



1<sup>st</sup> March 2019

The MPC Directors and Management are pleased to advise that your meeting documents have been dispatched by post today, 1 March 2019.

The meeting documents comprise one Booklet and two Proxy Forms. The Booklet, which will also be available on the MPC website at <https://mpcmacs.com.au/about-us/pgm-purchase-proposal/>, includes the Notices of Meetings and Explanatory Memorandum as well as an Independent Expert Report. You should read the Booklet in its entirety and seek professional advice if you are unsure how to vote.

The Proxy Forms have been personalised to reflect your shareholding. Please check them carefully and contact Andrea Lemmon (contact details below) if you have any questions about the Booklet or the Proxy Forms.

If you are unable to attend the meetings, you can vote by completing and returning your Proxy Forms by post, fax or email according to the directions on the Forms. Completed Proxy Forms must be received 48 hours before the Meetings: that is by 6pm (Class Meeting Proxy Form) and 7pm (Extraordinary Meeting Proxy Form) on Sunday 24 March 2019. If you wish to appoint someone else to vote on your behalf at the meetings, you can use your Proxy Forms to appoint a proxy. You do not need to nominate a proxy unless you wish to do so.

We would ask that those Shareholders who wish to attend the meetings to bring their Proxy Forms with them to assist with the voting process. Could you also kindly advise Jodie at MPC reception on 02 6624 3900 or by email [reception@mpcmacs.com.au](mailto:reception@mpcmacs.com.au) if you will be attending the meeting so that we can arrange catering.

Note if your shares are held in a company name, a Corporate Representative form must be completed. These forms are available on the MPC website or by contacting Andrea Lemmon.

Sincere thanks for your interest in, and support of, the transaction. Below is some additional information to assist your review of the meeting documentation. Please feel free to contact the Transaction Manager, Andrea Lemmon at [alemmon@mpcmacs.com.au](mailto:alemmon@mpcmacs.com.au) or telephone 0407 417286 during business hours with any questions you may have.

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## Additional information for Shareholders

Q. Why are two meetings required?

A. In order to complete the Transaction, MPC needs to vary the rights of ordinary shareholders and this can only be done at a Class Meeting of ordinary shareholders. Therefore, MPC needs to hold a Class Meeting to vary the rights of ordinary shareholders, **and** an Extraordinary General Meeting (EGM) to consider the remaining three resolutions.

Q. What is the time and location of the Meetings?

A. Both Meetings will be held at the Ballina RSL Club on Tuesday 26<sup>th</sup> March 2019. The Class Meeting will commence at 6pm and the Extraordinary General Meeting will commence at 7pm.

Q. How can I vote?

A. You can vote by submitting a completed Proxy Form at least 48 hours before the Meetings. Alternatively, you can attend the Meetings and vote in person. Note that if your shareholding is held by a company, you will need to complete a Corporate Representative form in order to vote.

Q. What is the approval threshold for each of the resolutions?

A. The resolution to be considered at the Class Meeting requires the approval of 75% of those who vote. The first resolution at the Extraordinary General Meeting that deals with constitutional changes requires the same level of approval.

Resolutions two and three to be considered at the Extraordinary General Meeting require approval of 50% of those who vote. Note that entities associated with Zadro and Costi are not entitled to vote on Resolution two, and entities associated with Zadro are not entitled to vote on Resolution three.



Q. Given that the transaction is occurring at net asset value, why has the Independent Expert opined it is not fair, but reasonable?

A. The reason why the Expert has advised that the transaction is “not fair” relates to the ASIC guidelines that must be adhered to when preparing the report.

ASIC requires the Expert to treat the issue of the shares to Zadro as if it was a full takeover bid of the **whole** Company, even though in reality Zadro is only increasing his shareholding by 7%. The consequence of this treatment is that the Expert must assume the shares are worth more (known as a control premium) due to the shareholder obtaining full and unfettered control of a company. Given that the typical control premium applied in Australia for successful takeover is on average 30%, it is often the case that this type of report will be not fair but reasonable.

This provision of the Corporations Act was drafted having regard to large and extremely liquid companies (like BHP, RIO, Qantas – ASX Top 20 companies) where control of the company can be obtained with a mere 20% interest.

However, the same rule applies for small, unlisted public companies like MPC. Therefore, in accordance with the Corporations Act, because Zadro entities own more than 20% of MPC (ie owns 27.32%) and are increasing their shareholding by more than 3% (ie increasing the shareholding by circa 7%), in the fairness assessment, the Independent Expert must assess the transaction as if Zadro is obtaining full and unfettered control of MPC, which is clearly not the case.

In accordance with ASIC, the fairness assessment of the merger must be undertaken by comparing the following:

- Fair market value of MPC share prior to the Merger on a **control basis (ie inflated by control premium)**; with
- Fair market value of the shares in the merged entity on a **minority basis (ie assuming the shares are valued without any control premium)**.

For avoidance of the doubt, I note that a not fair but reasonable is still a positive opinion as the Expert believes that it is still in the best interest of the Shareholders who have no financial interest in the transaction to vote in favour of the proposed issue of shares.

The following is a direct quote from the Independent Expert Report (p4) “...the Proposed Transaction is value accretive and compelling for the existing MPC Shareholders subject to the realisation of the anticipated cost synergies arising from the combination of the two businesses which are included in our valuation assessment of the Merged Group”.

Regards



Larry McHugh  
Chief Executive Officer

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