling turkeys and focus solely on chicken production. The increase in revenue did result in lower gross margins (these margins were both price and cost related).
- (b) In FY2015, Nichols Poultry recommenced its turkey sales and this, together with the increase in sales to its key retail customer, has resulted in a further growth in sales.
- (c) In Y2015, Nichols Poultry has been able to increase substantially the number of chickens sold. This increase has largely been driven by the sale to its key retail customer.

Gross margin

The margin for FY2014 reduced compared to FY2013 due to:

- (a) satisfying the RSPCA accreditation requirements;
- (b) stock ordering issues; and
- (c) additional requirements to satisfy customer requirements.

In FY2015, Nichols Poultry added two additional chicken growers and was able to increase its gross margins and overall profitability. In addition, there has been a continued growth of sales, mainly through increased production.

Margins in HY2015 have increased due to operational efficiencies arising from increased production levels.

Employee costs

There was substantial growth in employee costs due to the increase in scale of the business in FY2014 and FY2015. Employment costs have remained stable in HY2015 as the business has taken on greater initiative in automating certain processes.

Corporate and other costs

The main other expense for Nichols Poultry, occupancy costs, have also grown to reflect the overall growth in the business.

Head office costs reflect the intended corporate structure of TasFoods to support the Acquisitions and future direction of the Company.

Cash flows and Working Capital

Overall Working Capital has decreased for the last three years for Nichols Poultry to fund either losses or payments to the current shareholder. However, for HY2015, there has been an increase in Working Capital, mainly increases in trade debtors and this increase has funded the profitability during that period.

Capex

Nichols Poultry has continually invested amounts in Capex and the amount spent has been in the range of \$200,000 to \$700,000. However, there has been a significant increase in HY2015 reflecting the changes to the plant and improvement in operating processes.

5.7 Events subsequent to balance date

Since 31 December 2015, the following events have occurred:

Adverse change in purchase price terms with contract growers

Due to the increase in operating costs of contract growers, Nichols Poultry has re-negotiated the cost of acquisition of chicks/birds, resulting in an increase in the cost of chicks/birds. The increase in cost is approximately 20% from that previously achieved. It is uncertain as to what extent such cost can be passed onto customers. Every effort is to be made to pass the increase onto customers, but there is no guarantee that this can occur.

Reduction in the cost of feedstock

Since 31 December 2015, Nichols Poultry has managed to reduce the cost of feed stock for its birds. The reduction in the price of feedstock is as a result of improved conditions in Tasmania. The expected cost saving is approximately 20% per annum.

Overall, it is believed that, on the basis that the reduction in the cost of the feedstock is maintained, the gain from such reduction should outweigh the effect of the increase in cost of chicks/birds, assuming that there is no price adjustments to customers.

5.8 Independent Accountant Report

The Company has engaged PKF Corporate Finance (NSW) Pty Limited to review and provide an independent accountant report on the Historical Financial Information set out in sections 5.1 to 5.7. A copy of the report is set out in schedule 1 to this document. You are encouraged to read the report in its entirety.

5.9 Effect of Offer and Nichols Poultry acquisition on shareholder interests and control

As explained in sections 2.2 and 6.3, the Company intends to issue:

- (a) Shares to satisfy up to \$2 million of the consideration for the Nichols Poultry acquisition and \$300,000 of the consideration for the Shima Wasabi acquisition; and
 - (b) up to 121 million Shares, partly to fund the balance of the consideration payable and also to provide the Company with the funding to expand its current operations by building new factory premises for the Meander Valley Dairy business and provide the Company with working capital as it continues its strategy of developing and acquiring premium branded food products and businesses.
-

The following table sets out the effect of the issue of those Shares on the issued share capital of the Company:

		Number	Percentage of Company's total issued Shares following all Share issues²⁷
A	Shares on issue as at 31 December 2015	29,898,181	16.29%
B	Shares issued under share purchase plan in February 2016	22,212,000	12.10%
C	Shares issued under placement offers in February and March 2016	1,220,000	0.66%
D	Shares to be issued under the Offer ²⁸	121,000,000	65.93%
E	Consideration Shares to be issued to Nichols Investments in part satisfaction of the Nichols Poultry acquisition consideration	8,000,000	4.36%
F	Consideration Shares to be issued to vendors of Shima Wasabi in part satisfaction of acquisition consideration ²⁹	1,200,000	0.65%
Total		183,530,181	100.00%

In addition, the Company has issued 18.5 million options to directors and a senior executive, each option being to subscribe for one new Share in the Company (see section 4.10(c)). Assuming all of those Shares are issued, then the Shares that may be issued under the Offer and the Shares that may be issued to Nichols Investments and the vendors of Shima Wasabi would reduce from 65.93%, 4.36% and 0.65% to 59.89%, 3.96% and 0.59% respectively.

The potential effect that the issue of the new Shares under the Offer, the Nichols Poultry acquisition and the Shima Wasabi acquisition will have on the control of TasFoods, and the consequences of that effect, will depend on a number of factors including the level of participation by investors in the Offer, which investors participate, and the extent to which Shares are issued to the vendors of Nichols Poultry and Shima Wasabi as consideration on completion of the Nichols Poultry and Shima Wasabi acquisitions respectively. It is anticipated that the Offer will have a dilutionary effect on the proportional holding of Shares in the Company of existing shareholders who do not acquire any Shares under the Offer (including shareholders who are not Eligible Investors).

So far as the Company is aware as at the date of this document, there is currently only one person with a substantial holding in the Company, being HSBC Custody Nominees holding approximately 3.5 million (or approximately 6.64%) of the Shares currently on issue in the Company. Assuming HSBC Custody Nominees (and its associates) do not acquire any additional Shares in the Company under the Offer, it will cease to have a substantial holding in the Company following completion of the Offer.

5.10 Dividend policy

No dividend will be paid with respect to the financial year ending 31 December 2015. The directors are yet to determine whether the Company will be in a position to pay a dividend in respect to earnings for the period from 1 January 2016 to 31 December 2016, which will depend on the available profits and the financial position of the Company.

²⁷ Percentages rounded to second decimal place.

²⁸ This assumes that the Offer is fully subscribed.

²⁹ See section 6.3 for further details.

The payment of dividends by the Company is at the discretion of the directors of the Company and will be a function of a number of factors including the general business environment, the operating results and financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors that the directors of the Company may consider relevant.

In the future, the Company intends to target a dividend payout ratio which is to take into account profits less Working Capital and other funding requirements of its business. Given the current state of the Company its Acquisitions, it is difficult to ascertain a percentage of its NPAT that will be paid as a dividend. In taking into account future dividends, it is noted that the level of payout ratio is expected to vary between periods depending on the factors above and, in particular, should value accretive strategic growth, acquisition or investment opportunities arise it may result in a payout ratio in the future which is less than the ratio described above.

No assurances can be given by any person, including the directors of the Company, about the payment of any dividend and the level of franking on any such dividend.

The Company does not have in place any dividend reinvestment plan.

5.11 Business objectives and expenditure program

As noted in section 2.2, the Company's strategy is to build an integrated business based on premium branded food products primarily sourced from Tasmania. The Company intends to do this through the evaluation, acquisition, development, integration and/or marketing of suitable businesses, products and brands.

The funds to be raised under the Offer are intended to be used to assist in funding payment of the consideration for the Nichols Poultry acquisition, as well as to provide the Company with working capital to be used in a way that is consistent with these business objectives.

Further details about how the Company intends to use the funds to be raised under the Offer are set out below:

Description	Amount ³⁰
Estimated current available cash ³¹	\$7,428,000
Aggregate cash consideration of \$2,770,000 payable for the acquisition of Shima Wasabi and the goat herd and related plant and equipment, and aggregate acquisition costs of \$228,000 ³²	\$(2,998,000)
Additional share capital through the issue of Shares under the Offer ³³	\$30,250,000
Total cash resources	\$34,680,000
Planned expenditure³⁴	
Nichols Poultry acquisition consideration ³⁵	(\$10,550,000)
Transaction and Offer costs ³⁶	(\$2,191,000)
Nichols Poultry capital developments ³⁷	(\$5,000,000)

³⁰ Amounts are rounded to nearest \$1,000.

³¹ See section 4.5.

³² See notes 4 and 5 in section 5.5 and section 6.3 for further details.

³³ This assumes that the Offer is fully subscribed.

³⁴ Expenditure amounts are estimates only.

³⁵ Acquisition consideration is subject to adjustments, including certain finance debt and related party liabilities owing by Nichols Poultry Pty Ltd that the Company has agreed to pay on behalf of Nichols Poultry Pty Ltd at or after completion of the acquisition — see section 6.1 and note 3 in section 5.5.

³⁶ This includes legal and accounting fees, broker commission, ASX fees, and printing and registry costs.

³⁷ This includes capital and equipment costs to expand and develop existing poultry processing facility, and sheds and growing infrastructure.

Marketing and other development of Nichols Poultry and Meander Valley Dairy ³⁸	(\$3,000,000)
New factory premises for Meander Valley Dairy ³⁹	(\$13,000,000)
Total planned expenditure	(\$33,741,000)
Balance	\$939,000

The above sets out the Company's current intentions. As with any budget, intervening events or new circumstances have the potential to affect the way the funds are ultimately spent. For example, if the Offer is not fully subscribed (e.g. only the underwritten amount of \$25 million is raised) and the Nichols Poultry acquisition proceeds, the Company will need to reassess its other proposed planned expenditure having regard to its reduced cash resources.

³⁸ This includes new product development, additional staff and branding costs.

³⁹ This includes costs of relocating the existing Meander Valley Dairy factory premises, and land acquisition and construction, equipment and fit out costs for new factory premises.

6. Summary of material agreements

6.1 Nichols Poultry acquisition agreement

Options and consideration

The Company has 3 inter-conditional options as follows:

- (a) An option from Nichols Investments to acquire all of the issued shares in Nichols Poultry Pty Ltd, which owns and operates the poultry processing business and has water entitlements with an annual allocation of approximately 10 megalitres.
- (b) An option from Rob Nichols and Joanne Nichols to acquire (including through a nominee) approximately 91 hectares of land and water entitlements with an annual allocation of approximately 150 megalitres.
- (c) An option from Blowing In The Wind Pty Ltd (including through a nominee) to acquire an electricity generating wind turbine located on the 91 hectare property.

It is currently intended that Nichols Poultry Pty Ltd will be the Company's nominee so that, following completion of the Nichols Poultry acquisition, Nichols Poultry Pty Ltd will own the 91 hectare property and wind turbine as well as the assets of the poultry processing business (which Nichols Poultry Pty Ltd will then continue to own and operate as a wholly-owned subsidiary of the Company).

The aggregate consideration for the acquisition is \$12,550,000 (plus any GST), subject to the following adjustments:

- (a) The consideration will be increased by the cost of additional plant and equipment and other capital items acquired by Nichols Poultry Pty Ltd since 31 July 2015 to completion up to \$514,656 in the aggregate.
- (b) The consideration will also be increased by the total amount or value of the stock and accounts receivable of Nichols Poultry Pty Ltd at completion of the acquisition.
- (c) The consideration will be reduced by the total amount or value of the accounts payable, employee provisions, tax liabilities, finance debt and other liabilities of Nichols Poultry Pty Ltd at completion. The Company has agreed to pay on behalf of Nichols Poultry Pty Ltd certain of these liabilities that are finance debt or related party liabilities.

The consideration is to be satisfied as follows:

- (a) Up to \$2 million will be satisfied by the issue of new fully paid Shares to Nichols Investments at a notional issue price of \$0.25 each.
- (b) The balance of the consideration, including any completion adjusted finance debt and related party liabilities the Company pays on behalf of Nichols Poultry Pty Ltd, will be paid in cash (to be funded by the proposed capital raising under the Offer).

The Company 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.

Exercise of options and completion of acquisition

If the Company exercises its options to acquire Nichols Poultry, the acquisition will become unconditional and completion will be required to occur within 5 business days. Accordingly, the Company will only exercise the options if:

- (a) shareholders approve the acquisition and issue of Shares under the Offer (which has been satisfied);
- (b) sufficient capital is raised to complete the acquisition (which may be less than the full amount of \$30.25 million to be raised under the Offer); and
- (c) the Company believes that it will be able otherwise to re-satisfy the ASX admission requirements.

Completion date

If the Offer is completed as planned, the Company expects to be in a position to be able to exercise the options on 8 June 2016, in which case completion will be required to occur on 15 June 2016.

Lease of part of property

If the Company exercises its options to acquire Nichols Poultry and associated assets, it will also be required at completion to grant a lease of part of the 91 hectare property to Rob Nichols for a term of 3 years. Under the terms of the lease:

- (a) the leased property may only be used for grazing and cropping purposes;
- (b) the annual rent payable to the Company is \$50,000 plus GST, increased each year based on the all groups consumer price index for Hobart;
- (c) the tenant is required to pay utilities and other outgoings in relation to the leased property, to maintain public risk and building insurance, and keep the buildings and improvements on the leased property in good repair (having regard to their condition at the start of the lease); and
- (d) the tenant is entitled to use approximately 60 megalitres of the Company's annual allocation under the water entitlements.

Grower's agreement

Nichols Poultry Pty Ltd has entered into a grower's agreement with Rob Nichols for him to raise chickens for the Nichols Poultry business subject to, and for a period of 3 years from, completion by the Company of the acquisition. Under the terms of the agreement:

- (a) the Company will make available the 12 growing sheds located on the 91 hectare property to raise the chickens, and Nichols Poultry Pty Ltd will (at its own cost) provide the young chickens and feed, medication, vaccinations and other supplies for the chickens;
- (b) Rob Nichols will raise the chickens according to the Company's procedures and farming standards (including biosecurity requirements); and
- (c) Rob Nichols will be entitled to be remunerated for chickens raised in line with the rates payable by Nichols Poultry to its other growers.

6.2 Underwriting agreement

Bell Potter has been appointed as underwriter to the Offer pursuant to the Underwriting Agreement. Hugh Robertson, a director of the Company, is a senior investment adviser with Bell Potter.

The key terms of the Underwriting Agreement are as follows:

- (a) Bell Potter must procure subscriptions for up to 100 million Shares which are the subject of the Offer, subject to the terms of the Underwriting Agreement. This represents \$25 million (or approximately 83%) of the \$30.25 million which the Company is seeking to raise under the Offer.
- (b) Bell Potter is entitled to the following:
 - (1) Underwriting commission of 4% of the gross proceeds of the capital raising under the Offer.
 - (2) Reimbursement of reasonable costs incurred by Bell Potter in relation to the Offer.In consequence, Bell Potter may earn up to \$1.21 million in commission, plus costs and GST.
- (c) Bell Potter and its related bodies corporate, officers and employees are indemnified by the Company against certain claims arising in relation to the Offer, such as any misleading or deceptive statement in the prospectus, subject to certain limitations.
- (d) The commitment of Bell Potter is subject to the fulfilment of a number of conditions. The key ones are that:
 - (1) the prospectus for the capital raising under the Offer, in a form acceptable to the underwriter (acting reasonably), is lodged with ASIC; and
 - (2) the Company's shareholders pass the resolutions to approve the Offer and the Nichols Poultry acquisition.
- (e) Bell Potter may terminate its underwriting obligation, and thereby be released from it, if certain events occur, including if:
 - (1) the S&P/ASX All Ordinaries Index falls to a level that is 90% or less of the level as at the close of trading on the date of the Underwriting Agreement;
 - (2) an adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or Nichols Poultry, and the underwriter reasonably believes that this event has (or is likely to have) a materially adverse effect on the Offer; or
 - (3) there is an outbreak of new hostilities involving Australia, China, the United Kingdom or the United States of America or a major terrorist act is perpetrated on any of those countries, and the underwriter reasonably believes that this event has (or is likely to have) a materially adverse effect on the Offer.

Firm allocations of Shares by underwriter

In consultation with the Company, Bell Potter has made firm allocations of Shares to some of its clients and other investors who have committed to taking up Shares under the Offer, to assist Bell Potter to meet its obligations under the underwriting agreement.

The Company understands that Bell Potter has made firm allocations of Shares under the Offer for the full underwritten amount of \$25 million.

6.3 Further acquisitions

Shima Wasabi

Consistent with the Company's strategy of developing and acquiring premium branded food products and businesses primarily sourced from Tasmania, on 24 May 2016 the Company entered into an agreement to acquire all of the issued shares in Shima Wasabi Pty Ltd from Stephen and Karen Welsh. Shima Wasabi owns and operates a business producing and distributing wasabi, Japanese pepper, Japanese turnip and Japanese parsley from leased premises in Northdown on the north west coast of Tasmania.

The key terms of the sale agreement are as follows:

- (a) The consideration for the acquisition is \$2,750,000 (plus any GST), subject to the following adjustments:
 - (1) The consideration will be increased by the total amount or value of the stock and accounts receivable of Shima Wasabi at completion of the acquisition.
 - (2) The consideration will be reduced by the total amount or value of liabilities of Shima Wasabi owing to third parties at completion of the acquisition.
- (b) The consideration is to be satisfied as follows:
 - (1) \$300,000 will be satisfied by the issue of fully paid Shares in the Company to Stephen and Karen Welsh. The notional issue price for each of those Shares will be \$0.25. As well as a being a prospectus for the Offer, this document is a prospectus for the Shares which are proposed to be issued to Stephen and Karen Welsh.
 - (2) The balance of the consideration is to be paid in cash from the Company's existing cash reserves.
- (c) The acquisition is subject to conditions for completion, including the following:
 - (1) ASX approves the Company's re-compliance with chapters 1 and 2 of the ASX Listing Rules and reinstates the Company's Shares to quotation (see section 2.3 for further details).
 - (2) Stephen Welsh enters into an employment contract with the Company as general manager of the Shima Wasabi business.
 - (3) The landlord of the business premises leased by Shima Wasabi grants an additional option to Shima Wasabi which, if exercised, would extend the term of the lease of the business premises to 2027.
 - (4) The landlord consents to the construction of a new 4,000 m² greenhouse and associated infrastructure on the leased business premises (at the Company's cost).
- (d) Until completion the sellers must use their best endeavours to ensure the business is conducted and managed with due care and in accordance with normal and prudent practice, to maintain the profitability and value of the business, and to maintain the assets and preserve the goodwill of the business.
- (e) Completion is scheduled to occur on 28 June 2016 (but may be changed by agreement between the parties).

The Company has paid a deposit of \$100,000.

Goat herd and related plant and equipment

In addition, on 24 May 2016 the Company entered into an agreement to acquire approximately 500 goats, 10 bucks and related plant and equipment from Cosy Goats in Tasmania. The plant and equipment includes a tractor with load, forage harvester, 20-a-side milking platform, custom made hopper feeders and 2,200 litre vat with compressor. The Company's intention is, in time, to use milk from the goats to develop a new range of products under the Meander Valley Dairy label.

The consideration for the acquisition is dependent on the actual number of goats and bucks the Company decided to purchase, having undertaken an inspection of the herd prior to completion. The Company expects the consideration to be in the order of \$320,000 (plus any GST). The Company has paid a deposit of \$30,000 and will pay the balance from its existing cash reserves.

Completion is scheduled to occur before 30 June 2016.

Other potential acquisitions

The Company is currently investigating other Tasmanian-based premium branded food business opportunities with funding requirements ranging from \$1 million to \$15 million.

7. Risks

This section 7 identifies what TasFoods regards as the key risks which could adversely impact TasFoods' financial performance. It also identifies the key risk factors associated with an investment in Shares. You should read the whole of this document in order to fully appreciate those risks.

These risks have been identified having regard to the likelihood of them occurring, their potential impact on TasFoods and their relevance to investors in TasFoods. They ought not to be taken as an exhaustive statement of risks faced by TasFoods or investors in TasFoods. Those risk factors, and others not specifically referred to below, may in the future materially affect the financial performance of TasFoods and the value of Shares.

Some of these factors can be mitigated by appropriate commercial action. However, many are outside the control of TasFoods. If you are unsure about applying for new Shares, you should first seek advice from your stockbroker, accountant, or financial or other professional adviser.

7.1 Business and transaction specific risks

Business and transaction specific risks that may impact significantly on TasFoods, its performance and price or value of Shares include the risks described below.

- (a) **(Reliance on chicken growers)** The Nichols Poultry business relies on third party producers to grow the chickens it processes and sells. The termination of such arrangements could result in significant adverse financial consequences, as it may take some time to replace the lost supplies of chickens.
 - (b) **(Reliance on major customers)** Nichols Poultry has major customers for its products, such as supermarkets. A reduction in product demand from such a customer (or a loss of the customer altogether) could result in significant adverse financial consequences, as it may take some time to replace the lost sales.
 - (c) **(Animal welfare)** The health and welfare of Nichols Poultry's chickens is critical to its business. Chickens which are poorly treated are susceptible to illness and disease, and this may lead to increased mortality rates. This may impact the profitability of Nichols Poultry because of additional costs to treat ill chickens and a reduction in revenue due to fewer chickens being processed for sale. In addition, this may create a public perception that Nichols Poultry does not care for its chickens properly, with consequent damage to Nichols Poultry's reputation and brand, which itself may result in reduced sales of its products.
 - (d) **(Feed costs)** Nichols Poultry purchases raw ingredients (such as wheat) to make feed at its feed mill for chickens. The prices of those ingredients are subject to change and may be influenced by factors outside Nichols Poultry's control, such as global demand for raw ingredients and crop production (which is affected by rainfall and pests, among other things). There could be a material adverse impact on Nichols Poultry's profitability if there are sustained substantial increases in the cost of raw ingredients.
 - (e) **(Oversupply)** There are a number of poultry production and processing business operating in competition with Nichols Poultry. If there is an increase in chicken products in the market, oversupply may occur which may result in reduced demand for Nichols Poultry's products and/or the prices Nichols Poultry can charge for those products. This may negatively affect the financial performance of Nichols Poultry.
 - (f) **(Food handling and safety risk)** As with other poultry processors, there is a risk of product contamination and product recalls in connection with chickens processed by the Nichols Poultry business. The adverse financial impact of such events occurring may include costs of conducting a recall, operational costs to rectify any processing and production issues, loss of customers and reduced sales.
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- (g) **(Biosecurity risk)** An outbreak of poultry-related diseases in Tasmania, such as avian influenza, may have a material adverse effect on Nichols Poultry's financial performance because the affected chickens would likely need to be destroyed in an attempt to eradicate the disease. Even if a disease did not infect Nichols Poultry's chickens, public concerns may result in reduced demand for Nichols Poultry's products, with consequent reduction in the revenue of the business.
- (h) **(Environmental risk)** As with other production and processing businesses, the operation of the Nichols Poultry business generates noise, odour, waste and air emissions in the course of chicken growing and processing. The Company will be subject to regulatory obligations regarding those emissions and failure to comply with those obligations may have an adverse impact on the Company, including its reputation.
- (i) **(Commercial, operational and product risk)** The Company will be subject to general commercial and operational risks including changes to market competition, reductions in water entitlements (or variations to the conditions applicable to water entitlements) and events that interrupt or hinder production, such as a reduction in the availability of chickens due to infection or disease. Such events could adversely affect the Company's financial performance. The Company will also face inherent risks including failure of machinery, energy suppliers and computer equipment, and industrial action. Further, there will be increases from time to time in the costs of operating the Nichols Poultry business, which the business may be unable to pass on to customers through increased prices for its products, adversely affecting the profitability of Nichols Poultry.

The Company's ability to remain productive, profitable and competitive, and to implement any planned growth initiatives will depend on its ability to attract and retain workers. Tightening of the labour market in key regions such as north west Tasmania due to a shortage of suitably skilled workers may inhibit the Company's ability to hire and retain employees. The Company is also subject to occupational health and safety regulations. If it is not able to maintain its working conditions to meet those regulations, this may impact its operations and ability to attract and retain workers, and also result in contravention of those regulations, which may give rise to potential criminal and civil liability and also damage the Company's reputation.

- (j) **(Debt risk)** As the Company continues to expand its business, it may establish a loan facility with a bank to fund acquisitions or provide working capital. If it were to do so, the Company expects that, among other things, it would be required to give security for any such loan (e.g. a mortgage over the 91 hectare property) and to comply with covenants in relation to the financial position and performance of the Company. Any default by the Company under its loan obligations may have a materially adverse financial impact on the Company.
- (k) **(Regulatory risk)** A range of laws and regulations apply to the Nichols Poultry business, including laws and regulations specific to the chicken meat industry. Future changes to such laws and regulations may detrimentally affect the operations and performance of the Nichols Poultry business.
- (l) **(Environmental permit conditions variation)** The quantity of products produced by Nichols Poultry each year currently exceeds 2,000 tonnes, which is the level of production permitted under the conditions of the permit issued for its abattoir under the *Environmental Management and Pollution Control Act 1994* (Tas). Nichols Poultry Pty Ltd has applied to vary its permit conditions to increase its permitted production to 4,000 tonnes per annum and its application is currently being assessed by the Environment Protection Authority. On 20 May 2016, the Environment Protection Authority confirmed that there:
 - (1) are currently no apparent factors which would prevent the increase in permitted production, but it is likely that more stringent requirements regarding waste water and irrigation of waste water would be imposed on Nichols Poultry; and

- (2) is no available evidence to suggest environmental harm has been (or is being) caused by the current level of production and no enforcement action and/or imposition of penalties on Nichols Poultry is currently being contemplated.

If more stringent requirements are imposed on Nichols Poultry in connection with its abattoir permit, there will likely be additional costs to Nichols Poultry, which would be expected to impact the performance and profitability of the business.

- (m) **(Fire hydrant upgrade)** The fire hydrants at Nichols Poultry's processing facility, while adequate for occupation of the building, require upgrading (including to increase water pressure and flow). The Company is working with Nichols Poultry to take steps to address the upgrade requirements, and it expects the aggregate costs to do so to be in the order of \$20,000. If the fire hydrants do not function properly during a fire, the costs of cleaning up and repairing damage to the processing facility may be substantial (and if the current condition of the fire hydrants results in greater damage than would otherwise be the case, Nichols Poultry may not be able to claim reimbursement of such costs under its insurance, or its level of cover may be reduced).
- (n) **(Single supplier of chicks)** Nichols Poultry obtains its day old chicks from a single preferred supplier, Redbank Farming Pty Ltd (which is industry practice to reduce biosecurity risks to poultry). Nichols Poultry is entitled to obtain chicks from an alternative supplier in the event Redbank Farming Pty Ltd fails to supply a sufficient number of chicks or sufficient good quality chicks. If the supplier were unable to meet all orders for day old chicks for Nichols Poultry, the business would need to source an alternative supplier, which is likely to be located on the Australian mainland. This may result in additional costs to the business until such time as Redbank Farming Pty Ltd is able to resume full supply, which may adversely impact the profitability of Nichols Poultry.
- (o) **(No loss of profit or payroll insurance)** There is currently no loss of profit or payroll insurance in place in respect of Nichols Poultry. Therefore, while Nichols Poultry does not incur the cost of premiums (which the Company understands are currently in the order of \$15,000 to \$20,000 annually), Nichols Poultry will not have recourse to insurance during any period where there is a continuing disruption to the business which adversely affects revenue while Nichols Poultry is required to continue to meet its payroll obligations. This may result in a material reduction in the profitability of the business.
- (p) **(Crop failure)** As with other primary crop producers, Shima Wasabi is exposed to a variety of external factors which could adversely affect crop production. These include plant disease, adverse weather conditions and/or poor growing conditions. The loss of a crop may have a material adverse effect on Shima Wasabi's financial performance.

7.2 General risks

General risks that may impact significantly on TasFoods, its performance and price or value of Shares include the following.

- (a) **(General economic conditions)** The operating and financial performance of TasFoods and the Nichols Poultry business is influenced by a variety of general domestic and world economic and business conditions, inflation, interest rates, exchange rates, access to debt and equity capital markets, and government fiscal, monetary and regulatory policies. A prolonged deterioration in any of the above factors may have a material adverse effect on the financial performance, financial position, cash flows, distributions and growth prospects of the Company.
- (b) **(No guarantee of future returns or value)** The new Shares the subject of the Offer carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX. The past performance of TasFoods should not necessarily be considered a guide to the future performance of TasFoods.

- (c) **(Stock market risks)** Potential investors should recognise that there are risks associated with any stock market investment. The price at which Shares may trade on the ASX may vary depending on the financial performance of TasFoods and various external factors. In particular, there is a risk that the price at which Shares trade on the ASX may be less than the market price for Shares as at the date of this document. Further, there is no guarantee that an active, liquid market in Shares will develop or continue.
 - (d) **(Force majeure events)** Events such as acts of terrorism, an outbreak of international hostilities or natural disasters may occur within or outside Australia and may have a negative impact on the value of an investment in TasFoods.
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8. Rights and liabilities attaching to new Shares

The new Shares the subject of the Offer will, on issue, rank equally with the existing Shares in all respects as from the date of their issue. The rights and liabilities attaching to the new Shares are contained in TasFoods' constitution. A summary of the key terms of TasFoods' constitution is set out below. If further information is required, the constitution should be consulted, a copy of which can be obtained free of charge by contacting Advanced Share Registry by telephone on +61 8 9389 8033, by facsimile on +61 8 9262 3723 or by email at admin@advancedshare.com.au between 8:30 am and 5:00 pm (Perth time) Monday to Friday. The Corporations Act, ASX Listing Rules and general law also govern the rights of Shareholders.

8.1 Shares

- (a) Without prejudice to any special right conferred on a holder of a share or class of shares, the directors may issue, grant options for, or otherwise dispose of, shares in the company as the directors think fit.
- (b) The directors may also issue preference shares including preference shares which are liable to be redeemed, as follows:
 - (1) A preference share confers on its holder a right to receive a preferential dividend at the rate and on the basis decided by the directors under the terms of issue.
 - (2) The preferential dividend is cumulative except to the extent the directors decide under the terms of issue.
 - (3) A preference share confers on its holder the right to payment out of the profits of the company (or any other permitted source) of the preferential dividend in priority to the payment of any dividend on ordinary shares, and any other class of shares that the directors decide under the terms of issue.
 - (4) A preference share confers on its holder the right in a winding up to payment in cash of:
 - (A) the amount of any dividend accrued at the date of the winding up but unpaid on the share; and
 - (B) any amount paid on the share;in priority to the payment of any amount on ordinary shares, and any other class of shares that the directors decide under the terms of issue.
 - (5) If and to the extent that the directors decide under the terms of issue, a preference share may confer on its holder:
 - (A) in addition to the preferential dividend, a right to participate with the ordinary shares in any dividends payable on ordinary shares; and
 - (B) a right to a bonus issue or capitalisation of profits or any other amount otherwise available for distribution to members.
 - (6) A preference share does not confer on its holder any right to participate in the profits or property of the company except as set out above.
 - (7) The holder of a preference share has the same right as the holder of an ordinary share to receive notice of, and a copy of any document to be laid before, a general meeting of the company and to attend the general meeting at which a resolution is proposed on which the holder is entitled to vote, and to attend the general meeting, but has no right to receive notice of, or a copy of, any document to be laid before, or to attend, any other general meeting of the company except to the extent the terms of issue of the preference share otherwise provided.

- (8) A preference share does not entitle its holder to vote at a general meeting of the company except to the extent the terms of issue permit the holder to vote in the following circumstances:
 - (A) During a period during which a dividend (or part of a dividend) in respect of the share is in arrears.
 - (B) On a proposal to reduce the company's share capital.
 - (C) On a resolution to approve the terms of a buy-back agreement.
 - (D) On a proposal that affects rights attached to the share.
 - (E) On a proposal to wind up the company.
 - (F) On a proposal for the disposal of the whole of the company's property, business and undertaking.
 - (G) During the winding up of the company.
- (9) Where a preference share does confer on its holder the right to vote at a general meeting, the voting right is the same, and determined in the same way, as the voting right attached to an ordinary share.
- (10) Preference shares may be convertible into ordinary shares on a basis decided by the directors under the terms of issue.
- (11) A redeemable preference share may be redeemable on a basis decided by the directors under the terms of issue.
- (12) Subject to the Corporations Act and the constitution, all rights and restrictions of a preference share issued by the company may be decided by the directors and will be governed by the terms of issue, and provided they have been disclosed to the subscriber for the share before its issue will bind the subscriber and all subsequent holders of the share.

8.2 Dividends

- (a) Subject to the constitution and to any rights or restrictions attached to a share or class of shares or to the terms of any dividend selection plan established by the directors, all dividends on shares are to be paid in proportion to the number of shares held by members except that:
 - (1) a partly paid share will only entitle the holder to a fraction of the dividend payable on a fully paid share equal to the proportion of the total amounts paid and payable on the share which have been paid; and
 - (2) if dividends are determined by the directors to be paid in respect of a specified period and if the directors also determine that the dividends on any shares are to be further apportioned according to when amounts are paid on those shares during the specified period, an amount which is paid on a relevant share during the specified period will only entitle the holder of the share to a fraction of the dividend that would otherwise be payable in respect of that amount equal to the proportion of the specified period remaining as at the date of payment of that amount.
 - (b) The directors when determining a dividend is payable may:
 - (1) direct payment of the dividend wholly or partly by the distribution of specific assets, including paid-up shares or other securities of the company or of another body corporate, either generally or to particular shareholders or in respect of particular shares; and
 - (2) direct that the dividend be paid:
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- (A) to particular shareholders or in respect of particular shares, wholly or partly out of any particular fund or reserve or out of profits derived from any particular source; and
 - (B) to the remaining shareholders or in respect of the remaining shares, wholly or partly out of any other particular fund or reserve or out of profits derived from any other particular source or generally.
- (c) To give effect to a resolution of directors or members authorising or approving the payment of a dividend or the making of any other distribution (whether of profits or capital or otherwise) or the capitalisation of any amount, the directors may:
 - (1) settle any difficulty that may arise in making the distribution or capitalisation;
 - (2) fix the value for distribution of a specific asset;
 - (3) pay cash or issue a share or other security to a member to adjust the rights of all parties;
 - (4) vest a specific asset, cash, share or other security in any trustee upon trust for a person entitled to a dividend or capitalised amount; and
 - (5) authorise a person to make, on behalf of all the members entitled to any further share or security following the distribution or capitalisation, an agreement with the company or another body corporate.
- (d) The authorised person may agree to:
 - (1) the issue of further shares or securities credited as fully paid up; or
 - (2) the company paying on behalf of the members an amount remaining unpaid on their existing shares or security by the application of their respective proportions of the sum distributed or capitalised.
- (e) Any agreement made between the directors and an authorised person is effective and binding on all members concerned.
- (f) If the company distributes securities in the company or in another body corporate or trust each member receiving a distribution, appoints the company as that person's agent to do anything needed to give effect to that distribution, including but not limited to becoming a member of that other body corporate.

8.3 Capitalisation of profits and other amounts

- (a) The directors may resolve that the company capitalise any amount:
 - (1) forming part of the undivided profits of the company;
 - (2) representing profits arising from an ascertained accretion to capital or from a revaluation of the assets of the company;
 - (3) arising from the realisation of any assets of the company; or
 - (4) otherwise available for distribution to membersand may also resolve that the capitalised amount be paid, applied or otherwise distributed to or for the benefit of members.
 - (b) Subject to any rights or restrictions attached to a share or class of shares or to the terms of any dividend selection plan established by the directors, a capitalised amount which is to be distributed to or for the benefit of members, must be distributed in the same proportions in which members would be entitled to receive the amount were it a dividend.
-

- (c) The directors may resolve that all or part of the capitalised amount is to be applied:
 - (1) to pay in full a share or security that the company intends to issue to a member;
 - (2) to pay an amount unpaid on a share or security of the company which a member holds; or
 - (3) a combination of these;and the member must accept this application in full satisfaction of the member's interest in the capitalised amount.

8.4 Dividend reinvestment and selection plans

The directors may establish one or more plans whereby participating members, subject to the terms of the plan, elect in respect of some or all of their shares:

- (a) to apply the dividends payable on those shares to subscribe for additional shares in the company;
- (b) to receive the dividends payable on those shares wholly or partly by way of a payment out of any particular fund or reserve or out of profits derived from any particular source; or
- (c) not to receive the dividends payable on those shares, and in place of those dividends to receive some other form of distribution from the company or another body corporate or a trust, including paid up shares or other securities of the company, other body corporate or trust;

and the directors may vary, suspend or terminate any such plan.

8.5 Transfer

- (a) Whilst the Company is admitted to the official list of ASX:
 - (1) the directors may only decline to register a transfer of shares (including by requesting that a holding lock be applied to prevent a transfer of the shares) if permitted to do so by the ASX Listing Rules; and
 - (2) the directors may at any time suspend the registration of a transfer for any period not exceeding 30 days in a year, subject to the Corporations Act and any CS facility operating rules binding on the company.
- (b) Otherwise shares are freely transferable, subject to the Corporations Act, the ASX Listing Rules and the Company's constitution.

8.6 Small holdings

- (a) If:
 - (1) a member holds less than a marketable parcel of shares;
 - (2) the company notifies the member in writing that it intends to sell the member's shares after a date (**Relevant Date**) which is at least 6 weeks from the date the notice of intention to sell is sent, unless the member before the Relevant Date tells the company in writing that the member wishes to retain the shares;
 - (3) the member does not before the Relevant Date tell the company in writing that the member wishes to retain the shares; and
 - (4) on the Relevant Date the member has not acquired more shares or otherwise increased the member's holding to a marketable parcel;
-

the company may sell the member's shares constituting less than a marketable parcel as soon as reasonably practicable after the Relevant Date at a price which the directors consider to be the best price reasonably obtainable for the shares at the time they are sold.

(b) In addition, if:

- (1) a member holds shares in a new holding that is less than a marketable parcel of shares; and
- (2) that holding was created by the transfer of a parcel of shares that was less than a marketable parcel at the time the transfer document was initiated or, in the case of a paper based transfer document, was lodged with the company;

the company may sell the shares in that holding at a price which the directors consider to be the best price reasonably obtainable for the shares at the time they are sold.

8.7 Proportional takeover approval

If offers are made under a proportional takeover bid for shares in the company the registration of a transfer giving effect to a takeover contract for the bid is prohibited unless and until a resolution to approve the bid is passed in accordance with the provisions of rule 5.7 of the constitution.

8.8 Voting and general meetings

- (a) Subject to the constitution and to any rights or restrictions attached to a share or class of shares, at a general meeting:
 - (1) on a show of hands, every person present who is a member or a proxy, attorney or representative of a member has 1 vote; and
 - (2) on a poll, every person present who is a member or a proxy, attorney or representative of a member has 1 vote for each share the member holds and which entitles the member to vote, except for partly paid shares, each of which confers on a poll only a fraction of 1 vote equal to the proportion of the total amounts paid and payable on the share which have been paid.
- (b) In the case of an equality of votes upon any proposed resolution the chair of the meeting has a second or casting vote.
- (c) A resolution put to the vote of a general meeting must be decided on a show of hands, unless either the chair or a member who is present and can vote on the resolution, demands a poll:
 - (1) before the vote is taken; or
 - (2) before or immediately after the declaration of the result of the show of hands.
- (d) Other than to elect a chair or adjourn a meeting, business may only be transacted at a general meeting if a quorum of members is present when the meeting proceeds to business. A quorum consists of 2 members (where the company has more than 1 member).
- (e) If at any time a meeting of a class of members of the company is required or proposed, the rules of the constitution relating to the convening, holding and conduct of a general meeting will apply so far as they are capable of application (and with all necessary changes) to that meeting.

8.9 Appointment and removal of directors

- (a) No person other than someone who has been nominated for election by the board, a retiring director or a director being removed from office is eligible to be elected as a
-

director at any general meeting unless a notice of the director's candidature is given to the Company at least 30 business days before the meeting.

- (b) Retiring directors are, subject to the Corporations Act and the ASX Listing Rules, eligible for re-election.
- (c) Subject to the Corporations Act, there must be at least 3 directors and not more than 10 directors or such other minimum or maximum number of directors as the members by resolution determine.
- (d) The members may by resolution appoint or remove a director.
- (e) The directors may appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing directors. Any director so appointed only holds office until the next annual general meeting and must then retire from office. The managing director (but if there is more than 1 managing director, only 1) is exempted from this requirement to retire.
- (f) The total number of directors must not at any time exceed the maximum number allowed under the constitution.
- (g) At each annual general meeting of the company the following directors must retire from office:
 - (1) Each director who has held office past the third annual general meeting or 3 years since the director's last election, whichever is longer.
 - (2) Each director appointed by the directors to fill a casual vacancy or as an addition to the existing directors since the last annual general meeting.
 - (3) If the ASX Listing Rules requires the company to hold an election of directors each year and there is no director required to retire under (1) or (2) above or standing for election at the annual general meeting, the director who has been longest in office since his or her last election, but, as between persons who were elected as directors on the same day, the director to retire must be determined by lot, unless they otherwise agree between themselves.

Unless re-elected, a director due to retire at an annual general meeting retains office until the conclusion of the meeting. The company must hold an election of directors each year for so long as the ASX Listing Rules require it.

- (h) The managing director is exempted from having to retire by rotation at an annual general meeting as noted above (but if there is more than 1 managing director, only 1 is exempted from having to retire by rotation).
 - (i) A retiring director is eligible for re-election.
 - (j) The company may, at a general meeting at which a director retires, by resolution fill the vacated office by electing a person to that office.
 - (k) A person is eligible for election as a director at a general meeting of the company only if:
 - (1) the person is in office as a director immediately before that meeting;
 - (2) the person has been nominated by the directors for election at that meeting; or
 - (3) a nomination for election of the person as a director signed by a member (including the person) and a consent to nomination signed by the person has been lodged at the registered office of the company at least 30 business days before the general meeting.
 - (l) Where a majority of all directors consider that the continuance in office of a director would be, or would be likely to be, prejudicial to the interests of the company, the director
-

may be suspended by resolution passed by that majority at a meeting of directors specifically convened for the purpose of considering the suspension. The suspended director may not take part in the business or affairs of the company during the period of suspension. The suspension may be terminated at any time by a resolution passed by a majority of all directors at a meeting of directors specifically convened for the purpose of considering termination of the suspension. The suspension will terminate at the end of 14 days from the date of the suspension unless within that period notice of a general meeting of the company to consider a resolution to remove the director from office is despatched to members and the meeting is convened to be held within 35 days from the date of despatch. In that case, the suspension will terminate at the conclusion of the meeting.

8.10 Remuneration and expenses of directors

- (a) Each director is entitled to such remuneration out of the funds of the company (accruing from day to day if periodic) as the directors determine provided that:
 - (1) the director's remuneration must not include a commission on, or percentage of, operating revenue; and
 - (2) if the director is a non-executive director, the director's remuneration paid must be a fixed sum.
- (b) The aggregate remuneration paid to or for the benefit of the directors must not exceed in a financial year of the company \$400,000 or such other sum as the members may by resolution approve. This limitation does not apply to:
 - (1) any amount paid or payable noted in (c) or (d) below;
 - (2) any amount paid or payable under or in respect of any indemnification or insurance provided or procured in accordance with the constitution; or
 - (3) the remuneration to which a director may be entitled as an employee of the company or a related body corporate or in a capacity other than as a director of the company.
- (c) A director is entitled to be paid all reasonable travel, accommodation and other expenses properly incurred by the director in attending meetings of, or relating to, the company or while engaged on the business or affairs of the company.
- (d) If a director performs an extra service or makes special exertion for the company, the directors may arrange for a special remuneration.
- (e) The directors may resolve that the company:
 - (1) at any time after a director dies, retires or otherwise ceases to hold office as a director or a director or former director ceases to be gainfully employed, pay to the director or former director or a legal personal representative, spouse, relative or dependant of the director or former director a pension, lump sum, superannuation amount or other benefit;
 - (2) establish, pay contributions or other amounts to, or otherwise support, a fund or other entity providing for any such benefit; and
 - (3) enter into a contract with the director to provide for any of these benefits.

Any such amount is not subject to the limitation noted above.

8.11 Indemnity

- (a) The Company indemnifies:
 - (1) each person who is or has been an officer of the company against certain liabilities incurred by the person as such an officer; and
 - (2) each person who is or has been an officer of a related body corporate of the company against those liabilities incurred by the person as such an officer which the directors determine to be indemnified.
- (b) These indemnities exclude any liability against which the company is precluded by law from indemnifying the person.

8.12 Insurance

The Company may purchase and maintain insurance or pay or agree to pay a premium for insurance in respect of any liability incurred by a person who is or has been an officer of the company or a related body corporate except to the extent that the company is precluded by law from doing so.

8.13 Distribution of surplus on winding up

- (a) Subject to the constitution and any rights or restrictions attached to a share or class of shares, if the company is wound up and the property of the company is more than sufficient to pay all of:
 - (1) the debts and liabilities of the company; and
 - (2) the costs, charges and expenses of the winding up;the excess must be divided among the members in proportion to the number of shares held by each of them, irrespective of the amounts paid or credited as paid on the shares.
- (b) The amount of the excess that would otherwise be distributed to the holder of a partly paid share must be reduced by the amount unpaid on that share at the date of the distribution. If the effect of this reduction would be to reduce the distribution to the holder of a partly paid share to a negative amount, then the holder must contribute that amount to the company.
- (c) If the company is wound up, the liquidator may, with the sanction of a special resolution:
 - (1) divide among the members the whole or any part of the property of the company; and
 - (2) determine how the division is to be carried out as between the members or different classes of members.

8.14 Modifying the constitution

The Company's constitution may be modified by special resolution, that is a resolution that has been passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution.

9. Additional information

9.1 Expenses of Offer

The total expenses incurred or likely to be incurred by the Company in connection with the Offer and the Nichols Poultry acquisition are estimated to be approximately \$1,890,000 (excluding GST). This amount includes fees of the underwriter, independent accountant and lawyers, printing and registry costs, ASX fees and other miscellaneous expenses. The expenses of the Offer and the Nichols Poultry acquisition will be borne by TasFoods.

9.2 Interests of directors

Other than as set out below or elsewhere in this document, no director of TasFoods has had any interest in the last 2 years in the formation or promotion of TasFoods, or in property acquired or proposed to be acquired by TasFoods in connection with its formation or promotion or the Offer or in the Offer itself, and no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to any director to induce the director to become, or to qualify as, a director of TasFoods, or for services provided by the director in connection with the formation or promotion of TasFoods or the Offer:

- (a) Under the terms of their appointment, each director (other than Jane Bennett and Roger McBain) is entitled to annual director fees of \$50,000 (including statutory superannuation entitlements plus any applicable GST).
- (b) Under her employment agreement with the Company as managing director and chief executive officer, Jane Bennett is entitled to a base annual salary of \$240,000 (plus statutory superannuation entitlements) and is eligible to participate in a long term incentive plan. The agreement may be terminated at any time by Jane Bennett on 6 months' notice. The Company may also terminate the agreement at any time on 6 months' notice (or a payment in lieu of notice). The Company may terminate the agreement immediately (and not be required to make a payment in lieu of notice) due to serious misconduct, negligence or serious or persistent breach of contract by Jane Bennett, actions by her that bring the Company into disrepute or the conviction of Jane Bennett for an offence that is punishable by imprisonment. Jane Bennett will be entitled to a severance payment equal to 12 months' salary if she is made redundant by the Company, and will be subject to a restraint for a period of 6 months following termination of her employment.
- (c) Under his employment agreement with the Company as executive director for finance, Roger McBain is entitled to a base annual salary of \$200,000 (plus statutory superannuation entitlements). The agreement may be terminated at any time by Roger McBain on 6 months' notice. The Company may also terminate the agreement at any time on 6 months' notice (or a payment in lieu of notice). The Company may terminate the agreement immediately (and not be required to make a payment in lieu of notice) due to serious misconduct, negligence or serious or persistent breach of contract by Roger McBain, actions by him that bring the Company into disrepute or the conviction of Roger McBain for an offence that is punishable by imprisonment. Roger McBain will be entitled to a severance payment equal to 12 months' salary if he is made redundant by the Company. As noted in section 4.7, Roger McBain intends to relinquish his duties as executive director for finance once the Company has appointed a chief financial officer. He will not be entitled to any payment in lieu of notice or severance payment as a result and will remain a non-executive director of the Company.
- (d) The directors' relevant interests in shareholdings in TasFoods as at the date of this document are as follows:

This director ...	has a relevant interest in ...
Rob Woolley	223,000 Shares

This director ...	has a relevant interest in ...
Jane Bennett	199,000 Shares
Hugh Robertson	174,000 Shares
Roger McBain	199,000 Shares
Tony Robinson	400,000 Shares

- (e) The directors (and/or their respective related parties such as an entity controlled by the director or a spouse or child of the director) propose to participate severally in the Offer as follows:

This director (and/or any of the related parties of this person) ...	may be issued up to this many Shares under the Offer ...	to raise up to approximately this much share capital ...	giving that director voting power of up to ...⁴⁰
Rob Woolley	9,400,000 ¹	\$2,350,000	8.77%
Jane Bennett	2,000,000	\$500,000	2.33%
Hugh Robertson	2,000,000	\$500,000	1.08%
Roger McBain	2,000,000	\$500,000	2.33%
Tony Robinson	400,000	\$100,000	1.14%
Total	15,800,000	\$3,950,000	15.65%

1. This includes up to 1,400,000 Shares which may be issued to Tom Woolley (and/or any of his related parties that are entities controlled by him). Tom Woolley, who is the Company's chief operating officer, is a related party because he is the son of Rob Woolley.

All Shares issued to related parties of the Company will be issued on the same terms and conditions, and at the same time, as the Shares issued to other investors under the Offer.

- (f) In his role as a senior investment adviser with Bell Potter, Hugh Robertson may receive fees, commissions or other remuneration in connection with Bell Potter partially underwriting the Offer.

9.3 Interests of professional advisers and others

Other than as set out below or elsewhere in this document, no person named in this document as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this document has had any interest in the last 2 years in the formation or promotion of TasFoods, or any property acquired or proposed to be acquired by TasFoods in connection with its formation or promotion or the Offer or in the Offer itself, and no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given for services provided by any such person in connection with the formation or promotion of TasFoods or the Offer:

(a) **Bell Potter**

Bell Potter has acted as underwriter of the Offer and its commission for this work is expected to total up to approximately \$1.21 million (plus GST and costs). See section 6.2 for further details.

⁴⁰ This assumes that the Offer is fully subscribed, each director subscribes for the maximum number of Shares which may be issued to the director under the Offer (and no related party or associate of the director acquires any Shares under the Offer), the consideration Shares for the Shima Wasabi acquisition are issued and all of the 18,500,000 options currently on issue are exercised.

A number of employees of Bell Potter or their associates (in their private capacity) hold Shares in the Company. Employees of Bell Potter or their associates (in their private capacity) may apply for Shares under the Offer.

No statement in this document is made by Bell Potter or is based on a statement made by Bell Potter, and no responsibility for the contents of this document or any notice or other document given by TasFoods to ASX or any other person in respect of the Offer, is taken by Bell Potter.

(b) Norton Gledhill

Norton Gledhill has acted as lawyers to TasFoods in connection with the Offer and the Nichols Poultry acquisition and will receive fees at the firm's usual rates for this work, which are expected to total approximately \$155,000 (plus GST and disbursements).

A number of the principals of Norton Gledhill or their associates (in their private capacity) hold Shares in the Company. Principals and staff of Norton Gledhill or their associates (in their private capacity) may apply for Shares under the Offer.

No statement in this document is made by Norton Gledhill or is based on a statement made by Norton Gledhill, and no responsibility for the contents of this document or any notice or other document given by TasFoods to ASX or any other person in respect of the Offer, is taken by Norton Gledhill.

(c) PKF Corporate Finance (NSW) Pty Limited

PKF Corporate Finance (NSW) Pty Limited has provided accounting advice to TasFoods in connection with the Offer and the Nichols Poultry acquisition and will receive fees at the firm's usual rates for this work, which are expected to total up to approximately \$70,000 (plus GST and disbursements).

Other than as set out in section 9.4, no statement in this document is made by PKF Corporate Finance (NSW) Pty Limited or is based on a statement made by PKF Corporate Finance (NSW) Pty Limited, and no responsibility for the contents of this document or any notice or other document given by TasFoods to ASX or any other person in respect of the Offer, is taken by PKF Corporate Finance (NSW) Pty Limited.

(d) Advanced Share Registry Ltd

Advanced Share Registry Ltd has acted as share registrar for the Company and in connection with the Offer and its aggregate fees for these services are expected to total approximately \$14,000 (plus GST and disbursements).

No statement in this document is made by Advanced Share Registry Ltd or is based on a statement made by Advanced Share Registry Ltd, and no responsibility for the contents of this document or any notice or other document given by TasFoods to ASX or any other person in respect of the Offer, is taken by Advanced Share Registry Ltd.

9.4 Consents

- (a) Every director of TasFoods has consented to the lodgement of this document.
- (b) The information in sections 4.2(a) to (c) and 5 has been prepared by the Company partly from information provided to the Company by the Nichols Parties. The Company has assumed for the purpose of preparing this document that the information in sections 4.2(a) to (c) and the historical financial information about Nichols Poultry in section 5, in statements attributed or relating to Nichols Poultry or a Nichols Party, and other information provided to the Company by, or on behalf of, a Nichols Party (**Nichols Poultry Statements**) is correct. None of the Company, its subsidiaries and their respective officers and employees and persons engaged by the Company in the preparation of this document takes any responsibility for anything in the Nichols Poultry Statements or anything else prepared or distributed by a Nichols Party, except to the

extent required by law. Each Nichols Party has approved the Nichols Poultry Statements and has consented to being named, and to the Nichols Poultry Statements being included, in this document in the form and context in which they are named or the statements appear (to the extent the Nichols Poultry Statements are attributed or relate to, or were prepared from information provided by, or on behalf of, that Nichols Party), and none of them have withdrawn their consent before the date of this document. The Nichols Poultry Statements are the responsibility of the Nichols Parties (with each Nichols Party being responsible only to the extent the Nichols Poultry Statements are attributed or relate to, or were prepared from information provided by, or on behalf of, that Nichols Party). None of the Nichols Parties and their respective officers and employees takes any responsibility for any other part of this document or anything else prepared or distributed by the Company, except to the extent required by law.

- (c) PKF Corporate Finance (NSW) Pty Limited has given its consent to be named in this document as independent accountant to the Offer in the form and context in which it is named, and to the independent accountant report in schedule 1 being included in this document in the form and context in which they are included, and has not withdrawn its consent before the date of this document.

10. Glossary

Acquisitions	means the Meander Valley Dairy business owned by the Company, the Nichols Poultry acquisition, the proposed acquisition of Shima Wasabi and the proposed acquisition of a goat herd and related plant and equipment from Cosy Goats
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited or the Australian Securities Exchange operated by ASX Limited, as the context requires
Bell Potter	Bell Potter Securities Limited ACN 006 390 772
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Cosy Goats	Wheso Farm Pty Ltd ACN 130 071 733 as trustee for the B Schofield Family Trust trading as Cosy Goats
Eligible Investor	a person with a registered address in Australia or a person located in any other place in which, or to whom, it would be lawful to make the Offer
Nichols Investments	Nichols Investments Pty Ltd ACN 607 081 729 as trustee for the R & J N Family Trust
Nichols Party	a person who has granted the options to the Company to buy the shares in Nichols Poultry Pty Ltd and associated assets, being Nichols Investments, Blowing In The Wind Pty Ltd ACN 125 204 757, Robert John Nichols or Joanne Nichols (collectively the Nichols Parties)
Nichols Poultry or Nichols Poultry Pty Ltd	Nichols Poultry Pty Ltd ACN 092 929 890
Nichols Poultry acquisition	the proposed acquisition by TasFoods of 100% of the shares in Nichols Poultry which owns and operates the Nichols Poultry branded processing business, and an electricity generating wind turbine and approximately 91 hectares of land on which the processing facility, feed mill and wind turbine are located
Offer	the invitation by TasFoods to Eligible Investors to apply for the issue of 121 million Shares at \$0.25 each pursuant to this prospectus
Share	an ordinary share in TasFoods
Shareholder	a person holding one or more Shares
Shima Wasabi	Shima Wasabi Pty Ltd ACN 128 404 777
TasFoods or the Company	TasFoods Limited ACN 084 800 902
Underwriting Agreement	the underwriting agreement between TasFoods and Bell Potter pursuant to which Bell Potter agrees to procure subscriptions for up to 100 million of the Shares to be issued under the Offer (subject to the terms of that agreement)

Schedule 1

Independent accountant report



25 May 2016

Board of Directors
TasFoods Limited
52 – 54 Tamar Street
LAUNCESTON TAS 7250

Dear Directors

TASFOODS LIMITED INDEPENDENT ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION

1. Introduction

PKF Corporate Finance (NSW) Pty Limited (“**PKFCF**”, “**We**”, “**Us**”) have been engaged by TasFoods Limited (“**TasFoods**” or the “**Company**”) to prepare this report for inclusion in the Prospectus (the “**Prospectus**”) to be dated on or about 25 May 2016 relating to the issue of ordinary shares in the Company and re-compliance with the Australian Securities Exchange (“**ASX**”) admission requirements (“**Re-Listing**”).

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

2. Scope

You have requested PKFCF to perform a limited assurance engagement in relation to the pro forma historical financial information described below and disclosed in the Prospectus.

2.1. Statutory Historical Financial Information

The Statutory Historical Financial Information comprises of the following:

- statutory historical consolidated income statements for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 and the half year ended 31 December 2015;
- statutory historical consolidated statements of cash flows for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 and the half year ended 31 December 2015; and
- statutory historical consolidated statement of financial position as at 31 December 2015.

2.2. Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information comprises of the following:

- pro forma historical consolidated income statements for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 and the half year ended 31 December 2015;
- pro forma historical consolidated statements of cash flows for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 and the half year ended 31 December 2015; and
- pro forma historical consolidated statement of financial position as at 31 December 2015.

which reflects the impact of the Pro Forma Adjustments (as described in the Prospectus) on the financial performance and position of the Company.

The Statutory Historical Financial Information and Pro Forma Historical Financial Information is herein collectively referred to as “**Historical Financial Information**”.

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PKF International Limited administers a network of legally independent firms which carry on separate business under the PKF Name.
PKF International Limited is not responsible for the acts or omissions of individual member firms of the network.
www.pkf.com.au



The Historical Financial Information is presented 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 report prepared in accordance with the Corporations Act 2001.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the event(s) or transaction(s) to which the Pro Forma Adjustments relate, as described in Section 5 of the Prospectus. 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.

The Pro Forma Historical Financial Information has been compiled by the Company to illustrate the impact of the Offer and associated transactions on the Company's financial position as at 31 December 2015, financial performance and cash flows for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 and the half year ended 31 December 2015.

As part of this process, information about the financial position, financial performance and cash flows has been extracted by the Company from:

- the audited financial statements of TasFoods Limited for the half year ended 31 December 2012 and the years ended 31 December 2012, 31 December 2013, 31 December 2014 and 31 December 2015;
- the reviewed financial statements of TasFoods Limited for the half year ended 30 June 2013, 30 June 2014 and 30 June 2015;
- the unaudited financial statements of Nichols Poultry Pty Limited for the year ended 30 June 2013 and the audited financial statements for the years ended 30 June 2014 and 30 June 2015;
- the reviewed financial statements of Nichols Poultry Pty Limited for the half year ended 31 December 2015;
- the unaudited management accounts of Meander Valley for the financial years ended 30 June 2013, 30 June 2014 and 30 June 2015 and for the half year ended 31 December 2015;
- the unaudited financial statements of Shima Wasabi Pty Limited; and
- unaudited management accounts of Wheso Farm Pty Ltd as trustees of the B Schofield Family Trust – the owner of the Cosy Goats assets.

For the purposes of preparing this report we have performed limited assurance procedures in relation to the Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that Historical Financial Information is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation.

3. Directors' responsibilities

The directors of the Company are responsible for the preparation of the Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the Statutory Historical Financial Information.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

4. Our responsibilities

Our responsibility is to express limited assurance conclusion on the Historical Financial Information, based on the review procedures performed and the evidence obtained. 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*.



Our procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures to the accounting records in support of the Historical Financial Information.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

5. Conclusions

Based on our independent review, which is not an audit, nothing has come to our attention that causes us to believe that the Financial Information, as set out in Section 5 of the Prospectus, comprising:

- the statutory and pro forma historical consolidated income statements of TasFoods for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 and half year ended 31 December 2015;
- the statutory and pro forma historical consolidated statements of cash flows of TasFoods for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 and half year ended 31 December 2015; and
- the pro forma historical consolidated statement of financial position of TasFoods as at 31 December 2015,

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in Section 5 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and the Company's accounting policies.

6. General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

7. Independence

PKFCF does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. PKFCF will receive a professional fee for the preparation of this Independent Limited Assurance Report.

8. Restriction on use

Without modifying our conclusions, we draw attention to Section 5 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. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Information to which it relates, for any purpose other than that for which it was prepared.



9. Consent

PKFCF has consented to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, PKFCF makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

PKF Corporate Finance (NSW) Pty Limited

A handwritten signature in black ink, appearing to read 'Vince Fayad', is written over a horizontal line.

Vince Fayad
Director

Schedule 2

Summary of key accounting policies adopted by the Company

A summary of key accounting policies which have been adopted in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1. Basis of consolidation and business combinations

Basis of consolidation

The Historical Financial Information contained in the Prospectus comprises the financial information of TasFoods and its subsidiaries. Subsidiaries are determined to be entities which TasFoods is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which TasFoods obtains control, and continue to be consolidated until the date that such control ceases. When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with that of TasFoods. All intragroup balances and transactions, including income, expenses and dividends, are eliminated in full upon consolidation.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprised the fair value of the assets transferred, the liabilities incurred and the equity interests issued by TasFoods. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expense as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in they acquire (if any) and the fair value of the Company and the Acquisitions previously held equity interest in the acquire (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill.

In determining the pro-forma adjustments relating to the acquisition of Nichols Poultry, the Directors have relied upon provisional estimates in accordance with Paragraph 45 of AASB 3 *Business Combinations*. Therefore the acquisition accounting remains provisional as at the date of this Prospectus and the excess of fair value of the consideration transferred has been recognised as goodwill in the Pro-Forma Historical Balance Sheet as at 31 December 2015.

2. Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to TasFoods and the revenue can be reliably measured. All revenue is stated net of the amount of GST. The following specific criteria must also be met before revenue is recognised:

Sale of Goods

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Provision of Services

Revenue from the provision of services to customers is recognised upon delivery of these services to the customer.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend Income

Dividend revenue is recognised when the right to receive the dividend payment is established.

3. Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts.

4. Trade and other receivables

Trade receivables, which generally have 7–30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment allowance. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified.

5. Biological assets

Biological assets comprise poultry, harvested and stored grain, proteins and vitamin premixes. Biological assets are measured on initial recognition and at each reporting date at their fair value less estimated point of sale costs. Costs to sell include all costs that would be necessary to sell the assets, including freight and direct selling costs.

The fair value of a biological asset is based on its present location and condition. If an active or other effective market exists for a biological asset or agricultural produce in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of the asset. Where there exists access to different markets, the most relevant market is used, being defined as the market 'that access is available to the entity', which is used at the time fair value is established.

If an active market does not exist then one of the following methods is applied:

- (a) the most recent transaction price, provided there has not been a significant change in economic circumstances between the date of the transaction and the end of the reporting period; or
- (b) market prices, in markets accessible to the entity, for similar assets with adjustments to reflect differences; or
- (c) sector benchmarks.

In the event that fair value cannot be measured reliably, biological assets are measured at cost.

6. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and comprises all costs of purchasing cost of raw materials direct labour and any other cost.

Net realisable value is the estimated selling price in the ordinary course of business, less estimates of costs of completion and selling expenses. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write-down of

inventories is recognised as a reduction in the amount of inventories as an expense in the period in which the reversal occurs.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related turnover is recognised.

7. Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment that have been contributed for no cost or for a nominal cost are valued and recognised at the fair value of the asset at the date it is acquired.

The depreciable amount of all fixed assets is recognised on either a straight line or diminishing value basis over the asset's estimated useful life to the Company, commencing from the time the assets is held ready for use.

The useful life and depreciation method for each class of depreciable assets is:

Class of fixed asset	Useful life
Buildings (on a diminishing value basis)	20–55 years
Buildings (on a straight line basis)	40 years
Plant and equipment (on a diminishing value basis)	10–20 years
Motor vehicles (on a diminishing value basis)	9 years

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

8. Intangible assets and goodwill

An intangible non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried as cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised.

Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the fair value of the Company's share of their identifiable net assets and contingent liabilities at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognised as intangible assets and is tested at least annually for impairment (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired) and carried at cost less accumulated impairment losses.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill has been allocated. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Water rights

Water licences are recognised at cost less impairment losses. Water licences are held for an indefinite period and have an indefinite useful life. Due to their nature they are not subject to amortisation, but are tested for impairment by comparing their recoverable amount with their carrying amount. Water licences are tested for impairment annually or whenever there is an

indication that the intangible asset may be impaired. Water licences are leased as an integral part of investment property and are not held for trading purposes.

9. Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the liability method, on temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investment in subsidiaries except where the timing of the reversal of temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

Deferred income tax is measured based on the tax consequence that will follow the manner in which the Company and its Acquisitions expects, at the end of the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Deferred taxes are charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

10. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by TasFoods that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

11. Employee benefits

Employee entitlements

Liabilities arising in respect of wages and salaries, annual leave, long service leave and any other employee benefits expected to be settled within 12 months of the end of the period are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Liabilities arising in respect of long service leave and annual leave which are not expected to be settled within 12 months of the end of the period are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the end of the period.

Employee benefit obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the end of the period, regardless of when the actual settlement is expected to occur.

Share-based compensation

Employees of TasFoods receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options granted on the date of the grant. This cost is recognised in profit or loss, with a corresponding increase in the share option reserve, over the vesting period. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, TasFoods revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account if new shares are issued. Upon expiry of the options, the balance in share option reserve is transferred to retained earnings.

12. Contributed equity

Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax to the extent there is a future tax deduction available, from the proceeds.

13. Critical accounting estimates and judgment

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates, though estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

GUIDE TO THE APPLICATION FORM

BEFORE COMPLETING THIS APPLICATION FORM YOU SHOULD READ THE PROSPECTUS DATED
25 MAY 2016

INSTRUCTIONS

- Item A. Number of shares you are applying for** — Insert the number of ordinary shares in TasFoods you wish to apply for.
- Item B. Total amount payable for shares** — Multiply the number of shares you wish to apply for by AUD\$0.25 to calculate the total amount of application money payable and enter the **\$amount**.
- Item C. Write your full name** — Insert the full name of the legal entity in whose name you wish the shares to be registered. If the shares are to be registered in joint names, insert the full name of the other legal entities (up to a maximum of 3 joint applicants may be registered). Refer to the table below for the correct forms of registrable title.
- Item D. Write your postal address for all correspondence** — All communications to you from TasFoods will be mailed to the person(s) and address as shown. For joint applicants, only one address can be entered.
- Item E. Enter your CHESS HIN** — If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your HIN here if you would like the shares to be directed to your HIN. Note that the registration details of the applicant provided must match your CHESS HIN account exactly otherwise any shares issued as a result of your application will held on the issuer sponsored sub-register.
- Item F. Enter your Australian tax file number (TFN) or ABN or exemption category** — Complete these details if you are an Australian resident. Where applicable, please enter the TFN /ABN of each joint applicant. Collection of TFNs is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your application form.
- Item G. Cheque details for payment** — Make your cheque payable to 'TasFoods Limited — 2016 Prospectus Offer' in Australian currency, cross it and mark it '**Not Negotiable**'. Cheques must be made in Australian currency drawn on an Australian financial institution or an Australian branch of a foreign financial institution. **Cheques not properly drawn will be rejected.** Cheques will generally be deposited on the day of receipt. If cheques are dishonoured, the application may be rejected. **Cash will NOT be accepted.**
- Item H. Contact details (phone number)** — Enter your **phone contact details** so we may contact you regarding your application form or application money or other correspondence.
- Item I. Contact details (email address)** — Enter your **email contact details** so we may contact you regarding your application form or application money or other correspondence.

CORRECT FORMS OF REGISTRABLE TITLE FOR ITEM C

Note that ONLY legal entities can hold the shares. The application must be in the name of a natural person(s), company or other legal entity acceptable to TasFoods. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Late John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	Mr John Smith & Mrs Mary Smith <Smith Family Super Fund A/C>	John & Mary Smith Superannuation Fund

LODGMET OF COMPLETED APPLICATION FORM

Mail or hand deliver your completed application form with cheque(s) attached to the following address (unless you have received a firm allocation of Shares under the Offer from Bell Potter, in which case you should send your completed form and payment to Bell Potter). All applications and payments for new Shares under the Offer must be received by 5:00 pm (Melbourne time) on 7 June 2016. Please note that this time and date is subject to change.

Delivery address:

Advanced Share Registry Ltd
110 Stirling Highway
Nedlands WA 6009
Australia

Mailing address:

Advanced Share Registry Ltd
PO Box 1156
Nedlands WA 6909
Australia

If you have any questions as to how to complete this application form, please contact Advanced Share Registry by telephone on +61 8 9389 8033, by facsimile on +61 8 9262 3723 or by email at admin@advancedshare.com.au between 8:30 am and 5:00 pm (Perth time) Monday to Friday (or contact Bell Potter on 1300 023 557 or +61 3 9256 8700 if you have received a firm allocation of Shares under the Offer and have questions about applying for those Shares).

Privacy Statement: The Corporations Act requires that information about you as a shareholder (including your name, address and details of the shares you hold) be included in the public register of TasFoods maintained by Advanced Share Registry Ltd as share registrar. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting Advanced Share Registry Ltd using the contact details set out above. Advanced Share Registry Ltd's privacy policy is available at www.advancedshare.com.au/privacy-policy.aspx.

Corporate directory

Company

TasFoods Limited
52-54 Tamar Street
Launceston TAS 7250

Directors

Rob Woolley — Chairman
Jane Bennett — Managing director and chief executive officer
Tony Robinson
Hugh Robertson
Roger McBain

Company secretaries

Mark Licciardo
Matthew Rowe

Underwriter

Bell Potter Securities Limited
Level 29
101 Collins Street
Melbourne VIC 3000

Lawyers

Norton Gledhill
Level 23
459 Collins Street
Melbourne VIC 3000

Independent accountant

PKF Corporate Finance (NSW) Pty Limited
Level 8
1 O'Connell Street
Sydney NSW 2000

Share registrar

Advanced Share Registry Ltd
110 Stirling Highway
Nedlands WA 6009
