



FOLEY FAMILY WINES

12 March 2018

NOTICE IS HEREBY GIVEN that a Special Meeting of the Shareholders of **Foley Family Wines Limited** (FFWL, the **Company**) will be held at:

Venue: Grove Mill Winery, 13 Waihopai Valley Road, Blenheim
Time: Wednesday 28 March 2018 commencing at 3.00 pm.

The nature of the business to be transacted at the meeting is to consider and if thought fit to pass ordinary resolutions to:

- approve the Company acquiring the business and assets of Mt Difficulty Wines Limited (MDWL, the **Proposed Transaction**); and
- issue up to \$20 million of new ordinary shares (including to certain Related Parties of the Company) to partially fund the Proposed Transaction (the **Private Placement**),

as further set out in the Agenda and Explanatory Notes.

AGENDA:

The agenda for the meeting is as follows:

1. Chairman's Introduction
2. Chief Executive's Presentation
3. Shareholder Questions
4. Notice of Motions – Proposed Transaction - Ordinary Resolution (note 1):
To consider, and if thought fit, to pass the following ordinary resolution to approve the Proposed Transaction as a material transaction, requiring a simple majority of votes by those shareholders entitled to vote and voting, as required by NZAX Listing Rule 9.1.1 (b):

Resolution 1: That for the purposes of NZAX Listing Rule 9.1.1 (b) the Company is authorised to acquire the business, assets and certain liabilities of Mt Difficulty Wines Limited subject to the terms and conditions set out in the Asset Sale and Purchase Agreement entered into on 14 November 2017.

The Directors unanimously recommend that shareholders vote in favour of resolution 1.

5. Notice of Motions – Private Placement – Ordinary Resolution (note 2):
To consider, and if thought fit, to pass the following ordinary resolution to approve the issue of new ordinary shares under the Private Placement, including to Related Parties of the Company, requiring a simple majority of votes by those shareholders entitled to vote and voting, as required by NZAX Listing Rules 7.3.1 (a) and 9.2.1:

Resolution 2: That:

- (a) For the purposes of NZAX Listing Rule 7.3.1(a), the Board be authorised to issue up to \$20 million of new ordinary shares in the Company to partially fund the Proposed Transaction; and

- (b) For the purposes of NZAX Listing Rule 9.2.1, that Foley Family Wines Holdings, New Zealand Limited, the Directors of the Company and their Associated Persons (as defined in the NZAX Listing Rules) are authorised to participate in the Private Placement,

on the terms and conditions described in this Notice of Meeting.

The Directors unanimously recommend that shareholders vote in favour of resolution 2 (a) and (b). However, please note that the Directors themselves and Associated Persons of the Directors cannot vote on Resolution 2 (b) as they are Disqualified Persons for the purposes of NZAX Listing Rule 9.3.

6. General Business: To consider any other business that may be properly brought before the meeting.

Further details of the resolutions to be put to the meeting are included in the Explanatory Notes attached.

PROXIES

A Voting/Proxy form is attached for your use. Refer to the Final Section on the Explanatory Notes for instructions for completing the Voting/Proxy Form. Please deliver the completed proxy to the Company by 3.00 pm on Monday 26 March 2018. All Voting/Proxy Forms must be signed by the shareholder/s including those provided by way of email.

Note: In accordance with NZAX Listing Rule 9.3.3 the Directors and their Associated Persons are unable to act as discretionary proxy as they are disqualified from voting on Resolution 2 (b). One of the Directors or the Chairperson or their Associated Persons may act as a proxy but only where the shareholder has expressly stated how they wish the Proxy to vote on their behalf. Any discretionary proxy given to the disqualified persons above will otherwise be void.

Important Note

This Notice of Special Meeting is an important document and requires your attention. It should be read in its entirety. This Notice of Special Meeting has been prepared to advise you of the upcoming Special Meeting and to assist you in understanding the resolutions to be put to shareholders for consideration. The Directors encourage you to read this Notice of Special Meeting and exercise your right to vote. If you do not understand any part of this document or are in doubt as to how to deal with it, you should consult your broker or other professional adviser as soon as possible.

EXPLANATORY NOTES TO THE AGENDA

Note 1 – Resolution 1: Acquisition of Mt Difficulty Wines business

Introduction

As previously advised through media releases to the NZX, the Company has entered into a conditional sale and purchase agreement to purchase all of the assets and business of Mt Difficulty Wines Limited (**MDWL**), including its iconic Central Otago wine brands Mt Difficulty and Roaring Meg and its property interests, winemaking and cellar door facilities, for an aggregate purchase price of approximately \$55 million (subject to working capital adjustments) (the **Sale Agreement**).

Completion of the transaction agreement is conditional on a number of matters including approval of the Company's shareholders, which is being sought at this meeting, Overseas Investment Office approval, and obtaining key third party consents. The shareholders of Mt Difficulty Wines Limited have approved the sale.

Overview of Mt Difficulty Wines

The Mt Difficulty wine label was established by a group of five owners of newly-planted vineyards in the mid-1990s in Central Otago. In 1999 Matt Dicey came on board as winemaker, and he made the 1999 and 2000 vintage wines at Longburn Winery prior to Mt Difficulty's own winery being built in time for the 2001 vintage. Matt was appointed General Manager in November 2003 and has guided Mt Difficulty through the various growth pathways that they have undertaken. In 2004 MDWL was formed, and the majority of the individual vineyards passed into the ownership of the company. MDWL now owns six fully productive vineyards and one property on Felton Road containing a production winery with new barrel room/boardroom and a cellar door/restaurant. Six of the properties are located on Felton Road in Bannockburn and one in Lowburn. The land holding that Mt Difficulty has in the Bannockburn area makes it one of the larger vineyard operations within this area. The Felton Road locality contains a number of vineyard developments and well-known cellar doors and this locality features on the Central Otago Wine Trail route. This is a well-regarded and recognised viticulture locality.

Mt Difficulty Estate comprises of six vineyards; Templars Hill, Pipeclay Terrace, Menzies Terrace, Mansons Farm, Target Gully and Long Gully. The properties combined provide 91 hectares of total land area with approximately 68 hectares established in vineyard. The properties range in size from 2.23 hectares to 40.99 hectares. The unique microclimate of the Bannockburn area is partially created by the presence of Mount Difficulty which overlooks the southern Cromwell basin, and is the namesake of Mt Difficulty Wines. Mount Difficulty is integral in providing low rainfall and humidity for the region. Bannockburn enjoys hot summers, a large diurnal temperature variation and long cool autumns; conditions which bring the best out of the Pinot Noir grapes. These conditions, along with soils which are ideal for viticulture, provide an excellent basis not only for Pinot Noir, but also for Pinot Gris, Riesling, and Chardonnay. The soils are a mix of clay and gravels, but all feature a high pH level; grapes produce their best wines on sweet soils.

MDWL sources grapes from the six Estate vineyards (with a planted area of approximately 68 hectares), fifteen lease vineyards covering a planted area of approximately 78 hectares which range in size from 0.4 hectares to 24.62 hectares, and a small number of contract growers. New leases are currently being negotiated for a further three vineyards covering a planted area of approximately 15 hectares. The lease vineyards are located in the greater Lake Dunstan area. The Lessors of the vineyard leases are parties who have a long-term relationship with Mt Difficulty Wines either through shareholding, employment or as long-term contract growers.

The Mt Difficulty winery was built as a 400 tonne facility for the 2001 vintage. The development of the winery to its current capacity of 1,200 tonnes has taken place in two recent stages. The first stage in 2009 was the development of the vintage cellar. The vintage cellar processes the bulk of the Roaring Meg Pinot noir, mostly through the addition of larger volume fermentors. The second stage, which occurred for vintage 2012, was the construction of a new barrel room and dry goods warehousing facility. This stage freed up space inside the existing winery for additional white wine fermentation capacity and additional dry goods

storage.

The cellar door and restaurant were built in 2003 and are located on an elevated site on Templars Hill above the winery. With extensive views on the surrounding landscape, Kawarau River, Cromwell and Lake Dunstan it has become an iconic destination to profile the wines, food and the Mt Difficulty experience.

In 2004, MDWL launched the Roaring Meg wine label. The fruit driven, early drinking style of the Roaring Meg wines struck a chord with the consumer and the label has been the main source of growth for Mt Difficulty Wines since 2007. Grapes for the Roaring Meg brand are sourced from the wider Cromwell basin in Central Otago, whereas the Mt Difficulty brand continues to be sourced exclusively from the Bannockburn area.

New Zealand is the core of MDWL's sales activity, currently representing approximately 75% of its annual sales volume. MDWL exports to 15 countries with the main international markets being Australia and UK.

Proposed Transaction

On 14 November 2017 the Company entered into the conditional Sale Agreement to purchase all of MDWL's assets and business. The Company will also assume various liabilities connected with those assets under the Sale Agreement, including trade creditors, accrued expenses, and obligations under business agreements relating to periods after completion of the Proposed Transaction.

The Proposed Transaction constitutes a Material Transaction for the purposes of the NZAX Listing Rules as the gross value is in excess of 50% of the Average Market Capitalisation of the Company. The Average Market Capitalisation of the Company on 6 March 2018 was \$77.733 million. Accordingly, the Proposed Transaction is subject to the approval by the Company's shareholders by Ordinary resolution in accordance with NZAX Listing Rule 9.1.1.

In addition to shareholder approval, the Proposed Transaction is conditional on Overseas Investment Office (**OIO**) approval and obtaining key third party consents. These conditions are required to be obtained by various dates, with 30 September 2018 being the final date for satisfaction of all conditions. Subject to these conditions being met it is anticipated the acquisition will be completed within the third quarter of 2018.

Overseas Investment Office approval is required for the Company to complete the Proposed Transaction because the Company is an "overseas person" for the purposes of the Overseas Investment Act 2005 (the Act) due to the 66.46% shareholding of Foley Family Wines Holdings, New Zealand Limited (**FFWHNZL**) which is 94.64% overseas owned and the MDWL assets include a number of owned and leased properties that will be "sensitive land" or "farm land" for the purposes of the Act. The Company has a strong record with the OIO and has successfully achieved consents for similar transactions in the past, including the acquisition of The New Zealand Wine Fund Limited in 2009, the Te Kairanga Wines assets in 2011, The New Zealand Wine Company Limited in 2012 and more recently Martinborough Vineyards Estates Limited in 2014, and is confident that the required consents will be received prior to the required date for satisfaction of this condition of 30 September 2018 set out in the Sale Agreement.

The key third party consents required relate to MDWL obtaining approval to the assignment to, or novation in favour of, the Company on the Completion Date of the Key Contracts and the Material Leases, in each case in a form and on terms, acceptable to the Company. The Key Contracts include a vineyard management agreement, two distribution agreements and two water supply/water rights agreements. The Material Leases include twelve leases for producing vineyards covering a planted area of approximately 83.60 hectares which range in size from 1.36 hectares to 24.62 hectares, two of which were still being negotiated when the Sale Agreement was entered in to covering 13.60 hectares. The Directors are confident that the required assignments or novation will be obtained prior to Completion with effect on Completion.

Terms and Conditions of Asset Sale and Purchase Agreement

The Sale Agreement outlines the assets that will be acquired which include the winery and

vineyard properties (freehold and leasehold), fixed assets, other business assets, such as inventory and stock, accounts receivable, and intellectual property.

The purchase price is approximately \$55 million (excluding GST (if any)) subject to working capital adjustments which will be determined following the completion date in accordance with the Agreement.

Consistent with what would typically be expected in a commercial transaction of this nature and size, other key terms of the Sale Agreement include:

- An adjustment mechanism for the purchase price to reflect movements in net working capital between the date of execution of the Sale Agreement and the completion of the Proposed Transaction (the **Interim Period**). Any increase in the net working capital will result in an additional payment required to be made by the Purchaser and any decrease in net working capital will result in a payment being made by the Vendor (or a reduction in the deferred consideration amount – referred to below);
- Various responsibilities and obligations during the Interim Period in connection with the operation of the MDWL business and assets, including operating and conducting the business in a manner consistent with the ordinary course of business;
- Details of the Assumed Liabilities such as Trade Creditors and Accrued Expenses (which form part of the net working capital) and how these are to be valued and adjusted for at Completion (at 30Jun17 these were approximately \$420K);
- Material loss / damage provisions which in certain circumstances permit the cancellation of the Sale Agreement or a price adjustment in the event of loss or damage to the assets in the Interim Period;
- Vendor and Purchaser settlement responsibilities and deliverables which are usual for this type of transaction; and
- A suite of warranties in relation to the business, assets and liabilities of MDWL.

As noted above, the Agreement is conditional on a number of matters including OIO approval of the Proposed Transaction on terms that do not impose unduly onerous obligations on the Company. The OIO application was submitted on 19 February 2018 and we anticipate notification of their decision on this application by the third quarter of 2018.

The terms of the Sale Agreement were negotiated in conjunction with the Company's legal advisers and following appropriate due diligence being completed for the purchase.

The purchase price for this iconic winery has been negotiated on an arm's length basis based on market price and expected future maintainable earnings by a US based Mergers & Acquisition specialist who is employed by Bill Foley and the MDWL Directors in conjunction with their independent advisors who provided them with advice around valuation and the transaction.

MDWL is currently owned by seventeen shareholders, none of which have any relationship with FFWL. The MDWL shareholders have voted in favour of the sale of the MDWL business and assets to the Company.

The Company and Directors had no pre-existing relationship with MDWL prior to the negotiation of the Sale Agreement. The Directors consider that the terms of the Sale Agreement are fair to the Company and are in the best interests of the Company.

If the Proposed Transaction does not proceed

If the conditions set out in the Sale Agreement are not met, including if the Company's shareholders do not approve Resolution 1, then the Sale Agreement provides for cancellation of the Sale Agreement on these grounds. If the Sale Agreement is cancelled the Sale Agreement has no further effect and no party has any Claim against any other party arising under or in connection with that cancellation other than in respect of any breach of the Sale Agreement occurring before cancellation.

Financing of the Transaction

Under the Sale Agreement a payment of approximately \$49.5 million is due on Completion, with a deferred consideration component of \$5.5 million due to be paid 18 months after the completion date. The final purchase price is subject to a number of adjustments as provided

for in the Sale Agreement.

The Company intends to fund the transaction via a mix of bank debt and new equity. The majority of the funding will be obtained from term loan facilities through BNZ. The current BNZ term loan facility which matures on 31 August 2020 will be drawn in full to its \$20 million limit (providing funding for approximately \$10 million of the purchase price) and credit approval has been obtained for a new 3 year term loan facility for \$30 million. The terms of the new term loan facility are as follows: Interest is payable at 1.75% per annum above the base rate. The base rate is the 'BKBM' rate as quoted on the Reuters Monitor Money Rates Services page. Principal repayments of \$500,000 per quarter are due at the end of each quarter commencing one quarter following drawdown. The facility limit reduces by the amount of the principal repayments each quarter. The facility term is 3 years from drawdown. The remainder of the purchase price is expected to be funded through the Private Placement equity raising. The Company is keen to grow its New Zealand investor base through that Private Placement by targeting New Zealand based investors, and Board Chairman Bill Foley has undertaken to contribute up to \$14 million in equity for the transaction.

The increase in bank debt proposed will increase the gearing ratio of the Company from 19% at 30 June 2017 to approximately 32% post completion. Based on industry benchmarking, the Company was previously under-gearred compared to industry averages and this transaction will bring it closer to the industry norm. For example, by comparison, Delegat Group Limited (NZX: DGL) had a gearing ratio of 48% at 30 June 2017 (calculated based on the information provided in the Delegat Group Limited Annual Report 2017). The Wine Industry Benchmarking and Insights 2017 Report prepared by Deloitte in conjunction with ANZ and New Zealand Winegrowers (this report is available for download from the Deloitte website at <https://www2.deloitte.com/nz/en/pages/primary/articles/vintage.html>) noted that long term debt levels averaged 34.9% for similar sized wineries participating in the survey in the \$20 million+ of total annual revenue tier.

The Directors are comfortable that the level of debt is acceptable for a company of our size and are confident that the Company will continue to comply with all covenants imposed by BNZ on the term loan funding facilities.

Rationale for the Mt Difficulty Transaction

At the Annual Shareholders Meeting in November 2017 CEO Mark Turnbull presented the Vision for FFW as follows:

To become New Zealand's most revered wine group through the ownership of iconic brands and wineries in New Zealand's most acclaimed wine regions.

The Directors believe that the proposed acquisition of the Mt Difficulty brand and winery in Central Otago aligns with and supports this vision and the Company's strategic direction to become NZ's most revered wine group by becoming a super-premium wine producer and a leader in the super-premium category. The addition of a third iconic wine region, providing geographical diversification, will complement the Foley Family Wines branded wine portfolio and provide further opportunity to strengthen distribution in New Zealand and internationally.

The Company have identified synergies in areas such as logistics, sales, distribution arrangements and back office. However, the overriding value of this transaction is building a super-premium wine portfolio from New Zealand.

The Proposed Transaction will increase the production capacity of the Company by approximately 16% and is expected to increase bottled wine sale volumes by approximately 20% (based on the sales volumes for the year ended 30 June 2017).

The Proposed Transaction will result in the following planted vineyard area:

Planted Hectares	FFWL			MDWL Central Otago	Total incl MDWL
	Marlborough	Martinborough	Total FFW		
Owned	94	108	202	68	270
Leased *	111	29	140	93	233
Total	205	137	342	161	503

* Note: MDWL includes leases under negotiation of 15 hectares.

The Directors further believe that this transaction is important to give the business the scale required to support its potential move to the NZX Main Board.

Recommendation

The Directors consider the Proposed Transaction to be in the best interests of the Company and its shareholders and unanimously recommend that shareholders vote in favour of Resolution 1.

Note: If Resolution 1 is not passed by shareholder Resolution 2 will not be put to shareholders.

Note 2 – Resolution 2 (a) and (b): Private Placement

Introduction

As noted in the financing section of Note 1, the Company will be looking to partially fund the Proposed Transaction through the issue of new equity funding via the Private Placement. Bill Foley, Board Chairman, has undertaken to contribute up to \$14 million in equity for the Proposed Transaction.

Listing Rule Requirements

NZAX Listing Rule 7.3.1 (a) provides that equity securities can be issued where the precise terms and conditions of the specific proposal to issue those equity securities have been approved by shareholders.

NZAX Listing Rule 9.2 requires that any share issue to a Related Party having a market value of more than 10% of the average market capitalisation of the company must be approved by an ordinary resolution of the shareholders of the company as it is a Material Transaction.

NZAX Listing Rule 9.2.3 outlines the definition of a "Related Party" and this includes

- (a) a Director or executive officer of the NZAX Issuer or any of its Subsidiaries; or
- (b) the holder of a Relevant Interest in 10% or more of a class of Equity Securities of the NZAX Issuer carrying Votes.

The Directors of the Company, being Bill Foley, Tony Anselmi and Mark Turnbull, and majority Shareholder Foley Family Wines Holdings, New Zealand Limited (FFWHNZL) are Related Parties for the purposes of the Rules.

Terms of the Private Placement

It is proposed that up to \$20 million of new ordinary shares will be issued to investors to partially fund the Proposed Transaction. Those shares will be issued on the same terms, and rank equally in all respects with, the existing ordinary shares of the Company.

It is expected that the Private Placements will be made to both new investors and certain existing shareholders of the Company (which may include Directors of the Company and their Associated Persons). It is proposed that all investors will participate on the same terms, and the level of participation of all investors will be determined according to criteria which will apply equally to all persons participating in the Private Placement.

The timing of the issue of new shares under the Private Placement is still being finalised by the Board, but will occur prior to completion of the Proposed Transaction.

The price for the new shares to be issued under the Private Placement will be determined by the weighted average market price over the twenty Business day period prior to the date of this Special Meeting, being 28 March 2018. For example, the following table outlines the effect based on the share price range in the twenty Business days from 7 February to 6 March 2018 the weighted average market price was \$1.48.

	Current	VWAP
Weighted average market price 7Feb-6Mar18	\$1.48	\$1.48
Total number of shares on issue	52,222,534	52,222,534
Shares to be issued under the Convertible Note (Refer Note 15 FFWL Annual Report 2017)	7,863,025	7,863,025
Shares to be issued under Private Placement \$20M		13,513,514
Total number of shares in class	60,085,559	73,599,073
Percentage of overall dilution		18.361%
Example of dilution effect on sample shareholder:		
Total number of shares held by example holder	10,000	10,000
Total percentage held of shares in class - before	0.017%	
Total percentage held of shares in class - after		0.014%

Related Party transaction

Shareholder approval is also being sought for the Private Placement to permit Related Parties (as defined in Listing Rule 9.2.3) to participate. The Related Parties include the Directors, Bill Foley, Tony Anselmi and Mark Turnbull, and majority shareholder Foley Family Wines Holdings, New Zealand Limited (FFWHNZL).

As at 26 February 2018 the shareholdings in the Company of the Related Parties were:

FFWNL held 34,708,796 shares in FFWL being a 66.46% interest in the Company. This interest was 70.85% including the 7,863,025 shares to be issued under the Convertible Note (Refer Note 15 of the FFWL Annual Report 2017 for further details of the Convertible Note).

WP (Bill) Foley II – Individually and with CJ Foley held a direct interest in FFWL of 59% through his shareholding in Foley Family Wines Holdings, Inc. (FFWH), the ultimate parent of FFWHNZL which is the New Zealand based parent company and majority shareholder of FFWL and through his shareholding in FFWHNZL. This interest was 63% including the shares to be issued under the Convertible Note.

AJ (Tony) Anselmi – held a direct interest in FFW of 2.1% through his shareholding in FFWHNZL. This interest was 2.3% including the shares to be issued under the Convertible Note.

AM (Mark) Turnbull – held a direct interest in FFW of 1.5% through his shareholding in FFWHNZL (1.5%) and through the ownership of 10,000 ordinary FFW shares (0.02%). This interest was 1.6% including the shares to be issued under the Convertible Note.

In particular, Board Chairman Bill Foley and / or an investment entity controlled by him, such as Foley Family Wines Holdings, New Zealand Limited, are proposed to participate in the Private Placement (for which he has proposed investing up to \$14 million). Further, certain Directors of the Company or their Associated Ppersons may participate in the Private Placement. Each of those persons will be a Related Party for the purposes of the NZAX Listing Rules.

The level of participation by Bill Foley and / or any investment entity controlled by him under the Private Placement will be limited to maintaining his current proportionate shareholding in the Company. Any increase in his proportionate shareholding would require approval from the New Zealand Overseas Investment Office. The following table shows the effect of the proposed private placement on FFWHNZL using the example outlined above.

	Current	VWAP
Weighted average market price 7Feb-6Mar18		\$1.48
Private Placement Potential Issue Price		\$1.48
Number of shares currently issued	34,708,796	34,708,796
Shares to be issued under the Convertible Note	7,863,025	7,863,025
Shares to be issued under Private Placement \$14M		9,459,459
Total number held in class	42,571,821	52,031,280
Total percentage held in class	70.852%	70.696%

Based on the Average Market Capitalisation of the Company on 6 March 2018 of \$77.733 million the proposed Private Placement of up to \$20 million, being an amount of more than 10% of the Average Market Capitalisation, would constitute a Material Transaction for the

purposes of NZAX Listing Rule 9.2.2 (b). As such, shareholder approval by ordinary resolution is required under NZAX Listing Rule 9.2.1 to permit those persons to participate in the Private Placement, which is likely to constitute a Material Transaction with a Related Party.

NZAX Rule 9.2.5(b) requires that this notice be accompanied by a certificate from the Directors (other than any Director who is interested in the transaction) certifying that the terms of the transaction are fair and reasonable to shareholders and in the best interests of the Issuer. All FFWL's Directors will be "interested" in the Private Placement transaction for the purposes of NZAX Listing Rule 9.2.5(b) by virtue of either their direct participation or through their shareholding in FFWHNZL which will participate in that placement, and as such they are unable to provide the certificate in the form contemplated under that Rule. NZX has requested, and FFWL has provided to NZX, a certificate signed by all FFWL's Directors certifying that the terms of the Private Placement are fair and reasonable to shareholders and in the best interest of FFWL.

Recommendation

That the shareholders vote in favour of Resolution 2 (a) and 2 (b) to allow the Board to undertake the required steps to secure the desired equity funding for the Mt Difficulty transaction and to allow the Directors, and more specifically Board Chairman Bill Foley and his Associated Persons, to participate in the equity raising.

Please note that the Directors themselves and their Associated Persons cannot vote on Resolution 2 (b) as they are Disqualified Persons for the purposes of NZAX Listing Rule 9.3. Any proxies that the Disqualified Persons hold for shareholders will only be voted if the shareholder has indicated a vote on the Proxy/Voting form. Further, Foley Family Wines Holdings, New Zealand Limited may not vote in respect of this resolution as it is a Related Party under the Rules.

Note 3 - NZX Approval

NZX has approved this Notice of Special Meeting but does not take any responsibility for any statement contained in this Notice of Special Meeting.

This explanatory note is of a general nature only and is not intended to be an exhaustive summary of all the provisions of the transaction proposed.

Important Information: General Note Applicable to All Resolutions requiring Votes at the Shareholder Meeting

Voting entitlements will be determined at **5.00pm on Friday 9 March 2018**. Registered shareholders at that time will be the only persons entitled to vote at the Special Meeting and only the shares registered in those shareholders' names at that time may be voted at the Special Meeting.

Voting will be 1 share, 1 vote and may be conducted by way of a poll. An **ordinary resolution** means a resolution passed by a simple majority of the votes of those shareholders entitled to vote and voting on the resolution.

You may vote

1. **By Attending.** You should bring the Voting/Proxy Form (Included with this Notice) with you since voting may be by way of a poll.
2. **By Proxy. If you do not plan to attend, you can appoint a proxy to vote for you.**

A Voting/Proxy Form is included with this Notice of Meeting which allows you to vote either for, against, or abstain from, the resolutions notified in this Notice of Meeting.

Any shareholder of the Company, who is entitled to attend and vote at the Shareholder Meeting, is

entitled to appoint a proxy to attend the meeting and vote on his or her behalf. A proxy need not be a shareholder of the Company.

If you appoint a proxy, you may either direct your proxy how to vote for you, or you may give the proxy discretion to vote as he or she sees fit. If you wish to give your proxy discretion then you should make the appropriate election on the Proxy Form, to grant your proxy that discretion.

You will be deemed to have given your proxy discretion if you do not make an election in relation to any resolution.

The Chairman of the meeting is willing to act as proxy for any shareholder who appoints him or her for that purpose. If you appoint the Chairman of the meeting as your proxy and do not direct the Chairman how to vote in the Voting/Proxy Form, the Chairman will vote in favour of the resolution except as noted below.

If, in appointing your proxy, you do not name a person as your proxy, or your named proxy does not attend the meeting, the Chairman of the meeting will be your proxy and may only vote in accordance with your express direction.

The Chairman intends to vote any discretionary proxies in favour of resolution 1 and 2 (a).

Please note that the Directors themselves cannot vote on Resolution 2 (b) as they are disqualified persons for the purposes of NZAX Listing Rule 9.3. Any proxies that the Directors hold for shareholders will only be voted if the shareholder has indicated a vote on the Proxy/Voting form.

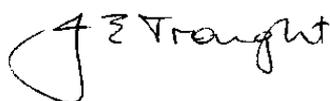
To be valid, a completed **Voting/Proxy Form must be returned by no later than 3.00pm on Monday 26 March 2018**. Any Voting/Proxy Form received after that time will not be valid for the meeting.

You may return your completed Voting/Proxy Form by:

- Delivering it in person to FFW Head Office, 13 Waihopai Valley Road, Blenheim;
- Scan and email (please use "FFW Proxy" as the subject of your email) to cfo@ffw.co.nz;
- Return the Voting/Proxy Form by mail to Foley Family Wines Ltd, Attn: Jane Trought, PO Box 67, Renwick 7243, New Zealand.; or
- Fax the Voting/Proxy Form to: +64 3 572 8211.

All Voting/Proxy Forms must be signed by the shareholder/s including emails. Shareholders are encouraged to return these forms by either email or facsimile to reduce the environmental impact of this meeting.

By Order of the Board of Directors



Jane Trought
Chief Financial Officer
Foley Family Wines Limited
12 March 2018.

Forward-looking statements

This document may contain forward-looking statements. Forward-looking statements are predictive in nature, they are subject to a number of known and unknown uncertainties, assumptions and risks, performance or achievements that could result in the proposed transaction being materially different from those expressed or implied by such forward-looking statements. Matters not yet known to FFW or not currently considered material by FFW may impact upon these forward-looking statements. The statements in this Notice of Special Meeting reflect views held as at the date of this Notice of Special Meeting. In light of these uncertainties, assumptions and risks, the forward-looking statements discussed in the document may not occur. Given these conditions, shareholders are cautioned not to place undue reliance on such forward-looking statements. Subject to any continuing obligations under applicable law or any relevant NZAX Listing Rules, FFW expressly disclaims any obligation to disseminate after the date of this Notice of Special Meeting any updates or revisions to any such forward-looking statements to reflect any change in expectations or events, conditions or circumstances upon which any such statements are based.

DEFINED TERMS

The following words and expressions have the meanings set out next to them:

“**Associated Person**” has the meaning given in Listing Rule 1.7.

“**Average Market Capitalisation**” means the volume weighted average market capitalisation of the Company’s Equity Securities carrying Votes calculated from trades on the NZSX over the 20 Business Days before the earlier of the day of the transaction is entered into or is announced to the market.

“**Business Day**” means a time between 8.30am and 5.30pm on a day on which NZX is open for trading.

“**Class**” means a class of Securities having identical rights, privileges, limitations and conditions and includes and excludes securities which NZX in its discretion deems to be of or not of that Class.

“**Company**” and “**FFWL**” means Foley Family Wines Limited.

“**Director**” means a person appointed and continuing in office for the time being, in accordance with the Constitution of the Company, as a director of the Company, by whatever name called.

“**Equity Security**” means an Equity Security, as defined in the Listing Rules, which has been issued, or is to be issued, by the Company, as the case may require.

“**FFWHNZL**” means Foley Family Wines Holdings, New Zealand Limited.

“**Issuer**” has the meaning given in the Listing Rules.

“**Listing Rules**” or “**Rules**” means the Listing Rules of the NZX governing the NZAX Board market (or any successor to that market) as amended from time to time.

“**MDWL**” means Mt Difficulty Wines Limited.

“**NZAX**” means the Alternative market operated by NZX.

“**NZX**” means NZX Limited.

“**OIO**” means Overseas Investment Office.

“**Ordinary Resolution**” means (subject to Listing Rule 1.6.8) a resolution of shareholders approved by a simple majority of the votes of those shareholders entitled to vote and voting on the question.

“**Proposed Transaction**” mean the proposed acquisition of the business and assets of MDWL.

“**Related Party**” has the meaning given in Listing Rule 9.2.3.

“**Sale Agreement**” means the Asset Sale and Purchase Agreement entered in to in relation to the Proposed Transaction on 14 November 2017.

“**Special Meeting**” means any meeting (other than an annual meeting) of shareholders entitled to vote on an issue, called at any time by the board.

“**Vote**” has the meaning given in the Listing Rules.