Peanut Company of Australia

1 December 2017

Dear Shareholder

Target's Statement in respect of the takeover bid made by Bega Cheese Limited ACN 008 358 503

You will have previously received a Bidder's Statement prepared by Bega Cheese Limited (**Bega**) dated 14 November 2017 in relation to Bega's unconditional, all cash off-market takeover bid by Bega to acquire all ordinary shares in Peanut Company of Australia Limited (**PCA**) not held by Bega for 83 cents per share.

We now attach PCA's Target's Statement in response to the Bidder's Statement.

The Target's Statement is an important document and you should read it carefully. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

Yours sincerely

Ian Langdon

Chairman

Peanut Company of Australia Limited

Peanut Company of Australia Limited
ACN 057 251 091

Target's Statement

This Target's Statement has been issued in response to
the unconditional, all cash off-market takeover bid made by
Bega Cheese Limited ACN 008 358 503
to acquire all your PCA Shares for 83 cents per PCA Share

Your Directors unanimously recommend that you

ACCEPT

the Offer in the absence of a Superior Proposal

This is an important document and requires your immediate attention.
If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

Legal Adviser

Corporate Adviser

Important Notices

NATURE OF THIS DOCUMENT

This document is a Target's Statement issued by Peanut Company of Australia Limited (**PCA** or **Company**) under Part 6.5 of the Corporations Act in response to the offer by Bega Cheese Limited (**Bega**) to acquire PCA Shares pursuant to the Bidder's Statement dated 14 November 2017 issued by Bega.

DEFINED TERMS

Capitalised terms used in this Target's Statement are defined in the glossary in Section 9.

Any diagrams, charts, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this document. All numbers are rounded unless otherwise indicated.

All references to time in this Target's Statement are references to the time in Brisbane, Australia.

INVESTMENT DECISIONS

This Target's Statement does not take into account the individual investment objectives, financial or tax situation or particular needs of each PCA Shareholder or any other particular person. Your Directors encourage you to seek independent financial, tax or other professional advice before making a decision whether or not to accept the Offer.

DISCLAIMER REGARDING FORWARD LOOKING STATEMENTS

Certain statements in this Target's Statement relate to the future. These statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements to be materially different from expected future results, performance or achievements expressed or implied by those statements. These statements reflect only views held at the date of this Target's Statement.

Other than as required by law, none of PCA, its directors or officers, its affiliates nor any other person gives any representation, assurance or guarantee that the events expressed or implied in any forward looking statements in this Target's Statement will actually occur and you are cautioned not to place undue reliance on such future statements.

The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

ASIC DISCLAIMER

A copy of this Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for the contents of this Target's Statement.

FOREIGN JURISDICTIONS

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws and regulations. This Target's Statement has been prepared solely in accordance with Australian law.

DISCLAIMER AS TO INFORMATION

The information in respect of Bega contained in this Target's Statement has been prepared by PCA using publicly available information and has not been independently verified by PCA. Accordingly, PCA does not, subject to the Corporations Act and general law, make any representation or warranty (express or implied) as to the accuracy or completeness of such information.

PRIVACY

PCA has collected your information from the Register for the purpose of providing you with this Target's Statement. The type of information PCA has collected about you may include your name, contact details and information about your shareholding in PCA. Without this information, PCA would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the names and addresses of PCA Shareholders to be held in a public register. Your information may be disclosed to PCA and its Related Bodies Corporate, Bega, print and mail service providers, authorised securities brokers, and may be required to be disclosed to regulators such as ASIC.

PCA Shareholders have the right to access personal information that has been collected. They should contact the PCA Registry in the first instance if they wish to exercise this right. A copy of PCA's Privacy Policy is available on its website at www.pca.com.au.

INFORMATION LINE

If you have any questions about the Offer or any other matter in this Target's Statement, please call the Target Information Line on 1300 420 094 (within Australia) and +61 1300 420 094 (from outside Australia) between 7.30am and 4.00pm (Brisbane time) Monday to Friday.

WEBSITE

The content of PCA's website does not form part of this Target's Statement and PCA Shareholders should not rely on any such content.

DATE

This Target's Statement is dated 29 November 2017.

Key dates

Date of announcement of Offer	10 November 2017
Date of Offer	16 November 2017
Date of this Target's Statement	29 November 2017
Offer closes (unless extended or withdrawn)	6.00pm (Brisbane time) 20 December 2017

Summary of the Offer

The Offer	Bega is offering to acquire ALL of your PCA Shares. You may only accept the Offer in respect of 100% of the PCA Shares that you hold.	
Offer Consideration	Under the terms of the Offer, Bega is offering **cash consideration of 83 cents for each PCA Share you hold.**	
Key dates	Announcement date of Offer	10 November 2017
	Date of Offer	16 November 2017
	Date of this Target's Statement	29 November 2017
	Close of Offer (unless extended or withdrawn)	6.00pm (Brisbane time) 20 December 2017
Timing for provision of Offer Consideration	If you accept the Offer, Bega will provide you with the Offer Consideration by the earlier of:[1] • 5 Business Days after the Offer is validly accepted by you; and • 5 Business Days after the end of the Offer Period.	
Conditions of the Offer	The Offer is unconditional. If you accept the Offer, Bega will acquire your PCA Shares and you will not be able to accept any other offer.	
Directors' recommendation	The Directors unanimously recommend that you **ACCEPT** the Offer, in the absence of a Superior Proposal.	
How to accept the Offer	You may only accept the Offer in respect of all (and not part) of your PCA Shares. To accept the Offer, complete, sign and return the Acceptance Form in accordance with the instructions in section 5 of Appendix 1 to the Bidder's Statement before the close of the Offer.	
Close of Offer	The Offer is currently scheduled to close at 6.00pm (Brisbane time) on 20 December 2017, unless extended or withdrawn in accordance with the Corporations Act.	
Enquiries about the Offer	If you have any questions about the Offer or how to accept the Offer, or about your holding of PCA Shares, please call the Target Information Line on 1300 420 094 (within Australia) and +61 1300 420 094 (from outside Australia) between 7.30am and 4.00pm (Brisbane time) Monday to Friday, or consult your legal or other financial or professional adviser.	

This summary of the Offer provides a general overview only and should be read together with the detailed information set out in the remainder of this Target's Statement.

Any changes to the key dates will be announced through PCA's website at www.pca.com.au. All references to time in this Target's Statement are references to Brisbane time unless otherwise stated.

[1] The Bidder's Statement states that payment by cheque will be mailed out by or on behalf of Bega within the specified periods, however the date on which you receive payment will be dependent on postal delivery times. PCA has not verified, and is not responsible for, this information.

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Chairman's Letter

29 November 2017

Dear Shareholder

ACCEPT the Offer for your PCA Shares, in the absence of a Superior Proposal

On 10 November 2017, PCA announced that it had entered into a Placement Letter and Bid Implementation Agreement with Bega, pursuant to which Bega:

(a) subscribed for 19.99% of the issued PCA Shares at 83 cents per PCA Share; and

(b) agreed to make an unconditional, all cash off-market takeover bid for all PCA Shares at 83 cents per PCA Share.

Under the terms of the Offer, PCA Shareholders will be paid cash consideration of 83 cents in respect of each PCA Share.

Your Directors engaged Ernst & Young Transaction Advisory Services Limited to prepare an Independent Expert's Report in response to the Offer. The Independent Expert has concluded that the Offer is fair and reasonable to PCA Shareholders. PCA Shareholders should read the Independent Expert's Report in its entirety, a copy of which is attached in the Schedule to this Target's Statement.

Having assessed the Offer, and the reasons to accept, or reject, the Offer as set out in this Target's Statement, and having considered the opinion of the Independent Expert, your Directors unanimously recommend that you **ACCEPT** the Offer, in the absence of a Superior Proposal. Each of the Directors intends to **ACCEPT** the Offer in respect of all PCA Shares owned or controlled by them, in the absence of a Superior Proposal.

I encourage you to read this Target's Statement in its entirety and carefully consider the Offer having regard to your own personal risk profile, investment strategy and tax position. You should seek independent financial, legal, taxation or other professional advice if you are in any doubt as to what you should do in response to the Offer.

To **ACCEPT** the Offer, you should carefully follow the instructions outlined in section 5 of Appendix 1 to the Bidder's Statement and complete the applicable Acceptance Form enclosed with it. The Offer is scheduled to close at 6.00pm (Brisbane time) on 20 December 2017, unless extended or withdrawn.

If you have any further queries in relation to the Offer, please call the Target Information Line on 1300 420 094 (within Australia) and +61 1300 420 094 (from outside Australia) between 7.30am and 4.00pm (Brisbane time) Monday to Friday.

Ian Langdon
Chairman

Your Directors unanimously recommend that you ACCEPT the Offer in the absence of a Superior Proposal for the following reasons:

1. **The Offer is unconditional and represents attractive value for your PCA Shares.**
2. **The Offer is unanimously recommended by the Directors, in the absence of a Superior Proposal.**
3. **The Independent Expert has concluded that the Offer is fair and reasonable to PCA Shareholders.**
4. **The Offer provides liquidity for your PCA Shares.**
5. **Accepting the Offer means you are no longer exposed to risks associated with an investment in PCA.**
6. **There are a number of risks associated with being a minority shareholder which you may be exposed to if you do not accept the Offer.**
7. **No Superior Proposal has emerged for PCA.**

You should

1. Read this Target's Statement.
2. Consult your investment, financial, taxation or other professional adviser if in doubt about what to do.
3. If you have any questions, call the Target Information Line on 1300 420 094 (within Australia) and +61 1300 420 094 (from outside Australia) between 7.30am and 4.00pm (Brisbane time) Monday to Friday.

To ACCEPT the Offer

Please follow the instructions in section 5 of Appendix 1 to the Bidder's Statement or the instructions on the Acceptance Form attached to the Bidder's Statement.

1. Reasons to accept the Offer

1.1 The Offer is unconditional and represents attractive value for your PCA Shares

The Offer is to acquire all of your PCA Shares for 83 cents per PCA Share. The Offer Consideration represents attractive value for your PCA Shares and is placed in the mid-range of the valuation range provided by the Independent Expert of $0.60 to $1.07 per PCA Share.

There is low liquidity in PCA Shares and there are limited transactions on an arms' length basis that have been traded. The Independent Expert Report has included three transactions that appear to be by non-related parties, under which PCA Shares were sold for $0.11, $0.33 and $0.35 per PCA Share, respectively, on a non-controlling interest basis. This is significantly lower than the Offer Consideration of $0.83 per PCA Share on a controlling interest basis.

The Offer is unconditional and will provide PCA Shareholders with timely receipt of the Offer Consideration within 5 Business Days of Bega receiving a validly completed Acceptance Form that has been completed in accordance with the instructions set out in in section 5 of Appendix 1 to the Bidder's Statement to enable Bega to become the holder of the relevant PCA Shares. Details on how to accept the Offer for all of your PCA Shares are set out in Section 5.6 of this Target's Statement and section 5 of Appendix 1 to the Bidder's Statement.

1.2 The Offer is unanimously recommended by the Directors, in the absence of a Superior Proposal

The Directors unanimously recommend that you accept the Offer in the absence of a Superior Proposal.

Each Director intends to accept, or procure the acceptance of, the Offer for all PCA Shares owned or controlled by them, in the absence of a Superior Proposal.

The following table provides the number of PCA Shares in which each Director had a Relevant Interest and their voting power as at the date of this Target's Statement:

Name of Director	Number of PCA Shares in which the Director has a Relevant Interest	Voting Power
Ian Langdon[1]	73,561	0.65%
Brett Heading[2]	1,349,771	11.89%
Niven Hancock[3]	44,174	0.39%
Total	**1,467,506**	**12.93%**

1. Relevant Interest in PCA Shares held by I A Langdon & C G Langdon <Langdon Super Fund A/C>.
2. Relevant Interest in PCA Shares held by Technology Farmers Pty Ltd (1,323,960 PCA Shares) and Erica Williams, Phillip Harvey & James Heading <A M JENKINS TDT NO 1 A/C> (25,811 PCA Shares).
3. Relevant Interest in PCA Shares held by Niven Vaughan & Toni Ann Hancock T/A Candowie Farming Company.

1.3 The Independent Expert has concluded that the Offer is fair and reasonable to PCA Shareholders

Based on the analysis set out in the Independent Expert's Report, the Independent Expert has assessed that the Offer is fair and reasonable to PCA Shareholders because the Offer Consideration of $0.83 per PCA Share falls within the Independent Expert's range of assessed values of a PCA Share on a controlling basis of $0.60 to $1.07.

PCA Shareholders should refer to the Independent Expert's Report in the Schedule to this Target's Statement for further information.

1.4 The Offer provides liquidity for your PCA Shares

As PCA is not listed on any public stock exchange, there is no liquid market for PCA Shares. The Offer provides PCA Shareholders with an opportunity to sell all of their PCA Shares.

1.5 Accepting the Offer means you are no longer exposed to risks associated with an investment in PCA

PCA Shareholders are exposed to certain risks associated with an investment in PCA, including but not limited to:

(a) minority ownership consequences;

(b) there is no guarantee on the impact of PCA's strategy;

(c) future funding requirements;

(d) retail environment conditions in Australia may deteriorate;

(e) fluctuations in the supply of peanuts;

(f) risks relating to PCA's ability to obtain funding in a timely manner and on reasonable terms;

(g) delayed timing of harvests, principally due to adverse weather impacts;

(h) increase in production costs;

(i) seasonal climate risks;

(j) allergen awareness;

(k) change in water regulations;

(l) water sustainability;

(m) international peanut prices;

(n) pests and diseases;

(o) reliance on key customers; and

(p) competition risks.

A detailed summary of the risks associated with an investment in PCA is set out in Section 7.

By accepting the Offer, you will sell all of your PCA Shares to Bega and therefore no longer be exposed to these risks.

1.6 There are a number of risks that would be associated with being a minority shareholder which you may be exposed to if you do not accept the Offer

As at the date of the Bidder's Statement (14 November 2017), Bega held a Relevant Interest in PCA Shares of 19.99% and when the Directors accept the Offer in respect of PCA Shares owned or controlled by them (subject to no Superior Proposal emerging and assuming Bega's Relevant Interest has not increased since the date of the Bidder's Statement), Bega will hold an aggregate Relevant Interest of 32.91% (on an undiluted basis). There is no minimum acceptance condition under the Offer.

PCA Shareholders who do not accept the Offer may be exposed to the risks set out below.

Ability to pass resolutions

Bega and its Associates may be in a position to cast a majority of votes at a general meeting of PCA. This would enable it to control the composition of the PCA Board and senior management, determine PCA's dividend policy and control the strategic direction of the business. If Bega acquires a Relevant Interest in 75% or more of the PCA Shares, Bega will be able to pass special resolutions. This will enable Bega to, amongst other things, change PCA's Constitution.

Compulsory acquisition

If during, or at the end of, the Offer Period, Bega (taken together with its Associates):

(a) has a Relevant Interest in at least 90% (by number) of the PCA Shares; and

(b) has acquired at least 75% (by number) of the PCA Shares for which it has made the Offer,

Bega may become entitled to compulsorily acquire the PCA Shares of non-accepting PCA Shareholders through the compulsory acquisition procedures in Part 6A of the Corporations Act. If this occurs, non-accepting PCA Shareholders will be compelled to sell their PCA Shares to Bega and you will not receive consideration until this happens.

No further proposals

If Bega acquires a majority shareholding in PCA, it is unlikely that another proposal to acquire PCA will emerge.

1.7 No Superior Proposal has emerged for PCA

As at the date of this Target's Statement, no Superior Proposal has been received by the PCA Board, and the PCA Board are not aware of any party having an intention to make such a proposal.

You should note that the Directors' recommendation is subject to the absence of a Superior Proposal emerging regarding PCA Shares. Should such a proposal arise, your Directors will reconsider their recommendation and inform you accordingly.

2. Possible reasons why you may consider not accepting the Offer

2.1 You may disagree with your Directors' recommendation

Notwithstanding the unanimous recommendation of the Directors, you may take a different view and may believe that the Offer is not in your best interests.

2.2 Possibility of a Superior Proposal emerging

You may consider that there is potential for a Superior Proposal to be made in the foreseeable future. However, since the announcement of the Offer on 10 November 2017 and up to the date of this Target's Statement, no Superior Proposal has emerged.

It is possible that a more attractive proposal for PCA Shareholders could emerge in the future, however, you should be aware that as set out in section 8 of the Bidder's Statement, the Bid Implementation Agreement imposes certain customary no shop, no talk and no due diligence restrictions on PCA, preventing it from seeking out a competing proposal from third parties and taking steps to facilitate such a proposal. However, these restrictions do not prevent PCA from receiving and responding to a proposal that is considered by the PCA Board, after having first obtained written advice from its legal advisers, to be:

(a) reasonably capable of being completed in a timely fashion, taking into account all aspects of the competing proposal (including any timing considerations, any conditions precedent and the identity of the proponent); and

(b) would, if completed substantially in accordance with its terms, be more favourable to PCA Shareholders (as a whole) than the Offer, taking into account all terms and conditions of the competing proposal.

PCA has an obligation under the Bid Implementation Agreement to notify Bega of a Competing Proposal. Bega has five business days to improve the terms of the Offer and the Directors must review the improved Offer in good faith. If Bega varies its Offer by improving the Offer Consideration, PCA Shareholders will be entitled to the improved Offer Consideration whether or not they have accepted the Offer before the improvement.

If a Superior Proposal is announced, PCA Shareholders who have accepted the Offer will lose the ability to deal with their PCA Shares and will not be able to accept a Superior Proposal from a competing bidder if such a bid eventuates.

2.3 Net asset backing

The net assets book value of PCA as at 31 March 2017 was approximately $20.54 million as set out in PCA's 2017 Annual Report, representing a net assets per PCA Share of $2.26 (on an undiluted basis) and, as at the date of this Target's Statement, the net assets per PCA Share is approximately $1.36 (on a fully diluted basis).[2] The Independent Expert has assessed a value per PCA Share of $0.60 to $1.07. Notwithstanding the Independent Expert's Report, you may take a different view that the PCA Shares are worth more than the assessed range of values.

Further information is set out in Section 6.5 and in the Independent Expert's Report.

2.4 PCA's earnings may increase

You may take the view that PCA's earnings may increase in the future, which will likely improve PCA's valuation. This may occur if PCA is able to increase its harvests or if PCA improves its retail sales, namely its range of "Picky Picky" snacking products.

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[2] On a fully diluted basis, including the PCA Shares to be issued to EMU on conversion of the NAB Warrant and the PCA Shares to be issued to Bega pursuant to Bega's anti-dilution right under the Placement Letter.

3. Directors' considerations

This section sets out some of the matters considered by your Directors in determining their recommendation that you accept the Offer in the absence of a Superior Proposal.

3.1 Consideration of alternative strategies

The PCA Board has identified a key strategic imperative that they have been taking steps to implement. This imperative has been based on the following foundations:

(a) there is an increase in consumer demand, both here in Australia and in some international countries, for Australian grown product;

(b) PCA is one of the few peanut processors in the world that exclusively process the Hi-Oleic type of peanut, which are higher in mono-unsaturated fats than olive oil;

(c) Australia, as a whole, only grows approximately 40% of the peanuts consumed in Australia; and

(d) PCA is Australia's largest peanut processor handling between on average approximately 72% of the Australian crop.

The dynamic of this environment places PCA, and the Australian peanut industry, in a position to take advantage of this increasing demand for healthier, Australian origin product that is in short supply.

To develop this strategy and obtain the margin improvement benefits requires considerable capital and marketing investment and a need to produce a product that is as close to the consumer as possible. PCA entered the retail environment with its range of "Picky Picky" branded snacking and oil products and also the production of five products for Coles. However, PCA has faced challenges as a new entrant competing with established brands and distribution routes.

The major driver of PCA profitability, in its current form, is the size of PCA's Australian crop. Consecutive years of significantly lower than average crops (20,700mt of farmer stock peanuts over the last 10 years) has compromised PCA's earnings. This scenario, coupled with the entry into new retail markets, has curtailed PCA's ability to grow margins and fund its strategic opportunity. PCA's financial position (refer to the table below) means that it does not have the headroom or capacity to invest as is required or to carry the impact of a poor season and/or financial performance.

	FY15	FY16	FY17
Farmers Stock Intake - Financial Year (mt)	19,230	18,686	13,502
EBITDA ($'000)	$2,440	$4,289	$283
Warrant revaluation benefit ($'000)	$0	($2,043)	$0
NORMALISED EBITDA ($'000)	**$2,440**	**$2,246**	**$283**
TOTAL FINANCIAL LIABILITIES ($'000)	**$20,999**	**$25,416**	**$25,042**

Source: PCA Annual Reports for 2015, 2016 and 2017

In recognition of this, the PCA Board has identified the need to either raise external capital to help finance this opportunity or to find a party that identifies with the significant strategic opportunity that PCA possesses and would be interested in acquiring PCA. Over the last five years, PCA has undertaken formal and informal processes on at least five occasions, with three different corporate advisors, seeking either of these outcomes, however, PCA was unable to obtain a successful outcome. A summary of the key responses from the processes undertaken is as follows:

(a) PCA's position in the peanut marketplace was strong, with its key differentiating factors of Hi-Oleic, Australia grown peanuts;

(b) PCA's level of debt to earnings (normalised) was too high;

(c) PCA was a new entrant into the retail category and therefore all growth was "organic" into already well developed competitive markets; and

(d) there may be increased interest if an acquisition of a strong participant in a branded peanut segment could be added on.

PCA has been actively seeking to improve its operational and financial performance by changing the sales mix to include higher valued and higher margin retail products and to seek external funding or acquisition suitors for an extended period of time. As has been demonstrated, trying to grow "organically" has been difficult in a competitive marketplace when challenged by reduced crop sizes and the costs of market development. The PCA Board is therefore of the view that the Offer is in the best interests of PCA Shareholders.

3.2 Independent Expert's opinion

As noted in section 6.1 of the Independent Expert's Report, a net assets methodology has been adopted by the Independent Expert, valuing PCA by estimating the fair market value of the underlying assets and liabilities on a going concern basis. This approach "recognises that the asset base is likely to be attractive to an acquirer but, given the current performance of the business, is likely to discount the value from the current book value to reflect the performance and financial position of PCA."[3]

The Independent Expert has concluded that the fair market value of PCA, on a controlling basis, is in the range of $0.60 to $1.07 per PCA Share. The Offer Consideration of $0.83 is placed mid-range of the Independent Expert's valuation range.

After considering the fair market value assessed for PCA and the Offer Consideration, the Independent Expert considers the Offer to be fair. In accordance with the guidance under ASIC Regulatory Guide 111 (RG 111), as the Independent Expert considers the Offer to be fair, the Offer is also considered to be reasonable.

PCA Shareholders should carefully read the Independent Expert's Report attached in the Schedule to this Target's Statement.

[3] Independent Expert's Report at page 28.

4. Frequently Asked Questions

This Target's Statement contains detailed information regarding the Offer. This Section 4 provides summary answers to some questions you may have and will assist you to locate further detailed information in this Target's Statement. It is not intended to address all relevant issues for PCA Shareholders. This Section 4 should be read together with the Bidder's Statement and this Target's Statement.

	Question	Answer
1.	**Why have I received this document?**	You have received this Target's Statement because you are a PCA Shareholder. This Target's Statement is PCA's formal response to the Bidder's Statement. It contains important information prepared by the Directors to help you determine whether or not to accept the Offer.
2.	**Who is making the Offer?**	The Offer is being made by Bega. Since its establishment in 1899, Bega has grown from a single-region rural dairy co-operative into a leading Australian dairy and foods business generating over $1.2 billion in sales with ever-expanding global reach. Bega is listed on ASX and its shares trade under ticker code BGA. Further information about Bega is set out in section 3 of the Bidder's Statement.
3.	**What is the Offer?**	Under the terms of the Offer, PCA Shareholders will be entitled to receive cash consideration of 83 cents for each PCA Share they hold. If you are a foreign PCA Shareholder, please see FAQ 25 as to what will occur under the Offer.
4.	**How is the Offer Consideration being funded by Bega?**	Section 6 of the Bidder's Statement states the Offer Consideration will be funded from Bega's existing finance facilities. Refer to section 6 of the Bidder's Statement for further details.
5.	**What do your Directors recommend?**	Your Directors unanimously recommend that you **ACCEPT** the Offer in the absence of a Superior Proposal. The reasons for your Directors' recommendation is set out in Section 1. The possible reasons for not following your Directors' recommendation are set out in Section 2.
6.	**What do the Directors intend to do with their PCA Shares?**	Each Director intends to accept, or procure the acceptance of, the Offer for any PCA Shares owned or controlled by them, in the absence of a Superior Proposal. As at the date of this Target's Statement, the PCA Shares owned or controlled by the Directors represent 12.93% of PCA's issued capital.
7.	**What choices do I have as a PCA Shareholder?**	As a PCA Shareholder, you have several choices available to you in relation to how you respond to the Offer. Each of these choices carries certain implications which you should carefully consider in light of your personal circumstances and having regard to any advice you receive from your broker or other professional adviser(s), which advice you are encouraged to seek. As a PCA Shareholder, you may: • accept the Offer for all of your PCA Shares; • reject the Offer by doing nothing; or • sell all or part of your PCA Shares to a third party (unless you have previously accepted the Offer). **The Directors recommend that, in the absence of a Superior Proposal, you accept the Offer.**

	Question	Answer
8.	**How do I accept the Offer?**	To accept the Offer, you must follow the instructions set out in section 5 of Appendix 1 to the Bidder's Statement and the instructions set out on the Acceptance Form attached to the Bidder's Statement.
9.	**Can I accept the Offer for only part of my holding?**	No, you can only accept the Offer for all of your PCA Shares.
10.	**Are there any conditions to the Offer?**	No, the Offer is unconditional. If you accept the Offer, Bega will acquire your PCA Shares and you will not be able to accept any other offer.
11.	**When will I receive the Offer Consideration?**	If you accept the Offer, Bega will pay or provide you the Offer Consideration by the earlier of:[4] • 5 Business Days after the Offer is validly accepted by you; and • 5 Business Days after the end of the Offer Period. Refer to section 10.1 of Appendix 1 to the Bidder's Statement for further information.
12.	**What are the consequences of accepting the Offer now?**	If you accept the Offer, Bega will acquire your PCA Shares and you will not be able to accept any other offer.
13.	**In what circumstances can I withdraw my acceptance?**	If you have accepted the Offer, you will not be able to withdraw the acceptance.
14.	**Can Bega vary the Offer?**	Yes. Bega can vary the Offer in any of the ways permitted by the Corporations Act, including by extending the Offer Period or by improving the Offer Consideration.
15.	**What happens if Bega improves the Offer?**	If you accept the Offer and Bega subsequently improves the terms of the Offer by increasing the Offer Consideration, you will be entitled to the increased Offer Consideration.
16.	**How do I reject the Offer?**	To reject the Offer, you do not need to do anything.
17.	**When does the Offer Period close?**	The Offer Period is currently scheduled to close at 6.00pm (Brisbane time) on 20 December 2017, unless the Offer is extended or withdrawn.
18.	**Can the Offer be withdrawn?**	Bega may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent. Bega may not withdraw the Offer if you have already accepted it.
19.	**Can the Offer be extended?**	Yes. The Offer Period can be extended as permitted by the Corporations Act. See Section 5.4 for details of the circumstances in which the Offer Period can be extended.
20.	**When do I have to make a decision?**	If you wish to accept the Offer, you need to do so before the scheduled close of the Offer Period. Bega has stated that the Offer remains open until 6.00pm (Brisbane time) on 20 December 2017, unless the Offer is extended or withdrawn. It is possible that Bega may choose to extend the Offer

[4] The Bidder's Statement states that payment by cheque will be mailed out by or on behalf of Bega within the specified periods, however the date on which you receive payment will be dependent on postal delivery times. PCA has not verified, and is not responsible for, this information.

	Question	Answer
		Period in accordance with the Corporations Act. In addition, the Offer Period may be extended automatically in certain circumstances.
21.	**What happens if I accept the Offer and a Superior Proposal is made for my PCA Shares after I accept?**	If you accept the Offer, you will not be able to accept an offer under a Superior Proposal. As at the date of this Target's Statement, no offer has emerged that the PCA Board considers to be a Superior Proposal.
22.	**Can I be forced to sell my PCA Shares?**	You cannot be forced to sell your PCA Shares, unless Bega proceeds to compulsory acquisition of PCA Shares. Section 5.8 contains information on the compulsory acquisition process.
23.	**What are the tax implications of accepting the Offer?**	Section 5.11 contains a general summary of the Australian tax consequences for PCA Shareholders who accept the Offer. All PCA Shareholders should read Section 5.11 in full and seek independent professional advice as to the tax consequences for them of accepting the Offer having regard to their own circumstances. In particular, non-Australian resident PCA Shareholders should seek their own taxation advice in relation to both the Australian and foreign tax consequences of accepting the Offer.
24.	**Do I pay stamp duty or brokerage if I accept the Offer?**	You will not pay stamp duty or brokerage fees on the disposal of your PCA Shares if you accept the Offer.
25.	**What if I am a foreign PCA Shareholder?**	If you are a foreign PCA Shareholder, or if you are determined to be a foreign PCA Shareholder at the discretion of Bega, and you accept the Offer, you will receive the Offer Consideration, however Bega may make a withholding equal to 12.5% of the consideration payable to you. Refer to section 7.3 of the Bidder's Statement for additional information.
26.	**Can I sell my PCA Shares to another person?**	You can sell your PCA Shares to another person, unless you have previously accepted the Offer in respect of those PCA Shares. If you sell your PCA Shares: • you will not benefit from any possible increase in the value of PCA Shares; and • you will not benefit from any possible increase in the Offer Consideration that may be provided under the Offer or any other offer, should one be made.
27.	**How can I get updates on the Offer?**	You can receive updates by visiting PCA's website at www.pca.com.au.
28.	**Who should I call if I have any questions?**	If you have any questions in relation to the Offer, you can call the Target Information Line on 1300 420 094 (within Australia) and +61 1300 420 094 (from outside Australia) between 7.30am to 4.00pm (Brisbane time) Monday to Friday.

5. Information about the Offer

5.1 Background

PCA commenced an extensive expression of interest process for a corporate transaction in February 2017. As a result of this process, on 10 November 2017, PCA announced that it had entered into a Placement Letter and Bid Implementation Agreement with Bega, pursuant to which Bega:

(a) subscribed for 19.99% of the issued PCA Shares at 83 cents per PCA Share; and

(b) agreed to make an unconditional, all cash off-market takeover bid for all PCA Shares at 83 cents per PCA Share.

Bega lodged its Bidder's Statement with ASIC on 14 November 2017 which sets out the terms of the Offer. A copy of the Bidder's Statement has been sent to all PCA Shareholders by post.

5.2 Consideration payable to PCA Shareholders who accept the Offer

Offer Consideration

The Offer Consideration, per PCA Share, being offered by Bega is cash of 83 cents per PCA Share. You will be paid or provided the Offer Consideration by the earlier of:

(a) 5 Business Days after the Offer is validly accepted by you; and

(b) 5 Business Days after the end of the Offer Period.

The Bidder's Statement states that payment by cheque will be mailed out by or on behalf of Bega within the periods specified above, however the date on which you receive payment will be dependent on postal delivery times. PCA has not verified, and is not responsible for, this information.

5.3 Offer Period

Unless the Offer is extended or withdrawn by Bega, the Offer will be open for acceptance until 6.00pm (Brisbane time) on 20 December 2017.

The circumstances in which Bega may extend or withdraw its Offer are set out in Sections 5.4 and 5.5, respectively.

5.4 Extension of the Offer Period

Bega may extend the Offer Period at any time before the end of the Offer Period. There will be an automatic extension of the Offer Period if within the last seven days of that period:

(a) Bega improves the Offer Consideration; or

(b) Bega's voting power increases to more than 50%.

If either of these events occurs, the Offer Period will be automatically extended so that it ends 14 days after the relevant event occurs.

Under the Corporations Act, the Offer Period may not be extended so that it lasts for more than 12 months.

Before you accept the Offer, Bega may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

5.5 Withdrawal of the Offer

Bega may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Bega may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

5.6 Effect of acceptance

The effect of acceptance of the Offer is set out in Appendix 1 of the Bidder's Statement. PCA Shareholders should read those provisions in full to understand the effect that acceptance will have on their ability to exercise the rights attaching to their PCA Shares and the representations and warranties which they give by accepting the Offer.

5.7 Your ability to withdraw your acceptance

As the Offer is unconditional, you will not be able to withdraw your acceptance once you have accepted the Offer.

5.8 Compulsory acquisition

Bega will be able to compulsorily acquire any outstanding PCA Shares for which it has not received acceptances on the same terms as the Offer if during, or at the end of, the Offer Period, Bega (taken together with its Associates):

(a) has a Relevant Interest in at least 90% (by number) of the PCA Shares; and

(b) has acquired at least 75% (by number) of the PCA Shares for which it has made the Offer.

If these thresholds are met, Bega will have one month from the end of the Offer Period within which to give compulsory acquisition notices to PCA Shareholders who have not accepted the Offer. The consideration payable by Bega will be the Offer Consideration last offered under the Offer.

If Bega does not become entitled to compulsorily acquire PCA Shares in accordance with the above procedures, it may nevertheless become entitled to acquisition rights under Part 6A.2 Division 1 of the Corporations Act.

PCA Shareholders may challenge any compulsory acquisition but this would require the relevant PCA Shareholder to establish to the satisfaction of a Court that the terms of the Offer do not represent fair value for their PCA Shares.

If PCA Shares are compulsorily acquired, PCA Shareholders are not likely to receive payment until at least one month after the compulsory acquisition notices are sent.

5.9 Superior Proposal

If you accept the Offer, you forfeit the opportunity to benefit from any better offer made by another bidder for your PCA Shares, if such an offer eventuates.

If you do not accept the Offer and no other offer eventuates, you will be subject to the risks outlined in Section 7.1, including that the price of PCA Shares may fall. Should another offer be announced during the Offer Period, PCA will issue a supplementary target's statement to PCA Shareholders.

5.10 Effect of an improvement in Offer Consideration on PCA Shareholders who have already accepted the Offer

If Bega improves the Offer Consideration under the Offer, all PCA Shareholders, whether or not they have accepted the Offer before that improvement in Offer Consideration, will be entitled to the benefit of that improved Offer Consideration.

5.11 Taxation

General introduction

This is a general overview of the Australian taxation consequences for PCA Shareholders who accept the Offer.

The comments below are relevant only to Australian resident PCA Shareholders who hold their PCA Shares on capital account. The information in this section does not apply to PCA Shares held on revenue account or to which the Taxation of Financial Arrangements provisions apply. The information in this Section 5.11 also does not apply to PCA Shares acquired in respect of employment.

In particular, non-Australian tax resident PCA Shareholders should seek their own taxation advice in relation to both the Australian and foreign tax consequences of accepting the Offer, having regard to their own circumstances.

All PCA Shareholders should seek full and independent professional advice as to the tax consequences for them of accepting the Offer having regard to their own circumstances.

The following general overview is based upon the Australian law and administrative practice in effect at the date of this Target's Statement. It is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of each individual PCA Shareholder.

Capital Gains Tax consequences

Acceptance of the Offer will constitute a disposal by PCA Shareholders of their PCA Shares by way of transfer to Bega. The change in ownership effected by the transfer of PCA Shares will constitute a Capital Gains Tax (**CGT**) event for Australian tax purposes.

Where the Offer does not proceed, no CGT implications will arise.

PCA Shareholders that are Australian residents may make a capital gain or capital loss on disposal of the PCA Shares. A capital gain may be made to the extent the capital proceeds received on disposal are greater than the cost base of the PCA Shares at the date of disposal. Conversely, a capital loss will be recognised to the extent that capital proceeds received from the disposal are less than the reduced cost base of the PCA Shares at the date of disposal.

The capital proceeds recognised will comprise the Offer Consideration received by PCA Shareholders.

The cost base of the PCA Shares will generally comprise of the cost of the acquisition, including any incidental costs incurred (e.g. brokerage fees).

Resident individuals, complying superannuation entities and trustees that have held PCA Shares for at least 12 months prior to disposal should be eligible to a discount on the capital gain recognised (**CGT Discount**). The CGT Discount is applied to any capital gain remaining after utilisation of available current year and prior year capital losses. Generally, individuals and trustees are entitled to a discount rate of 50 per cent, and complying superannuation entities are entitled to a discount rate of 33.33 per cent.

Companies that are PCA Shareholders, excluding those who are acting in their capacity as a corporate trustee of a trust, are not eligible to apply the CGT Discount.

The CGT Discount also does not apply to any capital loss recognised on disposal.

Any resulting net capital gain will be included in the assessable income of the PCA Shareholder and will be subject to income tax.

If a capital loss is recognised on disposal, the capital loss may be offset against other capital gains arising in the same year of income, prior to the application of the CGT Discount. Any remaining capital loss amount may be carried forward to offset against future capital gains, but not future assessable non-capital gains income.

CGT consequences specific to Grower Shareholders

If you are a PCA Shareholder who received PCA Shares as a gift pursuant to PCA's restructure in 1992 (**Grower Shareholders**), then the below information will be relevant to you. All other PCA Shareholders should disregard this information. This information also does not apply to any additional PCA Shares that a Grower Shareholder may have acquired subsequent to the restructure.

PCA, through its tax advisers at the time, obtained a ruling from the Australian Taxation Office on 21 April 1992 stating that the gifted PCA Shares were to be considered a capital receipt and not assessable as income. Accordingly, this means that the gifted PCA Shares will be subject to CGT when they are sold. The cost base of the PCA Shares received was calculated at the time to be $2.52 per PCA Share.

As a result, for Grower Shareholders (as defined above) there will be no CGT payable in relation to the PCA Shares gifted as part of PCA's 1992 restructure.

Goods & Services Tax consequences

Holders of PCA Shares should not be liable for any Goods & Services Tax (**GST**) on disposal. There will be no GST implications for PCA Shareholders not registered for GST or required to be registered for GST. Where the PCA Shareholder is registered for GST or required to be registered for GST, the sale of the PCA Shares will be treated as an input taxed financial supply. In the instance where the PCA Shareholder is registered for GST or required to be registered for GST, it is recommended independent advice is sought regarding whether any input tax credits are claimable on costs associated with the disposal of PCA Shares.

6. Information on PCA

6.1 Overview of PCA and its principal activities

PCA is Australia's leading processor and supplier of Hi-Oleic peanuts to domestic and overseas customers.

PCA was originally established in Queensland in 1924 as the Peanut Marketing Board. The Peanut Marketing Board was restructured as a corporate entity and PCA was registered in 1992 as a company, with its shareholders being predominantly growers at that time.

PCA is involved in the whole peanut processing value-chain (with the exception of growing) from developing new peanut crop varieties to drying and shelling, grading, blanching, sorting, roasting and granulating the final product.

Harvested peanuts are delivered to PCA's processing facilities and processed into saleable products, which include:

(a) peanuts in shell – Virginia and Runner varieties;

(b) peanut kernels – skins on (raw), skins off (blanched), splits and flavoured; and

(c) other peanut products – granulated, roast fines, paste and oil.

PCA has also commenced the sale of retail ready products under its own "Picky Picky" brand in the snacking and oil categories as well as manufacturing snacking products for third parties.

PCA is located in key Australian peanut growing regions, with operating facilities at Kingaroy, Gayndah and Tolga in Queensland.

PCA's assets also include a valuable gene pool and water rights.

6.2 Directors of PCA

Details of Directors

Ian Langdon, Chairman and Non-Executive Independent Director
BCom, MBA, Dip Ed, FCPA, FAICD

Ian was appointed as Chairman in March 2008 having joined the PCA Board in March 2005. Ian is also chairman of the Audit and Risk Management Committee. He is currently Chairman of the Gold Coast Hospital and Health Board. His previous appointments include Chairman of Australian Co-operative Foods Ltd (the Dairy Farmers Group), and board positions included Rabo Bank Australia Limited, Delta Electricity and Pivot Limited. Ian has held various positions in tertiary education including Associate Professor and Dean of Business Faculty at Griffith University (Gold Coast Campus), Dean of Business at The Darling Downs Institute of Technology (now University of Southern Queensland) and Senior Lecturer in finance at Deakin University.

Niven Hancock, Independent Non-Executive Director

Niven was appointed as non-executive Director on 24 August 1992. Until February 2009, he conducted peanut farming operations at Kumbia in the South Burnett in Queensland. He is also a member of the Audit and Risk Management Committee.

Brett Heading, Non-Executive Director
BCom LLB (Hons) FAICD

Brett was re-appointed as non-executive Director on 30 November 2012. Through his family company Technology Farmers Pty Ltd, he has been a substantial shareholder for many years. He is an experienced corporate lawyer and company director. Brett's family has been involved in the South Burnett for over 110 years and he currently has beef, wine (Clovely Estate) and olive interests in this region.

6.3 Management of PCA

John Howard, Chief Executive Officer
MBA

John commenced with PCA as the Director of Supply and Operations on 21 September 2009 and was appointed Chief Executive Officer on 30 November 2012. Prior to joining PCA, John held the positions of General Manager Commercial / Procurement at Golden Circle and Commercial Director at Mars Food.

Don Mackenzie, Company Secretary

Don was appointed Company Secretary in November 2004, and provides his services on a part time basis. After working in Chartered Accounting firms and becoming a Chartered Accountant, he held senior positions with public companies in the rural and manufacturing industries. In 1993, he began providing corporate services to companies in a wide range of industries and has held positions as a Director and or Company Secretary of publicly listed and unlisted companies.

6.4 Structure of PCA

The PCA group comprises PCA and its 100% owned subsidiary PMB Australia Pty Ltd, a non-operating entity.

A copy of PCA's Constitution is available at www.pca.com.au.

6.5 Financial position of PCA

PCA consolidated statement of financial position

On 27 June 2017, PCA released its 2017 Annual Report for the year ended 31 March 2017. An extract from PCA's audited Consolidated Statement of Financial Position as at 31 March 2017 (as contained in PCA's 2017 Annual Report) is set out below:

	31 March 2017 $'000
Cash and cash equivalents	108
Property, plant and equipment	31,148
Other	21,323
Total assets	**52,579**
Employee Provisions	(1,894)
Other liabilities	(30,145)
Total liabilities	**(32,039)**
Net assets	**20,540**
Net assets per PCA Share (on an undiluted basis)	$2.26

Further details can be found in PCA's 2017 Annual Report.

As noted above, the net assets per PCA Share (on an undiluted basis) as at 31 March 2017 was $2.26. As at the date of this Target's Statement, the net assets per PCA Share is approximately $1.36 (on a fully diluted basis, including the PCA Shares to be issued to EMU on conversion of the NAB Warrant and the PCA Shares to be issued to Bega pursuant to Bega's anti-dilution right under the Placement Letter). The PCA Board is in the process of finalising PCA's end of financial year accounts and expects an asset impairment to further reduce this figure.

Historical financial information of PCA

An extract of PCA's Consolidated Statement of Comprehensive Income as at the end of FY15, FY16 and FY17 is shown the following table:

		FY17	FY16	FY15
Revenues	$'000	52,582	52,762	55,083
Earnings (loss) before interest, tax, depreciation and amortisation (EBITDA)	$'000	283	4,289	2,440
Earnings (loss) before interest and tax (EBIT)	$'000	(2,711)	2,482	1,055
Net operating profit (loss) before tax (NPBT)	$'000	(4,367)	879	(450)
Net operating profit (loss) after tax (NPAT)	$'000	(4,935)	1,210	(17)
Total assets	$'000	52,579	53,983	50,254
Net assets per share		$2.26	$2.42	$2.33
Basic earnings per share		($0.54)	$0.13	$0.00
Diluted earnings per share		($0.41)	$0.10	$0.00
Dividends per share		-	-	-
Issued shares		9,086,382	9,086,382	9,086,382
Weighted average number of shares		9,086,382	9,086,382	9,086,382
Weighted average number of shares/warrants		12,115,177	12,115,177	12,115,177

7. Risks

7.1 Risks associated with not accepting the Offer and continuing as a PCA Shareholder

There are various risks associated with an investment in PCA that PCA Shareholders should be aware of before deciding whether or not to accept the Offer. There are specific risks affecting the operations of PCA and other companies operating in the agribusiness industry as well as general risks affecting the price of PCA Shares as with any investment in shares.

Set out below is a summary of some of these risks associated with an investment generally, as well as those risks with are specific to an investment in PCA. They are not exhaustive and are relevant to PCA Shareholders as at the date of this Target's Statement and will continue to be relevant to PCA Shareholders who may remain PCA Shareholders following completion of the Offer.

Risks specific to an investment in PCA

Minority ownership consequences

Maintaining your investment in PCA may have the following risks, depending on the outcome of the Offer:

- if you choose not to accept the Offer and Bega subsequently exercises compulsory acquisition rights, you will be compelled to sell your PCA Shares to Bega but may not receive the consideration for some time;
- if you choose not to accept the Offer and Bega is not able to exercise its compulsory acquisition rights (as discussed in Section 5.8), then Bega may acquire control of PCA (including if it acquires more than 50% of the PCA Shares). This has a number of possible implications for remaining PCA Shareholders, including:
  - Bega (and its Associates) may be in a position to cast a majority of votes at a general meeting of PCA. This would enable it to control the composition of the PCA Board and senior management, determine PCA's dividend policy and control the strategic direction of the business;
  - there may be a substantially reduced number of PCA Shares that are available for trading, thereby further reducing the liquidity of PCA Shares and making it more difficult for you to sell your PCA Shares;
  - if Bega (and its Associates) acquires a Relevant Interest in 75% or more of the PCA Shares, Bega will be able to pass a special resolution. This will enable Bega to, among other things, change PCA's Constitution; and
  - while Bega's intentions for PCA are described in Section 5 of the Bidder's Statement, those intentions may change; and
- if you choose not to accept the Offer and Bega does not acquire a Relevant Interest in more than 50% of the PCA Shares, Bega may nevertheless exercise effective control over PCA.

Impact of PCA's strategy

As outlined in Section 3.1, PCA has in recent years taken steps to implement its new strategic plan since the debt for equity swap that was undertaken with the National Australia Bank in 2013. While PCA developed the strategy to take advantage of the increasing demand for healthier, Australian products and the short supply of Hi Oleic peanuts there are also risks associated with the strategy, some of which have been outlined below such as capital needs and exposure to the retail environment. There is no guarantee that the benefits resulting from the strategy will be fully realised in the short to medium term.

Funding requirements

PCA's current strategy requires considerable capital and marketing investment. If PCA is unable to maintain profitability, PCA will likely need additional funds in the future to continue to develop and operate its business. PCA's operating plan could also change as a result of many factors which could lead to an increased need for capital. It is possible that PCA may not be able to raise funds on favourable terms, or at all. Debt financing may also not be available to support the scope and extent necessary to carrying out PCA's plans. PCA's requirements for additional capital may be substantial and could require additional funding on an ongoing basis. There is a risk that if PCA cannot obtain funding, it may impact on PCA's financial performance.

Retail environment conditions in Australia may deteriorate

The financial performance of PCA is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation and interest rates. As the retail products sold by PCA are discretionary items for many customers, the Company is exposed to a deterioration in general economic and business conditions. A reduction in consumer spending or a change in spending patterns is likely to result in a reduction in PCA's financial performance.

Supply of Peanuts

PCA is exposed to fluctuations in the volume and quality of peanuts supplied by its growers, as well as its access to imports. Farmers may plant and harvest differing volumes of peanut crops each year as a consequence of factors including drought, the availability of irrigation, relative prices of peanuts versus other crops and buying prices offered by PCA.

Fluctuations in volumes of supply and quality may adversely affect PCA in the short term due to under or over supply from season to season, and the demand, as well as the price paid, for peanuts over the longer term. Surplus volumes of peanuts may result in greater volumes being sold on the world market at or below prevailing commodity prices, which may damage the pricing of peanuts in certain markets. Conversely, a short supply of peanuts may adversely impact PCA's financial performance and its customer relationships, particularly if PCA is unable to meet the demand level of its customers pursuant to the terms of any customer contracts.

Timing of harvests

Delayed harvests of peanuts, principally due to adverse weather impacts on harvesting, potentially exposes PCA to lost profitability within the relevant financial year as a consequence of reduced volume and reduced overhead recovery.

Production costs

Historically, production methods for peanuts in Australia have been more costly than those faced by foreign competitors. PCA's profitability could be further adversely affected if local production costs increase relative to foreign competitors, production efficiencies cannot be realised or if foreign competitors can realise greater production efficiencies and further decrease their relative production costs.

Seasonal (climate) risk

In addition to the overall trend of drought in Australia, climatic conditions directly affect the business operations of PCA from year to year. Crops require specific soil moisture, temperature and sunshine at certain points of the growth cycle. A surplus or deficiency in the climatic conditions can affect both the quality and quantity of the harvest.

The critical period for sowing peanuts is broadly between October and December each year. If irrigation or rainfall is not available between planting and early in the following year, yields will be small, potentially impacting PCA's local supplies and overall financial performance.

Allergen awareness

PCA recognises that food allergies are a serious issue which creates real concerns in the community.

From time to time, the public becomes more concerned about allergens. This may in turn impact on PCA's financial performance.

Change in water regulations

In recent years, there have been legislative and regulatory changes to the laws governing water allocations. There is a risk there may be further changes to the conditions of water allocations and the quantum of water allocations, whereby the benefits attached to those allocations are reduced.

Water sustainability

Changes in the global environment are expected to continue to affect climate conditions and reduce the sustainability of water supply for irrigation in certain areas of Australia. PCA has already identified and acted upon the diminished peanut supply from the South Burnett, where predominantly dryland crops rely on rainfall before and during the growing period as the effects of climate change have made rainfall in this area unreliable. Irrigated crop production requires constant and reliable access to water, which is still subject to the adverse effects of climate change.

PCA may not be able to successfully mitigate climatic risks (including drought), thus exposing itself to a risk of diminished ability to grow and harvest, or otherwise source, profitable volumes of quality peanuts from irrigated farms. Such occurrences could have an adverse impact on the future financial performance of PCA.

As a secondary effect of a reduction in consistent availability of water in certain areas, the electricity supply in Queensland may be disrupted and impact the operation of irrigation schemes and on farm pumping, and possibly PCA's drying and processing capacities.

International peanut prices

The price for peanuts on the world market can move significantly within seasons and between seasons. In the lead up to price peaks, PCA is exposed to the possibility that competitors and speculators may buy and import large volumes of peanuts, causing disruption to the Australian market.

Despite the cyclical nature of the international prices, PCA may not be able to successfully monitor the price cycles and implement effective methods to mitigate PCA's exposure to short supplies and high prices.

Pests and diseases

Under certain circumstances, insect pests, diseases, vermin or noxious weeds may negatively affect crop production and yields. The impact of pests and diseases may result in failure of crops.

Additionally, PCA (as with all food manufacturers) is exposed to negative commercial impacts arising from the possibility of contamination of its end product e.g. salmonella and aflatoxin.

Intellectual property

PCA has a substantial investment in a financial and strategic sense in its peanut cultivar development program and the success and longevity of its existing cultivars. These assets allow PCA and its grower suppliers to obtain the yields and cost economies necessary to operate profitably in a competitive environment. Some of these cultivars have been grown for some years and are proven. Some newer varieties are not fully introduced and the success of their specific attributes is not as certain (e.g., will a particular variety really replicate its field trial success in broader use?). If the expected improvements in crop efficiency from recent or new cultivars are not realised, its grower suppliers may not be able to sustain yields and PCA may have to absorb higher operating costs in order to obtain sufficient supply.

Machinery

PCA is dependent on key items of machinery to process its food products. The breakdown of equipment could adversely impact PCA's continuity of operations and, depending on the period the machines are inoperable, could severely reduce PCA's productive capacity.

Research under contract

In order to continue PCA's research and development of its plant varieties, PCA enters into new business initiatives with individuals, corporations and academic and government bodies. Such arrangements can expose PCA to risks commonly associated with such ventures including success rates, supply of services and the assimilation of the new operations and personnel into PCA.

While there can be no assurance that every potential venture will lead to successful outcomes, PCA has a strong track record in developing successful and beneficial cultivars.

Performance of agreements

There is a risk that counterparties to agreements with PCA do not perform their obligations under those agreements. This could adversely affect the profitability of PCA, the value of its assets or the price of the PCA Shares.

Reliance on key customers

The majority of PCA's sales are to customers within Australia and most of those sales are to a small number of major food processors. A loss of any one of these customers could, in the short term, cause a significant reduction in the volume of business.

Competition

Notwithstanding that PCA is the largest processor of peanuts in Australia and has differentiated its products by pursuing new cultivars and the adoption of Hi-Oleic varieties and standards of processing which are difficult for smaller processors to meet, there is still substantial competition from other processors and, more importantly, from traders importing peanuts from overseas.

PCA's ability to successfully meet these challenges through product differentiation (e.g. Hi-Oleic peanuts) and superior quality, and by education of its major customers to the advantages of its products, may decline over the long term.

Regulation and legal issues

The Company's business is subject to a number of regulatory requirements, particularly in respect of food hygiene and production standards. In addition, PCA is also subject to general competition law, which has a significant influence in the business, operations and competitive environment. Changes in the laws, regulations and government policy, especially those relating to food standards, use of chemical pesticides as well as food imports and water rights, may adversely affect PCA.

While PCA may implement and maintain high food hygiene and production standards internally, PCA may be not be able to influence the standards of its suppliers, other than to offer education programmes to farmers to educate them about safe application of chemicals on crops, harvesting, drying, processing and storing methods. A failure to detect substandard operations and peanut products could negatively impact the business, branding and profitability of PCA, and may ultimately expose PCA to legal action.

At present, PCA is not aware of any such regulatory or legal issues in any of the jurisdictions in which PCA operates.

Legal action

PCA is not aware of any material legal claims against it, or grounds for the making of a material claim, however there is the possibility legal action may be taken against PCA directly or involving PCA by virtue of its connection with other parties with which it has or had contractual, employment or collaborative relationships, or related to the supply of its food products. The extent of any such claim cannot be ascertained at this time, but a risk exists that costly litigation or disputes may adversely affect the profitability of PCA, the value of its assets, or the price of PCA Shares.

Key personnel

The success of PCA depends on the ability to retain the members of the PCA Board and senior management, as well as to attract additional talented personnel. PCA has negotiated contracts for key employees. These contracts do not guarantee the continued involvement of PCA Board members or employment of senior management. The loss of key employees could cause material disruption to the businesses and operations and have an adverse impact on the future financial performance of PCA.

Industrial relations

PCA's operating and financial success will depend partly upon the performance, efforts and expertise of its employees. Industrial action by employees could disrupt PCA's operations significantly, particularly during harvesting.

PCA has an enterprise agreements in place. In addition, PCA hires casual employees over the harvest period and alters the number of employees hired based on the harvest size.

Ability to pay dividends

The payment of dividends by PCA is at the discretion of the PCA Board and will be determined by a number of factors, including the general business environment, the operating results, cash flows, the general financial condition of PCA, future funding requirements, capital management initiatives, taxation considerations (including in particular the level of franking credits that may be available) and any other factors the PCA Board considers relevant.

Insurance

PCA carries Industrial Special Risk, combined General and Products liability, Motor Vehicle, Corporate Travel, Group Personal Accident, Marine Transit, Directors and Officers Liability and Company Reimbursement, Employment Practices Liability, Professional Indemnity, Crime, Corporate Practices Protection and Product Contamination insurance covering its business activities. There are, however, types of losses, such as from floods and earthquakes or other unforeseen circumstances that are generally not insured at replacement cost or that are insured subject to large deductibles.

The scope of any renewal of existing insurance and the availability of new coverage will be dependent upon a number of factors such as the continued availability of coverage, the nature of risks to be covered, the extent of the proposed coverage and costs involved.

General investment risks

As with any entity, the future prospects and performance of PCA and the value of PCA Shares are affected by a wide variety of factors. Some of the key factors are set out below. These factors may result in fluctuations to the market price of PCA that are not explained by the fundamental operations and activities of PCA.

Illiquid market

PCA has received an ASIC exemption to operate a low volume financial market. 'Low volume' means not more than 100 completed transactions that have a total value (aggregate sale price) of not more than $500,000 in a 12 month period.

PCA Shares cannot be readily traded in an illiquid market. The current status of PCA, as an unlisted public company, means that there will not always be a market for trading PCA Shares. As a result, potential investors may have only a limited opportunity to sell their PCA Shares and may therefore have to bear the economic risk of holding the present investment in the PCA Shares for an indefinite period of time.

The ability to sell (or buy) shares in PCA after the close of the Offer will depend upon PCA's progress and financial performance, the number and spread of PCA Shareholders, and the range of other factors associated with all of the risks highlighted in this Target Statement.

General economic conditions

PCA's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates, could be expected to have a corresponding adverse impact on PCA's operating and financial performance.

Any prolonged economic slowdown of global economies may also adversely impact PCA's financial and operating performance.

No guarantee can be made that PCA's operating and financial performance will not be adversely affected by any such market fluctuations or factors. Neither the PCA Board, PCA, or any person associated with the Offer guarantees the future performance of PCA or the price of PCA Shares.

Force majeure events

Certain events outside the control of PCA may occur within or outside Australia that could impact upon the global and Australian economies, the operations of PCA and the price of the PCA Shares. These events include but are not limited to 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 or occurrences that can have an adverse effect on PCA's financial performance.

Exchange rate fluctuations

To the extent that PCA sells or acquires goods in a denomination other than the Australian dollar, movements in currency exchange rates have the potential to have an adverse impact on the future financial performance of PCA. Even where PCA sells or acquires goods in Australian dollars, if those goods are sourced from or exported to overseas countries, PCA will be exposed to potential adverse exchange rate movements. PCA may not be able to successfully mitigate such risks by the use of hedging instruments, such as forward sales or futures markets.

The price of peanuts peaks from season to season. PCA may be adversely affected by the relatively high cost of importing peanut supplies, especially if the value of the Australian dollar declines in comparison to foreign currencies.

Interest rate risk

PCA has significant current and non-current borrowings. Due to the seasonal nature of the business, PCA is reliant upon its ability to access debt funding on a seasonal basis, primarily to fund harvesting costs associated with agricultural crops. Significant interest rate increases in the short term as well as prolonged incremental increases in interest rates may adversely impact PCA's profitability.

If there is a prolonged deterioration in global financial markets, PCA may not be able to successfully mitigate its exposure to interest rate related risks by accessing fixed rate finance arrangements and participating in appropriate hedging.

Accounting standards

Australian accounting standards are set by the Australian Accounting Standards Board (**AASB**) and are outside the Directors' and PCA's control. Section 296 of the Corporations Act requires companies to comply with the accounting standards. Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in PCA's financial statements.

Tax

A change to the current taxation regime in Australia or overseas may affect PCA and PCA Shareholders. Personal tax liabilities are the responsibility of each individual investor. PCA is not responsible, either for taxation or penalties, incurred by investors.

7.2 Risks associated with accepting the Offer

Possibility of Superior Proposal emerging

A Superior Proposal may emerge (though the Board can give no assurance that this will occur). By accepting the Offer, you will not be able to accept any Superior Proposal that may be made and you will not be able to obtain any potential benefit associated with any such Superior Proposal.

Possible appreciation of your PCA Shares in the future

You may be able to sell your PCA Shares in the future for more valuable consideration than the Offer Consideration (although the Board can give no assurances and make no forecast of whether this will occur).

Taxation consequences of accepting the Offer

The taxation consequences of disposing of your PCA Shares pursuant to the Offer depend on a number of factors and your particular circumstances. A general outline of certain Australian tax considerations of such a disposal is set out in Section 5.11. You should seek your own specific professional tax advice as to the taxation implications applicable to your circumstances.

Net asset backing

The net assets book value of PCA as at 31 March 2017 was approximately $20.54 million as set out in PCA's 2017 Annual Report, representing a net assets per PCA Share of $2.26 (on an undiluted basis) and, as at the date of this Target's Statement, the net assets per PCA Share is approximately $1.36 (on a fully diluted basis).[5] The Independent Expert has assessed a value per PCA Share of $0.60 to $1.07. Further information is set out in Section 6.5 and the Independent Expert's Report.

PCA's earnings may increase

You may take the view that PCA's earnings may increase in the future, which will likely improve PCA's valuation. This may occur if PCA is able to increase its harvests or if PCA improves its retail sales, namely its range of "Picky Picky" snacking products.

[5] On a fully diluted basis, including the PCA Shares to be issued to EMU on conversion of the NAB Warrant and the PCA Shares to be issued to Bega pursuant to Bega's anti-dilution right under the Placement Letter.

8. Additional information

8.1 Other material information

This Target's Statement is required to include all the information that PCA Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer, however:

- only to the extent to which it is reasonable for PCA Shareholders and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is actually known to any Director.

The Directors are of the opinion that the information that PCA Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement; and
- the information contained in this Target's Statement.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate. However, the Directors do not take any responsibility for the contents of the Bidder's Statement and are not taken to be endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- the nature of the PCA Shares;
- the matters that PCA Shareholders may reasonably be expected to know; and
- the fact that certain matters may reasonably be expected to be known to PCA Shareholders' professional advisers.

8.2 Bid Implementation Agreement

On 10 November 2017, PCA and Bega entered into the Bid Implementation Agreement in relation to the Offer.

A summary of the Bid Implementation Agreement is set out in section 8.1 of the Bidder's Statement.

8.3 Acquisition by Bega of PCA Shares during the previous four months

On 10 November 2017, PCA and Bega entered into the Placement Letter, pursuant to the terms of which Bega subscribed for 2,270,176 PCA Shares at 83 cents per PCA Share.

In accordance with the terms and conditions of the Placement Letter, PCA amongst other things granted anti-dilution rights and a board observer right to Bega. A summary of these rights is set out in section 8.4 of the Bidder's Statement.

8.4 PCA's issued securities

As at the date of this Target's Statement, PCA has issued 11,356,558 PCA Shares.

8.5 Substantial holders of PCA Shares

As at the date of the Bidder's Statement (14 November 2017), and based on information available to PCA, the substantial holders of PCA Shares, the number of PCA Shares in which they had a Relevant Interest and their voting power in PCA is as set out below:

Substantial holder	Number of PCA Shares in which it has a Relevant Interest	Voting Power
Bega Cheese Limited	2,270,176	19.99%

Equity Management Unit Holdings Pty Ltd	1,817,276	16.00%
Southland Stokers Pty Ltd	1,411,039	12.42%
Technology Farmers Pty Ltd	1,323,960	11.66%

8.6 Interests of Directors in securities of PCA

The following table provides information about each Director as at the date of this Target's Statement in respect of the number of PCA Shares in which the Director has a Relevant Interest. Other than as set out below, the Directors do not have an interest in any other securities in PCA.

Name of Director	Number of PCA Shares in which the Director has a Relevant Interest	Voting Power
Ian Langdon[1]	73,561	0.65%
Brett Heading[2]	1,349,771	11.89%
Niven Hancock[3]	44,174	0.39%
Total	**1,467,506**	**12.93%**

1. Relevant Interest in PCA Shares held by I A Langdon & C G Langdon <Langdon Super Fund A/C>.
2. Relevant Interest in PCA Shares held by Technology Farmers Pty Ltd (1,323,960 PCA Shares) and Erica Williams, Phillip Harvey & James Heading <A M JENKINS TDT NO 1 A/C> (25,811 PCA Shares).
3. Relevant Interest in PCA Shares held by Niven Vaughan & Toni Ann Hancock T/A Candowie Farming Company.

8.7 Dealings by Directors in the securities of PCA or Bega

There has been no dealing by any of the Directors in any securities of PCA or Bega in the four months preceding 28 November 2017, the last practicable date before the date of this Target's Statement.

8.8 Interests and dealings in Bega (or its Related Bodies Corporate)

No Director has a Relevant Interest in any securities in Bega (or its Related Bodies Corporate).

8.9 Benefits to Directors

Except as set out in this Target's Statement:

- there is no payment or other benefit that is proposed to be made or given to any Director, secretary or executive officer of PCA (or any of its Related Bodies Corporate) as compensation for the loss of, or as consideration for, or in connection with, his or her retirement from office in PCA or any of its Related Bodies Corporate as a consequence of, or in connection with, the Offer and no Director, secretary or executive officer of PCA (or any of its Related Bodies Corporate) has had, or is to have, the amount of any payment or benefit which may be made to them upon their loss of office or retirement from officer materially affected by the Offer;
- the Directors do not have any other interests in a contract entered into by Bega;
- there are no contracts or arrangements between a Director and any person in connection with, or conditional upon, the outcome of the Offer; and
- the Directors do not have a material interest in relation to the Offer.

Mr Brett Heading is a Director and is also a Partner of Jones Day. Jones Day has advised the Company in relation to the Placement Letter, Bid Implementation Agreement and the preparation of this Target's Statement.

A fee in respect of the legal services will be paid to Jones Day in accordance with their normal time-based charges.

8.10 NAB Warrant

At a general meeting of PCA Shareholders held on 27 September 2013, PCA Shareholders approved the grant by PCA to Equity Management Unit Holdings Pty Ltd (**EMU**), a wholly owned subsidiary of National Australia Bank Limited, of a warrant in PCA which gives the holder the right to be granted 3,028,795 PCA Shares for $1 in aggregate (**NAB Warrant**). The NAB Warrant was granted in accordance with the terms and conditions of a Subscription and Warrant Deed dated on or about 19 August 2013 and varied by deed dated 10 November 2017 (**Warrant Deed**).

Other than as consented to by Bega, PCA has agreed not to modify or exercise any rights or take any action under, the Warrant Deed pursuant to the Bid Implementation Agreement.

The terms of the NAB Warrant are summarised below.

Exercise period	The period commencing on the date of issue of the NAB Warrant, being 27 September 2013, and ending on the earlier of: • the date the NAB Warrant has been fully exercised; • the date the NAB Warrant has been fully cancelled (in accordance with the cancellation provisions, described below); • the date that is 10 years from the date of subscription of the NAB Warrant; and • the date which is five years after the date on which PCA is admitted to the official list of the ASX. The NAB Warrant may be exercised in whole or in part and on one or more occasions (on the relevant Exercise Dates) at the discretion of the Warrant Holder (on the giving of an exercise notice). The partial exercise of the NAB Warrant does not affect NAB Nominee's right to exercise the balance of the NAB Warrant at any later time during the Exercise Period. Subject to: • Bega undertaking a takeover bid on the terms and conditions of the Bid Implementation Agreement; and • PCA having lodged this Target's Statement with ASIC, EMU has irrevocably agreed to exercise the NAB Warrant in whole within five Business Days of PCA providing notice that the conditions have been met.
Exercise dates	The NAB Warrant may be exercised on the 13th day of May, August, November and February of each year (or any date specified in the exercise notice if EMU assigns, sells, transfers or disposes the NAB Warrant to a party outside of the NAB group).
Cancellation of NAB Warrant	The NAB Warrant may be cancelled at any time if a "change of control event" occurs, including where a takeover bid is made to acquire some or all of the PCA Shares (and certain threshold steps are met, including for example (but not limited to) that the offer is or becomes unconditional and all regulatory approvals have been obtained). PCA must pay to the holder of the amount that the holder of the NAB Warrant would have received had the NAB Warrant been converted into PCA Shares. Pursuant to the terms of the Bid Implementation Agreement, if the NAB Warrant is not converted to PCA Shares and has not otherwise been acquired by Bega, Bega may elect that PCA cause the NAB Warrant to be cancelled, provided that any consideration for such cancellation will be funded by Bega.

8.11 Potential impact of Offer on material contracts

Several of PCA's key customer contracts contain provisions regarding a change of control (**Relevant Contract**). Some of these change of control provisions may be triggered depending on the level of acceptances of Bega's takeover bid. If triggered, these provisions may lead to adverse consequences for PCA, including the potential loss of revenue.

Some of the Relevant Contracts require consent to be sought for a change of control. In other cases, the counterparty of a Relevant Contract may require additional information to show that the change of control will not have a material effect on the ability of PCA to supply products. Where consent is not received, a change of control may give rise to termination rights (of either specific purchase orders or the underlying agreement) in favour of the counterparties.

8.12 Consents

Each of the persons listed below has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to the inclusion of the statements in this Target's Statement that are specified below in the form and context in which the statements are included and to the inclusion of all references in this Target's Statement to those statements in the form and context in which they are included:

Consent to inclusion of a statement

Each Director has consented to being named as a Director and to the inclusion of statements made by him.

Consent to be named

The following parties have given and have not, before the date of this Target's Statement, withdrawn their consent to be named in this Target's Statement in the form and context in which they are so named:

- Jones Day as Australian legal adviser to PCA;
- Ernst & Young Transaction Advisory Services Limited, as Independent Expert;
- Morgans Corporate Limited as corporate adviser to PCA; and
- each Director.

Disclaimer regarding statements made and responsibility

Each person named above as having given its consent to the inclusion of a statement or to being named in this Target's Statement:

- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Target's Statement with the consent of that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that party.

Each person referred to in Section 8:

- does not make, or purport to make, any statement in this Target's Statement other than those statements made in the capacity and to the extent the person has provided its consent, as referred to above; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this Section 8.12 with that person's consent.

8.13 Date of Target's Statement

This Target's Statement is dated 29 November 2017, which is the date on which it was lodged with ASIC.

9. Glossary

9.1 Definitions

Acceptance Form means the acceptance form(s) enclosed with the Bidder's Statement.

ASIC means Australian Securities and Investments Commission.

Associate has the meaning set out in section 12 of the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691) and, where the context requires, the securities exchange operated by it.

Bega means Bega Cheese Limited ACN 008 358 503.

Bid Implementation Agreement means the Bid Implementation Agreement dated 10 November 2017 between PCA and Bega relating to the Offer.

Bidder's Statement means the bidder's statement of Bega under Part 6.5 Division 2 of the Corporations Act relating to the Offer, prepared by Bega and dated 14 November 2017.

Business Day means a day on which banks are open for business in Brisbane, excluding a Saturday, Sunday or public holiday in Brisbane, and the ASX is open for trading.

CGT has the meaning given under Section 5.11.

CGT Discount has the meaning given under Section 5.11.

Competing Proposal means any proposal, offer or transaction that, if completed, would mean:

(a) a third party (either alone or together with any associate) would directly or indirectly acquire a Relevant Interest or voting power in, or have a right to acquire, a legal, beneficial or economic interest in, or control of, 10% or more of the PCA Shares or of the securities of any of member of the PCA Group;

(b) a third party (either alone or together with any Associate) would enter into, buy, dispose of, terminate or otherwise deal with any cash settled equity swap or other synthetic, economic or derivative transaction connected with or relating to 10% or more of the PCA Shares;

(c) a third party (either alone or together with any Associate) would directly or indirectly acquire or obtain (or have the right to acquire or obtain) an interest (including a legal, beneficial or economic interest) in, or control of, all or a substantial part or material part of the business conducted by, or assets or property of, PCA or any member of the PCA Group;

(d) a third party (either alone or together with any Associate) would acquire control of PCA;

(e) a third party (either alone or together with any Associate) may otherwise acquire, or merge with, PCA or its Related Bodies Corporate;

(f) that PCA would issue, on a fully diluted basis, 10% or more of its capital as consideration for the assets or share capital of a third party;

(g) that PCA would be required to terminate the Bid Implementation Agreement or abandon, or otherwise fail to proceed with the transactions contemplated by the Bid Implementation Agreement, or the PCA Directors would be required to change, withdraw or modify their recommendation of the Offer, or not recommend the Offer; or

(h) any proposal by PCA to implement any reorganisation of capital or dissolution,

whether by way of takeover bid, scheme of arrangement, capital reduction, sale or purchase of assets, sale or purchase of securities, assignment of assets and liabilities, strategic alliance, dual listed company structure (or other synthetic merger), joint venture, partnership, deed of company arrangement, any debt for equity arrangement or other transaction or arrangement (but excludes the acquisition or cancellation of the NAB Warrant).

Corporations Act means *Corporations Act 2001* (Cth).

Director means a current director of PCA.

EMU means Equity Management Unit Holdings Pty Ltd ACN 142 746 281, being a current shareholder and the holder of the NAB Warrant.

GST has the meaning given under Section 5.11.

Independent Expert means Ernst & Young Transaction Advisory Services Limited ACN 003 599 844.

Independent Expert's Report means the report prepared by the Independent Expert attached in the Schedule to this Target's Statement.

NAB Warrant has the meaning given in Section 8.10.

Offer means the unconditional, off-market takeover offer by Bega to acquire all PCA Shares other than those held by Bega, under Chapter 6 of the Corporations Act on the terms set out in the Bidder's Statement.

Offer Consideration means the consideration offered under the Offer, being 83 cents for each PCA Share.

Offer Period means the period during which the Offer will remain open for acceptance in accordance with Appendix 1 of the Bidder's Statement.

PCA means Peanut Company of Australia Limited ACN 057 251 091.

PCA Board means the board of Directors of PCA.

PCA Registry means Link Market Services Limited (ABN 54 083 214 537).

PCA Share means a fully paid security in PCA.

PCA Shareholder means a person who is registered in the Register as a holder of PCA Shares from time to time.

Placement Letter means the Placement Letter dated 10 November 2017 between PCA and Bega relating to the placement of 2,270,176 PCA Shares at 83 cents per PCA Share.

Register means the share register of PCA maintained by the PCA Registry.

Related Bodies Corporate has the same meaning as in the Corporations Act.

Relevant Interest has the meaning given to it in sections 608 and 609 of the Corporations Act.

Superior Proposal means a written bona fide Competing Proposal of the kind referred to in any of paragraphs (a) to (f) and (h) of the definition of Competing Proposal (and not resulting in a breach by PCA of any of its obligations to notify Bega of approaches as explained below) which the PCA Board, acting in good faith and, after having first obtained written advice from its legal advisers, determines is:

(a) reasonably capable of being completed in a timely fashion, taking into account all aspects of the Competing Proposal (including any timing considerations, any conditions precedent and the identity of the proponent); and

(b) would, if completed substantially in accordance with its terms, be more favourable to PCA Shareholders (as a whole) than the Offer, taking into account all terms and conditions of the Competing Proposal.

Target's Statement means this document.

Voting Power has the meaning set out in section 610 of the Corporations Act.

Warrant Deed has the meaning given in Section 8.10.

9.2 Interpretation

Unless the context otherwise requires:

(a) headings used in this Target's Statement are inserted for convenience and do not affect the interpretation of this Target's Statement;

(b) words or phrases defined in the Corporations Act have the same meaning in this Target's Statement;

(c) a reference to a Section is a reference to a section of this Target's Statement;

(d) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

(e) the singular includes the plural and vice versa;

(f) the word "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any government agency; and

(g) Australian dollars, dollars, A$, $ or cents is a reference to the lawful currency of Australia.

10. Authorisation

This Target's Statement has been approved by a resolution passed by the Directors of PCA.

Signed for and on behalf of PCA:

Ian Langdon
Chairman

Schedule: Independent Expert's Report

Independent Expert's Report and Financial Services Guide

In relation to the Takeover Offer by Bega Cheese Limited for Peanut Company of Australia Limited

28 November 2017

Building a better working world

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Part 1 – Independent Expert's Report

The Directors
Peanut Company of Australia Limited
133 Haly Street
Kingaroy
QLD 4610

28 November 2017

Dear Directors

Takeover Offer by Bega Cheese Limited for Peanut Company of Australia Limited

Background

On 10 November 2017, Peanut Company of Australia Limited ("PCA" or the "Company") announced that it had entered into a placement agreement ("Placement Letter") and bid implementation agreement ("Bid Implementation Agreement"), with Bega Cheese Limited ("Bega").

Under the Placement Letter, Bega agreed to subscribe for 19.99% of the issued capital of PCA ("Placement Shares") at a price of $0.83 per share. Prior to this, Bega did not own shares in PCA. Pursuant to the Bid Implementation Agreement, Bega has made an unconditional takeover offer to acquire all of the issued shares of PCA not already held by Bega (the "Offer").

The price under the Offer is $0.83 per share in cash ("Offer Consideration").

The Placement Shares were issued to Bega on 10 November 2017, and accordingly Bega now holds a 19.99% interest in PCA.

PCA is an unlisted public company and is Australia's largest processor and supplier of peanuts. It supplies food manufacturers and food retailers, and produces its own range of branded peanut snacking and oil products.

Bega is a public company listed on the Australian Securities Exchange ("ASX") with a market capitalisation of around $1.3 billion as at 15 November 2017. In the year ended 30 June 2017, Bega generated revenue of $1.2 billion. Bega produces a range of dairy and food products including cheeses, butter, powders and nutritionals. Bega's food business includes the manufacture of peanut butter products.

Requirement for an independent expert's report

We understand that there is no regulatory requirement for an independent expert's report ("IER" or the "Report") to be undertaken in relation to the Offer. Notwithstanding, the Directors of PCA have engaged Ernst & Young Transaction Advisory Services Limited ("EY", or "EY Transaction Advisory Services") to prepare an IER in relation to the Offer as if such a report was required under the *Corporations Act 2001 (Cth)* (the "Act").

Accordingly, we have prepared this IER to consider whether or not, in our opinion, the Offer is fair and reasonable to the shareholders of PCA ("PCA Shareholders") and to set out the reasons for that opinion. Our report is to be included in the target statement being sent to PCA Shareholders in respect of the Offer ("Target Statement").

Approach

Neither the Act nor the ASX Listing Rules define the term "fair and reasonable". In determining whether the Offer is fair and reasonable, EY Transaction Advisory Services had regard to the relevant Australian Securities and Investments Commission ("ASIC") Regulatory Guides particularly Regulatory Guide 111: *Content of expert reports* ("RG 111") and Regulatory guide 112: *Independence of experts* ("RG 112").

In the context of a takeover offer such as the Offer, RG 111 makes it clear that fair and reasonable are two different concepts. Under this approach:

- An offer is "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison is to be made assuming 100% ownership of the target and is "inappropriate to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares"; and
- An offer is "reasonable" if it is fair. It might also be "reasonable" if, despite being "not fair", the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 provides that the independent expert should provide a range of values for the securities that are the subject of the offer. If the value of the consideration offered falls within the range of values of the securities, under RG 111, the offer is "fair". RG 111 lists a number of factors which experts may consider when assessing the reasonableness of an offer.

Summary of opinion

Fairness and reasonableness of the Offer

In forming our opinion, EY Transaction Advisory Services has concluded that the fair market value of PCA, on a controlling basis, is in the range of $0.60 to $1.07 per share. The Offer Consideration is within our assessed range of values of a PCA share.

We adopted a net realisable value of assets approach, and also considered a capitalisation of earnings approach as a cross-check, to value PCA. Our assessed range of values is set out in section 6.

Evaluation of the fairness of the Offer			
(Per PCA share)	*Reference*	*Low*	*High*
Valuation on a controlling basis	*Section 6*	$0.60	$1.07
Offer Consideration		$0.83	$0.83

Source: EY Transaction Advisory Services analysis

After considering the fair market value assessed for PCA and the Offer Consideration, in our opinion, the Offer is fair. Under the guidance provided by RG 111, as we consider the Offer to be fair, we also consider the Offer to be reasonable.

Notwithstanding the above conclusion that the Offer is fair and reasonable, we have also considered other qualitative factors that PCA Shareholders should consider in forming their views as to whether or not to accept the Offer. PCA Shareholders should refer to section 7 for further explanation. Listed below is a summary of these qualitative factors and other significant matters. Individual PCA shareholders may interpret these factors differently depending on their own circumstances.

Qualitative factors

Consideration paid in cash

The Offer is a cash payment, and this provides certainty to PCA Shareholders.

Opportunity to realise investment in an otherwise illiquid investment

PCA is not listed on any public stock exchange. There has been limited trading in PCA shares over the past five years, with trading occurring irregularly and at a wide range of prices. There is not a deep or liquid market for trading in PCA's shares. The Offer provides PCA Shareholders with the opportunity to realise their investment in return for a fixed cash payment.

Potential for alternative superior proposals

The Offer has no minimum acceptance condition, so that if PCA Shareholders accept the Offer, and a superior proposal emerges, they will be unable to accept the superior proposal (unless withdrawal rights exist). While possible that an alternative proposal may emerge, we note that since the announcement of the Offer, no superior proposals have been received and the board of PCA is not aware of any party having an intention to make such a proposal. Bega now holds a significant 19.99% interest in PCA and this may limit the potential for superior proposals to emerge.

Consequences if the Offer does not proceed

PCA's recent intake of peanuts from growers has been below long term averages, which means that PCA has been unable to fully absorb the fixed component of its processing costs. In addition, PCA has commenced implementing a new strategy involving changing its sales mix to include higher valued and higher margin retail products. This has proved difficult, given the competitive retail market, and expensive, given the costs of sales and marketing associated with launching a retail product. These factors have contributed to poor financial results.

If PCA is unable to maintain profitability, PCA is likely to require additional funds to continue to develop and operate the business. PCA's is currently dependent upon continued support from its financier, National Australia Bank Limited ("NAB"). While NAB has supported PCA over a number of years, the current facilities with NAB expire in 30 June 2018. There is no certainty that PCA will be able to refinance its facilities when they expire either with NAB or another party. The Target's Statement notes that PCA has undertaken a number of processes to either raise capital or find a purchaser for PCA. These have not, to date, been successful.

PCA is therefore financially vulnerable if climatic or other conditions continue to suppress grower intake or PCA's retail strategy is not successful. If PCA cannot continue to operate, then this may mean that peanut growers will find it more difficult to sell their harvest, given the significant capacity of PCA's operations. To the extent that growers are current PCA Shareholders, accepting the Offer will mean that PCA should continue to operate and should be a viable purchaser of peanuts from growers.

Bega has increased financial capacity

Bega (relative to PCA) has greater financial capacity to work with growers to improve farm practices and thereby to increase harvest supply (noting, however, that PCA's grower intake is also subject to weather conditions, the level of support that PCA provides growers, and the market prices it offers growers). In contrast, PCA has been constrained by the lack of investment capital to capitalise on the market opportunities available, given its poor financial performance. Therefore, to the extent that PCA Shareholders are current growers or contemplating becoming growers, they may benefit under Bega's ownership of PCA.

Possible minority ownership consequences

The Offer by Bega is not conditional upon Bega achieving a certain level of PCA Shares and the ultimate ownership percentage Bega will achieve during the Offer period is unknown.

If, as a result of acceptances of the Offer, Bega acquires 90% or more of PCA Shares, Bega may have the right to compulsorily acquire the remaining PCA Shares. If Bega acquires 75% or more of the PCA Shares it will have the right to pass special resolutions, including changing the constitution of PCA. If Bega acquires more than 50%, it will be able to pass ordinary resolutions, control the composition of the PCA board and control the strategic direction of the business.

If PCA Shareholders do not accept the Offer they may become minority shareholders in PCA, with Bega being a major shareholder, with the extent of its holding depending upon the number of PCA Shares that it does acquire pursuant to the Offer. This may reduce the ability of PCA Shareholders to realise a control value for their shares, should they wish to dispose of their shares in the future.

Should PCA seek to raise further capital in the future (for instance, through a rights issue) to fund expected capital requirements, minority shareholders in PCA may be diluted, unless they participate in the capital raising.

In addition, if Bega does not obtain an interest of at least 50.1% in PCA, Bega holds anti-dilution rights, such that, if PCA does issue shares to third parties within a twelve month period, Bega is entitled to be issued bonus shares in PCA for nil consideration to maintain its shareholding. This will further dilute the remaining PCA Shareholders.

Bega currently holds 19.99%. Under the “creeping” acquisition provisions under the Act, Bega is entitled to acquire up to 3% of PCA every six months. Therefore Bega could increase its shareholding in PCA gradually without making a further offer to all of PCA Shareholders.

No participation in the potential future growth in PCA

By accepting the Offer, PCA Shareholders will no longer hold shares in PCA and will therefore not benefit from any upside in the future performance of PCA.

Other matters

Other matters that PCA Shareholders may wish to consider include the following.

Board view

The PCA board has unanimously recommended that the Offer be accepted, in the absence of a superior proposal. PCA directors collectively hold shares in PCA representing 9.7% of the issued capital of the Company (on a fully diluted basis) and intend to accept the Offer.

Tax consequences

EY Transaction Advisory Services has not considered the specific taxation implications that may be relevant to individual PCA Shareholders in connection with the Offer. There may be certain tax implications for individual PCA Shareholders in connection with accepting the Offer. The exact nature and impact is uncertain and will depend upon the profile of each PCA Shareholder. PCA Shareholders should consider the information contained in section 5.11 of the Target’s Statement and section 7 of the Bidder’s Statement. PCA Shareholders should consider to what extent they may realise revenue or capital losses on the disposal of their PCA Shares if they accept the Offer.

Transaction costs

PCA has incurred costs estimated at $175,000 in relation to the Offer. These include legal, advisor and independent expert costs. These costs will be payable by PCA regardless of whether the Offer results in Bega acquiring all of the outstanding PCA shares it does not already own.

Conclusion

Taking into consideration the matters detailed in this IER, in the opinion of EY Transaction Advisory Services, the Offer is fair and reasonable to PCA Shareholders, in the absence of a superior offer.

Other matters

This IER has been prepared specifically for PCA Shareholders. Neither EY Transaction Advisory Services, EY nor any employee thereof undertakes responsibility to any person, other than PCA Shareholders, in respect of this report, including any errors or omissions howsoever caused.

This IER constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of PCA Shareholders. The decision as to whether to accept or reject the Offer is a matter for individual PCA Shareholders. PCA Shareholders should have regard to the Target Statement prepared by the Directors and management of PCA, together with the bidder's statement prepared by Bega and sent to PCA Shareholders ("Bidder's Statement"). PCA Shareholders who are in doubt as to the action they should take in relation to the Offer should consult their own professional adviser.

Our opinion is made as at the date of this letter and reflects circumstances and conditions as at that date. This letter must be read in conjunction with the full IER as attached. All amounts are in Australian dollars ("$") unless otherwise stated. A glossary summarising the abbreviations we have used in this report is contained in Appendix G.

EY Transaction Advisory Services has prepared a Financial Services Guide ("FSG") in accordance with the Act. The FSG is included as Part 2 of this report.

Yours faithfully
EY Transaction Advisory Services Limited

Michael Fenech
Director and Representative

Stuart Bright
Director and Representative

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Part 2 – Financial Services Guide

1. Introduction

1.1 Background

On 10 November 2017, PCA announced that it had entered into a Placement Letter and Bid Implementation Agreement with Bega where by Bega would subscribe for 19.99% of the issued capital of PCA at a price of $0.83 per share and concurrently make an Offer to acquire all of the issued shares of PCA not held by Bega.

The consideration for the Offer is $0.83 in cash per PCA share. The Offer does not include any conditions (for instance, a condition that Bega obtains a minimum number of acceptances by PCA Shareholders).

The shares issued to Bega under the Placement Letter ("Placement Shares") were issued on 10 November 2017, in return for a cash payment of approximately $1.9 million (being $0.83 per share). As a result, Bega now owns a 19.99% interest in PCA as it did not previously own shares in PCA.

Bega has stated in its Bidder's Statement that the funds from the issue of the Placement Shares will be used to update PCA's Tolga facility to cater for increasing throughput and for general working capital purposes.

1.2 Overview of the Offer

The Offer is to acquire all of the shares in PCA that Bega does not already own for consideration of $0.83 in cash per PCA share.

Bega lodged its Bidder's Statement with ASIC on 14 November 2017. A summary of the key terms of the Bid Implementation Agreement is set out in section 8 of the Bidder's Statement. The Offer is not conditional, however, under the Bid Implementation Agreement:

- PCA has agreed not to solicit or invite or encourage any competing proposal from another bidder (a "no shop" restriction) or enter into any discussions with a potential competing bidder even if those discussions were not initiated by PCA (a "no talk" restriction). The no talk restriction does not apply in relation to competing proposals where failing to act would be a breach of the fiduciary duties of the PCA board.

- PCA must pay a break fee of $100,000 to Bega in certain circumstances, including if a PCA director withdraws their recommendation of the Offer or a competing proposal is announced during the period of the Offer and within 12 months it results in a third party gaining control of PCA or acquiring an interest in a substantial part of its business or assets.

Under the terms of the Placement Letter, PCA has granted Bega anti-dilution rights. This means that if PCA issues additional equity to a third party, then PCA must issue bonus PCA shares to Bega for nil consideration to maintain Bega's percentage interest in PCA. This right expires on the earlier of the date on which Bega obtains a relevant interest in 50.1% of PCA shares, and 9 November 2018[1].

The directors of PCA have unanimously recommended that PCA Shareholders accept the Offer from Bega, subject to the opinion in this IER, and in the absence of a superior proposal being received by PCA.

1.3 Overview of Bega

Bega is a public company originally established in 1899. It initially operated as a dairy co-operative owned by dairy suppliers until it restructured into a company in 2008 and then listed on the ASX in August 2011. Bega generates revenue primarily from receiving, processing, manufacturing and marketing dairy products through two segments:

- Bega Cheese – natural and processed cheese, bionutrients and packaged cheese products

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[1] In case of shares issued under the NAB Warrant (refer section 4.3 below), Bega's anti-dilution rights are perpetual.

- Tatura Milk (wholly owned subsidiary) – cream cheese, nutritionals (infant to seniors supplementary food), milk powders

Bega holds key supply contracts with Fonterra (under which Bega supplies retail cheese products to Fonterra under the Bega brand) and Woolworths (producing private label cheese). Bega exports products to approximately 40 countries with export sales comprising over 25% of total revenue for the year ended 30 June 2017[2]. Bega operates seven manufacturing facilities across New South Wales and Victoria. Bega's market capitalisation as at 15 November 2017, was approximately $1.3 billion.

Bega's strategic vision is to become "The Great Australian Food Company" which involves diversifying its product offering by entering into non-dairy product food categories. Bega's July 2017 acquisition of most of Mondelez Australian and New Zealand grocery Business (for a reported $460 million) significantly expanded its brand portfolio, particularly in spreads including Vegemite and KRAFT peanut butter (the licence for KRAFT branding expires in December 2017). The transaction also included the acquisition of Mondelez's Port Melbourne peanut butter production facility.

Bega has a history of supporting dairy farmers. In 2014, it launched a $25 million Milk Sustainability and Growth Program to encourage farm initiatives to promote the sustainability and growth of milk supply[3]. Bega benefited from additional dairy farmers switching to supply Bega at the end of FY16 following controversial retrospective cuts in farm gate prices by major competitors[4].

1.4 Bega's intentions

The Bidder's Statement lodged by Bega sets out Bega's intentions in relation to PCA, should Bega's Offer be successful.

If Bega acquires at least 90% of PCA shares during the Offer, it will proceed to compulsorily acquire the remaining 10%, in accordance with its rights under the Act. Should this occur, Bega will:

- Replace the PCA board with its own nominees;
- Continue the current business of PCA, including retaining the Peanut Company of Australia name;
- Continue to operate the facilities at Kingaroy, Tolga and Gayndah;
- Conduct a review of PCA's operations to determine ways to improve the performance of the business and realise any operational and financial synergies, and formulate an integration plan, such as integrating the sales and market team and reducing overhead costs;
- Endeavour to increase crop planting by working with PCA's growers to develop relationships, improve farm practices and thereby improve supply of peanuts;
- Review of employment requirements, which may result in some redundancies; and
- Refinance PCA's debt financing arrangements and integrate debt into Bega's existing debt facilities.

If Bega does not acquire at least 90% of the PCA shares, but does acquire control (50% or more), it will appoint its nominees to the board of PCA such that it has a majority of directors, in accordance with the Bid Implementation Agreement. It will also endeavour to undertake the activities set out above, to the extent that it can, having regard to compliance with the requirements of the Act and the legal obligations of directors of PCA to act in the best interests of PCA Shareholders as a whole. In relation to debt facilities, it will review debt financing in conjunction with the PCA board.

[2] Bega, 2017 annual report
[3] ASX Announcement, Bega Cheese invests in Milk Supplier Sustainability and Growth, 25 March 2014. Note that farmers were also required to commit to a three year supply agreement with Bega to participate in the program.
[4] IBISWorld Industry Report C1133a, Cheese Manufacturing in Australia, January 2017

If Bega does not acquire a controlling interest, it will seek to appoint a number of nominees to the PCA board representing its proportional holding in PCA. It will also endeavour to undertake the activities set out above, however, it may have a limited ability to do so, given that it will not be in a position of control. Future dividends will be determined by the PCA board, consistent with the Company's policy, which will be dependent upon PCA's financial performance, capital structure and cash position.

2. Scope of the independent expert's report

2.1 Purpose of the report

Chapter 6 of the Act regulates takeover offers of the nature proposed by Bega. Specifically, section 640 requires an IER to be commissioned where the bidder already holds greater than 30% of a target's shares or where there are common directors between the two entities.

While there is no regulatory requirement for PCA to commission an IER (because Bega holds less than 30% of the shares in PCA and there are no common directors), the directors of PCA have decided to commission this IER to assist PCA Shareholders in assessing the Offer. We recommend that PCA Shareholders read the Target's Statement and the Bidder's Statement sent to them by Bega to obtain a full understanding of the Offer.

The IER considers the interests of PCA Shareholders as a whole and not individually. Individual shareholders may be impacted by specific issues that are not general to shareholders as a whole and this report cannot, and does not, consider such issues.

2.2 Basis of evaluation

The Act does not define the term "fair and reasonable". However, in preparing our report, we had regard to RG 111, which provides some direction as to what matters an independent expert should consider when determining whether or not a particular transaction is fair and reasonable to shareholders.

The meaning of "fair and reasonable" in the context of a takeover offer is outlined in RG 111 paragraphs 111.10 to 111.14. This guidance makes is clear that:

► An offer is "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison is to be made assuming 100% ownership of the target and it is "inappropriate to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares"; and

► An offer is "reasonable" if it is fair. It might also be "reasonable" if, despite being "not fair", the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 also provides that an independent expert should usually give a range of values for the securities that are the subject of the offer. If the value of the consideration offered falls within the range of values of the securities, the offer is considered to be fair. RG 111 lists a number of factors which experts may consider when assessing the reasonableness of an Offer. These are:

► The bidder's pre-existing voting power in securities in the target;

► Other significant security holding blocks in the target;

► The liquidity of the market in the target's securities;

► Taxation losses, cash flow or other benefits through achieving 100% ownership of the target;

► Any special value of the target to the bidder, such as particular technology, the potential to write off outstanding loans from the target, etc;

► The likely market price if the offer is unsuccessful; and

► The value to an alternative bidder and likelihood of an alternative offer being made.

In determining the fairness of the Offer, we have assessed the value of PCA on a fair market value basis. Fair market value in this context is considered to be:

"the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm's length".

Fair market value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

2.3 Independence

Prior to accepting this engagement, we considered our independence with respect to PCA and Bega with reference to RG 112. In our opinion, we are independent of PCA and Bega.

EY Transaction Advisory Services, EY, and global affiliations, have not provided any services to PCA (other than this IER) or Bega in relation to the Offer.

EY has previously provided professional services to Bega, and subsidiaries thereof. These services included the provision of human capital expatriate tax advice and valuation advisory services in relation to the fair value of employee options. We do not consider these services to compromise our ability to provide an independent view to PCA Shareholders.

2.4 Limitations and reliance on information

We have considered a number of sources of information in preparing our report and arriving at our opinion. These sources of information are detailed in Appendix F.

The information provided to us for the preparation of our report has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Offer is fair and reasonable to PCA Shareholders. We also held discussions with management of PCA ("PCA Management") in relation to the Offer, as well as the operations, financial position and operating results of PCA. However, we do not warrant that our enquiries have identified all of the matters that an audit, an extensive examination or tax investigation might disclose.

Preparation of this report does not imply that we have, in any way, audited the accounts or records of PCA. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including the Australian equivalents to International Financial Reporting Standards and International Financial Reporting Standards, as applicable.

In forming our opinion we have also assumed that:

- Matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed
- The assessments by PCA and its advisers with regard to legal, regulatory, tax and accounting matters relating to the transaction are complete and accurate
- The information set out in the Target's Statement and accompanying documents to PCA Shareholders is complete, accurate and fairly presented in all material respects
- The publicly available information relied upon by us in our analysis was accurate and not misleading
- The Bid will be implemented in accordance with the Bid Implementation Agreement
- To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, we assume no responsibility and offer no legal opinion or interpretation on any issue.

The statements and opinions given in this IER are given in good faith and in the belief that such statements and opinions are not false or misleading. This report should be read in the context of the full qualifications, limitations and consents set out in Appendix A of this report.

Our assessment of the Offer is based on economic, market and other conditions prevailing as at the date of this IER. As evidenced in recent years, these conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, our opinion could be different.

We provided draft copies of this IER to the directors and management of PCA for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of us alone. Amendments made to this IER as a result of this review by the directors and management of PCA and have not changed the conclusions reached by us.

2.5 Shareholders' decisions

This IER constitutes general financial product advice only. In forming our opinion we have considered the interests of PCA Shareholders as a whole, and we have not considered, nor is it practical or possible to consider, the individual circumstances of each PCA Shareholder. The decision to accept or not accept the Offer is a matter for individual shareholders. PCA Shareholders should consider the advice in the context of their own circumstances, including investment objectives, liquidity preferences, risk profiles, tax position and expectations of future market conditions. Shareholders should also have regard to the Target Statement prepared by the directors and management of PCA. PCA Shareholders who are in doubt as to the action they should take in relation to the Offer should consult their own professional adviser.

EY Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is included as Part 2 of this report.

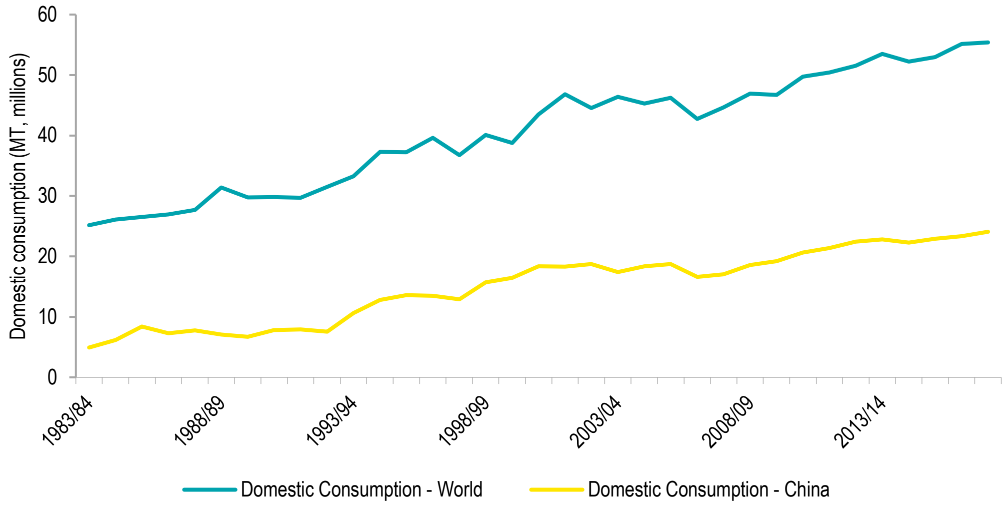
3. Overview of the global and Australian peanut industry

3.1 Overview of the global peanut industry

Peanuts are a subtropical legume crop that require warm climates with well distributed rainfall throughout the growing season. Depending on the climatic conditions the growth period typically ranges between 16 and 26 weeks. Peanuts (and related products such as oil and meal) are a key input in a range of food and stockfeed products[5].

Global demand for peanuts has grown steadily over the past 45 years at a compounded annual rate ("CAGR") of 2.4% to reach a level of 55.1 million metric tonnes ("MT") in 2016/17[6]. Expansion of the middle class in China has been one of the key driving forces of this growth, as China now accounts for the largest proportion of global demand (over 40%), as evidenced from the below chart.

Domestic consumption of peanuts

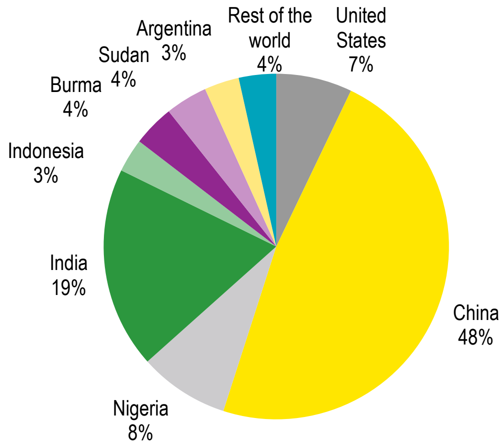


Source: United States Department of Agriculture ("USDA"), Foreign Agricultural Service Production, Supply and Distribution Data online ("PDS")

Global peanut production is projected to increase to 55.4 million MT in 2017/18, representing a rise of less than one percent[7]. This growth is down from the prior year's global growth in production of approximately 4.1% due to unfavourable weather conditions in key growing regions. The most significant peanut producers, as indicated by the chart below, are China and India, together contributing over 50% of global production. Other key contributors include Nigeria and the United States, supplying around 15% of global production combined. The Department of Agriculture and Fisheries estimates that the Australian peanut industry is less than 0.2% of global peanut production.[8]

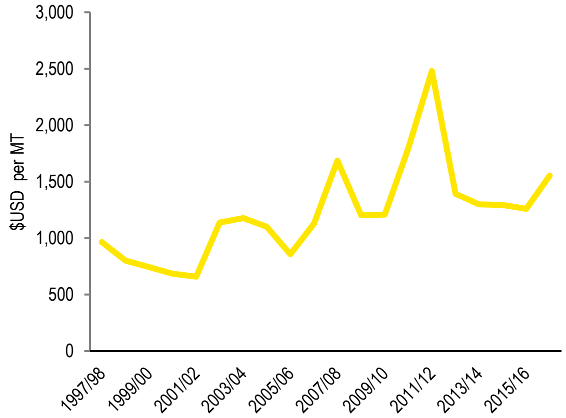
[5] Queensland Department of Agriculture and Fisheries, *Growing Peanuts (https://www.daf.qld.gov.au/plants/field-crops-and-pastures/broadacre-field-crops/peanuts/growing-peanuts)*
[6] USDA, PDS (https://apps.fas.usda.gov/psdonline/app/index.html#/app/home)
[7] USDA, PDS (https://apps.fas.usda.gov/psdonline/app/index.html#/app/home)
[8] https://www.daf.qld.gov.au/plants/field-crops-and-pastures/research/peanut-improvement-and-evaluation-research

Global share of peanut production by country for 2016/17



Source: USDA, World Agricultural Production, October 2017

Global peanut prices



Source: USDA, Oilseeds: World Markets and Trade, October 2017 and December 2006. Prices are ex-Rotterdam on a CIF basis and on a shelled basis

The majority of peanuts produced globally are consumed within domestic markets, with only around 1.3 million MT traded internationally annually[9]. Primary exporters include India, Argentina, China and the United States, with 23%, 21%, 16% and 14% share of total global peanut exports, respectively[10].

Global peanut prices are a function of demand and harvested volumes, which vary depending on the availability of land for peanut farming and weather conditions. As a result of these critical factors, global peanut prices have exhibited significant volatility, as evidenced from the above chart. Global peanut prices increased in 2012 due to reduced US crops and again in 2017 as a result of low Argentinian crops.

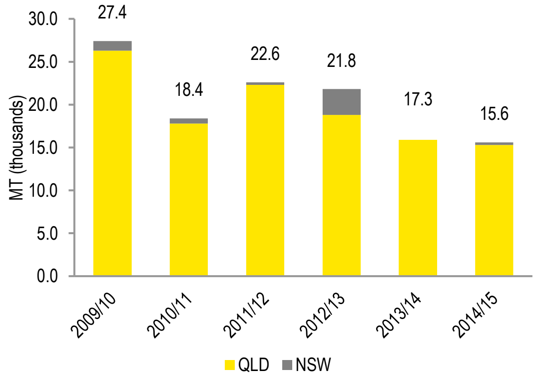
3.2 Overview of the Australian peanut industry

Queensland produces more than 95% of Australia's peanuts[11]. The major growing areas are the Atherton Tableland, Emerald, Bundaberg and Childers and the Southern Burnett region where PCA is located. The remainder of domestically produced peanuts are grown in northern New South Wales. In Australia, three types of peanuts are produced, with Runner and Virginia peanuts being the main types grown. PCA, in association with the Grains Research and Development Corporation ("GRDC") and other support bodies, undertake research and breeding programs, to develop new varieties that provide higher yields and improved disease resistance in Australia's climate.

In recent years, peanut harvests in Australia have been negatively impacted by unfavourable weather with the extreme heat and low rainfall reducing crop yields. Climate impacts are expected to continue to pose a significant issue to the industry and the 2017 harvest was again lower than expectations due to extended dry conditions in the major growing areas. As peanuts are grown in competition (or in rotation) with other crops each cropping cycle, higher prices and margins for competitor crops (including cotton, sugar and maize), will have a negative impact on areas planted for peanuts. The price paid by PCA to growers is therefore an important determinant in ensuring peanuts continue to be grown to ensure PCA can supply its customers.

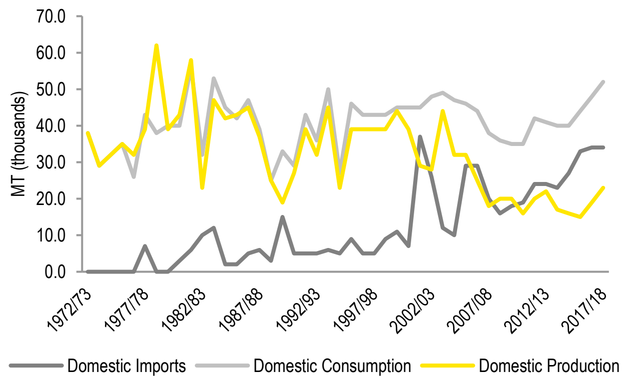
[9] American Peanut Council
[10] USDA, PDS
[11] ABARES; Australian Bureau of Statistics (ABS), Agriculture, Australia, cat. no. 7113.0, Canberra; ABS, Agricultural Commodities, Australia, cat. no. 7121.0, Canberra

Australian peanut production by state



Source: ABARES; Australian Bureau of Statistics (ABS), Agriculture, Australia, cat. no. 7113.0, Canberra; ABS, Agricultural Commodities, Australia, cat. no. 7121.0, Canberra

Australian peanut consumption, production and imports: FY72 to FY18



Source: USDA, PDS (note: includes forecast data)

The key trend observed in the Australian peanut industry is a long term decline in domestic production and upwards trend in domestic consumption. The planted area fell by approximately 59% between FY10 to FY15 when only 4,800 hectares were planted[12]. Currently, domestic production only meets 30 to 40% of domestic demand, with the shortfall being met by imports[13]. With ongoing adverse climatic impacts on harvests and the ongoing pressure from competitor crops, it is likely that these trends will continue.

A positive factor impacting the future of the Australian peanut industry are the Country of Origin Labelling laws. From 1 July 2018, it will be mandatory for food product packages to include clear country of origin information. If the food's ingredients are grown, produced or made in Australia but include some ingredients not exclusively of Australian origin, packages must include the minimum percentage of Australian ingredients in the food. This may mean that Australian food manufacturers will seek to maximise the percentage of ingredients from Australian sources.

In Australia, prices paid to growers are set by negotiation with growers and vary per region, grower and peanut specification. Processors such as PCA will negotiate prices having regard to anticipated harvest sizes, and its expected supply commitments to customers. Between FY15 and FY18, the average price paid by PCA to growers for Australian peanuts has ranged between approximately $854 and $1,013 per MT (on a nut in shell basis)[14].

The Australian peanut processing industry is dominated by PCA, which processes between 60% and 80% of annual production. Other significant local processors include Crumptons near Kingaroy. Crumptons grow up to 1,000 MT per annum and process peanuts sourced from all of Australia's key growing areas[15]. Another peanut grower and processor, Clifton Farming Co, located in the Darling Downs region, recently closed its operations citing personal family reasons[16]. Clifton Farming Co harvested between 1,500 and 2,000 MT per annum, and processed third party peanuts.

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[12] ABARES; Australian Bureau of Statistics (ABS), Agriculture, Australia, cat. no. 7113.0, Canberra; ABS, Agricultural Commodities, Australia, cat. no. 7121.0, Canberra
[13] PCA Management
[14] PCA Management
[15]https://crumptons.com.au/more-history/ [Accessed 16 Nov. 2017].
[16] https://www.warwickdailynews.com.au/news/peanut-venture-to-end-after-50-years/3201541/ [Accessed 16 Nov. 2017].

4. Overview of PCA

4.1 Company profile[17]

PCA is an unlisted public company that commenced operations in 1924 as the Peanut Marketing Board. The company restructured into an unlisted public company in 1992, before rebranding to the Peanut Company of Australia in 1995. PCA's processing operations are located in key Queensland peanut growing regions: Kingaroy and Gayndah in the South Burnett region and Tolga in the Atherton Tablelands region. PCA is the largest processor and marketer of Hi Oleic peanuts in Australia, processing approximately 60% to 80% of total Australian peanut production. Hi Oleic peanuts contain higher levels of "good" monounsaturated fats, and also have a longer shelf life, compared to regular peanut varieties.

PCA is a vertically integrated peanut supplier, and is involved in the entire peanut processing and marketing value-chain, from developing new peanut varieties, to shelling, grading, blanching, sorting, roasting and granulating and flavouring. The only area of the value chain that PCA does not directly operate is the growing stage[18], however PCA supports growers including through the development of improved varieties, agronomic and technical advice and interest free loans for seed payments.

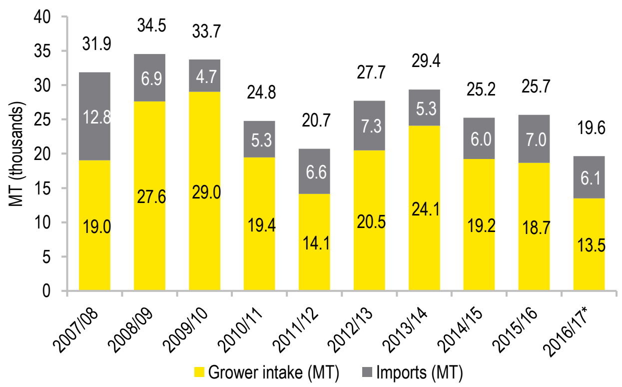
4.1.1 Peanut processing

PCA's processing facilities have the capacity to process up to 30,000 to 40,000 MT of peanut in shell per annum. However, as shown in the chart below, in recent years domestic volumes have been well below capacity due to reduced domestic crop sizes, averaging 17,139 MT over the last three years. Reduced harvests mean that PCA cannot fully absorb the fixed component of its processing costs, resulting in suppressed margins and earnings.

PCA starts its harvest intake around March each year. Once the crop is received, it is dried and graded. Payment to growers is generally 70% within 30 days, 25% in 150 days and final payment at the end of March. After shelling (which occurs until December each year), peanuts are subject to further processing resulting in the following products:

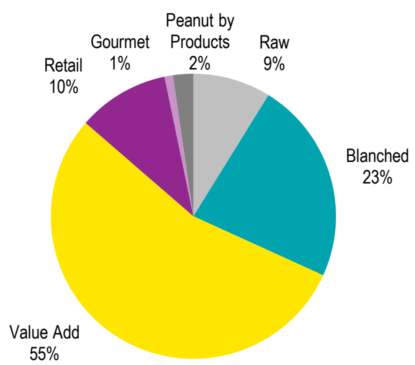
- Peanut kernels – skins on (raw), skins off (blanched), splits (blanched peanut halves) and value add (roasted, gourmet, granulated); and
- Other peanut products – paste, oil and by products

Historical grower intake vs imports



Source: PCA Management

FY18 budget sales mix (excluding seed sales and water/sundry income)



Source: PCA Management

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[17] PCA Management
[18] In 2012, PCA sold its remaining peanut farming assets (in the Northern Territory), which removed its direct exposure to peanut growing

PCA sources its supply of nut in shell stock from its grower base throughout the harvest season (generally between March and August depending upon the region).

In order to meet customer demand, PCA supplements domestic supply with imported peanuts. Most of PCA's imports are sourced from the United States and Argentina, which produce similar Hi Oleic nuts to that processed by PCA. Imported peanuts are purchased in US dollars, and are generally in either raw or blanched state.

Despite the relatively high Australian dollar, imports of raw and blanched nuts in recent years have attracted a higher price, compared to domestic prices paid to Australian growers, which has adversely impacted PCA's gross margins. Import prices will vary depending upon global demand and climatic conditions in the key growing regions.

Once processed, peanut products are either sold in bulk to customers as inputs to their product or packaged to customer's specifications (private label manufacturing). Since Bega's acquisition of Mondelez' Australian and New Zealand grocery business in July 2017, PCA's largest customer is now Bega. Sales to Bega (and its predecessor) represented on average 35% of PCA's revenues over the past three years[19]. Other key customers include Coles and Mondelez' confectionery business and other Australian producers of peanut butter products. PCA also exports product, predominantly to New Zealand and Asian countries. The level of export as a proportion of total PCA revenue has increased over the past three years, from approximately 15% in FY15 to 23% in FY17[20].

4.1.2 Branded products

In 2015, PCA launched its own "Picky Picky Peanuts" brand to provide greater revenue diversification and improve gross margins. This reflects PCA's strategy of moving away from being a supplier of the "commodity" ingredient peanut products (which compete with imported peanuts) to higher margin Consumer Ready products, including snacks and oil. Significant investments have been made to drive the growth of Consumer Ready products (including both PCA's own Picky Picky brand and third party private label brands), including the commissioning of a new $2.2 million processing line in May 2016.

Products include 80g and 200g packs of flavoured peanuts and 790ML and 3L peanut oils launched in FY17. Products are currently distributed nationally through service stations (Coles Express, Caltex Starmart) and regionally through a range of smaller retail outlets. Product is also exported, predominantly to Asia.

Since their launch, Picky Picky products have experienced growth in sales, however, these have not been as strong as expected due to difficulties in obtaining ranging with some major retailers, and a slower rate of distribution expansion in international markets. In addition, other large operators in the salty snacks market have developed competing products, and this has had a negative effect on PCA's ability to access key distributors. PCA expects that, in FY18, Picky Picky sales will contribute approximately 4% of total sales and 10% of the gross profit margin[21].

4.1.3 Plant breeding

PCA operates a cultivar breeding program with the overall aim of breeding varieties specifically for the Australian market and environmental conditions to promote ongoing productivity and efficiency gains in the industry. The key focus is on developing Hi-Oleic, high yielding, multiple disease resistant crops for both early (110 to 130 days) and long season (140 plus days) maturities. Some of these varieties are based on third party licenced genomes.

PCA has long term funding agreements with the GRDC and the Queensland Department of Agriculture and Fisheries "QDAF"). The current round of agreements end in 2020, however, both agencies have supported PCA over many years.

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[19] PCA Management
[20] PCA Management
[21] PCA Management

PCA has arrangements with growers to grow seed stock, which is then sold to the broader grower population (on a deferred payment basis). End point royalties are received from growers based on tonnes harvested, however, part of these royalties are paid to third parties for use of their underlying genome.

PCA has also entered agreements with parties from South Africa and the United States, with the goal of commercialising PCA-developed peanut varieties internationally. Initial trials have produced promising results and could generate significant benefits to PCA in the form of future royalties.

4.1.4 Water licenses

PCA owns approximately 5,500 mega litres of perpetual water licenses. PCA provides temporary transfer of water rights (between one and three years) to growers to encourage and enable them to grow peanuts as their rotation crop (although growers are able to utilise the water for any crop). The quantity of water rights transferred each year depends on the growing season and dam capacity. PCA receives income for the water licenses totalling approximately $0.2 million per annum[22].

4.2 Financial information

PCA has provided us with historical audited financial statements for the ten years ended 31 March 2017. A summary of this financial information is set out in Appendix C.

PCA Management has also provided us with draft management accounts for the period ended September 2017 ("YTDFY18A"). These accounts are unaudited and are subject to further adjustments, including any potential adjustments to the carrying value of assets that may be required arising from the Offer. It is expected that these financial statements will not be finalised and audited and approved by the PCA board until December 2017. However, we have been provided with a copy of the financial statements, discussed them with PCA Management and taken them into consideration in our assessment of the value of PCA. Where relevant, we have also discussed the management accounts in this section of our report.

[22] PCA Management

4.2.1 Financial performance

A summary of PCA's audited financial performance for the last three years ended 31 March 2015 ("FY15A"), 31 March 2016 ("FY16A") and 31 March 2017 ("FY17A") is set out below. We have made some adjustments to the reported earnings to take into account non-recurring or abnormal items.

Summary of financial performance				
Currency: A$000	*Notes*	*FY15A*	*FY16A*	*FY17A*
Sales of good		55,083	52,762	52,582
Gross profit	1	**6,445**	**5,734**	**4,607**
GRDC funding	2	297	473	357
Other income (incl. finance income)	3	691	2,904	261
Expenses (excl. depreciation, amortisation and impairment)	4	(4,993)	(4,821)	(4,942)
EBITDA reported		**2,440**	**4,290**	**283**
Less: Depreciation		(849)	(1,141)	(1,128)
Less: Amortisation		(536)	(667)	(866)
Less: Impairment	5	-	-	(1,000)
EBIT reported		**1,055**	**2,482**	**(2,711)**
Less: Finance expense	6	(1,505)	(1,603)	(1,656)
Profit (loss) before tax		**(450)**	**879**	**(4,367)**
Income tax benefit (expense)		433	331	(568)
Profit (loss) for the year	7	**(17)**	**1,210**	**(4,935)**
Adjustments:				
Insurance claims		(14)	(307)	(3)
Revaluation of warranty derivative	3	(510)	(2,043)	-
Asset revaluation loss		208	-	-
Net (gain)/loss on disposal of property plant and equipment		(13)	-	-
Adjusted EBITDA		**2,111**	**1,940**	**280**
Less: Depreciation		(849)	(1,141)	(1,128)
Less: Amortisation		(536)	(667)	(866)
Adjusted EBIT (excl. impairment)		**726**	**132**	**(1,714)**
KPIs				
Grower intake (MT thousands)		19,230	18,686	13,502
Peanut imports (MT thousands)		6,014	6,997	6,135
Revenue growth %		*2.8%*	*(4.2%)*	*(0.3%)*
Gross profit margin %		*11.7%*	*10.9%*	*8.8%*
Return on capital employed		*0.3%*	*(7.4%)*	*(1.3%)*
Adjusted EBIT margin %		*1.3%*	*0.3%*	*(3.3%)*
Adjusted EBITDA margin %		*3.8%*	*3.7%*	*0.5%*

Source: PCA FY16 and FY17 annual reports and EY Transaction Advisory Services analysis. Note – totals may not add due to rounding. EBITDA means earnings before interest expense, tax, depreciation, amortisation and impairment. EBIT means earnings before interest and tax. Return on capital employed means EBIT / (total assets less current liabilities).

In relation to PCA's historical financial performance we note:

1. Gross profit for both FY16A and FY17A was down due to the impact of dry conditions. FY17A domestic tonnage was particularly affected with only 13,502 MT processed, down 25% on FY16A levels and below budget expectations. Total revenues for YTDFY18A have been largely as expected, although the sales of higher margin Picky Picky products have not met expectations.

2. GRDC funding represents funding under a five year agreement (ending 30 June 2020) for development of new peanut varieties. We understand that this funding is recorded as unearned income and drawn down as it is spent.

3. Other income represents insurance claim proceeds, income from end point royalties and, in FY15A and FY16A, includes a revaluation of the warranty derivative. This derivative relates to the terms of the warrants

issued to NAB as part of the debt forgiveness by NAB in September 2013 (refer section 4.3 below). The embedded feature of the warrant is recognised as a derivative liability measured at fair value at each balance date. This is a revaluation of the fair value of the derivative liability and does not have any cash impact.

4 Additional marketing expenses were incurred in FY17A due to continued expansion of the Picky Picky branded products. This spend has continued in YTDFY18A.

5 The impairment charge of $1 million in FY17A relates primarily to the write down of gene pool intangible assets to their estimated recoverable amount.

6 Finance costs represents interest expense on facilities provided by NAB and interest charges on lease liabilities.

4.2.2 Financial position

Provided below is a summary of PCA's audited financial position as at 31 March 2015 ("Mar15A"), 2016 ("Mar16A") and 2017 ("Mar17A"):

Financial position	Notes			
Currency: A$000		*Mar15A*	*Mar16A*	*Mar17A*
Assets				
Cash and cash equivalents		175	192	108
Trade and other receivables	1	6,553	5,157	5,192
Inventories	2	8,456	11,804	8,310
Prepayments		846	1,073	877
Derivative asset	3	17	-	-
Assets held for sale	4	-	586	-
Total current assets		**16,047**	**18,812**	**14,487**
Trade and other receivables		-	50	93
Deferred tax assets	5	1,721	2,052	-
Land	6	5,325	5,005	5,665
Buildings	6	14,716	13,964	18,365
Plant and equipment	7	3,987	3,998	4,248
Leased plant and equipment	7	658	684	2,672
Capital works in progress		521	1,785	198
Intangible assets - water rights	8	3,868	3,868	3,868
Intangible assets - peanut breeding gene pool	8	3,410	3,765	2,983
Total non-current assets		**34,206**	**35,171**	**38,092**
Total assets		**50,253**	**53,983**	**52,579**
Liabilities				
Trade and other payables		(3,747)	(3,804)	(4,225)
Financial liabilities	9	(4,093)	(8,588)	(23,314)
Provisions	10	(1,556)	(1,630)	(1,667)
Derivative liability	3	-	(359)	(328)
Total current liabilities		**(9,396)**	**(14,381)**	**(29,534)**
Financial liabilities	8	(16,906)	(16,828)	(1,728)
Derivative liability	3	(2,593)	(550)	(550)
Provisions		(210)	(242)	(227)
Total non-current liabilities		**(19,709)**	**(17,620)**	**(2,505)**
Total liabilities		**(29,105)**	**(32,001)**	**(32,039)**
Net assets		**21,148**	**21,982**	**20,540**

Financial position	Notes			
Currency: A$000		*Mar15A*	*Mar16A*	*Mar17A*
Equity				
Issued capital		23,555	23,555	23,555
Reserves	11	8,656	8,280	11,773
Accumulated losses		(11,063)	(9,853)	(14,788)
Total Equity		**21,148**	**21,982**	**20,540**
Other information				
Net debt		(20,824)	(25,224)	(24,934)
Net working capital		10,552	12,600	8,487

Source: PCA FY16 and FY17 annual reports and EY Transaction Advisory Services analysis. Note – totals may not add due to rounding.

In relation to PCA's financial position, we note:

1 Trade receivables represent amounts owing from customers and growers, and are recorded net of doubtful debts. Growers receive credit from PCA when they purchase seed. Once the harvest is received, the amount paid to the grower is adjusted for the seed debt.

2 Inventories comprise raw materials and work in progress (at cost) and finished costs (at net realisable value). Stock levels increase during the harvest months (commencing March through to August in the Burnett region and April through to July in the Atherton Tablelands), before reducing as product is sold and converted into receivables. Inventory is higher at Sept17A, reflecting the receipt of harvest stock.

3 Current derivatives represent the fair value of currency-related derivatives arising from hedges on PCA's foreign currency exposure (through purchases of imported product in US dollars). PCA has a policy to hedge approximately 70% of its foreign currency exposure at the time of purchase. PCA does make some sales to international customers, also in US dollars, thereby providing a limited natural hedge on purchases. Non-current derivatives represent the fair value of the derivative associated with the warrants issued to NAB.

4 Assets held for sale at Mar16A represented the sale of the Gayndah property, but we understand that the sale of this facility did not proceed and Gayndah continues to be utilised as an overflow for intake when Kingaroy is at capacity.

5 Deferred tax assets relate to carried forward income tax losses. At Mar17A, PCA reversed the deferred tax asset on the basis that it was not probable that future taxable profit will be available within the next five years against which the unused tax losses can be utilised. PCA has total income tax losses carried forward of $24.3 million.

6 Land and buildings are recorded at their fair value, on the basis of a valuation prepared by an independent third party. The value of land is based on other comparable market transactions, while buildings are based on a depreciated replacement cost basis (the cost of replacing the buildings given their current level of physical deterioration). Land and buildings include the properties at Kingaroy (including heritage listed silos), Gayndah and Tolga. The value of land and buildings increased after an independent valuation review on 31 March 2017.

7 Plant and equipment is recorded at historical cost less accumulated depreciation. Leased plant and equipment increased at Mar17A due to the commissioning of the new snacking line.

8 Intangible assets – water rights reflect the cost of purchased water rights, less any recorded impairment. The plant breeding pool is recorded at cost (less any amortisation and impairment), and is amortised over six years.

9 Financial liabilities represent amounts owing to NAB under various facilities. The largest facilities are a $16.5 million term loan (which expires on 30 June 2018) and a $14.5 million multi option facility, expiring on 30 June 2018. The multi option facility is designed to finance seasonal working capital, and since 31 March 2017, PCA has negotiated an increase in this facility to fund a reduction in expected earnings in financial year ending 31 March 2018 compared to that originally budgeted, and higher than expected inventory balances. Net debt increased between Mar15A and Mar16A due to higher inventory balances and capital

expenditure investment. Net financial liabilities at 30 September 2017 ("Sept17A") is higher than at Mar17A, reflecting the build-up of inventory.

10 Provisions represent employee benefits. PCA has approximately 180 staff (100 permanent) and an additional 20 casual staff during the intake season.

11 Reserves have moved due to revaluation of land and buildings and movement in hedge reserves. As at Mar17A, PCA has franking credits (at 30%) of $3.8 million available. PCA has not paid a dividend since 2009.

Net assets as at the Sept17A have declined to $19.4 million, following the losses generated by PCA over the six month period.

4.2.3 Cash flow

Provided below is a summary of PCA's audited cash flow statement for the three years ended FY15A, FY16A and FY17A:

Cash Flow			
Currency: A$000	*FY15A*	*FY16A*	*FY17A*
Cash flow from operating activities			
Cash receipts from customers	57,939	58,888	55,851
Cash paid to suppliers and employees	(56,676)	(58,792)	(51,516)
Interest received	4	10	1
Interest paid	(1,585)	(1,528)	(1,655)
Net cash flow from operating activities	**(318)**	**(1,422)**	**2,681**
Cash flow from investing activities			
Purchase of property, plant and equipment	(728)	(2,037)	(1,503)
Purchase of intangibles	(950)	(941)	(888)
Proceeds from sale of property, plant and equipment	13	-	-
Net cash flow from investing activities	**(1,665)**	**(2,978)**	**(2,391)**
Cash flow from financing activities			
Proceeds from borrowings	7,065	9,164	4,246
Proceeds from lease borrowings	301	107	2,198
Payments of borrowings	(5,315)	(4,700)	(6,411)
Payments of finance lease liabilities	(255)	(154)	(407)
Net cash flow from financing activities	**1,796**	**4,417**	**(374)**
Net increase (decrease) in cash and cash equivalents	(187)	17	(84)
Cash and cash equivalents at beginning of period	362	175	192
Cash and cash equivalents at the end of period	**175**	**192**	**108**

Source: PCA FY16 and FY17 annual reports. Note – totals may not add due to rounding

The cash flow statement indicates that in FY15A and FY16A, PCA's combined cash flow from operating activities and investment activities were negative, and were funded by increases in borrowings (both bank debt and leases). In FY17A, while cash flows from operating activities were positive, spending on capital investments, together with increased repayment of borrowings, resulted in a reduction in cash at the end of the period.

4.3 Capital structure

Prior to the date of the placement to Bega, PCA had approximately 880 shareholders, the majority of whom are, or are associated with, peanut growers, or former peanut growers. As at 30 September 2017, PCA had 9,086,382 ordinary shares on issue. However, following the placement of shares to Bega on 10 November 2017, PCA has 11,356,558 shares on issue.

Equity Management Unit Holdings Pty Limited, a wholly owned subsidiary of NAB holds 1,817,276 shares in PCA, equating to 16.0% of the issued shares in PCA after to the placement to Bega. NAB was issued its shares in PCA in 2013, as part of a restructure of PCA's debt facilities. At the time, PCA owed NAB approximately $54 million. The restructure involved the issue of shares to NAB representing (at the time) 19.99% of the issued capital of PCA in return for a forgiveness in part of the debt owing by NAB to PCA.

In addition to the shares, NAB was issued with a warrant ("NAB Warrant"), giving it the right to be issued a further 3,028,795 shares in PCA (the "Warrant Shares"). The exercise price of the warrants is $1 in aggregate. Under the terms of the NAB Warrant, upon exercise of the NAB Warrant, NAB was entitled to additional shares so that its overall shareholding (including the Warrant Shares once exercised) remained at 40.0% in certain situations, including a capital raising up to $5.0 million. The effect of this was that NAB would not be diluted in such circumstances.

By an agreement dated 10 November 2017, NAB has agreed with PCA that it will exercise the NAB Warrant for all of the Warrant Shares, within five business days of PCA lodging its Target's Statement with ASIC. These shares will also participate in the Offer (however, NAB is not bound to accept the Offer). As part of the agreement, NAB has agreed to cancel the anti-dilution provision of the NAB Warrant.

Under the Placement Letter, once the NAB Warrant is exercised, additional shares for nil consideration will be issued to Bega to ensure its holding remains at 19.99%. Once the NAB Warrant is exercised, and additional shares are issued to Bega under its anti-dilution rights, PCA will have on issue 15,142,079 shares.

The following table outlines PCA's registered shareholders who hold more than a 5% interest as at 15 November 2017, and the position after the exercise of the NAB Warrant and the issue of additional shares to Bega under its anti-dilution rights (assuming no other changes in shareholding):

Shareholders						
Shareholder	*Note*	*Shares*	*Ownership percentage before exercise of NAB Warrant*	*Shares to be issued under NAB Warrant*	*Additional shares to be issued to Bega*	*Ownership percentage after exercise of NAB Warrant*
Bega	1	2,270,176	19.99%		756,726	19.99%
Equity Management Unit Holding Pty Limited (NAB)	2	1,817,276	16.00%	3,028,795		32.00%
Southland Stokers Pty Limited		1,411,039	12.42%			9.32%
Technology Farmers Pty Limited		1,323,960	11.66%			8.74%
Total substantial shareholders		**6,822,451**	**60.07%**			**70.06%**
Remaining shareholders		4,534,107	39.93%			29.94%
Total shares on issue		**11,356,558**	**100.00%**	**14,385,353**	**15,142,079**	**100.00%**

Source: PCA Management and EY Transaction Advisory Services analysis.

Notes:

1. *These shares were issued to Bega under the terms of the Agreement, at $0.83 per share, in return for cash of approximately $1.9 million. Bega is entitled to further top-up shares upon exercise of the NAB Warrant under its anti-dilution rights*
2. *The exercise by NAB of the NAB Warrant is at a nominal $1 in aggregate*

We note that Technology Farmers Pty Limited is a company associated with a PCA director, Brett Heading. The

Target's Statement states that Mr Heading will accept the Offer in relation to the shares in which he has a relevant interest[23].

4.4 Transactions in PCA shares

PCA Management has provided us with a list of transactions in PCA shares between December 2011 and August 2017. During this period (over five years) there were 65 transactions in PCA shares, representing 46% of the total current shares on issue. The majority of transactions over this period were small transactions in relation to transfers from deceased estates (i.e. transfers to beneficiaries or pursuant to terms of a will) or other transactions between related parties. The prices paid for these transactions ranged between nil and $2.90 with a weighted (by volume) average of $0.64. We do not consider these transactions to be on an arm's length basis and accordingly do not consider them to be reflective of the fair market value of PCA.

Other transactions involving more substantial parcels of shares (albeit non-controlling interests) that appear to be transactions between non-related parties include:

- February 2012: GPG Nominees Pty Ltd disposed of 1,441,039 shares to Mariner Corporation Limited ("Mariner") for $0.11 per share

- March 2012: GPG Nominees Pty Limited disposed of a further 360,000 shares to Ross and Skye Burney at $0.11 per share. Mariner disposed of its 1,441,039 shares in PCA to Queen Street Nominees ("Queen Street") for $0.33 per share

- November 2015: Queen Street disposed its 1,441,039 interest in PCA to Wellington Capital Limited (now named Southland Stokers Pty Limited) for $0.35 per share.

The above transactions represent prices at which non-controlling (minority) interests have traded. Given the relatively low number of transactions, and the volumes traded, there is low liquidity in PCA's shares.

4.5 Outlook

Based on the latest available forecast, Management expects to generate EBITDA of around $0.8 million in FY18F. Domestic supply tonnage in FY18F is expected to increase from FY17A tonnage of approximately 13,500 MT to 16,000 MT (supplemented by around 7,000 MT of imports). Beyond FY18F, PCA Management is forecasting increases in domestic harvests of 19,000 MT and 22,000 MT in FY19F FY20F, respectively, on the expectation that harvests will return to longer term averages through more favourable weather conditions, continued investment in grower relations and increased agronomic support. This is dependent upon weather conditions, and increases in areas planted by growers. The continued reliance on imports to meet PCA's domestic supply commitments is expected to see cost of goods sold remain high, however PCA expect to be able to pass on some of these costs which will see sales revenue increase compare to FY17A.

[23] Mr Heading has a relevant interest in 1,349,711 shares in PCA

5. Valuation methodology and approach

As noted in section 2.2, and consistent with RG 111, we have considered whether the Offer is fair by comparing our assessed fair market value of a PCA Share with the Offer Consideration of $0.83 per PCA Share. In assessing the value of a PCA Share, we have assumed 100% ownership of PCA. Under RG111, the Offer is considered fair if the Offer Consideration is within or greater than the range of values assessed for a PCA Share.

As noted previously, our valuation of PCA has been assessed on a 100% controlling interest basis and as such, includes a premium for control. This is consistent with the requirements of RG 111. This approach reflects that the Offer by Bega is for 100% of the outstanding shares it does not already own, and reflects a control transaction.

5.1 Definition of fair market value

We have assessed the value of PCA on a fair market value basis. Fair market value in this context is considered to be:

"the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm's length".

Fair market value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

5.2 Valuation methodology and approach

RG 111 sets out the valuation methodologies that may be considered by an expert in valuing a company such as PCA. A broad description of the application of these methods are outlined in Appendix B. The selection of the relevant methodology will depend upon the particular circumstances of the company being valued and the information available.

In assessing an appropriate methodology to adopt to determine the fair market value of PCA Shares, we have considered the following matters:

- In recent years, partly due to relatively low crop sizes, PCA has an asset base that has not generated a sufficient, or in some years even positive, return. Further, with its current capital and financing base we have not seen any reliable forecasts or other information to suggest that this position is likely to change in the foreseeable future.

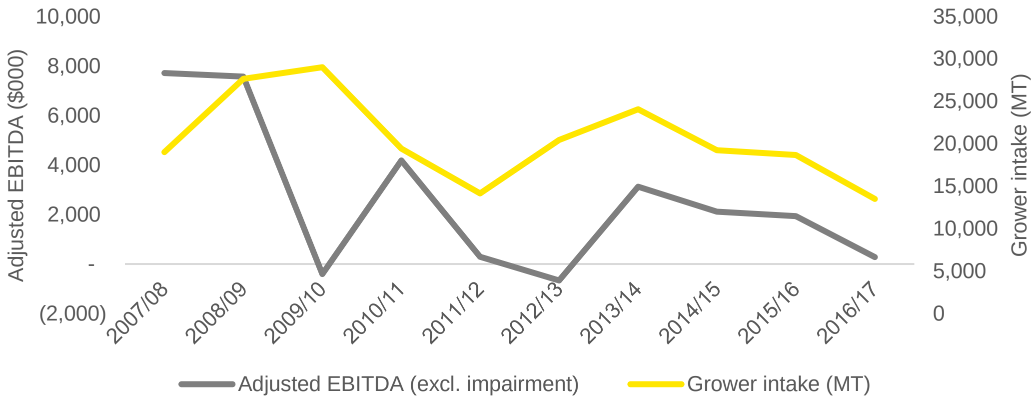
- Notwithstanding these relatively poor returns, PCA does have a market position and an asset base that we consider could be attractive to other agriculture or food processing companies who, with additional capital and the ability to combine PCA and other operations, may be able to improve profitability and generate more appropriate returns on assets through:

    - increasing future harvest sizes by working with growers and providing financial incentives;
    - providing required capital to fund market opportunities; and
    - reducing costs or realising synergies through integration with its own operations.

- This position is evidenced by the Offer from Bega, but we note that there are also other participants in the agriculture and food processing sectors (including those dealing with peanut products) who could also derive these types of benefits.

- In support of the above position, we note that PCA has, in the past, generally generated higher earnings during periods of higher domestic harvests. A summary of PCA's profitability and the annual grower intake, over the ten years ended FY17A, is set out in Appendix C. Profitability figures have been adjusted to remove certain one off items of revenue and expense. A graphical summary of this data is below:

Historical grower intake vs adjusted EBITDA



Adjusted EBITDA and grower intake		
	Adjusted EBITDA ($000)	*Grower intake (MT)*
10 year average (FY08A-FY17A)	2,615	20,521
5 year average (FY12A-FY17A)	1,358	19,188
3 year average (FY14A- FY17A)	1,444	17,139

Source: PCA Management and EY Transaction Advisory Services analysis

- The above data indicates that earnings have been volatile over the past decade. FY10A results were impacted by a series of events, including the closure of the Northern Territory operations and inventory and biological asset write downs. While we have adjusted for these items in the data above, significant margin reductions arising from peanuts being purchased in the prior year from growers at an unsustainable levels resulted in a poor underlying earnings result. Excluding the FY10A results, the chart does indicate a correlation between the size of the grower intake and PCA's profitability. The extent to which a market participant buyer could improve earnings, given seasonal impacts, is uncertain, however it is likely that increasing domestic harvest sizes would improve profitability, for example if this could be achieved by the implementation of the types of initiatives being discussed by PCA and Bega.

- We have also considered the underlying net assets of PCA. As set out in section 4.2, PCA's fixed asset base is substantial. PCA holds significant peanut storage and processing assets strategically located in Australia's key peanut growing regions. In addition, it has made recent significant investments in a new snacking line enabling it to produce consumer ready products. It also holds significant inventory.

  We note that the financial statements presented in this report have been prepared on a going concern basis and have been audited by BDO (and an unqualified audit opinion issued[24]). As set out in the financial statements, land and buildings are recorded at a fair value prepared by a third party valuer as at 31 March 2017. We have reviewed the valuation reports and note that the building (improvement) component of fair value is based on a depreciated replacement cost approach. Under this approach, improvements are valued based on the cost to replace the improvements, having regard to their physical condition. However, the third party valuation does not appear to reflect current economic factors which reduce the value of an asset, known as economic obsolescence.

[24] The half year financial statements ended 30 September 2017 have not been audited.

A key economic factor currently facing PCA is reduced harvest volumes, which is resulting in underutilisation of its facilities and suppressed earnings. We consider a market participant buyer would adjust the value of the improvements, and the plant and equipment, to reflect the earnings and cash flows it would expect to derive from the assets.

- PCA has prepared a five year model ending on 31 March 2022 ("FY22F") for the purposes of impairment testing of its assets. The model is based on a three year projection to FY20F approved by the Board with a 4% growth rate for the remaining two years and a 3% growth rate into perpetuity. This model has been prepared for the specific purpose of assessing the value in use of the assets to PCA under relevant accounting standards, and may not reflect market participant or fair market value assumptions. This model is based on an assumption of increases in harvests to 22,000 MT by the year ending 31 March 2021 ("FY20F"), and a corresponding increase in earnings. We note that while we have discussed PCA's plans to increase the harvest to this sort of level, the achievement of this objective remains far from certain.

After considering these factors, we have adopted the net assets methodology as our primary methodology to value the shares in PCA. This recognises that the asset base is likely to be attractive to an acquirer but, given the current performance of the business, is likely to discount the value from the current book value to reflect that performance and the financial position of PCA.

We have undertaken our assessment assuming that PCA continues as a going concern. We do not consider it is appropriate to assess the value of PCA on an orderly winding up of the assets. This is on the basis that PCA does have interested buyers for its assets (at least Bega) who intend to continue to operate the business. In addition, PCA is Australia's largest processor of peanuts and an important part of domestic supply and we consider it likely that PCA's business may be of interest to other parties, who may wish to ensure continued domestic supply of peanuts. We also note that the value obtained under an orderly winding up basis is generally a minimum value, with assets sold on an individual basis. Given the specialised nature of the building improvements and plant and equipment, and their location in regional areas, we consider the highest value for these assets would be realised as part of a going concern transaction.

As a cross-check, we have considered the EBITDA that would need to be generated to support the valuation arrived at using our net assets approach. We have calculated the EBITDA implied by the net assets based valuation having regard to market based multiples inclusive of a premium for control. We have considered whether this implied EBITDA appears reasonable based on PCA's historical performance, budgets and the longer term outlook in PCA's five year projections, on the assumption that PCA has access to greater capital than at present and potentially from synergies from being part of a larger organisation. We note that this assessment is subjective and also note that in respect of synergies available to market participants these would not all be expected to be factored into an offer price, especially unless a competitive position existed.

While we have noted the prices paid in other transactions involving PCA shares, we consider these to be less persuasive indicators of value, because these transactions did not involve the sale of controlling interests, and have occurred mainly in very small volumes and quite infrequently. Given that PCA shares are not listed on a stock exchange, there is limited or no price disclosure informing the market of the prices at which these transactions have occurred.

6. Valuation of PCA Shares

6.1 Net assets method

We have assessed the value of PCA by estimating the fair market value of the underlying assets and liabilities of PCA, on a going concern basis. We have based our analysis on the audited book values of the net assets of PCA as at Mar17A (the latest available audited accounts), with adjustments to reflect movement in cash balances, working capital balances and debt to Sept17A. We have also made an adjustment to the value of buildings, plant and equipment, having regard to the utilisation of these assets in recent years.

Our analysis, and the key assumptions we have adopted, is set out below:

Valuation of PCA						
Currency: A$000	Book value as at Mar17A	Notes	Value adjustment - low	Value adjustment - high	Value Low	Value high
Assets						
Cash	108	1	221	221	329	329
Trade receivables	5,285	1	201	201	5,486	5,486
Inventories	8,310	2	8,431	8,431	16,741	16,741
Prepayments	877	1	(501)	(501)	376	376
Land	5,665	3	-	-	5,665	5,665
Buildings, plant and equipment	25,483	4	(11,183)	(5,383)	14,300	20,100
Intangible assets - water rights	3,868	5	1,132	2,532	5,000	6,400
Intangible assets - peanut breeding gene pool	2,983	6	(2,983)	(2,983)	-	-
Liabilities						
Trade and other payables	(4,225)	1	(3,154)	(3,154)	(7,379)	(7,379)
Provisions	(1,894)	1	(178)	(178)	(2,072)	(2,072)
Derivative liabilities	(328)	1	41	41	(287)	(287)
NAB Warrant - derivative liability	(550)	7	550	550	-	-
Interest bearing debt	(25,042)	8	(5,989)	(5,989)	(31,031)	(31,031)
Adjusted net assets	**20,540**				**7,128**	**14,328**
Add: cash from Bega placement	1,884	9			1,884	1,884
Value of PCA on a going concern basis	**22,424**				**9,012**	**16,212**
Number of PCA shares on issue fully diluted basis	15,142,079	10			15,142,079	15,142,079
Value per PCA share					**$0.60**	**$1.07**

Source: EY Transaction Advisory Services analysis

In assessing the fair value of the net assets of PCA, we have made the following assumptions and adjustments:

1 We have updated the book value of cash, trade receivables and prepayments to their book value as at the end of Sept17A. The book value of cash is considered to be equal to its fair value. Trade receivables are net of doubtful debt provisions and therefore considered to be at fair value. Prepayments are relatively minor.

Similarly, we have updated the book value of trade and other payables, provisions and derivative liabilities to equal the book value at Sept17A. We note that the book value of the derivative liability is based on the fair value of outstanding currency hedge contracts. Provisions represent employee provisions. We therefore consider that the book value as at Sept17A represents a reasonable estimate of the fair value of these liabilities.

2 We have updated the inventory balance to reflect Sept17A balances (which are higher than Mar17A balances due to receipt of harvest stock). Inventory comprises raw materials, work in progress, and finished goods (net of any stock write downs). For the purposes of our assessment, and after considering

PCA's financial position and recent financial performance, and having regard to our valuation methodology, we have assumed that the fair value of the inventory, to a purchaser, reflects the book value of the inventory.

3 The financial statements indicate that the book value of land at Mar17A is based on a fair value assessment by the third party valuer based on comparable market transactions. We have assumed this asset has not moved significant in value since Mar17A.

4 We have adjusted the book value of buildings and plant and equipment to reflect the implied excess capacity (economic obsolescence) embodied in the assets. For the buildings we have used the valuations prepared by the third party valuer as the basis for this process. For plant and equipment, we have determined indicative values using an indirect application of the cost approach. The economic obsolescence adjustments applied have regard to average utilisation levels over the last five years, or shorter period if appropriate.

5 The book value of water rights is based on cost less impairment. PCA Management has provided us with recent market data[25] indicating the prices per megalitre at which the relevant water rights are trading and latest bid and offer prices. These prices are higher than the book value recorded by PCA. The water rights are temporarily assigned to growers to encourage growers to supply peanuts to PCA, and do not form part of PCA's core processing business. We have therefore ascribed a fair value based on the market data provided to us by PCA Management.

6 The peanut breeding gene pool is based on capitalised cost less amortisation and impairment. We note that the value of this intangible asset is difficult to assess, given the lack of a separate revenue stream and market or other objective data. In FY17A, PCA recorded an impairment to the gene pool of $1.0 million. Given PCA's poor trading results, its capital intensity and the lack of a separate revenue stream, we have ascribed no separate value to the gene pool.

7 We have added back the fair value of the derivative liability associated with the NAB Warrant, as the NAB Warrant will be exercised and converted into ordinary shares within five business days of PCA notifying NAB of the lodgment of the Target's Statement.

8 We have updated net debt to equal the book value as at Sept17A.

9 We have included the additional cash proceeds raised from the placement to Bega, on 10 November 2017. We understand there have been no further material movements in net assets since Sept17A.

10 We have calculated the value per share based on the number of shares on a fully diluted basis, after taking into account the exercise of the NAB Warrant and the additional shares to be issued to Bega under its anti-dilution rights. Refer section 4.3.

PCA has carried forward income tax losses of $24.3 million and carried forward capital losses totaling $6.4 million. PCA has not recorded the potential benefit of these losses on its financial statements, because it is not probable that future taxable profit will be available over a five year forecast period against which the unutilised tax losses can be utilised.

Carried forward tax losses may be of some value to a purchaser, assuming the losses can be utilised to offset future taxable income. However, the utilisation of tax losses by a purchaser of a company is subject to a number of tax rules which may disallow or significantly limit their future use. The tax benefit achieved will be depend upon the tax profile of the purchaser and the nature of the future operations of PCA. On this basis, we have not ascribed a value for these carried forward losses.

We recognise that our range of values per share is wide. This is mainly due to the high levels of debt held by PCA. What are relatively normal ranges around the values of individual assets become a much wider range once the significant financial debt levels (not ranged) are taken into account.

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[25] Data provided by Waterfind Australia

6.2 Cross-check

As a cross-check to our primary method, we have considered the earnings that would need to be generated by PCA to support the net asset value calculated above. We have undertaken this approach, because of the uncertainty surrounding the earnings that may be achieved by purchaser of PCA's business. While it would be expected that a buyer of PCA, such as Bega, could increase earnings relative to their current levels, the extent to which that might occur is unknown.

Our calculation is set out below:

Cross-check			
Currency: A$000	*Note*	*Low*	*High*
Value of PCA based on net assets (refer section 6.1 above)		9,012	16,212
Add: core net debt	1	25,000	25,000
Enterprise value		**34,012**	**41,212**
Range of EBITDA multiples from listed companies and other transactions	2	9.0x	8.0x
Implied EBITDA		3,779	5,152

Source: EY Transaction Advisory Services analysis

In undertaking this assessment, we have made the following assumptions:

1 We have adopted net debt levels based on net debt as at FY17A and FY16A, rather than as at Sept17A. This is because net debt is generally at its lowest level at the end of the financial year (March) and increases as the harvest is received and reduces as stock is sold and converted to cash. Net debt as at March end therefore represents "core" underlying debt, and is less seasonally affected.

2 In selecting an appropriate range of EBITDA multiples, we have considered the following:

The forecast multiples at which listed Australian food and agribusiness companies, that are subject to agricultural supply risk, are currently trading as set out below (details of the activities of these companies are set out in Appendix D). These multiples have been adjusted to include a control premium (being the additional price a purchaser would have to pay to acquire all the shares in the listed company). For the purposes of this analysis, we have selected a control premium of 30%[26]. These multiples are summarised below:

Selected listed food companies					
Company	*Enterprise Value ($ million)**	*CAGR in revenue (%)*	*Forecast EBITDA ($ million)*	*Forecast EBITDA margin (%)*	*EV/Forecast EBITDA (times)*
Freedom Foods Group Limited	1,437	33%	41	12%	35.2x
Select Harvests Limited	664	4%	43	17%	15.5x
Webster Limited	738	40%	58	31%	12.7x
Bega Cheese Limited	1,494	31%	117	7%	12.8x
Capilano Honey Limited	214	4%	17	12%	12.8x
Mean					**17.8x**
Median					**12.8x**
Mean (ex. Freedom Foods)					**13.4x**
Median (ex. Freedom Foods)					**12.8x**

*Source: S&P Capital IQ, EY Transaction Advisory Services analysis *As at 16 November 2017. Enterprise value includes a 30% premium applied to the market capitalisation. CAGR is the compound annual growth rate between last financial year and next financial year revenue.*

[26] Mergerstat, *Control Premium Study*, 2nd Quarter, June 2017 notes that the median bid premium (excluding negative premiums) paid on global transactions across all industries in the 12 months to June 2017 was 33% based on 134 transactions We have adopted a control premium of 30%.

We note that the companies listed above are all larger (some substantially) than PCA, and generate higher margins that PCA. In addition, some are expected to experience high levels of growth.

We have also noted recent transactions including Bega's purchase of the Mondelez Australian and New Zealand grocery business for an implied EBITDA multiple of between 10.2 and 11.5 times (based on a reported purchase price of $460 million and expected EBITDA of between $40 million and $45 million). Mondelez's is a significant business incorporating a portfolio of assets including the well-known Vegemite brand and KRAFT peanut butter spreads. We consider this business would attract a higher multiple, relative to PCA which is predominately an ingredient supplier, with only limited presence in the branded snacking market.

Other recent announced transactions include Saputo's proposed acquisition of Murray Goulburn Co-Operative Co. Limited for an implied forecast EBITDA multiple of 12.3 times, and a rejected offer by Mubadala Investment Company to acquire Select Harvests Limited for an implied forecast EBITDA multiple of 13.6 times. Both of these targets are significantly larger than PCA.

We have adopted a range of forecast EBITDA multiples of between 8.0 and 9.0 times.

The implied EBITDA required to support an enterprise value of between $34 million and $41 million is approximately $3.8 million to $5.2 million. We note that this is above the 10 year, 5 year and 3 year average adjusted EBITDA achieved by PCA of $2.62 million, $1.36 million and $1.44 million respectively. As noted above, PCA Management has developed five year projections for the purposes of impairment testing, which indicate that at higher harvest volumes, EBITDA is expected to increase to levels consistent with the range of $3.8 million to $5.2 million. While based on past performance this appears high, we do not consider it to be unreasonable in the context of a control transaction on the assumption that an acquirer would have access to capital and also the potential to realise synergies from other operations.

We consider this cross-check broadly supports our range of values.

7. Evaluation of the Offer

7.1 Fairness

Based on the analysis set out above, we have assessed the Offer as fair to PCA Shareholders because the Offer Consideration of $0.83 per share falls within our range of assessed values of a PCA Share on a controlling basis.

7.2 Reasonableness

As we consider the Offer to be fair as set out above, under the guidance provided by RG 111, we also consider the Offer to be reasonable in the absence of a superior offer.

Notwithstanding the above conclusion that the Offer is fair and reasonable, we have considered the following other qualitative matters that are relevant to PCA Shareholders in forming their views as to whether or not to accept the Offer. Individual PCA Shareholders may interpret these factors differently depending on their own circumstances.

Consideration paid in cash

The Offer is a cash payment, and this provides certainty to PCA Shareholders.

Opportunity to realise investment in an otherwise illiquid investment

PCA is not listed on any public stock exchange. There has been limited trading in PCA shares over the past five years, with trading occurring irregularly and at a wide range of prices. There is not a deep or liquid market for trading in PCA's shares. The Offer provides PCA Shareholders with the opportunity to realise their investment in return for a fixed cash payment.

Potential for alternative superior proposals

The Offer has no minimum acceptance condition, so that if PCA Shareholders accept the Offer, and a superior proposal emerges, they will be unable to accept the superior proposal (unless withdrawal rights exist). While it is possible that an alternative proposal may emerge, we note that since the announcement of the Offer, no superior proposals have been received and the PCA board is not aware of any party having an intention to make such a proposal. Bega now holds a significant 19.99% interest in PCA and this may limit the potential for alternative proposals to emerge.

Consequences if the Offer does not proceed

PCA's recent intake of peanuts from growers has been below long term averages, which means that PCA has been unable to fully absorb the fixed component of its processing costs. In addition, PCA has commenced implementing a new strategy involving changing its sales mix to include higher valued and higher margin retail products. This has proved difficult, given the competitive retail market, and expensive, given the costs of sales and marketing associated with launching a retail product. These factors have contributed to poor financial results for PCA in recent years.

If PCA is unable to maintain profitability, PCA is likely to require additional funds to continue to develop and operate the business. PCA's is currently dependent upon continued support from its financier, NAB. While NAB has supported PCA over a number of years, the current facilities with NAB expire on 30 June 2018. There is no certainty that PCA will be able to refinance its facilities when they expire either with NAB or another party. The Target's Statement notes that PCA has undertaken a number of processes to either raise capital or find a purchaser for PCA. These have not, to date, been successful.

PCA is therefore financially vulnerable if climatic or other conditions continue to suppress grower intake or PCA's retail strategy is not successful. If PCA could not continue to operate, then this may mean that peanut growers will find it more difficult to sell their harvest, given the significant capacity of PCA's operations. To the extent that growers are current PCA Shareholders, accepting the Offer will mean that PCA would have greater access to capital to deal with adverse events or circumstances which may be a benefit to PCA Shareholders who are also growers.

Bega has increased financial capacity

Bega (relative to PCA) has greater financial capacity to work with growers to improve farm practices and thereby to increase harvest supply (noting, however, that PCA's grower intake is also subject to weather conditions, the level of support that PCA providers growers, and the market prices it offers growers). In contrast, PCA has been constrained by the lack of investment capital to capitalise on the market opportunities available, given its poor financial performance. Therefore, to the extent that PCA Shareholders are current growers or contemplating becoming growers, they may benefit under Bega's ownership of PCA.

Possible minority ownership consequences

The Offer by Bega is not conditional upon Bega achieving a certain level of PCA Shares and the ultimate ownership percentage Bega will achieve during the Offer period is unknown.

If, as a result of acceptances of the Offer, Bega acquires 90% or more of PCA Shares, Bega may have the right to compulsorily acquire the remaining PCA Shares. If Bega acquires 75% or more of the PCA Shares it will have the right to pass special resolutions, including changing the constitution of PCA. If Bega acquires more than 50%, it will be able to pass ordinary resolutions, control the composition of the PCA board and control the strategic direction of the business.

If PCA Shareholders do not accept the Offer they may become minority shareholders in PCA, with Bega being a major shareholder, with the extent of its holding depending upon the number of PCA Shares that it does acquire pursuant to the Offer. This may reduce the ability of PCA Shareholders to realise a control value for their shares, should they wish to dispose of their shares in the future.

Should PCA seek to raise further capital in the future (for instance, through a rights issue) to fund expected capital requirements, minority shareholders in PCA may be diluted, unless they participate in the capital raising.

In addition, if Bega does not obtain an interest of at least 50.1% in PCA, Bega holds anti-dilution rights, such that, if PCA does issue shares to third parties within a twelve month period, Bega is entitled to be issued bonus shares in PCA for nil consideration to maintain its shareholding. This will further dilute the remaining PCA Shareholders.

Bega currently holds 19.99%. Under the "creeping" acquisition provisions under the Act, Bega is entitled to acquire up to 3% of PCA every six months. Therefore Bega could increase its shareholding in PCA gradually without making a further offer to all of PCA Shareholders.

No participation in the potential future growth in PCA

By accepting the Offer, PCA Shareholders will no longer hold shares in PCA and will therefore not benefit from any upside in the future performance of PCA.

7.3 Other matters

Other matters that PCA Shareholders may wish to consider include the following.

Board view

The PCA board has unanimously recommended that the Offer be accepted, in the absence of a superior proposal. PCA directors collectively hold shares in PCA representing 9.7% of the issued capital of the Company (on a fully diluted basis) and intend to accept the Offer.

Tax consequences

EY Transaction Advisory Services has not considered the specific taxation implications that may be relevant to individual PCA Shareholders in connection with the Offer. There may be certain tax implications for individual PCA Shareholders in connection with accepting the Offer. The exact nature and impact is uncertain and will depend upon the profile of each PCA Shareholder. PCA Shareholders should consider the information contained in section 5.11 of the Target's Statement and section 7 of the Bidder's Statement. PCA Shareholders should consider to what extent they may realise revenue or capital gains or losses on the disposal of their PCA Shares if they accept the Offer.

Transaction costs

PCA has incurred costs estimated at $175,000 in relation to the Offer. These include legal, advisor and independent expert costs. These costs will be payable by PCA regardless of whether the Offer results in Bega acquiring all of the outstanding PCA shares.

7.4 Conclusion

After considering the quantitative and qualitative factors, EY Transaction Advisory Services has concluded that, in the absence of a superior offer, the Offer is fair and reasonable to PCA Shareholders.

This IER has been prepared to assist PCA Shareholders in assessing the merits of the Offer. In doing so, the report provides general information only and does not consider the individual situation, objectives and needs of each PCA Shareholder. On this basis, PCA Shareholders should consider whether this report is appropriate for their circumstances, having regard to their own situation, objectives and needs before relying on or taking action based on this report. If there is any doubt, PCA Shareholders should seek their own professional advice.

Building a better working world

Appendix A Statement of qualifications and declarations

EY Transaction Advisory Services, which is wholly owned by EY, holds an Australian Financial Services Licence under the Act and its representatives are qualified to provide this report. The directors of EY Transaction Advisory Services responsible for this report have not provided financial advice to PCA.

Prior to accepting this engagement, EY Transaction Advisory Services considered its independence with respect to PCA with reference to RG 112.

This report has been prepared specifically for PCA Shareholders in relation to the Offer. Neither EY Transaction Advisory Services, EY and any employee thereof undertakes responsibility to any person, other than PCA Shareholders, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report EY Transaction Advisory Services has relied upon and considered information believed after due inquiry to be reliable and accurate. EY Transaction Advisory Services has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. EY Transaction Advisory Services has evaluated the information provided to it by PCA, its advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report. EY Transaction Advisory Services does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose.

The sources of information relied upon in the preparation of this report is set out in Appendix F to this report.

PCA has provided an indemnity to EY Transaction Advisory Services for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this report.

EY Transaction Advisory Services provided draft copies of this report to PCA for comments as to factual accuracy, as opposed to opinions, which are the responsibility of EY Transaction Advisory Services alone. Changes made to this report as a result of this review by the directors and management of PCA have not changed the methodology or conclusions reached by EY Transaction Advisory Services.

EY Transaction Advisory Services will receive a professional fee based on time spent in the preparation of this report estimated at approximately $60,000 (exclusive of GST). EY Transaction Advisory Services will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

Mr Michael Fenech, a director and representative of EY Transaction Advisory Services and a partner of EY and Mr Stuart Bright, a director and representative of EY Transaction Advisory Services and a partner of EY have assumed overall responsibility for this report. Both have the necessary experience and professional qualifications appropriate to the advice being offered. Other staff have been consulted in the preparation of this report where appropriate.

It is not intended that the report should be used for any other purpose other than to be included in the Target's Statement to be sent to PCA Shareholders with respect to the Offer. In particular, it is not intended that this report should be used for any other purpose other than as an expression of its opinion as to whether or not the Offer by Bega is fair and reasonable to PCA Shareholders.

EY Transaction Advisory Services consents to the issue of this report in the form and context in which it is included in the Target's Statement.

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Appendix B Valuation methodologies

Most valuation approaches can be categorised under one or more of the following broad approaches:

- The income approach under which an asset is valued as the present value of the future net economic benefits that are expected to accrue to the owner from the use or sale of the asset.
- The market approach under which an asset is valued by reference to evidence (if any) of prices obtained in sales of interests in the asset that is the subject of the valuation, or by reference to the value of comparable assets related to some common variable such as earnings, cash flow or revenue.
- The cost approach under which an asset is valued by reference to its historical cost or replacement cost.

Each of these approaches is appropriate in certain circumstances. The decision as to which approach and methodology to utilise generally depends on the availability of appropriate information and type of business.

Income approach

The most common methodology within the income approach is the discounted cash flow ("DCF") methodology. The DCF methodology involves calculating the net present value of cash flows that are expected to be derived from future activities. The forecast cash flows are discounted by a rate that reflects the time value of money and the risk inherent in the cash flows.

This methodology is particularly appropriate in valuing projects, businesses and companies that are in a start-up phase and are expecting considerable volatility and/or growth in earnings during the growth phase, as well as businesses with a finite life. The utilisation of this methodology generally requires management to be able to provide long term cash flows for the company, asset or business.

Market approach

The main methodology within the market approach is the capitalisation of earnings methodology. This involves capitalising the earnings of a business at an appropriate multiple, which reflects the risks underlying the earnings together with growth prospects. This methodology requires consideration of the following factors:

- Estimation of normalised earnings having regard to historical and forecast operating results, abnormal or non-recurring items of income and expenditure and other factors. The normalised earnings are generally based on net profit after tax, EBIT, EBITA or EBITDA.
- Determination of an appropriate earnings multiple reflecting the risks inherent in the business, growth prospects and other factors. Multiples may be derived from quoted comparable trading companies and well as implied from recent acquisitions of similar companies.
- Earnings multiples applied to net profit after tax are known as price earnings multiples and are commonly used in relation to listed public companies. Earnings multiples applied to EBIT, EBITA or EBITDA are known, respectively, as EBIT, EBITA or EBITDA multiples, and are commonly used in respect of companies comprising a number of businesses where debt cannot be precisely allocated or in acquisition scenarios where the purchaser is likely to influence the capital structure.
- An adjustment for financial debt, in the event that maintainable earnings are based on EBIT, EBITA or EBITDA.
- An assessment of any surplus assets and liabilities, being those which are not essential to the generation of the future maintainable earnings.

This methodology is appropriate where a company or business is expected to generate a relatively stable record of earnings.

Cost approach

The main method within the cost approach is the net realisable value of assets methodology. This involves the determination of the net realisable value of the assets of a business or company, assuming an orderly realisation of those assets or on a going concern basis, where applicable. On an orderly realisation basis, the value may include a discount to allow for the time value of money and for reasonable costs of undertaking the realisation. It is not a valuation on the basis of a forced sale, where assets may be sold at values materially different to their fair market value.

This methodology is appropriate for asset intensive businesses, or where a business does not generate an adequate return on its assets.

Appendix C Historical financial performance

Currency: A$000	*FY08A*	*FY09A*	*FY10A*	*FY11A*	*FY12A*	*FY13A*	*FY14A*	*FY15A*	*FY16A*	*FY17A*	*10 year average*	*5 year average*	*3 year average*
Sales of good	62,895	71,839	62,202	54,013	51,525	57,337	53,607	55,083	52,762	52,582	57,385	54,274	53,476
Gross profit	**12,380**	**12,915**	**(3,363)**	**7,753**	**4,640**	**2,573**	**6,571**	**6,445**	**5,734**	**4,607**	**6,026**	**5,186**	**5,595**
GRDC funding	-	-	-	-	342	412	329	297	473	357	221	374	376
Other income (incl. Interest income)	144	80	177	371	270	1,083	22,556	691	2,904	261	2,854	5,499	1,285
Expenses (ex. Depreciation, amortisation and impairment)	(4,813)	(5,425)	(7,513)	(3,907)	(4,724)	(3,987)	(4,442)	(4,993)	(4,821)	(4,942)	(4,957)	(4,637)	(4,919)
EBITDA reported	**7,711**	**7,570**	**(10,699)**	**4,217**	**528**	**81**	**25,014**	**2,440**	**4,290**	**283**	**4,144**	**6,422**	**2,338**
Less: Depreciation	(1,608)	(1,511)	(1,530)	(1,338)	(1,408)	(1,407)	(1,230)	(849)	(1,141)	(1,128)	(1,315)	(1,151)	(1,039)
Less: Amortisation	(732)	(997)	(993)	(1,779)	(1,060)	(1,006)	(750)	(536)	(667)	(866)	(939)	(765)	(690)
Less: Impairment	-	-	(1,547)	-	-	(4,247)	-	-	-	(1,000)	(679)	(1,049)	(333)
EBIT reported	**5,371**	**5,062**	**(14,769)**	**1,100**	**(1,940)**	**(6,579)**	**23,034**	**1,055**	**2,482**	**(2,711)**	**1,211**	**3,456**	**275**
Less: Finance expense	(2,040)	(2,349)	(2,010)	(2,959)	(3,809)	(3,688)	(2,896)	(1,505)	(1,603)	(1,656)	(2,452)	(2,270)	(1,588)
Profit (loss) before tax	**3,331**	**2,713**	**(16,779)**	**(1,859)**	**(5,749)**	**(10,267)**	**20,138**	**(450)**	**879**	**(4,367)**	**(1,241)**	**1,187**	**(1,313)**
Income tax benefit (expense)	(780)	884	4,821	(1,129)	2,097	2,102	(6,991)	433	331	(568)	120	(939)	65
Profit (loss) for the year (Continuing Operations)	**2,551**	**3,597**	**(11,958)**	**(2,988)**	**(3,652)**	**(8,165)**	**13,147**	**(17)**	**1,210**	**(4,935)**	**(1,121)**	**248**	**(1,247)**
Adjustments:													
Insurance claims	-	-	-	-	(164)	(257)	(3)	(14)	(307)	(3)	(75)	(117)	(108)
Inventory and biological asset write down	-	-	10,200	-	-	-	-	-	-	-	1,020	-	-
Revaluation of warranty derivative	-	-	-	-	-	-	(37)	(510)	(2,043)	-	(259)	(518)	(851)
Asset revaluation loss	-	-	-	-	-	-	-	208	-	-	21	42	69
Gain on non recognition of grower revolving levy liability	-	-	-	-	-	(506)	-	-	-	-	(51)	(101)	-
Gain on debt forgiveness	-	-	-	-	-	-	(21,917)	-	-	-	(2,192)	(4,383)	-
Net (gain)/loss on disposal of property plant and equipment	(8)	(6)	(7)	(33)	(17)	(69)	11	(13)	-	-	(14)	(14)	(4)
Share based payments expense	-	-	44	5	(71)	(29)	-	-	-	-	(5)	(6)	-
Bad debts written off	13	8	52	-	21	115	54	-	-	-	26	34	-
Adjusted EBITDA	**7,716**	**7,572**	**(410)**	**4,189**	**297**	**(665)**	**3,122**	**2,111**	**1,940**	**280**	**2,615**	**1,358**	**1,444**
Less: Depreciation	(1,608)	(1,511)	(1,530)	(1,338)	(1,408)	(1,407)	(1,230)	(849)	(1,141)	(1,128)	(1,315)	(1,151)	(1,039)
Less: Amortisation	(732)	(997)	(993)	(1,779)	(1,060)	(1,006)	(750)	(536)	(667)	(866)	(939)	(765)	(690)
Adjusted EBIT (excl. impairment)	**5,376**	**5,064**	**(2,933)**	**1,072**	**(2,171)**	**(3,078)**	**1,142**	**726**	**132**	**(1,714)**	**362**	**(558)**	**(285)**

Currency: A$000	FY08A	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15A	FY16A	FY17A	10 year average	5 year average	3 year average
KPIs													
Grower intake (MT thousands)	19,023	27,640	29,027	19,438	14,139	20,464	24,059	19,230	18,686	13,502	20,521	19,188	17,139
Peanut imports (MT thousands)	12,841	6,891	4,697	5,327	6,574	7,269	5,297	6,014	6,997	6,135	6,804	6,342	6,382
Revenue growth %	*n.a.*	*14.2%*	*(13.4%)*	*(13.2%)*	*(4.6%)*	*11.3%*	*(6.5%)*	*2.8%*	*(4.2%)*	*(0.3%)*	*n/a*	*n/a*	*n/a*
Gross profit margin %	*19.7%*	*18.0%*	*(5.4%)*	*14.4%*	*9.0%*	*4.5%*	*12.3%*	*11.7%*	*10.9%*	*8.8%*	*10.4%*	*9.6%*	*10.4%*
Adjusted EBIT margin %	*8.5%*	*7.0%*	*(4.7%)*	*2.0%*	*(4.2%)*	*(5.4%)*	*2.1%*	*1.3%*	*0.3%*	*(3.3%)*	*0.4%*	*(1.0%)*	*(0.6%)*
Adjusted EBITDA margin %	*12.3%*	*10.5%*	*(0.7%)*	*7.8%*	*0.6%*	*(1.2%)*	*5.8%*	*3.8%*	*3.7%*	*0.5%*	*4.3%*	*2.5%*	*2.7%*

Source: PCA annual reports FY08 to FY17 and EY Transaction Advisory Services analysis

Note:

FY10A to FY12A results exclude losses from discontinued Northern Territory operations

Appendix D Listed company trading multiples

Company	Enterprise Value (EV)($ million)*	2 year revenue CAGR	EBITDA ($ million)		EBITDA margin (%)		EV/EBITDA (times)	
			Historical	Forecast	Historical	Forecast	Historical	Forecast
Freedom Foods Group Limited	1,437	13%	21	41	8%	12%	67.8x	35.2x
Select Harvests Limited	664	33%	32	43	13%	17%	20.8x	15.5x
Webster Limited	738	4%	11	58	8%	31%	70.3x	12.7x
Bega Cheese Limited	1,494	40%	61	117	5%	7%	24.5x	12.8x
Capilano Honey Limited	214	31%	14	17	11%	12%	15.3x	12.8x
Mean							**39.7x**	**17.8x**
Median							**24.5x**	**12.8x**
Mean (ex. outliers)							**20.2x**	**13.4x**
Median (ex. outliers)							**20.8x**	**12.8x**

Source: S&P Capital IQ and EY Transaction Advisory Services analysis

**As at 16 November 2017. Enterprise value includes a 30% premium applied to the market capitalisation*

Company name	*Business description*
Freedom Foods Group Limited	Freedom Foods Group Limited engages in sourcing, manufacturing, selling, marketing, and distributing specialty cereal and snacks in Australia and internationally. It offers gluten free, wheat free, nut free, nutritional oat based, low sugar or salt, or highly fortified products, such as breakfast cereals, snack bars, and other complimentary products.
Select Harvests Limited	Select Harvests Limited engages in the processing, packaging, marketing, and distribution of edible nuts, dried fruits, seeds, and a range of natural health foods in Australia. The company operates through Food Division and Almond Division segments. It also grows, processes, and sells almonds to the food industry from company owned almond orchards, as well as offers health snacks and muesli. The company has a portfolio of approximately 4,000 hectares of company owned, leased, and joint ventured almond orchards. In addition, it provides management services to external owners of almond orchards, including orchard development, tree supply, farm management, and land and irrigation infrastructure rental services; and markets and sells almonds on behalf of external investors. The company also exports its products to India and China, as well as rest of Asia, Europe, and the Middle East. It provides its products to retailers, distributors, and industrial users under the Lucky, Sunsol, NuVitality, and Soland brands in the retail markets, as well as Renshaw and Allinga Farms brands in the wholesale and industrial markets. The company is headquartered in Thomastown, Australia.
Webster Limited	Webster Limited operates as an agribusiness company in Australia, Europe, and internationally. The company operates through two segments, Agriculture and Horticulture. It produces annual row crops, including cotton, wheat, maize, and walnuts, as well as breeds livestock; and other crops, such as corn, cereals, and legumes. It also exports its products. Webster Limited was founded in 1831 and is based in Leeton, Australia.
Bega Cheese Limited	Bega Cheese Limited engages in receiving, processing, manufacturing, and distributing dairy and associated products primarily in Australia. The company operates in two segments, Bega Cheese and Tatura Milk. The Bega Cheese segment manufactures natural cheese, processed cheese, powders, and butter, as well as packages cheese products. The Tatura Milk segment manufactures and packages cream cheese, butter, powders, and nutritionals. It also exports its products to approximately 40 countries across the Middle East, Southeast Asia, North Asia, Central and South America, and the Pacific Islands. Bega Cheese Limited was founded in 1899 and is headquartered in Bega, Australia.
Capilano Honey Limited	Capilano Honey Limited packs and sells honey under the Capilano brand in Australia and internationally. The company also exports its products. Capilano Honey Limited was founded in 1953 and is headquartered in Richlands, Australia.

Source: S&P Capital IQ and EY Transaction Advisory Services analysis

Appendix E Transaction multiples

Date	Geographic location	Buyer	Target	Enterprise Value ($ million)	Implied EV/historical EBITDA	Implied EV/forecast EBITDA	Percentage sought	Target description
10-Sept-2017	Australia	Mubadala Investment Company	Select Harvests Limited*	588	18.4x	13.6x	100%	Select Harvests Limited engages in the processing, packaging, marketing, and distribution of edible nuts, dried fruits, seeds, and a range of natural health foods in Australia.
26-Oct-2017	Australia	Saputo Dairy Australia Pty Ltd.	Murray Goulburn Co-Operative Co. Limited^	1,310[27]	16.6x	n.a.	100%	Murray Goulburn Co-Operative Co. Limited processes, manufactures, markets, and distributes dairy products in Australia and internationally.
07-Oct-2013	Australia	Saputo Inc.	Warrnambool Cheese and Butter Factory Company Holdings Ltd	595	11.8x	12.3x	88%	Warrnambool Cheese and Butter Factory Company Holdings Limited produces and sells dairy products in Australia.
Average					**17.5x**	**13.0x**		

Source: S&P Capital IQ, Merger Market and EY Transaction Advisory Services analysis

Note:

**This transaction did not proceed. Select Harvests Limited rejected the offer from Mubadala stating that the proposal 'significantly undervalued the company'[28]*

^Murray Goulburn entered a binding agreement with Saputo in October 2017. The transaction is expected to be close in the first half of 2018 after shareholder, foreign investment board approval and Australian Competition and Consumer Commission clearance is achieved.

[27] Multiple based on data from Saputo Inc. news release, *Saputo Inc. announces an agreement to acquire the business of Murray Goulburn Co-Operative Co. Limited*, 26 October 2017
[28] Select harvests Limited ASX announcement, Indicative Proposal to Acquire Select Harvests (Corrected), 9 October 2017

Appendix F Sources of information

In arriving at our views, we have had regard to the following sources of information:

- various information provided by PCA Management
- the Target’s Statement prepared by PCA Management
- the Bidder’s Statement prepared by Bega
- news announcements by PCA and Bega
- documents lodged with ASIC by PCA
- market data obtained from sources including ThomsonOne, S&P Capital IQ, mergermarket, DatAnalysis and Factiva

In addition, we held discussions with PCA Management.

Appendix G Glossary

Abbreviation	Full Title / Description
$	Australian dollar
Act	Corporations Act 2001
APES 225	Accounting Professional & Ethical Standards Board 225: Valuation Services
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Bega	Bega Cheese Limited
Bid Implementation Agreement	Agreement between PCA and Bega setting out terms under which Bega agrees to make the Offer for PCA
Bidder's Statement	Statement prepared by Bega and sent to PCA Shareholders
CAGR	Compound annual growth rate
Company	Peanut Company of Australia Limited
DCF	Discounted cash flow
EBITDA	Earnings before interest and tax and depreciation and amortisation
EBITA	Earnings before interest and tax and amortisation
EBIT	Earnings before interest and tax
EY Transaction Advisory Services	Ernst & Young Transaction Advisory Services Limited
EY	Ernst & Young
EV	Enterprise Value
FSG	Financial Services Guide
FYXX	Financial year ending 31 March XX
FYXXF	Forecast Financial year ending 31 March XX
GRDC	Grains Research and Development Corporation
IER	This independent expert's report
MarXX	As at 31 March XX
Mariner	Mariner Corporation Limited
MT	Metric tonnes
NAB	National Australia Bank Limited
NAB Warrant	Warrant giving NAB the right to be issued further shares in PCA
PCA	Peanut Company of Australia Limited
PCA Management	Management of PCA
PCA Shareholders	Shareholders of PCA
PDS	Foreign Agricultural Service Production, Supply and Distribution Data online
Placement Letter	Agreement between PCA and Bega whereby Bega is issued a 19.99% interest in PCA
Placement Shares	Bega's subscription for 19.99% of the issued capital of PCA under the Placement Letter
Offer	Unconditional takeover bid to acquire all of the issued shares of PCA not held by Bega
Offer Consideration	Price under the Offer of $0.83 per share
QDAF	Queensland Department of Agriculture and Fisheries
Queen Street	Queen Street Nominees Pty Limited
Regulations	Corporations Regulations 2001
Report	This Independent Expert's Report
RG 111	Regulatory Guide 111: Content of expert reports
RG 112	Regulatory Guide 112: Independence of experts
Sept17A	As at 30 September 2017

Abbreviation	*Full Title / Description*
YTDFY18A	Results for the six months ended September 2017
Target ‘s Statement	Statement prepared by PCA and sent to PCA Shareholders
USDA	United States Department of Agriculture
Warrant shares	Shares issued as a result of NAB warrant being executed

Building a better
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PART 2 - FINANCIAL SERVICES GUIDE

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT EXPERT'S REPORT

28 November 2017

PART 2 - FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Expert's Report ("Report") in connection with a financial product of another person. The Report is set out in Part 1.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report will be capped at $66,000 (inclusive of GST).

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services	**Contacting the Independent Dispute Resolution Scheme:**
AFS Compliance Manager Ernst & Young 200 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

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