



Wellard

ASX Announcement

10 November 2016

Statement to Shareholders

Wellard Limited (Wellard, ASX:WLD) notes recent statements released to the media by Wellard's 14.4% shareholder, Butt Nominees Pty Ltd (Butt), relating to Wellard's upcoming Annual General Meeting and the resolutions to be considered at the meeting (Release).

Wellard wishes to make the following clarifying announcement and respond to certain statements and implications within the Release. The Butt Release dated 10 November 2016 is attached.

Trading Conditions

- Trading conditions caused by record high cattle prices and restricted cattle supply in Australia as well as two vessel breakdowns combined to materially impact Wellard's FY2016 financial results with flow-on impacts into the first half of FY2017.
- To mitigate, Wellard rapidly adapted its operations to increase trade from South America. This increased diversification will have significant long term benefits for Wellard.
- This diversification has enabled Wellard to weather the challenging, unforeseen operational issues. This reflects the company's ability to adapt and act decisively to changing circumstances. It is incorrect to characterise the recent market in Australia as experiencing normal volatility. The Eastern Young Cattle Indicator has been trading at more than 700c/kg, its highest point since the indicator started in 1996.
- Notwithstanding its disappointing result Wellard has recorded superior financial and operational results to most of its competitors.
- Wellard is working to reshape its working capital and credit arrangements, in particular to develop a working capital facility that better suits the rapid changes required to support the company's increasing business in South America.
- The Board and all of Wellard's dedicated and professional staff continue to work hard in the challenging circumstances that have confronted it and its peers in the industry in recent times.

Wellard's Board

- The Board has established sound governance protocols, including those in place to carefully manage conflicts, primarily through the establishment of a Conflicts of Interest Committee which comprises only independent non-executive directors. Shareholders should note that past conflicts principally arose by virtue of the separation agreement between Wellard and WHG Holdings Pty Ltd (WGH) at IPO. As announced on 21 September 2016, WGH has now paid Wellard all amounts under the separation agreement. This greatly reduces the capacity for future conflicts between the two companies.

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- The Board believes that Wellard should have a clear majority of independent directors and is actively working to ensure this is the case, with a new independent director expected to join the board in the short term.
 - Non-executive director Greg Wheeler, who has nominated for re-election, has played a key role in managing the restructure of the Wellard business and IPO. He has extensive experience in livestock trading and a deep understanding of Wellard's operations, clients and financial position. The Board believes he brings significant value to the current Wellard Board.

Butt Nominees' director nomination – Tyron Dennison

- Mr Tariq Butt (the controlling shareholder of Butt) has interests in livestock trading operations that directly compete with Wellard and uses suppliers that also compete with Wellard.
- Butt seeks to appoint its nominee Mr Tyron Dennison to the Board of Wellard, which will allow Mr Dennison access to information that is commercially sensitive to Wellard.
- In the Board's opinion, it may present difficulties to have a director of a direct competitor on the Wellard Board.
- The qualifications of Mr Dennison are set out in Wellard's Notice of Annual General Meeting. Mr Dennison has no prior experience working for or as a Director of an ASX-listed company. Shareholders will note Mr Dennison's biography indicates his experience is in construction of abattoirs, not in Wellard's principal areas of business activity – livestock trading and shipping.
- The Board stands by its decision to make no recommendation on the resolution to appoint Mr Dennison and to vote undirected proxies against Mr Dennison's appointment.
- Butt first purchased shares on 12 July 2016, at which point Wellard's post-IPO financial position and share price was known to the market, and continued to buy Wellard shares until 30 September 2016.

Executive Remuneration and Option Plan

- The Board believes that the proposed executive option plan is important to attract and retain talented people. It is a standard tool to enable listed companies to encourage those who perform well, achieve relevant KPI's and drive company performance. Cost management and right sizing are being actively managed by Wellard and long-term performance incentives encourage rather than detract from this objective.
- The proposed Executive Share Options for Wellard CEO Mr. Mauro Balzarini are currently valued at \$2,000 and will only vest if the Company's share price reaches the IPO list price of \$1.39 within 4 years. Full details are set out in the company's Notice of Annual General Meeting provided to shareholders.
- Remuneration was determined ahead of Wellard's Initial Public Offering and has not been increased since.

Shareholders have been provided with a Notice of Annual General Meeting, including a thorough Explanatory Memorandum, which the Board commends to shareholders' attention.

For further information:

Investors

Managing Director, Mauro Balzarini
Phone: + 61 8 9432 2800

Media

FTI Consulting, Cameron Morse

Phone: + 61 8 9485 8888

Mobile: +61 (0) 433 886 871

Visit www.wellard.com.au

Background – Wellard

Wellard is Australia's largest cattle exporter and a vertically integrated agribusiness.

Wellard has supplied quality dairy and beef cattle and sheep and goats to the world for more than 30 years. Based in Fremantle, Western Australia, the company's operations spans the world and cover every aspect of the livestock export chain, including livestock selection and aggregation, pre export quarantine facilities, feed milling, and a modern fleet of specialized "floating farms livestock carriers".

Wellard's is also involved in meat trade and owns and operate a modern abattoir in Western Australia, Beaufort River Meats, which processes up to 2500 sheep and lambs a day, enabling Wellard to meet customer demand for both livestock and chilled meat.

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