

### **PROSPECTUS**

in connection with the proposed listing of Cobram Estate Olives Limited on the Australian Securities Exchange





Cobram Estate Olives Limited ACN 115 131 667

Joint Arrangers:

BELL POTTER





Legal Adviser:



### Important notices

#### **Employee Gift Offer**

The Employee Gift Offer contained in this Prospectus is an invitation to Eligible Gift Employees to acquire fully paid ordinary shares (**Shares**) in Cobram Estate Olives Limited ACN 115 131 667 (**Company**). This Prospectus is issued by the Company. See Section 7 for further information on the Employee Gift Offer, including as to details of the securities that will be issued under this Prospectus.

### Lodgement and listing

This Prospectus is dated 19 July 2021 (**Prospectus Date**) and was lodged with ASIC on that date.

The Company will apply to the ASX within seven days after the Prospectus Date for admission of the Company to the Official List and quotation of the Shares on the ASX (**Listing**).

None of ASIC, the ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

### **Expiry Date**

No Shares will be issued or sold on the basis of this Prospectus later than 13 months after the Prospectus Date.

### Not investment advice

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

### Consider risks of investment

It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company. In particular, in considering the prospects of the Company, you should consider the risk factors that could affect the Company's performance. Some of the key risk factors that should be considered by prospective investors are set out in Sections 1.4 and 5 of this Prospectus. However, there may be risk factors in addition to these that should be considered in light of your personal circumstances. You should carefully consider these factors in light of your investment objectives, financial situation, and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer, or other professional adviser before deciding whether to invest.

You should also consider the assumptions underlying the Forecast Financial Information set out in Section 4 that could affect the Company's business, financial condition, and results of operations.

#### Disclaimer

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

No person is authorised to give any information or make any representation in connection with the Employee Gift Offer which is not included in this Prospectus. Any information or representation not included in this Prospectus may not be relied on as having been authorised by the Company, the Directors, the Joint Arrangers, or any other person involved in the preparation of the Prospectus or the making of the Employee Gift Offer. In making any investment decision you should rely only on information in this Prospectus.

Bell Potter Securities Limited (Bell Potter), Morgans Corporate Limited (Morgans), and Ord Minnett Limited (Ord Minnett) have provided or will provide the services described in Section 9.4.1 and have not authorised, permitted, or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by any Joint Arranger or by any of their respective affiliates or related bodies corporate (as defined in the Corporations Act) (Related Bodies Corporate), or any of their respective officers, directors, employees, partners advisers or agents. To the maximum extent permitted by law, the Joint Arrangers, their respective Related Bodies Corporate, and any of their respective officers, directors, employees, partners, advisers, or agents expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their name and make no representation or warranty as to the currency, accuracy, reliability, or completeness of this Prospectus.

### **Exposure Period**

The Corporations Act prohibits the Company from processing applications to acquire Shares under this Prospectus (**Applications**) in the seven-day period after the Prospectus Date (**Exposure Period**). This Exposure Period may be extended by ASIC by up to a further seven days.

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the processing of Applications. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

### Obtaining a copy of this Prospectus

This Prospectus is available in electronic form to Australian resident investors on the Company's website, www.cobramestateolives.com.au/offer.

The Employee Gift Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website within Australia and is not available to persons in any other jurisdictions, including the USA.

A copy of the Prospectus is available free of charge during the Offer Period to any person in Australia by requesting a copy by email to registrars@linkmarketservices.com.au.

### Statements of past performance

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

### Presentation of Financial Information

Section 4 sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation for the Financial Information. The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Sections 1.4 and 5.

All references to FY2019, FY2020 and FY2021F appearing in this Prospectus are to the financial years ended or ending 30 June 2019, 30 June 2020, and 30 June 2021 respectively, unless otherwise indicated.

All references to HY2020 and HY2021 appearing in this Prospectus are to the half financial years ended 31 December 2019, and 31 December 2020 respectively, unless otherwise indicated.

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

The Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed by the Australian Accounting Standards issued by the Australian Accounting Standards Board, which comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

The Financial Information is presented in an abbreviated form. It does not include all of the presentation and disclosures required by the Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

This Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors and on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the Prospectus Date are expected to take place. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information. The Forecast Financial Information presented in this Prospectus is unaudited.

### Forward looking statements

This Prospectus contains forward looking statements which are identified by words such as "believes", "considers", "could", "estimates", "expects", "intends", "may", and other similar words that involve risks and uncertainties. Certain statements, beliefs and opinions contained in this Prospectus, particularly those regarding the possible or assumed future financial or other performance of the Company, industry growth or other trend projections are or may be forward-looking statements. The Forecast Financial Information is an example of forward-looking statements.

Any forward-looking statements are subject to various known and unknown risk factors that could cause the Company's actual results and circumstances to differ materially from the results and circumstances expressed or anticipated in these statements. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management. Forward-looking statements should be read in conjunction with, and are qualified by reference to, Section 4, the risk factors as set out in Sections 1.4 and 5, and other information in this Prospectus.

The Company cannot and does not give any assurance that the results, performance, or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

No person who has made any forward-looking statements in this Prospectus (including the Company) has any intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law.

### Market and industry information

This Prospectus, including the industry overview in Section 2, contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry forecasts and projections. The Company has obtained significant portions of this information from market research and commentary prepared by third parties. There is no assurance that any of the forecasts or forward information contained in the reports. surveys, and research of such third parties that are referred to in this Prospectus will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the key risk factors in Sections 1.4, 4, and 5.

Investors should note that market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions.

### International restrictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Employee Gift Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, securities in the United States. In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, or to or for the account or benefit of, a US Person, except under transactions exempt

from, or not subject to the registration requirements of the US Securities Act and any other applicable US securities laws.

See Section 7.11 for more detail on selling restrictions that apply to the Employee Gift Offer and sale of Shares in jurisdictions outside of Australia.

To the extent any person in any jurisdiction outside Australia lawfully receives an offer under this Prospectus, the taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions.

### No cooling off rights

Cooling off rights do not apply to an investment in Shares offered under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application.

#### Photographs and diagrams

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

### **Applications**

Applications for Shares may only be made during the Offer Period on the Application Form included in, or accompanying, this Prospectus in its hard copy form, or in its electronic form which must be downloaded in its entirety, together with an electronic copy of this Prospectus. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is included in, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

To the extent permitted by law, each of the Company, the Joint Arrangers and the Registry disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

### Important notices | Continued

#### **Privacy**

By completing an Application Form, you are providing personal information to the Company and the Registry, which is contracted by the Company to manage Applications. The Company and the Registry on their behalf, and their agents and service providers, may collect, hold, use and disclose that personal information for the purpose of processing your Application, servicing your needs as a Shareholder, providing facilities and services that you need or request and carrying out appropriate administration, and for other purposes related to your investment listed below.

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

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address, and details of the Shares you hold) to be included in the Share register. In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by members of the public. The information must continue to be included in the Share register if you cease to be a Shareholder.

The Company and the Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act* 1988 (Cth):

- the Registry for ongoing administration of the Share register;
- the Joint Arrangers in providing the services described in Section 9.4.1;
- printers and other companies for the purpose of preparing and distributing of statements and for handling mail;
- market research companies for the purpose of analysing the Company's shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants, and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

The Company's agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

Information contained in Company's Share register is also used to facilitate corporate communications (including the Company's financial results, annual reports, and other information that the Company may wish to communicate to its shareholders) and compliance by the Company with legal and regulatory requirements.

An Applicant has a right to access his or her personal information that the Company and the Registry hold about that person, subject to certain exemptions under law. A reasonable fee may be charged for access. Access requests must be made in writing or by telephone call to the Registry, details of which are set out in the corporate directory on the final page of this Prospectus.

By submitting an Application, you agree that the Company and the Registry may communicate with you in electronic form or to contact you by telephone in relation to the Employee Gift Offer.

The Company aims to ensure that the personal information it retains about you is accurate, complete, and up to date. To assist with this, please contact the Company or the Registry if any of the details you have provide change.

### Financial Services Guide

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

### Intellectual property

This Prospectus may contain trademarks of third parties, which are the property of their respective owners. Third-party trademarks used in this Prospectus belong to the relevant owners and use is not intended to represent sponsorship, approval, or association by or with the Company.

#### Documents available on website

Any references to documents included on the Company's website at www.cobramestateolives.com.au or the Employee Gift Offer website at www.cobramestateolives.com.au/offer are for convenience only, and none of the documents or other information available on these websites is incorporated in this Prospectus by reference.

#### Defined terms and time

Defined terms and abbreviations used in this Prospectus have the meanings given in the glossary of this Prospectus at Section 10. Unless otherwise stated or implied, references to times in this Prospectus are to Melbourne, Victoria, Australia time.

#### Questions

If you are an Eligible Gift Employee and have any questions about the Prospectus or the Employee Gift Offer, please contact the representative from the Company listed on your personalised invitation you received to participate in the Employee Gift Offer.

This document is important and should be read in its entirety before making any investment decision.

### **Contents**

Imp	portant notices	IFC
Key	Offer Information	4
Cha	air's letter	6
1.	Investment overview	9
2.	Industry overview	29
3.	Company overview	48
4.	Financial information	104
5.	Key risks	130
6.	Key individuals, interests, and benefits	141
7.	Details of the Employee Gift Offer	160
8.	Independent Limited Assurance Report	168
9.	Additional Information	176
10.	Glossary	186
App	pendix A Significant Accounting Policies	193
Cor	porate Directory	IBC



### **Key Offer Information**

### **Important dates**

Prospectus Date	19 July 2021
Employee Gift Offer opens	27 July 2021
Employee Gift Offer closes	29 July 2021
Allotment of Shares under the Employee Gift Offer	30 July 2021
Expected dispatch of holding statements	2 August 2021
ASX trading commences on a normal settlement basis	11 August 2021

### Dates may change

The above dates are indicative only and may change without notice. Unless otherwise indicated, all times and dates are stated in Australian Eastern Standard time. Cobram Estate Olives reserves the right to vary any and all of the above dates and times of the Employee Gift Offer without notice, including, subject to the ASX Listing Rules and the Corporations Act, to extend the Employee Gift Offer, close the Employee Gift Offer early or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Employee Gift Offer before Settlement, in each case without notifying any recipient of this Prospectus or any Applicant.

### **Key Statistics**

Number of Shares on issue on the Prospectus Date	387.37 million
Maximum number of New Shares to be issued under the Employee Gift Offer	0.065 million
Total number of Shares on issue on Completion of the Employee Gift Offer <sup>1</sup>	387.44 million
Pro forma forecast FY2021F EBITDA	\$68.5 million
Australian business two-year FY2020-FY2021F normalised EBITDA <sup>2</sup>	\$42.4 million

- $1. \ \ \text{Assumes that all } 65{,}000 \ \text{Shares which may be issued under the Employee Gift Offer are issued}.$
- 2. The Australian business Average EBITDA ((FY2020 plus forecast FY2021F) divided by two) normalised for long-term Temporary Water procurement costs. Please refer to Section 4.8 for further details.

### Chair's letter



On behalf of the Directors and current Shareholders of Cobram Estate Olives, it is my pleasure to provide you with this Prospectus in connection with the Company's application for admission to the Official List of the ASX.

Cobram Estate Olives, formerly Boundary Bend Limited, was founded by Paul Riordan and myself in 1998. Over the years, the Company has grown to become the market leader in the Australian olive oil industry and a leader in sustainable olive farming with operations in Australia and the USA and a portfolio of premium brands. Our extra virgin olive oils are recognised for their world class quality, receiving 458 awards since 2003 including one of our Cobram Estate® products from California being named the world's healthiest extra virgin olive oil in 2017.

Today, the Company is Australia's largest olive farmer with planted grove area of 6,584 hectares (over 2.4 million olive trees) that will produce an estimated 71% of Australia's total olive oil production in 2021. In total, the Company owns 18,500 hectares of freehold farmland, of which 16,700 hectares is freehold farmland in central and northwest Victoria and southwest New South Wales.

The Company operates a fully integrated business model which is unsurpassed in the Australian olive industry. In taking a 'tree-to-table' approach to olive growing and marketing, we manage all aspects of the olive life cycle and ensure that every bottle or tin of extra virgin olive oil we produce meets our high standards. We also own Australia's largest olive tree nursery, three olive oil mills, and two bottling and storage facilities. Recently we extended our product range to include a variety of health and wellness products sold under the Wellgrove® brand, capturing value from our olive oil by-products and minimising waste on our groves.

To reach the consumer, we own two of Australia's leading olive oil brands, Cobram Estate® and Red Island®, which had a combined market share of 48% of extra virgin olive oil supermarket sales by value in Australia in 2020, yet only 23% of total cooking oil sales by value allowing room for growth. We are also experiencing strong growth with our Cobram Estate® brand and Private Label offering in the USA.

Since its founding and to this day, Cobram Estate Olives has benefited from changes to Australian consumer trends including a growing interest in sourcing Australian grown and owned products, and an increasing understanding of the health benefits of extra virgin olive oil (extra virgin olive oil is the only mainstream cooking oil that is purely the juice of fresh fruit and is cold pressed without the use of high heat, chemicals, or solvents). The Company recognised the same consumer trends that have propelled it to success in Australia are emerging in the USA olive oil market, and established operations in the USA in 2014.

The Company is committed to operating its business in an environmentally sustainable way and has been working to achieve zero-waste on our groves. Further detail is set out in Section 3.6 which explains how the Company takes a sustainable approach to olive farming and the production of olive oil. By implementing the Company's proprietary Oliv.iQ $^{\oplus}$  integrated olive growing system, our olive groves sequestrate more  $CO_2$  per hectare than the global average, produce olive oil with a consumption of water 37% lower per litre of olive oil produced than industry average, and produce olive oil with consumption of nitrogen and phosphorous fertilizers considerably lower per litre of oil than the estimated global averages. In fact, our groves are estimated to offset the carbon emissions equivalent to a small to medium size city each year.

### **Growth strategy**

The Company is well positioned for future growth that will be predominantly driven by our maturing Australian groves delivering additional olive oil to support branded sales growth, and our rapidly growing vertically integrated Californian business. The Company's four growth strategies, as outlined in Section 3.4, are aimed at positioning the Company to capitalise on the growing demand for clean, natural, functional foods, and leverage our expertise in the growing and processing of olives, and the marketing of premium extra virgin olive oil. At the same time, the strategies are anticipated to reduce our cost of production through increased scale and mitigate risk by expanding the Company's customer base and reducing geographic market and production risks beyond the Australian market.



### Company performance should be assessed on the average of two years' EBITDA results

It is important to understand that olive trees naturally bear fruit in biennial cycles, with a higher yielding crop one year followed by a lower yielding crop the next. This is a known and expected natural cycle and is easily managed logistically by our business. In reality, the true cost of production and performance of the business should be judged on two-year average results. However, under accounting standards the profit for each year of harvest is adjusted by the difference between the cost of production and the net realisable value of the oil produced in that year. Hence the profit is recorded in the year of production, rather than the year of sale. This causes material but expected statutory profit variability in two-year cycles depending on if we are in a higher or lower yielding crop year. We believe that the application of the accounting standard tends to overstate our performance in high yielding crop years and understate our performance in lower yielding crop years.

Importantly, the volatility in reported profit is not reflective of the consistency in the Company's sales to customers which are relatively stable and predictable over the course of the year. This is achieved by the Company apportioning its olive oil to customers based on a two-year production cycle, to ensure we maintain consistent and reliable supply. The larger volume of olive oil produced in a higher yielding year is typically used by the Company to supply customers over 14-16 months crossing over three separate financial years (e.g. April 2021 to July 2022), whereas the smaller quantity of olive oil produced in a lower yielding crop year is typically only used to supply customers across a 8-10 month period (e.g. July 2020 to April 2021 – less than a full financial year). The ability to maintain steady supply even with a lower yielding year helps to overcome some of the variability and risk of agricultural production. The outcome of this is that operating cash flow is more consistent, and indeed internally, operating cash flow is also a key performance metric used by management.

The Company expects that production quantities from both higher yielding years and lower yielding years to continue to increase materially over time, as 39% of our grove area is recently planted and therefore not fully mature. Over the medium term we expect to continue increasing all business performance metrics in line with increasing production from our maturing groves, combined with continued growth in our USA business and the growing strength of the consumer brands.

The chart below shows the business performance of the Company's core business, being the Australian olive oil business, and illustrates the following:

- 1. The biennial nature of olive oil production (in purple), showing annual olive oil production);
- 2. How the biennial nature of our olive oil production cycle impacts our reported profit (in gold); and
- 3. IMPORTANTLY, two-year rolling Average EBITDA (in green) is increasing and in the opinion of management is the most reliable way to assess business performance.



### Chair's letter | Continued

I, and my fellow Directors, would like all shareholders to understand that a true gauge of actual business performance is to average profit across two years (considering both a higher yielding crop year and a lower yielding crop year).

I must highlight to potential investors that **2021** is a high yielding crop year and the forecasted strong profit for 2021 reflects this high harvest. Investors should therefore make allowance in their investment decision making for the fact that the **2022** crop yield will be lower, and the resulting financial figures will be materially lower than **2021**.

Most importantly the two-year rolling Average EBITDA for the Company's Australian olive oil business is forecast to be \$42.4 million (average of FY2020 and FY2021) adjusted for long-term Temporary Water costs. Looking forward to FY2022 and beyond, we expect average two-year rolling EBITDA and operating cashflow surplus to increase for the Company's Australian olive oil business due to our increasing production from maturing trees (subject to all the risks associated with business and farming). At the same time, due to FY2022 being a low yielding crop year on our Australian olive groves, our statutory EBITDA is expected to decrease substantially reflecting the smaller predicted production and the compulsory non-cash adjustment under the accounting standard.

For FY2021 the Company forecasts sales revenue of \$145.1 million, cash generated from operations of \$18.8 million, and statutory EBITDA of \$68.5 million (high yielding crop year).

### 2021 Australian olive oil crop yield

It should be noted that the Forecast Financial Information in this Prospectus is based on a number of estimates and assumptions described in Section 4.9. The Forecast Financial Information was prepared using our 2021 olive oil crop projection of 15 million litres. We have very recently completed our 2021 Australian olive oil harvest and achieved a final olive oil yield of 16.05 million litres or 7% above projection. The sensitivity analysis in Section 4.10 provides a guide as to the impact of the additional olive oil yield on EBITDA results.

### **Experienced Management Team**

The Company is led by a highly experienced management team that has successfully executed a range of strategic growth initiatives and delivered an attractive return on capital invested and earnings contribution. This established team will execute the four core opportunities in the Company's growth strategy as outlined in Section 3.4, which includes a focus on expanding USA operations, where additional grove plantings will allow the Company to build on the wholesale and retail presence already established and support growth in the sale of packaged goods.

### Risks associated with Cobram Estate Olives

This Prospectus contains detailed information about the Employee Gift Offer, the olive oil industry in which Cobram Estate Olives operates, and its financial and operating performance. Cobram Estate Olives is subject to a range of specific risks, including agricultural risks, sales variability, weather and climate impacts, changes in consumer behaviour, and risks associated with leading brands. These risks, as well as others, are detailed in Section 5. I encourage you to read this Prospectus carefully in its entirety before making any decision to invest in the Company.

As of the date of this Prospectus, Cobram Estate Olives is an Australian unlisted public company with 705 shareholders. If you would like to review historical announcements made by Cobram Estate Olives to its shareholders, please go to https://www.cobramestateolives.com.au/investors/shareholder-announcements/.

With an unwavering focus on superior quality, innovation, and customer satisfaction through all facets of our business, Cobram Estate Olives has developed a reputation as a leading player in the modern olive industry. On behalf of my fellow Directors and current shareholders, we thank you for your interest in Cobram Estate Olives and look forward to sharing our exciting future with you.

Yours sincerely,

**Rob McGavin** Chair, Cobram Estate Olives

Paul Riordan and Rob McGavin, co-founders of Cobram Estate Olives



## 1 Investment overview

### 1.1 Overview of Cobram Estate Olives and its business model

Торіс	For more information
Who is Cobram Estate Olives?	Section 3.1
Cobram Estate Olives is Australia's largest producer and marketer of premium quality extra virgin olive oil. With operations in Australia and the USA, export customers in 17 countries, and a portfolio of premium brands, the Company is a market leader in the Australian extra virgin olive oil industry and a leader in sustainable olive farming.	
The Company owns the two top-selling Australian extra virgin olive oil brands, Cobram Estate® and Red Island®, with combined Australian supermarket sales of \$135.4 million in 2020.¹ The Company's brand strength extends from its position as Australia's largest vertically integrated olive oil producer. The Company owns over 2.4 million olive trees planted on 6,584 hectares of farmland in central and north-west Victoria, with the Company's 2021 harvest projected to account for 71% of Australia's total olive oil crop.² Cobram Estate Olives is also the owner of Australia's largest olive tree nursery, two olive mills, an olive oil bottling, storage, and laboratory facility, and is a leading player in olive industry research and development.	
In California, USA, the Company has established an olive mill, storage and bottling facility, laboratory, and administration offices, and has 305 hectares of owned and leased groves, olive supply contracts with over 20 Californian olive growers. The Cobram Estate® brand was the 10th highest selling olive oil by value in USA grocery and specialty channels for the 12-months to April 2021.3	
As of the Prospectus Date, Cobram Estate Olives is an Australian unlisted public company with 705 shareholders. Copies of Cobram Estate Olives' historical shareholder announcements are available at https://www.cobramestateolives.com.au/investors/shareholder-announcements/.	
What is Cobram Estate Olives' history?	Section 3.1.5
Cobram Estates Olives was founded in 1998 by Paul Riordan and Rob McGavin, with the first olive tree planted at Boundary Bend, Victoria in 1999. The Company has expanded significantly from its original focus on olive growing to becoming a vertically integrated olive grower, processor, and marketer of leading brands, with operations in both Australia and the USA.	
In 2002, the Company undertook its first commercial olive harvest producing approximately 80,000 litres of extra virgin olive oil and then commissioned its olive mill at Boundary Bend in 2004.	
The Company acquired the Cobram Estate® olive oil brand in 2006, and the Red Island® brand in 2012, and has since transformed both into leaders in their categories.	
In 2009, after having managed Timbercorp Limited's olive groves in Boort and Boundary Bend, Victoria, the Company acquired the groves and Timbercorp Limited's associated assets at Boort, Victoria, which provided a significant increase in production scale.	
In 2014, the Company entered the USA market with the purchase of a site in Woodland, California, where it has subsequently developed an olive oil mill, bottling and storage facility, laboratory, and administration offices. The first harvest of California olives from Company owned groves was in 2017.	
The business has continued to grow significantly in the subsequent years, with annual sales of \$145.1 million forecast in FY2021.	

- 1. IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021.
- 2. Australian Olive Association 2021, Cobram Estate Olives internal management estimates 2021.
- 3. SPINS Scan data, Total US Olive Oil, Total Dollars, 52 Weeks Ending 18/04/2021.

Торіс	For more information
What does Cobram Estate Olives do?  Cobram Estate Olives is Australia's largest vertically integrated producer and marketer of premium quality extra virgin olive oil. With operations in Australia and the USA, export customers in 17 countries, and a portfolio of premium brands, the Company is a market leader in the Australian extra virgin olive oil industry and a leader in sustainable olive farming.	Section 3.1
What is the industry in which Cobram Estate Olives operates?  Cobram Estate Olives operates in the global extra virgin olive oil industry, primarily in the growing and marketing of extra virgin olive oil in Australia and the USA through its premium brands Cobram Estate® and Red Island®.	Section 3.1
What is Cobram Estate Olives' business model and how does it generate revenue?	Section 3.2
<ol> <li>The Company's business model focuses on:</li> <li>the production of large and growing quantities of premium quality extra virgin olive oil through a well-established, vertically integrated operation encompassing growing, harvesting, processing and distribution of products; and</li> </ol>	
2. the marketing and sale of olive oil to generate strong and consistent cash flows through the Company's market leading Cobram Estate® and Red Island® brands and Private Label products in Australian and USA supermarkets and other channels.	
Critical to the Company's success has been the ability to consistently produce premium quality extra virgin olive oil in large and growing quantities to satisfy the growing needs of its customers. Over 23 years of operations the Company has created a highly efficient and high yielding olive production system using its proprietary Oliv.iQ® methodology and has won 458 awards in Australia and overseas for the high quality of its extra virgin olive oils.	
The supply of olive oil for the Company's Australian products is primarily sourced from the Company's owned production assets in Australia. The Company supplements its own supply with oil purchased from selected third-party Australian producers.	
In the USA, supply of olive oil comes from a combination of the Company's own groves, and from olive oil made in the Company's Woodland mill using fruit grown by contracted third-party suppliers.	
Currently 39% of the trees on the Company's Australian groves are not mature, and 100% of the trees on the Company's USA groves are not mature, providing for material additional olive oil supply over the coming years in its key markets.	
Whilst the Company's profits have historically fluctuated with the alternating higher yielding crop years and lower yielding crop years from the Company's olive groves and the required accounting treatment, the Company's operating cashflow reflects when the oil is sold and closely aligns with the relative month-to-month uniformity of customer demand. In FY2020, 85% of the Company's olive oil sales revenue was generated through branded and Private Label sales with the balance from strategic Bulk olive oil sales.	

Investment overview | Continued

### Topic For moinform

Section 3.1.3

### What are Cobram Estate Olives' key products?

Cobram Estate Olives is the owner of a suite of brands encompassing extra virgin olive oil products, olive health and wellness products, health care professional education, olive leaf tea, laboratory services, and an olive tree nursery.

### Cobram Estate®

Cobram Estate Olives' flagship retail brand, Cobram Estate®, was purchased by the Company in 2006 for \$2.1 million. In FY2020, Cobram Estate® global sales reached \$70.4 million. The brand is well positioned as Australia's #1 selling olive oil in Australian supermarkets by value (in 2020), and the #10 selling olive oil brand (excluding Private Label) in USA supermarkets by value (for the 12-month period to April 2021).4 Cobram Estate® is also exported to a further 16 markets including New Zealand, Japan, Singapore, Taiwan, and Malaysia. Cobram Estate® is amongst the world's most awarded extra virgin olive oils, winning over 400 awards including Best in Class trophies and Gold Medals at the New York International Extra Virgin Olive Oil Competition.

#### Red Island®

Red Island® is the 2nd highest selling brand of Australian extra virgin olive oil with sales of \$23.8 million FY2020.5 Purchased by the Company in 2012, the Red Island® brand has received multiple awards for excellence in quality and taste and is distributed throughout Australian supermarkets and exported to New Zealand, Malaysia, Fiji, China, and Canada.

### **Boundary Bend Estate®**

Boundary Bend Estate® was the first brand of extra virgin olive oil produced by the Company. Produced initially on an exclusive basis for the Company's early shareholders, Boundary Bend Estate® products are sold in the Australian foodservice channel and exported to a long-term customer in Thailand.

Other products sold by the Company include **Tree of Life®** extra virgin olive oil, a boutique offering sold in the foodservice channel in Australia and in retail and gifting in China; **Wellgrove®**, the Company's health and wellness brand launched in 2019; and **Stone & Grove®**, a range of premium olive leaf teas sold online and in specialty channels in Australia, USA, and Malaysia.

The Company also offers technical and commercial nursery services to the olive industry through **Modern Olives**®.

### 4. IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021; SPINS Scan data, Total US Olive Oil, Total Dollars, 52 Weeks Ending 18/04/2021.

<sup>5.</sup> IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021.

Торіс	For more information
Who uses Cobram Estate Olives' products?	Section 3.3
Cobram Estate Olives services customers in 19 countries (including Australia) and has a diverse mix of customers that includes:	
supermarket chains;	
• big box chains;	
specialty food retailers;	
• food services;	
wholesalers servicing retail, restaurant, and pharmacy customers;	
manufacturers of food, pharmaceutical, and cosmetic products;	
olive oil manufacturers (laboratory services and technical advice); and	
retail nursery customers.	
Globally, the Company's top 5 customers accounted for 65% of the Company's sales in FY2020. The Company's largest customer accounted for 34% of the Company's sales in FY2020.	
How does Cobram Estate Olives develop its products?	Section 3.2.3.4
To produce its olive oil, the Company uses $Oliv.iQ^{\otimes}$ , its proprietary, vertically integrated olive production system developed and used by the Company over the past 20 years under the supervision of Joint-CEO Leandro Ravetti. $Oliv.iQ^{\otimes}$ is a proven integrated production system that combines the most modern technology with sound horticultural and scientific knowledge to customise the best solution for each unique olive growing environment.	
The Oliv.iQ® integrated olive system was developed with the aim of maximising returns and achieving these efficiently and sustainably, and has been proven to:	
Produce nearly nine times more olive oil per hectare than the global average.	
• Deliver an average production cost 30% per litre below the world's weighted average.	
Produce some of the most decorated extra virgin olive oils in the world.	
What differentiates Cobram Estate Olives' products from other similar products?	Section 3.2.3
Cobram Estate Olives' approach to the production of olive oil and other products is founded on quality. This quality focused approached, combined with its 'locally grown' provenance, and its production scale, has enabled Cobram Estate Olives to build a strong portfolio of consumer brands, the flagship of which is Cobram Estate®. The premium product quality of the Company's extra virgin olive oils combined with their strong market share enable the Company to capture a price premium for the Company's products and has generated strong brand loyalty.	

Торіс		
What is Cobram Estate Olives' business and growth strategy?	Section 3.4	
Cobram Estate Olives has a strategic focus on growing sales of its premium branded products in Australia and growing its presence in the USA. In 2016, the Company adopted four core opportunities to drive future growth, and these strategies remain highly relevant today. The growth strategies are aimed at capitalising on the growing demand for clean, natural, functional foods and leveraging the Company's expertise in the growing and processing olives.		
The strategies are anticipated to reduce the cost of production through increased scale of operations and reduce risk by expanding the Company's global customer base, reducing geographic market and production risk beyond the Australian market.		
Whilst sales of the Company's Australian extra virgin olive oil have grown strongly, within the edible oil category in Australia there remains substantial opportunity for future growth. Australian consumers are increasingly preferring locally grown products, are increasingly informed on the versatility and usage of extra virgin olive oils, and increasingly understand the differences between extra virgin and other grades of olive oil. The Company is seeking to capitalise on these opportunities to grow the market penetration and sales of its Cobram Estate® and Red Island® brands through both its existing supermarket channels, together with new channels including online, supported by its projected growth in supply.		
In the USA, the Company is taking its learnings from the Australian market development and is seeking to grow sales of Cobram Estate® branded and Private Label products through a continuation of the transition from Bulk sales to packaged goods, and through increasing its supply of Californian extra virgin olive oil both from third-party growers and planting new groves. With consumers showing more interest in specific origins of products and associating provenance to food safety and quality, it is anticipated the market for Californian grown extra virgin olive oil will continue to grow, supporting the Company's goals to grow supply through the development of new olive groves in California.		
How does Cobram Estate Olives fund its operations?	Section 4.7.3	
The Company funds its operations through a combination of cash flow from operations and bank loan facilities. The bank loans are secured by a general security over the assets and undertakings of the Company and its Australian subsidiaries.		
The Company expects to continue financing the business in this way. Banking facilities will continue to be provided under the loan facilities described in Section 4.7.3, provided the Cobram Estate Olive Group has not breached any borrowing requirements and the consolidated financial entity meets the required financial ratios. Any material adverse change in the Company's business could also lead to a default by the Company. A default, unless waived, may entitle a lender to demand immediate repayment of its facilities, which may have a detrimental effect on the operations and financial performance of Cobram Estate Olives.		
What is the Company's dividend policy?	Section 4.11	
The payment of a dividend by Cobram Estate Olives is at the discretion of the Board and will be dependent upon a number of factors, many of which may be outside the control of Cobram Estate Olives' management and its Directors and are not reliably predictable. These include the general business environment, operating results, cash flows and Cobram Estate Olives' future funding requirements, capital management initiatives, taxation considerations, any contractual, legal, or regulatory restrictions on the payment of dividends by Cobram Estate Olives, and any other factors the Directors may consider relevant.		
Subject to an ASX listing, the Board intends to pay a dividend of 3.3 cents per share in 2021. The dividend has not been formally declared. The dividend payment is expected to be declared in October 2021 and paid in December 2021.		
It is the intention of the Board to maintain an annual final dividend payment, but this is subject to the performance of the Company. The level of franking of future dividends will also depend on the Company's performance.		

### 1.2 Key features of Cobram Estate Olives' industry

Topic For more information

### What industries and segments does Cobram Estate Olives operate in?

Cobram Estate Olives operates in the global olive oil market, primarily in the marketing of extra virgin olive oil in Australia, the USA, and 17 export markets through supermarket chains, wholesalers, Bulk supply, and online channels.

Through its vertically integrated business model, the Company has a prominent position in olive farming (with 2.4 million trees planted on 6,584 hectares in Australia, and 149,000 trees planted on 305 hectares in California, USA) as well as olive milling, bottling and distribution of olive oil.

### What are the key drivers for the industries in which Cobram Estate Olives operates in?

Global consumption of olive oil is driven by numerous factors including changes in consumer food preferences, the growing popularity of diets promoting the use of extra virgin olive oil (including the Mediterranean Diet), and the shift to sustainable plant-based foods. The European Union remains the largest consumer of olive oil, accounting for almost half of global consumption in 2019/2020. Other major consuming countries were the United States and Turkey, representing 11% and 5% of total consumption, respectively.<sup>6</sup>

Over the past 10 years there has been a shift in global consumption patterns with growth in consumption in the USA and other non-European Union countries and decline in total olive oil consumption by European Union countries. This shift in consumption has been driven by a number of factors including the emergence of production outside the European Union and subsequent increases in local consumption.

### What are the key trends affecting the industries which Cobram Estate Olives operates in?

Underlying shifts in consumer behaviour support continued future growth of extra virgin olive oil consumption.

### Changes in olive oil consumption

Whilst sales in Australian extra virgin olive oil have grown strongly, there remains substantial opportunities for future growth. Consumers are increasingly being educated on the versatility and various uses of extra virgin olive oil. Since 2017, more Australian consumers have demonstrated the willingness to pay a premium for high quality extra virgin olive oil due to its associated benefits. Extra virgin olive oil only accounted for 48% of total cooking oil sales in Australian supermarkets by value in 2020.

Australian consumers increasingly understand the differences between extra virgin and other grades of olive oil. Further, Australian consumers increasingly believe that extra virgin olive oil is healthier than other grades of olive oil, and this may lead to a continued shift from refined olive oil blends to extra virgin olive oil due to its natural production and minimal processing, superior health benefits and flavour. Refined olive oil blends accounted for 27% of Australian supermarket sales of olive oil by value in 2020.9

### Buying locally grown and owned products

Consumers are showing more interest in specific origins of products and associating provenance to food safety and quality. As a result, consumers are moving towards, and paying more for, products that are 'natural', have a strong back-story about a place or craft production method, and have a strong geographic connection and identity.

In Australia, 93% of Australians are more likely to buy a product that is 'made in Australia', surging by six percentage points during the COVID-19 pandemic affected 2020.<sup>10</sup>

With imported products having accounted for 44% of extra virgin olive oil sales in Australian supermarkets in value terms and 55% in volume terms in 2020, and refined olive oil blends accounting for 27% of total olive oil sales by value and 31% by volume, there is an opportunity to continue to replace imported extra virgin olive oil and imported refined olive oil blends.<sup>11</sup>

Section 3.1

Sections 2.1.3, 2.1.7, 2.2.3 and 2.3.2

Sections 2.1.7, 2.2.3 and 2.3.2

- 6. International Olive Council, https://www.internationaloliveoil.org/wp-content/uploads/2020/12/HO-W901-23-11-2020-C.pdf accessed April/May 2021.
- 7. Kantar Colmar Brunton, "Project Pimiento Full Report", 2019.
- 8. IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021.
- 9. IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021.
- 10. Roy Morgan, https://www.roymorgan.com/findings/8701-australian-made-country-of-origin-may-2021-202105100230, accessed May 2021.
- 11. IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021.

## Investment overview | Continued

Topic

For more information

### What are the key trends affecting the industries which Cobram Estate Olives operates in? continued

### Sections 2.1.7, 2.2.3 and 2.3.2

#### **Conscious procurement**

Conscious procurement is growing in importance with consumers increasingly scrutinising product ingredients, seeking health, wellness, and ethical benefits. Consumers are increasingly willing to pay a premium for more local/sustainable sourcing. Rising concerns related to environmental sustainability may drive demand for plant-based products such as extra virgin olive oil. Australia is the world's third fastest-growing plant-based food market. <sup>12</sup>

#### Health and wellness awareness

The desire of consumers to prioritise health and wellness continues to strengthen. According to the Future of Healthy Food report, 89% of Australians want a healthier diet, with 53% of Australians willing to pay a premium for products that offer substantiated health and wellness benefits.<sup>13</sup> The consumption of extra virgin olive oil as the main source of healthy fat is central to a number of healthy eating regimes including the Mediterranean Diet.

This health and wellness awareness is driving a shift in consumer choice to "natural" foods over processed, with 59% of Australian consumers believing that natural products are better at meeting their nutritional needs<sup>14</sup>. Products marketed as natural, raw, and cold-pressed are perceived by many as being of higher quality, healthier and free of chemicals. Cold pressed extra virgin olive oil, made with minimal processing and delivering clean flavour and multiple health benefits, aligns well with this consumer requirement.

### What is the size of Cobram Estate Olives' addressable market?

The Australian market for olive oil is strong and growing, buoyed on by increasing consumer demand for healthy, locally grown foods and the emergence of a world-class local olive industry. Over the past 20 years, local olive oil production has grown from less than 1,000 tonnes in 2002 to a forecast of 19,600 tonnes (approximately 21.5 million litres) in 2021<sup>15</sup>, whilst total consumption of olive oil has grown from around 28,000 tonnes in 2002 to a projected 51,000 tonnes (approximately 55.9 million litres) in 2021.<sup>16</sup> Consumption of locally grown extra virgin olive oil has been the key driver of category growth, with Australian supermarket sales of Australian extra virgin olive oil growing by 37% from \$115.2 million per annum to \$157.4 million during the four-year period, 2017-2020.<sup>17</sup>

The USA is the world's largest importer of olive oil, accounting for an average of 36% of all global olive oil imports in the last six crop years. This market has demonstrated strong growth, increasing from imports of 100,000 tonnes in 1990 to 380,000 tonnes (approximately 416 million litres) in 2020. 19

Consumption of olive oil in the USA has been growing strongly, almost doubling in size since 2000 as a result of factors including increasing consumer education relating to the health benefits of olive oil and the increasing desire of consumers to eat healthier fats. In 2020 total consumption was estimated at 386,000 tonnes (approximately 423 million litres), representing a small decline on 2020 largely due to COVID-19 pandemic related restrictions limiting consumption in foodservice outlets including restaurants and cafes.

Sections 2.2 and 2.3

<sup>12.</sup> Davidson Branding, "The Future of Healthy Food", 2021.

<sup>13.</sup> Davidson Branding, "The Future of Healthy Food", 2021.

<sup>14.</sup> Davidson Branding, "The Future of Healthy Food", 2021.

<sup>15.</sup> Australian Olive Association, 2021.

 $<sup>16. \</sup> International \ Olive \ Council, \ https://www.internationaloliveoil.org/wp-content/uploads/2020/12/HO-W901-23-11-2020-C.pdf, \ accessed \ April< May 2021.$ 

<sup>17.</sup> IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021.

<sup>18.</sup> Olive Oil Times, https://www.oliveoiltimes.com/world/slight-decrease-olive-oil-consumption-in-2021/91366, accessed April/May 2021.

<sup>19.</sup> United States Olive Oil Imports, (www.indexmundi.com/agriculture), accessed April/May 2021.

Topic

Who does Cobram Estate Olives compete with?

Cobram Estate Olives competes with multiple parties in the olive oil market and in the broader market for olive products. These include:

olive oil suppliers and brands from traditional olive growing countries including Italy, Spain, and Greece;

olive oil suppliers, processors, and brands in Australia;

olive oil suppliers, processors, and brands in the USA;

other Australian olive growers for the supply of Australian olive oil to Australian customers;

suppliers of vegetable oils, other edible oils, and substitutes; and

other suppliers of olive health and wellness products.

### 1.3 Summary of Cobram Estate Olives' key strengths

Торіс	For more information
Premium, market leading consumer brands  Cobram Estate Olives' approach to the production of olive oil and other olive products is founded on quality, and this combined with their strong market share enable the Company to capture a price premium for the Company's products and has generated strong brand loyalty. The Company owns the Cobram Estate® extra virgin olive oil brand, the top-selling olive oil brand by value in Australian supermarkets in 2020, and the fastest growing mainstream olive oil brand in USA grocery stores for the 12-month period to April 2021. <sup>20</sup> Global sales for the Cobram Estate® brand totaled \$70.4 million in FY2020 and are forecast to reach \$80.3 million in FY2021.  The Company also owns the Red Island® extra virgin olive oil brand, the #2 selling brand of Australian grown extra virgin olive oil in Australian supermarkets in 2020, and #4 olive oil brand overall, with sales of \$23.8 million in FY2020. <sup>21</sup> Cobram Estate Olives has won 458 awards including 124 gold medals, 158 silver medals, and 137 bronze medals since 2003, making the Company's products some of the most awarded extra virgin olive oils in the world.	Sections 3.2.3.1, 3.3.3 and 3.3.4
Production scale in Australia  Cobram Estate Olives is Australia's number one producer of olive oil, with the Company's 2021 harvest projected to account for an estimated 71% of Australia's total olive oil crop. The Company's large-scale olive groves and olive mills are some of the largest in the world, enabling the Company to achieve efficiencies in olive growing, processing, and marketing. Given the nature and scale of the business, there is a substantial barrier to entry as it would be challenging to replicate Cobram Estate Olives scale of operations, requiring significant time and investment.	Section 3.2.3.2

Торіс	For more information
Vertically integrated business model	Section 3.2.3.3
Cobram Estate Olives operates a vertically integrated business model in Australia, extending through the entire supply chain, from nursery through to the retail sale of branded consumer goods, and provides a sufficiently strong supply position to support the growing sales of the Company's packaged goods. This model is unsurpassed in the Australian olive oil sector and provides the Company with several distinct advantages:	
<ul> <li>Quality control and feedback loop: Through the Company's proprietary Olive Management System (OMS), the Company can manage quality control with full traceability from grove to finished product. Additionally, Cobram Estate Olives uses consumer feedback and data from customers to guide varietal selection and future grove development, closing the loop between the styles of olive oil produced and the needs of customers.</li> </ul>	
• Harvest and processing coordination: operating both harvesting and processing functions, the Company can coordinate picking to ensure the olives are picked in optimum condition and cold pressed in the optimum time to maximise olive oil freshness and quality.	
• Supply/demand management: With control of both supply and demand, the Company can smooth out the fluctuations in annual olive crops to enable consistent, reliable supply to customers.	
• Tree to table story: Cobram Estate Olives' tree-to-table story is a compelling point of difference for consumers and customers, with wide marketing appeal.	
• <i>Margin capture:</i> Through participation at multiple points in the supply chain, Cobram Estate Olives can maximise margin capture and optimise return per litre of olive oil produced.	
<ul> <li>Value-adding of by-products: The Company has access to the by-products from olive oil production which, as part of its sustainable farming operations, can be used for revenue generation and the development of other olive products.</li> </ul>	
Proprietary Oliv.iQ® Integrated Olive Production System	Section 3.2.3.4
Oliv.iQ® is Cobram Estate Olives' proprietary, vertically integrated olive production system developed and used by the Company over the past 20 years under the supervision of Joint-CEO Leandro Ravetti. Oliv.iQ® is a proven integrated production system that combines the most modern technology with sound horticultural and scientific knowledge to customise the best solution for each unique olive growing environment.	
Cobram Estate Olives' Oliv.iQ® integrated olive system was developed with the aim of maximising returns and achieving these efficiently and sustainably, and has been proven to:	
• produce nearly nine times more olive oil per hectare than the global average;	
• deliver an average production cost 30% per litre below the world's weighted average; and	
produce some of the most decorated extra virgin olive oils in the world.	

Topic For more information

### Established position in the USA

The Company has been building its production and sales position in the USA market since 2014, and in addition to over 149,000 trees planted on 305 hectares of long-term leased and freehold properties, owns a nine-acre industrial property in Woodland, California USA, with offices, nursery operations, bottling operations, olive milling capacity of 40 tonnes of fruit per hour, 2.9 million litres of olive oil storage and warehouses covering approximately 5,000m<sup>2</sup>.

The Company's Cobram Estate® brand was the #10 ranked olive oil brand in the USA (with an estimated 1.6% of extra virgin olive oil sales) and was the fastest growing mainstream olive oil brand in USA supermarkets (with sales growth of 93%) over the 12-month period to April 2021. Significantly, Cobram Estate Olives was the #2 seller of 100% California extra virgin olive oil in USA supermarkets in the 12-month period to 18 April 2021.<sup>22</sup>

Maturity of olive groves Section 3.4.2

The Company continues to realise additional olive oil production to meet its increasing global sales with maturing olive orchards expected to produce growing yields as the trees approach maturity (approximately eight years and older). Currently 39% of the trees on the Company's Australian groves are not mature, and 100% of the trees on the Company's USA groves are not mature. In addition, the Company owns 5,423 hectares of freehold land near Gol Gol (near Mildura) in New South Wales with the potential to plant approximately 3,000 hectares of olive trees. The Company has completed due diligence and views this property as an ideal location to expand its Australian grove operations at the appropriate time.

### 1.4 Summary of key risks (see also Section 5)

Topic For more information

### Weather variability impacting crop yield

As a horticultural business, Cobram Estate Olives is affected by weather and climate issues. Variable weather conditions and severe weather events may cause fluctuations in market supply or lead to severe crop damage and crop yield volatility, which may negatively impact the Company's financial results. The nature of the potential impact on Cobram Estate Olives' results may vary by region, and by the weather condition or event.

The production of a commercial olive crop can be heavily dependent on the prevailing weather conditions during certain periods of the crop's life cycle. The crop is particularly vulnerable to weather impacts during flowering or harvest, when adverse weather conditions can have a detrimental effect on fruit set and oil accumulation respectively, reducing the yield of the olive crop.

In Cobram Estate Olives' groves, drought, frost, hail, flood, wind, extreme heat, bushfire, or any combination of these events can impact the health of the olive tree and the crop yield. The geographical dispersion of the Company's asset base, being groves in three locations in Australia, and three locations in USA, provides some mitigation against severe weather conditions or events.

In the future, weather and climate issues that could adversely impact the Company's operations may arise with greater frequency or may be less predictable due to the effects of climate change.

Section 5.1.1

Sections 3.4.3

and 3.3.2

Торіс	information
Fluctuations in reported profit or loss due to the biennial bearing nature of olive crops	Section 5.1.2
Olive crops, as with many agricultural crops, exhibit biennial bearing, whereby a lower yielding crop one year will be followed by a higher yielding crop in the next year. Due to the accounting standards applicable to horticultural producers including Cobram Estate Olives, the Company is required to value the olive crop in the year the crop is harvested, not when the produced olive oil is sold, and as such the reported annual accounting profit or loss results may exhibit material movements from year to year.	
Operationally, to mitigate the impact of potentially large variations in oil volumes between higher and lower yielding crop years, the Company manages the fluctuating olive crop yield by delivering to market average oil supply quantities over a 24-month period. Through a coordinated supply chain effort, the Company extends the supply period of higher yielding crop years across 14-16 months whilst reducing the supply period for the lower yielding crop years to 8-10 months.	
Water – Availability and Cost	Sections 5.1.3
Water is a key input to the production of olives and the maintenance of olive trees. Cobram Estate Olives currently uses approximately 35.8 gigalitres of water per annum in Australia and approximately one gigalitre of water per annum in California. While the Company has always been able to source sufficient water to meet its irrigation requirements, at times the price paid for water in Australia has been volatile	and 3.7
There is a risk that factors such as rainfall, storage levels, weather outlook, and water market volatility may result in the Company either not being able to source enough water, or incurring water related costs that materially affect the Company's financial performance.	
During periods of prolonged drought where the price of water may be high relative to other years, the impact on Cobram Estate Olives when compared to the majority of other irrigators which need to purchase water may be less due to the efficiency of the Company's production, the supply position, and the strength of the consumer brands.	
Pests and Disease	Section 5.1.4
Pests and diseases can have a detrimental effect on the quality and/or yield of the olive tree and crop. As a primary producer, Cobram Estate Olives is susceptible to disease risk, including pest infestation. Whilst the Company's groves are geographically spread out over three locations in Australia and three locations in the USA, if one of the Company's groves are affected by pests or diseases then the Company may be unable to realise any or all potential yield from those groves. Such a loss could have a material impact on the operations and financial performance and prospects of Cobram Estate Olives.	
The five pests and diseases which the Company considers to pose the greatest risk to olive groves generally are, in no particular order: Verticillium wilt, olive knot, Xylella, olive moth and olive fly. To the Company's knowledge, Xylella, olive fly and olive moth are not currently present in Australia. Currently, the Company maintains a wide range of olive varieties with varying levels of resistance to various relevant pests and diseases which helps to ameliorate any potential horticultural risk. Furthermore, the Company follows a comprehensive Integrated Pests and Diseases Management Program (IPDM) based on ongoing monitoring of pests, diseases, damage, and natural enemies. From observations and action thresholds of the IPDM, management may utilise selective pesticides targeted at a pest or disease, chosen from a wide range of pesticide and non-pesticide options.	
The USA olive groves are subject to identical management practices as for the Australian groves and are exposed to a similar level of risk with the only exception that the presence of olive fly has been documented in California, while it has never been identified in Australia.	

Topic Section 5.1.5 Customer concentration – reliance on two large customers While the Company sells its products to a range of customers globally, sales to the Company's two largest customers, being supermarket operators Woolworths Limited and Coles Group Limited, accounted for 52% of the Company's sales in FY2020 and are forecast to account for 55% of the Company's sales in FY2021. The Company trades with these customers on customary trade terms and there are no forward-looking contracts with either customer which guarantees any volume of sales in the future. While these arrangements are customary for the industry in which the Company operates, they present a risk that the Company's major customers may elect to reduce or cease their purchases of the Company's products. Any material reduction of sales to the Company's two major customers will have a material adverse effect on the Company's revenue and profitability. Section 5.1.6 Brand and reputation Cobram Estate Olives' product is sold under a number of brands which are owned by Cobram Estate Olives, as well as through Private Label and Bulk sales channels. Those brands and their image, as well as Cobram Estate Olives' reputation as a grower, are key assets of the Company. The reputation and value associated with Cobram Estate Olives' brands could be impacted by a number of factors, including quality issues associated with Cobram Estate Olives' product (or the market categories of product in which Cobram Estate Olives' brands are prominent), product recall, product contamination or other public health issues, disputes or litigation with third parties such as partnership or joint venture partners, distributors, employees or third party growers, or adverse media coverage, whether as a result of Cobram Estate Olives' conduct or by the conduct of third parties. Should Cobram Estate Olives' brands or their image be damaged in any way or lose their market appeal, this may have a material adverse impact on the financial performance, reputation, or prospects of Cobram Estate Olives. Section 5.1.7 Loss of product in storage From time to time the Company will have material volumes of olive oil stored at various locations awaiting further processing or onward distribution. During this stage there is a risk of loss of such product caused by fire, engineering failure, or sabotage to or involving the storage vessel(s) or facilities. The Company has procedures in place to enact in the case of a storage tank failure and seeks to maintain appropriately secure facilities to reduce the risk of loss in this circumstance. Reliance on third-party suppliers of olive fruit in the USA Section 5.1.8 In the Company's USA operations, to secure the Company's supply of Californian extra virgin olive oil, Cobram Estate Olives is dependent upon the supply of olive fruit from over 20 contracted growers, with contract terms ranging from one to four years. These growers accounted for approximately 99% of the Company's Californian extra virgin olive oil supply in FY2020. Whilst the Company has contracts in place, this reliance on external fruit supply may impact the Company's ability to supply products to key customers and may limit the Company's ability to grow its USA business. The progressive development of the Company's own groves in the USA will, over time, reduce but not eliminate the Company's supply risk for Californian extra virgin olive oil. In Australia, due to the volume of olive oil produced from the Company's own olive groves, there is no material exposure to the performance of third-party suppliers of olive fruit.

Торіс	For more information
General regulatory factors  Cobram Estate Olives is required to comply with a range of laws and regulations. Regulatory areas which are of particular significance to Cobram Estate Olives include food standards, labelling and packaging, fair trading and consumer protection, employment, property, and the environment (including water), quarantine, customs and tariffs, foreign investment, taxation, and climate change. The introduction of any new laws or changes to existing laws, codes (or government policies), such as changes to food standards, food labelling or climate change regulations, could result in increased costs being incurred by Cobram Estate Olives and therefore have a material adverse impact on the financial performance and prospects of Cobram Estate Olives.	Section 5.1.9
Ability to retain and attract key personnel  Cobram Estate Olives' performance is dependent to a large extent on the efforts and abilities of the Joint-Chief Executive Officers and other members of the senior management team. While each of these executives is party to an employment contract, under the terms of the employment contract each individual is permitted to terminate the contract by giving a specified period of written notice. The loss of one or more of the Joint-Chief Executive Officers or other members of the senior management team may have a material adverse impact on the operating and financial performance of Cobram Estate Olives.	Section 5.1.12
Cobram Estate Olives' operations and financial performance is also dependent upon its ability to hire additional key personnel as necessary to meet its management, administration, and other needs, including additional suitably qualified workers during the harvest period. While every effort is made to retain key employees and to recruit new personnel as the need arises, the loss of a number of key personnel or inability to attract additional personnel, especially during the harvest period, may have an adverse impact on the operating and financial performance of Cobram Estate Olives.	
Other Key Risks  The above risks are a summary of some of the key risks associated with an investment in Cobram Estate Olives, but not an exhaustive list of all the key risks that may affect the Company or that may be associated with an investment in the Shares. Other key risks are included in Section 5, and investors should review all of these carefully before making an investment decision.	Section 5

### 1.5 Summary of key financial information

Topic

For more information

What is Cobram Estate Olives' pro forma historical and forecast financial performance?

Sections 4.3.1, 4.5 and 4.6.1

**Pro Forma and Statutory Income Statements** 

	Pro Forma Historical		Pro Forma Forecast	Statutory
A\$ Millions	FY2019	FY2020	FY2021F	FY2021F
Sales revenue	112.3	140.7	145.1	145.1
Other revenue	3.8	2.2	3.0	3.0
Net change in fair value of agricultural produce	35.7	(11.1)	63.5	63.5
Revenue	151.7	131.8	211.6	211.6
Expenses	(121.2)	(153.0)	(143.1)	(143.1)
EBITDA	30.5	(21.2)	68.5	68.5
Profit before tax	14.0	(41.8)	48.0	48.0
NPAT	6.9	(33.8)	33.6	33.6

### Topic

For more information

What is Cobram Estate Olives' pro forma historical and forecast financial performance? continued Pro Forma and Statutory Historical & Forecast Cash Flows Sections 4.3.1, 4.5 and 4.6.1

	Pro Forma	Historical	Pro Forma Forecast	Statutory
A\$ Millions	FY2019	FY2020	FY2021F	FY2021F
EBITDA	30.5	(21.2)	68.5	68.5
Cash generated from operations	4.1	12.2	18.8	18.8

### Statutory and Pro Forma Historical Statement of Financial Position

A\$ Millions	Statutory 31 Dec 2020	Related party loans	Employee Gift Offer	Cost of the offer	Pro Forma 31 Dec 2020
Assets	370.0	12.4	0.0	0.0	382.4
Liabilities	233.9	0.0	0.0	1.1	235.1
Net assets	136.0	12.4	0.0	(1.1)	147.3
Equity	136.0	12.4	0.0	(1.1)	147.3

### Topic What is the underlying EBITA of the Cobram Estate Olives' Australian olive oil business? Section 4.8 Olive trees naturally bear fruit in biennial cycles, with a higher yielding crop one year followed by a lower yielding crop the next. As a result, whilst the Company complies with the accounting standards and reports as required, the performance of the business is best assessed using two-year Average EBITDA results. Management believes that the two-year Average EBITDA for the core Australian olive oil business is the most reliable way to assess business performance. The two-year rolling Average EBITDA for the core Australian business (normalised for long-term Temporary Water procurement costs) is forecast to be \$42.4 million in FY2021 (average of FY2020 and FY2021), summarised in Figure 1.1. Figure 1.1: Two-year rolling Average EBITDA for the Australian business (average of FY2020 and FY2021) (source: Cobram Estate Olives) 20.0 80.0 15.0 60.0 ('m Litres) 10.0

40.0 £

20.0

FY2021F

FY20/21 Avg

### 1.6 Directors and Management

FY18/19 Avg

■ Olive oil production ■ EBITDA (Australian Olive Oil Business – with long term water cost) Two-year rolling average EBITDA (Australian Olive Oil Business – with long term water cost) Linear (Two-year average EBITDA (Australian Olive Oil Business - with long term water cost))

FY2019

FY19/20 Avg

5.0

FY17/18 Avg

Topic	For more information
Who are Cobram Estate Olives' Directors?	Section 6.1
Rob McGavin, Non-Executive Chair	
Paul Riordan, Non-Executive Director	
Tim Jonas, Non-Executive Director	
Craig Ball, Non-Executive Director	
Joanna McMillan, Non-Executive Director	
Jonathan West, Non-Executive Director	
Sam Beaton, Joint-Chief Executive Officer	
Leandro Ravetti, Joint-Chief Executive Officer	

Торіс	For more information
Who are Cobram Estate Olives' key management personnel?	Section 6.2
Sam Beaton, Joint-Chief Executive Officer	
Leandro Ravetti, Joint-Chief Executive Officer	
Russell Dmytrenko, Chief Financial Officer (Australian operations) and Company Secretary	
Michael Gonzalez, Chief Financial Officer (USA operations)	
What corporate governance policies does the Company have in place?	Section 6.4
A summary of the corporate governance policies and charters adopted by the Company is set out in Section 6.4.	

### 1.7 Significant interests of key people and related party transactions

Торіс	For more information

### Who are the significant Existing Shareholders and what will their interest in the Company be following Completion?

Shareholdings of Existing Shareholders on the Prospectus Date and immediately following Completion of the Employee Gift Offer are set out in the table below.

	Prospectus Date		Completion (assuming full uptak of the Employee Gift Offer)	
Holder <sup>1</sup>	Securities	%	Securities	%
Rob McGavin	72,044,376	18.6%	72,044,376	18.6%
Paul Riordan	18,654,708	4.8%	18,654,708	4.8%
Directors (excluding Shares held by the founders, Rob McGavin and Paul Riordan)	33,852,708	8.7%	33,852,708	8.7%
Other Existing Shareholders	262,820,802	67.9%	262,822,302	67.9%

Section 7.5

 $<sup>1. \ \ \, \</sup>text{Existing Shareholders may hold their interests in those securities directly, or through entities associated with them}$ (e.g. through holdings by companies or trusts).

#### Topic What significant benefits and interests are payable to Directors and other persons connected with Section 6.3 Cobram Estate Olives or the Employee Gift Offer and what significant interests do they hold? Directors and senior management are entitled to remuneration and fees as disclosed in Section 6.3, and are entitled to participate in the incentive arrangements described in Section 6.3.7.2. Advisers and other service providers are entitled to fees for services and have other interests as disclosed in Section 6.3.8. The number of Shares held by Directors as at the Prospectus Date and the number which will be held on Completion is set out in the following table: Shares held immediately prior to Completion Shares held on Completion % %<sup>2</sup> Shareholder1 Number<sup>2</sup> Number Rob McGavin 72,044,376 18.6% 72,044,376 18.6% Paul Riordan 18,654,708 4.8% 18,654,708 4.8% Tim Jonas 5,624,988 1.5% 5,624,988 1.5% Craig Ball 3,851,226 1.0% 3,851,226 1.0% Joanna McMillan 0.0% 0.0% 31,860 31,860 Jonathan West 5,472,000 5,472,000 1.4% 1.4% Sam Beaton 8,524,050 2.2% 8,524,050 2.2% Leandro Ravetti 10,348,584 10,348,584 2.7% 2.7% Russell Dmytrenko 0 0.0% 500 0.0% Michael Gonzalez $\cap$ 0.0% 500 0.0% **TOTAL** 124,551,792 32.2% 124,552,792 32.2% Directors and management may hold their interests in those securities directly, or through entities associated with them (e.g. through holdings by companies or trusts). These percentages are calculated on the basis that all 65,000 Shares which may be issued under the Employee Gift Offer are issued. Please refer to Section 6.5 for details of the options held by Directors. Will any Shares be subject to restrictions on disposal following Completion? Section 7.8 Shares issued under the Employee Gift Offer may not be sold, transferred, or otherwise disposed of for a minimum period of three years, unless the holder ceases to be employed by Cobram Estate Olives or the dealing is required by law (in which case the Shares will be released). Section 6.5 Are there any other related party transactions? Unsecured loans have been provided by the Company to entities controlled by each of Sam Beaton and Leandro Ravetti (who are both Executive Directors of the Company), for amounts of \$4.0 million and \$6.4 million, respectively, and to Tim Smith (a current employee and former Executive Director of the Company). Other than as disclosed in this Prospectus, Cobram Estate Olives is not party to any material related-party arrangements.

### 1.8 Overview of the Employee Gift Offer

Торіс				For more information
Who is the issuer of this F Cobram Estate Olives Limit	Section 3			
What is the Employee Giff This Prospectus relates to a Company to acquire, at no The New Shares to be issue of the Shares on issue at Co The Employee Gift Offer is	Section 7.1			
Why is the Employee Gift The purpose of the Employ • provide the Eligible Gift equity interest, in the Co • facilitate the Company's This Prospectus is also issues trading restrictions on the so Offer or otherwise issued by	Section 7.2			
What is the consideration The New Shares to be issue for nil consideration.	Section 7.1			
What is the expected effe	ct of the Employee Gift	Offer on the Company's ca	pital structure?	Section 7.5
Capital structure a	Prospectus Date	Capital structure at Co (assuming full uptake of t		
Shares	Options	Shares	Options	
387,372,594	20,451,534	387,437,594	20,451,534	
Is the Employee Gift Offer No, the Employee Gift Offer	Section 7.8			
Who is eligible to participate in the Employee Gift Offer?  Only Eligible Gift Employees are eligible to participate in the Employee Gift Offer.				Section 7.1
What are the terms of the Shares offered under the Employee Gift Offer?  All Shares issued pursuant to this Prospectus will, from the time they are issued, rank equally with all Existing Shares. A summary of the rights attaching to the Shares is set out in Section 9.5.  A summary of the material rights and liabilities attaching to the Shares offered under the Employee Gift Offer is set out in Section 9.5.				Section 9.5
Is there any brokerage, commission, or stamp duty payable by Applicants?  No brokerage, commission or stamp duty is payable by Applicants on Shares acquired under the Employee Gift Offer.				Section 7.8

Торіс	For more information
What are the tax implications of making an investment?  Shareholders may be subject to Australian income tax or withholding tax on any future dividends paid.  The tax consequences of any investment in Shares will depend upon an investor's particular circumstances.  Applicants should obtain their own tax advice before deciding whether to invest.	Section 9.7
How can Shares be applied for?  Eligible Gift Employees may apply for Shares by following the instructions in their personalised invitation in respect of the Employee Gift Offer, which includes a requirement to complete an Application Form attached to or accompanying this Prospectus.	Section 7.8
Can the Employee Gift Offer be withdrawn?  The Company reserves the right not to proceed with the Employee Gift Offer at any time before the issue of Shares to successful Applicants.	Section 7.8
When can Shares acquired pursuant to the Employee Gift Offer be sold on ASX?  It is expected that the despatch of the holding statements in respect of Shares issued under the Employee Gift Offer will occur on 2 August 2021.  Eligible Gift Employees may not sell, transfer, or otherwise dispose of any Shares acquired under the Employee Gift Offer for a minimum period of three years, unless the Eligible Gift Employee ceases to be employed by Cobram Estate Olives or the dealing is required by law (in which case the Shares will be released).	Section 7.8
The Company will implement necessary arrangements to give effect to this restriction. By applying for Shares under the Employee Gift Offer, Eligible Gift Employees will be agreeing to the imposition of any restriction, including a holding lock, on a sale, transfer, or disposal of those Shares.  It is the responsibility of each Applicant to confirm their holding before trading in Shares.	
Where can Eligible Gift Employees find more information about this Prospectus or the Employee Gift Offer?	
Eligible Gift Employees should direct all enquiries to the contact listed in their personalised invitation received in respect of the Employee Gift Offer.	



# 2. Industry overview

### 2.1 Global olive oil market overview

### 2.1.1 What is olive oil?

Olive oil is the broad term used to describe the oil extracted from the fruit of an olive tree.

There are various grades of olive oil, each of which possess distinct flavours and health benefits and vary in their suitability for use in applications including cooking, cosmetics, and pharmaceuticals.

Extra virgin olive oil is the highest quality grade of olive oil. It is simply the fresh, natural juice extracted from the olive fruit and is made with minimal processing, which preserves both its nutritional benefits and complex flavours. Only following stringent taste and laboratory testing can olive oil be classified as extra virgin. Most of the olive oil produced by Cobram Estate Olives is extra virgin olive oil.

Refined olive oils are made by refining (further processing) lower quality olive oils. The refining process involves the use of heat and in some instances, chemicals, and results in the removal of flavour and antioxidants. In Australia, products labelled simply as "olive oil" primarily consist of refined olive oil. A summary of olive oil grades is included in Figure 2.1.

Figure 2.1: Grades of olive oil (source: Australian Olive Association, AS 5264-2011 Olive oils and olive-pomace oils)

### **Natural Olive Oils**

### Extra Virgin Olive Oil

- Natural juice of the olive fruit
- Highest grade of olive oil
- High in natural antioxidants and polyphenols
- Trans fat free

### Virgin Olive Oil

- Lower grade than EVOO
- Moderately high in natural antioxidants
- Lower quality and less flavour than EVOO

### Lampante Olive Oil

- Not fit for consumption without further processing
- Only intended for refining or technical use

### Refined Olive Oils and blends

### **Refined Olive Oil**

- Obtained from natural olive oils and then refined
- Low in natural antioxidants
- May contain trans fats

### Olive Oil

- Composed of refined olive oil and EVOO or VOO
- Typically contains 5-15% of EVOO and/or VOO

### Extra Light & Pure Olive Oil

- Paler colour
- Similar to 00 but with a lower % of VOO or EVOO
- Low in flavour and antioxidants (not in calories)

### Pomace (waste) Olive Oil

### **Crude Olive-Pomace Oil**

- Obtained from treating olive pomace with solvents and heat
- For refining or technica use only

### Refined Olive-Pomace Oil

- Oil produced from refining crude olive-pomace oil
- High in trans fats
- No natural antioxidants

### Olive-Pomace Oil

 Blend of refined olive-pomace oil and EVOO or VOO

EV00 = Extra Virgin Olive Oil

VOO = Virgin Olive Oil

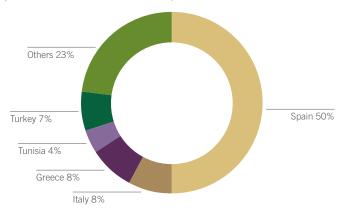
00 = 0live 0il

### 2.1.2 Olive oil production

The main olive oil producing countries are Spain, Italy, Greece, Tunisia, and Turkey. In recent times, the olive tree has spread outside the Mediterranean and is now grown and harvested in many countries including Argentina, Australia, Chile, South Africa, Peru, USA, Japan, and China.

The International Olive Council (IOC) is the main agency reporting on the olive industry globally. According to the IOC, global olive oil production in the 2020/2021 season is forecast to reach 3,105,000 tonnes (approximately 3.4 billion litres), with European Union production increasing 1% and non-European Union production falling 2% versus the five-year average. The decline in non-European Union production primarily relates to the smaller crop forecast for Tunisia versus the prior year. Spain is forecast to remain the world's largest producer of olive oil, a position it has retained for more than 20 years, accounting for an estimated 50% of total global production as highlighted in Figure 2.2.<sup>23</sup>

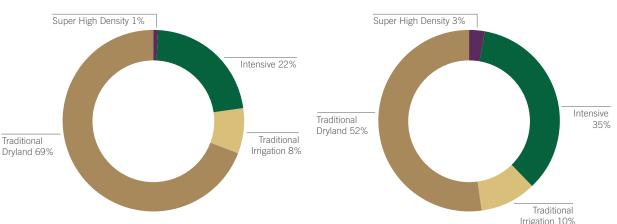
Figure 2.2: Share of forecast olive oil production by country – 2020/2021 season (source: International Olive Council, Costo-espanol de plantacion, Olivcultura International Precios)



The cultivation of olive trees and the production of olive oil is generally undertaken using traditional growing methods (dryland or irrigated). Traditional methods are typically undertaken on small scale farms using little to no automation of harvesting, with the resultant fruit supplied to cooperative olive mills for crushing. In Spain, the average olive grove is only four hectares (92% of Spanish olive groves are less than ten hectares) and contain 80–120 trees per hectare.<sup>24</sup> It is estimated that traditional growing methods account for around 77% of the total area planted to olives globally yet only 62% of total olive oil production.<sup>25</sup>



## Share of production by growing method (source: International Olive Council, Costo-espanol de plantacion, Olivcultura International Precios)

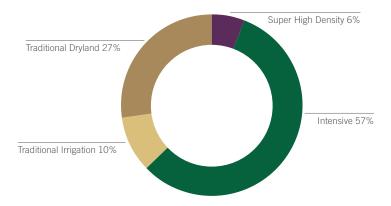


- 23. European Commission, https://ec.europa.eu/info/sites/default/files/food-farming-fisheries/plants\_and\_plant\_products/documents/market-situation-olive-oil-table-olives\_en.pdf, accessed April 2021.
- 24. European Journal of Geography Volume 6 Number 3, 16-29, "The Olive Monoculture in the South of Spain", September 2015.
- 25. Costo-espanol de plantacion, 2010, Olivcultura International Precios, 2019, International Olive Council International Olive Oil Production Costs Study, 2015.

## 2 Industry overview | Continued

Since 2009, the use of technology has resulted in an increase in the adoption of modern olive production methods involving irrigation, larger scale farms, and denser tree planting. These operations, referred to as super high density and intensive, now account for an estimated 23% of total area planted to olives, yet produce an estimated 63% of the world's total quantity of extra virgin olive oil. <sup>26</sup> The growth in intensive olive production systems, as pioneered in Australia by company's including Cobram Estate Olives, has been driven by the objective to increase productivity, quality, and profitability, allowing growers in new production areas to compete against traditional producers and to satisfy the growing demand for higher quality extra virgin olive oil.

**Figure 2.4: Share of global extra virgin olive oil production by production method** (source: International Olive Council, Costo-espanol de plantacion, Olivcultura International Precios)

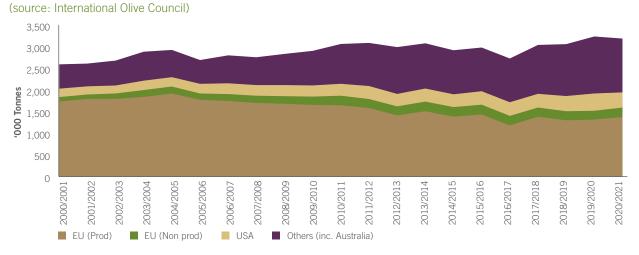


### 2.1.3 Olive oil consumption

The IOC is forecasting global consumption of olive oil (all grades) to reach 3,185,500 tonnes (approximately 3.5 billion litres) in the 2020/2021 crop year. The European Union remains the largest consumer of olive oil, having accounted for almost half of global consumption in 2019/2020. Other major consumers include the USA and Turkey, representing 11% and 5% of total consumption, respectively.<sup>27</sup>

As Figure 2.5 illustrates, over the past ten years there has been a shift in global consumption with a decline in total olive oil consumption by European Union countries, and growth in consumption in the USA and other non-European Union countries.

Figure 2.5: Changes in global consumption of olive oil by country – 2000/2001-2020/2021



<sup>26.</sup> Costo-espanol de plantacion 2010, Olivcultura International Precios, 2019, International Olive Council – International Olive Oil Production Costs Study, 2015. 27. International Olive Council, https://www.internationaloliveoil.org/wp-content/uploads/2020/12/HO-W901-23-11-2020-C.pdf, accessed April/May 2021.

Olive oil consumption per capita is highest in Greece (11.5kg per capita), Spain (10.6kg per capita), and Italy (7.5kg per capita). Outside of the European Union, Albania (4.7kg per capita), Morocco (4.1kg per capita) and Syria (4.4kg per capita) are the highest consumers per capita. Australians currently consume an estimated 2.1kg per capita, and the USA 1.1kg per capita.

### 2.1.4 Olive oil shelf life

Olive oil has a relatively long shelf life, and this allows for the orderly sale of stock over one to two growing seasons. However, unlike wine, olive oil does not improve with age. Over time olive oil, like any other cooking oil, will oxidise, eventually leading to the product becoming rancid. As a result, olive oil cannot be stored for extended periods and global stock levels are continuously being depleted and replenished.

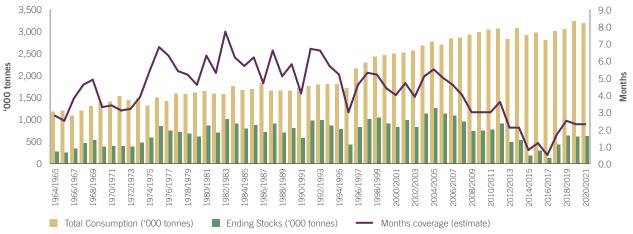
There are many factors that can influence the shelf life of olive oil, including but not limited to the freshness of the fruit at the time of pressing, the chemical make-up of the individual oil, the grade, the antioxidant content, storage conditions (olive oil is best stored in a dark place away from light and heat), type of packaging, transit time to store, rotation speed in store, and time since opening a bottle or tin. Exposure to light, heat, and oxygen will accelerate the process of oxidation.

The shelf life of olive oil can be estimated by laboratory analysis. In Australia, the shelf life applied to an olive oil product is regulated under the voluntary Australian Standard for Olive Oils and Olive Pomace Oils, AS 5264-2011.

### 2.1.5 Global olive oil stock position

Since 1996/1997, the growing demand for olive oil has resulted in the decline of global stocks of olive oil. As Figure 2.6 outlines, since 2012/13 annual closing stock levels have on average fallen to less than three months' worth of supply as growth in global demand for olive oil has outpaced growth in global supply.

Figure 2.6: Global olive oil consumption versus global stock levels and monthly coverage from 1964/1965 to 2020/21 (source: International Olive Council, United States Department of Agriculture, Ismea)



### 2.1.6 Health benefits of extra virgin olive oil

Numerous studies over the last few decades, including both epidemiological and interventions, have confirmed the positive effect of extra virgin olive oil on human health. Dr. Mary Flynn from Brown University, USA, states "Published studies show that no other food comes close to extra virgin olive oil for the prevention and treatment of chronic disease".<sup>29</sup>

Initial interest in olive oil emerged after observations of the cardioprotective effects of the Mediterranean Diet were first recognised more than 60 years ago. This dietary pattern is now considered to be one of the healthiest in the world and associated with a

<sup>28.</sup> International Olive Council, https://www.internationaloliveoil.org/wp-content/uploads/2021/02/NEWSLETTER\_IOC-160\_EN.pdf, accessed April/May 2021. 29. Flynn, Dr. Mary, 2015.

# 2 Industry overview | Continued

reduction in most diet-related chronic diseases including cardiovascular disease and type 2 diabetes.<sup>30</sup> There are many factors that contribute to the healthfulness of this diet, but research has identified that the daily use of extra virgin olive oil as the main culinary fat is key.

A growing number of studies have demonstrated that extra virgin olive oil has specific health benefits, particularly for preventing cardiovascular diseases, breast cancer and type 2 diabetes.<sup>31</sup> It has been shown to lower blood pressure<sup>32</sup>, reduce inflammation<sup>33</sup>, have positive effects on the gut microbiome<sup>34</sup>, may reduce the risk of colon cancer and assist with weight control, lowering the risk of obesity<sup>35</sup> and been shown to have neuroprotective qualities reducing the risk of cognitive decline and brain diseases including Parkinson's.<sup>36</sup>

Extra virgin olive oil has several attributes that explain its health benefits. The principal fat is oleic acid, a monounsaturated fat recognised as reducing the risk of heart disease when consumed in place of saturated fats. This evidence is strong enough for the USA Food and Drug Administration (FDA) to support a qualified health claim for consuming about 1.5 tablespoons of high oleic oil daily.

Secondly, extra virgin olive oil is unique amongst common cooking oils for being rich in phytochemicals including more than 30 polyphenols with anti-inflammatory, anti-thrombotic and antioxidant activities; squalene shown to have anti-tumour actions in the colon and skin; plant sterols with several potential benefits including lowering LDL-cholesterol, and vitamin E, the main fat-soluble antioxidant in the body.<sup>37</sup>

Using extra virgin olive oil for cooking, dressings, and other culinary uses also encourages the consumption of more plant foods, especially vegetables and this is itself associated with a longer, healthier life. Furthermore, the oil improves the absorption of the phytochemicals (such as antioxidants) from those foods, providing a double benefit.

### 2.1.7 Consumer trends in the extra virgin olive oil market

### Buying locally grown and owned products

Consumers are showing more interest in the origin of products and associating provenance to food safety and quality. As a result, consumers are moving towards, and paying more for, products that are 'natural', have a strong back-story about a place or craft production method, and have a strong geographic connection and identity. Today's consumers feel positive about companies that are transparent about how their products are made and grown and are showing an increasing desire to consume locally grown products.

In Australia, 93% of Australians are more likely to buy a product that is 'made in Australia', surging by six percentage points during the COVID-19 pandemic affected 2020.<sup>38</sup> Sales of locally grown Australian extra virgin olive oils have grown to account for 56% of extra virgin olive oil sales in Australian supermarkets in 2020.<sup>39</sup>

### Health and wellness awareness

The desire of consumers to prioritise health and wellness continues to strengthen. According to the Future of Healthy Food report, 89% of Australians are seeking a healthier diet, with 53% of Australians willing to pay a premium for products that offer substantiated health and wellness benefits.<sup>40</sup> The consumption of extra virgin olive oil as the main source of healthy fat is central to a number of healthy eating regimes including the Mediterranean Diet. The Mediterranean Diet is a nutritional

- 30. Tosti, V et al. Health Benefits of the Mediterranean Diet: Metabolic and Molecular Mechanisms. J Gerontol A Biol Sci Med Sci. 2018;73(3):318-326.
- 31. Foscolou, A et al. Olive oil consumption and human health: A narrative review. Maturitas. 2018;118:60-66.
- 32. Sarapis, K et al. The Effect of High Polyphenol Extra Virgin Olive Oil on Blood Pressure and Arterial Stiffness in Healthy Australian Adults: A Randomized, Controlled, Cross-Over Study. Nutrients. 2020; 12(8):2272.
- 33. Fernandes, J et al. Is olive oil good for you? A systematic review and meta-analysis on anti-inflammatory benefits from regular dietary intake. Nutrition. 2020;69:110559.
- 34. Gavahian, M et al. Health benefits of olive oil and its components: Impacts on gut microbiota antioxidant activities, and prevention of noncommunicable diseases. Trends in Food Science & Technology 2019; 88:220-227.
- 35. Gaforio, José J et al. Virgin Olive Oil and Health: Summary of the III International Conference on Virgin Olive Oil and Health Consensus Report, JAEN (Spain) 2018. *Nutrients* 2019;11(9):2039.
- 36. Salis, C et al. Olive Oil Polyphenols in Neurodegenerative Pathologies. Adv Exp Med Biol. 2020;1195:77-91.
- 37. Allouche, Y et al. How Heating Affects Extra Virgin Olive Oil Quality Indexes and Chemical Composition. J. Agric. Food Chem. 2007;55:9646–9654.
- $38. \ https://www.roymorgan.com/findings/8701-australian-made-country-of-origin-may-2021-202105100230.$
- 39. IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021.
- 40. Davidson Branding, "The Future of Healthy Food", 2021.

recommendation based on the traditional dietary patterns of Southern Europe, characterised by the high consumption of extra virgin olive oil, legumes, unrefined cereals, fruits, and vegetables; moderate to high consumption of fish and dairy products; and low consumption of non-fish meat.

This awareness is driving a shift in consumer choices to "natural" foods over processed, with 59% of Australian consumers believing that natural products are better at meeting their nutritional needs.<sup>41</sup> Products marketed as natural, raw, and cold-pressed are perceived by many as being of higher quality, healthier and free of chemicals. Cold-pressed extra virgin olive oil, made with minimal processing, delivers fresh flavours, numerous health benefits, and aligns well with changing consumer requirements.

#### **Conscious procurement**

Consumers are increasingly becoming more conscious of how products are procured, whilst also scrutinising product ingredients, as they seek both health, wellness, and ethical benefits. Consumers are increasingly willing to pay a premium for more ethical and sustainable sourcing. Rising concerns related to environmental sustainability are projected to drive demand for plant-based products potentially including extra virgin olive oil. Australia is the world's third fastest-growing plant-based food market.<sup>42</sup>

# 2.2 Australian olive oil industry overview

The Australian market for olive oil is strong and growing, buoyed by increasing consumer demand for healthy, locally grown foods and the emergence of a world-class local olive industry. Consumption of locally grown extra virgin olive oil has been the key driver of category growth, with Australian supermarket sales of Australian extra virgin olive oil growing by 37% from \$115.2 million per annum to \$157.4 million during the four-year period, 2017-2020.

#### 2.2.1 Australian olive industry overview

There are an estimated 900 olive producers across Australia. Production is highly concentrated with 1% of Australia's largest growers (those with more than 100 hectares) producing approximately 90% of the country's olive oil crop. Further, it is estimated that 90% of Australian olive growers have less than 10 hectares, and the next 9% of growers having between 10 and 100 hectares.

Australian growers are represented by the Australian Olive Association (AOA), the national representative body since 1995. The AOA Board of Directors are elected by their State associations and the large enterprise growers to discuss current issues and future strategies to ensure the industry's continued prosperity, growth, and sustainability.



- 41. Davidson Branding, "The Future of Healthy Food", 2021.
- 42. Davidson Branding, "The Future of Healthy Food", 2021.
- 43. IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2017-2020, accessed April/May 2021.
- 44. Olive Oil Sensory Science, Australia New Zealand, 2014.

# 2 Industry overview | Continued

The AOA implements an ongoing consumer awareness program to promote the benefits of Australian extra virgin olive oil to consumers. Each October, the AOA holds the National Olive Industry Conference and Trade Exhibition, which brings together national and international experts to discuss the latest in technology and research, and to celebrate the season's success at their Gala Awards presentation dinner, when the best oils and olives of the season are recognised.

The AOA is responsible for setting and maintaining quality standards for Australian grown olive oil products under a voluntary Olive Industry Code of Practice. The AOA Code of Practice guarantees the authenticity and quality of certified products and distinguishes them from uncertified products. To be certified, products must have undergone strict taste and chemical testing, and comply with the voluntary Australian Standard for Olive Oils and Olive-Pomace Oils AS 5264-2011.

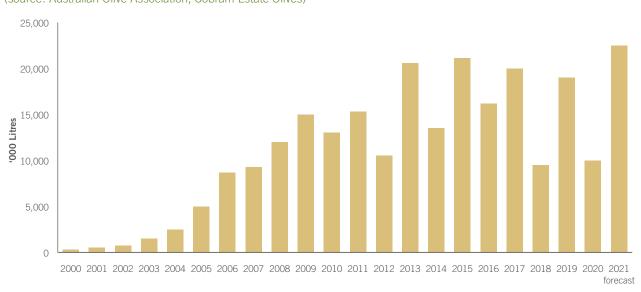
The industry also has an ongoing R&D program in place under the administration of Hort Innovation, utilising funds collected via an industry levy and matched government funds.

## 2.2.2 Australian olive oil production

Australia now produces some of the world's finest olive oils, primarily due to favourable growing conditions, the absence of many of the traditional pests and diseases that affect olives and olive trees, and the adoption of industry-leading horticultural practices. Australian olive oil production, the majority of which is extra virgin grade, has climbed substantially over the last 20 years, growing from less than one million litres in 2002 to an estimated 22.5 million litres in 2021. At 22.5 million litres, Australia's forecast 2021 production equates to 40% of Australia's forecast total olive oil consumption in 2021, or 54% of total Australian supermarket sales of olive oil (volume) in 2020.

As illustrated in Figure 2.7, since 2011 Australia's annual olive oil production has varied significantly from season to season, with olive trees displaying biennial production patterns noticed in many horticultural crops. Prior to 2011, the vast majority of Australia's groves were young and actively growing and not as affected by alternate bearing, which is a more common phenomenon in adult trees. In 2011, many of Australia's leading groves experienced adverse environmental conditions which impacted yields in 2012 and acted as a catalyst for biennial bearing trends. The Company's groves show similar biennial production patterns.

Figure 2.7: Trends in olive oil production in Australia – 2000-2021 forecast (source: Australian Olive Association, Cobram Estate Olives)



With its Mediterranean-style climate in the north-west, Victoria is the largest olive oil producing state, accounting for over 75% of Australia's forecast olive oil production in 2021. Western Australia is the next largest producing State. 47

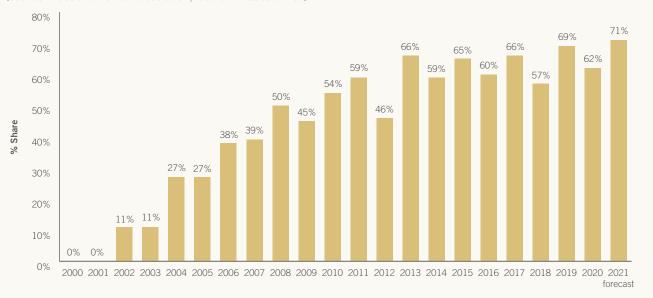
<sup>45.</sup> Australian Olive Association, https://australianolives.com.au/wp-content/uploads/2019/05/Aust-Code-of-Practice-P-OClery.pdf accessed April/May 2021.
46. Australian Olive Association, 2021.

<sup>47.</sup> Australian Olive Association, Cobram Estate Olives internal management estimates, 2021.

#### 2.2.2.1 Cobram Estate Olives' share of Australian olive oil production and key competitors

Following the acquisition of Timbercorp's Limited's olive groves in 2009, Cobram Estate Olives became Australia's leading producer of olive oil. In 2021, the Company is forecasting to produce an estimated 71% of Australia's total olive oil crop. 48

Figure 2.8: Cobram Estate Olives estimated share of Australian olive oil production – 2000-2021 forecast (source: Australian Olive Association, Cobram Estate Olives)



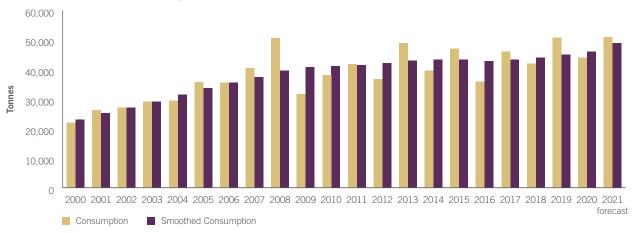
The next five largest Australian olive oil producers are projected to account for less than 25% of Australia's forecast production in 2021.<sup>49</sup> Australian Agricultural Projects Ltd, one of these producers, is the former owner of the Red Island® extra virgin olive oil brand and is a supplier to Cobram Estate Olives (contracted through to the 2025 harvest).

#### 2.2.3 Australian olive oil consumption

According to the IOC, consumption of olive oil (all grades) is forecast to reach a record high 51,000 tonnes (approximately 55.9 million litres) in Australia in 2021, representing an increase of 121% since 2000. This growth in the consumption of olive oil can be seen in Figure 2.9.

Figure 2.9: Trends in olive oil consumption in Australia – 1994-2021 forecast

(source: International Olive Council, Australian Olive Association)



<sup>48.</sup> Australian Olive Association, Cobram Estate Olives internal management estimates, 2021.

<sup>49.</sup> Australian Olive Association, Cobram Estate Olives internal management estimates, 2021.

<sup>50.</sup> International Olive Council, https://www.internationaloliveoil.org/wp-content/uploads/2020/12/HO-W901-23-11-2020-C.pdf, accessed April/May 2021.

# 2 Industry overview | Continued

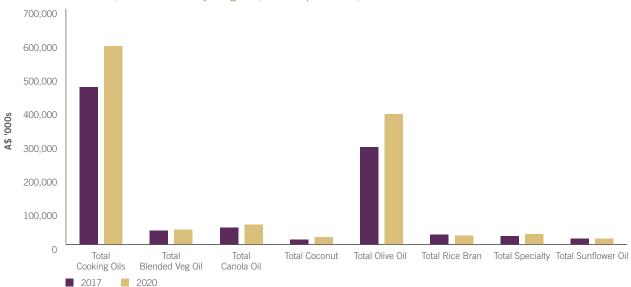
#### 2.2.3.1 Australian grocery sales of olive oil

The majority of Australia's olive oil consumption occurs at home and comes from Australian grocery stores. Olive oil retail sales totalled \$387 million in 2020, accounting for 66% of total consumer spend on cooking oil in Australian supermarkets. During the same period, olive oil accounted for 43% of total cooking oil litres sold, reflecting its premium pricing in the cooking oil category.

As evidenced by Figure 2.10, olive oil has gained market share versus other cooking oils over 2017-2020. In total, olive oil sales grew by 34% over this period, supported in 2020 by a surge in sales linked to an increase in at-home cooking during the COVID-19 pandemic and imposed restrictions.

Figure 2.10: Cooking oil by type (\$ value) – 2017, 2020

(source: IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2017-2020)



Extra virgin olive oil accounted for 73% of total supermarket sales of olive oil in 2020 in value terms, and 69% in volume terms. Over the period, 2017-2020, sales of extra virgin olive oil grew by an average of 10% per annum in value terms, driven by increases in both volume and price.<sup>52</sup>

# 2.2.3.2 Consumer preferences driving demand for Australian extra virgin olive oil

Over the past 20 years, the olive oil category in Australia has become de-commoditised as consumer preferences have changed overtime. This has resulted in a shift in consumption from refined olive oil blends (labelled in Australia as olive oil, extra light, and pure) to higher quality extra virgin olive oil, and a shift in share of sales from imported to locally produced extra virgin olive oil.

#### Growth in demand for extra virgin olive oil

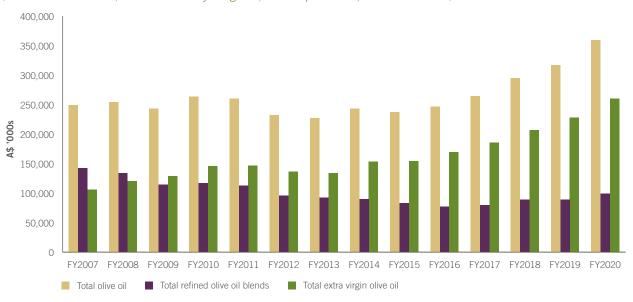
Since FY2007, sales of extra virgin olive oil have outpaced sales of lower quality refined olive oil blends and in FY2020 accounted for 72% of consumer spend on olive oil by value and 69% by volume (litres).<sup>53</sup> A number of factors, potentially including the education of consumers on the difference between the grades of olive oil and the additional health benefits associated with extra virgin olive oil, have resulted in consumers choosing extra virgin olive oils over lower quality substitutes.

In FY2020, Australian grocery stores sold a total of 26.7 million litres of extra virgin olive oil, valued at \$260.7 million (see Figure 2.11). Whilst panic buying induced by the COVID-19 pandemic lockdowns boosted sales in FY2020, extra virgin olive oil sales in FY2021 year to date (to 5 May 2021) are tracking 3% ahead of the prior corresponding period.<sup>54</sup>

- 51. IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021.
- 52. IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2017-2020, accessed April/May 2021.
- 53. IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year Financial Year 2007-2020, accessed April/May 2021.
- 54. IRI Scan data, Australia Grocery Weighted, Total Supermarket, Financial Year 2021, accessed April/May 2021.

Figure 2.11: Australian supermarket sales of olive oil by grade (\$ value) – FY2007-FY2020

(source: IRI Scan data, Australia Grocery Weighted, Total Supermarket, FY2007-FY2020)



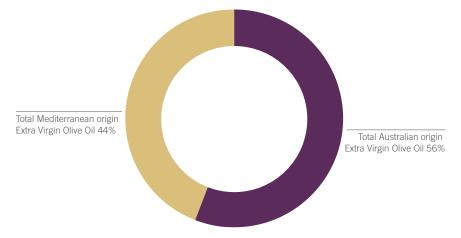
#### Growth in demand for Australian grown extra virgin olive oil

Since the inception of Cobram Estate Olives, the demand for Australian extra virgin olive oil has grown substantially. Over the four-year period 2017-2020 Australian supermarket sales of Australian extra virgin olive oil have grown by 37% from \$115.2 million per annum to \$157.3 million. This growth was supported by an increase in the litres of volume sold (24%) and units sold (28%) over the same period and was achieved at the same time as the average price per litre increased by 7%. <sup>55</sup>

In 2020, Australian shoppers spent more on locally grown extra virgin olive oil and paid more per litre for it than extra virgin olive oil sourced from Mediterranean regions. In 2020 Australian extra virgin olive oil accounted for 56% of extra virgin olive oil sales in value terms, 58% of unit sales, and 45% of litre sales in Australian supermarkets. The higher value and unit sales share for Australian extra virgin olive oil, and the lower share of litres sold, reflects the Australian consumer's willingness to pay higher prices and purchase smaller pack formats (more bottles and less tins) for Australian versus Mediterranean sourced alternatives.

Figure 2.12: Value share of Australian grocery sales of extra virgin olive oil by origin – 2020

(source: IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020)



# 2 Industry overview | Continued

#### Future growth opportunities

Whilst sales in Australian extra virgin olive oil have grown strongly, there remains substantial opportunities for future growth. Since 2017, consumers have demonstrated a willingness to pay a premium for high quality extra virgin olive. Extra virgin olive oil only accounted for 23% of total cooking oil sales in Australian supermarkets by value in 2020.<sup>56</sup>

Australian consumers increasingly understand the differences between extra virgin and other grades of olive oil. This may lead to a continued shift from refined olive oil blends to extra virgin olive oil. Refined olive oil blends accounted for 27% of Australian supermarket sales of olive oil by value in 2020.

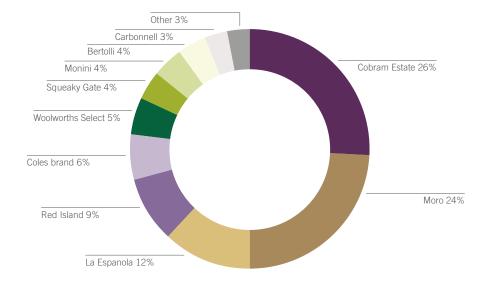
Consumers in Australia are increasingly interested in the origin of products. With imported products having accounted for 44% of extra virgin olive oil sales in Australian supermarkets in value terms and 55% in volume terms in 2020, and imported refined olive oil blends accounting for 27% of total olive oil sales by value and 31% by volume in 2020, there is an opportunity for Australian olive oil producers to further replace imported extra virgin olive oil and imported refined olive oil blends in the Australian market.<sup>57</sup>

### 2.2.4 Olive oil market share and key players

Supermarket olive oil sales in Australia are dominated by five companies (Cobram Estate Olives (Cobram Estate® and Red Island® brands), Conga Foods (Moro and Squeaky Gate brands), Acesur (La Espanola brand), Monini (Monini brand), and Deoleo (Bertolli and Carbonell brands) who collectively accounted for 86% of sales by value in calendar year 2020. Supermarket Private Label products (excluding Aldi and Costco) accounted for a further 11% of grocery sales by value.<sup>58</sup>

In 2020, Cobram Estate Olives were the leading supplier of olive oil to Australian grocery stores by value, accounting for 35% of total sales through its brands, Cobram Estate® and Red Island®. In volume terms, Conga Foods is the leading supplier accounting for 31% of litres sold, ahead of Cobram Estate Olives with 24%. The Company's higher value share and lower volume share reflects the generally higher price per litre paid for Australian extra virgin olive oil by Australian consumers.<sup>59</sup>

Figure 2.13: Value share of Australian supermarket sales of olive oil by brand – 2020 (source: IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020)



<sup>56.</sup> IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021.

<sup>57.</sup> IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021.

<sup>58.</sup> IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021.

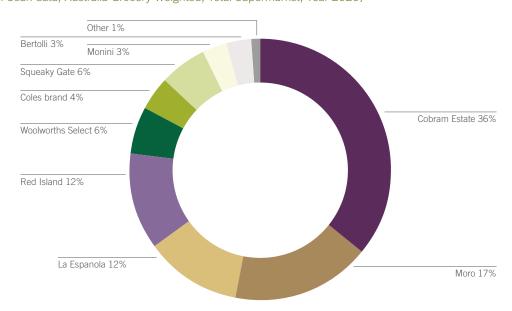
<sup>59.</sup> IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021.

The origin of the leading brands and Private Label products can be summarised as follows:

- Australian olive oil brands: Cobram Estate®, Red Island®, Squeaky Gate.
- Imported olive oil brands: Moro, La Espanola, Bertolli, Monini, Carbonell.
- Offer both Australian and imported olive oils: Woolworths Select, Coles.

In 2020, Cobram Estate Olives was the clear market leader in the sale of extra virgin olive oil across Australian supermarkets, with its brands, Cobram Estate® and Red Island® accounting for 36% and 12% of value sharae respectively as highlighted in Figure 2.14.

Figure 2.14: Value share of Australian supermarket sales of extra virgin olive oil by brand – 2020 (source: IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020)



## 2.2.5 Barriers to entry

There are several potential barriers to entry in the Australian olive oil market. These include:

#### Australian grown olive oil supply

Australian grown olive oil supply is highly concentrated with the top five producers accounting for an estimated 85%-90% of local production in 2021, and the leading producer, Cobram Estate Olives, accounting for an estimated 71% of local production.<sup>60</sup>

# New development time and cost

The high capital costs associated with planting olives, the approximate eight-to-ten-year lead time to develop a grove and achieve strong yields, and the specialist expertise required to maximise yields, minimise costs and optimise quality, can act as a barrier to new entrants.

#### Local versus imported olive oil

Whilst Australia remains a competitive environment for imported olive oil, the growing consumer preference for Australian grown products, as evidenced in Section 2.2.3.2, provides a potential barrier to entry for new international suppliers.

# 2 Industry overview | Continued

#### 2.3 USA olive oil market overview

The USA is the world's largest importer of olive oil outside the European Union, accounting for an average of 36% of all global olive oil imports in the last six crop years. <sup>61</sup> This market has demonstrated strong growth, increasing from imports of 100,000 tonnes in 1990 to 380,000 tonnes (approximately 416 million litres) in 2020. <sup>62</sup>

450,000 400,000 350,000 250,000 150,000 1964 1967 1970 1973 1976 1979 1982 1985 1988 1991 1994 1997 2000 2003 2006 2009 2012 2015 2018

Figure 2.15: Imports of olive oil and olive pomace oil into the USA by crop year - 1964-2020 (source: Indexmundi)

# 2.3.1 California olive oil industry overview

California produces an estimated 99% of the USA's total olive oil crop.<sup>63</sup> The Californian olive oil industry is comprised of an estimated 400 growers with combined total plantings of 16,000-17,000 hectares. Similar to Australia, there are both small and large players at a growing and milling level. In total, there are an estimated 45 olive mills in California,<sup>64</sup> with the top three mills accounting for the majority of the State's production. Cobram Estate Olives owns and runs one of these mills, as detailed further in Section 3.1.4.



 $<sup>61.\</sup> Olive\ Oil\ Times,\ https://www.oliveoiltimes.com/world/slight-decrease-olive-oil-consumption-in-2021/91366\ accessed\ April/May\ 2021.$ 

<sup>62.</sup> United States Olive Oil Imports, (www.indexmundi.com/agriculture) accessed June 2021.

<sup>63.</sup> Olive Oil Times, https://www.oliveoiltimes.com/faq/what-state-produces-the-most-olive-oil accessed April/May 2021.

<sup>64.</sup> California Olive Council, https://www.cooc.com/about-the-cooc/ accessed April/May 2021.

Californian olive growers are represented by the California Olive Oil Council (COOC). The COOC are a trade association with the mission of encouraging the consumption of certified Californian extra virgin olive oil through education and communication. The COOC has over 300 members of which the majority are olive growers and millers which together represent over 90% of all olive oil production in California. To maintain the high-quality production in California, the COOC have implemented a standard and certification process.

California growers are also represented by the Olive Oil Commission of California, a government entity of the State of California that supports California olive farmers by developing and enforcing standards for the purity and quality of California olive oil.

#### California olive oil production

California growers and producers of olive oil are located primarily in the Sacramento Valley and the San Joaquin Valley. Boutique growers also reside in major wine growing regions including the Napa Valley and Sonoma Valley. Over 75 olive varieties are grown in California for olive oil production, the most common being Arbequina which is produced using super intensive methods.



Figure 2.16: Key California olive growing locations (source: Cobram Estate Olives)

Many Californian olive growers operate farms which also produce other agricultural crops such as wine grapes, almonds, and/or pistachios. These growers generally sell their olives to a mill which are then processed into olive oil, whereby they receive a price per gallon for the olive oil produced and enter into short and long-term supply agreements with milling operations for the supply of olives.

Olive oil production in California is undertaken between October and December, whereas in Australia harvest takes place between April and June. In 2020, olive oil production in California totalled around 7.2 million litres, a seasonal decline versus 2019 reflecting the biennial production cycle of olives in California. Initial projections for the 2021 Californian olive oil crop suggest production will rebound to around 13-14 million litres, however as the harvest will not commence until October this figure is indicative only and may vary.

<sup>65.</sup> California Olive Council, https://www.cooc.com/about-the-cooc/ accessed April/May 2021.

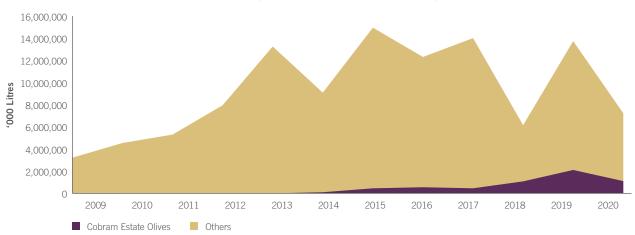
<sup>66.</sup> American Olive Oil Producers Association, Olive Oil Commission of California, 2021.

<sup>67.</sup> Cobram Estate Olives internal management estimates, 2021.

# 2 Industry overview | Continued

Figure 2.17: Olive oil production in California – 2009-2020

(source: American Olive Oil Producers Association, Olive Oil Commission of California, Cobram Estate Olives)



### 2.3.2 USA Consumption of olive oil

Consumption of olive oil in the USA has been growing strongly, almost doubling in size since 2000. In 2020, total consumption was estimated at 386,000 tonnes (approximately 423 million litres), representing a small decline on 2020 largely due to COVID-19 pandemic related restrictions limiting consumption in foodservice outlets including restaurants and cafes.

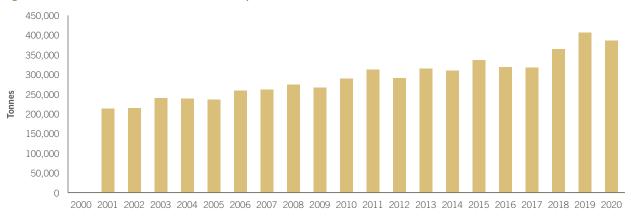


Figure 2.18: Evolution of USA olive oil consumption – 2000-2020 (source: Statistica.com)

#### 2.3.2.1 USA grocery sales of olive oil

Whilst total olive oil consumption fell slightly in the USA in 2020 due the impact of the COVID-19 pandemic, olive oil sales in USA supermarkets grew substantially. As Figure 2.19 highlights, supermarket and specialty sales of olive oil grew 30% in value terms during 2020 versus the prior year, reaching total sales of US\$1.6 billion.<sup>68</sup> Whilst increased consumer purchases due to the COVID-19 pandemic and related panic-buying drove the spike in sales, increased concerns related to immunity and healthy eating may influence ongoing higher consumption.

1.6 14 1.2 JS\$ billion 1.0 0.8 0.6 0.4 0.2 0 2013 2012 2014 2015 2016 2017 2018 2019 2020

Figure 2.19: Evolution of olive oil sales in USA supermarkets and specialty stores (US\$ billion) – 2012-2020 (source: IRI/SPINS, 52 Weeks Ending Trends, Culinary Olive Oil, Total US, Total Dollar Sales, 2012-2020)

#### 2.3.2.2 Growth in demand for extra virgin olive oil

For the 12-month period to March 2021, extra virgin olive oil sales totalled US\$903 million, representing growth in sales of 33% versus the previous 12-month period.<sup>69</sup> Total extra virgin olive oil sales spiked during the COVID-19 pandemic due to panic buying and have since returned to a normalised level of sales which is substantially above the pre-COVID-19 pandemic figures. In normalising for two weeks of panic buying, sales for the 12-months to March 2021 versus the prior period were up approximately 29%.<sup>70</sup>

# 2.3.2.3 Sales of Californian grown extra virgin olive oil

California grown extra virgin olive oil has carved out a niche in the USA, with branded retail sales of 100% California extra virgin olive oil totalling US\$37.8 million in the 12-month period to June 2021, equivalent to approximately 4.2% of USA supermarket and speciality store sales of extra virgin olive oil.<sup>71</sup>

However, unlike Australia, where growing demand has been supported by increasing supply of Australian extra virgin olive oil, due to the limited availability of Californian extra virgin olive oil, sales of Californian grown products are constrained and further plantings will be needed to support future sales growth.

### 2.3.3 Olive oil market share and key players

The USA olive oil market in supermarkets is dominated by four brands with a combined market share of approximately 50% of sales for the 12-months to March 2021. Private Label sales in the USA are also significant, with supermarket Private Label products accounting for 28% of total sales of olive oil over the same period.<sup>72</sup>

The Company's Cobram Estate® brand was the #10 ranked olive oil brand in the USA (excluding Private Label) (with an estimated market share of 1.6% of extra virgin olive oil sales) and was the fastest growing mainstream olive oil brand in USA supermarkets with sales growth of 93% over the 12-month period to April 2021<sup>73</sup>. Significantly, Cobram Estate Olives was the #2 seller of branded 100% California extra virgin olive oil in USA supermarkets in the 12-month period to April 2021, with the Cobram Estate® brand accounting for 38% of sales by value.<sup>74</sup>

<sup>69.</sup> SPINS Scan data, Total Extra Virgin Olive Oil, Total Dollar Sales, 17/03/19 – 21/03/21.

<sup>70.</sup> SPINS Scan data, Total Extra Virgin Olive Oil, Total Dollar Sales, 17/03/19 - 21/03/21.

<sup>71.</sup> SPINS Scan data, Total 100% California Olive Oil, Total Dollar Sales, 12-months to 01/06/2021.

<sup>72.</sup> SPINS Scan data, Total US Olive Oil, Total Dollar Sales, 52 Weeks Ending 18/04/2021.

<sup>73.</sup> SPINS Scan data, Total US Olive Oil, Total Dollar Sales, 52 Weeks Ending 18/04/2021.

<sup>74.</sup> SPINS Scan data, Total US Olive Oil, Total Dollar Sales, 52 Weeks Ending 18/04/2021.

# 2 Industry overview | Continued

### 2.3.4 Opportunity for growth in California

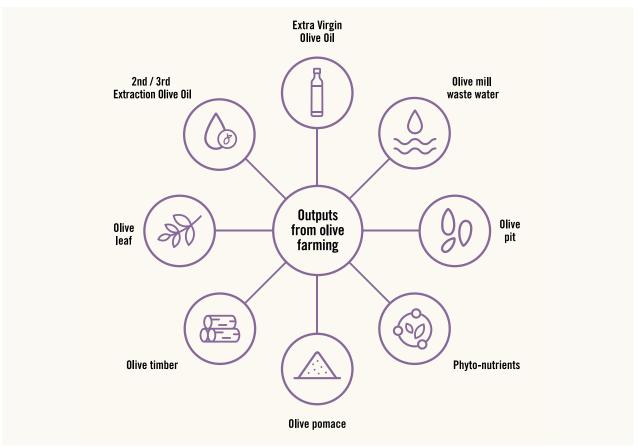
In 2020, Californian olive oil production totalled approximately 7.9 million litres, equating to 2% of total consumption of olive oil in the USA. With consumers increasingly seeking local, high quality, sustainably grown food products with traceability to the source, the opportunity exists for Californian olive oil supply to satisfy a greater share of national olive oil consumption. Cobram Estate Olives, with its specialist olive growing expertise, established growing and milling infrastructure, and a growing brand, is well placed to participate in the potential growth of this industry.

# 2.4 Market for other olive products

The production of extra virgin olive oil results in the generation of a number of by-products. These by-products can be used for a diverse range of commercial purposes from bioenergy and agriculture feedstuffs through to functional foods and supplements.

The typical output from the Company's groves, including extra virgin olive oil, are summarised in Figure 2.20.

Figure 2.20: Products and by-products from Cobram Estate Olives' groves (source: Cobram Estate Olives)



# 2.4.1 Market opportunity for olive biomass

Agriculture, farming, and forestry generate crop waste and residue which are collectively known as biomass. In olive farming systems, the biomass generated typically takes three main forms:

#### Olive pit – the stone extracted from the olive fruit waste

• Olive pit is a fuel source for bioenergy production. It has a high calorific power (4,300 – 4,850 kcal/kg) and high combustion yield with low ash content (2%–3% ash). Currently, Cobram Estate Olives use a small percentage of its olive pit as a renewable energy source in its olive mills and sells some of the remaining olive pit as a biofuel to local food manufacturing operations and nurseries.

#### Dry olive pomace - the dried olive fruit waste

• Dry olive pomace has three main uses: as a soil amendment/fertiliser, as an input in animal feed rations, and as a source of bioenergy. Currently, Cobram Estate Olives applies some of this product back on the groves as a soil amendment and also supplies some to local vineyards.

#### Olive wood – prunings from the olive grove

• Olive prunings can be mulched and used as a bioenergy feedstock. Currently, Cobram Estate Olives applies some of this product back on the groves as a mulch.

Bioenergy is energy derived from plants, animals, and their by-products and residues, and can be used to generate power, heat, and fuel. Bioenergy is the world's primary source of renewable energy, providing approximately a tenth of the world's total primary energy, with future projections indicating this figure could rise to over 25%.<sup>75</sup>

### 2.4.2 Market opportunity for olive supplements and functional foods

Olive oils and olive by-products contain high levels of antioxidants, phytosterols and other components which make them suitable for a diverse range of nutraceutical, cosmeceutical, and functional applications. Key opportunities exist for the use of olive ingredients in supplements and functional foods utilising three different raw materials:

- Olive leaf extracts and related products;
- · Extra virgin olive oil based functional products; and
- Olive fruit derivatives and related products.

Olive fruit derivatives and related products contain powerful olive antioxidants and are a potential source of nutraceuticals and functional foods utilising the extracts that can be obtained from the leftovers of the fruit pulp.

Extra virgin olive oil as an individual food is recognized for its health properties beyond those attributed to its fat profile. The powerful bioactive compounds found in extra virgin olive oil play a key role in the health attributes pertaining to this oil and make it a suitable foundation product for functional food offerings.

Olive leaves have been used in the human diet as an extract, herbal tea, and a powder for centuries. In recent years, olive leaves have been used to produce standardized extracts for use in health supplements.





# 3. Company overview

#### 3.1 Overview of Cobram Estate Olives

Cobram Estate Olives is Australia's largest producer and marketer of premium quality extra virgin olive oil. With operations in Australia and the USA, export customers in 17 countries, and a portfolio of premium brands, the Company is a market leader in the Australian extra virgin olive oil industry and a leader in sustainable olive farming.

Founded in 1998 by Paul Riordan and Rob McGavin, Cobram Estate Olives owns Australia's two top-selling homegrown olive oil brands, Cobram Estate® and Red Island®, with combined Australian retail scan sales of \$135.4 million in 2020.76 The Company's brand strength extends from its position as Australia's largest vertically integrated olive oil producer. The Company owns over 2.4 million olive trees planted on 6,584 hectares of farmland in central and north-west Victoria, with the Company's 2021 harvest projected to account for 71% of Australia's total olive oil crop.<sup>77</sup> Cobram Estate Olives' Australian operations also include Australia's largest olive tree nursery, two olive mills, an olive oil bottling, oil storage, and warehousing facility, and the Modern Olives laboratory®.

Following several years of research, Cobram Estate Olives identified an opportunity to replicate its vertically integrated olive growing, olive milling, and marketing model in the USA. Much like in Australia, USA consumption of locally grown extra virgin olive oil is increasing with potential for future growth. Australian grocery sales of Australian grown product now account for 56% of total extra virgin olive oil sales in value terms, however Californian production currently accounts for only 4.2% of total USA supermarket sales of extra virgin olive oil in value terms. In 2014 the Company acquired a 3.6-hectare industrial property in Woodland, California USA, and over the following years established an olive mill, storage and bottling facility, laboratory, and administration offices. This site has become pivotal to the Company's USA operations which now includes 305 hectares of owned and leased groves, olive supply contracts with over 20 Californian olive growers, and the growth of Cobram Estate to become the 10th highest selling olive oil by value in USA grocery and specialty channels.

As of the Prospectus Date, Cobram Estate Olives is an Australian unlisted public company with 705 shareholders. Copies of Cobram Estate Olives' historical shareholder announcements are available at https://www.cobramestateolives.com.au/investors/shareholder-announcements/.

NURSERY

GROVE
OPERATIONS

HARVESTING
& STORAGE

LABORATORY
& R&D

DISTRIBUTION

EXTRA VIRGIN
OLIVE OILS

PRODUCTS

PRODUCTS

THE PRODUCTS

TH

Figure 3.1: Cobram Estate Olives' vertically integrated olive growing and marketing model

<sup>76.</sup> IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021.

<sup>77.</sup> Australian Olive Association, Cobram Estate Olives, 2021.

<sup>78.</sup> SPINS Scan data, Total 100% California Olive Oil, Total Dollar Sales, 12-months to 01/06/2021.

<sup>79.</sup> SPINS Scan data, Total US Olive Oil, Total Dollar Sales, 52 Weeks Ending 18/04/2021.

#### Sustainable food production

Olive trees are a natural carbon sink. Whilst the ability to capture carbon varies from grove to grove, the International Olive Council estimates that producing one litre of extra virgin olive oil captures an average of 10.65kg of CO<sub>2</sub> from the atmosphere. Through continuous improvement of its proprietary Oliv.iQ® integrated growing system Cobram Estate Olives has been able to materially increase carbon sequestration and reduce emissions via initiatives including tree health and productivity, minimising inputs, reusing by-products on farm, and generating heat using olive pit bioenergy. Because of the adoption of these sustainable practices, it is estimated that Cobram Estate Olives groves sequestrate nearly 10 times more CO<sub>2</sub> per hectare than the global average for olive groves.

Cobram Estate Olives has also made the achievement of a sustainable "zero waste" farming operation and the maximisation of the value of all its farming outputs one of its fundamental pillars. As part of this initiative, in 2017 the Company established its Boundary Bend Wellness division which is responsible for the research, development and sale of products leftover from olive oil production. This is a core part of the Company's strategy to continually improve the sustainability of its farming operations and minimise waste. The primary focus of this division has been on the use of biomass for bioenergy and soil amendment, the extraction of antioxidants from olive by-products (including leaves and pomace), and more recently on the commercialisation of health and wellness products through the launch of the Wellgrove® brand in the USA and Australia.

#### Olive oil sales growth

Cobram Estate Olives reported strong olive oil sales growth for the financial year ending 30 June 2020, with global sales increasing by 23% from \$107.8 million in FY2019 to \$132.6 million in FY2020. As highlighted in Figure 3.2, over the same period, sales of Cobram Estate® and Red Island® branded products plus Private Label grew by 39% from \$80.9 million in FY2019 to \$112.5 million in FY2020, accounting for 85% of the Company's olive oil sales. It should be noted that sales in FY2019 were limited by the Company's smaller Australian olive oil crop in 2018 (see Figure 3.4), the oil from which was sold in FY2019.

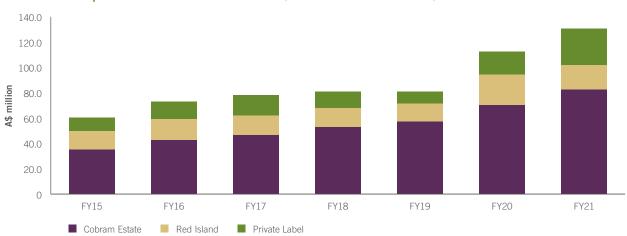


Figure 3.2: Evolution of Cobram Estate Olives' global olive oil sales for Cobram Estate® and Red Island® branded products and Private Label products – FY2015-FY2021 forecast (source: Cobram Estate Olives)

The Company continues to deliver strong growth despite the smaller Australian olive oil crop in 2020, with global olive oil sales forecast to reach \$139.9 million in FY2021. As highlighted in Figure 3.2, sales of Cobram Estate® and Red Island® branded products plus Private Label are forecast to reach \$127.8 million in FY2021, an increase of 13% on FY2020.

As a result of numerous marketing and educational initiatives, combined with the quality and local origin of its products, the Company has been able to continue the premiumisation and differentiation of its brands. These premiumisation initiatives, together with a combination of improved efficiencies and input cost management, and price and product mix management, have delivered the Company growth in Net Price per litre of 68% since FY2014. Demand for the Company's branded and Private Label products has continued to grow alongside rising Net Price per litre as reflected in Figure 3.3.

<sup>80.</sup> Olio Officina, https://www.olioofficina.it/en/knowledge/agricolture/the-carbon-footprint-of-olive-oil.htm, accessed June 2021; Oliv.iQ® Sustainability Report, 2020.

100.0 80% 90.0 70% 80.0 60% 70.0 50% 60.0 50.0 40.0 40% 30% 30.0 20% 20.0 10% 10.0 0 0% FY2014 FY2015 FY2016 FY2017 FY2018 FY2019 FY2020 Australian sales of Cobram Estate + Red Island % growth in Net Price price per litre since FY2014

Figure 3.3: Sales growth and improving Net Price per litre – FY2014-FY2020 (source: Cobram Estate Olives)

#### Biennial nature of olive production

Olive crops, as with many agricultural crops, fluctuate between higher and lower yielding seasons, referred to as the alternate or biennial nature of fruit bearing. As highlighted in Figure 3.4, the Company's olive oil production has varied significantly from year to year, with the lower yielding crop years reflecting the natural high-low tendency of olive crops exacerbated by the impact of unusual seasonal conditions such as a frost event in 2018 and cooler autumn temperatures in 2020.

In order to manage the change in the annual volume of olive oil produced between high yielding crops and lower yielding crops, the Company allocates its oil supply across two selling seasons. Through a coordinated supply chain effort, the Company sells its olive oil stock from higher yielding crops over 14-16 months, whilst the reduced supply from lower yielding crops is sold over 8-10 months, averaging out the seasonal yield variance. This allows the Company to smooth out the impact of variable olive supply and consistently deliver growing quantities of olive oil to market over a 24-month period.

Due to the accounting standards applicable to horticultural producers such as Cobram Estate Olives, these yield fluctuations impact annual profit results, since the Company is required to value the crop in the year of harvest at net sales value, not at cost. Whilst the Company's profits have historically fluctuated with the crop cycle and the required accounting treatment, the Company's operating cashflow reflects when the oil is sold and more closely aligns with the relative month-to-month consistency of customer demand.

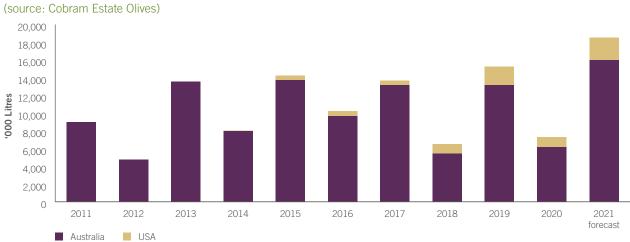


Figure 3.4: Cobram Estate Olives' global olive oil production volume (litres) – 2011-2021 forecast

The Company's 2021 Australian harvest yielded 16.05 million litres of olive oil. In addition, the Company is forecasting Californian production of 2.1 million litres. It should be noted that at the time of release of this Prospectus the Californian harvest is still several months from commencing, and many factors can impact this forecast result including actual versus forecast fruit yields per tree, oil accumulation, harvest efficiency, extraction efficiency, weather conditions and other factors beyond the Company's control.



### 3.1.1 Growth strategies

The Company is well positioned for future growth with a strong pipeline focused around its four growth pillars:

- 1. Growing branded product sales and improving the Net Price per litre for its extra virgin olive oil through continued premiumisation and differentiation of its brands globally.
- 2. Increasing extra virgin olive oil supply from its Australian olive groves. 39% of the Company's total Australian plantings are not fully mature and are not yet producing mature yields including 16% of total Australian plantings yet to produce a harvested crop.
- 3. Growing its vertically integrated business in the USA. Cobram Estate Olives has established operations and brand in the USA with scope for future growth.
- 4. Value-adding its olive oil by-products and monetising the substantial investment that has already occurred in Cobram Estate Olives' Wellness division and its Wellgrove® brand.

Over the four-year period FY2017-FY2020, the Company invested \$179.6 million in operating expenditure (25%) and capital expenditure (75%) primarily to support its medium and long-term growth strategies. A summary of the Company's investment in core growth strategies is outlined in Table 3.1.

Table 3.1: Cobram Estate Olives FY2017-FY2020 investment in core growth strategies (source: Cobram Estate Olives)

	FY17 (\$'000)	FY18 (\$'000)	FY19 (\$'000)	FY20 (\$'000)	Total
USA Olive Oil – Operations	6,759	6,435	4,430	8,100	25,724
USA Olive Oil – Capex	2,955	10,748	16,024	10,798	40,525
					66,249
Wellness/Wellgrove – Operations	2,540	3,936	4,887	8,619	19,982
Australia Olive Oil – Capex	18,191	24,422	28,833	21,899	93,345
Total Opex & Capex to support medium and long term growth					179,576

NOTE: "Operations" in this table refers to the EBITDA loss from the respective business segment. "Capex" in this table refers to the total capital expenditure relating to the respective business segment.

The Company's growth strategy is detailed in Section 3.4.

#### 3.1.2 Cobram Estate Olives fast facts (as of May 2021)



Based on 2020 supermarket sales by value. (Source: IRI, 2021)

# OVER (4) **OLIVE TREES**

avg. CO<sub>2</sub> quantity capture from the atmosphere from producing 1 litre of extra virgin olive oil

according to the International Olive Council



**OLIVE OIL MEDALS** & TROPHIES



6,584 **HECTARES** 

of olive groves in Australia

**RED ISLAND®** 

Based on 2020 supermarket sales by value. (Source: IRI, 2021)

forecast two-year rolling Average EBITDA (for the Australian business segment, verage of FY2020 & FY2021 normalised for long-term Temporary Water cost)

323%

**GROWTH** of USA packaged goods sales in FY2020

(Cobram Estate® branded and Private Label)

\$145.1

forecast global sales in FY2021

**COBRAM ESTATE®** 

highest selling olive oil in USA supermarkets 12-months to March 2021 (Source: Spins/IRI, 2021)

18,500 hectares

of total freehold farmland, including 16,700 hectares in Australia.

149,000 **OLIVE TREES** 

**HECTARES** 

of olive groves in California, USA

1,300 **HECTARES** 

native vegetation mapped & fenced within the Company's Australian

**MORE OLIVE OIL** 

per hectare than the world's average using the Company's Oliv.iQ® system

18.5 **MILLION** 

litres forecast production of olive oil in 2021 (Australia plus USA)

custom built olive harvesters

**ESTIMATED TO PRODUCE** 

olives crushed in FY2021 (estimated)

litres of olive oil storage capacity

COUNTRIES

172 **PERMANENT** 

**EMPLOYEES** 

#### 3.1.3 Brand portfolio

Cobram Estate Olives is the owner of a portfolio of brands encompassing extra virgin olive oil products, health and wellness products, olive leaf tea, laboratory services and nursery, olive oil education, and olive production systems.

#### Cobram Estate®

Cobram Estate Olives' flagship retail brand, Cobram Estate®, was purchased by the Company in 2006. In FY2021, Cobram Estate® global sales are forecast to reach \$80.3 million. The brand is well positioned as Australia's #1 selling olive oil in Australian supermarkets by value in 2020, and the #10 selling olive oil in the USA supermarkets (excluding Private Label) by value (12-months to April 2021).<sup>81</sup> Cobram Estate® is also exported to a further 16 countries including New Zealand, Japan, Singapore, Taiwan, and Malaysia, and is amongst the world's most awarded olive oil brands, winning over 400 awards including Best in Class trophies and Gold Medals at the New York International Extra Virgin Olive Oil Competition.





#### Red Island®

Red Island® is the second-highest selling brand of Australian extra virgin olive oil (behind Cobram Estate®) 82 with forecast sales of \$19.2 million in FY2021. Purchased by the Company in 2012, the Red Island® brand has received multiple awards for excellence in quality and taste and is distributed throughout Australian supermarkets and exported to New Zealand, Malaysia, Fiji, China, and Canada. Red Island® is positioned to attract a more price-conscious shopper to the Australian extra virgin olive oil category, complimenting the Company's premium Cobram Estate® branded offering.



## **Boundary Bend Estate®**

Boundary Bend Estate® was the first brand of extra virgin olive oil produced by the Company. Produced initially on an exclusive basis for the Company's early shareholders, Boundary Bend Estate® products are sold in the Australian foodservice channel and exported to a long-term customer in Thailand.



### Tree of Life®

Tree of Life® extra virgin olive oil is a small offering sold in the foodservice channel in Australia and in retail and gifting in China.



- 81. IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021; SPINS Scan data, Total US Olive Oil, Total Dollar Sales, 52 Weeks Ending 18/04/2021.
- 82. IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021.

#### Wellgrove®

Wellgrove® is the Company's health and wellness brand launched in 2019. Wellgrove® focuses on the innovation and development of olive-based health and wellness products using olive ingredients sourced from the Company's own groves. The Wellgrove® range of products is aimed to improve people's health and wellbeing delivering effective, natural, and sustainable health and wellness solutions. Wellgrove® products are currently sold in Australia and the USA.



#### Stone & Grove®

What began as an initiative to reduce leaf waste on the Company's groves, the Stone & Grove® range of premium olive leaf teas are the result of several years of trialling and experimenting. Launched in 2019, Stone and Grove® olive leaf teas are currently sold online and in specialty channels in Australia, USA, and Malaysia.



#### Modern Olives®

Modern Olives® is a leading provider of technical services to the olive industry. With accredited laboratories in Australia and the USA, Modern Olives® offers a wide range of chemical tests, sensory analysis and blending advice, and undertakes research projects relating to olive oil and olive products. Modern Olives® holds IOC, AOCS, NATA, ISO, and TGA accreditation (Therapeutic Goods Association). Modern Olives® also operates a specialist olive tree nursery in Australia, supplying commercial growers as well as wholesaling olive trees to retail chain stores and other nurseries.



#### Oliv.iQ®

Oliv.iQ® is Cobram Estate Olives' exclusive and proprietary integrated olive oil production system. Oliv.iQ® is the result of more than 20 years of practical experience, research and innovation carried out by Cobram Estate Olives under the supervision of renowned expert and Cobram Estate Olives Joint-CEO, Leandro Ravetti.



## Olive Wellness Institute®

The Olive Wellness Institute® is a science repository on the nutrition, health and wellness benefits of olives and olive products, which is all subject to extensive peer review. The institute is guided by scientific experts that specialise in the nutrition, health and wellness benefits related to olive products.



## 3.1.4 Cobram Estate Olives key asset summary

Cobram Estate Olives has amassed a number of strategic olive assets (both tangible and intangible) in Australia and the USA. These assets would require substantial time and investment to replicate.

Figure 3.5: Location of key Australian and Californian assets and operations (source: Cobram Estate Olives)

#### Australian Operations Map



# California Operations Map



#### Summary of key tangible assets

#### Australian olive groves

 Australian olive growing operations are located at Boundary Bend (between Mildura and Swan Hill), Boort (near Bendigo), and Wemen (between Mildura and Swan Hill) with a combined total of over 2.4 million olive trees planted on 6,584 hectares of Victorian farmland. Cobram Estate Olives' groves have been progressively planted, with the oldest trees planted in 2004 and the most recent planting occurring in 2021.



#### USA olive groves

 USA olive growing operations totalling over 149,000 trees planted on 305 hectares of long-term leased and freehold properties.
 Cobram Estate Olives planted its first olive grove in the USA in 2015 with subsequent plantings in 2019 and 2021. The Company has secured an additional 182 hectares of land in the USA suitable for planting which it is planning to develop in 2022.



#### Olive harvesters

 26 olive harvesters in Australia, including 23 purpose-built Colossus® mechanical over-the-row harvesters and two Optimus® II mechanical over-the-row harvesters developed in conjunction with Maqtec Argentina.



### Australian olive mills

 Two olive mills for processing olives and extracting olive oil, located on-site at the Company's Boundary Bend and Boort groves, with combined processing capacity of 104 tonnes of olive fruit per hour and on-site olive oil storage totalling 6.5 million litres.



#### Summary of key tangible assets

#### USA olive mill

 An olive mill in Woodland, California, with milling capacity of 40 tonnes of olive fruit per hour. The Company's Woodland olive mill Is also located on the same site as the Company's bottling and warehouse operations and head office.



### Australian olive oil storage, bottling, and warehousing facility

 A nine-hectare industrial facility at Lara near Geelong which serves as the Company's head office and includes nursery operations, bottling operations, laboratory services, nine million litres of olive oil storage and warehouses covering approximately 20,000m². This includes Australia's largest olive oil filling and packaging operation, capable of producing up to 14,400 bottles per hour.



#### USA olive oil storage, bottling, warehousing, and nursery facility

 A 3.6-hectare industrial property in Woodland, California USA, which serves as the Company's USA head office and includes nursery grow-out operations, bottling operations, 2.9 million litres of olive oil storage and warehouses covering approximately 5,000m<sup>2</sup>. The site's bottling line is capable of filling approximately 3,500 per hour, both branded and Private Label.



## Olive oil Laboratories (Australia and USA)

• The Modern Olives® laboratory, one of the world's leading olive R&D and testing laboratories with operations in Lara (Australia) and Woodland (USA). Modern Olives® supplies technical laboratory and advisory services across all aspects of the olive industry relating to olive oil testing and taste panel, technical advice, R&D, and applied research. Modern Olives® laboratory has twice been recognised by AOCS as the world's most accurate, and is accredited by AOCS, NATA/ISO and TGA.



### Undeveloped freehold land suitable for olives

- 5,423 hectares of freehold land near Gol Gol (near Mildura) in New South Wales with the potential to plant approximately 3,000 hectares of olive trees. The Company has completed due diligence and views this property as an ideal location to expand its Australian grove operations at the appropriate time.
- 1,500 hectares of freehold land in the province of San Juan, Argentina. The land is ideally suited to olive growing with significant reserves of water. The Company has no immediate intentions of developing this property.

#### Summary of key tangible assets

#### Australian olive tree nursery

• The Modern Olives® olive tree nursery. A large scale, specialist olive nursery supplying olive trees to commercial growers, wholesalers, retail nurseries and national chain stores. The nursery is the largest of its kind in Australia and maintains a collection of over 20 olive varieties.



#### Summary of key in-tangible assets

Cobram Estate Olives also owns the following intangible assets that are very difficult to replicate:

- The Cobram Estate® extra virgin olive oil brand, the top-selling olive oil brand in Australia by value in 2020, and the fastest growing mainstream olive oil brand in USA grocery stores for the 12-months to April 2021, with forecast global sales of \$80.3 million in FY2021.83
- The Red Island® extra virgin olive oil brand, the #2 selling brand of Australian grown extra virgin olive oil and #4 olive oil brand overall by value in 2020, with forecast sales of \$19.2 million in FY2021.84
- The Company's exclusive Oliv.iQ® olive oil production system, developed under the supervision of renowned expert and Cobram Estate Olives' Joint-CEO, Leandro Ravetti.



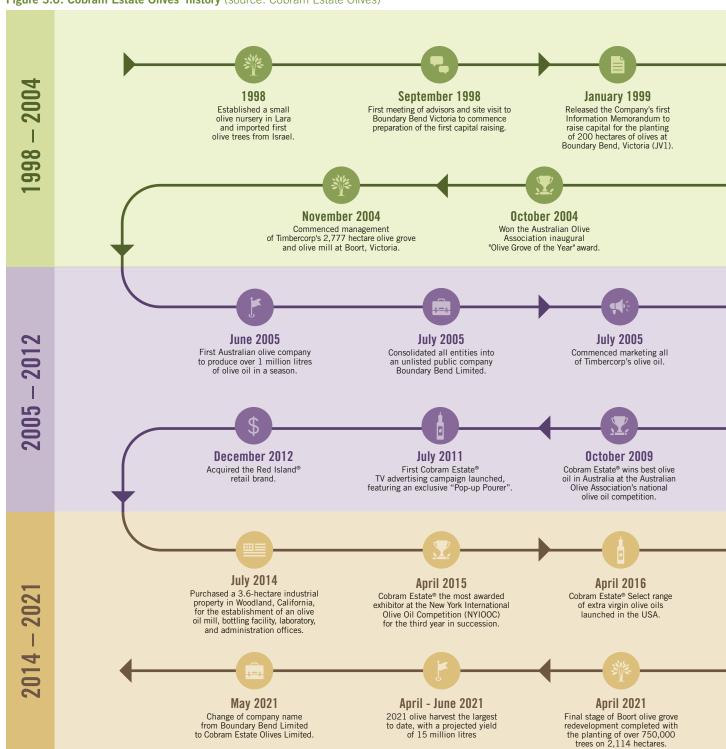
<sup>83.</sup> IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021; SPINS Scan data, Total US Olive Oil, Total Dollar Sales, 52 Weeks Ending 18/04/2021.

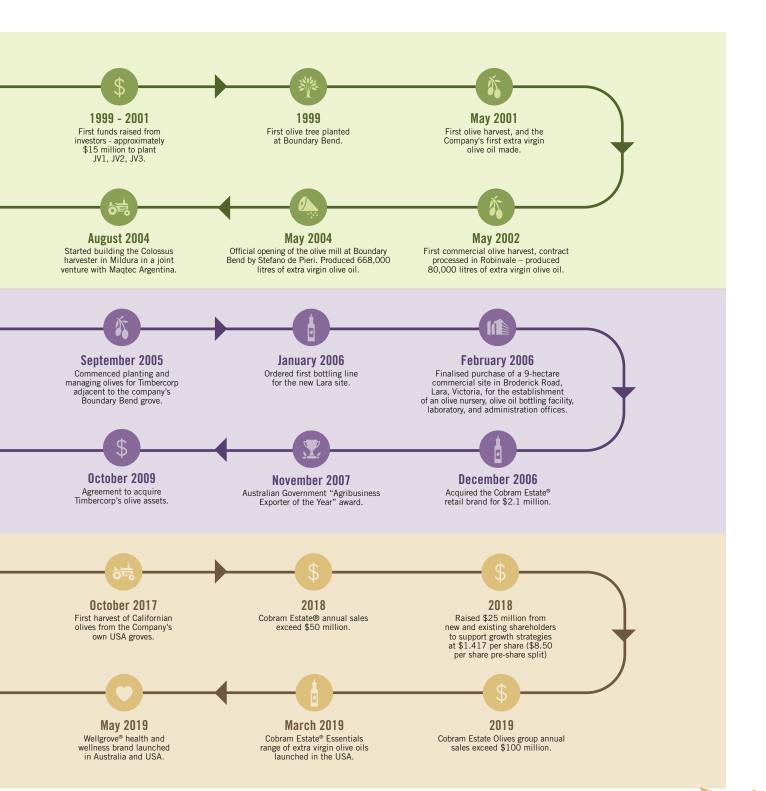
<sup>84.</sup> IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021.

# 3.1.5 Company History

Cobram Estate Olives has evolved significantly since it was established in 1998 by Paul Riordan and Rob McGavin. Figure 3.6 details the key milestones in Cobram Estate Olives' operating history across Australia and the USA.

Figure 3.6: Cobram Estate Olives' history (source: Cobram Estate Olives)





61

# 3.2 Business model and competitive advantages

### 3.2.1 Business model summary

Cobram Estate Olives has built a successful business model based on vertically integrated olive growing and the sale of premium quality, branded extra virgin olive oils in Australia and the USA. The Company's underlying asset base and integrated supply chain have underpinned its growth track record and brand performance.

The Company's business model focuses on:

- 1. The production of large and growing quantities of premium quality extra virgin olive oil.
- 2. The sale of this oil and the generation of strong and consistent cash flows through the Company's market leading Cobram Estate® and Red Island® brands and Private Label products in Australian and USA supermarkets.

Critical to the Company's success has been the ability to consistently produce premium quality extra virgin olive oil in large and growing quantities to satisfy the growing needs of its customers. With over 23 years of operations, the Company has created one of the most efficient and highest yielding olive production systems globally using its proprietary Oliv.iQ® methodology and has won 458 awards in Australia and overseas for the high quality of its extra virgin olive oils.

The supply of olive oil for the Company's Australian products is primarily sourced from the Company's own production in Australia. The Company supplements supply of olive oil from its own groves with oil purchased from selected third-party Australian producers. The Company has in place a supply contract extending to 2025 with Australian Agricultural Projects Limited (former owner of the Red Island® brand). Additionally, the Company entered into an agreement with a third party for the supply of fruit for contract processing at the Company's Boort olive mill with the Company purchasing the resultant olive oil. Supply from this third-party grove is projected to commence in the 2022 season.

In the USA, the Company's supply comes from a combination of its own groves, and from olive oil made in its Woodland olive mill using fruit grown by contracted third-party suppliers. The Company is dependent upon the supply of olive fruit from over 20 contracted growers in the USA, with contract terms ranging from one to four years. The Company intends to continue growing its supply in the USA through new plantings and or acquisition of existing groves to complement third-party grower contracts.

The Company has inbuilt supply growth with maturing olive orchards expected to produce growing yields as the trees approach maturity (approximately eight years and older). As of May 2021, 39% of the trees on the Company's Australian groves are not mature, and 100% of the trees on the Company's USA groves are not mature.

#### 3.2.2 Competitors

Cobram Estate Olives competes with multiple parties in the olive oil market and in the broader market for olive products. These include:

- · Olive oil suppliers and brands from traditional olive growing countries including Italy, Spain, and Greece.
- Olive oil suppliers, processors, and brands in Australia.
- Olive oil suppliers, processors, and brands in the USA.
- Other Australian olive growers for the supply of Australian olive oil to Australian customers.
- Suppliers of vegetable oils, other edible oils, and substitutes.
- Other suppliers of olive health and wellness products.

#### 3.2.3 Competitive advantages

The Company has numerous competitive advantages that enable it to compete. The Company's key competitive advantages include:

- 1. Premium, market leading Australian consumer brands
- 2. Production scale in Australia
- 3. Vertical integration
- 4. Proprietary Oliv.iQ® Integrated Olive Production System
- 5. Geographic locations
- 6. Sustainable olive farming practices
- 7. Technical capability

The combination of these seven factors helps to differentiate Cobram Estate Olives from its competitors.

#### 3.2.3.1 Premium, market leading consumer brands

Cobram Estate Olives' approach to the production of olive oil and other olive products is founded on quality. This quality focused approached, combined with its 'locally grown' provenance, and its production scale, has enabled Cobram Estate Olives to build a strong portfolio of consumer brands, the flagship of which is Cobram Estate®. The premium product quality of the Company's extra virgin olive oils combined with their strong market share enable the Company to capture a price premium for the Company's products.

In 2020, Cobram Estate Olives was the leading supplier of olive oil in Australian grocery stores by value, accounting for 35% of total olive oil sales and 48% of extra virgin olive oil sales through the Company's Cobram Estate® and Red Island® brands. Cobram Estate Olives was the clear market leader in the sale of Australian extra virgin olive oil, with Cobram Estate® and Red Island® ranked the #1 and #2 brands in the category in 2020. So

Figure 3.7: Cobram Estate® Australian extra virgin olive oil portfolio (source: Cobram Estate Olives)



Cobram Estate Olives and its brands Cobram Estate® and Red Island® have won 458 awards including 124 gold medals, 158 silver medals, and 137 bronze medals since 2003 making them some of the most awarded extra virgin olive oils in the world. Additionally, the Company has been awarded 18 Best in Shows and 21 Best in Class trophies in some of the most prestigious national and international shows including New York, Los Angeles, and Tokyo, and achieved the inaugural award as the "Healthiest Olive Oil in the World" in the Health & Food Extra Virgin Olive Oil Awards Competition in Spain in 2017.

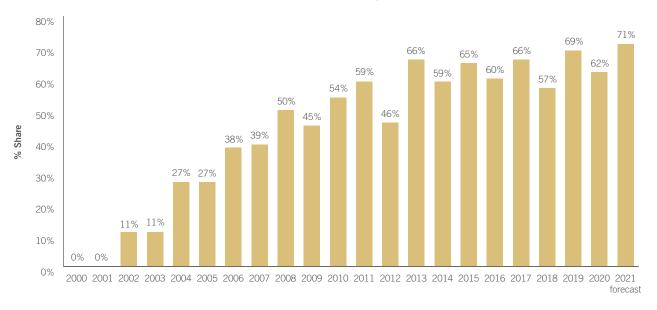


85. IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021. 86. IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021.

#### 3.2.3.2 Production scale in Australia

Cobram Estate Olives is Australia's number one producer of olive oil, with the Company's 2021 harvest projected to account for 71% of Australia's total olive oil crop (see Figure 3.8).<sup>87</sup> The Company's large-scale olive groves and olive mills are some of the largest in the world, enabling the Company to achieve efficiencies in olive growing, processing, and marketing. To replicate Cobram Estate Olives' Australian olive growing operations and level of production would take significant time and investment.

Figure 3.8: Cobram Estate Olives estimated share of total Australian olive oil production by year – 2000-2021 forecast (source: Australian Olive Association, Cobram Estate Olives internal analysis)



# 3.2.3.3 Vertical integration

Olive growing, processing, and marketing are traditionally isolated operations run by separate companies or supply chain participants. Cobram Estate Olives' vertically integrated model extends the full length of the supply chain, from nursery through to the retail sale of branded consumer goods. This model in the olive oil sector provides the Company with several distinct advantages:

- Quality control and feedback loop: Through the Company's proprietary Olive Management System, the Company can
  manage quality control with full traceability from grove to finished product. Additionally, Cobram Estate Olives uses
  consumer feedback and data from customers to guide varietal selection and future grove development, closing the
  loop between the styles of olive oil produced and the needs of customers.
- Harvest and processing coordination: operating both harvesting and processing functions, the Company can coordinate
  picking to ensure the olives are picked in optimum condition and cold pressed in the optimum time to maximise olive oil
  freshness and quality.
- Supply/demand management: With control of both supply and demand, the Company can smooth out the fluctuations in annual olive crops to enable consistent, reliable supply to customers.
- Tree to table story: Cobram Estate Olives' tree-to-table story is a compelling point of difference for consumers and customers, with wide marketing appeal.
- Margin capture: Through participation at multiple points in the supply chain, Cobram Estate Olives can maximise margin capture and optimise return per litre of olive oil produced.
- Value-adding of by-products: The Company has access to the by-products from olive oil production which, as part of its sustainable farming operations, can be used for revenue generation and the development of other olive products.



Figure 3.9: Cobram Estate Olives' vertically integrated model (source: Cobram Estate Olives)

#### 3.2.3.4 Proprietary Oliv.iQ® Integrated Olive Production System

Oliv.iQ® is Cobram Estate Olives' proprietary, vertically integrated olive production system developed and used by the Company over the past 20 years under the supervision of Joint-CEO Leandro Ravetti. Oliv.iQ® is a proven integrated production system delivering low production cost and high quality by combining modern technology with sound horticultural and scientific knowledge tailored for each unique olive growing environment.

Cobram Estate Olives' Oliv.iQ® integrated olive system helps the Company to maximise returns and achieve these efficiently and sustainably, and has been proven to:

- Produce nearly nine times more olive oil per hectare than the global average.
- Deliver an average production cost 30% per litre below the world's weighted average.
- Produce some of the most decorated extra virgin olive oils in the world.



<sup>\*</sup> Cobram Estate® was the #1 extra virgin olive oil in Australian supermarkets in 2020 by value sales.88

*Productivity:* Oliv.iQ® oil yields are driven by a comprehensive matrix of proprietary systems and integrated management practices that start prior to site selection and finish when the product reaches the customer. As demonstrated in Figure 3.10, using the Oliv.iQ® system, the Company has demonstrated it can achieve yields nearly nine times that of the global average per hectare. (Cobram Estate Olives has achieved annual production levels of 2,800 litres of olive oil per hectare from mature trees, 8.9 times higher than the world's average of 283 litres per hectare.)<sup>89</sup>

3,000
2,500

2,500

1,500

1,000

500

Global average based on IOC survey

Cobram Estate Olives' Oliv.iQ® system

Figure 3.10: Comparison of olive oil yields per hectare (source: International Olive Council, Cobram Estate Olives)

Lowest production costs: applying the Oliv.iQ® system, Cobram Estate Olives' production costs per litre of olive oil in mature trees are 30% lower than the world's weighted average according to a global survey carried out by the International Olive Council.90

#### 3.2.3.5 Geographic locations

Cobram Estate Olives' olive growing operations are in the "new-world" growing areas of Australia and the USA. Both the Australian and USA markets have seen the demand for locally produced olive oil grow over time, creating growing demand for the Company's products. The proximity to markets also allows Cobram Estate Olives to get product to market faster, with lower distribution costs than many of its competitors, whilst minimising transport-related product deterioration.



<sup>89.</sup> UC Davis Olive Center, California, USA, Survey Super High-Density Olive Production in California, 2009; University of California Cooperative Extension, California, USA, Newsletter of Olive Oil Production and Evaluation, 2006; www.todolivo.com Spain, Todolivo Yield Analysis of Super High-Density Olive Groves, 2019; Olint Magazine N° 5. Catalonia, Spain, Production of Super High-Density Groves, 2002; Encuentro Nacional, ChileOliva, Santiago, Chile, Análisis de los factores que influyen en el rendimiento de aceite por hectárea, 2016; International Olive Council, International Olive Oil Production Costs Study, 2015; Asociación Española de Municipios del Olivo, Cordoba, Spain, Aproximación a los Costes del Cultivo del Olivo, 2010.

<sup>90.</sup> International Olive Council, International Olive Oil Production Costs, 2015.

#### 3.2.3.6 Sustainable olive farming practices

Olive trees have one of the lowest water requirements compared to many permanent crops such as most nut and fruit trees. In addition, the International Olive Council estimates that producing one litre of extra virgin olive oil captures an average of 10.65kg of CO<sub>2</sub> from the atmosphere, with one hectare of the average olive grove neutralising the carbon footprint of one person. This is in contrast to what occurs with the main edible oil industries (palm, soyabean, rapeseed, sunflower, and peanut), where the production of those refined edible oils, at a global level, has a negative net effect on atmospheric CO<sub>2</sub>.91

From a crop sustainability point of view, olive crops outperform other mainstream edible oil crops. Olive crops are:

- The only mainstream edible oil crop which acts as a carbon sink.
- The most efficient crop in terms of use of water, nitrogen, and phosphorus fertilisers.
- An evergreen perennial crop, providing a great level of biodiversity and very limited negative impact from land-systems change.

#### 3.2.3.7 Technical capability

Cobram Estate Olives' technical laboratory and advisory services cover all aspects of the industry relating to project development, technical advice, and applied research. The Company also owns and operates two ISO-accredited olive oil laboratories, one located at Lara and the other at the Woodland USA facility. The Lara Laboratory is also a TGA accredited laboratory.

The technical team drives business research and innovation and encompasses all areas from olive growing and processing to the development of new olive oil and health and wellness products. The Company can undertake research and development work in-house and retain the associated Intellectual Property. In addition, the technical team has written and had published 27 peer reviewed papers encompassing all aspects of olive growing, processing and usage.



<sup>91.</sup> International Olive Council, 2020; https://www.olioofficina.it/en/knowledge/agricolture/the-carbon-footprint-of-olive-oil.htm accessed June 2021; Schmidt, J. H. Life cycle assessment of five vegetable oils, Journal of Cleaner Production 87, 2015; Munoz, I. et al. Comparative life cycle assessment of five different vegetable oils, 2.0 LCA Consultants for high quality, decision support, 2016; Oliv.iQ® Sustainability Report, 2020.

<sup>92.</sup> International Olive Council, 2020; https://www.olioofficina.it/en/knowledge/agricolture/the-carbon-footprint-of-olive-oil.htm accessed June 2021; Schmidt, J. H. Life cycle assessment of five vegetable oils, Journal of Cleaner Production 87, 2015; Munoz, I. et al. Comparative life cycle assessment of five different vegetable oils. 2.0 LCA Consultants for high quality, decision support, 2016; Oliv.iQ® Sustainability Report, 2020.

# 3.3 Olive oil sales performance, marketing, and wellness

The Company's olive oil sales model focuses on three main sales channels:

- 1. Sales of premium quality extra virgin olive oil under proprietary brands (Cobram Estate® and Red Island®) to supermarket, specialty food and restaurant customers in Australia, the USA, and a further 17 export markets.
- 2. Sales of Private Label products to third-party supermarket chains, big-box retail stores and specialty distributors in Australia and the USA.
- 3. Sales of Bulk olive oil (in shipping units greater than 20 litres) to strategic customers in Australia, Japan, New Zealand, and the USA. The Company's Bulk customers include food manufacturers, cosmetic manufacturers, and pharmaceutical companies.

Whilst focused on these major channels, more recently the Company has expanded its online sales offering, both direct to consumer and via third-party online retailers including Amazon.com in the USA. Additionally, from time to time, the Company exports lower grade olive oil in Bulk to Europe.

The revenue split of group sales by channel and brand is summarised in Figure 3.11. As highlighted, Cobram Estate® accounted for 53% of FY2020 sales, Red Island® 18% of sales, Private Label 14% of sales, and Bulk 15% of sales. Total packaged goods sales (brands plus Private Label) accounted for 85% of total sales in FY2020.

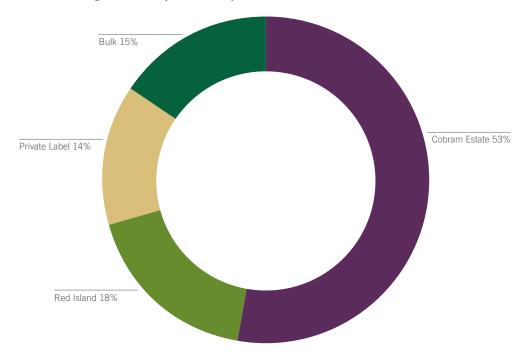


Figure 3.11: Value share of global sales by brand and product – FY2020 (source: Cobram Estate Olives)

Cobram Estate Olives reported strong olive oil sales growth for the financial year ending 30 June 2020, with global sales increasing by 23% from \$107.8 million in FY2019 to \$132.6 million in FY2020. As highlighted in Figure 3.12, Over the same period, sales of Cobram Estate® and Red Island® branded products plus Private Label grew by 39% from \$80.9 million in FY2019 to \$112.5 million in FY2020.

120.0 100.0 A\$ million 80.0 60.0 40.0 20.0 0 FY15 FY16 FY17 FY18 FY19 FY20 FY21 Cobram Estate Red Island Private Label

Figure 3.12: Cobram Estate Olives' global olive oil sales for Cobram Estate® and Red Island® branded products plus Private Label products – FY2009-FY2021 forecast (source: Cobram Estate Olives)

The Company continues to deliver strong growth despite the smaller Australian olive oil crop in 2020, with global olive oil sales forecast to reach \$139.9 million in FY2021. As highlighted in Figure 3.12, sales of Cobram Estate® and Red Island® branded products plus Private Label are forecast to reach \$127.8 million in FY2021, an increase of 14% on FY2020.

### 3.3.1 Olive oil sales by region – Australian business

In FY2020, the Company's sales of olive oil through its Australian operations totalled \$105.9 million, representing growth of 25% over the previous year. Sales of Cobram Estate® branded extra virgin olive oils accounted for 59% of sales, followed by Red Island® branded sales (22%), Bulk (11%) and Private Label 8%. The evolution of the Company's Australian branded olive oil sales is highlighted in Figure 3.13.

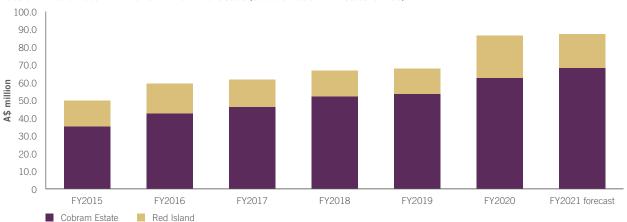


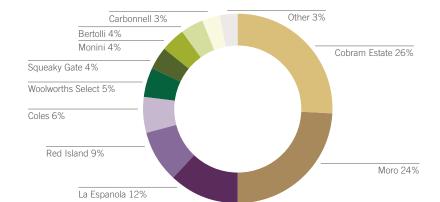
Figure 3.13: Evolution of Cobram Estate® and Red Island® branded olive oil sales by Cobram Estate Olives' Australian business – FY2015-FY2021 forecast (source: Cobram Estate Olives)

As a result of the smaller olive oil crop in 2020 and the resulting smaller quantity of Australian olive oil available for sale in FY2021, the Company is forecasting sales of \$100.5 million for the Australian business in FY2021, a 5% in decline in total olive oil sales compared to FY2020. The decline in olive oil availability particularly affected Private Label, Bulk and Red Island® tins sales in FY2021, resulting in a forecast decline in sales of 35%, 30%, and 19% respectively compared to FY2020. Despite the overall decline in sales by the Australian business, the Company prioritised sales of Cobram Estate® branded products and is forecasting growth of 9% for the Cobram Estate® brand in FY2021 with sales projected to reach \$68.0 million.

As highlighted in Figure 3.13, the Company forecasts combined sales of Cobram Estate® and Red Island® branded products to reach \$87.2 million in FY2021.

In Australian supermarkets, the Company is a leading player in the olive oil category in Australian supermarkets and the clear market leader in the sale of Australian extra virgin olive oil. In 2020, Cobram Estate Olives, with its brands Cobram Estate® and Red Island®, accounted for 35% of total supermarket sales of olive oil in value terms.<sup>93</sup>

Figure 3.14: Value share of Australian grocery sales of olive oil by brand – 2020 (source: IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020)



# 3.3.2 Olive oil sales by region - USA business

Following a similar pattern to the evolution of olive oil sales by the Company's Australian business, the Company's sales in the USA started with Bulk and over time are trending to branded and Private Label products. In FY2020, the Company achieved total USA olive oil sales of \$26.7 million, representing growth of 17% over FY2019. Sales of Private Label olive oil accounted for 38% of group sales in FY2020, followed by Bulk sales (33%) and Cobram Estate branded extra virgin olive oils (29%). In line with the Company's strategy to focus on the sale of Cobram Estate branded and Private Label packaged goods, combined sales of these products grew by 323% in FY2020 versus the prior year as highlighted in Figure 3.15.



FY2018

FY2019

FY2020

FY2021 forecast

Figure 3.15: Evolution of packaged olive oil sales by Cobram Estate Olives' USA business – FY2016-FY2021 forecast (source: Cobram Estate Olives)

FY2016

Private Label

FY2017

20.0

15.0

10.0

5.0

FY2015

■ Cobram Estate®

<sup>93.</sup> IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021.

<sup>94.</sup> All Cobram Estate Olives USA sales have been converted from United States Dollars (**USD**) to Australian Dollars (**AUD**) using the currency rate in the month of sale.

The Company continues to deliver strong growth in the USA, with total olive oil sales forecast to reach \$39.4 million in FY2021. The Company's focus on Cobram Estate® and Private Label products resulted in continued strong uplift in sales in FY2021. Combined sales of these products are forecast to reach \$35.2 million in FY2021 as highlighted in Figure 3.15, representing growth of 96% and accounting for 89% of total USA olive oil sales versus 67% in FY2020 (the balance of the sales being in Bulk).



### 3.3.3 Olive oil sales by brand - Cobram Estate®

Cobram Estate® is the Company's flagship retail brand, acquired by the Company for \$2.1 million in December 2006. The growth in sales of the Cobram Estate® brand has been driven by many factors including the Company's strict quality focus, its local vertical integration model and story, its commitment to honesty and integrity, and its marketing activities. In FY2020, the Cobram Estate® brand of premium extra virgin olive oil was sold in 18 countries and achieved global sales of \$70.4 million. Despite the impact of a shortage of Australian extra virgin olive oil on sales in FY2021, the Company is forecasting global sales to grow to \$80.3 million in FY2021.

The growth in global sales of Cobram Estate  $^{\scriptsize @}$  branded products since 2002 is reflected in Figure 3.16.

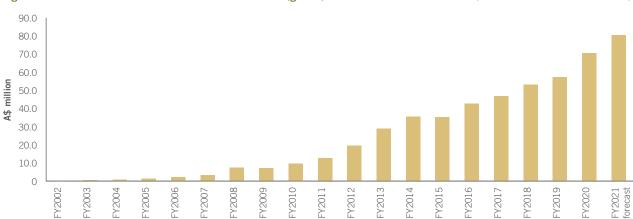


Figure 3.16: Growth of Cobram Estate® branded sales (global) – FY2002-FY2021 forecast (source: Cobram Estate Olives)

#### 3.3.3.1 Cobram Estate® brand Australian Sales

Cobram Estate® offers a portfolio of products to satisfy diverse consumer needs. The Company's Australian portfolio includes 'Premium Essentials' and 'Infused' oils which are widely distributed, together with a growing selection of 'Ultra-Premium' and luxury 'Limited Release' products including First Harvest® available for discerning customers.

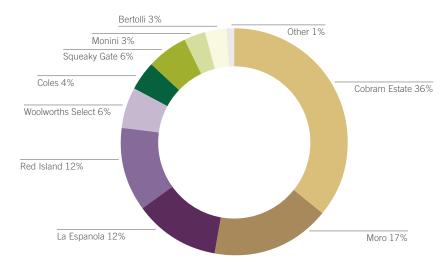
Figure 3.17: Cobram Estate® product portfolio – Australia (source: Cobram Estate Olives)



Cobram Estate® Australian sales reached \$62.6 million in FY2020, representing growth of 17% over the previous year. Despite the shortage of available Australian extra virgin olive oil due to the smaller 2020 crop, the Company is forecasting sales of Cobram Estate® to grow to \$68.0 million in FY2021.

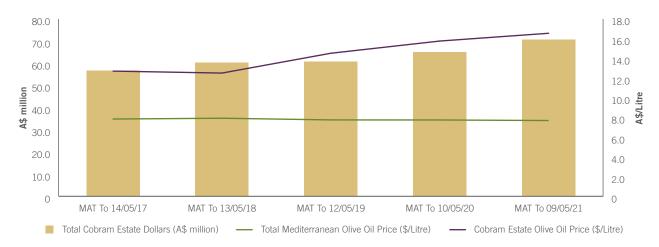
In 2020, the Cobram Estate® brand was the top-selling olive oil in Australian supermarkets in value terms. The Cobram Estate® brand was also the market leader in extra virgin olive oil sales in value terms with 36% share of sales in Australian supermarkets as highlighted by Figure 3.18.95

Figure 3.18: Cobram Estate® value share of Australian supermarket sales of extra virgin olive oil – 2020 (source: IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020)



As highlighted in Figure 3.19, Cobram Estate® products have been able to achieve in-store sales growth whilst selling at a substantial and growing price premium per litre to Mediterranean-sourced olive oils.

Figure 3.19: Supermarket sales of Cobram Estate® in Australia and price paid per litre for Cobram Estate® versus price paid per litre for Mediterranean olive oil (all grades) – 12-months 14/05/17 to 9/05/21 (source: IRI Scan data, Australia Grocery Weighted, Total Supermarket, MAT 14/05/17 to 9/05/21)



### Australian Distribution

Cobram Estate® products are widely distributed across Australia and are available in Australian supermarkets including Woolworths Supermarkets, Coles Supermarkets, and Aldi, together with a number of independent groups.

### 3.3.3.2 Cobram Estate® brand USA sales

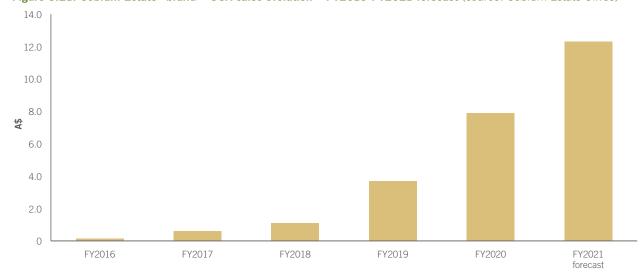
Cobram Estate® launched the first of its USA market-specific products in 2016 following several years of research focused on identifying the most suitable positioning and packaging and the optimum pricing strategy for the brand in its target market (supermarkets, speciality stores and online). The USA range was launched with an 'Ultra-Premium Select' offering, and the portfolio has since expanded to include a 'Limited Release' First Harvest® and a more affordable 'Premium Essentials' range (see Figure 3.20).

Figure 3.20: Cobram Estate® product portfolio – USA



Cobram Estate® has seen strong USA sales growth, particularly since the launch of the 'Premium Essentials' range in 2019. In FY2020, Cobram Estate® sales totalled \$7.9 million, an increase of 114% on the prior year. Sales growth continued in FY2020, with USA sales of Cobram Estate® forecast to reach \$12.3 million in FY2021. Figure 3.21 highlights the sales evolution of Cobram Estate® in the USA from FY2016 to FY2021 forecast.

Figure 3.21: Cobram Estate® brand – USA sales evolution – FY2016-FY2021 forecast (source: Cobram Estate Olives)



Cobram Estate® was the #10 ranked olive oil brand in USA supermarkets (excluding Private Label) with an estimated 1.6% market share of extra virgin olive oil sales by value for the 12-month period to April 2021.96 Significantly, Cobram Estate® was the #2 brand of 100% California extra virgin olive oil (excluding Private Label) in USA supermarkets, and the fastest growing mainstream brand in the olive oil category with sales growth of 93% for the 12-months to April 2021.97

### **USA Distribution**

In line with growth in sales, distribution of Cobram Estate® grew substantially between 2017 and March 2021. For the 12-months to April 2021, Cobram Estate® products were sold in over 13,000 USA stores.98



<sup>96.</sup> SPINS Scan data, Total US Olive Oil, Total Dollar Sales, 52 Weeks Ending 18/04/2021. 97. SPINS Scan data, Total US Olive Oil, Total Dollar Sales, 52 Weeks Ending 18/04/2021. 98. SPINS Scan data, Total Spins Retail, 52 Weeks Ending 18/04/2021.

### 3.3.4 Olive oil sales by brand - Red Island®

The Red Island® brand was acquired by Cobram Estate Olives in 2012 and is an integral component of the Company's portfolio. Red Island® is positioned to attract a more price-conscious shopper to the Australian extra virgin olive oil category, complimenting the Company's premium Cobram Estate® branded offering. Red Island products® are made with extra virgin olive oil sourced from the Company's own groves supplemented by extra virgin olive oils sourced from growers across Australia including the previous owner of the brand, Australian Agricultural Projects Limited.



Sales of the Red Island® brand grew significantly in 2020 as a result of improved supermarket ranging. The Red Island® brand was the second-highest selling Australian extra virgin olive oil (behind Cobram Estate®) and the third-highest selling extra virgin olive oil brand in value terms in Australian supermarkets in 2020.99 The brand is widely distributed in Australian supermarkets including Woolworths, Coles, and independent groups, and is exported to New Zealand, Malaysia, Fiji, China, and Canada.

The Company's sales of Red Island® reached \$23.8 million in FY2020, representing growth of 67% over the previous year. As a result of the Company's smaller 2020 crop and a shortage of available Australian extra virgin olive oil, the Company is forecasting sales of Red Island® to decline by 19% to \$19.2 million in FY2021. This decline is reflected in Figure 3.22. With the Company forecasting a larger olive oil crop forecast in 2021, and thus having more Australian extra virgin olive oil for sale in FY2022, the Company is anticipating a return to growth for Red Island® in FY2022.



Figure 3.22: Sales of Red Island® extra virgin olive oil – FY2015-FY2021 forecast

99. IRI Scan data, Australia Grocery Weighted, Total Supermarket, Year 2020, accessed April/May 2021.

### 3.3.5 Key customers

Cobram Estate Olives services customers in a total of 19-countries (including Australia) and has a diverse mix of customers that includes:

- supermarket chains;
- big box chains;
- specialty food retailers;
- wholesalers servicing retail, restaurant, and pharmacy customers;
- manufacturers of food, pharmaceutical and cosmetic products;
- olive oil manufacturers (laboratory services and technical advice); and
- · retail nursery customers.

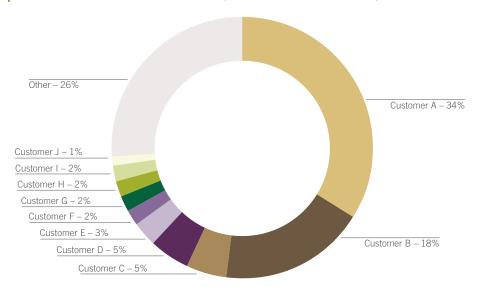
The Company's customers are primarily concentrated in the Australian and USA markets. Globally, the Company's top 5 customers accounted for 65% of the Company's sales in FY2020. The Company's largest customer accounted for 34% of Company sales in FY2020.

The Company's key customers include:

- Woolworths Supermarket Group (Australia and New Zealand);
- Grocery Holdings (Coles Supermarkets) (Australia);
- Costco Wholesale (USA and Australia);
- Menora Foods (Australia);
- Walmart Inc. (USA); and
- Aldi Stores (Australia).

The share of FY2020 sales for the Company's top 10 customers globally is highlighted in Figure 3.23.

Figure 3.23: Top 10 customers share of sales – FY2020 (source: Cobram Estate Olives)



Cobram Estate Olives is committed to maintaining relationships with its key customers and ensuring the highest level of customer service across its sales base.

### 3.3.6 Marketing

Cobram Estate Olives utilises a diverse range of marketing tools and activities to promote its brands and products to olive oil consumers, particularly in Australia and the USA. Promoting the health benefits, usage, and versatility of extra virgin olive oil are key objectives of the Company's marketing initiatives.

Over time the Company's communication strategy has evolved from a focus on consumer events and traditional media to an increasing emphasis on digital communications, virtual masterclasses, and education programs for healthcare professionals. The Company's integrated marketing approach for the release of its Cobram Estate® Harvest 2021 extra virgin olive oils is summarised in Figure 3.24.

Figure 3.24: Integrated marketing activities – Harvest 2021 (source: Cobram Estate Olives)





### Virtual masterclasses

With COVID-19 pandemic-related restrictions in place in 2020, the Company hosted a series of one-hour virtual olive oil masterclass sessions. The initiative was started by the Company's health care professional team to run simulated tasting sessions with groups of health care professionals in Australia and the USA and was later extended to consumers. This has now become a key consumer marketing initiative and will be continued throughout 2021.



### Health Care Professional education program

The Cobram Estate® health care professionals' program focuses on fulfilling the awareness and education needs of health care professionals in Australia and the USA relating to the different grades of olive oil and the associated health benefits. The program is well regarded by the health professional community in Australia.

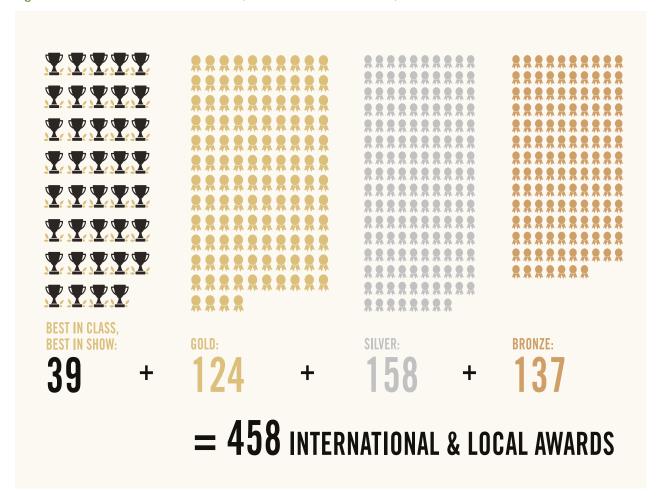


### **3.3.7** Awards

Cobram Estate Olives' approach to the production of olive oil and other olive products is founded on quality. This quality focused approach is reflected in the numerous awards the Company has received for its products and is a testament to the skills and commitment of the Company's employees.

Cobram Estate Olives and its brands Cobram Estate® and Red Island® have won 458 awards including 124 gold medals, 158 silver medals, and 137 bronze medals since 2003 making them some of the most awarded extra virgin olive oils in the world. Additionally, they have been recommended by Choice magazine, awarded 18 Best in Shows and 22 Best in Class trophies in some of the most prestigious national and international shows including New York, Los Angeles, and Tokyo, and achieved the inaugural award as the "Healthiest Olive Oil in the World" in the Health and Food Extra Virgin Olive Oil Awards Competition (2017).

Figure 3.25: Cobram Estate Olives' awards (source: Cobram Estate Olives)



### 3.3.8 Wellness division – Boundary Bend Wellness

The Company's Wellness division, Boundary Bend Wellness, was established in 2017 and is a wholly owned subsidiary of Cobram Estate Olives. The Company's Wellness division aspires to be the global leader in developing innovative and sustainable solutions by utilising the by-products of extra virgin olive oil production and realising their full potential.

The Wellness division's activities offer the Company different risk profiles, capital expenditure requirements, and blue-sky opportunities. A summary of these activities follows.

### **Biomass sales**

Cobram Estate Olives' groves and mills generate a significant amount of biomass every year. There are three main streams of biomass produced with different characteristics:

- Olive pit is a fuel source for bioenergy production. It has a high calorific power (4,300 4,850 kcal/kg) and high combustion yield with low ash content (2%–3% ash). Currently the Company use a small percentage of its olive pit as a renewable energy (heat) source in its olive mills and sells olive pit as a biofuel to local food manufacturing operations and nurseries.
- Dry olive pomace has three main uses: as a soil amendment/fertiliser, as an input in animal feed rations, and as a source of bioenergy. Currently the Company applies some of this product back on the groves as a soil amendment and supplies some to local vineyards.
- Olive prunings can be mulched and used as a bioenergy feedstock. Currently Cobram Estate Olives applies some of this material back on its groves as a mulch.





### Wellgrove® Health and Wellness/Speciality Ingredients

Over the past four years, the Wellness division has focused on the development of a range of nutraceutical, functional food, and cosmetic ingredients and consumer products for sale as ingredients and consumer goods. The primary focus of this division has been on the extraction of antioxidants from the Company's olive by-products and the creation of products which originate from three different raw materials: olive leaf extracts and related products; functional oils and oil related products; and olive fruit derivatives and related products.

In 2019 the Company launched the Wellgrove® health and wellness brand in the USA and Australia as part of the commercialisation strategy for these new products. The Wellgrove® range of health and wellness products, made using olive ingredients sourced from the Company's own groves, is aimed to improve people's health and wellbeing delivering effective, natural, and sustainable health and wellness solutions.

The illustration in Figure 3.26 highlights the pathway of Wellgrove® olive leaf extracts, made from fresh olive leaves, alongside the production of our Cobram Estate® extra virgin olive oils.

STONE Fresh olive leaves picked seasonally from specially selected trees. GROVE. Stone & Grove Olive Leaf Tea, made using Leaf Tea, made using our finest fresh leaves Fresh olives harvested Olive Leaf Extract made with care within 6 hours of being picked utilising innovative, proprietary technology and extraction methods. Picked and processed within 6 hours in our onsite olive mills. Tested for quality and sensory parameters by Modern Olives Laboratory. Tested and certified by Modern Olives Laboratory FROM THE **AUSTRALIAN GROVES OF** COBRAM ESTATE OLIVES. Creating unique Crafted into the freshest, tastiest, Cobram herbaceously green Olive Leaf Extracts rich healthiest and most awarded Extra Virgin Olive Oil. wellgrove in antioxidants

Figure 3.26: The Wellgrove brand to bottle journey (source: Cobram Estate Olives)

The current Wellgrove® USA range includes:

- Super Immunity + Heart Health: high strength olive leaf extract capsules
- Super Immunity + Heart Health: high strength olive leaf extract liquid
- Keto Super Powder: extra virgin olive oil powder plus prebiotics
- Keto Super Antioxidant: extra virgin olive oil soft gel capsules

Figure 3.27: Wellgrove® USA range (source: Cobram Estate Olives)

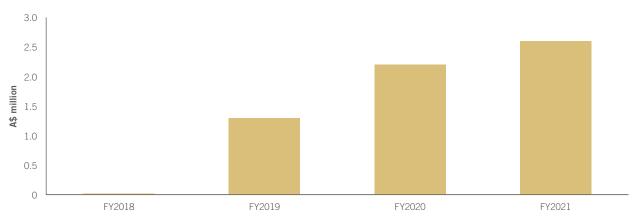


### Sales performance

Sales of the Company's Wellgrove® olive leaf extract range initially spiked during the panic buying relating to the COVID-19 pandemic, however since May 2020 there has been a slowdown in sales, particularly in Australia. This has resulted in the refinement of the Wellgrove® product range and a realignment of the sales model to focus on digital sales in the USA, and digital, practitioner, and independent Pharmacy sales in Australia.

In FY2020 the Wellness division, encompassing sales of Wellgrove® together with biomass and specialty ingredients, generated global sales of \$2.2 million and is forecast to achieve sale of \$2.6 million in FY2021 as reflected in Figure 3.28.

Figure 3.28: Wellness division global sales – FY2018-FY2021 (source: Cobram Estate Olives)





### 3.3.9 Olive Wellness Institute

In 2018, Cobram Estate Olives established the Olive Wellness Institute® to support the education of health professionals and consumers about the health benefits of extra virgin olive oil and other olive-related products. The Olive Wellness Institute® is a world-first online science repository (https://olivewellnessinstitute.org) on the nutrition, health, and wellness benefits of olive products. Through the gathering, sharing and promotion of credible, evidence-based information, the Institute aims to increase awareness of the many and unique benefits of extra virgin olive oil and other olive products.

The Olive Wellness Institute® is guided by an advisory panel comprising internationally renowned professors, doctors, dietitians, nutritionists, and researchers specialising in olive science, olive products and the health benefits of the Mediterranean Diet. The panel provides the Institute with insights and guidance, ensuring the highest levels of scientific rigour. All information on the Olive Wellness Institute® website is developed by leading scientists, researchers, and health professionals with extensive expertise in olive products and their use. Committed to only publishing scientifically rigorous, evidence-based information, the Olive Wellness Institute® ensures all content is subject to extensive peer review.

The Olive Wellness Institute® is a social responsibility venture, sponsored by Cobram Estate Olives and supported by Hort Innovation Australia, that aims to educate, empower collaboration, and grow the body of health-related evidence for olive products.





### 3.4 Growth strategy

Cobram Estate Olives has a strategic focus on growing sales of its premium brands in Australia and growing its presence in the USA, and in 2016 adopted four core opportunities to drive future growth. These four growth opportunities remain highly relevant in 2021. The growth strategies are aimed at positioning the Company to capitalise on the growing demand for clean, natural, functional foods, and leveraging the Company's expertise in the growing and processing of olives and the marketing of premium extra virgin olive oil. At the same time, the strategies are anticipated to reduce the cost of production through increased scale and reduce risk by expanding the Company's customer base and reducing geographic market and production risks beyond the Australian market.

The Company's four core growth opportunities are well developed and provide a strong pipeline for future growth in both the medium and long-term. The strategies are detailed in Figure 3.29.

Figure 3.29: Four core opportunities to drive future growth (source: Cobram Estate Olives)



### 3.4.1 Growing branded product sales and improving net price per litre for the Company's extra virgin olive oil through continued premiumisation and differentiation of Cobram Estate Olives' brands

The Company continues to focus growing the sale of its portfolio of premium brands and Private Label products through key supermarket partners. In FY2020, 85% of the Company's olive oil sales were generated through Cobram Estate® and Red Island® brands and Private Label products, a strategy that has delivered the Company strong growth together with an improved Net Price for each litre of olive oil sold.

To support an improvement in Net Price, the Company has implemented numerous marketing and educational initiatives, which, combined with the quality and local origin of its products, has supported the continued premiumisation and differentiation of its brands. These premiumisation initiatives, together with a combination of improved efficiencies, input cost management, and price and product mix management, have delivered the Company growth in Net Price per litre of 68% since FY2014. Demand for the Company's branded products have continued to grow alongside rising net price per litre as reflected in Figure 3.30.

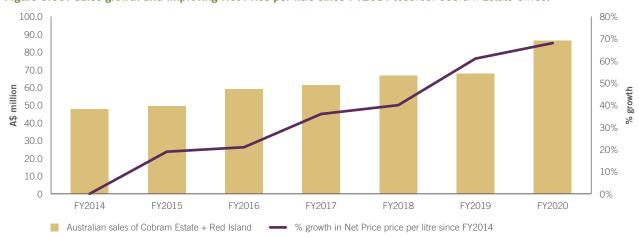


Figure 3.30: Sales growth and improving Net Price per litre since FY2014 (source: Cobram Estate Olives)

In the Australian market, whilst sales of the Company's Australian extra virgin olive oil have grown strongly, within the edible oil category there remains substantial opportunity for future growth. Australian consumers increasingly prefer locally grown products, are becoming more informed on the health benefits, versatility, and usage of extra virgin olive oils, and possess a better understanding of the differences between extra virgin and other grades of olive oil. The Company seeks to capitalise on these and other opportunities to grow the market penetration and sale of its Cobram Estate® and Red Island® brands in Australia through its existing supermarket channels and new channels including online.

In the USA, the Company is seeking to grow sales of Cobram Estate® branded and Private Label products through a continuation of the transition from Bulk sales to packaged goods, and through increasing its supply of Californian extra virgin olive oil both from third-party growers and planting new groves. With consumers showing more interest in specific origins of products and putting greater importance on associating provenance to food safety and quality, it is anticipated the market for Californian grown extra virgin olive oil will continue to grow, supporting the Company's goals to increase supply through the development of new olive groves in California.

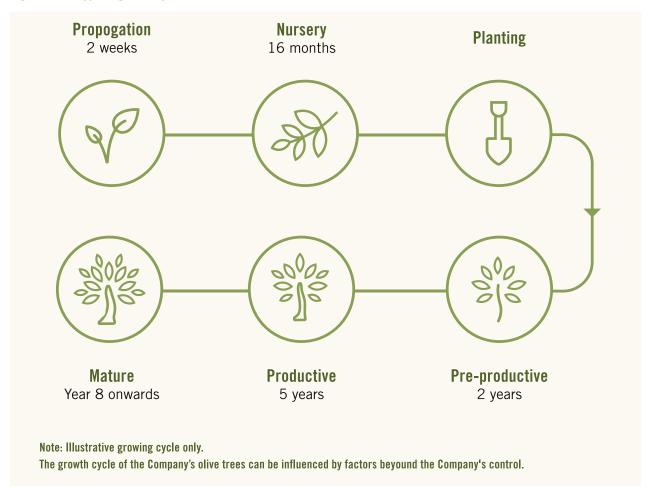
Cobram Estate Olives will continue to focus on premiumisation whilst growing sales of its brands and supporting key customers with Private Label olive oil products in both Australia and the USA.

### 3.4.2 Increasing extra virgin olive oil supply from the Company's Australian olive groves to support future sales growth

The Company has been investing in growing its future supply of oil through the expansion and redevelopment of its Australian olive groves. As a result of this investment, the Company has inbuilt supply growth with its maturing olive orchards in Australia expected to produce growing yields as the trees approach maturity (eight years and older).

As with many permanent crops, there is a significant lead time between planting and the achievement of mature fruit yields. In the case of olive trees, the growing cycle from planting to maturity involves three phases and takes approximately eight years. The typical growth cycle is highlighted in Figure 3.31.

Figure 3.31: Typical growth cycle of Cobram Estate Olives' trees (source: Cobram Estate Olives)



The production of olives (and olive oil) increases as an olive tree develops until they reach a maturity point around eight years of age. As a result of its recent plantings, as of May 2021 the Company's olive trees range in age from zero years (planted in April 2021) through to 17 years (planted in 2004) as highlighted in Figure 3.32.

As of May 2021, the Company's tree age can be summarised as follows:

- Mature trees: 1.48 million trees, or 61% of existing Australian plantings, are mature.
- Productive trees: 580,000 trees, or 24% of existing Australian plantings, are not yet producing mature yields.
- Pre-productive trees: 378,000 trees, or 15% of existing Australian plantings, are yet to produce a harvested crop.

600,000 3,000 Average 500,000 2.500 olive oil 400,000 2,000 Number of trees yield 300,000 1,500 (litres 200,000 1,000 per hectare) 100 000 500 0 0 11 12 13 14 15 16 17 Age of trees (years since planting) Number of trees Litres per hectare

Figure 3.32: Age profile of the Company's olive trees and average olive oil yield by year of age (source: Cobram Estate Olives)

Olive trees have been known to live for hundreds of years, however, in line with best horticultural practices for olives, the Company assumes the lifespan of its trees to average 30 years. The mature yield per hectare in Figure 3.32 and the projected hectares of mature trees in Figure 3.33 includes consideration of a replanting program averaging 2.5% of the Company's groves each year to maintain optimum production by the majority of the Company's olive trees.

As highlighted by Figure 3.33, based on current plantings, and planned future planting of 650 hectares at the Company's Boort and Wemen groves, the Company's mature groves are expected to increase from 3,960 hectares to 6,964 hectares over the next 10 years. This growth in area of mature trees is expected to deliver increasing supply to support future sales growth in Australia and export markets. The Company has also secured a location for future plantings having purchased the Woorlong Station property near Gol Gol in New South Wales. Woorlong Station is a 5,423-hectare property acquired by the Company in 2017 with an estimated 3,000 hectares plantable to olives. The Company has no immediate plans to develop Woorlong Station at this time and will review this as demand requires.



Figure 3.33: Projected hectares of the Company's mature olive trees in Australia (including existing groves and new plantings at Boort and Wemen) (source: Cobram Estate Olives)

In line with the increase in maturing groves, the Company is projecting an increase in the production of extra virgin olive oil supply from its Australian olive groves over time to support future sales growth. The Company will continue with management practices to minimise the impact of biennial bearing, supported by a large number of new trees at the Company's Boort grove that are steadily increasing in production. It should be noted that climatic factors beyond the Company's control, including the impact of frost, wind, flood, drought and more, can impact the Company's production in any given season.

### 3.4.3 Building the Company's vertically integrated USA business

The USA is the world's largest importer of olive oil, accounting for an average of 36% of all global olive oil imports in the last six crop years, according to the IOC. In 2020, the USA imported 396,919 tonnes of olive oil, equating to approximately 435 million litres. The market is also showing strong growth, with imports of olive oil increasing 15% between 2015 and 2020. With an opportunity for import replacement and to capture a share of market growth, Californian produced olive oil currently accounts for only 4.2% of sales of extra virgin olive oil in USA supermarkets. Only

Cobram Estate Olives' strategy to replicate its vertically integrated business in the USA is well advanced and provides a strong platform for future growth. The Company first produced olive oil in California in a third-party mill in 2014. Since then, the Company has established its own olive mill in Woodland and in 2020 produced 1.1 million litres of olive oil (primarily extra virgin), confirming its position as the third largest producer in California with an estimated 14% of production. 102

Figure 3.34 outlines the evolution of the Company's olive oil production in California since 2014, and the Company's preliminary forecast for the 2021 season.

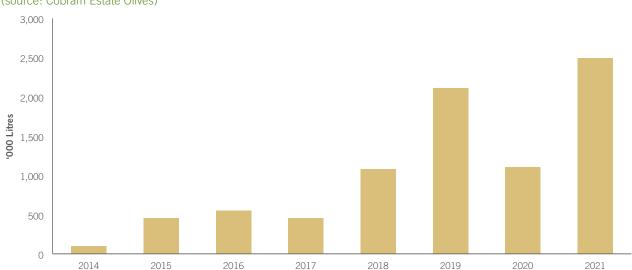


Figure 3.34: Evolution of Cobram Estate Olives' Californian olive oil production – 2014-2021 forecast (source: Cobram Estate Olives)

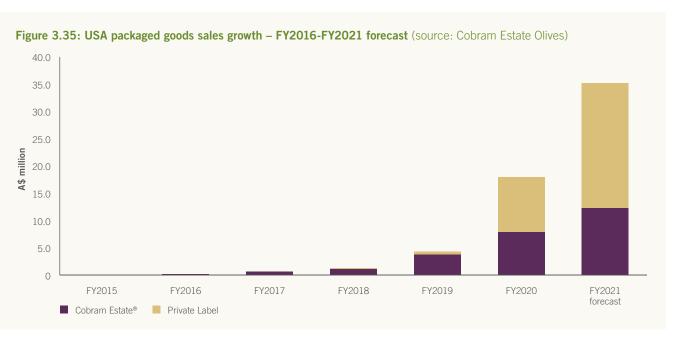
The Company planted its first olive grove in the USA in 2015 with subsequent plantings in 2019 and 2021. As of May 2021, the Company's USA olive growing operations total an estimated 149,000 trees planted on 305 hectares of long-term leased and freehold properties. Additionally, the Company has a fully integrated milling, oil storage, bottling and warehousing facility located at Woodland, California (near Sacramento). The site has the capacity to process the Company's growing fruit supply for the next several seasons, store up to 2.9 million litres of olive oil in modern storage facilities and bottle up to 3,500 units per hour of branded or Private Label products.

Over the past two years, the Company's USA olive oil sales have grown substantially and are forecast to reach \$39.4 million in FY2021. The Company's Cobram Estate® and Private Label olive oil sales in the USA are following a similar pattern to that achieved in the Australian market. As highlighted in Figure 3.35, sales of Cobram Estate® and Private Label olive oil combined are forecast to reach \$35.2 million in FY2021.

<sup>100.</sup> United States Olive Oil Imports, (www.indexmundi.com/agriculture) accessed June 2021; Olive Oil Times, https://www.oliveoiltimes.com/world/slight-decrease-olive-oil-consumption-in-2021/91366 accessed April/May 2021.

<sup>101.</sup> SPINS Scan data, Total 100% California Olive Oil, Total Dollar Sales, 12-months to 01/06/2021.

<sup>102.</sup> American Olive Oil Producers Association, Olive Oil Commission of California, Cobram Estate Olives, 2021.



In the USA, the Company's olive oil supply comes from a combination of the Company's own groves, and from olive oil made in the Company's Woodland mill using fruit grown by contracted third-party suppliers. The Company is dependent upon the supply of olive fruit from over 20 contracted growers in the USA, with third-party fruit accounting for 99% of the Company's fruit supply in 2020. The third-party fruit supply agreements have contract terms ranging from one to four years. Based on current forecasts, third-party share of fruit supply is projected to fall to around 86% in 2021 as the Company's USA groves increase in output.

Consistent with its existing strategy, whilst continually seeking olive fruit supply from new third-party growers and working with exiting suppliers to plant more olives, the Company intends to grow its own supply in the USA through planting and or acquiring new groves.



### 3.4.4 Growing the Wellness division and value-adding the Company's olive by-products

The production of olive oil generates a substantial quantity of olive by-products and waste. These products include olive pit, olive pomace, olive leaves and olive prunings. To capture more value from the Company's olive farming operations, a new Wellness division was established in 2017 to explore, develop, and commercialise innovative new products and activities that utilise other outputs from the groves. The Company also realises health and wellness, product safety, and social impact have always been present in consumers' minds, but such factors are evolving in meaning and are becoming increasingly important value and growth drivers.

The Company has invested significant resources into the research and development of new products and sales channels through its Wellness division and Wellgrove® health and wellness brand to drive commercialisation of these products. The sales performance and activities of the Wellness division are further detailed in Section 3.3.8.





### 3.5 Farm management and use of technology

Cobram Estate Olives is a proponent of intensive olive growing techniques involving large-scale olive farming operations, moderate density tree plantings, mechanical harvesting, on-site milling, and the adoption of precision horticultural techniques including drip irrigation. As Australia's largest grower of olives and producer of premium quality extra virgin olive oil, the Company has always placed great importance on continuously improving its farming operations.

Key farm management initiatives adopted by Cobram Estate Olives include the following:

- Adoption of medium to high planting densities that lead to a higher degree and more consistent levels of production.
- Adoption of a sophisticated and highly efficient pressurised low volume irrigation system to minimise inefficiencies in the application of water.
- Designed irrigation systems based on comprehensive soil mapping to determine suitable areas for development and most appropriate valve design and shift arrangements.
- Adopted state of the art irrigation scheduling and soil and tree monitoring systems to better evaluate the response of the system to the amount of water applied through irrigation.
- Ongoing evaluation of more than 20 different olive tree varieties to determine their levels of productivity, resistance and/or susceptibility to several environmental factors and their ability to adapt to climatic changes.
- Conducted detailed frost risk assessment and mitigation studies utilising highly sophisticated climatic sensors to better understand the potential risks of cold temperatures at the Company's groves.
- Operate 152 frost fans at the Company's groves as part of the frost risk mitigation plan to better manage the potential impact of extreme temperature conditions.
- Implemented detailed integrated pest and disease management practises to monitor and prevent any serious outbreak
  of pests and diseases under ever changing climatic conditions.

Cobram Estate Olives embraces precision horticulture techniques and uses a wide range of technology to support its grove operations. The Company's goal is to use technology to help optimise field-level management in areas including the following:

- Increasing yields by identifying and addressing under-performing areas both short- and long-term;
- Matching farming practices more closely to crop needs (e.g. fertilizer inputs, irrigation schedules, etc.);
- · Optimising use of irrigation water and minimising losses; and
- Reducing environmental risks and footprint of farming (e.g., limiting leaching of nitrogen).

The use of technology also provides management with a wealth of information to build up records, improve decision-making, evaluate trials and management alternatives more cost effectively and foster greater traceability.



### 3.6 Sustainability

For the past 20 years, Cobram Estate Olives has made sustainability a core component of its farming operations and has taken measures to maximise quality and yields, whilst achieving the highest possible level of sustainability across its grove operations. The Company intends to continue to innovate across its olive production systems, to drive continual improvement in operational performance alongside the sustainability of the Company's olive groves.

### 3.6.1 Impact of olive groves on atmospheric CO<sub>2</sub>

Fruit production and soil preservation can contribute to mitigating the increase of atmospheric  $CO_2$  by acting as a carbon sink. In the case of olives, whilst the ability to fix carbon varies from grove to grove, the International Olive Council estimates that producing one litre of extra virgin olive oil captures an average of 10.65kg of  $CO_2$  from the atmosphere, with one hectare of the average olive grove neutralising the carbon footprint of one person. This is in stark contrast to what occurs with the main edible oil industries (palm, soyabean, rapeseed, sunflower, and peanut), where the production of those refined edible oils, at a global level, has a negative net effect on atmospheric  $CO_2$ .

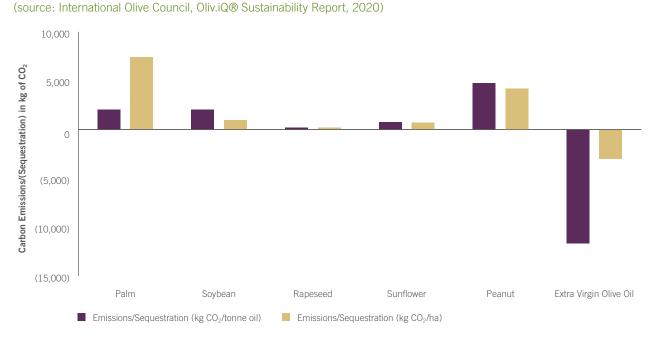
From a crop sustainability point of view, olive crops outperform other mainstream edible oil crops. Olive crops are:

- The only mainstream edible oil crop which acts as a carbon sink.
- The most efficient crop in terms of use of water, nitrogen, and phosphorus fertilisers.
- · An evergreen perennial crop, providing a great level of biodiversity and very limited negative impact from land-systems change.

<sup>103.</sup> International Olive Council, 2020; https://www.olioofficina.it/en/knowledge/agricolture/the-carbon-footprint-of-olive-oil.htm accessed June 2021; Schmidt, J. H. Life cycle assessment of five vegetable oils, Journal of Cleaner Production 87, 2015; Munoz, I. et al. Comparative life cycle assessment of five different vegetable oils, 2.0 LCA Consultants for high quality, decision support, 2016; Oliv.iQ® Sustainability Report, 2020.

<sup>104.</sup>International Olive Council, 2020; https://www.olioofficina.it/en/knowledge/agricolture/the-carbon-footprint-of-olive-oil.htm accessed June 2021; Schmidt, J. H. Life cycle assessment of five vegetable oils, Journal of Cleaner Production 87, 2015; Munoz, I. et al. Comparative life cycle assessment of five different vegetable oils, 2.0 LCA Consultants for high quality, decision support, 2016; Oliv.iQ® Sustainability Report, 2020.

Figure 3.36: Comparison of carbon emissions and carbon sequestration for key edible oils



Cobram Estate Olives has taken several measures to enhance the carbon sequestration ability of the Company's olive production systems. Cobram Estate Olives' integrated olive oil production system allows achievement of consistent high yields, optimal quality and low production costs through sustainable practices and principles. The most important systems and principles are Oliv.iQ® Grove Design; Oliv.iQ® Canopy Management; Oliv.iQ® Integrated Pest and Disease Management; Oliv.iQ® By-Products Management; and Oliv.iQ® Environmental Policies. Because of the adoption of these sustainable practices, it is estimated that Cobram Estate Olives' groves sequestrate nearly 10 times more CO<sub>2</sub> per hectare than the global average for olive groves.



### 3.6.2 Key sustainability focus areas

#### **Biodiversity**

Cobram Estate Olives is focused on minimising any biodiversity loss in the Company's sites. Some examples of key actions and practices include:

- Mapping and fencing over 1,300 hectares of remnant native vegetation within the Company's properties (11% of the total area owned) to protect its biodiversity values.
- Undertaking detailed flora and fauna surveys of the properties to identify constraints and opportunities for improvement.
- The establishment of 40-metre buffer zones between the edge of native vegetation and irrigation areas, 25 metres of which has been revegetated though direct seeding of native flora.
- Prevented regional saline water from re-entering the Murray River system by developing a wetland area in partnership with the National Heritage Trust. This has now become a beneficial habitat for wildlife.

Management of remnant native vegetation on the Company's Australian olive groves is consistent with the principles of Victoria's Native Vegetation Management Framework, promoting the recovery of native flora and fauna habitats.



### Freshwater use

Agronomists typically compare the water needs of any crop to the water needs of actively growing closely cut grass. Olive crops have one of the lowest requirements, using 30% to 40% less water than grass. Other permanent crops such as most nut and fruit trees will use between 10% and 30% more water than grass. Because of the adoption of more sustainable and efficient agricultural and irrigation practices, and due to the significantly higher yields than the industry average, it is estimated that Cobram Estate Olives' groves produce olive oil with a consumption of water 37% lower per tonne of oil than industry best practice.

#### Fertiliser use

Production of olive oil uses approximately 50% less nitrogen fertiliser per hectare than other edible oil crops such as palm or rapeseed (not including soyabean or other legumes). The situation is even more evident with phosphorus, where olives only require between 20% and 30% of the phosphorus used by other edible oil crops (not including soyabean or other legumes). Decause of the adoption of more sustainable and efficient agricultural practices, and due to the significantly higher yields achieved, it is estimated that Cobram Estate Olives' groves produce olive oil using 61% less nitrogen and 83% less phosphorous per tonne of oil than olive industry averages.

#### Land management

Cobram Estate Olives has a strong record of achievement in managing environmentally sensitive farming areas. The approach to planning and managing agricultural operations at Cobram Estate Olives is prescribed by its Environmental Policy. This policy requires and guides the achievement of ecologically sustainable agricultural production.





### Waste management

In recent years, due to the global intensification of food production, there has been great social and environmental pressure for the efficient re-utilisation of agricultural industry by-products which have traditionally been discarded as waste. Utilisation of by-products in farm animal nutrition, as organic fertilisers and/or as sources of valuable phytochemicals help to reduce the environmental impact of the food industry. As outlined in Section 3.3.8, Cobram Estate Olives has made the achievement of a waste zero operation and the maximisation of the value of all operations one of its fundamental pillars.

### 3.7 Water supply and management

Olive trees have one of the lowest water requirements amongst other permanent crops such as most nut and fruit trees. In addition, olive trees are sufficiently hardy so that, should the ideal volume of water in any given season not be available for any reason, an olive tree is unlikely to die but will likely produce an olive crop with a lower yield during that season. During the following season, provided sufficient water is available, that same olive tree may again produce olive fruit at an optimum level.

### 3.7.1 Irrigation of the Company's Australian olive groves

Cobram Estate Olives sources its water in Australia from multiple points of the Southern Murray Darling Basin – both Goulburn River and Murray River systems. Due to commercial factors and operational practicalities, the Company currently does not own Entitlement Water (Permanent Water) and since 2013 has sourced its water from the allocation market (Temporary Water). Procuring water in this way has allowed the Company to maintain flexibility with its purchases occurring throughout the year, from multiple counterparties, and has provided access to sufficient water in every irrigation season. At the Prospectus Date the Company has not been in a position where it has not been able to procure sufficient water for its Australian olive groves.

From 2007 through to June 2020, the weighted average price paid for Temporary Water traded on the Southern Murray Darling Basin was \$181 per megalitre. The price paid for water in any given season fluctuates based on normal supply and demand drivers such as storage levels, rainfall outlook, and Temporary Water allocation percentages against Permanent Water entitlements. Due to the robust perennial nature of olive groves, together with the value-added returns the Company achieves through the sale of premium consumer goods, the Company is better able to absorb price movements relative to many other irrigators in the region.

Over the period FY2014 to FY2021, the Company purchased an average of 35.8 gigalitres of water per annum, securing 100% of its water needs by procuring Temporary Water. Whilst seasonal prices fluctuated over this period as the following chart indicates, the Company's weighted average price paid was \$233 per megalitre, heavily influenced by extra-ordinary high prices in FY2020. During FY2021 the Company has paid an average price of \$168 per megalitre for water purchased. Looking forward, for every \$100 per megalitre the Company's annual EBITDA and cash generated from operations is impacted by approximately \$4.2 million, when the Australian groves are at maturity.

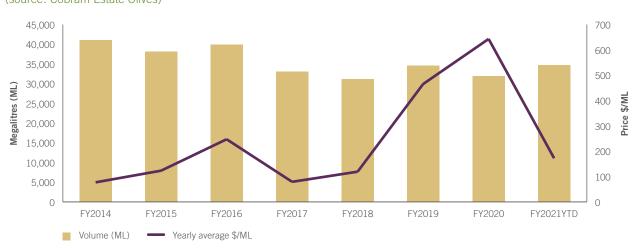


Figure 3.37: Cobram Estate Olives annual Temporary Water purchases and average annual price (source: Cobram Estate Olives)

The Company has an executive dedicated to the management of water, and maintains a regularly reviewed, strategic focus on the most appropriate mechanism to procure its water requirements. The current strategy may change in the future to include the purchase or lease of Permanent Water.

### 3.7.2 Irrigation of the Company's Californian olive groves

In the case of both owned and leased land in California, the Company irrigates its groves using ground water (bores) and surface water (canals). Most of the Company's grove sites have dual water sources, meaning that the Company has access to both bore water and surface water. For those locations that do not currently have access to both bore water and surface water, the Company is actively working towards securing both sources for long-term use.

### 3.7.3 Water stewardship

Water is an essential input into modern olive growing, and Cobram Estate Olives continuously seeks to improve its water use efficiency. A summary of key initiatives to maximise water use efficiency include the following:

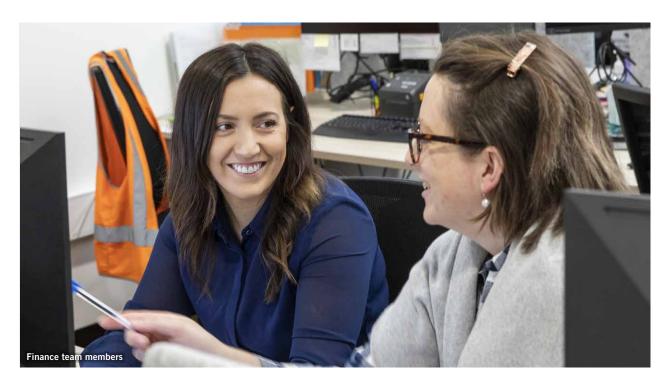
- Designed and implemented its irrigation system according to a comprehensive and exhaustive soil mapping exercise to determine suitable areas for development and the most appropriate valve design and shift arrangements.
- Adopted a sophisticated and highly efficient pressurised low volume irrigation system to minimise inefficiencies in the application of water.
- Adopted state-of-the-art irrigation scheduling and soil and tree monitoring systems to better evaluate the response of the system to the amount of water applied through irrigation.
- Worked with environmental groups to monitor and improve the environmental performance of its properties. This includes
  the installation and regular monitoring of several piezometers to prevent any type of deep leaching.
- Implemented an environmental monitoring program to ensure early warning of any unanticipated environmental changes.
- Adhered to the principles of the Company's Water Stewardship program which details best management practice relating
  to water use, including minimising environmental impacts.
- Prevented regional saline water from re-entering the Murray River system by developing a wetland area at its Boundary Bend grove in partnership with the National Heritage Trust. This has now become a beneficial habitat for wildlife.
- Installed two-phase processing lines to produce olive oil and two-stage washing equipment, which require significantly less water than traditional technologies meaningfully reducing the volume of liquid waste streams and water requirements.



### 3.8 Employees

As of April 2021, Cobram Estate Olives employed 172 people, with 136 employees and casuals in Australia and 36 in the USA. Of these, approximately 113 (92 Australia; 21 USA) were classified as full-time employees, 25 (10 Australia; 15 USA) were classified as part-time employees and 34 (Australia) were classified as casuals. The casual workforce varies substantially across the year and correlates with Cobram Estate Olives' demand for casual and itinerant workers during key activities including nursery propagation, olive grove planting, the annual olive harvest (April-June), some of which are provided through arrangements with labour hire companies.

Cobram Estate Olives recognises the importance of retaining a highly proficient and knowledgeable workforce. The Company prefers promoting from within wherever possible. Over the last five years, for full-time and part-time roles, Cobram Estate Olives' Australian business has had an average annual retention rate of approximately 90%.



Operationally, Cobram Estate Olives runs a simplified team structure seeking to capture strong synergies between Australian and USA operations. The Company's structure includes:

- Joint-CEOs Sam Beaton and Leandro Ravetti with specialist responsibilities based on individual expertise. Sam Beaton is responsible for Finance and Commercial, and Leandro Ravetti for Technical and Production.
- Specialist CFOs in both Australia and the USA, reporting to Joint-CEO Sam Beaton.
- Specialist general managers and technical and operational teams on grove and bottling sites in Australia and the USA, reporting to Joint-CEO Leandro Ravetti.
- Specialist sales and marketing teams in Australia and the USA, reporting to the global head of sales and marketing based in Melbourne.
- A specialist olive milling and maintenance team based in Australia that also oversees USA production.

Cobram Estate Olives' internal recruitment process is complemented by external experts with knowledge of the markets in which Cobram Estate Olives operates and includes domestic and international search activities.

### 3.9 Regulatory environment

### 3.9.1 Environmental and sustainability

Self-regulation drives Cobram Estate Olives' implementation of best practice environmental procedures. Cobram Estate Olives continuously reviews its operating activities to enhance its profile of environmental responsibility. As outlined in Section 3.6, Cobram Estate Olives recognises the importance of agricultural sustainability and views it as integral to maximising long-term profitability. The Company focuses on sustainable agricultural practices that are productive, competitive, and efficient. This includes water use efficiency, energy conservation, soil health and waste management.

As owner and operator of real property, including farmland and farming operations in Australia and California USA, Cobram Estate Olives is subject to various federal, state, and local environmental laws and regulations, with respect to environmental pollution, the use of hazardous chemicals, wastes and pesticides, and water treatment and management. Among other things, these laws impose liability on property owners for costs and damages related to soil and water contamination. Causing pollution or environmental harm may give rise to penalties.

Prior to the development of new sites in California, it is a requirement that a full environmental study of the property be conducted to identify any delineated water ways, protected wetlands, and endangered species habitats. Additionally, in California it is a requirement for the Company to file paperwork with the local county related to (1) the management of nitrogen to ensure it is not leaching into the aquafers, (2) development of erosion control plans to mitigate land loss, and (3) to prevent excessive sediment from entering nearby water ways.

### 3.9.2 Product quality and safety

Cobram Estate Olives is fully committed to product safety, product quality, customer, and regulatory compliance, as well as a dedicated commitment to continuous improvement. To achieve these objectives, the Company ensures all products are manufactured and independently certified quality management systems.

The Company conforms to both internal and external quality control and key requirements from its main customers, including:

- Hazard Analysis Critical Control Point (HACCP)
- Safe Quality Food (SQF)
- ISO 9001 Standard
- Woolworths Woolworths Quality Assurance System
- Coles Coles Approved Supplier Requirements
- Aldi Safe Quality Food

Cobram Estate Olives' extra virgin olive oil products conform to the most rigorous standards available. These include:

- Australia: Australian Standards for Olive Oil and Olive Pomace Oils (AS5264-2011)
- USA: California extra virgin olive oil standard, California Department of Food and Agriculture (CDFA), United States Department of Agriculture (USDA)
- Global other: International Olive Council Trade Standard on Olive Oils and Olive-Pomace Oils (IOC), Codex Alimentarius
   International Food Standards

For its range of Nutraceutical products, Cobram Estate Olives conforms with the requirements of:

- Australia Therapeutic Goods Administration (TGA); and
- USA Food, Drug and Alcohol (FDA)

The Company is implementing a Food Safety Culture initiative on all sites. The Company's Food Safety Culture is based on five dimensions and critical components:

- Vision and Mission
- People
- Adaptability
- Consistency
- Hazards and risk awareness

### 3.9.3 Workplace health and safety (WHS)

The health and safety of the people associated with Cobram Estate Olives activities are integral to a successful business environment and for the ongoing growth and development of the Company. Cobram Estate Olives' WHS Policy is based on a belief that the well-being of staff and people affected by the Company's work, is of paramount importance and must be considered during all work performed.

Cobram Estate Olives has a fully documented Safety Management System, based on AS4801 and compliance is audited at regular intervals by an independent professional group at all locations. The underlying premise of the Company's Safety Management System is to foster a dynamic safety culture focused on minimising and reducing unsafe working conditions and eliminating unsafe acts.

Cobram Estate Olives maintains thorough WHS procedures at all sites that are intended to ensure employees' health and safety. The Company works to create uniformity across business WHS for base requirements and carries out operation specific policies and procedures where appropriate.

### 3.9.4 Food safety, processing, and labelling

Cobram Estate Olives is required to comply with a range of specific food safety, processing, and labelling obligations in Australia under state and territory Food Acts and the Australian and New Zealand Food Standards Code (ANZFS), and in the USA under the California Department of Public Health codes (CDPH) and the Food and Drug Administration Food Labelling Standards (FDA). The requirements include in relation to:

- The handling, transportation, and disposal of food during production and processing.
- The health, hygiene and training requirements of persons who may handle food during production and processing, or who may handle surfaces likely to come into contact with food during production and processing.
- The cleaning, sanitisation, and maintenance of premises where food is produced and processed, and the equipment used in the production and processing.
- The use of any chemicals or micro biological materials in the production of food such as fertiliser.
- Food labelling and marketing.

These regulations are enforced with the potential for substantial fines for breach of the obligations.

The Australian consumer law (ACL) additionally contains a general product safety and liability regime (or consumer guarantee) and prohibits misleading representations in trade and commerce, which extends to the content of food labels or other public-facing materials such as advertising. The ACL is enforced by the Australian Competition and Consumer Commission, which has the power to issue infringement notices and to seek a wide range of orders for breaches of the ACL, including penalties, corrective advertising injunctions, variations of contracts, refunds, and compliance programs. Cobram Estate Olives has procedures in place to ensure that it complies with relevant requirements relating to state and territory Food Acts, ANZFS, CDPH, FDA and ACL.

### 3.9.5 Complementary medicine safety, processing, labelling, and advertising

For relevant Wellgrove complementary medicine products, Cobram Estate Olives is required to comply with a range of specific regulatory controls relating to product classification, efficacy, product claims, safety, processing, labelling, sampling, and advertising under the Therapeutics Goods Administration (TGA) in Australia and Food and Drug Administration (FDA) in the USA. These regulations are enforced with the potential for substantial fines for breach of the obligations. Cobram Estate Olives has procedures in place to ensure that it complies with relevant requirements relating to TGA and FDA.

### 3.10 IT systems

Over the past three years, Cobram Estate Olives has leveraged cloud computing to increase the availability of critical data while hardening the security position of the organisation. This model has also allowed the organisation to scale on demand by enabling the business to efficiently increase resources and capacity when required to accommodate growth. The cloud first strategy has helped mitigate organisational risk and increased staff productivity by enabling the team to securely access data, communicate and collaborate from anywhere, anytime.

### 3.11 Trademarks and Intellectual Property Protection

Cobram Estate Olives' primary intellectual property assets are trademarks. The Company has a comprehensive trademark protection strategy and protects its brand names, tag lines, logos, label designs, and bottle designs as registered trademarks. The Company's key trademarks including Cobram Estate®, Red Island®, Tree of Life®, Boundary Bend Estate®, Wellgrove®, Modern Olives®, and Oliv.iQ® are protected in relevant jurisdictions.

Cobram Estate Olives maintains a robust trademark monitoring policy to identify potential infringement of the Company's trademarks and acts (including legal action if required) to enforce its trademark rights against misuse by third parties.



# 4 Financial information

### 4.1 Financial Information

The financial information contained in this Section 4 includes historical financial information for Cobram Estate Olives for the financial years ended 30 June 2019 (**FY2019**) and 30 June 2020 (**FY2020**), and for the six months ended 31 December 2020 (**HY2021**) and 31 December 2019 (**HY2020**). The financial information also includes forecast financial information for Cobram Estate Olives for the financial year ending 30 June 2021 (**FY2021F**).

Table 4.1: Overview of the Financial Information

Definitions	Statutory Financial Information	Pro Forma Financial Information
Historical Financial Information	Statutory Historical Financial Information comprises the following:	Pro Forma Historical Financial Information comprises the following:
	<ul> <li>statutory historical consolidated income statements for FY2019, FY2020, HY2020 and HY2021 (Statutory Historical Income Statements);</li> </ul>	<ul> <li>pro forma historical consolidated income statements for FY2019, FY2020, HY2020 and HY2021 (Pro Forma Historical Income Statements);</li> </ul>
	<ul> <li>statutory historical consolidated cash flows for FY2019, FY2020, HY2020 and HY2021 (Statutory Historical Cash Flows); and</li> </ul>	<ul> <li>pro forma historical consolidated cash flows for FY2019, FY2020, HY2020 and HY2021 (Pro Forma Historical Cash Flows); and</li> </ul>
	<ul> <li>statutory historical consolidated statement of financial position as at 31 December 2020 (Statutory Historical Statement of Financial Position).</li> </ul>	<ul> <li>pro forma historical consolidated statement of financial position as at 31 December 2020 (Pro Forma Historical Statement of Financial Position).</li> </ul>
Forecast Financial Information	Statutory Forecast Financial Information comprises the following:	Pro Forma Forecast Financial Information comprises the following:
	<ul> <li>statutory forecast consolidated income statement for FY2021F (Statutory Forecast Income Statements); and</li> </ul>	<ul> <li>pro forma forecast consolidated income statement for FY2021F (Pro Forma Forecast Income Statements); and</li> </ul>
	<ul> <li>statutory forecast consolidated cash flows for FY2021F (Statutory Forecast Cash Flows).</li> </ul>	<ul> <li>pro forma forecast consolidated cash flows for FY2021F (Pro Forma Forecast Cash Flows).</li> </ul>

The Historical Financial Information, and the Forecast Financial Information are together referred to as the "Financial Information".

#### Overview of the Financial Information contained in this Section 4 Dec-19 Jun-18 Dec-18 Jun-19 Jun-20 Jun-21 Dec-20 FY2019 FY2021F FY2020 (Pro Forma and Statutory) (Pro Forma and Statutory) (Pro Forma and Statutory) HY2020 HY2021 (Pro Forma (Pro Forma & Statutory) & Statutory)

In addition, Section 4 summarises:

- the basis of preparation and presentation of the Financial Information (see Section 4.2);
- information regarding certain non-IFRS financial measures (see Section 4.2.6);
- the pro forma adjustments to the Statutory Historical Financial Information and the Statutory Forecast Financial Information (see Sections 4.3.2, 4.5.2 and 4.6.1);
- information regarding liquidity and capital resources (see Section 4.7.2);



### Financial information | Continued

- information regarding Cobram Estate Olives' contractual obligations, commitments, and contingent liabilities (see Section 4.7.4);
- the Directors' best estimate general and specific assumptions underlying the Forecast Financial Information (Section 4.9) a key sensitivities in respect of the Forecast Financial Information (Section 4.10);
- management's discussion and analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information (see Section 4.8); and
- Cobram Estate Olives' dividend policy (see Section 4.11).

The Financial Information presented in this Prospectus has been reviewed by Deloitte Corporate Finance Pty Limited (Investigating Accountant) in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information as stated in its Investigating Accountant's Report on the Financial Information. Investors should note the scope and limitations of the Investigating Accountant's Report on the Financial Information (see Section 8).

The information in Section 4 should also be read in conjunction with Cobram Estate Olives' significant accounting policies set out in Appendix A, the risk factors set out in Section 5, the Investigating Accountant's Report on the Financial Information set out in Section 8, and the other information contained in this Prospectus.

All amounts disclosed in Section 4 and the Appendices are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$100,000. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in figures or tables contained in this Prospectus are due to rounding.

### 4.2 Basis of preparation and presentation of the Financial Information

### 4.2.1 Overview

The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flow and financial position of Cobram Estate Olives, together with the forecast financial performance and cash flows for FY2021F.

The Statutory Historical Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) adopted by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board and Cobram Estate Olives' accounting policies. Cobram Estate Olives' significant accounting policies are described in Appendix A.

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles of AAS other than it includes certain adjustments which have been prepared in a manner consistent with AAS, that reflect (a) the exclusion of certain transactions that occurred in the relevant periods and (b) the impact of certain transactions as if they had occurred on or before 31 December 2020.

The Pro Forma Historical Financial Information has been prepared solely for inclusion in this Prospectus and does not reflect the actual financial results and cash flows of Cobram Estate Olives for the periods indicated. The Directors of Cobram Estate Olives believe that it provides useful information as it permits investors to examine what Cobram Estate Olives considers to be the underlying financial performance and cash flows of the business presented on a consistent basis.

The Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The Forecast Financial Information presented in this Prospectus is unaudited. The basis of preparation and presentation of the Forecast Financial Information, to the extent possible, is consistent with the basis of preparation and presentation for the Historical Financial Information unless noted.

The Financial Information is presented in an abbreviated form, and it does not include all of the presentation and disclosures, statements or comparative information required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

In addition to the Financial Information, Section 4.2.6 describes certain non-IFRS financial measures that Cobram Estate Olives uses to manage and report on the business that are not defined under or recognised by AAS or IFRS.

#### 4.2.2 Segment Information

Cobram Estate Olives manages its operations across three key segments: Australian Olive Oil (**Australia**), USA Olive Oil (**USA**) and Boundary Bend Wellness and considers these segments appropriate for segment reporting purposes under AASB8 Operating Segments.

Australia and USA are geographical segments of our olive oil operations. Boundary Bend Wellness focuses on innovation and sustainability initiatives with operations in Australia and the USA across four key areas: Biomass, Wellgrove® health and wellness, Specialty Ingredients, and the Olive Wellness Institute®. Head office/corporate costs are all allocated to the Australia segment.

The Joint-Chief Executive Officers (**CEOs**) have been determined as the chief operating decision makers of the business. The CEOs regularly review the financial information for the operating segments and uses this information to assess the performance of these operating segments and allocate resources where appropriate.

#### 4.2.3 Preparation of the Historical Financial Information

The Historical Financial Information has been presented on both a statutory and a proforma basis.

The Statutory Historical Financial Information has been extracted from the FY2019 and FY2020 audited general purpose financial statements of Cobram Estate Olives and the HY2020 and HY2021 reviewed general purpose interim financial statements of Cobram Estate Olives.

The financial statements of Cobram Estate Olives for FY2019 and FY2020 were audited by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards. Deloitte Touche Tohmatsu has issued unqualified audit opinions on these financial statements.

The financial statements of Cobram Estate Olives for HY2020 and HY2021 were reviewed by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards. Deloitte Touche Tohmatsu has issued unqualified reviewed opinions on these financial statements.

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus. The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of Cobram Estate Olives and adjusted for the effects of certain pro forma adjustments.

The Pro Forma Historical Income Statements and Pro Forma Historical Cash Flows include pro forma adjustments to reflect:

- the impact of a change in the accounting treatment of a USD intercompany loan to Cobram Estate Olives' USA entities, as if that change had occurred on 1 July 2018;
- the estimated incremental costs associated with operating as a listed company as if they were incurred from 1 July 2018; and
- adding back the estimated costs associated with the Employee Gift Offer.

Section 4.3.2 Table 4.4 sets out the proforma adjustments made to the Statutory Historical Income Statements and a reconciliation of the Statutory Historical Income Statements to the Pro Forma Historical Income Statements.

Section 4.5.2 Table 4.12 sets out the pro forma adjustments to the Statutory Historical Cash Flows and a reconciliation of the Statutory Historical Cash Flows to the Pro Forma Historical Cash Flows. Pro forma adjustments were made to the Statutory Historical Cash Flows to reflect the cash impact of the pro forma adjustments to the Statutory Historical Cash Flows.

The Pro Forma Statement of Financial Position includes pro forma adjustments to reflect the impact of the Employee Gift Offer as if it had occurred as at 31 December 2020, including:

- the provision of unsecured loans to two executives to allow them to exercise share options;
- the issue of shares under the Employee Gift Offer; and
- the payment of the costs of the Employee Gift Offer.

Section 4.6.1 Table 4.14 sets out the pro forma adjustments to the Statutory Historical Statement of Financial Position and a reconciliation of the Statutory Historical Statement of Financial Position to the Pro Forma Historical Statement of Financial Position. The Pro Forma Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of the future financial position of Cobram Estate Olives.

In preparing the Financial Information, Cobram Estate Olives' accounting policies, unless otherwise stated, have been consistently applied throughout the periods presented.

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

#### 4.2.4 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared and presented on both a pro forma and statutory basis for FY2021F, as follows:

- The Statutory Forecast Financial Information for FY2021F reflects the Directors' best estimate forecasts for FY2021F; and
- The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information after adjusting for the pro forma adjustments to reflect the operating structure following completion of the Employee Gift Offer.

A reconciliation of the Statutory Forecast Financial Information to the Pro Forma Forecast Financial Information is provided in Section 4.3.2 Table 4.4 and Section 4.5.2 Table 4.12.

The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation of the Historical Financial Information, unless otherwise noted.

The Forecast Financial Information has been prepared by the Directors based on an assessment of current economic and operating conditions and best estimate assumptions regarding future events and actions as set out in Section 4.9. The Forecast Financial Information is subject to the risks set out in Section 5. The inclusion of these assumptions and these risks is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on Cobram Estate Olives' actual financial performance or financial position. In addition, the assumptions upon which the Forecast Financial Information are based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of Cobram Estate Olives, the Directors and management, and are not reliably predictable, including but not limited to agricultural production risks. Accordingly, neither Cobram Estate Olives, the Directors, nor any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise. Events or outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The Forecast Financial Information should be read in conjunction with the specific assumptions as set out in Section 4.9.2, the general assumptions as set out in Section 4.9.1, the sensitivities as set out in Section 4.10, the risk factors as set out in Section 5 and other information within this Prospectus.

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

#### 4.2.5 Foreign Currency

Cobram Estate Olives transacts in currencies other than Cobram Estate Olives' functional currency, the Australian Dollar (**AUD**), most notably the Euro (EUR), and the United States Dollar (**USD**). Cobram Estate Olives' Australian sales are made in AUD and Cobram Estate Olives USA sales are made in USD. Cobram Estate Olives' cost of sales is predominantly in AUD and USD with other currencies making up an immaterial amount.

Cobram Estate Olives Australia's earnings are exposed to the net impact of movements in foreign exchange rates, and hence are subject to both realised and unrealised gains and losses on foreign currency movements. Cobram Estate Olives' domestic operations in the United States are denominated in USD and therefore movements in this currency have the potential to impact Cobram Estate Olives' EBITDA and NPAT in FY2021F.

Cobram Estate Olives does not use derivative contracts to hedge foreign exchange risk.

#### 4.2.6 Explanation of certain non-IFRS financial measures

To assist in the evaluation of the performance of Cobram Estate Olives, certain measures are used to report on the Company that are not recognised under AAS or IFRS. These measures are collectively referred in Section 4 and under Regulatory Guide 230 *Disclosing Non-IFRS Financial Information* published by ASIC as "non-IFRS financial measures". The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- "EBITDA" is earnings before interest, tax, depreciation, and amortisation;
- "NPAT" is net profit after tax';
- "Cash Generated from Operations" means EBITDA adjusted for changes in working capital and non cash items;
- "Net cash flow before financing activities" means cash flow from operating activities after lease payments, the removal of payments made for the acquisition of businesses and investments in associates, and payments for capital expenditure;
- "Net cash flow before Employee Gift Offer impacts" means net cash flow before financing activities, after debt drawdowns (repayments), net interest payments and tax paid;
- "Net cash flow" means net cash flow before Employee Gift Offer impacts after proceeds from issue of Shares, dividends paid to shareholders and costs of the Employee Gift Offer;
- "Working capital" is the sum of current account receivables, inventories, and prepayments less the sum of current accounts payables, current tax liabilities, current portion of lease liabilities, and accruals; and
- "Net debt" represents total borrowings and lease liabilities less cash and cash equivalents.

Although the Directors believe that these measures provide useful information about the financial performance of Cobram Estate Olives, they should be considered as supplements to the income statement or cash flow statement measures that have been presented in accordance with AAS and IFRS, and not as a replacement for them. As these non-IFRS financial measures are not based on AAS or IFRS, they do not have standard definitions, and the way Cobram Estate Olives calculated these measures may differ from similarly titled measures used by other companies. Investors and readers of this Prospectus should therefore not place undue reliance on these non-IFRS financial measures.

#### 4.3 Pro Forma Historical and Forecast Income Statements

#### 4.3.1 Summary pro forma historical, pro forma forecast and statutory forecast income statements

Table 4.2 sets out a summary of the Cobram Estate Olives Pro Forma Historical Income Statements for FY2019, FY2020, Pro Forma Forecast Income Statement for FY2021F and Statutory Forecast Income Statement for FY2021F. The Pro Forma Historical Income Statements and Pro Forma Forecast Income Statements are reconciled to the respective Statutory Historical Income Statements in Section 4.3.2 which includes an explanation of the pro forma adjustments.

Table 4.2: Summary of Pro Forma Historical Income Statements and Pro Forma Forecast Income Statements

		Pro Forma Historical		Pro Forma Forecast	Statutory Forecast	
A\$ Millions	Note	FY2019	FY2020	FY2021F	FY2021F	
Sales revenue	1	112.3	140.7	145.1	145.1	
Other revenue	2	3.8	2.2	3.0	3.0	
Net change in fair value of agricultural produce	3	35.7	(11.1)	63.5	63.5	
Revenue		151.7	131.8	211.6	211.6	
Cost of sales	4	(86.3)	(112.8)	(113.9)	(113.9)	
Administration expenses	5	(14.5)	(16.6)	(12.1)	(12.1)	
Distribution expenses		(4.1)	(6.5)	(6.0)	(6.0)	
Marketing expenses		(12.2)	(14.4)	(8.3)	(8.3)	
Occupancy expenses		(1.3)	(1.3)	(2.1)	(2.1)	
Other expenses		(2.8)	(1.4)	(0.7)	(0.7)	
Expenses		(121.2)	(153.0)	(143.1)	(143.1)	
EBITDA		30.5	(21.2)	68.5	68.5	
Depreciation & Amortisation expense		(12.0)	(15.2)	(16.2)	(16.2)	
Interest expense		(4.6)	(5.4)	(4.3)	(4.3)	
Profit before tax		14.0	(41.8)	48.0	48.0	
Income tax expense		(7.1)	8.0	(14.4)	(14.4)	
NPAT		6.9	(33.8)	33.6	33.6	

#### Notes

- 1. Sales revenue: is predominantly derived from the sale of extra virgin olive oil, mostly across Australia and the USA. In addition, revenue comprises of the sale of olive-based wellness products sold in Australia and the USA. Sale of olive trees to commercial growers, wholesalers and nurseries, and the provision of olive milling services, are also included in sales revenue. Sales revenue is recognised when control of the goods has transferred, being at the point in time when the goods are delivered to the customer.
- 2. **Other revenue:** other revenue includes the provision of technical services to the Australian and Californian olive industries, rental and freight income and various subsidies and state government grants secured to offset the increased costs of harvest as a result of the COVID-19 pandemic.
- 3. **Net change in fair value of agricultural produce:** is required to be measured under Accounting Standard 141 'Agriculture' and represents the expected net realisable value (fair value), recognised at harvest, of the harvested olive oil less the actual costs of growing and processing that olive oil. The fair value is then recorded as inventory and expensed through COGS in the year that the oil is actually sold.
  - The Net change in fair value can be affected by a number of factors including; climate, water availability, pest, disease, harvesting efficiency, oil extraction rate, conversion efficiency, water costs, input costs, employee costs, expected net selling price and other agricultural and production risks.
  - The change in fair value of agricultural produce for FY2021F is based on an expected harvest of 15 million litres, and the net realisable value of that oil, which is planned to be sold over approximately 16 months from April 2021 to July 2022. The fair value in FY2021F is therefore an estimate and is based on current and forward-looking expectations.
- 4. Cost of Sales: are mainly represented by the costs of the olive oil sold, bottling and associated packaging.
- 5. **Administration expenses:** are largely derived from employment expenses such as salaries, wages and leave entitlements of administrative related staff. Consultancy fees, travel and accommodation, memberships and subscriptions and insurance are also represented under administration expenses. Information technology support services, telephone and data costs, government production levy costs and postage are also included.

Table 4.3 sets out a summary of Pro Forma Historical Income Statements for HY2020 and HY2021.

Table 4.3: Pro Forma Historical Income Statements for HY2020 and HY2021

		Pro Form	a Historical
A\$ Millions	Note	HY2020	HY2021
Sales revenue	1	70.5	72.4
Other revenue	2	0.7	1.3
Net change in fair value of agricultural produce	3	0.0	0.0
Revenue		71.2	73.7
Cost of sales	4	(58.2)	(57.0)
Administration expenses	5	(8.6)	(6.3)
Distribution expenses		(3.3)	(3.4)
Marketing expenses		(8.4)	(4.3)
Occupancy expenses		(0.7)	(0.7)
Other expenses		(0.3)	(0.1)
Expenses		(79.5)	(71.8)
EBITDA		(8.3)	1.9
Depreciation & Amortisation expense		(7.2)	(7.9)
Interest expense		(2.8)	(2.4)
Profit before tax		(18.3)	(8.4)
Income tax expense		3.7	1.5
NPAT		(14.6)	(6.8)

#### Notes:

- 1. Refer to table 4.2.
- 2. Refer to table 4.2.
- 3. Net change in fair value of agricultural produce is only assessed once a year after the completion of harvest, due to the large variability in yields and the difficulty of predicting yields four months before the harvest commences.
- 4. Refer to table 4.2.
- 5. Refer to table 4.2.

### 4.3.2 Pro forma adjustments to the Statutory Historical Income Statements and the Statutory Forecast Income Statements

Table 4.4 sets out the pro forma adjustments that have been made to the Statutory Historical Income Statements and Statutory Forecast Income Statements.

Table 4.4: Pro forma adjustments to the Statutory Historical Income Statements and Statutory Forecast Income Statements

		Histo	rical	Forecast	Histor	rical
A\$ Millions	Note	FY2019	FY2020	FY2021F	HY2020	HY2021
Statutory EBITDA		33.2	(19.7)	68.5	(8.0)	2.3
USA Intercompany loan	1	(1.9)	(0.8)	0.0	0.1	0.0
Offer Costs	2	0.0	0.0	0.7	0.0	0.0
Incremental listed company costs	3	(0.8)	(0.8)	(8.0)	(0.4)	(0.4)
Pro Forma EBITDA		30.5	(21.2)	68.5	(8.3)	1.9

		Histo	rical	Forecast	Historic	al HY
A\$ Millions	Note	FY2019	FY2020	FY2021F	HY2020	HY2021
Statutory NPAT		8.8	(32.7)	33.6	(14.4)	(6.6)
USA Intercompany loan	1	(1.3)	(0.6)	0.0	0.1	0.0
Offer Costs	2	0.0	0.0	0.5	0.0	0.0
Incremental listed company costs	3	(0.5)	(0.5)	(0.6)	(0.3)	(0.3)
Pro Forma NPAT		6.9	(33.8)	33.6	(14.6)	(6.8)

#### Notes

- 1. USA Intercompany loan: reflects the current treatment of the USD intercompany loan from Cobram Estate Olives into its USA entities as an investment in a foreign operation, as a result any movements in the value of the investment are recognised in a separate component of equity, The change in the treatment occurred on 1 July 2020 and therefore is reflected in the HY2021 and the FY2021F Income Statements. Prior to the period commencing 1 July 2020, the USD intercompany loan was considered short-term in nature, as a result any movement in the USD intercompany loan was reflected as an unrealised gain or loss in the Income Statement. This pro forma adjustment removes the exchange gains recognised in FY2019 and FY2020 to align with the current accounting treatment.
- 2. **Offer costs:** reflects the amounts forecast to be expensed in FY2021F in relation to the Employee Gift Offer (fees payable to advisers, Joint Arrangers, consultants, tax, accounting and legal fees) and the listing on the ASX. Due to the listing timing, \$0.7 million of these costs will be incurred in FY2021F with the remainder incurred in FY2022, further details are provided in Section 4.6.1.
- 3. **Incremental listed company costs:** reflects the increase in corporate costs expected to arise as a consequence of Cobram Estate Olives becoming an ASX-listed company. The increase in costs principally relate to an expected increase in Directors and Officers insurance, Directors fees, and additional adviser costs.

#### 4.3.3 Summary of Statutory Historical Income Statements

Table 4.5 sets out Cobram Estate Olives' Statutory Historical Income Statements for FY2019, FY2020, HY2020 and HY2021.

Table 4.5: Summary of Statutory Historical Income Statements

		Statutory Historical FY S			istorical HY
A\$ Millions	Note	FY2019	FY2020	HY2020	HY2021
Sales revenue	1	112.3	140.7	70.5	72.4
Other revenue	2	3.8	2.2	0.7	1.3
Net change in fair value of agricultural produce	3	35.7	(11.1)	0.0	0.0
Revenue		151.7	131.8	71.2	73.7
Cost of sales	4	(86.3)	(112.8)	(58.2)	(57.0)
Administration expenses	5	(13.8)	(15.8)	(8.2)	(5.9)
Distribution expenses		(4.1)	(6.5)	(3.3)	(3.4)
Marketing expenses		(12.2)	(14.4)	(8.4)	(4.3)
Occupancy expenses		(1.3)	(1.3)	(0.7)	(0.7)
Other expenses		(0.9)	(0.6)	(0.4)	(0.1)
Expenses		(118.6)	(151.4)	(79.2)	(71.4)
EBITDA		33.2	(19.7)	(8.0)	2.3
Depreciation & Amortisation expense		(12.0)	(15.2)	(7.2)	(7.9)
Interest expense		(4.6)	(5.4)	(2.8)	(2.4)
Profit/(loss) before tax		16.6	(40.2)	(18.0)	(8.0)
Income tax expense		(7.9)	7.5	3.6	1.4
Profit/(loss) for the year		8.8	(32.7)	(14.4)	(6.6)

Notes 1-5: Refer to table 4.2.

#### 4.4 Segment information

Cobram Estate Olives operates in three key segments – Australia, USA, and Boundary Bend Wellness.

Table 4.6 sets out Pro Forma Historical Sales Revenue by segment for FY2019, FY2020, HY2020 and HY2021 and Pro Forma Forecast Sales Revenue by segment for FY2021F.

Table 4.6: Segment pro forma Sales revenue

	Pro For	ma Historical	Pro Forma Forecast	Pro For	ma Historical
A\$ Millions	FY2019	FY2020	FY2021F	HY2020	HY2021
Australia	86.5	108.6	101.1	52.8	50.5
USA	24.5	29.9	41.4	17.2	20.7
Wellness	1.3	2.2	2.6	0.5	1.3
Sales revenue	112.3	140.7	145.1	70.5	72.4

Table 4.7 sets out Pro Forma Historical EBITDA by segment for FY2019, FY2020, HY2020 and HY2021 and Pro Forma Forecast EBITDA by segment for FY2021F.

Table 4.7: Segment pro forma EBITDA

	Pro Forma	Historical	Pro Forma Forecast	Pro Forma	Historical
A\$ Millions	FY2019	FY2020	FY2021F	HY2020	HY2021
Australia	39.8	(4.5)	73.2	1.6	4.3
USA	(4.4)	(8.1)	0.5	(4.8)	0.8
Wellness	(4.9)	(8.6)	(5.3)	(5.0)	(3.2)
Total EBITDA	30.5	(21.2)	68.5	(8.3)	1.9

Table 4.8 sets out Statutory Historical Sales Revenue by segment for FY2019, FY2020, HY2020 and HY2021.

Table 4.8: Segment Statutory Sales revenue

	Statutory Historical		Statutory Historical	
A\$ Millions	FY2019	FY2020	HY2020	HY2021
Australia	86.5	108.6	52.8	50.5
USA	24.5	29.9	17.2	20.7
Wellness	1.3	2.2	0.5	1.3
Sales revenue	112.3	140.7	70.5	72.4

Table 4.9 sets out Statutory Historical EBITDA by segment for FY2019, FY2020, HY2020 and HY2021.

Table 4.9: Segment Statutory EBITDA

	Statutory Historical		Statutory Historical	
A\$ Millions	FY2019	FY2020	HY2020	HY2021
Australia	42.6	(2.9)	1.9	4.7
USA	(4.4)	(8.1)	(4.8)	0.8
Wellness	(4.9)	(8.6)	(5.0)	(3.2)
Total EBITDA	33.2	(19.7)	(8.0)	2.3

#### 4.5 Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows

Table 4.10 sets out Cobram Estate Olives' Pro Forma Historical Cash Flows for FY2019, FY2020, Pro Forma Forecast Cash Flows for FY2021F and the Statutory Cash Flows for FY2021F. The Pro Forma Cash Flow information has been constructed using the indirect method (i.e. reconciling EBITDA to operating cash flows).

The Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows are reconciled to the respective historical Statutory Historical Cash Flows and Statutory Forecast Cash Flows in Section 4.5.2, which includes an explanation of the pro forma adjustments.

Table 4.10: Summary of Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows

		Pro Forma	Historical	Pro Forma Forecast	Statutory
A\$ Millions	Note	FY2019	FY2020	FY2021F	FY2021F
EBITDA		30.5	(21.2)	68.5	68.5
Changes in working capital	1	(27.6)	33.6	(50.2)	(50.2)
Non-cash items	2	1.2	(0.2)	0.5	0.5
Cash generated from operations		4.1	12.2	18.8	18.8
Repayment of leases		0.0	(0.3)	(0.3)	(0.3)
Capital expenditure	3	(31.1)	(24.2)	(15.6)	(15.6)
Net cash flow before financing activities		(27.0)	(12.3)	2.9	2.9
Proceeds/(Repayment) of borrowings	4	37.4	17.1	0.0	0.0
Net interest payments		(4.9)	(6.0)	(4.8)	(4.8)
Tax paid		(0.0)	(0.0)	0.0	0.0
Proceeds from issue of shares	5	1.2	1.5	_	0.0
Dividends paid to shareholders	6	(6.0)	_	_	0.0
Net Cash flow		0.7	0.3	(2.0)	(1.9)

#### Notes:

- 1. Working capital: the sum of current accounts receivables and inventories less the sum of current accounts payables and accruals.
- 2. **Non-cash items:** an expense included in the Income Statement that does not involve a cash payment, adjusted for any proforma cash adjustments as noted in table 4.12. Non-cash items include unrealised FX gains/losses, share based payments expense, (profit)/loss on sale of assets and investments, bad debts expense and stock obsolescence.
- 3. **Capital expenditure:** refers to funds that are used for the purchase, improvement, or maintenance of long-term assets to improve the efficiency or capacity of Cobram Estate Olives. This includes the amounts spent to acquire or significantly improve assets such as land, buildings, equipment, furnishings, fixtures, and vehicles.
- 4. **Proceeds/(repayments) of borrowings:** reflects the net impact of the settlement of the Cobram Estate Olive's existing and new debt facilities offset with repayment of various equipment finance.
- 5. Proceeds from share issues: the total cash inflow associated with the amount received from options that were exercised.
- 6. Dividends paid to shareholders: represents the distribution of profits of Cobram Estate Olives to its shareholders. No dividend will be paid in FY2021F.

#### 4.5.1 Pro Forma Historical Half Year Cash Flows

Table 4.11 sets out Cobram Estate Olives' Pro Forma Historical Cash Flows for Half Years HY2020 and HY2021. The Pro Forma Cash Flow information has been constructed using the indirect method (i.e. reconciling EBITDA to operating cash flows).

The Pro Forma Historical Cash Flows are reconciled to the Statutory Historical Cash Flows in Section 4.5.2, which includes an explanation of the pro forma adjustments.

Table 4.11: Summary of Pro Forma Historical Cash Flows

		Pro Forma	Historical
A\$ Millions	Note	HY2020	HY2021
EBITDA		(8.3)	1.9
Changes in working capital	1	7.4	9.4
Non-cash items	2	(0.5)	(0.2)
Cash generated from operations		(1.4)	11.1
Repayment of leases		_	_
Capital expenditure	3	(15.2)	(8.8)
Net cash flow before financing activities		(16.6)	2.4
Proceeds/(Repayment) of borrowings	4	19.3	(3.0)
Net interest payments		(3.1)	(2.8)
Tax paid		_	_
Net cash flow		(0.4)	(3.4)

### 4.5.2 Pro forma adjustments to the Statutory Historical net cash flow and the Statutory Forecast net cash flow

Table 4.12 sets out the pro forma adjustments that have been made to Statutory Historical net cash flow and the Statutory Forecast net cash flow.

Table 4.12: Pro forma adjustments to the Statutory Historical net cash flow and the Statutory Forecast net cash flow

		Histo	orical	Forecast	His	storical
A\$ Millions	Note	FY19	FY20	FY21F	HY2020	HY2021
Statutory net cash flow		1.5	1.0	(1.9)	(0.1)	(3.0)
Offer costs	1			0.7		
Incremental listed company costs	2	(0.8)	(8.0)	(0.8)	(0.4)	(0.4)
Pro Forma net cash flow		0.7	0.3	(2.0)	(0.4)	(3.4)

#### Notes:

<sup>1.</sup> **Offer costs:** reflects the amounts forecast to be expensed in FY2021F in relation to the Employee Gift Offer. Due to the listing timing, \$0.7 million of these costs will be incurred in FY2021F with the remainder incurred in FY2022.

<sup>2.</sup> Incremental listed company costs: reflects the increase in corporate costs expected to arise as a consequence of Cobram Estate Olives becoming an ASX-listed company. The increase in costs principally relate to an expected increase of Directors and Officers insurance, Directors fees and additional adviser costs.

#### 4.5.3 Summary of Statutory Historical Cash Flows

Table 4.13 sets out Statutory Historical Cash Flows for FY2019, FY2020, HY2020 and HY2021.

Table 4.13: Summary of Statutory Historical Cash Flows

		Statutory Historical		Statutory H	istorical
A\$ Millions	Note	FY2019	FY2020	HY2020	HY2021
EBITDA		33.2	(19.7)	(8.0)	2.3
Changes in working capital	1	(27.6)	33.6	7.4	9.4
Non-cash items	2	(0.7)	(1.0)	(0.5)	(0.2)
Cash generated from operations		4.9	13.0	(1.1)	11.5
Repayment of leases		0.0	(0.3)	_	_
Capital expenditure	3	(31.1)	(24.2)	(15.2)	(8.8)
Net cash flow before financing activities		(26.2)	(11.6)	(16.3)	2.8
Proceeds/(Repayment) of borrowings	4	37.4	17.1	19.3	(3.0)
Net interest payments		(4.9)	(6.0)	(3.1)	(2.8)
Tax paid		(0.0)	(0.0)	_	-
Proceeds from share issues	5	1.2	1.5	_	_
Dividends paid to shareholders	6	(6.0)	_	_	_
Net Cash flow		1.5	1.0	(0.1)	(3.0)

Notes: refer to table 4.10.

#### 4.6 Financial Position

### 4.6.1 Statutory Historical Statements of Financial Position and Pro Forma Historical Statement of Financial Position

Table 4.14 sets out the Statutory Historical Statement of Financial Position of Cobram Estate Olives and the pro forma adjustments that have been made to prepare the Pro Forma Historical Statement of Financial Position for Cobram Estate Olives. The adjustments take into account the impact of the Employee Gift Offer including associated costs.

The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of Cobram Estate Olives' view of its financial position upon Completion of the Employee Gift Offer or at a future date.

Table 4.14: Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position as at 31 December 2020

A\$ Millions	Statutory 31 Dec 2020	Related party loans <sup>2</sup>	Employee Gift Offer <sup>3</sup>	Costs of the offer <sup>4</sup>	Pro Forma 31 Dec 2020
Cash and cash equivalents <sup>1</sup>	0.8	0.0	0.0	0.0	0.8
Trade and other receivables	15.8	0.0	0.0	0.0	15.8
Inventories	31.6	0.0	0.0	0.0	31.6
Biological assets	20.3	0.0	0.0	0.0	20.3
Other	2.7	0.0	0.0	0.0	2.7
Current assets	71.2	0.0	0.0	0.0	71.2
Property, plant and equipment	287.2	0.0	0.0	0.0	287.2
Related party loans	0.0	10.4	0.0	0.0	10.4
Other loans	0.0	2.0	0.0	0.0	2.0
Right of use asset	4.9	0.0	0.0	0.0	4.9
Other financial assets	0.0	0.0	0.0	0.0	0.0
Intangible assets	6.7	0.0	0.0	0.0	6.7
Non-current assets	298.8	12.4	0.0	0.0	311.2
Assets	370.0	12.4	0.0	0.0	382.4
Trade and other payables	20.6	0.0	0.0	0.0	20.6
Lease liabilities	0.2	0.0	0.0	0.0	0.2
Borrowings	3.7	0.0	0.0	0.0	3.7
Provisions	1.9	0.0	0.0	0.0	1.9
Current tax liabilities	0.0	0.0	0.0	0.0	0.0
Other financial liabilities	1.3	0.0	0.0	0.0	1.3
Other liabilities	5.8	0.0	0.0	0.0	5.8
Current liabilities	33.4	0.0	0.0	0.0	33.4
Lease liabilities	4.8	0.0	0.0	0.0	4.8
Borrowings	157.3	0.0	0.0	1.6	158.9
Provisions	0.1	0.0	0.0	0.0	0.1
Deferred tax liabilities	32.0	0.0	0.0	(0.5)	31.6
Other financial liabilities	5.2	0.0	0.0	0.0	5.2
Other liabilities	1.1	0.0	0.0	0.0	1.1
Non-current liabilities	200.5	0.0	0.0	1.1	201.7
Liabilities	233.9	0.0	0.0	1.1	235.1
Net assets	136.0	12.4	0.0	(1.1)	147.3
Issued capital	114.2	12.4	0.1	0.0	126.7
Reserves	6.6	0.0	0.0	0.0	6.6
Retained earnings	15.2	0.0	(0.1)	(1.1)	13.9
Equity	136.0	12.4	0.0	(1.1)	147.3

#### Notes:

- 1. Cash and Cash Equivalents: proceeds from the Employee Gift Offer, less costs of the Employee Gift Offer.
- 2. **Related party loans:** As described in Section 6.5 Related Party Interests, in April 2021 the Company provided \$10.4 million in unsecured loans to two executives to allow them to exercise share options held under the Historical ESOP. In May 2021, the Company also provided a \$2 million loan to a former Director to fund the exercise of options also held under the Historical ESOP. The Pro Forma adjustment reflects the granting of the loans and the conversion of the options into equity.
- 3. **Employee Gift Offer:** New issued share capital and reduction in retained earnings from issue of 500 shares to all eligible employees (130 employees x 500 shares).
- 4. **Costs of the offer:** The total estimated costs of the Employee Gift Offer of \$1.6 million (before tax) will be expensed to the income statement and recognised in retained earnings in Table 4.14.
  - Costs of the Employee Gift Offer expensed to the income statement includes \$0.3 million of Joint Arrangers and adviser costs, \$0.7 million of due diligence and investigating accountant report fees, \$0.5 million of ASX listing fees and \$0.1 million of other adviser and contingency fees.
  - A deferred tax asset of \$0.5 million is recognised based on the income tax benefit of the future deductibility of Employee Gift Offer costs offset against equity, calculated by applying the Australian tax rate of 30% to deductible portion of Employee Gift Offer costs of \$1.6 million.

#### 4.7 Indebtedness

#### 4.7.1 Indebtedness

Table 4.15 sets out a summary of indebtedness as at 31 December 2020, adjusted for certain pro forma adjustments related to the Employee Gift Offer as set out below.

Table 4.15: Indebtedness as at 31 December 2020, adjusted for certain pro forma adjustments related to the Employee Gift Offer

A\$ Millions	Statutory 31 Dec 2020	Costs of the offer	Pro Form 31 Dec 2020
Net cash/debt			
Cash and cash equivalents	0.8	0.0	0.8
Current loans and borrowings:			
- Borrowings	(3.7)	0.0	(3.7)
<ul> <li>Lease liabilities</li> </ul>	(0.2)	0.0	(0.2)
Non-current loans and borrowings			
- Borrowings	(157.3)	(1.6)	(158.9)
<ul> <li>Lease liabilities</li> </ul>	(4.8)	0.0	(4.8)
Net cash/(debt)	(165.2)	(1.6)	(166.8)
Net debt/PF FY21F EBITDA	2.4x		2.4x

The Pro Forma balance of net debt as at 31 December 2020 does not reflect the change in cash position between 31 December 2020 and the Completion of the Employee Gift Offer.

#### 4.7.2 Liquidity and Capital Resources

Cobram Estate Olives expects its principal source of funds to be cash and banking facilities described in Section 4.7.3. Cobram Estate Olives' historical and forecast operating expenditures are described further in Section 4.8. Cobram Estate Olives expects to have sufficient cash to meet its operational and working capital requirements and stated business objectives for the foreseeable future.

#### 4.7.3 Description of banking facilities

Facilities as at 31 Dec 2020 (Per half year accounts)	Currency	Facility size \$m	Drawn at 31 Dec 2020	Term
Core Debt	AUD	58.0	58.0	October 2024
Working Capital debt	AUD	55.0	49.5	October 2024
Working Capital debt	AUD	20.0	17.5	October 2024
Domestic Foreign Currency Account Facility	USD	10.5	10.5	October 2024

Cobram Estate Olives' bank borrowing facilities are provided by Commonwealth Bank of Australia (**CBA**). The limits and loan terms of the facilities are outlined above. The bank loans are secured by a general security interest over the assets and undertakings of the Company and its Australian Subsidiaries. CBA also has mortgages over the Australian real properties owned by the consolidated entity's Australian subsidiaries.

The interest cost under the AUD facilities is referenced to the bank bill swap bid rate (**BBSY**). The interest cost under the USD facility is referenced to the London Interbank Offer Rate (**LIBOR**). A margin and line fee are also paid in addition to this reference rate.

Finance will continue to be provided under the above facilities provided the Cobram Estate Olives' consolidated entity has not breached any borrowing requirements and the consolidated financial entity meets the required financial ratios. Any material adverse change in Cobram Estate Olives' business could also lead to a default by Cobram Estate Olives. A default, unless waived, may entitle CBA to demand immediate repayment of its facilities, which may have a detrimental effect on the operations and financial performance of Cobram Estate Olives.

#### 4.7.4 Contractual Obligations, Commitments and Contingent Liabilities.

Table 4.16 sets out the contractual obligations, commitments and contingent liabilities as at 31 December 2020, which primarily relate to equipment leases and deferred capital expenditure payments.

Cobram Estate Olives has no material contingent liabilities or other off-balance sheet arrangements as at 31 December 2020 other than those described in this Section 4.6.4.

Table 4.16: Contractual obligations, commitments and contingent liabilities as at 31 December 2020

A\$ Millions	<1 year	1-5 years	>5 years
Committed capital expenditure	6.4	15.8	3.6

#### 4.8 Management discussion and analysis of financial information

Set out below is a discussion of the main drivers of the Cobram Estate Olives' historical and forecast financial performance. The discussion is intended to provide a brief summary and does not detail all of the factors that had an impact on the historical operating and financial performance. It also does not include factors which may impact Cobram Estate Olives' operating and financial performance in the future. Unless otherwise stated, all metrics and financial information presented in this Section 4.8, and the related commentary is on a pro forma historical and forecast results only. The information in this Section 4.8 should also be read in conjunction with the general and specific assumptions in Sections 4.9.1 and 4.9.2, the sensitivities in Section 4.10, key risk factors set out in Section 5, and the other information contained in this Prospectus.

#### **Drivers of financial performance**

Cobram Estate Olives' primary drivers of financial performance include:

**Sales Revenue:** Cobram Estate Olives derives revenue from its operations in Australia and the USA. Revenue is shown net of supermarket rebates and discounts.

Cobram Estate Olives' sales revenue is primarily through three main sales channels:

- Sales of premium quality extra virgin olive oil under Cobram Estate® and Red Island® brands to supermarket, specialty food and restaurant customers in Australia, USA, and a further 17 export markets.
- Sales of packaged private label extra virgin olive oil to third-party supermarket chains, big-box retail stores and specialty distributors in Australia and the USA.
- Sales of Bulk olive oil (in shipping units greater than 20 litres) to strategic customers in Australia, Japan, New Zealand, and the USA. Cobram Estate Olives' Bulk customers include food manufacturers, cosmetic manufacturers, and pharmaceutical companies.

Packaged goods accounted for 85% of sales revenue in FY2020.

**Net change in fair value of agricultural produce:** is required to be measured under Accounting Standard 141 'Agriculture', and represents the expected net realisable value (**fair value**) of the harvested olive oil less the actual costs of growing and processing that olive oil. The fair value is then recorded as inventory and expensed through COGS in the year that the oil is actually sold.

The net change in fair value can be affected by a number of factors including; climate, water availability, pest, disease, harvesting efficiency, oil extraction rate, conversion efficiency, water costs, input costs, employee costs, expected net selling price and other agricultural and production risks.

A critical factor of the business is that olive trees naturally bear fruit in biennial cycles. This consistently results in a higher yielding crop being harvested one year, followed by a lower yielding crop the next. Annual production costs are relatively stable. As a result, there is consistent material but expected variability in reported profit on a year-on-year basis, with a much higher profit being reported in a higher yielding crop year compared to a lower yielding crop year. FY2021F is a higher yielding crop year.

**Expenses:** includes cost of sales, administration expenses, distribution expenses, marketing expenses, occupancy expenses and other expenses for both businesses in Australia and the USA. Key drivers of these expenses include:

- **Cost of sales** predominately represent the cost of the finished goods (primary the cost of olive oil and packaging), costs of bottling operations and packaging.
- Administration expenses represent costs associated with corporate operations and are mainly insurance costs and
  employment expenses (including salaries, wages, payroll tax, employee entitlements (such as superannuation in Australia))
  and other related employee on costs associated with corporate operations.
- Distribution expenses includes costs associated with distribution of goods by the business in Australia and the USA.
- Marketing expenses are expenses related specifically to promoting and supporting the Company's consumer brands.
   They include advertising, research point of purchase activities, digital marketing costs, creative initiatives, and sponsorships.

**EBITDA:** Cobram Estate Olives' EBITDA volatility is driven by the biennial bearing nature of the olive tree. Accounting standards require the oil harvested from our olive trees to be valued at fair value less the anticipated selling costs. With the harvest only being completed in June each year, most of the oil is still on hand at the 30 June balance date, and therefore most of the profit (or loss) forecast to be earned from selling the oil is recorded in the year of harvest, rather than the year of sale which is the next financial year. Because of the biennial nature of the Company's olive trees, the Company's profit in a high yielding year (FY2021F) is typically materially higher than in a lower yielding year (FY2020). EBITDA for Cobram Estate Olives is best viewed over a 2-year period – considering both a higher yielding crop year and a lower yielding crop year.

**Operating Cashflow:** Cobram Estate Olives' operating cashflow is more consistent than EBITDA where Cobram Estate Olives' is required to value the crop in the year of harvest. Operating cashflow reflects when the oil is sold and more closely aligns with the uniformity of customer demand. This also reflects the operating reality of using oil from high harvest years to supplement customer demand in low harvest years. Operating cashflow is used to support on-going business growth including capital expenditure funding, investment into new business areas and capital management, in addition to funding dividends.

**Capital expenditure:** investment in Cobram Estate Olives' olive groves will be a key driver of Cobram Estate Olives' future performance. Management maintains a prudent and disciplined approach to capital deployment and generally favour growth capital expenditure. Capital expenditure is comprised of:

- **Growth capital expenditure:** is expenditure that is undertaken to improve future capability, quality and capacity, ultimately all to drive improvement in future earnings. Typical growth capital expenditure includes items such as grove development, new harvest technology upgrades, frost prevention capability and processing upgrades including items such as colour sorters; and
- Maintenance expenditure: is expenditure that is undertaken to sustain current revenues and profits. Maintenance capital expenditure typically includes replacement of equipment, occupational health and safety improvements and quality requirements.

Trends in the historical and forecast financial performance across these primary drivers are discussed below.

#### Sales Revenue

The table below shows the pro forma revenue in FY2019, FY2020 and FY2021F across the three segments.

	Pro Forma	Pro Forma Historical	
A\$ Millions	FY2019	FY2020	FY2021F
Australia	86.5	108.6	101.1
USA	24.5	29.9	41.4
Wellness	1.3	2.2	2.6
Sales revenue	112.3	140.7	145.1

#### FY2019 to FY2020

From FY2019 to FY2020, Cobram Estate Olives' revenue grew from \$112.1 million to \$140.7 million or 26%, primarily driven by the growth in olive oil sales in both Australia and the USA.

**Australia:** FY2020 sales were positively impacted by the larger harvest in April – June 2019, as such the quantity of oil sold in FY2020 was 31% higher than FY2019 with a similar net return per litre.

**USA:** FY2020 sales saw a shift away from the bulk oil channel and further investment in packaged goods sales, (both branded and private label). Gross sales of branded and private label packaged goods increased by 253% compared to FY2019. Bulk sales decreased by 55% compared to FY2019.

#### FY2020 to FY2021F

From FY2020 to FY2021F, Cobram Estate Olives' revenue is anticipated to grow by 3% from \$140.7 million to \$145.1 million, primarily driven by growth in the USA business offset by a decline in the Australia segment.

**Australia:** due to the biennial nature of the olive trees, every second year has a lower crop, as was experienced during the April – June 2020 harvest which was sold during FY2021. The volume of oil projected to be sold in FY2021F is approximately 7% lower than FY2020 and only 16% higher than the oil sold during FY2019.

During FY2021, a price increase of between 12%-18% was negotiated with bulk and packaged good customers. This price increase, combined with a reduction in promotional activity as a supply management strategy, has facilitated an overall increase in the return per litre of 12% after supermarket rebates and discounts. These price increases have limited the overall impact of the lower volume of oil available in the Australian business to a 7% reduction in revenue.

**USA:** The shift away from the bulk oil business towards the packaged goods business continued in FY2021F, with an overall increase in forecast revenue of 38%. The packaged goods sales are anticipated to increase by 96% compared to FY2020, while the bulk oil sales are anticipated to reduce a further 52% compared to FY2020.

#### Net change in fair value of agricultural produce

The table below shows movement in fair value of agricultural produce from FY2019 to FY2021F.

Net change in fair value of agricultural product	A\$ Millions
FY2019	35.7
FY2020	(11.1)
FY2021F	63.5

**FY2019:** Driven by a 13.1 million litre harvest, with total olive oil growing and processing costs \$48.6 million. These costs were adversely impacted by abnormal Temporary Water prices, which were approximately \$9.8 million higher than the long-term average.

**FY2020:** A lower yielding crop year of 6.1 million litres, with total olive oil growing and processing costs \$52.1 million. These costs were adversely impacted by abnormal Temporary Water prices, which were approximately \$14.8 million higher than the long-term average.

**FY2021F:** A higher yielding crop year driving a forecast 15 million litre harvest. Grove costs are forecast to be \$44.7 million, which are positively impacted, compared to FY2020 and FY2019, by Temporary Water prices returning to slightly below long-term average.

#### **EBITDA**

The table below shows the EBITDA for FY2019, FY2020 and FY2021F across the three segments for these periods.

	Pro Forma	Historical	Pro Forma Forecast	Pro Forma	Historical
A\$ Millions	FY2019	FY2020	FY2021F	HY2020	HY2021
Australia	39.8	(4.5)	73.2	1.6	4.3
USA	(4.4)	(8.1)	0.5	(4.8)	0.8
Wellness	(4.9)	(8.6)	(5.3)	(5.0)	(3.2)
Total EBITDA	30.5	(21.2)	68.5	(8.3)	1.9

#### FY2019 to FY2020

Between FY2019 and FY2020, Cobram Estate Olives' EBITDA decreased by \$51.8 million from \$30.6 million profit in FY2019 to a \$21.2 million loss in FY2020.

**Australia:** EBITDA decreased by \$45.5 million from FY2019 to FY2020. The significant driver of this result was the reduction in the harvest size, with the net change in fair value of agricultural products decreasing by \$46.8 million from a \$35.7 million gain in FY2019 to an \$11.1 million loss in FY2020. The majority of the costs of producing the oil are fixed, with some costs variable based on the size of the crop. This means that every second year, when the volume of oil produced reduces, this results in a lower fair value adjustment. FY2020 was also impacted by significantly higher Temporary Water costs which significantly increased the costs of producing the oil, which were approximately \$14.8 million higher than the long-term average. Refer to Section 3.7 for further detail on long-term average cost of water and the Company's historical purchase history.

**USA:** EBITDA decreased by \$3.7 million from FY2019 to FY2020. This decrease was predominantly driven by a reduction in gross margin of \$1.2 million as the Company invested in growing the branded products through slotting and instore discounting, an increase in administrative expenses of \$1.2 million, an increase in distribution expenses of \$0.7 million and increased marketing expenses of \$0.6 million. These additional costs were part of the strategy to move away from bulk oil and focus on driving packaged goods.

**Boundary Bend Wellness:** EBITDA decreased by \$3.7 million from FY2019 to FY2020. This was predominantly driven by the reduction in gross margin of \$4.5 million as the Company invested in growing retail sales channels in both Australia and the USA, and partly offset by a reduction in operating costs of \$0.7 million.

#### FY2020 to FY2021F

Between FY2020 to FY2021F, Cobram Estate Olives' EBITDA is forecast to increase by \$89.7 million from a \$21.2 million loss in FY2020 to a \$68.5 million profit in FY2021F.

**Australia:** EBITDA is forecast to increase by \$77.7 million from FY2020 to FY2021F. The significant driver of this result is the increase in the net change in fair value of agricultural products of \$74.6 million from an \$11.1 million loss in FY2020 to a \$63.5 million gain in FY2021F. The majority of the costs of producing the oil are fixed, with some costs variable, based on the size of the crop. This means that every second crop results in a lower fair value adjustment. The FY2021F harvest is anticipated to produce approximately 9 million litres more than the FY2020 harvest.

**USA:** EBITDA is forecast to increase by \$8.6 million from FY2020 to FY2021F. This is predominantly driven by a forecast increase in the gross margin of \$7.2 million and together with a planned reduction in marketing expenses. Significant costs of establishing the new packaged good customer distribution channels were incurred in FY2020, and as such, these costs reduced in FY2021F.

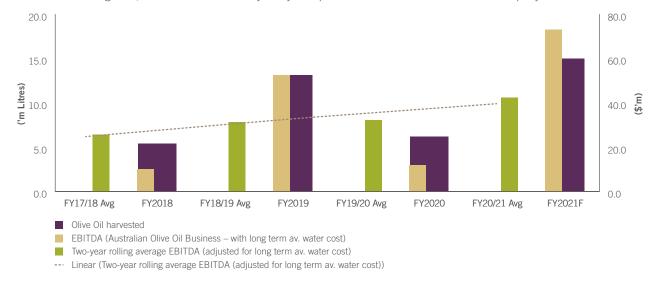
**Boundary Bend Wellness:** EBITDA loss is forecast to be reduced by \$3.3 million from FY2020 to FY2021F. The improvement is predominantly driven by a forecast reduction in expenses, particularly marketing expenses which are anticipated to reduce by \$2.4 million.

#### Underlying EBITDA of the Australian Olive Oil Business Segment

In considering the underlying performance of our Australian business, it is also important to understand that the cost of water will vary from year to year, and in some years form a material part of Cobram Estate Olives' annual production costs. The table below shows the Australian segment EBITDA adjusted to reflect the long-term average water price of \$181 per megalitre<sup>108</sup>.

	Statutory Historical EBITDA				Forecast
A\$ Millions	FY2017	FY2018	FY2019	FY2020	FY2021F
Australia	44.2	12.0	42.6	(2.9)	73.4
adjusting for water costs to long term average	(3.4)	(1.9)	9.8	14.8	(0.5)
Total EBITDA (adjusted for long term avg. water cost)	40.8	10.1	52.4	11.9	72.9
Two-year rolling average EBITDA (adjusted for long term av. water cost)		25.5	31.3	32.2	42.4

As explained earlier in this Section, because of the biennial production nature of an olive tree, and the way Cobram Estate Olives is required to report under accounting standards (reporting the profit from the crop in the year of harvest), EBITDA should be viewed over a two-year rolling-average period – considering both a higher yielding crop year and a lower yielding crop year. For illustrative purposes, this graph below shows the trend in Cobram Estate Olives' annual two-year rolling average performance for the Australia segment, and also shows how any one year's profit tracks with the volume of the Company's annual harvest.



#### **Earnings Outlook**

Looking forward to FY2022 and beyond the Company expects the average two-year rolling Average EBITDA to increase for the Australian business due to increasing production from maturing trees (subject to all the risks associated with business and farming). At the same time, due to FY2022 being a lower yielding year for the Australian olive groves, EBITDA is expected to decrease substantially, reflecting the smaller predicted production and the non-cash adjustment required by the accounting standard.

#### Cash flows from Operating activities

The table below shows cash flows from operating activities from FY2019 to FY2021F, showing the cash flows from operating activities by segment for these periods.

Cash generated from operations				
A\$ Millions	Australia	USA	Wellness	Total
FY2021F	25.3	(2.2)	(4.3)	18.8
FY2020	30.2	(8.4)	(9.6)	12.2
FY2019	13.7	(4.2)	(5.4)	4.1

#### FY2019 to FY2020

Cobram Estate Olives' cash flows from operations increased by \$8.1 million from \$4.1 million in FY2019 to \$12.2 million in FY2020.

**Australia:** the cash flows from operating activities for Australia increased by \$16.5 million or 120% from FY2019 to FY2020. This is predominantly due to the April – June 2019 harvest which was sold predominantly in FY2020. The oil sold in FY2020 was approximately 31% higher than that sold in FY2019.

**USA:** the cash flows from operating activities for the USA decreased by \$4.2 million from FY2019 to FY2020. This was predominantly due to the shift in oil sales strategy from bulk oil to packaged goods which required additional investment in new distribution channels and retailers.

**Boundary Bend Wellness:** the cash flows from operating activities for Wellness decreased by \$4.2 million from FY2019 to FY2020. This was due to an increase in marketing activity, as the COVID-19 pandemic reduced the foot traffic across pharmacies, additional promotional and marketing activity was required.

#### FY2020 to FY2021F

Cobram Estate Olives' cash flows from operations are forecast to increase by \$6.6 million from \$12.2 million in FY2020 to \$18.8 million in FY2021F.

**Australia:** the cash flow from trading for Australia is forecast to decrease by \$4.9 million from FY2020 to FY2021F. The forecast reduction in cash flow is a product of the lower harvest in April – June 2020. Despite having a very low harvest, the cash flow is expected to be stronger in FY2021F than FY2019 (an equivalent harvest). The key factors behind this include:

- Reducing the promotional activity in the retailers from January to March 2021, resulting in a higher cash return per sale.
- Stronger cost control measures following COVID and the uncertainty it entailed.
- Reduction in water costs; with the cost of water reducing by approximately \$15.3 million compared with FY2020.
- Starting to sell the oil from the 2021 crop in April 2021.

**USA:** the cash flow from trading for the USA is forecast to increase by \$6.2 million from FY2020 to FY2021F. This forecast increase is driven by strong sales growth, cost control strategies and a reduction in the costs required to establish relationships with new distributors and retailers.

**Boundary Bend Wellness:** the cash flow from trading for Wellness is forecast to increase by \$5.3 million from FY2020 to FY2021F. The key drivers behind these changes include:

- Consolidation of customers, reducing marketing and promotional costs within larger retailers and pharmacy.
- Stronger cost controls, including on key R&D focus areas.
- Reduced focus on bricks and mortar packaged goods business.

#### **Capital Expenditure**

The table below illustrates capital expenditure for Cobram Estate Olives from FY2019 to FY2021F.

A\$ Millions		Australia	USA	Wellness	Total
FY2019	Growth	12.4	12.2	3.0	27.6
	Maintenance	4.1	0.0	0.0	4.1
FY2020	Growth	11.1	8.3	0.3	19.7
	Maintenance	2.3	1.4	0.0	3.6
FY2021F	Growth	9.9	3.4	0.0	13.3
	Maintenance	2.2	0.3	0.0	2.4

#### FY2019

Total capital expenditure of \$31.7 million was primarily focused on growth (\$27.6 million).

Australia: growth capital expenditure was incurred on frost fans, grove developments, land purchase and irrigation improvements.

USA: growth capital expenditure was incurred for processing plant expansion, land purchases and grove developments.

**Boundary Bend Wellness:** growth capital expenditure included expansion of capability for innovation on items such as Evaporator and processing modifications for new products.

#### FY2020

Total capital expenditure of \$23.3 million was primarily focused on growth (\$19.7 million).

Australia: growth capital expenditure was incurred for two new Optimus Harvesters, frost fans and grove developments.

USA: capital expenditure was incurred for land purchases and grove developments

#### FY2021F

Total capital expenditure of \$15.7 million is forecast and is primarily focused on growth (\$13.3 million); for grove development in both Australia and the USA.

#### 4.9 Forecast Financial Information

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by Cobram Estate Olives which are in accordance with AAS and are disclosed in Appendix A. It is assumed that there will be no changes to Accounting Standards, the Corporations Act or other financial reporting requirements that may have a material effect on Cobram Estate Olives' accounting policies during the forecast period.

The Forecast Financial Information is based upon various best estimate general and specific assumptions including those set out in this Section 4.9 concerning future events, including those set out below. In preparing the Forecast Financial Information, Cobram Estate Olives has considered long-term historical customer order volumes, key customer insights, existing customer collaborations, economic conditions, and end-user markets. Cobram Estate Olives believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus, including each of the general assumptions set out in Section 4.9.1.

The Forecast Financial Information reflects actual results up to and including March 31, 2021, and a forecast for the remainder of FY2021F, including the size and the value of the 2021 Australian olive oil crop. Actual results are likely to vary from forecast and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information are based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Cobram Estate Olives and its Directors and management and are not reliably predictable.

None of Cobram Estate Olives, its Directors, or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.10, the risk factors set out in Section 5 and the Investigating Accountant's Report on the Forecast Financial Information set out in Section 8.

#### 4.9.1 General assumptions

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

- there are no material changes in the competitive and operating environment in which Cobram Estate Olives operates;
- there are no significant deviations from current market expectations of economic and market conditions under which Cobram Estate Olives operates:
- there are no material changes in government legislation, tax legislation, regulatory requirements or government policy that will have a material impact on the financial performance, cash flows, financial position, accounting policies, financial reporting, or disclosures of Cobram Estate Olives;
- there are no changes in applicable AAS, IFRS, other mandatory requirements or Corporations Act which could have a
  material impact on Cobram Estate Olives reported financial performance or cash flows, financial position, accounting
  policies, financial reporting, or disclosures;
- there are no material employee relations disputes or other disturbances, contingent liabilities or legal claims that arise or that are settled to the detriment of Cobram Estate Olives;
- there are no material changes in key personnel, including key management personnel. It is also assumed that Cobram Estate Olives will maintain its ability to recruit and retain the personnel required to support the future growth of Cobram Estate Olives;
- there are no significant disruptions to the continuity of operations of Cobram Estate Olives or other material changes in the business:
- there are no material amendments to any material contract, agreement or arrangement relating to Cobram Estate Olives' business or intellectual property;
- that none of the risks listed in Section 5 eventuates, or if such risks do eventuate, that none of those risks have a material adverse impact on the operations of Cobram Estate Olives; and
- no significant further impact on the operations from the COVID-19 pandemic.

#### 4.9.2 Specific assumptions

The details of the specific assumptions that have been used in the preparation of the Forecast Financial Information in respect of FY2021F are set out below.

- Sales revenue: forecast revenue is based on Cobram Estate Olives' expected volume demand by product from customers multiplied by their list prices. The volume is based on the promotional program Cobram Estate Olives has aligned with its retailers and its current performance on/off promotion. It is assumed that Cobram Estate Olives are not impacted by seasonality, and that products are listed in most supermarkets, and that there is no significant increase or reduction in distribution in the forecast period.
- Net change in fair value of agricultural produce: the fair value gain on agricultural produce is based on an expected Australian harvest of 15 million litres from the FY2021 crop. This crop is planned to be sold over 16 months from April 2021 to July 2022. The FY2021F crop valuation evaluates the expected average selling price less the point-of-sale costs (fair value). This fair value is then reduced by the cost of producing the FY2021 crop, to calculate the net change in fair value.
- **Expenses:** forecast operating expenses are based on historical trends and factor in certain expected increases and include the estimated incremental costs of being an ASX listed company.
- **Depreciation and Amortisation:** depreciation and amortisation policy and useful life assumptions are forecast to remain consistent with historical levels. Forecast depreciation is based on depreciation of both existing property, plant, and equipment, forecast capital expenditure and right of use assets recognised under AASB 16. Amortisation expenses relate to the amortisation charge on intangible assets with finite useful lives, mainly comprised of customer relationships.

- Capital expenditure: capital expenditure includes maintenance capital expenditure to sustain current operations, as well as growth capital expenditure.
- Working capital: working capital balances are forecast based on historical trends, non perishable inventory levels to support sales growth especially around key event dates, trade receivable and payables balances based on current trading terms with customers and creditors, respectively.

#### 4.10 Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions described in Section 4.9.

These estimates and assumptions are subject to business, economic and competitive uncertainties, many of which are beyond the control of the Company, the Directors and management. These estimates are also based on assumptions in relation to future business developments, which are subject to change.

The changes to key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown.

For the purposes of this analysis each sensitivity is presented in terms of the impact on pro forma forecast EBITDA for FY2021.

Care should be taken when interpreting these sensitivities. The impact on changes to the variables presented has been considered in isolation from changes in other variables. In practice, a change to one variable is likely to have a flow on impact to other variables and may also impact the decision making of management.

		FY2021F Impact		
Assumption	Note	Increase/ Decrease	+ change (\$ million)	- change (\$ million)
Impact on EBITDA				
2021 Harvest Yield	1	10%	7.9	(8.3)

#### Note

#### 4.11 Dividend Policy

The payment of a dividend by Cobram Estate Olives is at the discretion of the Board and will be dependent upon a number of factors, many of which may be outside the control of Cobram Estate Olives' management and its Directors and are not reliably predictable. These include the general business environment, operating results, cash flows and Cobram Estate Olives' future funding requirements, capital management initiatives, taxation considerations, any contractual, legal, or regulatory restrictions on the payment of dividends by Cobram Estate Olives, and any other factors the Directors may consider relevant.

Subject to an ASX listing, the Board intends to pay a dividend of 3.3 cents per share in 2021. The dividend has not been formally declared. The dividend payment is expected to be declared in October 2021 and paid in December 2021.

It is the intention of the Board to maintain an annual final dividend payment, but this is subject to the performance of the Company. The level of franking of future dividends will also depend on the Company's performance.

<sup>1.</sup> **2021 Harvest Yield:** current estimate of 15 million litre harvest yield and a net change in fair value or agricultural product forecast at \$63.5 million. A 10% movement on oil yield will result in 1.5 million litres variance.



# **5.** Key risks

This Section 5 describes potential risks associated with the business of the Cobram Estate Olives Group and an investment in Shares. It does not list every risk that may be associated with Cobram Estate Olives and the occurrence or consequences of some of the risks described in this Section 5 are partially or completely outside the control of Cobram Estate Olives and its Directors and Management.

The Cobram Estates Olives Group is a participant in the agricultural sector, and an investment in the Company will provide the investor with exposure to the risks associated with an investment in that sector. The risks set out in this Section 5 have been selected based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. The assessment is based on the knowledge of the Directors and Management as at the Prospectus Date. The risks may change, or other risks may emerge after that date.

Before applying for or otherwise acquiring Shares, you should be satisfied that you have a sufficient understanding of the risks involved in making an investment in Cobram Estate Olives and whether it is a suitable investment, having regard to your investment objectives, financial circumstances, and taxation position. It is recommended that you seek professional guidance from your stockbroker, solicitor, accountant, or other independent and qualified professional adviser before deciding whether to invest.

Prospective investors should be aware that the risks outlined in this Section 5 should be considered in conjunction with the other information disclosed in this Prospectus. There can be no guarantee that Cobram Estate Olives will achieve its stated objectives or that any forward-looking forecasts and statements contained in this Prospectus will be realised or otherwise eventuate.

#### 5.1 Risks specific to an investment in Cobram Estate Olives

#### 5.1.1 Weather variability and agricultural risks

As a horticultural business, Cobram Estate Olives is affected by weather and climate issues. Variable weather conditions and severe weather events may cause fluctuations in market supply or lead to severe crop or tree damage and crop yield volatility, which may negatively impact the Company's financial results.

The production of a commercial olive crop can be heavily dependent on the prevailing weather conditions during certain periods of the crop's life cycle. The crop is particularly vulnerable to weather impacts during flowering, fruit development and harvest, when adverse weather conditions can have a detrimental effect on fruit set, fruit growth, oil accumulation, and fruit quality, reducing the fruit yield, oil yield, and/or oil quality.

On the Company's groves, weather events including drought, frost, hail, flood, wind, extreme heat, bushfire, or a combination of these events can impact the health of the olive tree and/or the crop yield. The geographical dispersion of the Company's asset base, being groves in three locations in Australia and three locations in the USA, provides some mitigation against severe weather conditions or events.

The Company's groves are located in agricultural areas which can be subject to high risk of damage by fire. It is not uncommon for total fire bans to be declared in these regions during periods of extreme hot weather. Fire could cause damage to the groves, impacting the quality and or yield of certain olive trees or regions. Fire may also cause damage to olive oil in storage. To mitigate the risk of fire damage on any particular site, the Company maintains suitable firefighting equipment on site, provides regular firefighting training and implements various bushfire preparedness measures.

The Company has conducted detailed frost risk assessment and mitigation studies utilising highly sophisticated climatic sensors to better understand the potential risks of cold temperatures at its groves. As a result, the Company has installed and operates 152 frost fans at the Company's groves as part of the frost risk mitigation plan to better manage the potential impact of extreme temperature conditions resulting in less tree damage and crop variability.

In the future, weather and climate issues that could adversely impact Cobram Estate Olives may arise with greater frequency or may be less predictable due to the effects of climate change.

#### 5.1.2 Fluctuation in reported profit or loss due to the biennial bearing nature of olive crops

Olive crops exhibit biennial bearing, whereby a lower yielding crop one year is typically followed by a higher yielding crop in the next year. Due to the Accounting Standards applicable to horticultural producers such as Cobram Estate Olives, the Company is required to value its olive crop in the year the crop is harvested, not when the produced olive oil is sold, and as such the reported annual accounting profit or loss results may exhibit material movements from year to year. Operationally, to mitigate the impact of potentially large variations in oil volumes between higher and lower yielding seasons, the Company manages the fluctuating olive crop yield by working on delivering to market average oil supply quantities over a 24-month period. Through a coordinated supply chain effort, the Company extends the supply period of higher yielding crop years across 14-16 months, whilst reducing the supply period for the lower yielding crop years to 8-10 months. There is a risk that, if the Company is unable to manage its supply chain or the groves experience successive lower yielding crops, the Company's financial performance will be adversely affected.

# **5** Key risks | Continued

#### 5.1.3 Water - Availability and Cost

Water is a key input to the production of olives and the maintenance of olive trees. Cobram Estate Olives currently uses approximately 35.8 gigalitres of water per annum in Australia and approximately one gigalitre of water per annum in California. While the Company has always been able to source sufficient water to meet its irrigation requirements, there is a risk that factors such as rainfall, storage levels, weather outlooks and water market volatility may result in the Company either not being able to source enough water to continue its operations at, or close to, current operating levels, or incurring water related costs that materially affect the Company's financial performance. Water requirements for the Company's Australian groves.

#### 5.1.3.1 Water requirements for the Company's Australian groves

#### Availability

To irrigate its olive groves, Cobram Estate Olives relies on access to water from the Southern Murray Darling Basin, from which forms of water known as 'Entitlement' or 'Allocation' are derived. Cobram Estate Olives currently does not own Entitlement water (Permanent Water) and buys water in the Allocation market (Temporary Water) to meet its requirements. The amount of Temporary Water available for purchase each year is dependent on changes in rainfall, storage levels, weather outlook and demand and is determined by the relevant water authority. Refer to section 3.7 for more information on water.

There is a risk that, if the Southern Murray Darling Basin were to be affected by drought for a prolonged period, the amount of water available for sale and use in irrigation purposes (for all participants) may be materially reduced which may result in higher prices, which would impact the financial performance of the Company during a drought period.

#### Cost

The cost of water to Cobram Estate Olives varies each year, driven by a number of factors including the prescribed annual issue of Temporary Allocation water against Permanent Entitlement Water, storage levels, weather outlook, usage, the type of participants in the water markets and the behaviour of these market participants.

Under the current regulatory framework, participants in the Temporary Water market (that is the market from which Cobram Estate Olives currently purchases its water requirements) are not necessarily end-users of water, and the market includes brokers, traders, speculators as well as end-users. Cobram Estate Olives, as an end-user, has ongoing exposure to the price variability, and has experienced substantial price volatility (as described in Section 3.7). For example, in FY2020, the Company paid \$20.5 million for water, with an average price of \$643 per megalitre. If the Company had purchased the same volume of water in FY2020 at the long-term average of \$181 per megalitre, water costs would have been \$5.7 million instead of \$20.5 million, a difference of \$14.8 million. As set out in Section 3.7, the price paid for water in FY2021 through to May was \$168 per megalitre, below the average cost over the previous seven years. There is an ongoing risk that the Company's operational and financial performance may be impacted by volatile and unpredictable conditions in the water markets in which the Company participates and for every \$100 per megalitre price movement, the Company's annual EBITDA and Operating Cashflow will be impacted by approximately \$4.2 million, when the Australian groves are at maturity.

During periods of prolonged drought where the price of water may be high relative to other years, the impact on Cobram Estate Olives when compared to the majority of other irrigators which need to purchase water, may be less due to the efficiency of the Company's production, its supply position, and the strength of its consumer brands.

The Company maintains a regularly reviewed, close strategic focus on the most appropriate mechanism to procure its water requirements. The current strategy may change in the future to include the purchase or lease of Entitlement Water.

#### 5.1.3.2 Water requirements for the Company's Californian groves

In the case of both owned and leased land in California, the Company irrigates its groves using ground water (bores) and surface water (canals). Most of the Company's grove sites have dual water sources, meaning that the Company has access to both bore water and surface water. For those locations that do not currently have access to both bore water and surface water, the Company is actively working towards securing both sources for long-term use.

The Company has consistently been able to access volumes of water which have been sufficient for its Californian olive groves. However, during a prolonged period of drought, the Company may not be able to access sufficient water which may impact the yield of the Company's Californian olive groves and the financial performance of its USA operations. Further, if the regulatory framework under which the Company obtains water in California changes, this may impact the Company's access to water and/ or the price it pays for water, both of which may impact the performance of the USA operation.

As described in Section 5.1.8, most of the olive fruit used in the Company's USA operations is sourced from third party growers. If those growers experience a scarcity in water to irrigate their olive groves, then the Company's USA operations and financial performance will be similarly affected if required amounts of olive fruit are either unavailable or are only available at prices that materially increase the input costs of producing oil.

#### 5.1.4 Pests and Disease

Pests and diseases can have a detrimental effect on the quality and/or yield of the olive tree and crop. As a primary producer, Cobram Estate Olives is susceptible to disease risk, including pest infestation. Whilst the Company's groves are geographically spread out over three locations in Australia, and three locations in the USA, if one of the Company's groves are affected by pests or diseases then the Company may be unable to realise any or all potential yield from those groves. Such a loss could have a material impact on the operations and financial performance and prospects of Cobram Estate Olives.

The five pests and diseases which the Company considers to pose the greatest risk to olive groves generally are, in no particular order: Verticillium wilt, olive knot, Xylella, olive moth and olive fly. To the Company's knowledge, Xylella, olive fly and olive moth are not currently present in Australia.

#### (i) Verticillium Wilt

Verticillium Wilt is caused by the fungus Verticillium dahliae and it is characterised by wilted shoots and branches that can cause the death of an infected tree. No effective chemical treatment for Verticillium Wilt has been developed yet. Management practices are generally based on indirect measures aimed at avoiding contact between the olive and the pathogen, maintaining a balanced soil biology and appropriate soil moisture levels.

#### (ii) Olive Knot

Olive Knot is caused by the bacteria Pseudomonas savastanoi and it is characterised by the appearance of galls in different parts of the tree. Olive Knot can cause the death of small branches and twigs as well as the progressive debilitation of an infected tree.

#### (iii) Olive Fly

Olive Fly (Bactrocera oleae) is not present in Australia but historical occurrence in South Africa and California shows that this pest should still be considered as a potential pest of economic significance for the Australian olive industry. While chemical treatments are available, fruit and quality losses from this insect are typically between 5 and 10%.

#### (iv) Xylella

Xylella fastidiosa is a pest of worldwide significance and has been designated as the first priority in the register of National Priority Plant Pests maintained by the Australian Government's Department of Agriculture, Water, and the Environment. This disease is not present in Australia but poses a major threat to our agricultural and food production industries.

#### (v) Olive moth

Olive moth (Prays oleae) is not present in Australia but its presence and impact in Southern Europe and Northern Africa shows that this moth should still be considered a potential risk of economic significance for the olive industry outside the Mediterranean Basin. While chemical treatments are available, fruit and quality losses from this insect are typically around 5%.

Currently, the Company maintains a wide range of olive varieties with varying levels of resistance to the different pests and diseases outlined in 5.1.4.(i)-(v), spreading any potential horticultural risk. Furthermore, the Company follows a comprehensive Integrated Pests and Diseases Management Program (IPDM) based on ongoing monitoring of pests, diseases, damage, and natural enemies. From observations and action thresholds of the IPDM, management may utilise selective pesticides targeted at a pest or disease, chosen from a wide range of pesticide and non-pesticide options.

The USA olive groves are subject to identical management practices as those adopted for the Australian groves and are exposed to a similar level of risk, with the only exception that the presence of olive fly has been documented in California, while it has never been identified in Australia. Current management practices for this pest have been proven effective in the Company's USA olive groves to date, but there is no guarantee that these management practices will continue to be effective.

#### 5.1.5 Customer concentration – reliance on two large customers

While the Company sells its products to a range of customers globally, sales to the Company's two largest customers, being supermarket operators Woolworths Limited and Coles Group Limited, accounted for 52% of the Company's sales in FY2020 and are forecast to account for 55% of the Company's sales in FY2021.

The Company trades with these customers on customary trade terms and there are no forward-looking contracts with either customer which guarantees any volume of sales in the future. While these arrangements are customary for the industry in which the Company operates, they present a risk that the Company's major customers may elect to reduce or cease their purchases of the Company's products. Any material reduction of sales to the Company's two major customers will have a material adverse effect on the Company's revenue and profitability.

133

# **5** Key risks | Continued

Additionally, Cobram Estate Olives' financial performance may be adversely impacted if one or more large customers take actions harmful to Cobram Estate Olives' interests, including:

- materially changing its trading terms with Cobram Estate Olives;
- vertically diversifying its own operations to include the growing or wholesale marketing of olives or olive oil;
- sponsoring the expansion of one or more of Cobram Estate Olives' competitors or new entrants into the olive or olive oil market;
- promoting the products of one or more of Cobram Estate Olives' competitors; or
- ceasing to promote or stock Cobram Estate Olives' produce or significantly reducing orders for Cobram Estate Olives' products.

Supermarket chains may also lower prices in Cobram Estate Olives' product categories as a result of competition for consumers between supermarket chains and other retailers. This may impact Cobram Estate Olives' market shares, sales volumes and/or profit margins by increasing price pressure applied to Cobram Estate Olives' product offerings or as a result of consumers switching from Cobram Estate Olives' products to alternative products, which may in turn have a material adverse effect on the Company's financial performance.

#### 5.1.6 Brand and reputation

Cobram Estate Olives' products are sold under a number of brands which are owned by Cobram Estate Olives, as well as through Private Label and Bulk sales channels. Those brands and their image, as well as Cobram Estate Olives' reputation as a grower and supplier, are key assets of the Company. The reputation and value associated with Cobram Estate Olives' brands could be impacted by a number of factors, including quality issues associated with Cobram Estate Olives' products (or the market categories of product in which Cobram Estate Olives' brands are prominent), product recall, product contamination or other public health issues, disputes or litigation with third parties such as partnership or joint venture partners, distributors, employees or third-party growers, or adverse media coverage, whether as a result of Cobram Estate Olives' conduct or by the conduct of third parties. Should Cobram Estate Olives' brands or their image be damaged in any way or lose their market appeal, this may have a material adverse impact on the financial performance, reputation, or prospects of Cobram Estate Olives.

#### 5.1.7 Loss of products in storage

From time to time the Company will have material volumes of olive oil stored at various locations awaiting further processing or onward distribution. During this stage there is a risk of loss of such product caused by fire, engineering failure, or sabotage to or involving the storage vessel(s) or facilities, which could have a material adverse effect on the Company's operational and financial performance. The Company has procedures in place in the case of a storage tank failure and seeks to maintain appropriately secure facilities to reduce the risk of loss in this circumstance.

#### 5.1.8 Reliance on third-party suppliers of olive fruit in the USA

In respect of its USA operations, the Company currently relies on the supply of olive fruit from around 20 contracted growers, with contract terms ranging from one to four years. These growers provided approximately 99% of the olives used to produce the Company's Californian extra virgin olive oil supply in FY2020 and are projected to account for around 86% of fruit supply in FY2021.

While the Company expands and develops its olive groves in the USA, the Company will continue to rely on third parties for a significant portion of its olive fruit supply for its USA operations. There is therefore a risk that the Company's fruit supply will vary with the fruit growing being out of the Company's control, and that in years of reduced fruit supply its financial performance may be adversely affected.

In Australia, due to the volume of olive oil produced from the Company's own olive groves, there is no material exposure to the performance of third-party suppliers of olive fruit.

#### 5.1.9 General regulatory factors

Cobram Estate Olives is required to comply with a range of laws and regulations in the jurisdictions in which it operates, including laws and regulations which relate to food standards, labelling and packaging, fair trading and consumer protection, employment, property, and the environment (including water), quarantine, customs and tariffs, foreign investment, taxation, and climate change.

A failure to comply with any such laws and regulations may result in the Company's operational and financial performance being materially and adversely affected.

In addition, the introduction of any new applicable laws or regulations or changes to applicable existing laws or regulations, such as to food standards, food labelling regulations or climate change regulations, could result in increased costs being incurred by Cobram Estate Olives and therefore have a material adverse impact on the financial performance and prospects of Cobram Estate Olives.

#### 5.1.10 Product Safety

As Cobram Estate Olives sells products intended for human consumption, the Company has exposure to risks associated with contamination, spoilage, or the presence of foreign objects or substances in Cobram Estate Olives' products which may injure Cobram Estate Olives' customers. The risk of injury can result from activities throughout the life cycle of Cobram Estate Olives' products, including growing, harvesting, milling, packaging, bottling, processing, distribution, or sale phases. Cobram Estate Olives may have limited ability to mitigate these risks, for example where title to product has passed to a retailer or where the risk arises from product tampering.

The risk of injury from Cobram Estate Olives' products exposes Cobram Estate Olives to loss of product, damage to relationships with wholesalers and retailers, liability (including monetary judgements, fines, injunctions, and criminal sanctions) and publicity risks. Adverse publicity may arise from rumours or unsubstantiated claims of customer injury. Further, even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that Cobram Estate Olives' product has caused injury could adversely affect Cobram Estate Olives' reputation and brands. In addition, Cobram Estate Olives' financial performance and prospects may be adversely impacted by negative publicity related to the products of other producers.

While Cobram Estate Olives maintains insurance cover for some of these risks, it may not maintain cover for all of these Product Safety risks and, where insurance cover is in place, it may not be able to recover fully under those policies in all circumstances, and any amounts that it does recover may not be sufficient to offset any damage to the financial performance, reputation or prospects of Cobram Estate Olives caused by any product contamination, recall or product liability claim or the negative publicity surrounding such event or claim.

### 5.1.11 New and existing competitors could adversely affect prices and demand for products and impact Cobram Estate Olives' market share

While Cobram Estate Olives' operations currently benefits from its proprietary integrated olive oil production system (Oliv.iQ®), the productivity of its groves, and its fully integrated business model, the competitive landscape may change over time. Whilst not considered likely in the short to medium term, due to the time required to develop and nurture a productive olive grove (estimated at some 3-4 years for production and approximately 8 years to achieve maturity), if one or more existing competitors or new market entrants obtained a similar scale or operational status, via whatever means, this could have a material adverse impact on the financial performance and prospects of Cobram Estate Olives.

A loss by Cobram Estate Olives of its competitive position in the market may adversely impact its financial performance. In addition, the Company may need to adapt pricing and margins quickly and effectively in response to changes in the competitive landscape or increase competitive pressure. This may have an adverse effect on the Company's financial and/or operational performance.

#### 5.1.12 Ability to retain and attract key personnel

Cobram Estate Olives' performance is dependent to a large extent on the efforts and abilities of the Joint-Chief Executive Officers and other members of the Management team (refer to Section 6.2). While each of these executives is party to an employment contract, each individual is permitted, under the terms of the employment contract, to terminate the contract by giving a specified period of written notice. The loss of one or more of the Joint-Chief Executive Officers or other members of the Management team may have a material adverse impact on the operating and financial performance of Cobram Estate Olives.

Cobram Estate Olives' operations and financial performance is also dependent upon its ability to hire additional key personnel as necessary to meet its management, administration, and other needs, including additional suitably qualified workers during the harvest period. While every effort is made to retain key employees and to recruit new personnel as the need arises, the loss of a number of key personnel or inability to attract additional personnel, especially during the harvest period, may have an adverse impact on the operating and financial performance of Cobram Estate Olives.

#### 5.1.13 Debt Covenants

The Company must comply with various financial covenants contained in its financing facilities, including in respect of equipment leases, as described in Section 4.7. From time to time these covenants may be linked to the Company's earnings and the Company's liabilities relative to its asset values. Any material adverse change in the Company's business or a breach of a financial covenant could lead to a default by the Company. A default may entitle a lender to demand immediate repayment of its facilities, which may have a detrimental effect on the operations and financial performance of the Company.

# **5** Key risks | Continued

#### 5.1.14 Climate change

Climate change and the corresponding increase in the likelihood of events such as floods, droughts, fires, heatwaves, and cyclones could impact Cobram Estate Olives by causing increased costs, closures, disruption to operations, lack of access, damage to facilities or stock, impacts on supply and transportation of product, among other things. Whilst the high resilience of the olive tree when subjected to sub-optimal weather conditions relative to that of other crops may reduce the impact, such events may lead to an increase in operational costs or business interruption and may have a detrimental impact on Cobram Estate Olives' financial and/or operational performance.

#### 5.1.15 Adverse movement in input costs

Any rise in the price of inputs related to Cobram Estate Olives' production and distribution of its products, such as personnel, packaging materials (e.g. glass and tin), production costs of the Company's olive oil, or transport costs, could lead to increases in costs of goods. If such costs cannot be passed on to Cobram Estate Olives' customers through increased prices, they could have a material adverse impact on the financial performance of Cobram Estate Olives.

#### 5.1.16 Work health and safety

Several functions within the operation of the Company's business involve extensive use of specialist heavy vehicles and machinery, both in the olive groves and within the numerous processing facilities operated by the Company. While the Company ensures that its safety protocols comply with applicable laws and regulations in relation to the health and safety of its employees and contractors, there is a risk that accidental injury may occur. If such a risk were realised, the Company may incur reputational damage, compensation claims and/or other legal damages claims. There is also a risk of significant costs associated with civil penalties and criminal fines (if relevant), and the risk of temporary site closure which would delay the Company's ability to meet production requirements, which in turn, could impact the Company's revenue and financial performance.

#### 5.1.17 Changes in market trends

Cobram Estate Olives' success depends, in part, on its ability to meet consumer demands, and adjust its product range and positioning to fit with current or anticipated market trends, which can be impacted by a variety of factors, including changing tastes and dietary habits of consumers, entry of new market participants and changes in the purchasing patterns of customers.

Responding appropriately to new or changing market trends can require significant investment. If Cobram Estate Olives fails to anticipate, identify, or react to changes in market trends on a timely basis, Cobram Estate Olives could experience reduced demand and/or profit margins for Cobram Estate Olives' products, which in turn could cause Cobram Estate Olives' operating results to be negatively impacted.

#### 5.1.18 Olive oil price movements

The world price of olive oil may be impacted by global economic conditions and actions taken by individual governments, particularly Mediterranean based countries that supply the majority of global olive oil production. Changes in the world price of olive oil, or changes in the relative price of olive oil due to changes in foreign exchange rates, particularly the AUD/EUR and AUD/USD exchange rates, may have an impact on the competitiveness of the Cobram Estate Olives product offerings relative to products produced in the Mediterranean region and exported to the markets in which Cobram Estate Olives operates. Reduced competitiveness of the Cobram Estate Olives product range will have a detrimental effect on the financial performance of the Company.

#### 5.1.19 Environmental Risks

Cobram Estate Olives' operations are subject to various federal, state, and local environmental laws and regulations, in particular with respect to environmental pollution, contaminated lands, the use of environmentally hazardous chemicals, wastes and pesticides and water treatment and management, and a range of licences and permits are required for Cobram Estate Olives to operate. If Cobram Estate Olives is responsible for environmental pollution or contamination or found to be in breach of a term or condition of one of its licences or permits, Cobram Estate Olives may incur substantial costs, including fines, damages, sanctions and remediation costs, experience interruptions in its operations, or delays in obtaining or renewing subsequent licence permits, or suffer reputational damage for violations arising under these laws or permit requirements.

#### 5.1.20 Intellectual Property

Cobram Estate Olives' efficiency and cost of production is based on the Oliv.iQ® proprietary growing system. The protection of Cobram Estate Olives' intellectual property rights (including those related to Oliv.iQ®) is important for the maintenance of Cobram Estate Olives' ongoing operations and competitive position in the market.

Actions taken by Cobram Estate Olives to protect its intellectual property rights including trademark registrations may not be adequate, complete, or enforceable in all relevant jurisdictions, and may not prevent the misappropriation of its intellectual property and proprietary information or deter independent development of similar technologies by others. Cobram Estate Olives may suffer damage if competitors, new market entrants, or former employees or contract counterparties infringe or challenge its intellectual property rights.

Monitoring unauthorised use of Cobram Estate Olives' intellectual property is difficult and can be costly. Cobram Estate Olives may not be able to detect unauthorised use of its intellectual property rights. The laws of many countries may not protect Cobram Estate Olives' intellectual property, and changes in laws in Australia and elsewhere may adversely affect Cobram Estate Olives and its intellectual property rights.

Cobram Estate Olives may in the future need to initiate litigation such as infringement or administrative proceedings, to seek to protect its intellectual property rights. Litigation and disputes, whether Cobram Estate Olives is a plaintiff or a defendant, can be expensive, time-consuming, and unpredictable and may divert the efforts of its technical staff and managers whether or not such litigation or dispute results in a determination or resolution that is unfavourable to Cobram Estate Olives.

#### 5.1.21 IT failure or security breach

Cobram Estate Olives relies on the capability and dependability of third-party software and IT service providers to assist in managing its business operations. Cobram Estate Olives is in possession of sensitive employee and customer information and data. There is a risk that any system failure of software or services provided by third parties could compromise Cobram Estate Olives' data security and integrity. Similarly, a deliberate, malicious, or otherwise unauthorised access or hacking of these systems or networks would similarly compromise Cobram Estate Olives' data security and integrity. This could expose Cobram Estate Olives to privacy and data protection law breaches, claims from customers, disruption to operating activities, electronic theft, loss of intellectual property or trade secrets, as well as reputational damage within the industry and the broader public. Each of these risks could adversely affect Cobram Estate Olives' financial performance.

#### 5.1.22 COVID-19 pandemic related risks

Events related to the ongoing COVID-19 pandemic have resulted in significant global uncertainty and market volatility. The future response of customers, governments, and authorities globally to address and manage the pandemic via lockdowns, shutdowns and travel restrictions are fluid and difficult to forecast, as are the ongoing effects of the COVID-19 pandemic on the economies of the jurisdictions in which Cobram Estate Olives operates. Accordingly, the scope of the impact or potential impact of the ongoing COVID-19 pandemic on Cobram Estate Olives' operations cannot be determined with any meaningful degree of accuracy and, therefore, there is a risk that events related to the pandemic may have a material adverse effect on Cobram Estate Olives' financial and/or operating performance.

Despite vaccination programs underway globally, there is a risk that Cobram Estate Olives' manufacturing operations or supply chain could be adversely affected by the COVID-19 pandemic. This could arise from an infection or cluster of cases at a Cobram Estate Olives site or amongst staff, if the ability to transport products between countries is disrupted, key suppliers are negatively affected, or Cobram Estate Olives is otherwise unable to efficiently distribute its products to customers. A disruption to Cobram Estate Olives' manufacturing operations or supply chain may have a material adverse effect on Cobram Estate Olives' financial and/or operating performance.

Restrictions on freedom of movement of populations could result in lower activity by Cobram Estate Olives' end-customers which could result in lower demand for its consumable products. This may be offset by an increased emphasis on health and wellbeing. However, the net impact is uncertain, and therefore presents a risk for Cobram Estate Olives' operational and financial performance.

#### **5.1.23 Funding of future capital needs**

Cobram Estate Olives may be required in the future to raise capital through public or private financing or other arrangements. Such financing may not be available on acceptable terms, or at all, and a failure to raise capital when needed could harm Cobram Estate Olives' business. If Cobram Estate Olives cannot raise funds on acceptable terms, Cobram Estate Olives may not be able to grow its business or respond to competitive pressures.

# **5** Key risks | Continued

#### 5.1.24 Counterparty risk

The delay or failure of customers (in particular the Company's two largest customers, supermarket operators Woolworths Limited and Coles Group Limited) or other counterparties to pay their debts or other obligations to Cobram Estate Olives when due may have a material adverse impact on the Company's future financial performance, cash flows and financial position. The Company maintains provisions for bad and doubtful debts, the adequacy of which is regularly reviewed. If these provisions are inadequate, there may be an adverse impact on the Company's future financial performance and position.

#### 5.1.25 Risk of litigation, claims, disputes, and regulatory investigations

Cobram Estate Olives may be subject to litigation, claims, disputes, and regulatory investigations relating to employment disputes, contractual disputes, indemnity claims, occupational health and safety claims, actions brought by other third parties, or criminal or civil proceedings. Cobram Estate Olives could face civil penalty proceedings, other legal or regulatory sanctions or reputational damage as a result of any failure to comply with applicable laws, regulations, or codes of conduct. This may have a material adverse effect on the Company's financial and/or operational performance.

#### 5.1.26 Insurance

Cobram Estate Olives maintains insurance coverage in relation to some, but not all aspects or full coverage of its business and operations. However, no assurance can be given that such insurance will be available in the future on a commercially reasonable basis or that Cobram Estate Olives will have adequate insurance to cover against all claims made. The Company does not maintain insurance coverage where it is economically prohibitive to do so. If Cobram Estate Olives incurs uninsured losses or liabilities, its assets, profits, and prospects may be materially adversely affected. There is a risk that Cobram Estate Olives may be subject to claims in respect of both historical and future incidents. If such claims arise, there is a risk that Cobram Estate Olives' insurance cover may not adequately protect it against those claims, which may have a material adverse effect on Cobram Estate Olives. Further, Cobram Estate Olives may not be able to recover under its insurance if the company or companies providing the insurance (or any reinsurance) are under financial distress or fail. Additionally, various factors may influence insurance premiums, which may have a detrimental impact on Cobram Estate Olives' financial performance.

#### 5.2 General risks of an investment in Cobram Estate Olives

#### 5.2.1 Trading in Shares may not be liquid

Once the Shares are quoted on the ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

#### 5.2.2 Activity levels in key industry sectors may change

Cobram Estate Olives' customer base is spread across numerous industry sectors and sub-sectors including retail supermarkets, club stores, speciality food stores and wholesale distributors. Any adverse developments which impact these industry sectors have the potential to in turn impact the demand for Cobram Estate Olives' products and services, which could adversely impact the future financial performance of the Company.

#### 5.2.3 Shareholders may suffer dilution

In the future, the Company may elect to issue Shares or engage in fundraisings. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12-month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues and fundraisings.

#### 5.2.4 Currency movements may be unfavourable

Cobram Estate Olives currently conducts business predominantly in Australia and the USA, but also exports olive oil to 17 countries. Adverse movements in the exchange rate between the AUD and currencies of countries in which Cobram Estate Olives operates in or has business dealings with, and any other foreign currencies as a result of future international expansion, may cause Cobram Estate Olives to incur foreign currency losses. Such losses may impact and reduce Cobram Estate Olives' profitability, ability to pay dividends and/or service debt obligations.

#### 5.2.5 Changes to laws and regulations

Cobram Estate Olives is subject to, and must comply with, a variety of laws and regulations in Victoria, Australia, and California, USA, in the ordinary course of its business. These laws and regulations include those that relate to fair trading and consumer protection, product safety, employment, taxation (including GST and stamp duty in Australia) and customs and tariffs.

Changes to laws and regulations in these areas may adversely affect Cobram Estate Olives, including by increasing Cobram Estate Olives' costs either directly (such as an increase in the amount of tax it is required to pay), or indirectly (including by increasing the cost to the business of complying with legal requirements). Any such adverse effect may impact Cobram Estate Olives' future operating and/or financial performance.

#### 5.2.6 Adverse taxation changes may occur

There is the potential for changes to tax laws. Any change to the current rates of taxes imposed on Cobram Estate Olives (including in foreign jurisdictions in which Cobram Estate Olives operates or may operate in the future) is likely to affect returns to Shareholders.

An interpretation of taxation laws by the relevant tax authority that is contrary to Cobram Estate Olives' view of those laws may increase the amount of tax to be paid or cause changes in the carrying value of tax assets in Cobram Estate Olives' financial statements. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend franking and Shareholder returns.

With operations in Australia and USA, Cobram Estate Olives is potentially exposed to changes in taxation law legislation or interpretation in each of those jurisdictions.

#### 5.2.7 Australian Accounting Standards may change

Australian Accounting Standards are set by the AASB and are outside the control of either the Company or its Directors. New or refined Australian Accounting Standards may affect future measurement and recognition of key income statement and balance sheet items.

There is also a risk that interpretation of existing Australian Accounting Standards, including those relating to the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in the Company's financial statements.

#### 5.2.8 Force majeure events may occur

Events may occur within or outside Australia and the USA that could impact upon the economies of the countries in which the Company operates, Cobram Estate Olives' operations and the price of the Shares. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Cobram Estate Olives' products and/or services and its ability to conduct business. Cobram Estate Olives has only a limited ability to insure against some of these risks.

#### 5.2.9 Epidemics and pandemics

In addition to the COVID-19 pandemic risk mentioned in Section 5.1.22 and the force majeure events mentioned in Section 5.2.8, a rapid spread of infectious disease to a large number of people within a short period of time may occur within or outside the countries in which Cobram Estate Olives operates. In particular, a pandemic similar in nature to the COVID-19 pandemic outbreak may adversely affect general economic sentiment, the global economy, stock markets and other financial markets. The COVID-19 pandemic is currently of significant concern to the worldwide community and has clouded the near- and medium-term outlook for the global economy. Financial markets have also been volatile as market participants and governments worldwide assess the risks associated with the COVID-19 pandemic and global supply chains are being severely impacted across major industries. Measures introduced to limit transmission of the virus are likely to have a negative impact on the global economy and economic growth. As a result of the global COVID-19 pandemic, monetary policy has been eased to provide additional support to employment and economic activity. Given the evolving situation, it is difficult to predict the nature and extent of the risk and the impact on Cobram Estate Olives. The impact of the COVID-19 pandemic, or other future rapid spread infectious diseases, on consumer sentiment, demand, labour supply, and confidence generally could materially adversely affect Cobram Estate Olives' operations and/or financial performance.

# **5 Key risks** | Continued

#### 5.2.10 General investment risks

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the price at which the Shares are being offered under this Prospectus. There is no assurance that the price of the Shares will increase following the quotation on the ASX, even if Cobram Estate Olives' earnings increase. Some of the factors which may affect the price of the Shares include:

- fluctuations in the domestic and international market for listed stocks;
- general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices or changes to government fiscal, monetary or regulatory policies, legislation, or regulation;
- · inclusion in or removal from market indices;
- the nature of the markets in which Cobram Estate Olives operates; and
- general operational and business risks.

Other factors which may negatively affect investor sentiment and influence the price of Shares specifically or the capital markets more generally, include acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events.





## **6** Key individuals, interests, and benefits

#### 6.1 Board of Directors

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

**Director & Experience** 



Rob McGavin (appointed 6 July 2005) Chair, Non-Executive Director

Rob is a co-founder of Cobram Estate Olives and has extensive experience in the agribusiness sector. He is directly involved in a large-scale vineyard in South Australia, a grazing operation in Western Queensland, a cropping and grazing operation in Southwest Victoria, as well as Cobram Estate Olives' development and management. Rob is also a board member of Marcus Oldham Agricultural College.

Rob is the Chair of Cobram Estate Olives and a member of the Audit and Risk Committee. Rob was the Executive Chair and Chief Executive Officer of the Company until 20 April 2021.



Paul Riordan (appointed 6 July 2005) Non-Executive Director

Paul Riordan has extensive experience in the olive industry having worked in the industry since 1996 and is a co-founder of Cobram Estate Olives. Paul was a Non-Executive Director of Select Harvests Limited from October 2012 until June 2018 when he moved to the USA.

Paul is a Non-Executive Director of Cobram Estate Olives and is currently based in the USA.



Tim Jonas (appointed 24 September 2005) Non-Executive Director

Tim is a former Managing Partner and National Chairman of Pitcher Partners, a national association of independent accounting firms across Adelaide, Brisbane, Melbourne, Newcastle and Hunter, Perth, and Sydney. Tim grew up on lemon orchard and was involved in his family business in fruit and vegetables. His qualifications include a Master of Business Administration (University of Melbourne), Bachelor of Commerce (University of Melbourne) and Fellow of the Institute of Chartered Accountants in Australia.

Tim holds several directorships and provides business advice to a wide range of businesses particularly in the agribusiness sector. Tim is currently the Chairman of Yarra Valley Caviar Pty Ltd (fish farms and caviar production); Chairman of Daniel Roberson Pty Ltd (property holdings); and Director and Treasurer of Australian Stockman's Hall of Fame and Heritage Centre Ltd (Longreach, Queensland). Tim was formerly a Director of Silvan Australia Pty Ltd, and a Director and Treasurer of Essendon AFL Football Club Ltd.

Tim has been involved with Cobram Estate Olives since its inception and was appointed as a Non-Executive Director in 2005. He currently chairs the Audit and Risk Committee and is a member of the Remuneration and Nomination Committee.

#### Director & Experience



Craig Ball
(appointed 24 September 2005)
Non-Executive Director

Craig is an Executive Director of financial services firm Taylor Collison and is responsible for corporate finance in equity capital markets. He became a director of Taylor Collison in 1992 and has extensive experience in the Australian equity capital markets. Craig holds a Bachelor of Economics degree from the University of Adelaide. He worked for a decade with Chartered Accounting firms before joining the stockbroking industry in 1987.

Craig has been involved with Cobram Estate Olives since 1998, assisting with its formation and development, and was appointed as a Non-Executive Director in 2005. Craig is a member of the Audit and Risk Committee and chairs the Remuneration and Nomination Committee.



Joanna McMillan (appointed May 2021) Non-Executive Director

Scottish born and raised, Joanna McMillan has spent the last 22 years living in Australia where she is one of the country's favourite and most trusted health and wellbeing experts. She is a PhD qualified nutrition scientist, Accredited Practising Dietitian, Adjunct Senior Research Fellow with La Trobe University, guest lecturer at The University of Sydney and Fellow of the Australasian Society of Lifestyle Medicine.

A regular on television, Joanna has presented on the Today Show for over 15 years, is a host on ABC's science show Catalyst, and is a regular on radio and in print media. Joanna is a TEDx and international keynote speaker and has authored eight books including her latest *The Feel-Good Family Food Plan* and her first Audible Original, *Gutfull, What to Eat for a Happy Gut*.

Joanna has provided consultancy services from time to time to Cobram Estate Olives since 2015 and the Australian olive industry since 2013. Joanna has been a member of the Company's scientific committee since 2018 and was appointed Non-Executive Director in May 2021.



Jonathan West (appointed 24 October 2008) Non-Executive Director

Professor Jonathan West founded the Australian Innovation Research Centre. Prior to that role, Professor West spent 18 years at Harvard University, where he was Associate Professor in the Graduate School of Business Administration. He gained his Doctoral and Master's degrees in Economics at Harvard University, following a Bachelor of Arts majoring in economics and the history and philosophy of science at the University of Sydney, and more recently a PhD in Ancient Greek Philology. Jonathan has served as consultant to, and a Board member of, major corporations around the world and as an adviser to several governments, particularly in the fields of agribusiness, innovation policy, and economic development. He currently serves as Chairman of ASX-listed Hexima Limited, a medical biotechnology company; Chairman of the ASX-listed Gowing Brothers Investment Fund; Board member of Hydralyte, a dehydration-therapy provider; and Board member of the Three Valleys Food Company in Tasmania.

Jonathan was appointed as a Non-Executive Director of Cobram Estate Olives in 2008 and is a member of the Remuneration and Nomination Committee and the Audit and Risk Committee.

### **Director & Experience**



Sam Beaton (appointed 15 January 2015)

### Joint-Chief Executive Officer (Finance and Commercial) and Executive Director

Sam joined the Company in August 2009. Sam has over 21 years' experience in commercial, corporate and finance roles. Sam began his career with KPMG, where he qualified as a Chartered Accountant and since then has held senior management roles. Sam has wide experience in financial modelling and analysis, management of corporate debt, capital raisings, business planning and execution and strategy. Sam has a Bachelor of Commerce (Accounting and Finance) and a Bachelor of Science (Industrial Organic Chemistry) from the University of Melbourne.

Sam was appointed Joint CEO (Finance and Commercial) of the Cobram Estate Olives on 20 April 2021 and formerly held the role of Chief Financial Officer, Company Secretary and Chief Operating Officer.



Leandro Ravetti (appointed 6 July 2005)

### Joint-Chief Executive Officer (Technical and Production) and Executive Director

Leandro Ravetti graduated as an Agricultural Engineer in Argentina and worked for the National Institute of Agricultural Technology in olive production research from 1995 until he moved to Australia in 2001 to join Cobram Estate Olives. Leandro has studied and worked as an invited researcher at the Olive Growing Research Institute of Perugia, Italy and at different Governmental Olive Institutes in Andalusia, Spain where he completed a postgraduate degree on olive growing and olive oil processing.

Leandro was appointed Executive Director of Cobram Estate Olives in 2005. As part of his role, Leandro has overseen all technical aspects of production, developing the Oliv.iQ® growing system. Leandro was an alternate director of the Australian Olive Association between 2009 and 2012 and was the drafting leader for the new Australian Standard for Olive Oil (AS 5264-2011). Leandro has also received a meritorious lifetime award from the Australian Olive Association for his outstanding contribution to the Australian olive industry and he was also the recipient of an award in the Master Milling/Chemical Engineering Category in the inaugural "Health & Food, Extra Virgin Olive Oil Awards" announced in Spain in 2017.

Leandro was appointed Joint-CEO (Technical and Production) of Cobram Estate Olives on 20 April 2021 and formerly held the role of Technical Director.

### 6.1.1 Director disclosures

Each Director has confirmed that he or she anticipates being available to perform his or her duties as a Director without constraints from other commitments. The Directors will continually evaluate their other commitments, including any other boards on which they serve, to ensure that proper time and attention is given to their appointment, and role, as a director of the Company.

Directors may have business interests other than those of Cobram Estate Olives and are expected to declare any conflict (or potential conflict) of interest or material personal interests at appointment, or as soon as apparent.

The conflict (or potential conflict) of interest or material personal interest may require them to not be present at a Board or Board committee meeting or vote on a matter which concerns the conflict or material personal interest.

### 6.2 Management

Profiles of Cobram Estate Olives' key management personnel are set out below. Further information on the terms of employment of the key management personnel are set out in Section 6.3.6.

Manager & Experience



Sam Beaton

Joint-Chief Executive Officer (Finance and Commercial) and Executive Director

See Section 6.1.



**Leandro Ravetti**Joint-Chief Executive Officer (Technical and Production) and Executive Director

See Section 6.1.



Russell Dmytrenko
CFO of Australian operations and Company Secretary

Russell joined the Company in January 2021. Russell has over 18 years' experience in finance, controllership and accounting. Prior to joining Cobram Estate Olives, Russell spent 15 years with General Motors and GM Holden in a variety of Senior Finance roles including Holden CFO, Controller – ANZ & ASEAN, Regional Internal Control Manager GMAP and MENA, and Holden Corporate Controller. Russell has wide experience in controllership, strategy and planning, budgeting, and process optimisation. Russell has a Bachelor of Commerce (Accounting and Human Resource Management), a Master of Business Administration from Deakin University, and is a Fellow of CPA Australia.

Russell is the CFO of the Company's Australian operations and Company Secretary of Cobram Estate Olives.



Michael Gonzalez

CFO of USA operations

Michael Gonzalez joined the Company in 2019. A USA citizen, Michael has over 20 years' experience working in finance roles across numerous industries and functional areas including life sciences, chemicals, manufacturing, and engineering. Michael has deep experience working with senior leaders to develop, deploy and lead finance transformation programs and/or re-engineer existing programs. Michael has a Bachelor of Arts – Economics from Rutgers University, New Jersey USA, and is a Certified Public Accountant and a Chartered Global Management Accountant.

Michael is the CFO of Cobram Estate Olives' USA operations.

### 6.3 Benefits and interests

This Section 6.3 outlines the nature and extent of the interests and fees of certain persons involved in the Employee Gift Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company:
- person named in this Prospectus who has performed a function in a professional, advisory, or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Employee Gift Offer or a financial services licensee named in the Prospectus as a financial services licensee involved in the Employee Gift Offer,

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

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Employee Gift Offer; or
- the Employee Gift Offer,

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

### 6.3.1 Non-Executive Director remuneration

Under the Constitution, the Company in general meeting may determine the maximum aggregate remuneration to be provided to or for the benefit of the Non-Executive Directors as remuneration for their services as a Director. Further, under the ASX Listing Rules, the total amount of fees paid to the Non-Executive Directors (subject to certain exceptions) must not exceed in aggregate in any financial year the amount fixed by the Company's members in general meeting.

Initially, and until a different amount is determined, the maximum aggregate amount or value of Non-Executive Directors' remuneration for the purposes of the ASX Listing Rules and the Constitution is \$300,000 per annum, all of which is currently utilised. This amount excludes, among other things, amounts payable to any executive Director under any executive services agreement with the Group or any special remuneration which the Board may grant to the Directors for special exertions or additional services performed by a Director for or at the request of the Company.

As at the Prospectus Date, each Non-Executive Director of the Company (except for Paul Riordan) receives a base fee of \$60,000 per annum. Rob McGavin currently receives an additional fee of \$140,000 per annum which the Board has approved as special remuneration for additional services performed by Rob for the Company (including in his role as Chair). Similarly, Paul Riordan, who is based in the USA, currently receives a fee of US\$260,358 per annum which the Board has approved as special remuneration for additional services performed for the Company. Directors do not currently receive any additional fees for chairing or being a member of a Board committee.

All Directors' fees include superannuation payments required by law to be made.

### 6.3.2 Deeds of access, indemnity, and insurance

The Company has entered into a Deed of access, insurance, and indemnity with each Director. Each deed provides the Director with a right of access to certain books and records of the Cobram Estate Olives Group entities for the period from the date of the Deed until seven years after the Director ceases to hold office of the Company or other Cobram Estate Olives Group entity. This seven-year period can be extended where certain proceedings or investigations commence before the seven-year period expires.

Pursuant to the Constitution, the Company may indemnify all Directors, executive officers, and other officers, past and present, against all liabilities incurred as an officer of the Company or other Cobram Estate Olives Group entity to the extent permitted by law. Under each Deed of access, insurance and indemnity, the Company indemnifies each Director against any liability that may arise from their position as an officer of the Company or other Cobram Estate Olives Group entity, to the extent permitted by law. The Deed provides that the Company must meet the full amount of any such liabilities, including legal costs that are reasonably incurred.

Pursuant to the Constitution, the Company may arrange and maintain directors' and officers' insurance for its Directors to the extent permitted by law. Under the Deed of access, insurance and indemnity, the Company must maintain such insurance for the period from the date of the Deed until seven years after the Director ceases to hold office of the Company or other Cobram Estate Olives Group entity. This seven-year period can be extended where certain proceedings or investigations commence before the seven-year period expires.

### 6.3.3 Non-Executive Director appointment letters

Prior to the Prospectus Date, each Non-Executive Director entered into an appointment letter with the Company confirming the terms of their appointment as a Non-Executive Director, their roles and responsibilities and the Company's expectations of them as Non-Executive Directors.

### 6.3.4 Other information about Director interests and benefits

Directors may be reimbursed for travel and other expenses incurred in attending to the Company's affairs. This includes attending and returning from Board or Board committee meetings and general meetings. Any Director who devotes special attention to Cobram Estate Olives' business or who performs services which, in the opinion of the Board, are outside the scope of ordinary duties of a Director, may be remunerated for the services (as determined by the Board) out of the Company's funds.

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

### 6.3.5 Directors' interests in Shares and other securities

Directors are not required under the Constitution to hold any Shares in the Company.

The number of Shares and options held by the Directors as at the Prospectus Date and the number which will be held by the Directors on Completion of the Employee Gift Offer is set in the following table:

	Interests held at the Prospectus Date			Interests held at Completion		
Director <sup>1</sup>	Shares	% of Shares	Options	Shares	% of Shares <sup>2,3</sup>	Options
Rob McGavin	72,044,376	18.6%	0	72,044,376	18.6%	0
Paul Riordan	18,654,708	4.8%	0	18,654,708	4.8%	0
Tim Jonas	5,624,988	1.5%	0	5,624,988	1.5%	0
Craig Ball	3,851,226	1.0%	230,766	3,851,226	1.0%	230,766
Joanna McMillan	31,860	0.0%	0	31,860	0.0%	0
Jonathan West	5,472,000	1.4%	480,768	5,472,000	1.4%	480,768
Sam Beaton	8,524,050	2.2%	3,000,000	8,524,050	2.2%	3,000,000
Leandro Ravetti	10,348,584	2.7%	3,000,000	10,348,584	2.7%	3,000,000

### Notes:

- 1. Directors may hold their interests in Shares and Options directly, or through entities associated with them (e.g. through holdings by companies or trusts).
- 2. On a fully diluted basis.
- 3. Assumes the Employee Gift Offer is fully subscribed.

The Directors (and their associated entities) are not entitled to apply for Shares under the Employee Gift Offer.

Shareholdings held directly or indirectly by the Directors (and their associated entities) will be notified to ASX following Listing.

### 6.3.6 Executive remuneration and employee incentive arrangements

The key management personnel of the Company are Sam Beaton, Leandro Ravetti, Russell Dmytrenko, and Michael Gonzalez.

Annual remuneration for the Company's key management personnel is comprised of their fixed annual remuneration, being base salary and superannuation. At the Board's discretion, key management personnel have historically been granted Options under the Historical ESOP (see Section 6.3.7.1). Any grants of remunerative or incentive securities in the Company in future will be made under the LTIP (see Section 6.3.7.2).

Current fixed annual remuneration for the key management personnel and their current holdings of ESOP Options are set out below:

Executive	Fixed annual remuneration	ESOP Options holding
Sam Beaton	A\$475,000	3,000,000
Leandro Ravetti	A\$475,000	3,000,000
Russell Dmytrenko	A\$250,000	0
Michael Gonzalez	US\$170,000	0

At the Prospectus Date, neither Russell Dmytrenko nor Michael Gonzalez holds any Shares in the Company.

Cobram Estate Olives has entered into an employment agreement with each of Sam Beaton, Leandro Ravetti and Russell Dmytrenko which provides that:

- Either Cobram Estate Olives or the employee may terminate the employee's employment after the expiry of three months' notice in writing, or in respect of Russell Dmytrenko, after the expiry of one months' notice in writing;
- Cobram Estate Olives may terminate the employee's employment by making a payment in lieu of all or part of the three months' notice period, or in respect of Russell Dmytrenko, after the expiry of one months' notice period;
- Cobram Estate Olives may summarily terminate the employee's employment without payment or notice in certain circumstances, including where the employee engages in any dishonest act, serious misconduct, or disclosure of confidential information; and
- Subject to all usual legal requirements, the employee is subject to customary restraints during the term of employment and for a period of at least 12 months post-employment, including:
  - being involved or engaged in businesses that operate in olive oil or olive production generally;
  - being involved or engaged in businesses that operate in value adding olive by-products;
  - canvassing, soliciting, inducing, or encouraging any employee, contractor, supplier, or customer of Cobram Estate
     Olives to leave their employment or terminate their engagement; and
  - interfering with the relationship between Cobram Estate Olives and its employees, contractors, suppliers, or customers.

Cobram Estate Olives has entered into an employment agreement with Michael Gonzalez in respect of his appointment as CFO of Cobram Estate Olives' USA operations which provides that:

- Michael Gonzalez's appointment is at-will which means that either Michael or Boundary Bend Olives Inc. may terminate
  his employment at any time, with or without cause, and with or without notice; and
- Michael Gonzalez is restrained during the term of his employment from being involved, either directly or indirectly, in any business or other employment that may hinder or interfere with his employment duties. Michael is not subject to any post-employment restraints.

The remuneration for key Management personnel is reviewed annually by the Board.

### 6.3.7 Equity based remuneration and incentives

The Company recognises that an effective remuneration and incentive system is essential to the success of its business. On a general basis, the Company is committed to maintaining a policy of a market-related and individually negotiated remuneration structure for all employees and contractors of the Company.

Employee remuneration typically comprises fixed annual remuneration (being base salary, superannuation and any fringe benefits) and also include potential participation in equity and/or incentive plans. Key determinants in all remuneration decisions are the Company's overall financial performance, operational outcomes and individual performance (against individual key performance indicators).

To help inform this process, the Company conducts employee reviews in accordance with the terms of individual employment contracts. These reviews promote open and honest communication and are designed to provide the information the Company needs to allocate incentives fairly, and to identify goals, areas for development, and training requirements for all team members.

Historically, equity incentives for Management and employees have been granted in the form of Options under the **Historical ESOP** which the Company considers to have been fit for purpose while the Company has been an unlisted public company, and the terms of which are summarised below in Section 6.3.7.1.

All Options currently on issue in the Company were issued under the Historical ESOP. Please refer to Section 6.3.7.1 for details of all Options on issue under the Historical ESOP as at the Prospectus Date.

The Company does not intend to issue any further securities under the Historical ESOP. The Company intends to issue any incentive securities in the Company in future under the Company's recently established long-term incentive plan (**LTIP**), the terms of which are summarised below in Section 6.3.7.2, or any amended or substituted indicative plan approved by the Board from time to time.

#### 6.3.7.1 Historical ESOP

As noted above, equity-based compensation benefits have been granted by the Company under an employee share option plan adopted by the Board (**Historical ESOP**). The Historical ESOP was established to enable the Company to grant options over Shares to Directors, key management personnel and other employees of the Company.

The Company has resolved to replace the Historical ESOP with the LTIP referred to in Section 6.3.7.2. The Company does not propose to issue any further Options under the Historical ESOP following Completion of the Employee Gift Offer. All current and outstanding Options issued under the Historical ESOP will remain subject to the Historical ESOP and their terms and conditions of issue.

A summary of the key terms of the Historical ESOP is set out in the table below:

Term	Description
Eligibility	Participation in the plan is by invitation, and subject to Board approval. Eligible participants include any full-time or part-time employee, casual employee, director, or contractor of the Company who has been engaged by the Company for at least 12 months.
Options	The Board has discretion to set the terms and conditions on which it offers Options under the Historical ESOP.
	The Board may determine that Options offered under the Historical ESOP ( <b>ESOP Options</b> ) will be subject to performance, service, or other conditions which must be satisfied or waived before the Options vest and, if so, will specify those vesting conditions in the invitation to the proposed recipient.
	In addition, the Board may determine that ESOP Options will be subject to further conditions which must be satisfied or waived before vested options or rights may be exercised.
	The Board may, at its discretion, vary, reduce, or waive any vesting conditions and/or exercise conditions attaching to ESOP Options at any time, subject to applicable law.
Acquisition price	ESOP Options are granted at no cost to the participant.
Exercise price	The exercise of ESOP Options in the form of options or rights may be subject to payment of an exercise price by the participant as determined by the Board.

Term	Description
Exercise of an ESOP Option	Shares issued or transferred on the exercise of ESOP Options will rank equally in all respects, and carry the same rights and entitlements, as other issued Shares, including dividend and voting rights.
Vesting and exercise of ESOP Options	ESOP Options which have not lapsed will vest if and when any applicable vesting conditions have been satisfied or waived by the Board. However, vested ESOP Options will not become exercisable until any applicable exercise conditions have been satisfied or waived by the Board. Following the valid exercise of an ESOP Options, the Company will issue such number of Shares to the participant that relate to the ESOP Option being exercised.
Cessation of employment	The Board has discretion to determine, subject to compliance with applicable law, the treatment of an ESOP Option if a participant ceases to be employed by the Company prior to the vesting or exercise of an ESOP Option, or an ESOP Option ceasing to be subject to any disposal restrictions as a term of the invitation or at the time of cessation.
Dividend and voting entitlements	ESOP Options do not entitle their holders to dividend or voting rights.
Participation rights of ESOP Options	ESOP Options do not confer the right to participate in new issues of Shares or other securities in the Company.
	However, subject to the ASX Listing Rules, the Historical ESOP provides for adjustments to be made to the number of Shares to which a participant would be entitled on the exercise of an ESOP Option or the exercise price (if any) of the ESOP Option in the event of a bonus issue or pro-rata issue to existing holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) or a reorganisation of capital.
Restrictions	ESOP Options may not be sold, transferred, mortgaged, pledged, charged, granted as security, or otherwise disposed of, without the prior approval of the Board, or unless required by law.
	Participants must not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to any unvested ESOP Options.
Quotation	ESOP Options will not be quoted on the ASX. The Company will apply for official quotation of any Shares issued on exercise of any ESOP Options, in accordance with the ASX Listing Rules.
Change of control	If a change of control event occurs with respect to the Company, the Board may determine, in its discretion, the manner in which all unvested ESOP Options will be dealt with.
U.S. Sub-Plan	Appended to the Historical ESOP is a sub-plan which allows the Company to issue ESOP Options to employees in the United States of America.

At the Prospectus Date, the following ESOP Options are on issue (being all of the Options on issue in the Company as at the Prospectus Date). No ESOP Option is subject to any vesting conditions or exercise conditions:

Issue date	Vesting date	Exercise price	Expiry date	Number of ESOP Options
27 April 2017	1 July 2024	\$1.50	1 August 2024	2,100,000
19 September 2018	19 August 2023	\$1.50	19 September 2023	780,000
15 December 2018	16 December 2018	\$1.42	15 December 2021	461,532
22 March 2019	19 February 2026	\$1.50	22 March 2026	180,000
6 December 2019	6 December 2022	\$1.50	6 January 2023	90,000
6 December 2019	6 December 2024	\$1.50	6 January 2025	90,000
15 December 2019	16 December 2019	\$1.42	15 December 2022	250,002
17 April 2021	18 March 2026	\$1.50	17 April 2026	1,200,000
17 April 2021	18 March 2028	\$1.50	17 April 2028	15,300,000
TOTAL ESOP OPTIONS OF	N ISSUE			20,451,534

### 6.3.7.2 LTIP

The LTIP was established to support the Company's policy of issuing incentive securities to assist in the motivation, retention, and reward of eligible employees. The LTIP is designed to align the interests of employees with the interests of Shareholders by providing an opportunity for employees to receive an equity interest in the Company.

The LTIP provides flexibility for the Company to grant options to acquire Shares and/or rights to acquire Shares as incentives (**Awards**), subject to the terms of individual offers.

As at the Prospectus Date, no Awards have been granted under the LTIP.

A summary of the key terms of the LTIP is set out in the table below.

Term	Description
Eligibility	The Board has the discretion to determine which employees are eligible to participate in the LTIP, and the number and type of Awards that they will be offered ( <b>LTIP Eligible Employee</b> ).
	The definition of employee under the LTIP rules includes any full-time or part-time employee, casual employee, director, contractor, or prospective employee of the Cobram Estate Olives Group.
Awards	The Board has the discretion to set the terms and conditions on which it will offer Awards under the LTIP.
	The Board may determine that the Awards will be subject to performance, service, or other conditions which must be satisfied or waived before the Award vests ( <b>Vesting Conditions</b> ) and, if so, will specify those Vesting Conditions in the invitation to each LTIP Eligible Employee.
	In addition, the Board may determine that Awards will be subject to further conditions which must be satisfied or waived before vested options or rights may be exercised ( <b>Exercise Conditions</b> ).
	The Board may, at its discretion, vary, reduce, or waive any Vesting Conditions and/or Exercise Conditions attaching to Awards at any time, subject to applicable law.
Acquisition price	The grant of Awards under the LTIP may be subject to the payment of an acquisition price by the participant as determined by the Board, or otherwise Awards may be granted at no cost to the participant.

Term	Description
Exercise price	The exercise of Awards in the form of options or rights may be subject to payment of an exercise price by the participant as determined by the Board.
Shares as an Award or on vesting of an Award	Shares issued or transferred on the exercise of Awards will rank equally in all respects, and carry the same rights and entitlements, as other issued Shares, including dividend and voting rights.
	Depending on the terms of an Award, Shares may be subject to disposal restrictions, which means that they may not be disposed of or dealt with for a period of time.
Vesting and exercise of Awards	Awards which have not lapsed under the LTIP will vest if and when any applicable Vesting Conditions have been satisfied or waived by the Board. However, vested options or rights will not become exercisable until any applicable Exercise Conditions have been satisfied or waived by the Board.
	Following the valid exercise of an Award, the Company will issue or arrange the transfer of such number of Shares to the participant that relate to the option or right being exercised.
	Alternatively, the Board may determine to make a cash payment in lieu of the issue or transfer of Shares.
Expiry of options and rights	Options or rights which have not been exercised by the date 15 years from the date of grant of the options or rights, or such other date determined by the Board and specified in the offer (Expiry Date), will lapse unless the Board determines otherwise.
Cessation of employment	The Board has discretion to determine, subject to compliance with applicable law, the treatment of an Award if a participant ceases to be employed by a Group Company prior to the vesting or exercise of an Award, or an Award ceasing to be subject to any disposal restrictions as a term of the invitation or at the time of cessation.
Forfeiture/lapse of Awards	Unless otherwise determined by the Board, an Award will lapse in certain circumstances including:
	where the Board determines that any Vesting Condition or Exercise Condition applicable to the Award cannot be satisfied;
	the applicable Expiry Date;
	<ul> <li>in certain circumstances if the participant's employment is terminated (see 'Cessation of employment' below);</li> </ul>
	if the Board determines that the Award is liable to clawback (see 'Clawback' below);
	if the Board determines that the Award will be forfeited or lapse in the event of a change of control in respect of the Company; and
	where the participant has dealt with an Award in breach of any rule of the LTIP.
Dividend and voting entitlements	Awards do not entitle their holders to dividend or voting rights.
Participation rights of Awards	Awards do not confer the right to participate in new issues of Shares or other securities in the Company.
	However, subject to the ASX Listing Rules, the LTIP provides for adjustments to be made to the number of Shares to which a participant would be entitled on the exercise of an Award or the exercise price (if any) of the Award in the event of a bonus issue or pro-rata issue to existing holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) or a reorganisation of capital.

Term	Description
Restrictions	Awards may not be sold, transferred, mortgaged, pledged, charged, granted as security, or otherwise disposed of, without the prior approval of the Board, or unless required by law.  Participants must not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to any unvested Awards.
Quotation	Awards will not be quoted on the ASX. The Company will apply for official quotation of any Shares issued under the LTIP, in accordance with the ASX Listing Rules.
Cessation of employment	The Board has discretion to determine, subject to compliance with applicable law, the treatment of an Award if a participant ceases to be employed by a Group Company prior to the vesting or exercise of an Award, or an Award ceasing to be subject to any disposal restrictions as a term of the invitation or at the time of cessation.
Clawback	The LTIP provides the Board with broad clawback powers. If, for example, the Board becomes aware that a participant has committed an act of fraud, negligence or gross misconduct or failed to comply in a material respect with any restrictive covenant or that some other event has occurred which, as a result, means that a participant's Award should be reduced or extinguished, or should not vest, then the Board may clawback or adjust any such Award at its discretion to ensure no unfair benefit is derived by the participant.
Change of control	If a change of control event occurs with respect to the Company, the Board may determine, in its discretion, the manner in which all unvested Awards will be dealt with.
U.S. Sub-Plan	Appended to the LTIP is a sub-plan which allows the Company to issue Awards to LTIP Eligible Employees in the United States of America.

### 6.3.8 Interests of advisers

The Company has engaged the following service providers in relation to the Employee Gift Offer and paid, or agreed to pay, to them approximately the amounts shown below:

Service provider	Role	Fees
Bell Potter Securities Limited	Joint Arranger	\$100,000
Morgans Corporate Limited	Joint Arranger	\$100,000
Ord Minnett Limited	Joint Arranger	\$100,000
DLA Piper Australia	Legal Adviser	\$400,000
Deloitte Corporate Finance	Investigating Accountant	\$200,000
Pitcher Partners	Tax Adviser	\$45,333

Unless stated otherwise, all amounts exclude disbursements and GST and all payments have been paid or are payable in cash. The amounts payable to DLA Piper Australia excludes fees payable for work not directly connected with the Employee Gift Offer, such as advice and work in connection with structuring matters, financing and security arrangements, board advisory and employee incentive plans.

Further amounts may be paid to the Company's service providers in accordance with their normal time-based charges.

These amounts, and other expenses of the Employee Gift Offer, will be paid by the Company with available cash. The total costs of the Employee Gift Offer (excluding GST) are estimated to be approximately \$1.6 million (assuming full subscription). Further information on the payment of expenses of the Employee Gift Offer is set out in Section 7.8.

### 6.4 Corporate Governance

This Section 6.4 explains the main corporate governance policies and practices adopted by the Company. Details of the Company's key policies and practices and the charters for the Board and each of its Committees are available at www.cobramestateolives.com.au/investors.

The Board plays a key role in overseeing the policies, performance, and strategies of Cobram Estate Olives. It is accountable to the Company's members as a whole and must act in the best interests of the Company. The Board monitors the operational and financial position and performance of Cobram Estate Olives and oversees its business strategy, including approving the strategic objectives, plans and budgets of Cobram Estate Olives. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of Cobram Estate Olives. In conducting the Company's business with these objectives, the Board seeks to ensure that Cobram Estate Olives is properly managed to protect and enhance Shareholder interests and that the Company, its Directors, officers, and personnel operate in an appropriate environment of corporate governance.

The Board has created a framework for managing Cobram Estate Olives, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Cobram Estate Olives' business and which are designed to promote the responsible management and conduct of Cobram Estate Olives. The Board sets the cultural and ethical tone for Cobram Estate Olives.

The main policies and practices adopted by the Company are summarised below.

Each of the charters and policies referred to in this Section 6.4 will be made available on the Company's website at www.cobramestateolives.com.au/investors.

### 6.4.1 ASX Corporate Governance Principles and Recommendations

The ASX Corporate Governance Council has developed and released its Corporate Governance Principles and Recommendations 4th Edition (**ASX Recommendations**) for ASX listed entities in order to promote investor confidence and to assist listed entities in meeting stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines, designed to produce an outcome that is effective and of high quality and integrity. However, under the ASX Listing Rules, the Company will be required to provide a statement in its annual report, or the URL of the page on its website where the statement is located, disclosing the extent to which it has followed the ASX Recommendations during each reporting period. Where the Company does not follow an ASX Recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

As at the Prospectus Date, Cobram Estate Olives will be compliant with the ASX Recommendations except as set out in the table below:

ASX Recommendation	Summary of position of Cobram Estate Olives
Recommendation 2.4 A majority of the board of a listed entity should be independent directors	The current structure and composition of the Board has been determined having regard to the nature and size of Cobram Estate Olives' operations, the skill set of Cobram Estate Olives' Directors both individually and collectively, and the best interests of Shareholders.
	As at the Prospectus Date, the Board comprises four independent and four non-independent Directors. Despite not having a majority of independent Directors, the Board believes that they are able to objectively analyse the issues before them in the best interests of all Shareholders and in accordance with their duties as directors. Cobram Estate Olives is satisfied that the current composition of the Board is sufficient and that non-compliance with Recommendation 2.4 will not be detrimental to Cobram Estate Olives.

#### **ASX Recommendation**

#### Summary of position of Cobram Estate Olives

#### Recommendation 2.5

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

The current structure and composition of the Board has been determined having regard to the nature and size of Cobram Estate Olives' operations, the skill set of Cobram Estate Olives' Directors both individually and collectively, and the best interests of Shareholders.

The Board believes that Rob McGavin is the most appropriate chairperson of the Board and that he is able to bring, and does bring, quality independent judgement to all relevant issues falling within the scope of the role of Chairman and that the Company, as a whole, benefits from his long-standing experience of its operations and business relationships.

Rob McGavin is considered by the Board not to be independent having regard to Mr. McGavin being a co-founder of the Company, his position as Chief Executive Officer of the Company until 20 April 2021, and that he is and will continue to be a significant shareholder. Cobram Estate Olives is satisfied that non-compliance with Recommendation 2.5 will not be detrimental to Cobram Estate Olives.

### 6.4.2 The Board's view on independence

The Board comprises six Non-Executive Directors and two executive Directors.

The Board considers a Director to be independent where he or she is not a member of Management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted materiality guidelines to assist in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board.

The Board considers that each of Tim Jonas, Craig Ball, Joanna McMillan, and Jonathan West are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the exercise of the Director's unfettered and independent judgement and is able to fulfil the role of independent Director for the purposes of the ASX Recommendations.

Rob McGavin, Paul Riordan, Sam Beaton and Leandro Ravetti are currently considered by the Board not to be independent. Sam Beaton and Leandro Ravetti are currently the Joint-Chief Executive Officers of the Company. Rob McGavin is not considered by the Board to be independent having regard to Mr. McGavin being a co-founder of the Company, his position as Chief Executive Officer of the Company until 20 April 2021, and that he is and will continue to be a significant shareholder. Paul Riordan is not considered by the Board to be independent having regard to Mr Riordan being a co-founder of the Company and his recent position as an Executive Director of the Company. Cobram Estate Olives is satisfied that non-compliance with Recommendation 2.5 will not be detrimental to Cobram Estate Olives.

### 6.4.3 Board Charter

The Board Charter adopted by the Board sets out the responsibilities of the Board in greater detail. It provides that the Board should comprise Directors with the appropriate mix of skills, experience, expertise, and diversity which are relevant to the Company's businesses and the Board's responsibilities. The Board Charter allows the Board to delegate powers and responsibilities to committees established by the Board. The Board retains ultimate accountability to Shareholders in discharging its duties.

### 6.4.4 Board committees

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

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

#### 6.4.4.1 Audit and Risk Committee

The Audit and Risk Committee will assist the Board in fulfilling its accounting, auditing, financial reporting, and risk management responsibilities, including to:

- · oversee the Company's relationship with the external auditor and the external audit function generally;
- oversee the Company's internal audit plans;
- oversee the preparation of the financial statements and reports:
- · oversee the Company's financial controls and systems; and
- manage the process of identification and management of financial risk.

The Audit and Risk Committee's charter provides for the Audit and Risk Committee to oversee the internal programs to evaluate risk management and internal control processes for managing risk and to review whether the appointment of an internal auditor is recommended.

The Company will comply with the recommendations set by the ASX Corporate Governance Council in relation to the composition and operation of the Audit and Risk Committee.

From Listing, the Audit and Risk Committee will comprise Tim Jonas, Craig Ball, Rob McGavin, and Jonathan West. Cobram Estates Olives has also engaged Stephen Schonberg (Executive Director of Pitcher Partners) as an independent consultant and adviser to the Audit and Risk Committee to provide advice and guidance on financial and audit matters. The Audit and Risk Committee will be chaired by Tim Jonas.

### 6.4.4.2 Remuneration and Nomination Committee

The Remuneration and Nomination Committee will assist the Board with fulfilling its responsibilities to Shareholders and other stakeholders to ensure that the Company:

- has coherent and appropriate remuneration policies and practices which enable Cobram Estate Olives to attract and retain Directors and executives who will create value for Shareholders;
- fairly and responsibly remunerates Directors and executives having regard to the Company's performance, the performance of the executives and the general market environment;
- has policies to evaluate the performance and composition of the Board, individual Directors, and executives on (at least)
  an annual basis with a view to ensuring that the Company has a Board of effective composition, size and diversity, expertise,
  and commitment to adequately discharge its responsibilities and duties;
- has adequate succession plans in place (including for the recruitment or appointment of Directors and management); and
- has policies and procedures that are effective to attract, motivate and retain appropriately skilled and diverse people that meet the Company's needs and that are consistent with the Company's strategic goals and human resource objectives.

The Company will comply with the recommendations set by the ASX Corporate Governance Council in relation to the composition and operation of the Remuneration and Nomination Committee.

From Listing, the Remuneration and Nomination Committee will comprise Craig Ball, Jonathan West, and Tim Jonas. The Remuneration and Nomination Committee will be chaired by Craig Ball.

### 6.4.5 Corporate governance policies

The Board has adopted the following corporate governance policies, each having been prepared having regard to the ASX Recommendations.

### 6.4.5.1 Securities Trading Policy

The Company has adopted a policy for trading in securities which is intended to explain the types of dealings in securities that are prohibited under the Corporations Act and establish a best practice procedure for the buying and selling of securities that protects the Company and its Directors and employees against the misuse of unpublished information which could materially affect the value of securities. The policy applies to all Directors, management, officers, senior executives and employees of the Company and its related bodies corporate and their connected persons (**Relevant Persons**).

The policy provides that Relevant Persons must not deal in the Company's securities:

- when they are in possession of price-sensitive or 'inside' information or the Company is in possession of price-sensitive or 'inside' information and has notified them, they must not deal in the Company's securities;
- on a short-term trading basis (which excludes exercising rights under an equity plan and electing to immediately sell those shares issued on exercise of the rights); or
- during trading "blackout periods" (except in exceptional circumstances).

### 6.4.5.2 Continuous Disclosure Policy

The Company places a high priority on communication with Shareholders and is aware of the obligations it will have, once listed, under the Corporations Act and the ASX Listing Rules, to keep the market fully informed of any information the Company becomes aware of concerning itself that a reasonable person would expect to have a material effect on the price or value of securities.

The Company has adopted a Continuous Disclosure Policy which establishes procedures to ensure that Directors and employees are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information.

### 6.4.5.3 Code of Conduct

The Company is committed to a high level of integrity and ethical standards in all business practices. The Board has adopted a formal Code of Conduct which outlines how the Company expects its representatives to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards. All the Company's employees (including temporary employees, contractors, and Directors) must comply with the Code of Conduct.

The Code of Conduct is designed to:

- provide a benchmark for professional behaviour throughout Cobram Estate Olives;
- support the Company's business reputation and corporate image within the community; and
- make Directors and employees aware of the consequences of not complying with Cobram Estate Olives' standards of behaviour.

### 6.4.5.4 Risk Management Policy

The identification and proper management of the Company's risks are an important priority of the Board. The Board has adopted a risk management policy appropriate for its business. This policy highlights the risks relevant to the Company's operations and the Company's commitment to designing and implementing systems and methods appropriate to minimise and control its risks.

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

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

The Board has in place a system whereby management is required to report as to its adherence to policies and guidelines approved by the Board for the management of risks.

### 6.4.5.5 Shareholder Communication Policy

The Company's aim is to ensure that Shareholders are kept informed of all major developments affecting Cobram Estate Olives. In addition to the Company's continuous disclosure obligations, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about Cobram Estate Olives from time to time and the Company will communicate this information regularly to Shareholders and other stakeholders through a range of forums and publications.

All ASX announcements made to the market, including annual and half year financial results, will be posted on the Company's website at www.cobramestateolives.com.au as soon they have been released by the ASX. The full text of all notices of meetings and explanatory material, the Company's annual report and copies of all media releases made by the Company and copies of all investor presentations made to analysts and media briefings will be posted on the Company's website. The website will also contain a facility for the Shareholders to direct queries to the Company, and to elect to receive communications from the Company, via email.

### 6.4.5.6 Diversity Policy

The Board has formally approved a Diversity Policy in order to address the representation of women in senior management and on the Board, and to actively facilitate a more diverse and representative senior management and leadership structure.

The Board will include in the annual report each year a summary of the Company's progress towards achieving the measurable objectives set under the Diversity Policy for the year to which the annual report relates and details of the measurable objectives set under the Diversity Policy for the subsequent financial year.

### 6.4.5.7 Whistleblower Policy

The Board has adopted a Whistleblower Policy to encourage Cobram Estate Olives' employees, suppliers, contractors, customers, tenderers, and other persons who have business dealings with Cobram Estate Olives to raise any concerns and report instances of unethical, illegal, socially irresponsible, or fraudulent conduct, where there are reasonable grounds to suspect such conduct, without fear of intimidation, disadvantage, or reprisal. The Whistleblower Policy outlines the mechanisms for reporting matters, sets out Cobram Estate Olives' commitment to investigating all matters reported in an objective and fair manner as soon as possible after the matter has been reported and outlines the measures in place to protect the identity of persons making disclosures. The Board will be informed of any material concerns raised under the Whistleblower Policy that call into question the culture of Cobram Estate Olives, provided that the identity of the person making a disclosure will be protected.

### 6.4.5.8 Anti-Bribery and Corruption Policy

Cobram Estate Olives is committed to operating in a manner consistent with the laws and regulations of the jurisdictions in which its businesses operate, including those relating to bribery and corruption. Accordingly, the Board has adopted an Anti-Bribery and Corruption Policy which sets out the responsibilities of Cobram Estate Olives and its employees or other personnel or representatives in observing and upholding the prohibition on bribery and related improper conduct and provides information and guidance on how to recognise and deal with instances of bribery and corruption. The Board will be informed of any material breaches of the Anti-Bribery and Corruption Policy.

### **6.5 Related Party Interests**

Cobram Estate Olives is not party to any material related party arrangements which are not disclosed in this Prospectus.

The Company has resolved that none of the Related Party Loans referred to in Section 6.5.1 prejudicially affect the interests of the Company or its shareholders or the Company's ability to pay its creditors.

### 6.5.1 Related Party Loans

The Company provided unsecured loans to each of Sam Beaton and Leandro Ravetti (the Joint-Chief Executive Officers of the Company) on 1 April 2021 and to Tim Smith (a current employee of the Company and a former executive Director of the Company) on 17 May 2021 (**Related Party Loans**). Each Related Party Loan was provided to enable the borrower under the relevant Related Party Loan to exercise ESOP Options held by them.

Under each Related Party Loan:

- 1. The loan funds were required to be drawn down in one single drawdown on a specified date and were only permitted to be used for the exercise of ESOP Options held by the borrower.
- 2. Interest is charged at the benchmark interest rate stated by the Australian tax authorities at 30 June each year. Interest accrues on the outstanding loan amount from day-to-day and the borrower must pay accrued interest on 30 September and 31 March each year. Default interest also accrues on amounts not paid by the due date.
- 3. The borrower must repay, as a debt immediately due and payable, the balance on the principle loan and any accrued interest in full on the maturity date, or earlier if:
  - (a) the borrower gives notice of the termination of his employment, or the Company terminates the borrower's employment due to misconduct, fraud, or dishonesty or on otherwise on grounds that allow for termination without notice such payments must be made in full within 30 days after the relevant termination or resignation takes effect; or
  - (b) the borrower's employment by the Company is terminated due to redundancy such payments must be made in full within 12 months after such redundancy taking effect.
- 4. If the borrower disposes of any Shares acquired using the loan funds, in seeking payment of any amount payable under the agreement, the Company will only have recourse to the proceeds paid or payable to the borrower from the disposal of those Shares. Each borrower undertakes to not dispose of any such Shares unless such disposal is made on arm's length terms and at fair market value.
- 5. The borrower agrees to apply 75% of the after-tax amount it receives from any capital return, share buy-back, other capital reduction, bonus issue or special distribution made in cash or kind in respect of a Share acquired using the loan funds (which, for the avoidance of doubt, excludes dividends or distributions paid by the Company out of ordinary operating profits) towards repayment of any amount payable under the Related Party Loan.

The particulars of each Related Party Loan are set out in the table below.

	Key terms			
Borrower	Loan amount	Drawdown date	Maturity date	
Sam Beaton	\$4 million	1 April 2021	1 April 2024	
Leandro Ravetti	\$6.4 million	1 April 2021	1 April 2024	
Tim Smith	\$2 million	17 May 2021	17 May 2022	



# Details of the Employee Gift Offer

### 7.1 The Employee Gift Offer

This Prospectus relates to an offer to Eligible Gift Employees who have received an offer in a personalised invitation from the Company to acquire, at no cost, 500 Shares (**Offer**).

If the Employee Gift Offer is fully subscribed, New Shares issued by the Company under the Employee Gift Offer will represent approximately 0.016% of the Shares on issue in the Company at Completion.

All Shares issued pursuant to this Prospectus will, from the time they are issued, rank equally with all Existing Shares. A summary of the rights attaching to Shares is set out in Section 9.5.

The key terms of the Employee Gift Offer are otherwise set out in Section 7.8.

The Employee Gift Offer opens and is expected to close as set out in the Key Information section on page 4. Without notice, the Company may close the Employee Gift Offer early, extend the Employee Gift Offer or accept late Applications either generally or in particular cases. Applicants are therefore encouraged to submit their Applications as early as possible.

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

The Employee Gift Offer is not underwritten.

### 7.2 Purpose of the Employee Gift Offer

The purpose of the Employee Gift Offer and this Prospectus is not to raise capital.

The purposes of the Employee Gift Offer and this Prospectus are to:

- 1. provide the Eligible Gift Employees an opportunity to obtain an equity interest, or increase their existing equity interest, in the Company at nil cost; and
- 2. facilitate the Company's application for admission to the Official List of the ASX.

This Prospectus is also issued for the purpose of Section 708A (11) of the Corporations Act to remove any trading restrictions on the sale of Securities to be issued by the Company pursuant to the Employee Gift Offer or otherwise issued by the Company prior to the Closing Time.

### 7.3 No funds to be raised

No funds are to be raised under the Employee Gift Offer.

### 7.4 Pro Forma Historical Statement of Financial Position

The Company's Pro Form Historical Statement of Financial Position following Completion, including details of the pro forma adjustments, is set out in Section 4.3.

### Details of the Employee Gift Offer | Continued

### 7.5 Effect of the Employee Gift Offer on the capital structure of the Company

The Company's ownership structure as at the Prospectus Date and on Completion of the Employee Gift Offer (on the basis that all New Shares which may be issued under this Prospectus are issued) is set out below:

	Prospectus Date		Completion	
Holder <sup>1,2</sup>	Securities	%	Securities	%
Shares				
Rob McGavin	72,044,376	18.6%	72,044,376	18.6%
Paul Riordan	18,654,708	4.8%	18,654,708	4.8%
Directors (excluding Shares held by Rob McGavin and Paul Riordan)	33,852,708	8.7%	33,852,708	8.7%
Existing Shareholders (excluding Shares held by Rob McGavin, Paul Riordan and other Directors)	262,820,802	67.9%	262,820,802	67.9%
New Shares to be issued under the Employee Gift Offer	_	_	65,000	0.016%
Total	387,372,594	100%	387,437,594	100.0%
Options				
ESOP Options	20,451,534	100%	20,451,534	100%
Total	20,451,534	100%	20,451,534	100%

#### Notes:

In the opinion of the Company, the free float of Shares at the time of Listing on the Official List will be no less than 20% of the Shares on issue at that time.

### 7.6 Control implications of the Employee Gift Offer

On Completion, no Shareholder will have a controlling interest (as defined by section 50AA of the Corporations Act) in the Company.

However, it is expected that Rob McGavin will be a substantial holder of the Company (with a relevant interest in more than 5% of the Shares) on Completion of the Employee Gift Offer. Please refer to Section 7.5 for further details.

### 7.7 Potential effect of the Employee Gift Offer on the future of Cobram Estate Olives

The Directors believe that, on Completion of the Employee Gift Offer, the Company will have sufficient funds available to fulfil the purposes of the Employee Gift Offer and enough working capital to carry out Cobram Estate Olives' stated business objectives.

<sup>1.</sup> Holders of securities in the Company may hold their interests in those securities directly, or through entities associated with them (e.g. through holdings by companies or trusts).

<sup>2.</sup> Refer also to Section 6.3 for further information on interests and benefits (including Directors' interests in Shares).

### 7.8 Terms and conditions of the Employee Gift Offer

What is the type of security being offered?	Shares (being fully paid ordinary shares in the issued capital of the Company).
Who can apply?	The Employee Gift Offer is open to Eligible Gift Employees, being persons who have been continuously employed by the Company on a permanent or permanent part-time basis since 1 June 2021, and who have a registered address in Australia or California, United States and receive a personalised invitation to apply for Shares under the Employee Gift Offer. Directors of the Company are not eligible to participate in the Employee Gift Offer.
	Personalised invitations to apply for Shares under the Employee Gift Offer will be dispatched to Eligible Gift Employees on the Prospectus Date. Eligible Gift Employees should read their invitation and this Prospectus carefully and in their entirety before deciding whether to apply for Shares under the Employee Gift Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer, or other professional adviser before deciding whether to invest.
How to apply?	Eligible Gift Employees who wish to apply for Shares under the Employee Gift Offer must apply for Shares by submit the Application Form in accordance with the instructions on your personalised invitation.
	By making an Application, an Eligible Gift Employee declares that they were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.
	Applications under the Employee Gift Offer must be received on or before the closing date of 5.00pm (Melbourne time) on 29 July 2021.
	The Employee Gift Offer may only be accepted in full.
What are the rights and liabilities attached to the Shares being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 9.5.
What is the consideration payable for the Shares?	No payment for Shares is required from Eligible Gift Employees under the Employee Gift Offer.
What is the Offer Period?	The Employee Gift Offer will open at 9.00am (Melbourne time) on 27 July 2021 and will close at 5.00pm (Melbourne time) on 29 July 2021.
	The key dates, including details of the Offer Period, are set out on page 4 of this Prospectus. The timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Australian Eastern Standard time. The Company reserves the right to vary both of the above times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Employee Gift Offer early, to extend the Offer Period, or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Employee Gift Offer before Settlement, in each case without notifying any recipient of this Prospectus or any Applicants).
	No Shares will be issued on the basis of this Prospectus later than the Expiry Date of 13 months after the Prospectus Date.

# Details of the Employee Gift Offer | Continued

Restrictions on disposing of Shares acquired under the Employee Gift Offer	Eligible Gift Employees may not sell, transfer, or otherwise dispose of any Shares acquired under the Employee Gift Offer for a minimum period of three years, unless the Eligible Gift Employee ceases to be employed by Cobram Estate Olives or the dealing is required by law (in which case the Shares will be released).  The Company will implement necessary arrangements to give effect to this restriction.  By applying for Shares under the Employee Gift Offer, Eligible Gift Employees will be agreeing to the imposition of any restriction, including a holding lock, on a sale, transfer, or disposal of those Shares.  Once the restriction period ends or Shares are released, Eligible Gift Employees will, subject to the requirements of the Company's Securities Trading Policy, be free to deal with the Shares acquired under the Employee Gift Offer.
What are the cash proceeds to be raised under the Employee Gift Offer?	Nil.
Is the Employee Gift Offer underwritten?	No.
What is the allocation policy?	Eligible Gift Employees who submit a valid Application will receive a guaranteed allocation of 500 Shares.
When will Eligible Gift Employees receive confirmation that their Applications has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about 2 August 2021.
Will the Shares be quoted?	Cobram Estate Olives will apply within seven days of the Prospectus Date to the ASX for admission to the Official List and quotation of Shares on ASX (which is expected to be under the code "CBO").  Completion is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law),
	the Employee Gift Offer will be withdrawn.  Cobram Estate Olives will be required to comply with the ASX Listing Rules, subject to any waivers obtained by us from time to time.
	The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that Cobram Estate Olives may be admitted to the Official List is not to be taken as an indication of the merits of Cobram Estate Olives or the Shares offered for sale.
When are the Shares expected to commence trading?	Shares are expected to commence trading on the ASX on a normal settlement basis on or around 11 August 2021.
Are there any escrow arrangements?	No.

Has any ASIC relief or ASX waiver been sought or obtained?	<ul><li>No. However, ASX has given in-principle advice that:</li><li>1) it will not impose the mandatory escrow provisions in the ASX Listing Rules on securities of the Company in accordance with ASX Listing Rule 9.2(b) on the basis that the Company</li></ul>
	has a track record of revenue acceptable to ASX; and
	2) Cobram Estate's structure and operations will satisfy Condition 1 of ASX Listing Rule 1.1.
	Cobram Estate Olives expects that ASX will confirm that the Company's capital structure will satisfy Condition 7 (Free Float) and Condition 8 (Spread) of ASX Listing Rule 1.1 on completion of the Employee Gift Offer.
Are there any taxation considerations for Australian investors?	Yes. Refer to Section 9.7.
Are there any brokerage, commission, or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Employee Gift Offer.
Where can Eligible Gift Employees find more information about this Prospectus or the Employee Gift Offer?	Eligible Gift Employees should direct all enquiries to the contact listed in their personalised invitation received in respect of the Employee Gift Offer.

### 7.9 Acceptance of Applications under the Employee Gift Offer

An Application under the Employee Gift Offer is an offer by you to the Company to apply for 500 Shares on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Application Form. To the extent permitted by law, an Application by an Applicant may not be varied and is irrevocable.

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

The Company reserves the right to decline any Application if they believe any provisions or procedures in this Prospectus, the Application Form or other laws or regulations may not be complied with in relation to the Application, or for any other reason.

The Company reserves the right to reject any Application which is not correctly completed, or which is submitted by a person whom they believe is not an Eligible Gift Employee, or to waive or correct any errors made by an Applicant in completing their Application.

Successful Applicants in the Employee Gift Offer will be issued 500 Shares. Acceptance of an Application will give rise to a binding contract, conditional on Settlement and quotation of Shares on the ASX.

### 7.10 Nature of Applications and Applicant acknowledgements

Applications must comply with this Prospectus and the instructions on the Application Form. An Application is an offer by the Applicant to the Company to apply for 500 Shares on the terms set out in this Prospectus. To the extent permitted by law, an Application is irrevocable. Acceptance of an Application will give rise to a binding contract on allocation of Shares to successful Applicants.

Each Applicant under the Employee Gift Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Employee Gift Offer;
- acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary
  or replacement Prospectus) included in or accompanying the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;

## ■ Details of the Employee Gift Offer | Continued

- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to be allocated the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all:
- authorised the Company and its officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked:
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement Prospectus) is not
  financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives,
  financial situation, or particular needs of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia or of California in the USA, as relevant;
- acknowledged and agreed that the Employee Gift Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus;
- · acknowledged and agreed that if Listing does not occur for any reason, the Employee Gift Offer will not proceed;
- acknowledged that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws
  of any state of the United States and may not be offered or sold in the United States, except in transactions exempt from,
  or not subject to the registration requirements of the US Securities Act and any applicable US state securities laws; and
- declared that the Applicant has not and will not send this Prospectus or any other material relating to the Employee Gift Offer to any person in the United States or elsewhere outside Australia.

### 7.11 Restrictions on distribution

This Prospectus does not constitute an offer in any place outside Australia where, or to any person to whom, it would not be lawful to make such offer. No action has been taken to register or qualify the Shares, or the Employee Gift Offer or otherwise to permit a public offer of the Shares in any jurisdiction outside Australia.

The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus should observe any such restrictions, including those in the following section. Any failure to comply with such restrictions could constitute a violation of applicable securities laws. In particular, this Prospectus may only be distributed in the United States by the Company to Eligible Gift Employees who reside in California.

### **United States**

The Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

The Shares will only be offered and sold in the United States to employees of the Company under the Employee Gift Offer with registered addresses in California.

### 7.12 ASX Listing, Registers and holding statements

### 7.12.1 Application to the ASX for Listing of Cobram Estate Olives and quotation of Shares

The Company will apply for admission to the Official List and quotation of the Shares on the ASX within 7 days of the Prospectus Date. The Company's ASX code is expected to be CBO.

ASX takes no responsibility for this Prospectus or the Employee Gift Offer. The fact that ASX may admit the Company to the official list is not to be taken as an indication of the merits of the Company or the Shares offered.

If the Shares are not admitted to quotation on the ASX within three months after the Prospectus Date (or any later date permitted by law), the Employee Gift Offer will be withdrawn in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by the Company from time to time), the Company will be required to comply with the ASX Listing Rules.

### 7.12.2 CHESS and issuer sponsored holdings

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

When the Shares become approved financial products (defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer-sponsored sub-register. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer-sponsored sub-register.

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

Shareholders will receive subsequent statements if there has been a change to their shareholding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Securityholder's sponsoring broker (in the case of a holding on the CHESS sub-register) or through the Registry (in the case of a holding on the issuer sponsored sub-register). The Registry may charge a fee for these additional statements.

### 7.12.3 Selling Shares before receiving a holding statement

It is expected that the Shares will commence trading on ASX on 11 August 2021 on a normal settlement basis (that is, trading on a T+2 settlement basis).

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. The Company and the Registry disclaim all liability, whether in negligence or otherwise if you sell Shares before receiving a holding statement.

### 7.13 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

A summary of the significant rights, liabilities and obligations attaching to Shares and a description of other material provisions of the Constitution is set out in Section 9.5.



# 8.

### **Independent Limited Assurance Report**

### Deloitte.

Deloitte Corporate Finance Pty Limited ACN 003 833 127 AFSL 241457 477 Collins Street Melbourne, VIC, 3000 Australia

Tel: +61 3 9671 7000 www.deloitte.com.au www.deloitte.com.au

16 July 2021

The Directors Cobram Estate Olives Limited 151 Broderick Road Lara Victoria 3212

Dear Directors,

### INVESTIGATING ACCOUNTANT'S REPORT ON HISTORICAL AND FORECAST FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE

### Introduction

This report has been prepared at the request of the Directors of Cobram Estate Olives Limited (ACN 115 131 667) (Cobram Estate Olives or the Company) for inclusion in a prospectus to be issued by Cobram Estate Olives (the Prospectus) in respect of the invitation to Eligible Gift Employees to acquire fully paid ordinary shares in Cobram Estates Olives by way of issue by the Company (the Offer) and the subsequent listing of the Company on the Australian Securities Exchange.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services Licence under the Corporations Act 2001 (Cth) for the issue of this report.

References to Cobram Estate Olives and other terminology used in this report have the same meaning as defined in the Glossary of the Prospectus.

### Scope

### Statutory Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review the statutory historical financial information of Cobram Estate Olives, being:

- the statutory historical consolidated income statements for the years ended 30 June 2019 and 30 June 2020 and the six months ended 31 December 2019 and 31 December 2020;
- the statutory historical consolidated cash flows for the years ended 30 June 2019 and 30 June 2020 and the six months ended 31 December 2019 and 31 December 2020; and
- the statutory historical consolidated statement of financial position as at 31 December 2020;

as set out in Table 4.5, Table 4.13 and Table 4.14 in Section 4 of the Prospectus (the Statutory Historical Financial Information).

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organisation"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

©2021 Deloitte Corporate Finance

### Independent Limited Assurance Report | Continued

### Deloitte.

The Statutory Historical Financial Information for the financial years ended 30 June 2019 and 30 June 2020 has been extracted from the general purpose financial statements of the Company for the year ended 30 June 2020, which were audited by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unqualified audit opinion on the financial statements.

The Statutory Historical Financial Information for the six months ended 31 December 2019 and 31 December 2020 has been extracted from the general purpose interim financial statements of the Company for the six months ended 31 December 2020, which was reviewed by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unqualified review opinion on the interim financial statements.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

### Pro Forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review the pro forma historical financial information of Cobram Estate Olives, being:

- the pro forma historical consolidated income statements for the years ended 30 June 2019 and 30 June 2020 and the six months ended 31 December 2019 and 31 December 2020;
- the pro forma historical consolidated cash flows for the years ended 30 June 2019 and 30 June 2020 and the six months ended 31 December 2019 and 31 December 2020, and;
- the pro forma historical consolidated statement of financial position as at 31 December 2020;

as set out in Table 4.2, Table 4.3, Table 4.10, Table 4.11 and Table 4.14 in Section 4 of the Prospectus (the Pro Forma Historical Financial Information).

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information after adjusting for the effects of the pro forma adjustments described in Section 4.3.2, Section 4.5.2 and Section 4.6.1 of the Prospectus.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent Cobram Estate Olives' actual or prospective financial position, financial performance, and/or cash flows.

### The Forecast Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review the forecast financial information of Cobram Estate Olives, being:

The statutory forecast consolidated income statement and the statutory forecast consolidated cash flows for
the year ending 30 June 2021 as set out in Table 4.2 and Table 4.10 in Section 4 of the Prospectus (the
Statutory Forecast Financial Information). The Director's best-estimate assumptions underlying the Statutory
Forecast Financial Information are described in Section 4.9 of the Prospectus. The stated basis of preparation
used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement
principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and

### Deloitte.

The pro forma forecast consolidated income statement and the pro forma forecast consolidated cash flows
for the year ending 31 June 2021 as set out in Table 4.2 and Table 4.10 of the Prospectus (the Pro Forma
Forecast Financial Information). The Pro Forma Forecast Financial Information has been derived from the
Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments
described in Section 4.3.2 and Section 4.5.2 respectively of the Prospectus.

The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the events or transactions to which the Pro Forma Adjustments relate, as if those event(s) or transaction(s) had occurred prior to 1 July 2020.

Due to its nature the Pro Forma Forecast Financial Information does not represent the Company's actual prospective financial performance and/or cash flows for the year ending 30 June 2021.

The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information together comprise the Forecast Financial Information.

The Forecast Financial Information has been prepared by management of Cobram Estate Olives and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of Cobram Estate Olives for the year ending 30 June 2021. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material.

The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and /or transactions that management expect to occur and actions that management of Cobram Estate Olives expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Cobram Estate Olives. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. We do not express any opinion on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in Cobram Estate Olives, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly, prospective investors should have regard to the investment risks and sensitivities set out in Section 5 and Section 4.10, respectively, of the Prospectus.

The sensitivity analysis set out in Section 4.10 of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of Cobram Estate Olives, that all material information concerning the prospects and proposed operations of Cobram Estate Olives has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

171

### Independent Limited Assurance Report | Continued

### Deloitte.

### Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Statutory Historical Financial Information and the Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information:
- the preparation of the Forecast Financial Information, including the best estimate assumptions underlying
  the Forecast Financial Information and the selection and determination of the pro forma adjustments made
  to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information;
  and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Historical Financial Information, the Pro Forma Historical Financial Information and the Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

### Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, the Pro Forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

### Statutory Historical Financial Information

- a review of the extraction of the Statutory Historical Financial Information from the audited financial statements of Cobram Estate Olives for the years ended 30 June 2019 and 30 June 2020 and the reviewed interim financial statements of Cobram Estate Olives for the six months ended 31 December 2019 and 31 December 2020;
- analytical procedures on the Statutory Historical Financial Information;
- a consistency check of the application of the stated basis of preparation, as described in the Prospectus, to the Statutory Historical Financial Information;
- a review of work papers, accounting records and other document of Cobram Estate Olives and its auditors;
   and
- enquiry of Directors, management and others in relation to the Statutory Historical Financial Information.

### Deloitte.

### Pro forma Historical Financial Information

- consideration of work papers, accounting records and other documents, including those dealing with the
  extraction and compilation of the Statutory Historical Financial Information of Cobram Estate Olives from its
  audited financial statements for the years ended 30 June 2019 and 30 June 2020 and from the reviewed
  interim financial statements for the six months ended 31 December 2019 and 31 December 2020;
- consideration of the appropriateness of pro forma adjustments described in Section 4.3.2, Section 4.5.2 and Section 4.6.1 of the Prospectus;
- enquiry of Directors, management, personnel and advisors of Cobram Estate Olives;
- the performance of analytical procedures applied to the Pro Forma Historical Financial Information;
- a review of work papers, accounting records and other documents of Cobram Estate Olives and its auditors;
   and
- a review of the accounting policies adopted and used by Cobram Estate Olives over the relevant periods for consistency of application.

### The Forecast Financial Information

- enquiries, including discussions with management and Directors, of the factors considered in determining the assumptions;
- analytical and other review procedures we considered necessary including examination, on a test basis, of
  evidence supporting the assumptions, amounts and other disclosures in the Forecast Financial Information;
- review of the accounting policies adopted and used in the preparation of the Forecast Financial Information;
   and
- consideration of the pro forma adjustments applied to the Statutory Forecast Financial Information in preparing the Pro Forma Forecast Financial Information.

### Conclusions

### Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information is not prepared, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2.3 of the Prospectus.

### Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information is not prepared, in all material respects, in accordance with the stated basis of preparation as described in Section 4.2.3 of the Prospectus.

### The Statutory Forecast Financial Information

 $Based\ on\ our\ review,\ which\ is\ not\ an\ audit,\ nothing\ has\ come\ to\ our\ attention\ that\ causes\ us\ to\ believe\ that:$ 

- (i) the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information
- (ii) in all material respects, the Statutory Forecast Financial Information:

173

### Deloitte.

- a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.9 of the Prospectus;
- b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by Cobram Estate Olives and the recognition and measurement principles contained in Australian Accounting Standards; and
- (iii) the Statutory Forecast Financial Information itself is unreasonable.

#### The Pro Forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- (i) the Directors' best estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information do not provide reasonable grounds for the Pro Forma Forecast Financial Information
- (ii) in all material respects, the Pro Forma Forecast Financial Information:
  - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.9 of the Prospectus.
  - is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by Cobram Estate Olives and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast Financial Information and the Pro Forma Adjustments as if those adjustments had occurred prior to 1 July 2020; and
- (iii) the Pro Forma Forecast Financial Information itself is unreasonable.

### Restrictions on Use

Without modifying our conclusions, we draw attention to Section 4.2.1 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

### Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

### Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received. Deloitte Touche Tohmatsu is the auditor of Cobram Estate Olives.

Yours faithfully,

### DELOITTE CORPORATE FINANCE PTY LIMITED

State Q Lawas

Stephen Lomas Authorised Representative of Deloitte Corporate Finance Pty Limited (AFSL Number 241457) AR number 1276530

### March 2020

### Deloitte.

### Financial Services Guide (FSG)

### What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Deloitte Corporate Finance Pty Limited (**DCF**) (AFSL 241457) provides this FSG to you, so you know how we are remunerated and who to contact if you have a complaint.

### Who supplies the financial services?

We provide this FSG to you where you engage us to act on your behalf when providing financial services.

Alternatively, we may provide this FSG to you because our client has provided financial services to you that we delivered to them.

The person who provides the financial service to you is our Authorised Representative (**AR**) and DCF authorises the AR to distribute this FSG. Their AR number and contact details are in the document that accompanies this FSG.

### What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

### General financial product advice

We provide general advice when we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. In this situation, you should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If we provide advice to you in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

### Personal financial product advice

When we give you advice that takes into account your objectives, financial situation and needs, we will give you a Statement of Advice to help you understand our advice, so you can decide whether to rely on it.

### How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other henefits

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

#### Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see <a href="https://www.deloitte.com/au/about">www.deloitte.com/au/about</a> for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

### What should you do if you have a complaint?

Please contact us about a concern:

The Complaints Officer PO Box N250 Grosvenor Place Sydney NSW 1220 complaints@deloitte.com.au

Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services dispute resolution free to consumers.

### www.afca.org.au

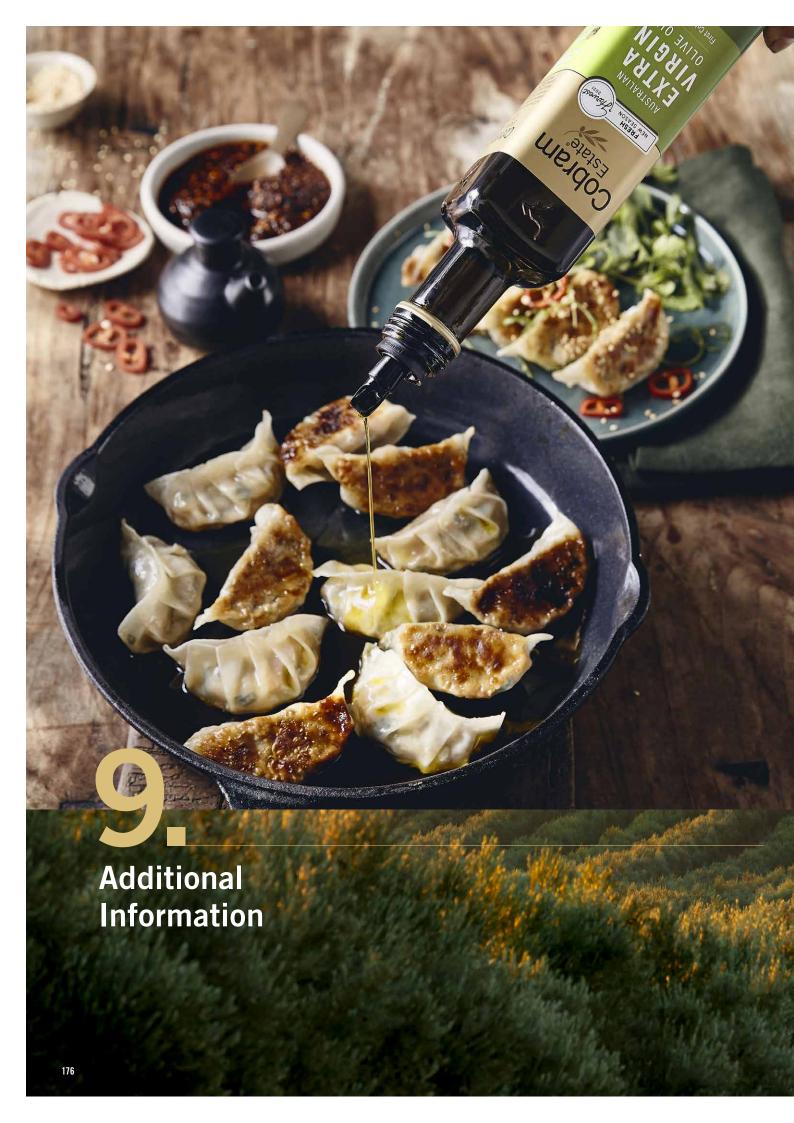
1800 931 678 (free call) Australian Financial Complaints Authority Limited GPO Box 3 Melbourne VIC 3001

### What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL number 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000 Member of Deloitte Touche Tohmatsu Limited

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity.



# 9 Additional Information

### 9.1 Company information

The Company was registered in Australia on 6 July 2005 as a public company limited by shares. Before this date, Cobram Estate Olives' assets were owned by, and its business was operated by, various entities which were controlled by co-founders Paul Riordan and Rob McGavin.

The Company changed its name from Boundary Bend Limited to Cobram Estate Olives Limited on 31 May 2021. The Company subsequently completed a 1-for-6 share split, changing the number of Shares on issue from 64,562,099 to 387,372,594.

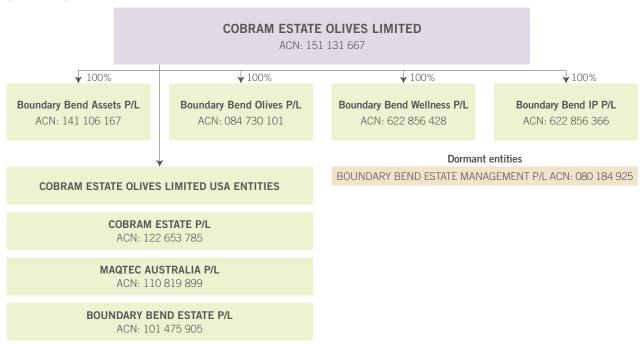
Copies of the Company's historical shareholder announcements are available at https://www.cobramestateolives.com.au/investors/shareholder-announcements/.

### 9.2 Corporate structure

The corporate structure of Cobram Estate Olives Group is set out below.

### **Cobram Estate Olives Group (legal structure and all companies)**

(June 2021)



# 9 Additional Information | Continued

### Cobram Estate Olives Australia (key operating and asset entities)

(June 2021)

### **COBRAM ESTATE OLIVES LIMITED**

Parent Company

Holding company

### Boundary Bend Assets P/L

▼ 100%

Owns all company land, buildings, groves and tanks – including:

- Boundary Bend Olive Grove (Boundary Bend and Wemen, Victoria)
- Boundary Bend Oil Processing Facility (Boundary Bend, Victoria)
- Boort Olive Grove (Boort, Victoria)
- Boort Oil Processing Facility (Boort, Victoria)
- Broderick Road bottling and storage facility (Lara, Victoria)

### Boundary Bend Olives P/L

₩ 100%

Group operating entity.
Owns the operating assets
(e.g. vehicles, processing
equipment, harvesters etc.)
and has all operating debt
(leases and seasonal debt
facility). Operating divisions
include the following:

- Groves
- Oil Sales/Marketing
- Bottling
- Nursery
- Lab
- Technical
- Administration

### Boundary Bend Wellness P/L

√ 100%

Operating entity, value add and commercialising olive by-products. Operating divisions include the following:

- Ingredient sales
- Wellgrove sales
- Stone and Grove tea sales
- Research & Development
- Olive Wellness Institute

### Boundary Bend IP P/L

**√** 100%

Holds the Intellectual Property of the group (excluding the Cobram Estate® brand), including:

- Trademarks
- Patents
- Brands (Red Island<sup>®</sup>, Tree of Life<sup>®</sup>, Oliv.iQ<sup>®</sup>, Modern Olives<sup>®</sup>)

### Cobram Estate Olives USA (legal structure and all companies)

(June 2021)

#### **COBRAM ESTATE OLIVES LIMITED** Parent Company Holding company 100% 100% **Boundary Bend Assets Inc.** Boundary Bend Inc. (USA real property entity) (USA holding company) Owns all company land, buildings, groves and tanks - including: Oil processing, storage and bottling facility (Woodland, California) 100% 100% Boundary Bend Olives Inc. Boundary Bend Wellness Inc. • Olive groves (Woodland, California) (USA operating entity) (USA operating entity) Sales & marketing of value-add Group operating entity. Owns the operating assets (e.g. vehicles, processing equipment, harvesters products including: • Wellgrove® health and wellness product etc.). Operating divisions include the following: Groves, Oil Sales/Marketing, Bottling, Nursery, Lab, Technical, Administration

#### 9.3 The Company's tax status and financial year

The Company and its wholly owned Australian subsidiaries have formed a tax consolidated group for Australian tax purposes. The Company, as head company of the tax consolidated group, will be subject to tax at the Australian corporate tax rate.

Other subsidiaries of the Company will be subject to tax in their country of tax residence at the prevailing corporate tax rate.

The Company's financial year for taxation purposes ends on 30 June.

#### 9.4 Material Contracts

The Directors consider that there are a number of contracts which are significant or material to Cobram Estate Olives or are of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares. The main provisions of these contracts are summarised below, or elsewhere in this Prospectus. These summaries are included for the information of potential investors in the Employee Gift Offer but do not purport to be complete and are qualified by the text of the contracts themselves.

#### 9.4.1 Joint Arrangers Agreement

The Company and the Joint Arrangers have entered into an agreement (Joint Arrangers Agreement) under which the Joint Arrangers have agreed to provide the following services in connection with the proposed Listing:

- · providing advice and recommendations in relation to the Listing, including in respect of market perception and impact;
- to the extent appropriate and feasible in the opinion of the Joint Arrangers, familiarising themselves with the business and operational and financial performance of the Company;
- providing advice on and coordinating the marketing of the Company to potential post-Listing investors in the Company, including, without limitation, distributing copies of the Prospectus lodged with ASIC for the Listing, coordinating presentations to equity analysts, procuring publicity to the market generally and assisting with post-Listing investor and marketing support;
- in conjunction with the Company's legal and other professional advisers, assisting with the drafting of this Prospectus;
- participating in the due diligence process in respect of this Prospectus and the Listing;
- assisting the Company with the overall management of the Listing; and
- providing such other assistance to the Company in relation to its Listing as agreed in writing from time to time.

#### Fees

In consideration for the Joint Arrangers providing the services under the Joint Arrangers Agreement, the Company agrees to pay each Joint Arranger an arrangement fee of A\$100,000.

The Company has also agreed to reimburse the Joint Arrangers for reasonable costs and expenses incurred by the Joint Arrangers in providing the services under the Joint Arrangers Agreement.

#### Term

The Joint Arrangers Agreement expires 6 months after Completion or on the date that the Company withdraws the Employee Gift Offer if the Employee Gift Offer is withdrawn.

#### **Termination**

Any of the Joint Arrangers and the Company may terminate the Joint Arrangers Agreement with or without cause by giving 14 days written notice to the other parties.

#### Indemnity

The Company indemnifies the Joint Arrangers and their affiliates (including their related bodies corporate) and each of their officers, directors, partners, employees, agents, representatives, and advisers against all liabilities arising in connection with or as a result of their provision of the services under the Joint Arrangers Agreement or the Listing except to the extent that those liabilities arise from the fraud, recklessness, wilful misconduct or negligence of those parties, or their material breach of the Joint Arrangers Agreement.

### Additional Information | Continued

#### Representations, warranties, and undertakings

The Company makes various representations and warranties in relation to the Listing and the Corporations Act. The Company also warrants that it has the power to enter into and perform transactions and agreements in connection with the Joint Arrangers Agreement and the Listing.

#### 9.4.2 Financing Facilities

The Company has existing debt financing facilities with CBA. The key terms of the debt facilities are set out in Section 4.7.

#### 9.4.3 Arrangements with significant customers

While the Company sells its products to a range of customers globally, sales to the Company's two largest customers, being supermarket operators Woolworths Limited and Coles Group Limited, accounted for 52% of the Company's sales in FY2020 and are forecast to account for 55% of the Company's sales in FY2021.

The Company trades with these customers on customary trade terms and there are no forward-looking contracts with either customer which guarantees any volume of sales in the future. While these arrangements are customary for the industry in which the Company operates, they present a risk that the Company's major customers may elect to reduce or cease their purchases of the Company's products. Any material reduction of sales to the Company's two major customers will have a material adverse effect on the Company's revenue and profitability.

#### 9.4.4 Olive supply agreements

As noted in Section 5.1.8, the Company is currently reliant on the supply of olive fruit from third parties to produce olive oil in its USA operations. Olive fruit is supplied to the USA operations under supply agreements with several suppliers, the terms and conditions of which are considered by the Company to be customary in the circumstances, and none of which account for more than 20% of the olive fruit used by the Company's USA operations in its olive oil production.

#### 9.5 Summary of rights and liabilities of Shares and other key terms of the Constitution

#### 9.5.1 Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

Summaries of the significant rights and liabilities attaching to the Shares and of the other material provisions of the Constitution are set out below. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List.

#### 9.5.2 Rights attaching to Shares

The rights attaching to the Shares are set out in the Constitution and are, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

The principal rights, liabilities and obligations of the Shareholders are summarised below.

#### **9.5.3 Voting**

At a general meeting, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands (unless a Shareholder has appointed more than one proxy) and one vote on a poll for each share held (with adjusted voting rights for partly paid shares). If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote, in addition to any deliberative vote.

#### 9.5.4 Dividends

The Board may pay any interim and final dividends that, in its judgement, the financial position of the Company justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share and fix a record date for a dividend and the timing and method of payment.

The Directors may fix the amount, time, and method of payment of the dividends. The payment, resolution to pay, or declaration of a dividend does not require any confirmation by a general meeting.

The Constitution contains a provision allowing Directors, on the terms and conditions they think fit, to implement, amend, suspend, or terminate a dividend reinvestment plan (under which any Shareholder or any class of shareholders may elect that the dividends payable by the Company be reinvested by a subscription for Shares in the Company).

See Section 4.11 for the Company's dividend policy.

#### 9.5.5 Issue of further Securities

The Board may (subject to the Constitution, the ASX Listing Rules and the Corporations Act) issue or grant options for, or otherwise dispose of, Shares on such terms as the Board decides.

#### 9.5.6 Variation of class rights

The procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. The rights attached to a class of Shares may be varied or cancelled by:

- the holders of at least 75% of the issued Shares in the class consenting in writing; or
- a special resolution passed at a separate meeting of the holders of Shares in that class.

#### 9.5.7 Transfer of Shares

Subject to the Constitution and to any restrictions attached to a Share, Shares may be transferred in accordance with the ASX Settlement Operating Rules, any other ASX requirements and the Corporations Act or via a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements. The Board may refuse to register a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules.

#### 9.5.8 General meeting and notices

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

#### 9.5.9 Winding up

Subject to the Constitution, the Corporations Act and any preferential rights attaching to any class or classes of Shares, Shareholders will be entitled on a winding up to a share in any surplus assets of the Company in proportion to the Shares held by them. If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide the whole or part of Cobram Estate Olives' property among Shareholders and decide how the division is to be carried out as between Shareholders or different classes of Shareholders.

#### 9.5.10 Unmarketable parcels

In accordance with the ASX Listing Rules, the Board may sell Shares which constitute less than a marketable parcel by following the procedures set out in the Constitution. A marketable parcel of Shares is defined in the ASX Listing Rules and is generally a holding of Shares with a market value of at least A\$500.

#### 9.5.11 Proportional takeover provisions

The Constitution requires Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless they are renewed by Shareholders passing a special resolution by the third anniversary of either the date that those rules were adopted or the date those rules were last renewed.

#### 9.5.12 Directors – appointment and removal

Under the Constitution, the Board is comprised of a minimum of three Directors and a maximum of ten, unless the Shareholders pass a resolution varying that number at a general meeting. Directors are elected or re-elected at general meetings of the Company.

No Director (excluding any managing director) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. The Board may also appoint a Director in addition to the existing Directors or to fill a casual vacancy on the Board, and that Director (apart from the managing director) will then hold office until the conclusion of the next annual general meeting of the Company.

#### 9.5.13 Directors – voting

Questions arising at a meeting of the Board must be decided by a majority of votes cast by the Directors present at the meeting and entitled to vote on the matter. If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote in addition to his or her deliberative vote.

### 9 Additional Information | Continued

#### 9.5.14 Directors – remuneration

Under the Constitution, the Board may decide the remuneration to which each Director is entitled for his or her services as a Director. However, the total amount provided to all Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. The remuneration of a Director (who is not a managing director or an executive director) must not include a commission on, or a percentage of, profits or operating revenue.

Directors may be paid for travel and other expenses incurred in attending to Cobram Estate Olives' affairs, including attending, and returning from meetings of Directors or committees or general meetings. Any Director who devotes special attention to the business of Cobram Estate Olives or who performs services which, in the opinion of the Board, are outside the scope of ordinary duties of a Director, may be remunerated for the services (as determined by the Board) out of Cobram Estate Olives' funds.

Details of the remuneration of the Directors' is set out in Section 6.

#### 9.5.15 Powers and duties of Directors

The business and affairs of the Company are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the Company's power and the powers that are not required by law or by the Constitution to be exercised by the Company in general meeting.

#### 9.5.16 Preference shares

The Company may issue preference shares including preference shares which are, or at the option of the Company or holders are, liable to be redeemed or convertible to ordinary shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company.

#### 9.5.17 Amendment

The Constitution may be amended only by a special resolution passed by Shareholders.

#### 9.6 Litigation and claims

The Directors are not aware of any litigation of a material nature instituted, pending, or threatened involving Cobram Estate Olives.

#### 9.7 Taxation considerations

#### Australian taxation implications of investing under the Employee Gift Offer

This section provides a general overview of certain Australian tax consequences for Australian resident Eligible Gift Employees of the Company who receive Shares through the Employee Gift Offer. The comments in this section are based on the Australian taxation laws (including established interpretations of those laws) and understanding of the practice of the ATO as at the Prospectus Date.

This section is general in nature and is not intended to be an authoritative or a complete statement of the Australian taxation laws. It should be noted that the Australian taxation laws are complex, and the Eligible Gift Employee's own circumstances may affect the taxation outcomes of receiving an investment in the Company. It is therefore recommended that Eligible Gift Employees seek independent professional advice having regard to their own specific circumstances.

This section does not consider Shareholders that hold Shares on revenue account, carry on a business of trading in Shares, are exempt from Australian tax, are foreign residents, insurance companies, banks or Shareholders who are subject to the Taxation of Financial Arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth).

This section does not constitute financial product advice as defined in the *Corporations Act 2001* (Cth). Taxation issues, such as (but not limited to) those covered by this section, are only one of the matters an investor needs to consider when making a decision about a financial product.

The tax consequences in this section do not take into account or anticipate any changes in law (by legislation or judicial decision) or any changes in administrative practice or interpretation by the relevant authorities. If there is such a change, including a change having retrospective effect, the income tax, stamp duty and GST consequences should be reconsidered by Shareholders in light of the changes. The precise implications will depend on each Shareholder's specific circumstances.

#### **Employee Share Schemes**

Where an Eligible Gift Employee receives shares under an employee share scheme, their assessable income includes the discount given on those shares. The Eligible Gift Employee may be entitled to reduce the amount included in their assessable income.

The amount included in assessable income is able to be reduced by up to \$1,000 where certain conditions of the scheme are met. Broadly, these conditions require that:

- The shares are offered on a non-discriminatory basis and do not provide an Eligible Gift Employee with an interest in more than 10% of the shares in the Company;
- There is no real risk the Eligible Gift Employee will lose their shares issued under the terms of the employee share scheme;
- The scheme is operated so that every acquirer of a share under the scheme is not permitted to dispose of the shares until the earlier of three years from when the shares are acquired, or cessation of employment of the Eligible Gift Employee.

Further, only Eligible Gift Employees with a taxable income (after adjustments) of \$180,000 or less are able to receive the upfront concession.

The application of taxation to shares issued under an employee share scheme is complex. It is recommended that Eligible Gift Employees seek their own taxation advice accordingly with respect to participating in the Employee Gift Offer.

The Company will provide further guidance to Eligible Gift Employees to assist them in ascertaining whether the above conditions are met.

#### **Taxation of dividends**

Dividends may be paid to Shareholders by the Company. The Company may attach franking credits to such dividends. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

Australian tax resident shareholders will generally be required to include dividends in their assessable income in the income year in which the dividends are paid (as opposed to when the dividend is declared). To the extent that the dividends are franked, subject to the comments below, the associated franking credits should also be included in the Australian tax resident Shareholder's assessable income (that is, the dividends are required to be "grossed-up"). In such circumstances, the Shareholders are subject to tax at their rate of tax on the grossed-up dividends received (but may be entitled to a tax offset for the associated franking credits as discussed below).

To the extent that the dividends are unfranked, there is no gross-up (or tax offset) and Australian resident Shareholders should be subject to tax at their applicable rate of tax on the unfranked dividends received.

Where the franking credit is included in the Shareholder's assessable income, the Shareholder should generally be entitled to a corresponding tax offset against tax payable by the Shareholder. The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income, the Shareholder may be entitled to a tax refund (for Shareholders that are individuals and complying Superannuation Funds) or the excess franking credits converted into a carry forward loss (for Shareholders that are companies).

There are certain limitations imposed by the Australian taxation law which may prevent a shareholder from obtaining the benefit of any franking credits. In this regard, Shareholders seeking to claim tax offsets for franking credits must be "qualified persons" in respect of the relevant dividends.

In order to be a qualified person, and to be eligible for the franking credit and tax offset, an Australian tax resident shareholder must satisfy the 'holding period' rule and the 'related payments' rule. In broad terms, shareholders who have held their Shares "at risk" for at least 45 days (excluding the dates of acquisition and disposal) should be qualified persons and should be able to claim a tax offset for the amount of franking credits received.

The holding period rule should not apply to individual Australian resident shareholders whose total franking tax offsets (for all franked distributions received in the income year) do not exceed \$5,000 for the income year, as they should generally be deemed to be qualified persons. Special rules apply to arrangements which involve the making of related payments to pass on the benefit of any dividends paid, or in the context of franked dividends received via trusts or partnerships.

In addition to the holding period rule and the related payments rule, there are a number of other integrity provisions which can apply to arrangements that exhibit features such as dividend stripping, dividend washing, franking credit trading and franking credit streaming. Where these integrity provisions apply, the shareholder does not include the amount of the franking credit in their assessable income, nor are they entitled to a tax offset for the franking credit. These rules are complex, and shareholders should seek their own taxation advice in respect of the application of these provisions.

#### **Taxation of future share disposals**

The disposal of a Share held by an Australian resident Eligible Gift Employee on capital account will constitute a capital gains tax ("**CGT**") event. A capital gain will arise where the cost base of the Share is exceeded by the capital proceeds on disposal

183

### 9 Additional Information | Continued

(in the case of an on-market sale, the cash proceeds received on disposal). Similarly, the Eligible Gift Employee will make a capital loss where the capital proceeds received for their Shares are less than the reduced cost base of their Shares.

An Eligible Gift Employee receiving shares under the Employee Gift Offer should have a CGT cost base equal to the market value of the shares at the date the shares are received under the Employee Gift Offer.

Where the Eligible Gift Employee is an individual, and the Shares have been held for at least 12 months prior to the CGT event, the Eligible Gift Employee will prima facie be entitled to a CGT discount on the disposal of the shares.

If the CGT discount applies, a capital gain arising to individuals may be reduced by one-half after offsetting current year or prior year capital losses.

#### Tax file number and Australian Business Number

A Shareholder is not obliged to quote a tax file number ("**TFN**"), or where relevant, Australian Business Number ("**ABN**"), to the Company. However, if a TFN or ABN is not quoted and no exemption is applicable, income tax may be required to be deducted by the Company at the highest marginal rate (currently 45%) plus Medicare Levy (currently 2%) from certain dividends paid.

A Shareholder that holds Shares as part of an enterprise may quote its ABN instead of its TFN.

#### **Stamp Duty**

No Australian stamp duty should be payable by a Shareholder on the issue or acquisition of Shares pursuant to the Employee Gift Offer. Further, under current stamp duty legislation, stamp duty should not ordinarily be payable on any subsequent acquisition of Shares by a shareholder provided the Company remains listed on the ASX.

#### Goods and services tax

Under current Australian GST Law, GST should not be applicable to the issue, acquisition or transfer of Shares, irrespective of whether the shareholder is registered for GST or not. However, GST is likely to be applicable on any fees paid on brokerage services received in relation to the share transaction. The ability to recover any GST paid in relation to this transaction as an input tax credit would vary according to individual circumstances and as such this should be reviewed by shareholders prior to making any claim.

#### 9.8 Consents

Each of the parties referred to below (except as discussed below):

- has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus in the form and context in which it is named;
- has not made, and does not purport to make, any statement or representation in the Prospectus or any statement or representation on which a statement or representation made in the Prospectus is based; and
- does not cause or authorise the issue of the Prospectus, and to the maximum extent permitted by law (together with its
  affiliates), expressly disclaims, makes no representation regarding, and takes no responsibility for any statements or material
  in or omissions from the Prospectus and excludes and disclaims all liability or damage, loss (whether direct, indirect or
  consequential), cost or expense that may be incurred by an applicant for, or investor in, the Shares as a result of the
  Prospectus being inaccurate or incomplete in any way for any reason.

Entity	Role
Bell Potter	Joint Arranger
Morgans	Joint Arranger
Ord Minnett	Joint Arranger
Deloitte Corporate Finance Pty Limited	Investigating Accountant
Pitcher Partners	Tax Adviser
Pitcher Partners	Adviser to the Audit and Risk Committee
Deloitte Touche Tohmatsu	Auditor
DLA Piper	Legal Adviser
Link Market Services	Registry

Deloitte Corporate Finance Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of its Independent Limited Assurance Report in Section 8, in the form and context in which it is included (and all other references to that report and those statements) in this Prospectus.

#### 9.9 Regulatory relief

#### 9.9.1 ASX in-principle advice

The Company has received in-principle advice from ASX that:

- 1) it will not impose the mandatory escrow provisions in the ASX Listing Rules on securities of the Company in accordance with ASX Listing Rule 9.2(b) on the basis that the Company has a track record of revenue acceptable to ASX; and
- 2) Cobram Estate's structure and operations will satisfy Condition 1 of ASX Listing Rule 1.1.

Cobram Estate Olives expects that ASX will confirm that the Company's capital structure will satisfy Condition 7 (Free Float) and Condition 8 (Spread) of ASX Listing Rule 1.1 on completion of the Employee Gift Offer.

#### 9.9.2 ASIC exemptions or relief

The Company has not applied for any exemptions or relief from the Corporations Act in connection with the Employee Gift Offer or the proposed Listing.

#### 9.10 Ownership restrictions

The sale and purchase of Shares is regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This section contains a general description of these laws.

#### 9.10.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20% or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company.

#### 9.10.2 Foreign Acquisitions and Takeovers Act (FATA)

Generally, the FATA applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates (substantial interest), or 40% or more by two or more unassociated foreign persons and their associates (aggregate substantial interest). Where an acquisition of a substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Federal Government's Foreign Investment Policy or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

#### 9.11 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the law applicable in Victoria and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of Victoria and of the Commonwealth.

#### 9.12 Authorisation of this Prospectus

Each Director authorised the issue of this Prospectus and has consented to its lodgement with ASIC.



# 10. Glossary

Term	Meaning
AAS and AASB	Australian Accounting Standards and Australian Accounting Standards Board
ABN	Australian business number
Accounting Standards	Accounting standards, principles and practices applying by law or otherwise generally accepted and consistently applied in Australia
ACN	Australian company number
Allocation Water	Temporary Water
Allotment Date	The date on which Shares under the Employee Gift Offer are allotted to Applicants
Applicant	An Eligible Gift Employee who submits an Application
Application	An application made to subscribe for Shares under the Employee Gift Offer
Application Form	The application form attached to or accompanying this Prospectus pursuant to which Applicants apply for Shares (including an electronic form provided by an online application facility)
ASIC	Australian Securities and Investments Commission
ASTC	ASX Settlement and Transfer Corporation
ASX	ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market operated by it
ASX Listing Rules	The listing rules of the ASX, as may be amended or supplemented from time to time
ASX Recommendations	The 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations
ASX Settlement Operating Rules	The operating rules of ASX, as amended, varied, or waived from time to time
ATO	Australian Taxation Office
A\$, AUD, Dollar or \$	Australian dollars, unless otherwise stated
Auditor	Deloitte Touche Tohmatsu
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the AASB and Urgent Issues Group Interpretations
Average EBITDA	Two-year rolling average of the Company's EBITDA results
Award	Has the meaning given in Section 6.3.7.2

Term	Meaning
Bell Potter	Bell Potter Securities Limited
Board or Board of Directors	The board of Directors of the Company
Bulk	Shipping containers greater than 20 litres
Business Day	Any day which is a 'Trading Day' for the purposes of the ASX Listing Rules
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGT	Capital gains tax
Chair	The Chair of the Board
CHESS	The ASX's Clearing House Electronic Sub-register System
Closing Time	The date on which the Employee Gift Offer is expected to close, being 29 July 2021. This date may be varied without prior notice
Cobram Estate Olives or Cobram Estate Olives Limited or Cobram Estate Olives Group	The Company, including its subsidiaries, or, where the context requires, the business described in this Prospectus.
Code of Practice	The Australian Olive Industry Code of Practice is a non-prescribed voluntary industry code of conduct that sets out specific standards of conduct for an industry in relation to the manner in which it deals with its members as well as its customers
Company	Cobram Estate Olives Limited ACN 115 131 667
Completion	Completion in respect of the issue of New Shares pursuant to the Employee Gift Offer
Constitution	The constitution of the Company as at the Prospectus Date
Corporations Act	Corporations Act 2001 (Cth)
COVID-19	An infectious disease caused by a newly discovered coronavirus. COVID-19 was discovered in December 2019 and spread throughout the world during 2020 and continues to have a global impact in 2021. COVID-19 has been declared a global pandemic by the World Health Organization
Director	A director of the Company
EBIT	Earnings before interest and tax

Term	Meaning
EBITDA	Net profit/(loss) before interest on debt, income tax benefit/expense), depreciation and amortisation
EFT	Electronic funds transfer
Eligible Gift Employees	Persons who have been continuously employed by Cobram Estate Olives on a permanent or permanent part-time basis between 1 June 2021 and the Allotment Date, have a registered address in Australia or in California in the United States and who receive a personalised invitation to apply for Shares under the Employee Gift Offer (but which excludes any executive Director)
Employee Gift Offer	The offer made under this Prospectus under which Eligible Gift Employees who have received a personalised invitation from the Company may acquire, at no cost, 500 Shares
Entitlement Water	Means Permanent Water
ESOP Options	Has the meaning given in Section 6.3.7.1
Existing Shareholder	A Shareholder of the Company as at the Prospectus Date
Existing Shares	Shares on issue at the Prospectus Date
Exposure Period	The seven-day period after the Prospectus Date, during which no Applications may be accepted the Company. This period may be extended by ASIC by up to a further seven days
FATA	Foreign Acquisitions and Takeovers Act 1975 (Cth)
Financial Information	Together the Historical Financial Information and the Forecast Financial Information, as collectively defined in Section $4.1$
Forecast Financial Information	Has the meaning given in Section 4.1
FY	Financial year
GST	Goods and Services Tax as defined in A New Tax System (Goods and Services Tax) Act 1999 (Cth)
Historical ESOP	Has the meaning given in Section 6.3.7.1
Historical Financial Information	Has the meaning given in Section 4.1
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
Investigating Accountant	Deloitte Corporate Finance Pty Limited ACN 003 833 127

Term	Meaning
Investigating Accountant's Report	The report prepared by Investigating Accountant set out in Section 8
IRI Scan data	Australian supermarket scan data supplied by Information Resources Pty Ltd (IRI Australia). This data does not include Aldi or Costco
IRI/SPINS Scan data	USA market scan sales data for the culinary olive oil (olive oil) category encompassing grocery, natural, and specialty channels, sourced from IRI and SPINS and supplied by SPINS INC. IRI/SPINS Scan data captures the majority of USA syndicated data for grocery with the major exception being Costco
ITAA 1997	Income Tax Assessment Act 1997 (Cth)
Joint Arrangers	Bell Potter, Morgans, and Ord Minnett
Joint Arrangers Agreement	Has the meaning given in Section 9.4.1
Listing	The admission of the Company to the Official List
Management	The executives of the Company identified in Section 6.2
Morgans	Morgans Corporate Limited
Net Price	The total gross sales value for all olive oil sold over a 12-month period, less all direct inputs and selling costs associated with the sale of that olive oil (such as trading terms, in-store promotional funding, packaging, bottling, and distribution costs), less all indirect inputs and selling costs (such as marketing, consumer research, and sales and marketing employee costs), divided by the total number of litres sold over the same 12-month period
New Shares	Shares issued on Completion
NPAT	Net Profit After Tax
Offer Period	The period during which Eligible Gift Employees may apply for Shares under the Employee Gift Offer, opening on the date stated in the Key Information table on page 4 and ending on the Closing Time
Official List	The official list of ASX
Option	An option to subscribe for a Share
Ord Minnett	Ord Minnett Limited

Term	Meaning
Permanent Water	Permanent Entitlement Water (Permanent Water) can be thought of as a "right" to an ongoing share of water from the Murray Darling Basin. This right is held in perpetuity and is officially called "Entitlement Water". Over the last 20 years, Permanent Water has been separated from land ownership (i.e. is not tied to use on specific land), allowing it to be bought or sold and held independently of any requirement for owning irrigatable land. During the last 12-15 years, the Australian Federal Government's environmental fund has purchased and controls about 25% of the Permanent Water in the Murray Darling Basin. Importantly, Permanent Water cannot be used for irrigating, only the Temporary Water that has been allocated from Permanent Water is available for irrigating crops
Pitcher Partners	Pitcher Partners Advisors Pty Ltd
Private Label	A product manufactured or packaged for sale under the name of the retailer rather than that of the manufacturer
Prospectus	This document (including the electronic form of this Prospectus) and any replacement or supplementary prospectus in relation to this document
Prospectus Date	The date on which this Prospectus was lodged with ASIC, being 19 July 2021
R&D	Research and Development
Registry	Link Market Services Limited ACN 083 214 537
Related Party Loans	Has the meaning given in Section 6.5.1
Settlement	Settlement in respect of the Shares the subject of the Employee Gift Offer
Share	A fully paid ordinary share in the Company
Shareholder	A registered holder of a Share
SPINS Scan data	USA market scan sales data for the culinary olive oil (olive oil) category encompassing grocery, natural, and specialty channels, supplied by SPINS INC. SPINS Scan data captures the majority of USA syndicated data for grocery with the major exception being Costco
SRN	Securityholder Reference Number
Tax Adviser	Pitcher Partners Advisors Pty Ltd
Temporary Water	Temporary Allocation Water (Temporary Water) is the allowable volume of water that may be used by irrigators in a particular irrigation season, as determined by the relevant water authorities based on how much water is available in storage dams. Temporary Water is officially called Allocation Water – it is simply a temporary allocation from a Permanent Entitlement for that year (irrigation season 1 July to 30 June) and has historically been based on a "use it or lose it" concept. The amount of Temporary Allocation issued each year against a Permanent Entitlement is likely to change due to a number of factors including the level of rainfall in the southern Murray Darling basin, the amount of water in storages, and weather outlook. These temporary allocations can increase during the year in response to improvements in the outlook of available water in the catchment

# 10 Glossary | Continued

Term	Meaning
TFN	Tax File Number as defined in the <i>Income Tax Assessment Act 1936</i> (Cth)
US or USA or United States	United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
US Person	Has the meaning given in Regulation S of the US Securities Act
US Securities Act	United States Securities Act 1933, as amended
Wellness	Boundary Bend Wellness
Working Capital	The sum of trade and other receivables, inventory, prepayments, other assets, trade and other payable, accruals, provision for income tax and other liabilities as described in Section 4.2.6



### Appendix A Significant Accounting Policies

The principal accounting policies adopted in the presentation of the Financial Information are set out below. The preparation of the Financial Information requires estimates, judgments, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Revisions to estimates are recognised in the period in which the estimate is revised, and any future period affected.

The Significant Accounting Policies below apply estimates, judgments and assumptions which could materially affect the financial results or financial position reported in future periods:

#### (a) Basis of preparation of the financial report

The principal accounting policies adopted in the preparation of the Financial Information included in Section 4 of this Prospectus are set out below. These accounting policies are consistent with the last statutory general purpose financial statements of Cobram Estate Olives for the year ended 30 June 2020.

#### (b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and all entities which Cobram Estate Olives Ltd has the power to control the financial and operating policies so as to obtain benefits from its activities.

All intercompany balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are separated from the date that control ceases.

When the consolidated entity loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

#### (c) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### **Tax Consolidation**

The parent entity and its subsidiaries have implemented the tax consolidation legislation and have formed a tax consolidated group from 1 July 2005. This means that:

- each entity recognises their own current and deferred tax amounts in respect of the transactions, events, and balances
  of the entity.
- the parent entity assumes the current tax liability and any deferred tax assets relating to tax losses arising in the subsidiary and recognises a contribution to (or distribution from) the subsidiaries.

#### (d) Borrowing costs

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings and foreign exchange losses net of hedged amounts on borrowings.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

#### (e) Impairment

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is firstly treated as a revaluation decrease.

#### (f) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

#### (g) Leases

#### Right-of-use assets

Right-of-use assets are recognised at the commencement date of a lease. Right-of-use assets are measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the unexpired period of the lease or the estimated useful life of the asset. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over the estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for low value or short-term leases with terms of 12 months or less. Lease payments on these assets are expensed to profit or loss as incurred.

#### Lease liabilities

Lease liabilities are recognised at the commencement date of a lease. Lease liabilities is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease, or, if the rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprised of fixed payments, less any lease incentives receivable and variable lease payments that depend on an index or a rate.

#### (h) Revenue

Revenue is measured on the consideration to which the consolidated entity expects to be entitled in a contract with a customer. The consolidated entity recognises revenue when it transfers control of a product or service to a customer.

Revenue from the sales of goods is recognised when control of the goods has transferred, being at the point in time when the goods are delivered to the customer. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the consolidated entity when the goods are delivered to the customer, as this represents the point in time at which the right to consideration becomes unconditional. Revenue is measured at gross price less any rebates or in-store promotional spend.

All revenue is stated net of the amount of goods and services tax (GST).

## Appendix A Significant Accounting Policies | Continued

#### (i) Inventories

Inventories are measured at the lower of cost and net realisable value.

Olive oil inventories include agricultural produce that the consolidated entity has harvested from its biological assets. The olive fruit produced at the point of harvest is valued at fair value less costs to sell, forming part of the measurement of inventory cost.

#### (j) Property, plant, and equipment

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

#### **Property**

Freehold land and buildings are measured at fair value. At each balance date the carrying value of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value.

#### Plant and equipment

Plant and equipment is measured on the cost basis.

#### **Bearer plants**

Bearer plants comprising of mature and immature olive trees in the olive groves are measured on the cost basis. Costs associated with young trees will be capitalised in the year of planting and the following four years.

Processing and harvesting costs are not capitalised when any of these immature trees are harvested. However, if the fair value of the any olive oil harvested and processed is greater than the harvest and processing costs, then this is deducted from the capitalised costs in that year.

#### **Depreciation**

The depreciable amount of all fixed assets is depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

#### (k) Intangibles

#### Water rights

Water rights are recorded at cost. Water rights have an indefinite life and are not amortised. Water rights are tested annually for impairment.

#### **Distribution rights and Trademarks**

Distribution rights and Trademarks are initially recorded at the purchase price and are subsequently carried at cost. Distribution rights and Trademarks have an indefinite life. They are not amortised but are tested annually for impairment.

#### (I) Foreign currency translations and balances

#### Functional and presentation currency

The functional currency of each of the individual entities comprising the consolidated entity is measured using the currency of the primary economic environment in which that entity operates. The functional currency of all entities is Australian dollars except for Boundary Bend Estate Pty Ltd which has a functional currency of Argentinean Pesos and the US based entities Boundary Bend Olives, Inc; Boundary Bend Assets, Inc; Boundary Bend Wellness, Inc; and Boundary Bend, Inc., which have a functional currency of US dollars. These financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

#### **Transactions and Balances**

Transactions in foreign currencies of the consolidated entity are translated from the functional currency into Australian dollars at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the reporting period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of non-Australian entities are expressed in Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for each month in the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated directly into equity in the Foreign Currency Translation Reserve.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re statement are recognised as revenues and expenses for the financial year.

#### (m) Employee benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities 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 reporting date.

Contributions made by the consolidated entity to an employee superannuation fund are recognised as an expense as they become payable.

#### **Share-based payments**

Equity settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Share options are priced using the Black Scholes option pricing model.

Options that vest on issue are expensed in full on issue date. Options that do not vest on issue are expensed on a straight-line basis over the vesting period based on the consolidated entity's estimate of equity instruments that will eventually vest.

#### (n) Research and development expenditure

Expenditure on research activities and other development expenditure is recognised as an expense when incurred.

Expenditure on development activities is capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of its estimated useful life commencing when the intangible asset is available for use.

#### (o) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated entity's statement of financial position when the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### Classification

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## Appendix A Significant Accounting Policies | Continued

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal
  and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

#### Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

#### Impairment of financial assets

The consolidated entity makes use of a simplified approach for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. The consolidated entity uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses using a provision matrix.

#### Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the consolidated entity are measured in accordance with the specific accounting policies set out below.

#### Trade payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

#### Hedge accounting

Certain derivatives are designated as hedging instruments and are further classified as either fair value hedges or cash flow hedges.

At the inception of each hedging transaction, the consolidated entity documents the relationship between the hedging instruments and hedged items, its risk management objective, and its strategy for undertaking the hedge transaction. The consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair value or cash flows of hedged items.

#### (p) Agriculture

The entity applies Accounting Standard AASB 141 "Agriculture", which requires the measurement of biological assets and agricultural produce at the point of harvest to be valued at fair value less estimated point of sale costs. If fair value cannot be measured reliably for biological assets, such biological assets are measured at cost.

Biological assets include olive trees owned by the entity held in the nursery. Olive trees in the nursery are initially measured at cost until the tree has reached maturity and there is a market in which to sell the trees, which is historically at 18 months from date of propagation. Where no active market exists for the sale of the olive trees, or the trees are to be used for planting on the consolidated entities owned groves, they are recognised at cost.

The olive fruit produced at the point of harvest is valued at fair value less costs to sell forming part of the measurement of inventory cost. Where there is fruit that has not yet been harvested at reporting date, this fruit is treated as biological produce and reported in the balance sheet under biological assets.

Olive trees in the olive groves are measured at cost in accordance with AASB 116 "Property, plant and equipment."

#### (g) Goods and services tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

### **Corporate Directory**

#### Company's registered office

151 Broderick Road Lara VIC 3212

#### **Legal Adviser**

#### **DLA Piper Australia**

Level 12, 80 Collins Street Melbourne VIC 3000

### **Share registry**

#### **Link Market Services Limited**

Locked Bag A14 Sydney South NSW 1235

#### **Joint Arrangers**

#### **Bell Potter Securities Limited**

Level 29, 101 Collins Street Melbourne VIC 3000

#### **Morgans Corporate Limited**

Level 29, Riverside Centre 123 Eagle Street Brisbane QLD 4000

#### **Ord Minnett Limited**

Level 8, 255 George Street Sydney NSW 2000

#### **Auditor**

#### **Deloitte Touche Tohmatsu**

477 Collins Street Melbourne VIC 3000

#### Website

www.cobramestateolives.com.au/offer



