

**Longreach Oil Limited
ACN 000 131 797**

**NOTICE OF ANNUAL GENERAL MEETING
AND
EXPLANATORY STATEMENT**

A PROXY FORM IS ENCLOSED

TIME: 11am (Sydney time)
DATE: Thursday, 28 November 2019
PLACE: Level 31, 1 O'Connell Street, Sydney, NSW

This Notice of Meeting and Explanatory Statement should be read in its entirety. If you are in any doubt about what to do in relation to the Resolutions contemplated in this Notice of Meeting it is recommended that you seek advice from an accountant, solicitor or other professional advisor without delay.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 65th Annual General Meeting of Shareholders of Longreach Oil Limited (the “**Company**”) will be held at 11am (Sydney time) on Thursday, 28 November 2019 at the offices of K&L Gates at Level 31, 1 O’Connell Street, Sydney, NSW (the “**Meeting**”) to conduct the business specified below.

The Explanatory Statement which accompanies and forms part of this Notice of Meeting more fully describes the matters to be considered at the Meeting. This Notice of Meeting should be read in conjunction with the Explanatory Statement.

Unless otherwise defined, capitalised terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary contained in section 8 of the Explanatory Statement.

AGENDA

1 FINANCIAL REPORT AND REPORTS OF THE DIRECTORS AND AUDITORS

To receive and consider the Financial Report for the year ended 30 June 2019 and the Reports of the Directors and Auditors.

There is no requirement for Shareholders to approve the Financial Report or the Reports of the Directors and Auditors.

2 RESOLUTION 1 - APPROVAL FOR AN EQUAL REDUCTION OF CAPITAL AND IN SPECIE DISTRIBUTION OF HAPPY VALLEY SHARES

To consider and, if thought fit, to pass, the following resolution as an **ordinary resolution**:

“That, for the purposes of section 256B and 256C of the Corporations Act and for all other purposes, approval is given for the capital of the Company to be reduced by the Company making a pro rata in specie distribution of 14,413,427 Happy Valley Shares with the consequence that each Shareholder of the Company on the Record Date will be deemed to have consented to becoming a Happy Valley Shareholder and to be bound by Happy Valley’s constitution, on the terms and subject to the conditions set out in the Explanatory Statement.”

3 RESOLUTION 2 - APPROVAL FOR THE COMPANY’S VOLUNTARY WINDING UP

To consider and, if thought fit, to pass, the following resolution as a **special resolution**:

“That, subject to Resolution 1 being passed and the transaction contemplated by that Resolution completed, the Company be wound-up voluntarily and that joint and several liquidators be authorised to divide amongst Shareholders in specie, the whole or any part of the residual property of the Company and for that purpose set such value as they consider fair upon any property to be so divided and determine how the division is to be carried out between Shareholders.”

4 RESOLUTION 3 - APPOINTMENT OF A LIQUIDATOR

To consider and, if thought fit, to pass, the following resolution as an **ordinary resolution**:

“That, subject to Resolutions 1 and 2 being passed, Adam Shepard of Setter Shepard be nominated to act as liquidator of the Company for the purposes of its voluntary winding-up.”

5 RESOLUTION 4 - COSTS OF LIQUIDATOR

To consider and, if thought fit, to pass, the following resolution as an **ordinary resolution**:

“That, subject to Resolutions 1, 2 and 3 being passed, the liquidator, partners and staff costs are all proper costs, charges and expenses of and incidental to the winding-up of the Company, and those costs be fixed on a time basis calculated in accordance with Setter Shepard’s schedule of hourly rates as at 1 July 2019, estimated to be a total of A\$30,000, and that the joint and several liquidators be entitled to apply any GST refunds against the same at any time, including after the finalisation of the Company’s winding-up.”

6 RESOLUTION 5 - BOOKS AND RECORDS OF THE COMPANY

To consider and, if thought fit, to pass, the following resolution as an **ordinary resolution**:

“That, subject to Resolutions 1, 2, 3 and 4 being passed and subject to obtaining the approval of the Australian Securities and Investments Commission under section 524(4) of the Corporations Act, the books and records of the Company and the joint and several liquidators be disposed of by the joint and several liquidators 6 months after the dissolution of the Company.”

7 RESOLUTION 6 - RE-ELECTION OF DIRECTOR

To consider and, if thought fit, to pass, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 93 of the Company’s constitution and for all other purposes, Mr Quintus Roux, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

8 GENERAL

To transact any other business which may be brought forward in accordance with the Company’s constitution.

NOTES

1 MEETING

The Annual General Meeting of the Shareholders of Longreach Oil Limited (the “**Company**”) to which this Notice of Meeting relates will be at 11am (Sydney time) on Thursday, 28 November 2019 at the offices of K&L Gates at Level 31, 1 O’Connell Street, Sydney, NSW.

2 YOUR VOTE IS IMPORTANT

The business of the Meeting affects your shareholding and your vote is important. Shareholders are referred to the Explanatory Statement accompanying and forming part of this Notice of Meeting.

3 ENTITLEMENT TO VOTE

Pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Directors have determined that for the purposes of ascertaining the voting entitlements of each Shareholder for the Meeting, the shareholding will be as it appears in the Company’s Share register at 7pm (Sydney time) on Tuesday, 26 November 2019.

4 VOTING AND REQUIRED MAJORITY

Resolutions 1, 3, 4, 5 and 6 are ordinary resolutions, requiring at least 50% of all votes cast by Shareholders entitled to vote on those Resolutions (whether in person or by proxy, attorney or representative) to be in favour of the Resolutions.

Resolution 2 is a special resolution, requiring at least 75% of all votes cast by Shareholders entitled to vote on that Resolution (whether in person or by proxy, attorney or representative) to be in favour of the Resolution.

The Resolutions 1 to 5 (inclusive) are “inter-conditional”, meaning that Shareholders must pass all of these Resolutions for the in specie distribution of Happy Valley Shares to proceed and for the subsequent winding-up of the Company to commence. If Shareholders do not approve Resolutions 1 to 5 (inclusive), neither the in specie distribution of Happy Valley Shares nor the winding-up will occur.

Subject to any voting exclusions, every Shareholder has one vote on a show of hands and, on a poll, every Shareholder has one vote for each Share held.

5 HOW TO VOTE

You may vote by attending the Meeting in person, by proxy or personal representative.

(a) Proxies

To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of Meeting and return it to the Company’s Registered Office by either:

- email at: lgo@longreachoil.com;
- facsimile on: (02) 9475 0154; or
- post to Level 27, 25 Bligh Street, Sydney, NSW, Australia,

so that it is received not later than 11am (Sydney time) on Tuesday, 26 November 2019 being not less than 48 hours before the Meeting. If the Proxy Form is signed by an attorney, please also enclose the authority under which the Proxy Form is signed (or a certified copy of the authority).

A proxy need not be a Shareholder of the Company.

A Shareholder entitled to cast two or more votes may appoint two proxies. Where two proxies are appointed, each proxy may be appointed to represent a specified proportion of your voting rights. If you do not specify the proportion or number, each proxy may exercise one half of the votes.

Proxies given by corporate Shareholders must be executed in accordance with section 127 of the Corporations Act, their constitutions or by their attorney or duly authorised officer.

(b) Personal Representative

To vote by personal representative, please forward the authority under which the personal representative has been appointed (or a certified copy of the authority) to the address set out above for the return of Proxy Forms so that it is received no later than 11am (Sydney time) on Tuesday, 26 November 2019.

(c) Corporate Representatives

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act. The Company will require a certificate of appointment of corporate representative executed in accordance with section 127 of the Corporations Act to be lodged with the Company before the Meeting or at the registration desk on the day of the Meeting. The Company will retain the certificate of appointment of corporate representative.

(d) Voting intentions and undirected proxies

Subject to any voting restrictions and exclusions, where the Chair is appointed as proxy, he or she intends to vote all undirected proxy votes in favour of all Resolutions.

6 FORWARD LOOKING STATEMENTS

The forward looking statements in this Notice of Meeting are based on the Company's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and its Board, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Notice of Meeting. These risks include but are not limited to, the risks referred to in Schedule 1 of the Explanatory Statement. Forward looking statements include those containing words such as "anticipate", "estimates", "should", "will", "expects", "plans" or similar expressions.

7 ENQUIRIES

Shareholders are asked to contact Justin Rosenberg, on 02 8277 6683, if they have any queries in respect of the matters set out in this Notice of Meeting.

By Order of the Board

Dated: 6 November 2019

Justin Rosenberg
Managing Director

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to assist Shareholders consider the Resolutions set out in the Notice of Meeting.

This Explanatory Statement forms part of and should be read in conjunction with the Notice of Meeting. The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

Unless otherwise defined, capitalised terms used in this Explanatory Statement are defined in the Glossary contained in section 8 of this Explanatory Statement.

If you are in any doubt about what to do in relation to the Resolutions contemplated in the Notice of Meeting, it is recommended that you seek advice from an accountant, solicitor or other professional advisor without delay.

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF ALL RESOLUTIONS.

FINANCIAL REPORT AND REPORTS OF DIRECTORS AND AUDITORS

This matter deals with the presentation of the Annual Financial Report, the Directors' Report and the Auditor's Report for the Company and its controlled entities for the year ended 30 June 2019. In accordance with the Corporations Act, Shareholders will be given a reasonable opportunity at the Meeting to ask questions and make comments on the financial statements and reports and on the management of the Company.

A copy of the Company's 2019 Annual Report (which contains the Annual Financial Report, the Directors' Report and the Auditor's Report for the Company and its controlled entities for the year ended 30 June 2019) will be available on the Company's website: www.longreachoil.com from 31 October 2019. Please note that a Shareholder may also request either a printed copy or an electronic copy of the Company's Annual Report by emailing the Company's company secretary at lgo@longreach.com.

During the discussion of this item at the Meeting, the Company's auditor will be present and available to answer questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements or the independence of the auditor in relation to the conduct of the audit.

No resolution is required to be moved in respect of this item.

BACKGROUND TO RESOLUTIONS 1 TO 6

1 Background

1.1 In specie distribution of Happy Valley Shares

On 10 April 2018, the Company announced that it had entered into a conditional share purchase agreement (the "**Share Purchase Agreement**") to acquire, subject to the satisfaction of a number of conditions precedent, 100% of the issued capital in Happy Valley Nutrition Limited ARBN 636 597 101 (New Zealand company number 5952532) (formerly Happy Valley Milk Limited) ("**Happy Valley**" or "**HVN**") (the "**Proposed Acquisition**"), a New Zealand company that has land use consents to establish and operate a fully integrated pharmaceutical grade milk processing, blending and packaging

plant in New Zealand (“**Facility**”). Further information on HVN is set out below in section 1.17.

More recently, and as announced on 15 May 2019, the Company also executed a Convertible Loan Note Deed in relation to the issue of A\$500,000 worth of convertible notes (“**Convertible Notes**”), with each Convertible Note having a face value of A\$1.00. Gleneagle Securities Nominees Pty Ltd ACN 150 259 877 (“**Gleneagle**”) subscribed for all of these Convertible Notes on behalf of certain underlying investors. The redemption price for the Convertible Notes is A\$625,000. The gross proceeds raised from the issue of the Convertible Notes were intended to be used by the Company to enable it to partially fund the Proposed Acquisition as well as the Company’s reinstatement to the official list of ASX.

However, following the execution of the Share Purchase Agreement and the issue of the Convertible Notes, the Company, Gleneagle and Happy Valley have entered into a number of subsequent arrangements which together have the effect of terminating the Share Purchase Agreement (and therefore, the Proposed Acquisition) as well as the transaction to “list” Happy Valley on ASX (via the Company) by way of a backdoor listing.

Subject to a number of conditions precedent (discussed below) and in consideration for the Company entering into the subsequent transaction arrangements discussed above:

- (a) Happy Valley, which is now in the final stages of preparations for its own front door listing on ASX, has agreed to issue the Company with 17,400,000¹ Happy Valley Shares; and;
- (b) the parties have agreed to novate the Company’s repayment, redemption and conversion obligations under the Convertible Notes to HVN. As a result, Happy Valley has assumed all of the Company’s obligations under the Convertible Notes, and will be required to issue Happy Valley Shares (rather than Shares) on conversion of the Convertible Notes following a conversion event, and pay the redemption price following a redemption event (as these terms are defined in the Convertible Note).

The conditions precedent to the termination arrangements include the receipt by Happy Valley of approvals and consents from:

- its shareholders;
- the beneficial holders of the Convertible Notes;
- the beneficial holders of the convertible notes issued in Happy Valley; and
- the beneficial holders of the converting loan provided to Happy Valley,

for the amendment or termination (as the case may be) of the existing arrangements entered into in connection with the Proposed Acquisition and the Share Purchase Agreement. The Company, Happy Valley and Gleneagle are in the process of obtaining these approvals and consents.

Subject to the satisfaction of these conditions precedent, the issue of the Happy Valley Shares to the Company will occur as soon as possible after Happy Valley has received written confirmation from ASX that ASX will admit Happy Valley to the official list of ASX (subject only to Happy Valley’s satisfaction of the conditions to admission noted in that written confirmation from ASX) (**ASX Conditional Approval**) but in any event before Happy Valley is actually admitted to the official list of ASX.

¹ 17,400,000 Happy Valley Shares is expected to amount to between 7.73% and 8.29% of Happy Valley’s total issued share capital on listing (ie the percentage will depend on the amount actually raised by Happy Valley under its IPO).

The Company will not be entitled to receive the HVN Shares where, through its failure to comply with its obligations under the termination arrangements, HVN does not receive the ASX Conditional Approval or it does not complete an initial public offer of Happy Valley Shares on or before 31 December 2019.

As a technical securities law matter, the Company is required to apply (for no additional cash consideration) for the 17,400,000 Happy Valley Shares under the Prospectus. Applying for the 17,400,000 Happy Valley Shares under the Prospectus is to ensure that these shares will be eligible to be on-sold on ASX following their issue.

The Company has also agreed with Gleneagle that following the issue of the 17,400,000 Happy Valley Shares to the Company (but before the in specie distribution detailed throughout this Notice of Meeting will occur), the Company will transfer 2,986,573 of these Happy Valley Shares to Gleneagle in lieu of and in full and final satisfaction of (i) the repayment of approximately A\$360,000 owed by the Company to Gleneagle and (ii) the payment of a A\$240,000 transaction fee also owed by the Company to Gleneagle.

Subject to Resolution 1 being passed (and after the transfer of the 2,986,573 Happy Valley Shares to Gleneagle referred to immediately above), the Company will then, and within 14 Business Days of Happy Valley's admission to the official list of the ASX, distribute the residual 14,413,427 Happy Valley Shares in specie to Shareholders as a capital reduction in accordance with sections 256B and 256C of the Corporations Act.

If the capital reduction proceeds, all Shareholders:

- (a) will receive approximately 0.012 Happy Valley Shares for every Share held on the Record Date for determining entitlements to participate in the capital reduction;
- (b) will have their names entered into Happy Valley's register of members as the holder of the requisite number of Happy Valley Shares distributed to them; and
- (c) will be deemed to have agreed to be issued with Happy Valley Shares and to be bound to Happy Valley's constitution.

A Shareholder's entitlement to the Happy Valley Shares to be distributed will be based on the number of Shares they hold on the Record Date. It is anticipated that the Record Date will be the Business Day after Happy Valley notifies the Company that it has received ASX Conditional Approval. Subject to Resolution 1 being passed, the Company will distribute the residual 14,413,427 Happy Valley Shares to Shareholders as soon as is reasonably practicable after these shares have been issued to the Company and in any event within 14 Business Days from the date Happy Valley is admitted to the Official List. As at the date of this Explanatory Statement, there are 1,214,333,333 Shares on issue.

The issue price for each Happy Valley Share is A\$0.20 (which is expected to give Happy Valley an indicative market capitalisation on listing of between approximately A\$40 million to A\$45 million (ie depending on the final amount raised by Happy Valley under the Prospectus²)). Furthermore, it should also be noted that because Happy Valley will likely be admitted to the official list of ASX under the "assets test" in ASX Listing Rule 1.3 (rather than the "profit test" in ASX Listing Rule 1.2), it is possible that the Happy Valley Shares to be distributed to Shareholders will be subject to a mandatory period of ASX-imposed escrow. It is expected that any such ASX-imposed escrow will apply for a period of 12 months from the date of issue of the Happy Valley Shares to be distributed to Shareholders³.

² Happy Valley is proposing to raise a minimum of A\$12 million under the Prospectus (with the ability to accept oversubscriptions of up to an additional A\$3 million).

³ It is expected however that any Happy Valley Shares to be transferred or distributed by the Company to Gleneagle will be voluntarily escrowed for a period of 2 years from the date of Happy Valley's admission to the official list.

1.2 Disposal of interest in Starlogik

As announced in the Company's quarterly activities report for the quarter ended 31 March 2019, the Company granted Stalogik an option to re-purchase its minority 4.98% interest in Starlogik in accordance with the Membership Interest Purchase Agreement dated 10 November 2018 (**MIPA**).

Under the MIPA, if Starlogik chooses to exercise the option, it will make the following payments to the Company:

- on or before 24 December 2018, an initial option payment of USD\$100,000;
- on or before 31 January 2019, a further option payment of USD\$100,000; and
- by 24 December 2020, a final payment to complete the purchase of the Company's interest in Starlogik.

The amount of the final payment, being between USD\$400,000 and USD\$700,000, will depend upon the date this payment is made by Starlogik. If Starlogik is unable to make the required final payment by 24 December 2020, the Company retains its holding in Starlogik and any payments already received. The Company has already received the first two payments. The completion of the winding up of the Company will not occur until receipt of this final payment or, if the final payment is not made, the completion of the disposal of the Company's interest in Starlogik.

The MIPA also contains standard warranties.

As its interest in Starlogik no longer forms part of the Company's strategy, the Company has sought to take advantage of the opportunity presented by identifying a willing buyer for this asset and will be seeking to use the proceeds from the option fee and eventual sale to assist the Company with the transactions contemplated in the Notice of Meeting and maintain its working capital until the Company is wound-up.

1.3 Disposal of Petroleum Assets

The Company has also entered into a sale agreement with Chelsea Oil Australia Pty Ltd ACN 154 162 633 (**Purchaser**) to sell its 20% interest in Brisbane Petroleum Limited, which holds a 100% interest in Petroleum Leases 18 and 40 (**Petroleum Assets**), on an "as is where is" basis.

The consideration for the sale is A\$1 as the Purchaser will be acquiring all past, present and future liabilities associated with the Petroleum Assets.

The sale of the Petroleum Assets was subject to the receipt of shareholder approval, if required (however this is now no longer required given the Company has been delisted and is no longer subject to the ASX Listing Rules), and the Purchaser providing the Company evidence that it is a registered suitable operator with the Queensland Department of Environment and Heritage Protection.

As the Petroleum Assets no longer form part of the Company's strategy, the Company has sought to take advantage of the opportunity presented by identifying a willing buyer for this asset who has agreed to take on the liabilities associated with the Petroleum Assets so the Company can maintain its working capital until the Company is wound-up.

1.4 Advantages and disadvantages of the capital reduction and in specie distribution

(a) Advantages

- (i) Shareholders will receive an economic and legal exposure (by way of the Happy Valley Shares distributed to them) to what the Company believes is an exciting corporate development opportunity in a high growth industry;
- (ii) subject to any ASX-imposed escrow, Happy Valley Shares will be able to be traded on ASX so there may be an opportunity for Shareholders to receive some value from their previous investment in the Company should they wish to sell their Happy Valley Shares on ASX; and
- (iii) because HVN will be subject both to the Companies Act and the ASX Listing Rules, Happy Valley Shareholders will be afforded a number of shareholder protections that do not presently exist to Shareholders (as the Company has now been delisted).

(b) Disadvantages

- (i) Shareholders will become holders of shares in a company that will be involved in a fundamentally different industry (to that of the Company) and as such that exposure may not be compatible with their investment objectives or risk tolerance;
- (ii) there is no guarantee that Happy Valley Shares will rise in value following Happy Valley's admission to the official list of ASX or that a sufficiently liquid market for Happy Valley Shares (ie to enable their sale) will develop on the financial market operated by ASX;
- (iii) there may be taxation consequences in respect of the distribution of Happy Valley Shares to Shareholders. Details of the general taxation consequences of the reduction in capital and associated in specie distribution of Happy Valley Shares is set out in section 1.14; and
- (iv) Shareholders may incur additional transaction costs (eg brokerage) if they wish to dispose of their new investment in Happy Valley Shares.

1.5 Pro forma financial position of the Happy Valley on completion of the IPO

A reviewed pro forma statement of financial position is contained in Section 4 of the Prospectus which shows the expected financial position of Happy Valley on completion of its initial public offer and listing on ASX.

The Company is not expected to have any material assets on completion of the capital reduction and as such a pro forma balance sheet of the Company on completion of the capital reduction has not been included in this Explanatory Statement.

1.6 What will you receive?

Subject to Shareholders approving Resolution 1, eligible Shareholders will receive approximately 0.012 Happy Valley Shares for every Share they hold on the Record Date. Shareholders are not required to pay for any of the Happy Valley Shares that they receive.

1.7 What is the impact on your Shareholding

While the passage of Resolution 1 (and the consequential capital reduction) will not have any direct impact on the number of Shares that you own, following completion of the in specie distribution it is not expected that the Shares (ie the Shares in the Company) will

have any economic value. As such, and subject to the passage of Resolutions 2 to 5, it is expected that the Company's remaining assets will be liquidated with any residual financial surplus distributed pro rata to Shareholders. Following the liquidation of any of the Company's remaining assets, the Company will be deregistered and will accordingly cease to exist.

1.8 Do you have to do anything to receive your Happy Valley Shares?

If the in specie distribution proceeds, you will automatically receive the Happy Valley Shares that you are entitled to (unless you are an ineligible overseas Shareholder, in which case you may receive cash in lieu of these shares (as to which, see section 1.12)) even if you vote against the in specie distribution or do not vote at all.

1.9 What are the taxation implications of the in specie distribution

A general guide to the taxation implications of the in specie distribution is set out in section 1.14 of this Explanatory Statement.

1.10 What will happen if Resolution 1 is not approved?

In the event that Shareholders do not approve Resolution 1, the in specie distribution will not proceed and the distribution of Happy Valley Shares to Shareholders will not occur.

1.11 Section 256C of the Corporations Act

Under the Corporations Act, the proposed reduction of capital by way of an in specie distribution to Shareholders is considered to be an equal capital reduction.

Under section 256B of the Corporations Act, the Company may only reduce its capital if it is:

- (a) fair and reasonable to Shareholders as a whole;
- (b) does not materially prejudice the Company's ability to pay its creditors; and
- (c) is approved by Shareholders in accordance with section 256C.

The Directors believe that the in specie distribution is fair and reasonable to Shareholders as a whole and that it does not materially prejudice the Company's ability to pay its creditors. This is because each Shareholder is being treated equitably and in the same manner since the terms of the in specie distribution of Happy Valley Shares are the same for each Shareholder.

In accordance with the Corporations Act:

- (a) the proposed reduction of capital is an equal reduction and requires approval by Shareholders pursuant to an ordinary resolution passed at a general meeting of Shareholders;
- (b) this Explanatory Statement (including its schedules and annexures) sets out all information known to the Company that is material to the decision on how to vote on Resolution 1; and
- (c) the Company has lodged a copy of the Notice of Meeting and this Explanatory Statement with ASIC as it is required to do in accordance with section 256C(4) of the Corporations Act.

1.12 Overseas Shareholders

The in specie distribution of Happy Valley Shares to overseas Shareholders under the reduction of capital will be subject to legal and regulatory requirements in their relevant overseas jurisdictions. If the requirements of any jurisdiction where a Shareholder is resident restrict or prohibit the distribution of securities as is proposed or would impose on the Company an obligation to prepare a prospectus or other similar disclosure document or otherwise impose on the Company an undue burden, the Happy Valley Shares to which the relevant Shareholder is otherwise entitled will not be distributed to them and instead will be sold by the Company on their behalf, such that the Company will pay the relevant Shareholder a cash equivalent amount, less any transaction costs, or otherwise the Company will seek to make alternative arrangements with respect to the relevant Shareholder which are reasonable in the circumstances. There is no guarantee that any amounts will be able to be remitted to the Shareholder concerned.

1.13 Rights attaching to Happy Valley Shares

A summary of the more significant rights that will attach to the Happy Valley Shares is set out below. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities attaching to the Happy Valley Shares. Full details of the rights attaching to the Happy Valley Shares are set out in HVN's constitution, a copy of which is available on Happy Valley's website: www.happyvalleymilk.co.nz.

(a) Introduction

The rights and liabilities attaching to ownership of Happy Valley Shares arise from a combination of Happy Valley's constitution, statute, the ASX Listing Rules and the general law of New Zealand.

A summary of the significant rights, liabilities and obligations attaching to the Happy Valley Shares and a description of other material provisions of Happy Valley's constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that HVN is admitted to the Official List of the ASX.

(b) Voting at a general meeting

At a general meeting of Happy Valley, every Happy Valley Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each Happy Valley Share held (with adjusted voting rights for partly paid shares).

(c) Meetings of Happy Valley Shareholders

Each Happy Valley Shareholder is entitled to receive notice of, attend and vote at general meetings of Happy Valley and to receive all notices, reports and financial statements required to be sent to Happy Valley Shareholders under Happy Valley's constitution, Companies Act and ASX Listing Rules. HVN must give at least 10 working days' written notice of a general meeting.

(d) Dividends

The board of HVN may pay any dividend required to be paid under the terms of issue of a Happy Valley Share, and decide the method and currency of payment. The board of HVN may deduct from dividends payable any unpaid calls, instalments or other amounts, and any interest payable on such amounts, relating to specific shares in respect of which HVN has a lien, and any amounts HVN may be called upon to pay under any legislation in respect of specific shares.

(e) Transfer of shares

Subject to ASX Listing Rules and the ASX Settlement Operating Rules, the Companies Act, Happy Valley's constitution and any restrictions under law, Happy Valley Shares are freely transferrable. The board of HVN may decline to register, or prevent registration of, any paper-based transfer of Happy Valley Shares or apply a holding lock to prevent a transfer in accordance with the Companies Act or the ASX Listing Rules.

(f) Issue of further shares

The board of HVN may, subject to Happy Valley's constitution, the Companies Act and the ASX Listing Rules issue, new Happy Valley Shares or other Equity Securities (including granting options) in Happy Valley on such terms as the board of HVN decides.

(g) Winding up

If HVN is wound up, then subject to its constitution, the Companies Act and any rights or restrictions attached to any Happy Valley Shares or classes of shares, Happy Valley Shareholders will be entitled to any surplus assets of HVN in proportion to the number of Happy Valley Shares they hold. If Happy Valley is wound up, the liquidator may, with the sanction of an ordinary resolution, divide among the Happy Valley Shareholders the whole or any part of HVN's surplus assets and decide how the division is to be carried out as between Happy Valley Shareholders or different classes of shareholders.

(h) Non-marketable parcels

In accordance with the ASX Listing Rules, the board of HVN may sell parcels Happy Valley Shares that constitute less than a marketable parcel by following the procedures set out in its constitution. A marketable parcel of shares is defined in the ASX Listing Rules and is generally, a holding of shares with a market value of not less than A\$500.

(i) Directors – appointment and retirement

Under Happy Valley's constitution, the board of HVN is comprised of a minimum of three directors and, subject to that limitation, the number of directors to hold office shall be fixed from time to time by the board. Directors are elected or re-elected at general meetings of HVN.

Retirement will occur on a rotational basis so that no director may hold office without re-election beyond the third annual general meeting following the meeting at which the director was last elected or re-elected, or for more than three years (whichever is longer). The board of HVN may also appoint any eligible person to be a director either as an addition to the existing directors or to fill a casual vacancy,

who will not hold office (without re-election) until the past the next annual general meeting of Happy Valley.

(j) **Directors – voting**

Questions arising at a meeting of the board of HVN must be decided by a majority of votes cast by the directors present and entitled to vote on the matter.

A written resolution of the board of HVN may be passed without holding a meeting of the board, if all of the directors sign or consent to the resolution.

(k) **Directors – remuneration**

Subject to the Companies Act and the ASX Listing Rules, the board of HVN may authorise the remuneration and other benefits to and for Directors.

Directors are entitled to be paid for all reasonable travelling, accommodation and other expenses they incur in connection with the director's attendance at meetings or otherwise in connection the HVN's business. The board may authorise special remuneration to any director who is or has been engaged by HVN to carry out any work or perform any service outside the scope of ordinary duties of a director.

(l) **Powers and duties of Directors**

The board of HVN has the rights, powers, duties and obligations set out in the Companies Act except to the extent that, as permitted by the Companies Act, they are negated or modified by Happy Valley's constitution.

(m) **Indemnities**

HVN must indemnify each of its directors and employees against all losses, liabilities, costs, charges and expenses incurred by the person as an officer of Happy Valley. The board of HVN may determine the amounts and terms and conditions of the indemnity.

HVN may, with the prior approval of its board, purchase and maintain insurance for each director or employee against any liability or costs incurred by that person as an officer of HVN, including, but not limited to, a liability for negligence for legal costs.

(n) **Access to records**

Except as provided for in the Companies Act or unless the board of HVN determines otherwise, Happy Valley Shareholders are not entitled to inspect any records, books, papers, correspondence or documents of HVN or require or receive any information concerning HVN's business, trading or customers, or any trade secret or secret process of or used by HVN.

1.14 Taxation

- (a) The following summary is based on the application of Australian taxation law in force at the time of this Explanatory Statement. The views expressed in this summary are not intended as specific advice to Shareholders. The application of taxation legislation may vary accounting to the individual circumstances of Shareholders. In this regard, the summary below is only relevant to those Shareholders who hold their Shares on capital account (ie they have not been held for the purpose of resale or as trading stock).
- (b) The proposed in specie distribution of Happy Valley Shares from the Company to its Shareholders may consist of a return of share capital (**Capital Reduction Entitlement**) and a dividend component (**Distribution Dividend Entitlement**). The following is an overview of the Australian taxation implications that should arise as a consequence of the proposed in specie distribution for an Australian resident Shareholder who holds their Shares on capital account (ie they have not been held for the purpose of resale or as trading stock).

| | |
|---|--|
| Capital Reduction Entitlement | <p>The return of capital will trigger a CGT event G1 (section 104-135 of the 1997 Tax Act) which occurs where a company makes a payment to a shareholder in respect of a share they own in a company and some or all of the payment is not a dividend.</p> <p>The cost base and reduced cost base to Shareholders of their Shares is reduced (but not below nil) by the non-assessable part of the distribution of Happy Valley Shares in specie (being the return of capital amount).</p> <p>A Shareholder makes a capital gain if the non-assessable part of the distribution in specie in relation to each Share exceeds the costs base of that Share, with the capital gain generally being equal to the amount of that excess.</p> <p>Each Shareholder will need to determine this based on the CGT cost base of their individual Shareholding.</p> <p>If Shares were acquired by a Shareholder more than 12 months before the date of the payment, a capital gain from the CGT event (if any) may qualify as a discount capital gain if the other conditions in section 115-A of the 1997 Tax Act are met.</p> |
| Distribution Dividend Entitlement | <p>The dividend component will be treated as assessable income under section 44 of the 1936 Tax Act.</p> <p>As there are no franking credits held by the Company, the dividend will be unfranked.</p> |
| Cost base of Happy Valley Shares | <p>The cost base to Shareholders on their Happy Valley Shares will include their market value at the time of the in specie distribution.</p> |
| Acquisition date for discount capital gain | <p>For the purposes of determining eligibility for a discount capital gain, the Happy Valley Shares are taken to be acquired on the date of the in specie distribution.</p> |

- (c) The Company recommends that non-Australian resident Shareholders seek specific advice by reference to their own circumstances so as to determine their Australian CGT position.

- (d) The taxation consequences to Shareholders who hold their shares on revenue account or through a company or superannuation fund will depend on their specific circumstances and, accordingly, should obtain their own advice.

1.15 Other material information

There is no information material to the making of a decision by a Shareholder in relation to Resolution 1 other than as disclosed in this Explanatory Statement and all relevant schedules and annexures.

1.16 Other legal requirements

Under ASIC Regulatory Guide 188, an invitation to Shareholders to vote on Resolution 1 for the in specie distribution of Happy Valley Shares to them constitutes an offer of securities under Chapter 6D of the Corporations Act and as such a prospectus is required unless an exception applies. As no exception applies, Happy Valley is in the process of preparing the Prospectus under which the Company will apply for the 17,400,000 Happy Valley Shares to be issued to it (noting of course that 14,413,427 of these Happy Valley Shares will then, subject to Happy Valley's admission to the official list of ASX, be distributed in specie to Shareholders). A copy of the Prospectus will be available to Australian and New Zealand residents on Happy Valley's website www.hvn.co.nz following its lodgement with ASIC. Please note that a Shareholder may also request (at no cost to them) either a printed copy or an electronic copy of the Prospectus by emailing the Company's company secretary at lgo@longreach.com.

1.17 About HVN - a growth opportunity

(a) Principal activities and jurisdictions in which it operates

Consumers around the world have different nutritional needs. Consumer demand is increasing for high quality, nutritional and safe food and beverages. Premium and super high premium brands that offer food (and beverage) and nutrient security are driving growth in food sectors globally.

Consumers of infant milk formula (**IMF**) and other nutritional milk powder products continue to upgrade to premium and super high premium brands for the same reasons. Milk, by nature, is the richest natural food source of bio-available calcium and contributes many other essential nutrients including protein, vitamin A, vitamin B2 and B12, riboflavin and zinc. In order to be reliable, reputable and trustworthy, IMF and other nutritional milk powder products need to be manufactured in facilities that comply to stringent quality standards (ie New Zealand Ministry for Primary Industry and Good Manufacturing Practices (**GMP**) under the Australia New Zealand Food Standards Code) and delivered through secure supply chains.

HVN intends to specialise in the production of consumer ready IMF and other nutritional milk powder formulae using A2 and organic milk from predominantly grass-fed herds. HVN intends to build and operate a vertically integrated GMP nutritional grade, milk processing, blending and packaging plant that produces IMF and other nutritional milk powder formulae for sale in global export markets, including China. The proposed Facility will be situated in Otorohanga, 2 hours south of Auckland, New Zealand in the heart of the country's largest A2 and organic dairy producing region, Otorohanga (which, when translated, means "food for a long journey"). This aligns with HVN's core values of producing sustainable, nutritional dairy products for all ages. The combination of a world class GMP nutritional grade milk processing and packaging facility, continuous innovation and locally sourced A2, organic and grass-fed milk, is expected to enable HVN to produce high quality, nutritional, safe, novel, eco-friendly consumer ready dairy products with a strong regional identity.

(b) Key growth milestones

Since 2016, HVN has achieved the following milestones:

- Acquired a strategically located site in Otorohanga, King Country, which is ideally located within the desired milk catchment area and close to essential infrastructure. The consideration paid to the property vendor (Allen van der Poel), was HVN shares.
- Together with BECA, a leading firm of engineering consultants and a leading global dairy plant manufacturer, HVN has substantially designed the Facility as a fully integrated pharmaceutical grade drying, blending and canning facility. As specified, the Facility has the capacity to house two 8 tonne dryers.
- Secured its Land Use Consents from the local council, Otorohanga District Council (“**ODC**”), to build the Facility on the acquired site;
- Secured Waikato Regional Council (“**WRC**”) resource consents for air discharge, storm water discharge, wastewater discharge and water supply as follows:
 - i. an air discharge consent for dust, gases, particles and odour from the plant which was granted on 12 November 2018 (AUTH 139891.01.01);
 - ii. a stormwater discharge consent which was granted on 26 November 2018 (AUTH 139891.02.01);
 - iii. a wastewater discharge consent which was granted on 7 February 2019 to allow dairy factory wastewater to land including associated aerosols and odour (AUTH 389891.05.01); and
 - iv. a water take consent which was granted on 19 April 2019 to include HVN in a water user group that will provide all necessary water required for HVN’s operations (AUTH 139232.01.02).

Copies of the above consents are available on HVN’s website www.happyvalleymilk.co.nz.

HVN can now commence construction of the Facility pursuant to the land use consent granted by the ODC on 8 February 2018.

- Established relationships with large international branded IMF milk distributors who are potential customers and strategic partners.
- Entered into an exclusive agency agreement with Global Dairy Network a globally recognised international dairy sales and marketing company.
- Identified and engaged with a network of dairy farmers that produce A2 and organic milk who are located within HVN’s catchment area;
- Appointed a General Manager (GM) who has extensive milk production industry experience and expertise.
- raised pre-ASX listing, a total of A\$7.8 million from founders and private investors.

HVN is progressing its IPO pursuant to which it is seeking to raise A\$12 million (with the ability to accept up to A\$3 million worth of oversubscriptions). Further information in relation to Happy Valley and its IPO is set out in the Prospectus which will be available on Happy Valley’s website after the Prospectus is lodged with ASIC.

(c) Business model

HVN has a “grass to glass” strategy specialising in the production and global

distribution of consumer ready IMF and other nutritional milk powder formulae using A2 and organic milk from predominantly grass-fed herds in New Zealand.

After the Facility is commissioned, HVN will sell forward a proportion of its bagged nutritional milk powder to wholesale customers through its agency agreement with Global Dairy Network, which is expected to provide HVN with early returns. This will be phased out as HVN then predominantly specialises in the production of high net margin consumer ready IMF and other nutritional milk powder formulae using A2 milk for large customers and strategic partners. HVN's current intention is to form one or two strategic partnerships with large multinational IMF brand owners who are already established in the global, and in particular, the Asian markets where these partners are responsible for their own branding and distribution of their products. HVN is aiming to finalise partnerships and offer partners the ability to influence design specification, offtake opportunities and opportunities for cornerstone investment.

To achieve HVN's stated objectives, this will firstly require site preparation, earthworks and preliminary works for the Facility that will take 6 - 11 months. Subsequently, construction of the Facility is estimated to take 18 months followed by commissioning and testing which is estimated to take a further 6 months. Production will then commence to tie in with the prevailing milk season.

A key strength of HVN is that the Facility will be designed to meet industry best practice (GMP FSSC 22000) and anticipated Chinese regulatory standards. This is because it is HVN's view that China is the global thought leader in milk sector regulation and implementation. Other markets are expected to follow China's regulations in this sector. Presently, China has some of the most stringent import compliance hurdles in the world. By aiming to meet these design standards HVN considers that it is better placed to comply with the requirements of other jurisdictions.

There are key components and competitive benefits of the design that will create shareholder value. These are:

- a) *Vertical Integration*: The spray drying of milk, the blending in of nutrients and the canning of product will happen 'under one roof' which is both economically efficient and beneficial in terms of hygiene, quality, food safety and obtaining certifications for export markets; and
- b) *GMP nutritional grade facility*: This is one of the highest food manufacturing standards and requires the Facility to be constructed using the latest plant design and configuration, sealed off powder handling and production zones, clean-in-place systems, and separator and microfiltration systems to ensure hygienic, safe and dust free operations, supported by robust systems and processes for managing product risk.

Having these characteristics in one plant is rare with only 7 known globally. Historically, drying in New Zealand is undertaken in rural "milk areas" with powder product transported in bags to commercial areas for "finishing" blending and canning.

Aspects of the Facility specifications are intended to align with industry best practice globally going forward. GMP nutritional grade manufacturing is not currently expressed as a requirement, however, all recent plants that have been designed, built or are being built by Chinese based companies in foreign jurisdictions are predominantly vertically integrated GMP nutritional grade plants.

(d) **HVN Directors and management team**

The current Directors and key management of HVN on listing are described below.

Ivan Hammerschlag, Non-Executive Chair

Mr Hammerschlag is currently non-executive chairman of HVN. He has 40 years of business and finance experience including as a retail specialist. Founder and Chairman of ASX listed RCG Corporation Limited (now called Accent Group Limited) which is a regional leader in the retail and distribution of performance and lifestyle footwear, with 430 stores across 10 different retail banners with exclusive distribution rights for 10 international brands across Australia and New Zealand. During the period of Ivan's tenure, the market capitalisation grew from A\$12m to A\$800m.

Previously Mr Hammerschlag was the managing director and a shareholder of Freedom Furniture, prior to its listing on the ASX. He also co-owned Divergent Technologies, a retail software company which grew through several acquisitions before finally listing on the NASDAQ. Mr Hammerschlag also has experience in private equity as executive chairman in investee companies with RMB Capital Partners.

Mr Hammerschlag holds a Bachelor of Commerce and Certificate in Theory of Accountancy both from University of Cape Town, South Africa.

David McCann, Executive Director

Mr McCann is a founding shareholder and currently an Executive Director of HVN. Mr McCann has 25 years' experience in managing and operating businesses and has served on both public and private company boards. From 2016, Mr McCann has been a Director of AOP Capital Limited an asset manager, licensed by the Hong Kong Securities Futures Commission. Prior to this, Mr McCann was also the CEO of Orient Pacific Capital Limited a company that analyses share registers and provides equity ownership analytics to listed companies from 2008 to 2016 and also served as an Executive Director of ASX listed company Connexion from 2009 to 2010.

Mr McCann has several years' experience building IMF brand 'A+Puro' from the ground up in Hong Kong and China with operations in New Zealand. Mr McCann remains a director and shareholder of the parent company, Pure Elite Holdings Limited, incorporated in the British Virgin Islands. Mr McCann is based in Hong Kong.

Mr McCann holds a Bachelor of Arts (Economics and French) from the National University of Galway, a Graduate Diploma in Applied Finance from the Financial Services Institute of Australasia, is a graduate member of the Australian Institute of Company Directors and a responsible officer Type 9 Asset Manager with the Hong Kong Securities and Futures Commission.

Randolph van der Burgh, Executive Director

Mr van der Burgh is a founding shareholder and currently an Executive Director of HVN and acting CFO. Mr van der Burgh is also a founding shareholder in VCFO Group and Rockburgh Fund Services and was a former partner at Ernst & Young New Zealand and Australia.

Mr van der Burgh is both an investor in a range of businesses and an international tax, corporate finance and strategy adviser to a range of clients in the New Zealand private equity, venture capital, funds management, real estate, agriculture and dairy sectors.

Mr van der Burgh has several years' experience building an IMF brand "A+ Puro" from the ground up with operations in New Zealand, Australia, Hong Kong and China. He has a strong network of contacts in this industry in New Zealand and a deep understanding of the opportunities that exist outside New Zealand as well as an understanding of the limitations the industry as a whole face such as supply and pricing. Mr van der Burgh remains a shareholder in Pure Elite Holdings Limited and

a director in PEH New Zealand Limited and Ever Health New Zealand Limited. Mr van der Burgh is based in Auckland, New Zealand.

Mr van der Burgh holds a Bachelor of Commerce and Administration Honours (first class) from Victoria University of Wellington. He is a Chartered Accountant, Chartered Accountants Australia New Zealand and holds a Public Practicing Certificate. Mr van der Burgh is also a member of the New Zealand Institute of Directors.

Anthony Kahn, Non-Executive Director

Mr Kahn has been involved in finance and business for over 30 years. Previously Anthony worked for Macquarie Bank Group for 18 years, including as an executive director for 10 years. He was head of the Infrastructure Funds group for 6 years where equity under management grew from A\$500m to A\$12bn during that period.

Mr Kahn was managing director of the ASX listed Macquarie Infrastructure Group from 1998-2003. During that period, MIG was a top 30 ASX company. Mr Kahn was also a director of the ASX listed trusts of Transurban, Hills Motorway and Macquarie Communications. He was also director/Chairman of Duncan Solutions Limited an unlisted public company from 2004 to 2016. He was also a director of Adelaide Airport during the early 2000's.

Mr Kahn has also over the past 8 years consulted to governments, councils, investment banks, large and small public companies regarding infrastructure projects and privatisations. Mr Kahn is based in Sydney.

Mr Kahn holds a Bachelor of Commerce and Bachelor of Accountancy (both from University of the Witwatersrand, Johannesburg), a Diploma from the Securities Institute of Australia, and is a Chartered Accountant, Chartered Accountants Australia New Zealand.

Greg Wood - General Manager New Zealand

Mr Wood joins HVN from Beca where he was a Principal and Business Director responsible for its New Zealand and Australia dairy business. Mr Wood has deep dairy project experience having led several asset construction projects across New Zealand and Australia and has been involved with projects globally. His experience spans the supply chain of dairy and IMF products. Mr Wood has had various operational roles in the dairy and technology sectors, having led diverse teams across geographies.

Mr Wood is responsible for building HVN's C-suite and for managing external stakeholders to enable HVN to execute its strategy. Mr Wood is based in Auckland, New Zealand.

Grant Horan - Community Liaison and Offsite Project Manager New Zealand

Mr Horan is a founding shareholder in HVN and is passionate to grow the nutritional dairy business in the region. Mr Horan is an accomplished executive with domestic and international experience in operations, P&L oversight and multi-channel product distribution and is experienced in start-up and growth organisation and acquisitions.

Zach Mounsey - Corporate Development Manager New Zealand

Born and raised in the heart of Otorohanga, Mr Mounsey has significant experience in agri-business strategy management finance, economics and leadership.

Mr Mounsey's role is to commercially establish HVN within the Otorohanga, Waitomo and Waipa dairy farm services community. Mr Mounsey has specific

responsibility for selecting and managing HVN's farmer suppliers, overseeing farm management policies and practices, and ensuring HVN quality standards are adhered to.

Mr Mounsey also partly owns via a 50:50 share in a dairy farm in Otorohanga and holds leadership and representative appointments with a number of other entities and organisations throughout the primary sector. Mr Mounsey is based in Otorohanga, New Zealand.

(e) **Facility Construction and Timing**

HVN has been working with Tetrapak, a leading-edge global equipment supplier, over the last 3 years on the design, build and operational specifications required by HVN in order to obtain the various council consents. Tetrapak is one of the world's largest global food processing and food facilities packager, and one of the largest dairy plant suppliers in New Zealand using similar technology and equipment required for the HVN plant. HVN are currently in negotiations with Tetrapak to manage the build and provide most of the equipment for the HVN plant.

HVN intends to pass on building compliance risk to Tetrapak and provide HVN with more certainty as to construction costs and time to completion. To provide flexibility and further de-risk HVN's configuration of the Facility, HVN is seeking to allow for the plant to be purchased and installed at different times if required.

Raising A\$20 million prior to construction of the Facility is a prudent and lower risk approach as it will allow HVN to finalise its Facility design incorporating a range of product formulations and provides HVN with the flexibility to build the Facility in a modular manner (should this be chosen). This provides flexibility with regard to funding, timing and satisfying potential strategic partners' requirements.

HVN estimates that the total cost of the construction and commissioning of the Facility is approximately A\$320 million.

HVN intends to have a mix of debt and equity to fund the Facility. The timing of raising either form of financing will depend on finalisation of the construction and equipment supply contract, the timing of the purchase of the configured plant and equipment, the decision regarding a strategic partner and the size of their proposed investment in Happy Valley.

1.18 Risk factors

Some of the general and specific risks associated with an investment in Happy Valley Shares is set out in Schedule 1 of this Explanatory Statement as well as in section 5 of the Prospectus.

1.19 Indicative Timetable

The below indicative timetable assumes that all Resolutions set out in the Notice of Meeting are approved by Shareholders and that Happy Valley's application for admission to the official list is approved by ASX.

| Event | Date |
|--------------------------------------|------------------|
| Prospectus lodged with ASIC | 8 November 2019 |
| Meeting to approve capital reduction | 28 November 2019 |

| | |
|---|------------------|
| Happy Valley advised of admission decision | 9 December 2019 |
| Record Date | 10 December 2019 |
| Happy Valley's admission to the official list | 18 December 2019 |
| Happy Valley's Shares commence quotation | 23 December 2019 |
| In specie distribution to Shareholders of Happy Valley Shares | 30 December 2019 |
| Winding up of the Company | H2 2020 |

**Please note that the dates are indicative only and may be subject to change without notice to Shareholders.*

THE RESOLUTIONS

1 RESOLUTION 1 - APPROVAL FOR REDUCTION OF CAPITAL

The Company is seeking Shareholder approval under sections 256B and 256C of the Corporations Act to permit it to conduct the reduction of capital and in specie distribution of the residual 14,413,427 Happy Valley Shares to Shareholders.

Directors' recommendation

The Directors believe that the transaction proposed in Resolution 1 is in the best interests of Shareholders as a whole.

Each Director intends to vote all Shares which they hold or control in favour of Resolution 1. The Chair of the Meeting intends to vote undirected proxies in favour of Resolution 1.

2 RESOLUTION 2 - APPROVAL FOR THE COMPANY'S VOLUNTARY WINDING UP

Resolution 2 authorises the Company to be wound up and the liquidator to divide amongst Shareholders in specie the whole or any part of the property of the Company that remains after the completion of the (i) return of capital proposed in Resolution 1 (ii) sale of the Company's Petroleum Assets and (iii) sale of its interests in Starlogik. Resolution 2 also authorises the liquidators to set the value as they consider fair upon any residual property to be so divided and to determine how the division is to be carried out as between Shareholders.

Following the winding-up of the Company it is expected that only very limited residual assets will be held by the Company. Although a distribution may be made by the Company there is no guarantee the Company will pay any further distributions to Shareholders.

If Resolution 2 is passed, a transfer of Shares or an alteration in the status of Shareholders will be void unless the joint and several liquidators give written consent and that consent is unconditional or if the consent is subject to conditions, those conditions are satisfied or the transfer of Shares or the alteration of status of Shareholders is authorised by a court of competent jurisdiction.

Under section 491(1) of the Corporations Act, Resolution 2 must be passed as a special resolution. To be approved as a special resolution, not less than 75% of the votes which are cast on Resolution 2 must be in favour of the resolution.

Taxation treatment on voluntary winding-up

The following is a broad outline of the taxation consequences for Shareholders associated with the voluntary winding-up of the Company. This outline is not exhaustive of all possible income tax considerations that could apply to a particular Shareholder. There are a number of limitations to the below outline, including that:

- (a) it only applies to Shareholders who are Australian residents for income tax purposes. It does not cover the tax treatment for any other classes of tax payers including individuals who are non-residents of Australia for tax purposes, insurance companies, superannuation funds, trusts or employees of the Company who acquired their Shares in respect of their employment;
- (b) it only applies to Shareholders who hold their Shares on capital account. It does not apply where Shares are held on revenue account (eg Shares held by Shareholders who trade securities or hold Shares as trading stock); and

- (c) it is based on Australian taxation law in effect as at the date of this Explanatory Statement. It does not consider or anticipate any changes in the law (including changes to legislation, judicial authority or administrative practice).

The potential Australian income tax consequences that may arise for Shareholders on the voluntary winding-up is outlined below. However, the actual tax outcomes will depend on a Shareholder's individual circumstances:

- (a) if the liquidator makes a distribution of a capital return that is less than or equal to the Shareholder's capital gains tax (CGT) cost base of the Shares they hold, the CGT cost base should be reduced by the amount of that capital return, but it cannot be reduced below zero;
- (b) if the liquidator makes a distribution of a capital return that is more than the Shareholder's CGT cost base, the CGT cost base will be reduced to nil, and the excess amount of the capital return should be included in the Shareholder's taxable income calculation as a capital gain;
- (c) the capital gain may be treated as a discounted capital gain where the Shares were purchased by the Shareholder at least 12 months prior to the payment of the capital return and the other requirements of the discount capital gains provisions have been satisfied;
- (d) if the liquidator makes a distribution of a dividend, the Shareholder will be required to include the dividend in their assessable income; and
- (e) on the winding up of the Company, Shareholders may realise a capital loss equal to the CGT cost base of their Shares. If the Shareholder's CGT cost base is nil, there will be no capital gain or loss.

Furthermore, the ability of the Company to utilise its tax losses and net capital losses depends on a number of factors including satisfaction of the loss recoupment tests in the taxation legislation and the Company having sufficient income against which those losses can be offset. In the event that the Company ceases to carry on its operations, it will be unlikely that the tax losses and net capital losses of the Company will be able to be utilised by it on the basis that the Company is unlikely to generate income against which those losses may be offset.

The Company and its advisers do not accept any liability or responsibility in respect of any statement concerning the taxation consequences of a capital return or in respect of the taxation consequences themselves. All Shareholders should consult their own independent professional advisers regarding such matters.

Directors' recommendation

The Directors believe that the winding-up proposed in Resolution 2 is in the best interests of the Company as a whole.

Each Director intends to vote all Shares which they hold or control in favour of Resolution 2. The Chair of the Meeting intends to vote undirected proxies in favour of Resolution 2.

3 RESOLUTION 3 - APPOINTMENT OF LIQUIDATOR

On the condition that Resolutions 1 and 2 are passed, Resolution 3 authorises the Company to appoint Adam Shepard of Setter Shepard as liquidator of the Company.

At a recent meeting of the Directors, the Directors resolved that at this Meeting, Shareholders consider a resolution to place the Company into voluntary liquidation and appoint Adam Shepard of Setter Shepard to act as liquidator.

Resolution 3 must be passed as an ordinary resolution.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

4 RESOLUTION 4 - APPROVAL OF COSTS OF LIQUIDATORS

On the condition that Resolutions 1, 2 and 3 are passed, Resolution 4 confirms the liquidator, partners and staff costs (including the costs of convening the Meeting and ancillary costs) as proper costs, charges and expenses of and incidental to the winding-up of the Company and authorises those costs be fixed on a time basis calculated in accordance with Setter Shepard's schedule of hourly rates as at 1 July 2019, estimated to be a total of A\$30,000 (plus GST), and that the liquidator be entitled to apply any GST refunds against the same at any time, including after the finalisation of the winding-up.

Any surplus funds that remain in the Company will be distributed to Shareholders after paying costs associated with the voluntary winding-up and absolving all outstanding liabilities of the Company.

Resolution 4 must be passed as an ordinary resolution.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 4.

5 RESOLUTION 5 - BOOKS AND RECORDS OF THE COMPANY

On the condition that Resolutions 1, 2, 3 and 4 are passed, Resolution 5 authorises, subject to ASIC approval under section 542(4) of the Corporations Act, the books and records of the Company and the liquidator be disposed of by the liquidator 6 months after the deregistration of the Company.

Section 542(3)(b) of the Corporations Act provides that subject to ASIC approval the books and records of the Company and the liquidator may be destroyed within a period approved by Shareholders.

Resolution 5 must be passed as an ordinary resolution.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 5.

6 RESOLUTION 6 - RE-ELECTION OF DIRECTOR

Mr Quintus Roux will retire in accordance with clause 93 of the Company's constitution and being eligible seeks re-election.

Quintus Roux is a non-executive Director of the Company. He holds a Bachelor of Engineering and Masters of Business Administration. Mr Roux was formerly a member of the leadership team at BHP Billiton and has also previously served as a non-executive director of FeOre Ltd. Mr Roux was first appointed as a Director on 14 October 2014.

The Directors (excluding Mr Roux) unanimously recommend that Shareholders vote in favour of Resolution 6.

7 OTHER MATERIAL INFORMATION

Other than as set out in this Explanatory Memorandum (including its schedules and annexures), there is no other information known to the Company that is material to the decision on whether or not to vote in favour of Resolutions 1 to 6 that has not previously been disclosed to Shareholders.

8 GLOSSARY

In this document, unless the context requires otherwise:

\$ or A\$ means Australian dollars.

Annual General Meeting or **Meeting** means the annual general meeting of the Company's members convened by the Notice of Meeting.

ASIC means Australian Securities and Investment Commission.

ASX means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires.

ASX Listing Rules means the official listing rules of the ASX.

Board means the Board of Directors of the Company.

Business Day means a day on which banks are open for business in Sydney, Australia, excluding Saturdays, Sundays and public holidays.

Chair means the chairperson of the Meeting.

Companies Act means the Companies Act 1993 (NZ).

Company means Longreach Oil Limited ACN 000 131 797.

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

Directors means the Directors of the Company.

Explanatory Statement means the explanatory statement accompanying, and forming part of, the Notice of Meeting.

Happy Valley or **HVN** means Happy Valley Nutrition Limited ARBN 636 597 101 (New Zealand company number 5952532) (formerly Happy Valley Milk Limited).

Happy Valley Shareholder means a registered holder of a Happy Valley Share.

Happy Valley Share means a fully paid ordinary share in the capital of Happy Valley.

Notice of Meeting or **Notice of Annual General Meeting** means this notice of annual general meeting dated 5 November 2019 including the Explanatory Statement.

Prospectus means the prospectus to be issued and lodged with ASIC on or about 8 November 2019 by Happy Valley in relation to its proposed initial public offering of Happy Valley Shares and listing on ASX.

Facility means a vertically integrated, pharmaceutical grade milk processing plant which is to be located in the centre of the North Island of New Zealand's A2 and organic milk producing region.

Proxy Form means the proxy form accompanying this Notice of Meeting.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Share Purchase Agreement means the conditional Share Purchase Agreement executed between HVN, the HVN Vendors, the Company and others dated 20 March 2018, as amended which sets out the terms and conditions under which the Proposed Transaction will complete.

Shareholder means a registered holder of a Share.

Schedule 1 - Risk Factors

| Risk | Mitigation Strategy |
|--|---|
| <p>Risk of future funding requirements</p> <p>HVN will need to raise A\$280 million for the construction of its Facility and in addition working capital lines for the operation of the Facility and business generally. HVN's ability to successfully operate is subject to its ability to raise funds which will be subject to factors beyond the control of HVN and its Directors (including without limitation cyclical factors affecting the economy and financial and share markets generally).</p> | <p>HVN is confident that it will be able to raise the equity required for the construction of the Facility.</p> <p>HVN has met and had indicative discussions with most of the major New Zealand banks. Three banks in particular have indicated that a base level of project debt finance of approximately 30% of the Facility total cost could be secured.</p> <p>The banks have also indicated that they will provide working capital facilities on standard terms.</p> |
| <p>Construction and Commissioning Risk</p> <p>As with all large projects, there is design, construction and commissioning risk.</p> <p>There is a risk that the construction timeline and budget may be overrun.</p> <p>There may be delays in installing and commissioning the Facility.</p> <p>There is also a risk of fire, vandalism or unforeseen natural forces that HVN's property could be damaged.</p> | <p>HVN has been working with and, for the next phase, intends to engage an experienced project manager, dairy plant construction group and leading-edge equipment suppliers to project manage and deliver the Facility. HVN also intends to continue to engage other experienced specialist consultants to assist with the delivery of the Facility. These companies have thousands of employees, thereby mitigation construction risk.</p> <p>HVN has allowed for contingency funds in its budget to manage unexpected costs.</p> <p>HVN will seek to include service level related penalties in supply contracts.</p> <p>HVN is finalising an insurance policy for the project site with a security fence installed</p> |
| <p>Investment Risk</p> <p>The Happy Valley Shares to be issued under the IPO will carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. HVN does not produce any current revenue and will apply its cash reserves to the development of the Facility.</p> | <p>HVN has an Advisory Board to guide it on key strategic matters.</p> <p>HVN also uses experienced consultants for specialist engineering, nutritional and market access expertise.</p> |
| <p>Dilution Risk</p> <p>As more funds are raised, existing Happy Valley shareholders may be diluted unless they invest more money pro rata.</p> | <p>Happy Valley intends to manage its balance sheet so that it raises appropriate amounts of</p> |

| Risk | Mitigation Strategy |
|---|--|
| | equity and debt at appropriate times, subject to market conditions. |
| <p>Regulatory Risks</p> <p>Part of Happy Valley’s strategy is subject to the receipt of any required foreign import approvals, including approvals from China’s CNCA and CFDA. Changes in foreign laws could adversely affect Happy Valley’s funding requirements and its ability to carry out its objectives.</p> | <p>HVN intends to sell its products in global markets through various channels and will therefore not be solely reliant on the China market.</p> <p>HVN management has previous experience in obtaining IMF export and import approvals and has deep knowledge of the regulatory framework in its target markets and an understanding of the regulators’ expectations.</p> <p>Furthermore, the designs for the Facility will comply with the highest standards demonstrated by plants that have recently been approved.</p> |
| <p>Key personnel</p> <p>The loss of any key employees or consultants could adversely affect HVN and may impede the achievements of its objectives.</p> | <p>HVN has been working with and, for the next phase, intends to engage an experienced project manager, dairy plant construction group and leading-edge equipment suppliers to project manage and deliver the Facility. HVN also intends to continue to engage other experienced specialist consultants to assist with the delivery of the Facility. These companies have thousands of employees, thereby mitigation construction risk.</p> <p>HVN diversifies the responsibility of its key operational activities to ensure continuity on failure of a key person to fulfil their duties. HVN also has a business disruption plan.</p> |
| <p>Competition</p> <p>The milk processing industry is competitive and includes companies with greater financial resources than HVN. Competition is largely based on branding presence, quality of products and perceived value of products. HVN cannot predict what its competitors will do in these areas or whether new competitors will emerge.</p> | <p>HVN’s strategy is to specialise in nutritional milk powder products. It will not operate in the milk powder commodity sector. Presently the levels of demand for nutritional milk powder products far exceed supply and this is projected to continue for many years globally.</p> <p>HVN’s Facility will be rare globally, which should ensure that HVN has a competitive advantage in the global nutritional sector.</p> <p>Additionally, some of the distribution risk will be mitigated by HVN’s strategic partners with their own established brand and distribution channels.</p> |
| <p>Offtake Risks</p> | |

| Risk | Mitigation Strategy |
|---|---|
| <p>The success of HVN will depend on the quantity and quality of its offtake.</p> <p>HVN's profitability, dividends and share price may be affected by fluctuations in offtake prices, including the effect of foreign exchange rate fluctuations.</p> | <p>A large percentage of HVN's offtake is expected to be subject to long term offtake agreements, but the balance to be sold on the spot market.</p> <p>Final product prices are market driven. HVN's internal financial modelling has adopted conservative assumptions regarding product prices and foreign exchange rates.</p> <p>HVN intends to reduce some of the short-term effects of price fluctuation through its diversified offtake pricing arrangements and appropriate foreign exchange policies.</p> <p>If HVN does not have sufficient offtake orders, it intends to have storage arrangements in place for its milk powder products.</p> |
| <p>Dependence on strategic partner(s)</p> <p>Part of HVN's strategy is dependent on HVN entering into agreements with one or more large multinational IMF brand owners who hold strong market positions and influence, including in relation to contractual terms.</p> | <p>Based on its current engagement with these parties, HVN is confident given the demand and shortage of facilities with the same design components as the Facility globally that commercial terms will be able to be negotiated following its IPO.</p> |
| <p>Dependence on milk supply</p> <p>HVN is reliant on local dairy farmers. While HVN intends to source its milk from a range of farmers, a loss of multiple farmers, or a significant disruption in the supply chain (ie from adverse weather conditions or increased costs to maintain herds) could have a material adverse effect on HVN.</p> | <p>HVN intends to mitigate this risk through offering commercially competitive milk supply agreements to its network of farmers within a 150km radius of the site which currently produces milk volumes well in excess of that required to operate the Facility at full capacity.</p> |
| <p>Health and Safety Risks</p> <p>The quality of milk produced by HVN is dependent on the raw milk supplied which may be affected by handling practices. Given raw milks sensitivity to temperature any equipment failure could also lead to deterioration of the whole batch. Milk contamination can occur at any stage along the supply chain.</p> <p>The quality of HVN's final products may be affected by health and safety issues during the production process.</p> | <p>HVN intends to implement "best practice" farm management practices to mitigate the risk of milk contamination before collection at the farm gate.</p> <p>HVN also intends to set up in house testing and quality control procedures which will be applied once the Facility is constructed.</p> |
| <p>Fluctuations in input prices</p> <p>HVN's profitability, dividends and share price may be affected by fluctuations in milk prices and other input prices, including the effect of foreign exchange rate fluctuations.</p> | <p>Milk price fluctuation is principally a farmer supplier risk as HVN will pay farmers market prices. HVN will manage its offtake arrangements accordingly.</p> |

| Risk | Mitigation Strategy |
|--|---|
| | Although HVN intends to have hedging policies in place under certain market conditions, it will remain exposed to fluctuations in the price of non-milk inputs used during its operations. |
| <p>Production Risks</p> <p>Production may be affected by equipment failure, operational mishaps, health and hygiene factors, industrial disputes, natural disasters, and other events beyond the control of HVN.</p> | <p>HVN intends to have production collaboration arrangements in place with neighbouring plants in the event that the Facility cannot operate, and farmer milk needs to be processed by a neighbouring facility (and vice versa).</p> <p>HVN has and will continue to develop its operating risk assessment systems and related policies and procedures to mitigate the risks that are within its control.</p> |
| <p>Overseas Investment Office</p> <p>Approval from the Overseas Investment Office (OIO) in New Zealand is required where non-New Zealand investors acquire an interest in excess of 25% in a business valued at NZ\$100 million (NZ\$530 million for Australian investors, subject to satisfying conditions) or that owns “sensitive land”.</p> | <p>HVN is currently fully compliant with OIO requirements. OIO approval may be required depending on the composition of investors at the time of the construction raise. HVN will assist investors to make this application.</p> |
| <p>Legal Proceedings</p> <p>HVN may be subject to legal proceedings before legal courts and/or regulatory bodies in the ordinary course of its business. Any negative results in such proceedings may expose HVN to liabilities, thus in turn may adversely affect HVN’s operations and profitability.</p> | <p>HVN has and continues to develop its risk assessment systems and related policies and procedures. HVN intends to rely on both internal and external legal representation in relation to all material contracts. When selecting a supplier or customer, due diligence is conducted to ensure that any potential issues are identified and managed.</p> |