



22nd February 2019

This week, MPC directors and management hosted three Information Sessions for Shareholders. The Information Sessions, which were attended by approximately 80 Shareholders, provided an informal forum to discuss the proposed acquisition of Pacific Gold Macadamia Pty Ltd (PGM) by MPC (the Transaction).

The Directors and Management were pleased with the level of attendance and the support indicated for the Transaction. Just a reminder, if you have any questions regarding the Transaction, please contact the Transaction Manager, Andrea Lemmon at alemmon@mpcmacs.com.au or telephone 0407 417286 during business hours.

Meeting documentation will be dispatched on 1 March 2019 and MPC will host a further Information Session in mid March to assist Shareholders with any questions they may have regarding documentation.

Some of our Shareholders were unable to attend and a number of questions posed at the Information Sessions are provided for your reference below.

Selection of questions at Information Sessions

Q. I understand the number of Directors under the proposed changes is to be increased to seven. It would appear that there will be four Directors appointed by the major shareholders and three directors elected by the balance of Shareholders. Does this mean there will be four directors representing large growers and three directors representing small growers?

A. If the resolutions are approved, then the number of Directors will increase to seven and the way in which directors are appointed will change. Under the proposed changes, directors can either be appointed or elected. A Shareholder can appoint a director for each 11% of shares they hold, capped at a maximum of three directors. All other directors are elected by the remaining shareholders, with those shareholders who have had the opportunity to appoint a director, not permitted to participate in the director elections.

If we consider the shareholdings after the Transaction, the Zadro group will be able to **appoint** three directors and the Costi group entitled to **appoint** one director. The remaining three directors would be **elected** by the other Shareholders with Zadro group and Costi group not allowed to participate in the election.

It is important to understand that regardless of whether Directors are appointed or elected their duty is to represent **all** MPC shareholders. The legal obligation of a director is to act in the best interests of Shareholders as a whole, and not a particular class or size of shareholding. This is how the MPC Board currently operates, and will continue to operate.

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The other point to note here is that there is an alignment of interests between small and large shareholders on the vast majority of issues within MPC, and it is in fact difficult to identify an issue where the interests of the two groups diverge.

In consideration of the proposed constitutional changes, both groups of Shareholders benefit from the protection of farm values, which are the ultimate aims of this Transaction.

Q. How has MPC calculated the value of PGM?

There are many different ways to value companies and the valuation method adopted for this Transaction was net asset value. That is, MPC determined the value of the assets of both entities and applied this information to calculate the share exchange ratio. This approach is sensible given the similarity of the assets.

MPC is of the view that acquiring PGM assets at this price, and without having to drawdown on any cash reserves, provides exceptional value given that:

- *it immediately provides an additional 90% of nut supply to MPC
- *the processor is situated in the fastest growing domestic region, Bundaberg
- *it removes PGM's option to one day become a competitor to MPC
- *it gives MPC 100% ownership of Macadamia Marketing International Pty Ltd

Q. There is already a concentration of shareholding in MPC by the Zadro group. It is generally acknowledged that the Zadro group has always had the best interests of MPC in their decision making. What protections are in place if they wished to sell their shareholding?

The shareholding of the Zadro group will move from 27% to 34% if the Transaction is completed. There are three protections to be considered in a sale of these shares.

First of all, the changes to the Constitution require that they must first offer their shares on the same terms and conditions to the other MPC shareholders.

Secondly, given the Zadro group own more than 20% of a public company any change on ownership would be subject to the requirements of the takeover provisions.

Thirdly, the board has an unfettered right under the current constitution not to approve any share transfers.

Regards

Larry McHugh
Chief Executive Officer

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