



Company/ASX Code	GrainCorp Limited (GNC)
Demerger Scheme Meeting	16 March 2020 at 10.00a.m.
General Meeting	16 March 2020 at 10.30a.m.
Time and location	Hilton Hotel, Sydney
Registry	Link Market Services Limited
Webcast	Yes
Poll or show of hands	Poll
Monitor	Elizabeth Fish, Helen Manning

The ASA cannot advise on how Graincorp shareholders should vote but we would advise that shareholders should read the Independent Experts Report provided by Grant Samuels and Associates Pty Ltd. This report starts on page 237 (attachment A) of the Graincorp Demerger Scheme booklet, distributed to shareholders on 18th February 2020. A PDF copy of the booklet can be downloaded from the Graincorp website at: <http://www.graincorp.com.au/investors-and-media/investor-information>. Information in the earlier part of the demerger booklet also contains important information concerning the proposed demerger and the capital reduction proposal.

Two meetings have been scheduled for the 16th March, 2020: a Demerger Scheme Meeting and a General Meeting where shareholders will vote on an ordinary resolution to agree to capital reduction pursuant to Section 256C(1) of the Corporations Act

The first meeting is so that shareholders can vote on a members scheme of arrangement resolution under Section 411 of the Corporations Act, 2001 ("the Corporations Act"). Under Section 411, a scheme of arrangement must be approved by a majority in number (i.e. more than 50%) of shareholders present and voting (either in person or by proxy) at the meeting, representing at least 75% of the votes cast on the resolution. The scheme of arrangement is then subject to approval by the Federal Court of Australia.

The second meeting, following the first is so that shareholders can vote on The Capital Reduction Resolution. This resolution needs to be approved by at least 50% of the vote cast on the resolution by Graincorp shareholders, who are present and voting at the General Meeting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative.

The resolutions to be voted on by Graincorp shareholders are interdependent. If either resolution is not approved, the proposed demerger will not proceed.

Following are some matters covered in the booklet that may be of interest to ASA members.

Small shareholders, defined as shareholders holding 500 Graincorp shares or less, may elect to not receive UMG Shares under the Demerger. If a shareholder makes such an election, the UMG

shares to which they would otherwise be entitled should the Demerger be implemented will be sold on the ASX by the Sale Agent and the Sale Facility Proceeds remitted to the shareholder under the Sale Facility scheme. This process is covered on pages 17 and 194-195 of the booklet. Shareholders do need to complete the blue Sale Facility Election Form and so that it is received by the GrainCorp Registry (or, otherwise, lodge their Sale Facility Election Form online by going to GrainCorp website at www.demerger.graincorp.com.au and following the prompts and instructions) by 5:00pm (Sydney time) on Monday, 23 March 2020.

Ineligible overseas shareholders, estimated to represent less than 0.1% of all shareholders will not be entitled to receive UMG shares under the Proposed Demerger. The UMG shares that would otherwise have been distributed to them will be transferred to a sale agent and disposed on the ASX on the shareholders behalf.

Issues associated with demergers in general are covered on page 267 – 273 of the booklet.

The earnings and dividend section on page 277 highlights the point that UNG will be a separate tax entity from Graincorp and initially have no franking credits to apply to future dividends, if any. A detailed pro forma statement of financial position (including a description of the assumptions and adjustments made) is set out in Section 3.13 of the Demerger Scheme Booklet. The pro forma financial position as at 30 September 2019, has been prepared by Graincorp and reviewed by PwC. PwC's Investigating Accountant's Report is set out as Attachment B of the Demerger Scheme Booklet. The ASA notes that the capital position statement of the New Graincorp includes cash proceeds of \$314m from the sale of the bulk liquid terminals (p 284).

The ASA notes that as New Graincorp will hold 10% of UMG shares, and each New Graincorp shareholder will be entitled to the same number of UMG shares as they hold in Graincorp, additional shares in UMG will need to be issued. As 228,855,628 shares were on issue at 30 Sept 2019, the ASA assumes an additional 25.23m UMG shares will be issued. This assumption is supported by the Grant Samuels & Associates letter to the Directors of Graincorp dated 6/2/20 where it is stated that there will be "approximately 254.3 million UMG shares on issue". The ASA has not received confirmation from Graincorp regarding this matter although we did ask. The issuing of additional shares does not appear to have been covered in the booklet and we are always concerned with dilution of shareholder value.

The ASA understands that AGMs for both companies will be held in Australia.

It is not possible for the ASA to indicate how shareholders should vote in regard to the Capital Reduction Entitlement as its calculation is based in post demerger share prices for the New Graincorp and United Malt Group.

The individuals involved in the preparation of this voting intention have no shareholdings in this company.

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