



Sydney, Australia and Columbus, OH, USA
31 October 2022: Design Milk Co. Limited (ASX: DMC)

Capital Raising and Voluntary Suspension Update and Leadership Change

Capital Raising Update

Design Milk Co. Limited (ASX:DMC) (**DMC** or the **Company**) wishes to provide an update on the capital raising via a proposed issue of unsecured convertible notes as previously announced to the market on 31 August 2022.

DMC is pleased to confirm that it has received commitments to raise \$532,800 from a small number of existing DMC sophisticated, professional and institutional investors (\$446,800 in total) and directors, Arnaud Massenet, Christopher Colfer and Mike Hill, and former director, Michael Everett (\$86,000 in total). The raise was increased from the original proposed amount of \$400,000 due to investor demand.

Included in the investor commitments is \$206,800 from Bombora Investment Management Pty Limited as trustee of the Bombora Special Investments Growth Fund (**Bombora**) who has agreed for its previous bridging loan provided in August 2022 to be repaid by receiving convertible notes on the same terms as the other investors. The funds raised after repayment of the Bombora loan (\$326,000) will support the Company's previously announced transition to an advertising revenue only model and its path towards cashflow breakeven.

The convertible notes will be convertible into ordinary shares in the Company (**Shares**). A summary of the key terms of the proposed convertible notes, including conversion price and other terms applying to conversion and redemption are attached in Appendix A to this announcement. In addition, noteholders converting convertible notes will be entitled to receive one free attaching option for every two shares issued on conversion (**Attaching Options**). A summary of the key terms of the Attaching Options to be issued on conversion of the Convertible Notes is attached in Appendix B.

An Appendix 3B in connection with the proposed issue of securities will also be lodged separately with the ASX later today.

The issue of all convertible notes and shares and options to be issued on conversion of the Convertible Notes is subject to receiving shareholder approval at the Company's upcoming Annual General Meeting (AGM) scheduled for Wednesday, 30 November 2022 at 9am (AEDT). A notice of meeting for the AGM which contains further details about the proposed convertible notes will be dispatched to shareholders today.

Voluntary Suspension update

The Company advises that it has requested a continuation of the voluntary suspension initially granted on 2 August 2022, until the market opens on 1 December 2022, following the Company's AGM on 30 November 2022. .

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Leadership Change

As a result of the business model transition, the Company also announces the following leadership changes are occurring within the Company:

- Mr Robert Mancini will step down as CEO
- Ms Stephanie Jones (current Finance Director) will act as COO to manage the company through the transition period

The Board of DMC would like to thank Mr Mancini for his valued contribution to the Company and welcome Ms. Jones to her new role within the Company.

DMC confirms that this announcement has been approved by the Board of Directors of DMC.

About Design Milk

Design Milk Co. owns and operates eCommerce websites that support independent brands and designers from around the world:

- Design Milk, a world-renowned, award-winning digital media and blog that has thrived through the support of an engaged community of close to 10 million followers
- Kaufmann Mercantile, a blog and eCommerce website dedicated to independent craftsman and brands focused on sustainable manufacturing and product lifecycle.

For more information regarding Design Milk Co. Limited (ASX:DMC), please visit www.design-milk.com, or contact

- Sapir Elias, Company Secretary: +61 404 445 383
- Investor Relations: ir@design-milk.com



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Appendix A: Convertible Notes Terms

Borrower	Design Milk Co Limited ACN 006 908 701
Lender	Sophisticated, professional and institutional investors and DMC Directors
Amount raised	<p>\$532,800 in total provided in two tranches:</p> <ul style="list-style-type: none"> Tranche 1: \$206,800, provided by Bombora, with the Tranche 1 convertible notes to be issued in repayment for the short-term bridging loan provided by Bombora in August 2022 Tranche 2: \$326,000 in total, provided by: <ul style="list-style-type: none"> existing sophisticated, professional and institutional DMC investors (\$240,000 in total); and DMC directors, Arnaud Massenet, Christopher Colfer and Mike Hill, and former director, Michael Everett (\$86,000 in total).
Issue Price/ Face Value	Each Convertible Note has a face value of \$100 per note, with a total of 2,068 Convertible Notes issued in Tranche 1 and 3,260 Convertible Notes issued in Tranche 2
Maturity Date	3 years from the date of issue, with the ability to be extended at either Noteholder or Company election for a further 12 months if the Noteholder is unable to convert all outstanding Convertible Notes on the Maturity Date due to s 606 Corporations Act or <i>Foreign Acquisitions and Takeovers Act 1975</i> restrictions or other regulatory restrictions. Any Convertible Notes unable to be converted at the original maturity date will remain on issue until either converted during the extended maturity period or, if conversion is still not possible, redeemed at the expiry of the extended maturity date.
Conversion Price	<p>The Convertible Notes will convert into fully paid ordinary shares (Shares) in the Company by dividing the face value and accrued interest by the Conversion Price, which will be the lower of:</p> <ul style="list-style-type: none"> \$0.07; and the lowest price at which Shares are issued by the Company in any future equity issuance which occurs at any time during the period after the Convertible Note issue date and before the Convertible Note is converted, provided that the Conversion Price will be no less than the floor price of \$0.05, <p>(subject to any adjustments in accordance with the Convertible Note Terms).</p>
Attaching Option	Noteholders converting Convertible Notes will also be entitled to one (1) free attaching option for every two (2) shares issued on conversion, exercisable at \$0.15 per option on or before 31 October 2027 (Attaching Options). <i>A summary of the terms of issue of the Attaching Options is provided in Appendix B.</i>
Interest rate	<p>12% p.a. will accrue monthly on the face value from the date of issue.</p> <p>Interest rate will increase by 5% to 17% in the event the Company fails to pay in cash any amount due to be paid on the Convertible Notes when due, accrued from the relevant due date.</p>
Approved Purpose	The proceeds from the issue of the Convertible Notes will be used by the Company for working capital purposes and supporting the business model transition to be an advertising revenue only model.



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Security	The Notes will be unsecured.
Conversion	<p>The Convertible Notes are convertible into Shares and Attaching Options at Noteholder's option any time after the first anniversary of the Convertible Note issue date until the maturity date in whole or in part (if in part, subject to a minimum total outstanding value of at least \$100,000).</p> <p>The Company will convert the Convertible Notes into Shares and Attaching Options automatically at the maturity date (as extended), unless a maturity redemption notice has been issued.</p> <p>The Company is entitled to refuse to convert a Convertible Note without penalty if the conversion would result in the Company or Noteholder to be in breach of any applicable law or ASX Listing Rule (for example but not limited to, if the person would acquire a 20% or greater relevant interest in Shares in the Company, or increase its relevant interest above 20%, in breach of section 606 of the Corporations Act (or any equivalent provision) and the requisite shareholder or regulatory authority approval has not been otherwise obtained).</p> <p>In such cases, the Convertible Note will not be converted until such time as the Company is permitted to issue the conversion shares in compliance with all laws and the ASX Listing Rules and, upon reasonable request from a Noteholder, the Company will use all commercially reasonable efforts to do all things necessary to obtain the approval required to give effect to the conversion. If such conversion restrictions continue to apply at the maturity date (including after expiry of any extended maturity period), then the notes are to be redeemed, unless otherwise agreed by the Company and Noteholder.</p>
Redemption	<p>The Company may voluntarily redeem the Convertible Notes at any time prior to the maturity date by giving all Noteholders 30 business days' prior written notice.</p> <p>The Convertible Notes are redeemable by the Noteholder on the occurrence of specified events of default (being an insolvency event in relation to the Company, the Company failing to pay or repay an amount due to the Noteholder and the Company failing to perform a material obligation under the Convertible Note Terms).</p> <p>The Noteholder may elect to redeem the Convertible Note on the maturity date.</p>



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Appendix B: Attaching Option Terms

Entitlement	<p>Each Option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company upon exercise of the Option. Shares issued on exercise of the Options rank equally with the then issued shares of the Company.</p> <p>The Company will not apply for quotation of the Options on ASX.</p>
Issue price	No monies will be payable for the issue of the Options.
Exercise price	The amount payable upon exercise of each Option will be \$0.15, subject to adjustment in accordance with the Option Terms.
Expiry Date	Each Option will expire at 5:00 pm (Sydney time) on 31 October 2027 (Expiry Date). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
Exercise Period	The Options are exercisable at any time after the Option grant date on or prior to the Expiry Date.
Option exercise	<p>The Options may be exercised by the Optionholder at any time during the Exercise Period by delivering a duly completed form of notice of exercise to the Company together with payment of the Exercise Price for each Option being exercised. The Options may be exercised in whole or in part, and if exercised in part, multiples of 10,000 must be exercised on each occasion (unless the Company agrees otherwise in its absolute discretion).</p> <p>If an Option is validly exercised by an Optionholder, the Company will, within 15 business days after the exercise date, allot and issue the number of Shares in respect of the number of Options specified in the notice of exercise and for which cleared funds have been received by the Company.</p> <p>If the Company is admitted to the official list of ASX at the time Options are exercised, the Company will seek quotation of the Shares issued upon the exercise of the Options in accordance with the ASX Listing Rules.</p>
Reconstruction of capital	If at any time the issued capital of the Company is reconstructed, then, subject to the Corporations Act and the ASX Listing Rules, the Options shall be reconstructed on the same basis so that the holder is not prejudiced by such reconstruction of the Company's issued share capital. Any calculations or adjustments which are required to be made will be made by the board of the Company and will, in the absence of manifest error, be final and conclusive and binding on the Company and the holder of an Option.

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