

## NOTICE OF ANNUAL MEETING

Notice is hereby given that the 2011 Annual Meeting of shareholders of NZ Farming Systems Uruguay Limited (Company) will be held at the Stamford Plaza, 22-26 Albert Street, Auckland, on Thursday 24 November 2011, commencing at 3.00pm.

The Explanatory Notes which accompany this Notice of Annual Meeting provide information in relation to the matters to be considered. The Notice of Annual Meeting and the Explanatory Notes should be read in their entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor prior to voting.

If you are unable to attend the 2011 Annual Meeting, please complete the form of proxy enclosed and return it in accordance with the instructions set out on that form.

The resolutions to be voted on at the 2011 Annual Meeting (Resolutions) are required pursuant to the NZSX Listing Rules (Listing Rules), the Companies Act 1993 (Companies Act) and the Company's Constitution. NZX has approved this notice of meeting.

### General Business

- Item I.** To hear addresses by the Chairman and Managing Director/CEO.
- Item II.** To conduct a shareholder discussion. There will be reasonable opportunity for shareholders at the meeting to question, discuss or comment on the management of the Company.
- Item III. Resolution 1.**  
To note, and to consider and, if thought fit, to approve by ordinary resolution the appointment of Ernst & Young as auditor, and to approve the Directors' authority to fix the auditor's remuneration.  
*(See Explanatory Notes)*
- Item IV. Resolution 2.**  
To consider and, if thought fit, approve by ordinary resolution the election of Robert Poole as Director of the Company.  
*(See Explanatory Notes for biographical and voting details)*
- Item V. Resolution 3.**  
To consider and, if thought fit, approve by ordinary resolution the election of Tim Storey as Director of the Company.  
*(See Explanatory Notes for biographical and voting details)*
- Item VI. Resolution 4.**  
To consider and, if thought fit, approve by ordinary resolution the election of Peter Wilson as Director of the Company.  
*(See Explanatory Notes for biographical and voting details)*
- Item VII. Resolution 5.**  
To consider, and if thought fit, approve by ordinary resolution that the existing Olam shareholder loan facility (Olam Loan) be amended so that:
- (i) the term of the Olam Loan is extended by 12 months to become repayable in full by 31 December 2012; and
  - (ii) the credit limit available to NZS under the Olam Loan is increased by up to USD 25 million, from USD 85 million to up to USD 110 million,
- but in all other respects the terms of the Olam Loan shall remain the same.

## Appraisal Report

This Notice of Annual Meeting is accompanied by an appraisal report from Grant Samuel & Associates Limited. This report is also available for inspection at the Company's registered office and on its website ([www.nzfsu.co.nz](http://www.nzfsu.co.nz)).

*(See Explanatory Notes and Appraisal Report for details regarding the Olam Loan)*

ALL RESOLUTIONS ARE SUPPORTED BY THE BOARD

**Item VIII.** To consider any other business that may properly be brought before the Annual Meeting.

## Attendance and Voting

The Resolutions required for agenda items III to VII are Ordinary Resolutions, needing a simple majority of the votes of those shareholders entitled to vote and voting on the Resolutions.

The only persons entitled to exercise votes at the meeting will be those who are registered as shareholders as at 3.00pm on Tuesday 22 November 2011, and only the shares registered in those shareholders' names at that time carry a right to vote at the meeting.

Your rights to vote may be exercised by:

- (a) Attending and voting in person; or
- (b) Appointing a proxy (or representative) to attend and vote in your place; or
- (c) Voting by post.

The Proxy and Voting Form accompanies this Notice of Annual Meeting. Shareholders wishing to appoint a proxy (or representative) or cast a postal vote, must complete the applicable sections of the Proxy and Voting Form and mail it so that it is received by Computershare Investor Services Limited on or before 3.00pm on Tuesday 22 November 2011.

Information on where to deposit a completed Proxy and Voting Form is on the reverse of the Form.

You may direct your proxy on how to vote on each Resolution, to abstain from voting on each Resolution or to vote at their discretion (in which case the proxy may vote as he or she thinks fit on that Resolution). If a Proxy and Voting Form is returned with more than one direction for a Resolution, the direction on that Resolution is to abstain.

You may appoint the Chairman or any other Director as your proxy. The Chairman intends to vote undirected proxies in favour of Resolutions supported by the Board except in respect of Resolution 5, where the Chairman (or any Director associated with Olam) will abstain from voting undirected proxies.

The Company Secretary is the person authorised to receive postal votes for the purposes of clause 13 of the Constitution.

## Corporate Representative

A body corporate, which is a shareholder, may appoint a representative to attend a meeting of shareholders on its behalf in the same manner as it could appoint a proxy.

## Voting Restrictions

Details of voting restrictions applying to the Resolutions are set out in the Explanatory Notes.

At the conclusion of the meeting, the Directors invite shareholders to join them for light refreshments.

By order of the Board of Directors.  
Jane Pearson  
Company Secretary  
9 November 2011

## EXPLANATORY NOTES

*These Notes form part of the Notice of Annual Meeting.*

These Explanatory Notes have been prepared for the information of shareholders of the Company in relation to the business to be conducted at the Annual Meeting to be held on Thursday 24 November 2011 commencing at 3.00pm (New Zealand time) at the Stamford Plaza, 22-26 Albert Street, Auckland.

The purpose of these Explanatory Notes is to provide shareholders with information that is required to enable shareholders to decide how to vote upon each Resolution proposed at the Annual Meeting. The Directors recommend that shareholders read these Explanatory Notes in conjunction with the Notice of Annual Meeting and Appraisal Report (in respect of Resolution 5) before determining whether or not to vote in favour of the Resolutions.

### RESOLUTIONS SUPPORTED BY THE BOARD

#### **Resolution 1: Appointment and Remuneration of Auditor (Item III)**

The proposed ordinary resolution is to approve the appointment of Ernst & Young as auditor under section 196(1) of the Companies Act 1993, and to authorise the Directors to fix the auditor's remuneration for the following year for the purposes of section 197 of the Companies Act.

The Company's previous auditors, PricewaterhouseCoopers, gave notice under section 196(3A) of the Companies Act 1993 that they resigned as auditor with effect from 31 January 2011, due to the Company's then new subsidiary status and consolidation into Olam International Limited's financial statements which are audited by Ernst & Young as the global auditor of Olam International Limited.

On 17 February 2011, the Board appointed Ernst & Young as auditor under section 196(4) of the Companies Act 1993 to fill the casual vacancy with effect from 1 February 2011. Ernst & Young completed the audit work on the financial statements for the year ended 30 June 2011.

It is proposed that Ernst & Young be appointed under section 196(1) of the Companies Act 1993 to hold office from the conclusion of the Annual Meeting until the conclusion of the next annual meeting, and to audit the financial statements of the Company and group financial statements for the accounting period next after the Annual Meeting.

#### **Recommendation**

The Company's Directors believe that this Resolution is in the best interests of the Company and shareholders as a whole and unanimously recommend shareholders vote IN FAVOUR of this Resolution.

#### **Resolutions 2, 3 and 4: Election of Directors (Items IV, V and VI)**

John Roadley and Graeme Wong, the two Independent Directors of the Company, retire by rotation in accordance with the Company's Constitution. They do not offer themselves for re-election.

Under the Constitution, the Company must have a minimum of three and a maximum of seven Directors. There are four sitting Directors who remain in office, David Beca, Richard Haire, Ravi Kumar and Vivek Verma. There are therefore three potential vacancies. Three nominations have been received. The Company must have a minimum of two Independent Directors. The Company will continue to meet this requirement, provided two of the three nominees mentioned below are elected as Directors.

Robert Poole has been nominated by shareholder Kevin Honeyfield (who holds 1,500,000 shares in, or 0.61% of, the Company) and being eligible, offers himself for election. A summary of his biographical details is listed below. His nomination is endorsed by shareholders Thomas and Anne Lees who hold 1,250,000 shares in, or 0.51% of, the Company.

Tim Storey and Peter Wilson have been nominated by substantial security holder Olam International Limited (who holds 209,868,757 shares in, or 85.93%, of the Company), and both being eligible, offer themselves for election. A summary of their biographical details is listed below.

### Robert Poole

Mr Poole owns and runs two dairy farms in Taranaki, in partnership with his wife. He is a director of Fresh Milk New Zealand Limited, a 1,050 cow dairy operation. Mr Poole has completed the Fonterra Governance Development programme, including the NZ Institute of Directors course. He has been instrumental in forming three farming partnerships over the last 15 years as a way of increasing equity growth to expand his home based farm.

For several years Mr Poole has used cost effective concentrates and forages on his own farms to complement pasture and boost production to over 2000 kgs milk solids on every hectare owned, without irrigation or the need to own or lease any support land. Mr Poole and his wife hold 1,800,000 shares in, or 0.74% of, NZS.

The Company's Directors consider that Robert Poole qualifies as an Independent Director as defined by the NZX Listing Rules.

#### Recommendation

The Company's Directors unanimously recommend shareholders vote IN FAVOUR of this Resolution.

### Tim Storey BA, LLB

Mr Storey is a qualified lawyer in Australia and New Zealand and is involved in various business interests and consultancy projects. He has practised commercial and corporate law ranging from governance, transaction structuring and public offerings, acquisitions and disposals to project matters, with a focus on real estate and agricultural matters. Mr Storey has broad experience across a range of industries in the establishment and ongoing governance of business structures. Mr Storey is Chair of listed DNZ Property Fund and a Director of various other private companies including Reading New Zealand and Prolex Advisory.

The Company's Directors consider that Tim Storey qualifies as an Independent Director as defined by the NZX Listing Rules.

#### Recommendation

The Company's Directors unanimously recommend shareholders vote IN FAVOUR of this Resolution.

### Peter Wilson CA

Mr Wilson is a professional company director experienced in private, public and Government sectors. Mr Wilson is qualified as a Chartered Accountant with a broad knowledge of a range of commercial activities, direct commercial experience in banking, business establishment, problem solving, asset sale and management of change functions. Mr Wilson is Chair of Westpac NZ and Kermadec Property Fund, and a Director of The Colonial Motor Company, Westpac Banking Corporation, Farmlands Trading Society, and a Member of the NZX Markets Disciplinary Tribunal.

The Company's Directors consider that Peter Wilson qualifies as an Independent Director as defined by the NZX Listing Rules.

#### Recommendation

The Company's Directors unanimously recommend shareholders vote IN FAVOUR of this Resolution.

## Resolution 5: Amendment of Olam Loan (Item VII)

### The Olam Loan

The Company seeks shareholder approval at the Annual Meeting for an increase in the credit limit for the existing short term loan facility provided by Olam International Limited (Olam Loan) by USD 25 million, from USD 85 million to USD 110 million and an extension of the term for another 12 months to allow other financing options to be considered. Under the terms of the Olam Loan, it is currently due to be repaid in full by 31 December 2011.

The Olam Loan was originally entered into in late 2010 to provide funding for immediate capital expenditure requirements, working capital and to repay outstanding loan balances owing to PGG Wrightson. The Olam Loan had an initial credit limit of USD 50 million. The credit limit was subsequently increased to USD 85 million in June 2011. The extension of the credit limit was to enable NZS to:

- (a) repay NZS' syndicated loan of USD16 million (Syndicated Loan) from Banco Santander and Banco de la Republica Oriental del Uruguay (collectively, the Syndicated Bank) before 30 June 2011 to avoid a potential breach of covenants under the terms of the Syndicated Loan; and
- (b) to support NZS' ongoing development of its farms in Uruguay.

In both cases (i.e. the original USD 50 million Olam Loan and then the extension of the credit limit to USD 85 million), waivers (dated 20 December 2010 and 24 June 2011) were granted from NZSX Listing Rule 9.2.1 to allow the Company to enter into and amend the Olam Loan, being material transactions with a related party, without prior shareholder approval on the basis that NZS was in urgent need of funds and the NZS Directors associated with Olam did not vote on the Board resolution to approve NZS entering into and amending the Olam Loan. Copies of the waiver decisions can be found on the NZX website ([www.nzx.com](http://www.nzx.com)) under company code 'NZS'.

The waivers were granted on the basis that the Directors of NZS not associated with Olam considered that:

- (a) the terms of the Olam Loan had been negotiated, and entered into, on an arm's length and commercial basis and were considered independently of Olam; and
- (b) the entry into the Olam Loan was in the best interests of and fair to NZS and NZS shareholders who were not associated with Olam.

The main terms of the Olam Loan are currently as follows:

- (a) Credit Limit - USD 85 million;
- (b) The loan is repayable in full by 31 December 2011;
- (c) There is no requirement for NZS to grant Olam security over NZS' assets; and
- (d) Interest is payable on the loan at 8.9% (inclusive of withholding taxes) per annum.

If the credit limit and term of the Olam Loan are amended in accordance with Resolution 5 in Item VII, the other terms of the Olam Loan (including those outlined in paragraphs (c) & (d) above) will in all other respects remain the same.

### Other credit facilities held by NZS

In addition to the USD 85 million Olam Loan, the Company has the following credit facilities in place:

- A short term loan, provided by Banco de la Republica Oriental del Uruguay (BROU), for up to USD 30 million. This loan can be drawn down in stages and each drawdown is repayable in full one year after initial uplift of funds for that drawdown. The loan bears interest at 5.5% per annum. NZS made a first drawdown of USD 5 million of this facility, which matures on 25 May 2012, in May 2011. NZS made a second drawdown of USD 10 million of this facility, which matures on 28 October 2012, in October 2011.
- A long term loan, provided by BROU, for USD 8 million that matures on 11 December 2015 (this loan was previously for USD 16 million from the Syndicated Bank but USD 8 million was repaid to Banco Santander by 30 June 2011). This loan is at an interest rate of the London Interbank Offered rate + 4%. During the 2012 financial year a USD 1 million amortisation of the USD 8 million loan will occur, leaving a balance of USD 7 million outstanding.

At 31 October 2011, both the short term loan and long term loan provided by BROU were secured over property in Uruguay that has a value of USD 34.4 million. This security covers the long term loan of USD 8 million and the short term drawdowns of USD 15 million to date and allows another USD 2 million to be drawn down from the short term loan. Once the additional USD 2 million is drawn down, any drawdown of the remaining USD 13 million of the short term loan facility will require further security over the Company's property.

The Company also issued USD 30.0 million of long term bonds on 31 July 2009 via a trust structure in Uruguay. One bondholder has been repaid, so USD 26.59 million remains outstanding.

The structure required for an issue of debt securities in Uruguay is different from how a similar debt issue might be structured in New Zealand. Rather than the Company or a subsidiary issuing the bonds, they are issued by a financial trust, with guarantees provided by a guarantee trust, and with both trusts being governed by an independent trustee. The purpose of the guarantee trust is to hold legal title of certain farms to guarantee compliance by the Company's Uruguayan subsidiaries of their obligations under the trust agreement. In substance, while the guarantee trust operates like a charge over the farms, there is a sale of the farms into the guarantee trust. The independent trustee has the ability to sell the farms only in the event that the Company defaults on its repayment obligations under the terms of the financial trust. The value of the farms held in the guarantee trust is approximately USD 74.8 million. The bonds had an initial fixed interest rate of 5% per annum for the period to 30 September 2010, and thereafter an annual variable interest rate of between 5% and 15% per annum calculated annually using a formula based on gross milk revenue and certain key input costs. On December 2010 there was an amendment to the bonds agreement, changing the variable interest rate to range between 9% and 11% and the redemption option was removed. The bonds are expected to have a term of approximately 15 years, and the expected average interest rate is 9.8% per annum, with interest being accrued to date on this basis.

The Company has incurred costs of USD1.1 million in the process of raising the bonds.

If the amendment of the Olam Loan as set out in Resolution 5 in Item VII is not approved, the Company does not consider it can raise sufficient further capital via debt borrowings to complete the development under the Company's business plan. Capital markets internationally have experienced a number of negative shocks over the past few years. This has led to a tightening of credit approval criteria, combined with an increase in lending margins sought by lending institutions. While the Company has a number of funding options that it could potentially use, it is satisfied that there is no prospect that it could raise sufficient funding to repay the Olam Loan at the end of its current term, and meet expected development costs. The Company will continue to explore other funding options, and, to the extent that these are available on favourable terms, part of the Olam Loan will not be drawn down, or will be repaid. The Company announced in September that it was considering an equity capital raising through a non renounceable rights issue. The Company's Board received feedback from some shareholders that a significant portion of those shareholders not associated with Olam would not support the rights issue. The Board determined that it was therefore not in the best interests of the Company to proceed with the rights issue. NZS needs the additional funding to complete the development which will enable it to achieve the steady state performance on 49 dairies in operation and 7,000 hectares under irrigation. If an extension of the Olam Loan is not supported the Company will not be able to significantly improve its current financial performance.

### Listing Rule Requirements

For the purposes of the Listing Rules, entry into the amendment to the Olam Loan requires shareholder approval because it is considered a 'material transaction' with a 'related party' of the Company.

Under the Listing Rules, a material transaction includes a transaction or a related series of transactions where the Company borrows an amount in excess of 10% of the average market capitalisation of the Company. The amendments proposed under Item VII to the Olam Loan, when considered in conjunction with the original USD 50 million facility and the credit limit extension this year to USD 85 million, will result in the Company borrowing more than 10% of its average market capitalisation, and will therefore be a material transaction under Rule 9.2.2(c). As a holder of a relevant interest in 10% or more of the Company's shares, Olam is a related party of NZS under Rule 9.2.3(b). A number of NZS' Directors are also executive officers of Olam.

### **Appraisal Report**

An appraisal report prepared by Grant Samuel & Associates in respect of the amendment to the Olam Loan accompanies this Notice of Meeting. The Directors recommend that you read the report before deciding whether to vote in favour or against Resolution 5 in Item VII as the report contains information about the transaction and an assessment of whether (in Grant Samuel's opinion), the terms and conditions of the transaction are fair to shareholders (excluding Olam or its associates).

In summary, the report's assessment is that it would not be in the best interests of shareholders to vote against Resolution 5 in Item VII. In Grant Samuel's opinion, the funding is on arms length terms and is essential to enable the completion of the development capital expenditure to bring all of the farms into full production. The report states that the extension of the term of the Olam Loan for a period of 12 months and an increase in the amount of the facility to USD 110 million is in the best interests of all shareholders and is in Grant Samuel's opinion fair to the minority shareholders not associated with Olam.

The report does note that voting in favour of or against the extension of the Olam Loan is however a matter for individual shareholders based on their own view of the merits of the extension of the Olam Loan. Shareholders will need to consider the merits outlined in the report and the Notice of Meeting and, if appropriate, consult their own professional adviser(s).

If the Resolution is not passed, the amendment of the Olam Loan will not proceed.

### **Voting restrictions for Resolution 5 under Item VII**

The Company will disregard any votes cast on Resolution 5 in Item VII by Olam, or any Associated Person of Olam. If you have appointed the Chairman or any other Director associated with Olam as your proxy and have not given a direction on how to vote on Resolution 5, the direction on that resolution is to abstain.

All other shareholders who were registered as shareholders as at 3.00pm on Tuesday, 22 November 2011 may cast votes on Resolution 5 in Item VII.

### **Recommendation**

The Company's Directors believe that this Resolution is in the best interests of the Company and shareholders as a whole and (other than Vivek Verma, Ravi Kumar and Richard Haire who are associated with Olam and abstain) recommend shareholders vote IN FAVOUR of this Resolution.