

ALLIED FARMERS LIMITED NOTICE OF ANNUAL MEETING

Notice is hereby given that the Annual Meeting of Shareholders of Allied Farmers Limited (the **Company, Allied Farmers** or **ALF**) will be held at the TET MultiSports Centre, 62 Portia St, Stratford on Tuesday 24 November 2020 at 11:00am.

Please ensure you read the following notified resolutions together with the Explanatory Notes attached to this Notice of Annual Meeting of Shareholders (**Notice of Meeting**). Capitalised terms in this Notice of Meeting that are not otherwise defined in this Notice of Meeting have the meaning given in the Explanatory Notes unless the context requires otherwise.

ITEMS OF BUSINESS

- A. Chairman's introduction
- B. Addresses to shareholders
- C. Shareholder discussion
- D. Resolutions.

RESOLUTIONS

To consider, and if thought fit, to pass the following ordinary resolutions:

1. **Approval of Consideration Shares Placement**

That, under NZX Listing Rule 4.2.1(a) (*Shareholder approval for issues by Ordinary Resolution*), the Company is authorised to issue Elevation Capital Management Limited, Richard Paget Milsom, RPMilsom Investments Limited and Hopeton Trustee Company Limited up to 5,000,000 shares in the 12 month period commencing from the date this resolution is passed at an issue price of NZD\$0.50 per share as consideration of, and payment for, 50% of the securities in New Zealand Rural Land Management Limited Partnership and its general partner.

2. **Approval of Capital Raise Placements**

That the Company is authorised to issue shares to investors under Listing Rule 4.2.1(a) (*Shareholder approval for issues by Ordinary Resolution*) within 12 months of the date of the Meeting for an issue price of NZD\$0.50 per share and in an aggregate number of up to 10,000,000 shares (and in any event not to directors of Allied Farmers or associated persons, within the meaning of the NZX Listing Rules, of such directors) and otherwise on the basis described in this Notice of Meeting.

3. **Auditor's fees**

That the re-appointment of KPMG as the auditor of the Company be recorded and the Directors be authorised to fix the auditor's remuneration for the ensuing year.

4. **Other Business**

To consider any other matters that may lawfully be considered at the Meeting.

Interdependence of Resolutions

Each resolution is independent of any other Resolution being passed.

Ordinary Resolutions

Pursuant to section 105(2) of the Companies Act 1993 and the NZX Listing Rules, an ordinary resolution means a resolution passed by a simple majority of votes of those shareholders entitled to vote and voting.

No Motions

The only matters being discussed and voted on at the Meeting are the Resolutions contained in this Notice of Meeting. No motions will be allowed from the floor.

Attendance and Voting

- (a) Your rights to vote may be exercised by:
 - (i) attending and voting in person; or
 - (ii) appointing a proxy (or representative) to attend and vote in your place.
- (b) The proxy need not be a shareholder of the Company and the form of appointment of a proxy and voting instructions accompanies this Notice of Annual Meeting. The Chairman of the meeting is willing to act as proxy for any shareholder who may wish to appoint him for that purpose and he intends to vote in favour of all resolutions where he is given a "Proxy Discretion". Shareholders wishing to appoint a proxy (or representative) must complete and send the proxy form so that it is received by Link Market Services no later than 11:00am on Friday, 20 November 2020.
- (c) Voting on all of the Resolutions will be by way of poll, meaning that each shareholder has one vote for each ordinary share held by that that shareholder.
- (d) Voting entitlements for the meeting will be determined as at 5.00pm on Friday, 20 November 2020. Registered shareholders at that time will be the only persons entitled to vote at the meeting (either in person or by proxy) and only the shares registered in those shareholders' names at that time may be voted at the meeting

If you wish to appoint a proxy, please send your completed proxy forms to:

Online: <https://investorcentre.linkmarketservices.co.nz/voting/ALF>

Scan & email: meetings@linkmarketservices.com

Delivery: Link Market Services
Level 11 Deloitte Centre
80 Queen Street, Auckland 1010

Mail: Link Market Services
PO Box 91976
Auckland 1142

Voting Restrictions

Elevation Capital Management Limited, Richard Paget Milsom, RPMilsom Investments Limited and Hopeton Trustee Company Limited, to the extent that they own any Allied Farmers shares, and any shareholder who is an 'associated person' (within the meaning of the NZX Listing Rules (**Associated Persons**)) is prohibited from voting on Resolution 1.

Discretionary proxies given to persons who are disqualified from voting on these resolutions (or Associated Persons of theirs) will not be valid but proxies under express instructions will be accepted.

There are otherwise no voting restrictions applicable to the resolutions in this notice of meeting.

Corporate Representatives

A corporation which is a Shareholder may appoint a person to attend the meeting on its behalf in the same manner as that in which it could appoint a proxy.

This Notice of Meeting has been reviewed by NZX. NZX has confirmed it has no objection to this Notice of Meeting.

By order of the Board of Directors

Richard Perry

A handwritten signature in blue ink, appearing to read 'Richard Perry', is written over a faint circular stamp or watermark.

Chairperson

9 November 2020

EXPLANATORY NOTES

In addition to each Resolution set out in the Notice of Meeting, these Explanatory Notes provide the shareholders with background information concerning the resolutions.

Ordinary Resolution

The resolutions set out in this notice of meeting are ordinary resolutions which require approval by a simple majority of the votes of those shareholders entitled to vote and voting on the resolution.

Relationship to Market Price

As at 15 October 2020 (being the day before the transactions referred to in the explanatory note for Resolution 1 were announced on NZX (the **Announcement**) the closing price of an Allied Farmers share on the NZX was NZD\$0.619.

The proposed share issues under Resolutions 1 and 2 will be undertaken at a price of NZD\$0.50 per share. This represents a discount of 19.2% from the closing market price of a share on the day before the Announcement. The issue price of the consideration shares placement under Resolution 1 has been agreed by negotiation with the Vendors and in the Board's view, is also the level at which the capital raise Placements and Rights Issue will not only be successful, but enable existing shareholders to acquire shares in the Rights Issue at the same discounted price paid by the Vendors and the investors in the capital raise Placements.

Resolution 1: Placement of consideration shares to the owners of New Zealand Rural Land Management (NZRLM)

Introduction

With Resolution 1, Allied Farmers is asking shareholders to approve the issue of shares to Elevation Capital Management Limited, Richard Paget Milsom, RPMilsom Investments Limited and Hopeton Trustee Company Limited (the **Vendors**), who are the shareholders and owners of NZRLM.

Background

On 15 October 2020, Allied Farmers entered into a conditional sale and purchase agreement with the Vendors to acquire a 50% interest (**Ownership Interest**) in a limited partnership to be registered under the Limited Partnerships Act 2008, namely the New Zealand Rural Land Management Limited Partnership (**NZRLM**) (**Agreement**) and its general partner, New Zealand Rural Land Management Limited. The Announcement in relation to this transaction and related transactions (discussed below, the **Transactions**) can be found at <https://www.nzx.com/announcements/361572>.

NZRLM will be the manager for New Zealand Rural Land Company Limited (**NZRLC**). NZRLC is intending to raise up to NZD\$150 million in a public offer and then apply to have its shares quoted on the NZX main board in December 2020. NZRLC intends to acquire rural land and lease that land to high quality farming operators.

The purchase price of the Ownership Interest in NZRLM is NZD\$2,500,000.00 (**Purchase Price**). The Purchase Price is payable in Allied Farmers shares at an issue price of NZD\$0.50 per share. If paid in full in shares this would equate to 5,000,000 Allied Farmers shares. Whether the price can be fully paid in Allied Farmers shares will depend on the outcome of the shareholder vote in Resolution 1, and the number of shares outstanding on the date of issue, because Allied Farmers will issue no more than 20% of its shares to the Vendors, on the assumption that the Vendors do not hold any Allied Farmers shares. If Allied Farmers did exceed this 20% level, that would cause a breach of the Takeovers Code

unless it has shareholder approval for that issue. For the following reasons, seeking shareholder approval under the Takeovers Code is seen as an unnecessary expense.

It is expected that, due to Allied Farmers's capital raising programme that it has announced, including the placements for which shareholder approval is being sought and a rights issue, Allied Farmers will be able to issue all 5,000,000 Allied Farmers shares to the Vendors without the Vendor holding more than 20% of Allied Farmers's shares. However the timing of issuances made under Resolutions 1 and 2 is uncertain at this time, and accordingly Allied Farmers is seeking approval to issue the shares over a period not exceeding 12 months from the date Resolution 1 is passed. If Allied Farmers has not issued all 5,000,000 shares to the Vendors by 31 May 2021, the Vendors have the ability to demand to be paid in cash, and Allied Farmers, based on current circumstances, is able to pay any shortfall in cash.

The timing of the issuances under Resolutions 1 and 2 is uncertain at this stage because:

- (a) the issue of shares to the Vendors depends on the satisfaction of conditions, most importantly a successful share offering by NZRLC (see description of conditions below); and
- (b) The issue of shares to investors in the placements will depend on identifying and coming to terms with investors, none of which are known or committed at the time of this notice of meeting.

Allied Farmers will publicly notify shareholders and NZX through MAP of the placement of any securities under these resolutions.

Relevant NZX Listing Rules

Unless an exception applies, NZX Listing Rules 4.1.1 and 4.2 provide that Allied Farmers can only issue shares with approval of shareholders by Ordinary Resolution. One of those exceptions is provided in NZX Listing Rule 4.1.2(b), which allows Allied Farmers to issue up to 15% of its shares in accordance with clause 4.5.1 without shareholder approval. 15% of Allied Farmer's outstanding shares is 2,678,209 shares, which is less than the 5,000,000 shares that would fully satisfy the Purchase Price. Accordingly shareholder approval is being sought.

The shares to be issued will rank equally in all respects with all other shares on issue in Allied Farmers.

Key Terms and Conditions of Agreement

Completion of the sale and purchase of the Agreement is conditional on, and will not occur unless:

- (c) NZRLC raises at least NZD\$75 million in its offering;
- (d) NZRLM is properly formed and has entered into the management agreement with NZRLC on terms satisfactory to Allied Farmers;
- (e) Allied Farmers and the Vendors have agreed on the final form of the documents for the Transactions; and
- (f) The parties have agreed on the key terms of Allied Farmer's capital raising.

The directors expect to be able to provide an update on those conditions and the capital raising at or before the Annual Meeting, but the NZRLC offering is expected to close in December 2020 and issue of the shares to the Vendors will occur shortly after that.

Allied Farmers has also agreed to provide NZRLC with a convertible loan of up to NZD\$375,000 to assist with its Initial Public Offering costs:

- (a) NZD\$230,000 has already been paid (in three separate tranches); and
- (b) NZD\$145,000 to be paid on registration of the NZRLC product disclosure statement (PDS).

The NZD\$375,000 loan will be capitalised into shares in NZRLC. If any amount has not been applied to costs at the time that the loan agreement is terminated due to the PDS for the NZRLC offer not being lodged by 31 December 2020 or the offer under the PDS does not close because the offer under the PDS is withdrawn, the amounts that have not been applied to costs are repayable.

Allied Farmers and the Vendors, as a condition of completion of the Agreement, have agreed to enter into a call option agreement that gives Allied Farmers the right to acquire the remaining 50 percent of NZRLM at independent valuation, exercisable two years after completion, with an exercise period of one year.

On completion of the Transactions, an Allied Farmers director will be appointed to the Board of NZRLM, and Chris Swasbrook will be appointed to the Board of Allied Farmers.

The Vendors will agree in a restricted security deed not to sell their shares in Allied Farmers as to:

- (a) Half of their shares they receive for a period of one year from completion; and
- (b) For the remainder of the shares, for a period of two years from completion.

If NZRLC does not acquire rural land, and the shareholders of NZRLC pass a special resolution to place NZRLC into liquidation, the Vendors must on written request from Allied Farmers transfer back to Allied Farmers for cancellation all of the shares they each received under the placement for nil consideration in a deemed reduction of the Purchase Price. Due to the restricted security deed, the Vendors must be holding their respective Consideration Shares until this obligation expires.

Purpose

The principal purpose for the Transactions is to provide the fuel required to execute on Allied Farmers's strategy to invest in the growth of its rural-focused finance business, innovation initiatives, and investment in digital technologies. As highlighted in Allied Farmers's recent FY20 financial results commentary, the intention is to continue to evaluate and potentially invest in profitable and innovative technologies either by strategic partnership or through direct investment within a disciplined and ethical investment framework.

Effect if Resolution 1 is passed

If Resolution 1 is passed Allied Farmers will at completion of the Agreement issue the lesser of 5,000,000 shares to the Vendors or such number of shares which will mean that following the issuance the Vendors will not hold more than 20% of all shares on issue. If less than 5,000,000 shares are issued Allied Farmers will then look to issue any residual shares to the Vendor at the time that any shares are issued under Resolution 2 but at all times ensuring that the aggregate percentage holding of the Vendors does not exceed 20%.

Allied Farmers will also be able to use its placement capacity to make placements to other investors as part of its capital raising, and discussed further in the explanatory note for Resolution 2.

Effect if Resolution 1 is not passed

If shareholders do not approve Resolution 1, Allied Farmers will still complete the Transactions, but will need to use placement capacity and cash reserves to pay the Purchase Price and will be constrained in its future capital raising.

Dilutive Effect

The dilutionary impact of the issue under this resolution is discussed in Appendix 1.

Directors' recommendation

The directors of Allied Farmers unanimously recommend that the shareholders approve Resolution 1.

Resolution 2: Capital Raising Placements

Introduction

With Resolution 2, Allied Farmers is asking shareholders to approve the issue of up to 10,000,000 shares to investors in one or more placements over the time from the date of the Meeting and within the next 12 months from shareholder approval.

Background

Independently of the NZRLM transactions, Allied Farmers is planning to undertake a capital raising by way of placements of 10,000,000 shares at an issue price of NZD\$0.50 per share to wholesale investors who are not directors of Allied Farmers or their Associated Persons (the **Placements**), preceded by a 1:3 a renounceable rights issue (the **Rights Issue**).

It is not expected that the proceeds from the capital raise Rights Issue or Placements will be required to fund the purchase of the NZRLM shares.

Allied Farmers is seeking to raise up to:

- (a) ~ NZD\$2,975,788 from the Rights Issue at an issue price of NZD\$0.50, for a total of ~ 5,951,576 shares; and
- (b) NZD\$5,000,000 from the Placements at an issue price of NZD\$0.50, for a total of 10,000,000 shares; and

The investors in the Placements are likely to be a combination of high net worth persons, family offices, and institutions, some of whom are interested in investing because Allied Farmers has conditionally acquired a 50% in NZRLM. Some of these investors may also be investors in NZRLC who are interested in indirectly owning an equity interest in the manager of NZRLC.

The issue of shares under the Placements may occur at multiple times and within 12 months from the date of the Meeting.

Allied Farmers currently expects to launch the Rights Issue shortly after the date of this annual meeting.

The shares to be issued will rank equally in all respects with all other shares on issue in Allied Farmers.

Relevant NZX Listing Rules

Unless an exception applies, NZX Listing Rules 4.1.1 and 4.2 provide that Allied Farmers can only issue shares with approval of shareholders by Ordinary Resolution.

Under NZX Listing Rules 4.1.1 and 4.2, Allied Farmers is permitted to issue shares with shareholder approval. If shareholders approve Resolution 2, Allied Farmers will be able authorised to issue 10,000,000 shares in placements to investors over the next 12 months from the date of approval (the **Placements**).

In total, Allied Farmers is seeking shareholder approval to issue 10,000,000 shares in aggregate in the Placements.

Purpose

The principal purpose of the Placements is to invest in the growth of Allied Farmers's rural-focused finance business, innovation initiatives, and investment in digital technologies.

Allied Farmers intends to continue to evaluate and potentially invest in profitable and innovative technologies either by strategic partnership or through direct investment within a disciplined and ethical investment framework.

For example, Allied Farmers is currently fielding and assessing several investment opportunities to increase its footprint in the rural sector. Those investment opportunities include a potential joint venture with an existing finance company for a rural lending business, and several early-stage initiatives in the rural sector's innovation space.

Allied Farmers will also continue to provide support to its subsidiary NZ Farmers Livestock Limited for its continued investment in digital technologies relating to its MyLiveStock platform.

Effect if Resolution 2 is passed

If shareholders pass Resolution 2, Allied Farmers will complete the Placements and will have sufficient capital to invest in accordance with the purpose outlined above.

Effect if Resolution 2 is not passed

If shareholders do not pass Resolution 2, Allied Farmers will be constrained in implementing its strategy.

Dilutive Effect

The dilutionary impact of the issue under this resolution is discussed in Appendix 1.

Directors Recommendation

The directors of Allied Farmers unanimously recommend that the shareholders approve Resolution 2.

Resolution 3: Re-appointment and remuneration of auditor

KPMG is automatically re-appointed as auditor of the Company under section 207T of the Companies Act. Section 207S(a) of the Companies Act provides that the fees and expenses of the auditor are to be fixed in such a manner as the Company determines at the annual meeting.

The Board proposes that, consistent with commercial practice, the auditor's fees should be fixed by the directors. This resolution provides authority for the directors to fix the fees and expenses of the auditor. For convenience, it is noted that total fees paid to KPMG in the financial year ended 30 June 2020 were NZD\$238,000, made up of NZD\$165,000 in respect of the audit of the Company's financial statements, a further NZD\$73,000 in respect of other services.

Directors' recommendation

The directors of the Company unanimously support the re-appointment of KPMG as auditor of the Company and recommend that the shareholders approve the resolution.

Appendix 1: Dilutionary impact of Share issues

Resolutions 1 and 2 both involve the issue of equity securities. Assuming that the Resolutions are all passed and all shares that are authorised for issue under the Resolutions are issued (and paid up, as applicable), then dilution will occur in respect of the current shareholdings.

Note that Allied Farmers is also expecting to undertake a 1 for 3 rights offer as part of its capital raising plan. Shareholders who fully participate in that offer will not be further diluted, but shareholders who do not fully participate will experience further dilution. This dilutionary impact is outlined in the table below, assuming the maximum number of shares are issued.

| | |
|---|-------------------|
| Current shares on issue | 17,854,729 |
| Resolution 1: Shares issued to the Vendors in the sale and purchase agreement | 5,000,000* |
| Resolution 2: Shares issued in the Placements | 10,000,000 |
| Total shares on issue if Resolutions 1 and 2 passed | 32,854,729 |
| Example shareholder percentage currently | 10% |
| Example shareholder percentage after Placements | 5.45% |
| Shares issued in the rights offer** | 5,951,576 |
| Total shares on issue after placements and rights offer | 38,806,305 |
| Example shareholder percentage after placements and rights offer | 4.6% |

* Assuming this is 20% or less of the outstanding shares at the time of issue.

** Assuming rights offer occurs before the placements and that there is full participation in the rights offer (notwithstanding that the assumption is that the shareholder is not participating).