

**Design Milk Co Limited**  
Level 5, 126 Phillip Street,  
SYDNEY, NSW, AUSTRALIA,  
2000  
ACN: 006 908 701

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# DESIGN MILK CO LIMITED

## Notice of 2022 Annual General Meeting

Explanatory Statement | Proxy Form

30 November 2022

**9:00 am AEDT**

**In person Meeting**

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

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## Important Information for Shareholders about the Company's AGM

This Notice is given based on circumstances as at 31 October 2022. Should circumstances change, the Company will make an announcement on the ASX market announcements platform and on the Company's website at <https://design-milk.com/design-milk-co-investor-relations>. Shareholders are urged to monitor the ASX announcements platform and the Company's website.

## Venue and Voting Information

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 9:00am AEDT on Wednesday, 30 November 2022 as an **in person** meeting at Level 15, 25 Bligh Street, Sydney 2000.

This meeting is not a hybrid or virtual meeting. The Directors encourage all shareholders to attend in person.

The Company encourages all shareholders to exercise their rights to vote and participate in the business of the AGM in person but notes that **physical attendance at the AGM is not necessary for the purpose of exercising these rights. The Company strongly encourages shareholders who cannot participate in person to participate in the AGM by:**

- voting by proxy in advance of the AGM by completing the Proxy Form and returning it to the Company's share registry as set out in the Notice of Meeting;
- emailing questions that they would like raised at the AGM to the Company Secretary ([sapir@design-milk.com](mailto:sapir@design-milk.com)). Questions must be submitted in writing at least 48 hours before the AGM;
- accessing the Company's presentation which will be lodged with the ASX before the commencement of the AGM; and
- accessing the results of the AGM which will be lodged with the ASX after the AGM.

## Your vote is important

The business of the Annual General Meeting affects your shareholding and your vote is important.

## Entitlement to attend and vote

In accordance with regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Board has determined that persons who are registered holders of shares of the Company as at 9:00am AEDT on Monday, 28 November 2022 will be entitled to attend and vote at the AGM as a shareholder.

If more than one joint holder of shares is present at the AGM (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

## Voting by proxy

To vote by proxy, please use one of the following methods:

<b>Online</b>	Lodge the Proxy Form online at <a href="https://investor.automic.com.au/#/loginsah">https://investor.automic.com.au/#/loginsah</a> by following the instructions: Login to the Automic website using the holding details as shown on the Proxy Form. Click on "View Meetings" – "Vote". To use the online lodgement facility, Shareholders will need
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	<p>their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) as shown on the front of the Proxy Form.</p> <p>For further information on the online proxy lodgment process please see the <b>Online Proxy Lodgment Guide</b> at <a href="https://www.automicgroup.com.au/virtual-agms/">https://www.automicgroup.com.au/virtual-agms/</a></p>
<b>By post</b>	Automic, GPO Box 5193, Sydney NSW 2001
<b>By hand</b>	Automic, Level 5, 126 Phillip Street, Sydney NSW 2000

Your Proxy instruction must be received not later than 48 hours before the commencement of the Meeting. **Proxy Forms received later than this time will be invalid.**

## Power of Attorney

If the proxy form is signed under a power of attorney on behalf of a shareholder, then the attorney must make sure that either the original power of attorney or a certified copy is sent with the proxy form, unless the power of attorney has already provided it to the Share Registry.

## Corporate Representatives

If a representative of a corporate shareholder or a corporate proxy will be attending the Meeting, the representative should provide the Share Registry with adequate evidence of their appointment, unless this has previously been provided to the Share Registry.

## Shareholder Questions

In accordance with the Corporations Act, a reasonable opportunity will be given to shareholders to direct questions to the Chairman about, or to make comments on, the management of the Company at the meeting.

Similarly, a reasonable opportunity will be given to shareholders to ask the Company's external auditor, Crowe Sydney, questions relevant to:

- the conduct of the audit;
- the preparation and content of the auditor's report;
- the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

Shareholders may also submit a written question to the auditor if the question is relevant to the content of the audit report or the conduct of its audit of the Company's financial report for the year ended 30 June 2022.

Shareholders who are unable attend the Meeting in person or who may prefer to register questions in advance are invited to do so. Please email any questions to the Company Secretary ([sapir@design-milk.com](mailto:sapir@design-milk.com)).

Questions will be collated and, during the AGM, the Chairman will seek to address as many of the more frequently raised topics as possible. However, there may not be sufficient time available at the AGM to address all topics raised. Please note that individual responses will not be sent to shareholders.

# Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of Shareholders of Design Milk Co Limited ACN 006 908 701 will be held at 9:00am AEDT on Wednesday, 30 November 2022 as an **in person meeting** at Level 15, 25 Bligh Street, Sydney 2000 (**Meeting**).

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form forms part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 9:00am AEDT on Monday, 28 November 2022.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

## Agenda

### Ordinary business

#### **Item 1: Financial statements and reports**

*"To receive and to consider the Annual Financial Report of the Company for the financial year ended 30 June 2022 together with the declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report for that financial year."*

**Note:** This item of ordinary business is **for discussion only and is not a resolution**.

All shareholders can view the Company's Annual Financial Report which contains the Financial Report, the Directors' Report, the Remuneration Report and the Auditor's Report for the year ended 30 June 2022 on the Company's website at <https://design-milk.com/design-milk-co-investor-relations/>.

Pursuant to the Corporations Act, Shareholders will be given a reasonable opportunity at the Meeting to ask questions about, or make comments in relation to, each of the aforementioned reports during consideration of these items.

#### **Item 2: Directors' Remuneration Report**

##### Resolution 1 - Adoption of Remuneration Report

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

*"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's Annual Financial Report for the financial year ended 30 June 2022."*

**Note:** The vote on this Resolution is advisory only and does not bind the Directors or the Company. The Remuneration Report is contained in the 2022 Annual Financial Report (available at <https://design-milk.com/design-milk-co-investor-relations/>).

**Voting Exclusions:** This resolution is subject to voting exclusions which are set out below.

#### **Item 3: Re-election / Election of Directors**

##### Resolution 2 – Re-election of Christopher Colfer as Director

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

*"That Christopher Colfer, a Director who retires by rotation in accordance with the Company's Constitution and ASX Listing Rule 14.4, and being eligible offers himself for re-election as a Director of the Company, effective immediately."*

##### Resolution 3 – Election of Bryan Zekulich as Director

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

*"That Bryan Zekulich, who was appointed as a Director of the Company by the Board on 27 September 2022 and will retire at the conclusion of the Meeting in accordance with clause 13.4 of the Company's constitution, and being eligible for election, offers himself for election as a Director of the Company, effective immediately."*

## Special business

### **Item 4: ASX Listing Rule 7.1A (Additional 10% Capacity)**

#### Resolution 4 – Approval of additional capacity to issue shares under ASX Listing Rule 7.1A

To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:

*"That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, the Shareholders approve the Company having the additional capacity to issue equity securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."*

**Voting Exclusions:** This resolution is subject to voting exclusions which are set out below.

### **Item 5: Issue of Convertible Notes**

#### Resolution 5 – Issue of Convertible Notes to Bombora to repay Bombora Loan

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

*"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Shareholders of the Company approve the issue of 2,068 Convertible Notes to Bombora each with a face value of \$100 per note, the number of Shares and free attaching Options to be issued on conversion of the Convertible Notes, and the number of Shares to be issued on exercise of the Options, in satisfaction of the Company's obligations to repay the Bombora Loan on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."*

**Voting Exclusions:** This resolution is subject to voting exclusions which are set out below.

#### Resolution 6– Issue of Convertible Notes to CN Investors

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

*"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Shareholders of the Company approve the issue of 2,400 Convertible Notes to institutional, professional and sophisticated investors (**CN Investors**), each with a face value of \$100 per note, the number of Shares and free attaching Options to be issued on conversion of the Convertible Notes, and the number of Shares to be issued on exercise of the Options, on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."*

**Voting Exclusions:** This resolution is subject to voting exclusions which are set out below.

#### Resolution 7 – Issue of Convertible Notes to related party - Arnaud Massenet

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

*"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue of 490 Convertible Notes to Arnaud Massenet, a Director of the Company (and/or his nominee(s)), each with a face value of \$100 per note, the number of Shares and free attaching Options to be issued on conversion of the Convertible Notes, and the number of Shares to be issued on exercise of the Options, on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."*

**Voting Exclusions:** This resolution is subject to voting exclusions which are set out below.

#### Resolution 8 – Issue of Convertible Notes to related party - Christopher Colfer

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

*"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue of 160 Convertible Notes to Christopher Colfer, a Director of the Company (and/or his nominee(s)), each with a face value of \$100 per note, the number of Shares and free attaching Options to be issued on conversion of the Convertible Notes, and the number of Shares to be issued on exercise of the Options, on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."*

**Voting Exclusions:** This resolution is subject to voting exclusions which are set out below.

## Resolution 9 – Issue of Convertible Notes to related party - Mike Hill

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

*"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue of 100 Convertible Notes to Mike Hill, a Director of the Company (and/or his nominee(s)), each with a face value of \$100 per note, the number of Shares and free attaching Options to be issued on conversion of the Convertible Notes, and the number of Shares to be issued on exercise of the Options on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."*

**Voting Exclusions:** This resolution is subject to voting exclusions which are set out below.

## Resolution 10– Issue of Convertible Notes to related party - Michael Everett

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

*"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue of 110 Convertible Notes to Michael Everett, a former Director of the Company (and/or his nominee(s)), each with a face value of \$100 per note, the number of Shares and free attaching Options to be issued on conversion of the Convertible Notes, and the number of Shares to be issued on exercise of the Options, on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."*

**Voting Exclusions:** This resolution is subject to voting exclusions which are set out below.

## Voting exclusions

### **Voting exclusions in accordance with the Corporations Act and ASX Listing Rules**

**Resolution 1:** In accordance with the Corporations Act, the Company will disregard any votes cast on Resolution 1 by or on behalf of a member of the Company's key management personnel (including the Directors), whose remuneration details are included in the Remuneration Report (**KMP**), or any of that person's Closely Related Parties (such as close family members and any controlled companies of those persons) (collectively referred to as Restricted Voter). However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on Resolution 1; and
- (b) it is not cast on behalf of a Restricted Voter.

If you appoint the person chairing the Meeting (**Chair**) and you are not a Restricted Voter, by submitting the Proxy Form you authorise the person chairing the Meeting to exercise the proxy even though Resolution 0 is connected directly or indirectly with the remuneration of a KMP, and you will be taken to have directed the Chair to vote in accordance with his or her stated intention to vote in favour of Resolution 1. If you do not want your vote exercised in favour of Resolution 1, you should direct the person chairing the Meeting to vote "against", or to abstain from voting on, this Resolution.

**Resolution 4:** The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of:

- (a) a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 4 by:

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- (i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
  - (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
  - (iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
    - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
    - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

**Resolution 5:** In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 5 by or on behalf of Bombora and any other person who will obtain a material benefit as a result of the issue of the Tranche 1 Convertible Notes to Bombora (except a benefit solely by reason of being a holder of Shares), or an associate of that person (or those persons).

**Resolution 6:** In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 6 by or on behalf of the CN Investors and any other person who will obtain a material benefit as a result of the issue of the Tranche 2 Convertible Notes to the CN Investors (except a benefit solely by reason of being a holder of Shares), or an associate of that person (or those persons).

**Resolution 7:** In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 7 by or on behalf of Mr Arnaud Massenet (and/or his nominee(s)) and any other person who will obtain a material benefit as a result of the issue of the Tranche 2 Convertible Notes to Mr Massenet (except a benefit solely by reason of being a holder of Shares), or an associate of that person (or those persons).

**Resolution 8:** In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 8 by or on behalf of Mr Christopher Colfer (and/or his nominee(s)) and any other person who will obtain a material benefit as a result of the issue of the Tranche 2 Convertible Notes to Mr Colfer (except a benefit solely by reason of being a holder of Shares), or an associate of that person (or those persons).

**Resolution 9:** In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 9 by or on behalf of Mr Mike Hill (and/or his nominee(s)) and any other person who will obtain a material benefit as a result of the issue of the Tranche 2 Convertible Notes to Mr Hill (except a benefit solely by reason of being a holder of Shares), or an associate of that person (or those persons).

**Resolution 10:** In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 10 by or on behalf of Mr Michael Everett (and/or his nominee(s)) and any other person who will obtain a material benefit as a result of the issue of the Tranche 2 Convertible Notes to Mr Everett (except a benefit solely by reason of being a holder of Shares), or an associate of that person (or those persons).

However, the above voting exclusion statements under the ASX Listing Rules in respect of **Resolutions 5-10** will not apply and, the Company need not disregard a vote cast in favour of any of **Resolutions 5 – 10** (inclusive) if it is cast on that Resolution by a person as:

- (a) a person as proxy or attorney for a person who is entitled to vote on the relevant resolution in accordance with the directions given on the Proxy Form or to the attorney to vote on the resolution in that way; or
- (b) the Chairperson as proxy or attorney for a person who is entitled to vote on the relevant resolution, in accordance with a direction on the Proxy Form to vote as the proxy or attorney decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the relevant resolution; and
  - (ii) the holder votes on the relevant resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

**BY ORDER OF THE BOARD**

Sapir Elias  
Company Secretary

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# Explanatory Statement

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 9:00am AEDT on Wednesday, 30 November 2022 as an **in person meeting** at Level 15, 25 Bligh Street, Sydney 2000.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

If you are in any doubt about what to do in relation to the Resolutions contemplated in the Notice of Meeting and this Explanatory Statement, it is recommended that you seek advice from an accountant, solicitor or other professional advisor.

Full details of the business to be considered at the Annual General Meeting are set out below.

## Agenda

### Ordinary business

#### **Item 1: Financial statements and reports**

1. In accordance with the Constitution and the Corporations Act, the business of the Annual General Meeting will include receipt and consideration of the Annual Financial Report of the Company for the financial year ended 30 June 2022 together with the declaration of the Directors, the Director's Report, the Remuneration Report and the Auditor's Report.
2. In accordance with the amendments to the Corporations Act, the Company is no longer required to provide a hard copy of the Company's Annual Financial Report to Shareholders unless a Shareholder has specifically elected to receive a printed copy.
3. Whilst the Company will not provide a hard copy of the Company's Annual Financial Report unless specifically requested to do so, Shareholders may view the Company Annual Financial Report on its website at <https://design-milk.com/design-milk-co-investor-relations/>.
4. No resolution is required for this item, but Shareholders will be given the opportunity to ask questions and to make comments on the management and performance of the Company.
5. The Company's auditor will be present at the Meeting. During the discussion of this item, the auditor will be available to answer questions on the:
  - Conduct of the audit;
  - Preparation and content of the Auditor's Report;
  - Accounting policies adopted by the Company in relation to the preparation of the financial statements; and
  - Independence of the auditor in relation to the conduct of the audit.

#### **Written questions of the auditor**

6. If you would like to submit a written question about the content of the Auditor's Report or the conduct of the audit of the Annual Financial Report of the Company's auditor, please send your question to the Company Secretary. A list of qualifying questions will be made available at the Meeting.
7. Please note that all written questions to the auditor must be received at least five business days before the Meeting, which is 23 November 2022.

#### **Item 2: Directors' Remuneration Report**

##### **Resolution 1 – Adoption of Remuneration Report**

8. In accordance with section 250R(2) of the Corporations Act, the Company is required to present to its Shareholders the Remuneration Report as disclosed in the Company's Annual Financial Report.
9. The vote on the Resolution is advisory only and does not bind the Directors or the Company. The

Remuneration Report is set out in the Company's Annual Financial Report and is also available on the Company's website at <https://design-milk.com/design-milk-co-investor-relations/>.

10. However, if at least 25% of the votes cast are against the adoption of the Remuneration Report at the Meeting (subject of this Notice of Meeting), and then again at the 2023 Annual General Meeting (**2023 AGM**), the Company will be required to put to the vote a resolution (**Spill Resolution**) at the 2023 AGM to approve the calling of a further meeting (**Spill Meeting**). If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the Spill Meeting within 90 days of the 2023 AGM. All of the Directors who were in office when the 2023 Directors' Report was approved, other than the Managing Director, will (if desired) need to stand for re-election at the Spill Meeting.
11. The Remuneration Report explains the Board's policies in relation to the nature and level of remuneration paid to KMPs (including Directors) and sets out remuneration details, service agreements and the details of any share-based compensation.

#### **Voting**

12. Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. In particular, the Directors and other Restricted Voters must not vote on this Resolution and must not cast a vote as proxy, unless the appointment gives a direction on how to vote, or the proxy is given to the Chair and you submit the Proxy Form, authorising the Chair to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a KMP and that in doing so you will be taken to have directed the Chair to vote in accordance with the Chair's stated intention to vote in favour of Resolution 1.
13. Shareholders are urged to read carefully the Proxy Form and to provide a direction to the proxy on how to vote on this Resolution.

#### **Directors' Recommendation**

14. As Resolution 1 relates to matters including the remuneration of the Directors, the Directors, as a matter of good corporate governance and in accordance with the spirit of section 250R(4) Corporations Act, make no recommendation regarding Resolution 1.

### **Item 3: Re-election / Election of Directors**

#### **Resolution 2 – Re-election of Christopher Colfer as Director**

15. Clause 13.2 of the Company's Constitution requires that, if the Company has 3 or more Directors, a third (or the number of Directors nearest to one third, rounded upwards) of those Directors must retire at each annual general meeting, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.
16. Clause 13.2 of the Company's Constitution provides that a retiring Director is eligible for re-election. ASX Listing Rule 14.4 also provides that each Director must not hold office (without re-election) past the third annual general meeting following the Director's appointment or 3 years, whichever is longer.
17. Christopher Colfer was appointed a Director of the Company on 23 March 2016 and was last re-elected as a Director at the 2019 AGM. Accordingly, under this Resolution, Christopher Colfer retires as a Director, and being eligible, seeks re-election as a Director of the Company at this AGM.
18. Information regarding Christopher Colfer's qualifications, experience and responsibilities is summarised below:

Christopher is an international Chairman, Chief Executive and Board Director with an exemplary track record in multiple industry sectors ranging from Luxury Goods and Branded Goods to E-commerce to Cosmetics. During his career he has revamped/repositioned organisations and brands to industry leaders. He has led the sale and acquisition of companies and served on the Board of numerous internationally renowned organisations. Mr. Colfer has worked extensively across the world and has specific skill sets in Strategy, Retail, E-commerce, Business Development, Marketing and People Development.

Notably, Mr. Colfer successfully transformed Alfred Dunhill Ltd from a significant loss making company with double digit negative sales growth to an industry leader with year-over-year double digit sales growth with significant cash contribution and profitability. He also oversaw

and managed Chloe, Shanghai Tang, Old England, Hackett and James Purdey and Sons where he conducted equity buy backs and executed company disposals.

19. If elected, the Board considers that Mr Colfer will be an independent director.

**Directors' recommendation**

20. The Directors (excluding Christopher Colfer) recommend that Shareholders vote for this Resolution, and the Chairman of the meeting intends to vote undirected proxies in favour of this Resolution.

**Resolution 3 – Election of Bryan Zekulich as Director**

21. Rule 13.4 of the Constitution provides that a Director appointed by the Board to fill a casual vacancy or as an addition to the existing Directors will hold office until the end of the next annual general meeting of the Company, at which the Director may be elected.
22. Mr Bryan Zekulich was appointed by the board as a casual vacancy on 27 September 2022, following the resignation of Mr Michael Everett, and retires from office under rule 13.4 of the Constitution and Listing Rule 14.4 and stands for election.
23. Information regarding Bryan Zekulich's qualifications, experience and responsibilities is summarised below:

Mr Zekulich is a Portfolio Manager and Managing Partner at Bombora Group. He was the Managing Partner of Ernst & Young's Private Equity sector for over 15 years. He is also a Board member, Treasurer and Company Secretary at the Australian Investment Council (formerly AVCAL: the Australian Private Equity and Venture Capital Association).

His significant experience in the Australian Mergers & Acquisitions market includes divestments, strategic finance, capital raisings and advising on ASX listing requirements.

Mr Zekulich has a Bachelor of Commerce from The University of Western Australia. He is also a Fellow of both Chartered Accountants Australia and New Zealand, and the Financial Services Institute of Australia.

24. If elected, the Board does not consider that Bryan Zekulich will be an independent Director.

**Directors' recommendation**

25. The Directors (excluding Bryan Zekulich) recommend that Shareholders vote for this Resolution, and the Chairman of the meeting intends to vote undirected proxies in favour of this Resolution.

**Special business**

**Item 4: ASX Listing Rule 7.1A (Additional 10% Capacity)**

**Resolution 4 – Approval of additional capacity to issue shares under ASX Listing Rule 7.1A**

26. Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.
27. Under Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%.
28. An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation less than the amount prescribed by ASX (currently \$300 million).
29. As of the date of this Notice of Meeting, the Company has a market capitalisation of approximately \$10.9 million, based on the Company's last trading price prior to the issue of the Notice of Meeting,<sup>1</sup> and therefore is an eligible entity for these purposes. If at the time of the Meeting the Company is no longer an eligible entity this Resolution will be withdrawn.
30. Resolution 4 seeks Shareholder approval by way of a special resolution for the Company to have the additional 10% capacity provided for in Listing Rule 7.1A to issue equity securities in a 12 month period

<sup>1</sup> The Company is currently in trading suspension and the Company's last traded price was \$0.30 on 28 July 2022,

following the annual general meeting without any further Shareholder approval (on top of the 15% permitted by Listing Rule 7.1) .

31. If Resolution 4 is passed, the Company will be able to issue equity securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further Shareholder approval. The exact number of securities that the Company will have capacity to issue under Listing Rule 7.1A (which applies on top of the 15% permitted by Listing Rule 7.1) will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2, which is set out below.
32. If the Company for any reason ceases to be an eligible entity after the Company has already obtained shareholder approval pursuant to this Resolution 4, the approval obtained will not lapse and the Company will still be entitled to issue the equity securities during the 12 month period following this Meeting.
33. If this Resolution 4 is not passed, the Company will not be able to access the additional 10% capacity to issue equity securities without Shareholder approval provided for in Listing Rule 7.1A and will remain subject to the 15% limit on issuing equity securities without Shareholder approval set out in Listing Rule 7.1.

#### **Information Required by ASX Listing Rule 7.3A**

34. The following information is provided to Shareholder for the purposes of Listing Rule 7.3A.

##### Period for which the approval will be valid

35. An approval under this Listing Rule 7.1A commences on the date of the annual general meeting at which the approval is obtained and expires on the first to occur of the following:
- (a) the date which is 12 months after the date of the annual general meeting at which the approval is obtained;
  - (b) the time and date of the entity's next annual general meeting; and
  - (c) the time and date on which Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

##### Minimum price at which the equity securities may be issued under Listing Rule 7.1A

36. Any equity securities issued under Listing Rule 7.1A.2 must be an existing quoted class of the Company's equity securities and issued for cash consideration.
37. The issue price per equity security must not be less than 75% of the volume weighted average market price of the equity securities in that class, calculated over 15 trading days on which trades in that class were recorded immediately before:
- (a) the date on which the price at the equity securities are to be issued is agreed by the Company and the recipient of the equity securities; and
  - (b) if the equity securities are not issued within 10 trading days of the date in paragraph (a), the date on which the equity securities are issued.

##### Purposes for which the funds raised by an issue of equity securities under Listing Rule 7.1A may be used

38. As noted above, any equity securities issued under Listing Rule 7.1A.2 must be issued for cash consideration. Accordingly, every issue of equity securities under Listing Rule 7.1A.2 will have an accompanying proposed use of funds at the time of issue.
39. As at the date of this Notice, the Company has not formed an intention to offer any equity securities under Listing Rule 7.1A during the Listing Rule 7.1A mandate period, if Shareholders approve this Resolution. However, if Shareholders approved this Resolution and the Company did raise funds from the issue of equity securities under Listing Rule 7.1A, based on the Company's existing plans, the Company considers that the funds may be used for the following purposes:
- (a) raising funds to further develop the Company's business;
  - (b) raising funds to be applied to the Company's working capital requirements; and
  - (c) raising funds to acquire assets.

##### Risk of economic and voting dilution to existing ordinary Securityholders

40. If this Resolution is approved, and the Company issues equity securities under Listing Rule 7.1A, an issue

of securities under Listing Rule 7.1A involves the risk of economic and voting dilution for existing ordinary security holders. The risks include:

- (a) the market price for the Company's equity securities in that class may be significantly lower on the issue date than on the date of the approval under Listing Rule 7.1A; and
- (b) the equity securities may be issued at a price that is at a discount to the market price for the Company's equity securities on the issue date (subject to the conditions noted above).

These risks may have an effect on the amount of funds raised by the issue of equity securities under Listing Rule 7.1A.

41. For the purposes of Listing Rule 7.3A.4, the table below describes the notional possible dilution of existing Securityholders, based on three different assumed prices of securities and three different numbers of securities on issue in the Company.
42. The following table shows the dilution of existing shareholdings on the basis of a market price of securities as at \$0.30 (being the last price at which the Company's shares traded prior to the release of this Notice of Meeting) and the current number of ordinary securities for Variable 'A', calculated applying the assumptions set out in the following paragraphs.
43. The table shows two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of fully paid ordinary securities the Company has on issue. The number of fully paid ordinary securities on issue may increase as a result of issues of ordinary securities that do not require shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future shareholders' meeting. It is important to note that the exact number of securities which may be issued under Listing Rule 7.1A will be calculated in accordance with the formula contained in Listing Rule 7.1A.2. The table also shows two examples where the issue price of fully paid ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Variable "A" ASX Listing Rule 7.1A.2		Potential Dilution and Funds Raised		
		\$0.15 50% decrease in issue price	\$0.30 issue price <sup>(b)</sup>	\$0.60 100% increase in issue price
"A" is the current number of shares on issue, being 36,292,792 Shares <sup>(a)</sup>	Shares issued <sup>(c)</sup>	3,629,279	3,629,279	3,629,279
	Funds raised	\$544,392	\$1,088,784	\$2,177,567
"A" is a 50% increase in shares on issue, being 54,439,188 Shares	Shares issued <sup>(c)</sup>	5,443,918	5,443,918	5,443,918
	Funds raised	\$816,588	\$1,633,175	\$3,266,351
"A" is a 100% increase in shares on issue, being 72,585,584 Shares	Shares issued <sup>(c)</sup>	7,258,558	7,258,558	7,258,558
	Funds raised	\$1,088,784	\$2,177,567	\$4,355,135

**Notes:**

- (a) Based on the total number of fully paid ordinary Shares on issue as at the trading day immediately prior to printing of this Notice.
- (b) Based on the last closing price of the Company's Shares on ASX as at the trading day immediately prior to printing of this Notice.
- (c) The table assumes that the Company issues the maximum number of ordinary Shares available to be issued under Listing Rule 7.1A (being 10%), based on the assumed values for Variable A.
- (d) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (e) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of issues of equity securities under Listing Rule 7.1A based on that Shareholder's holding at the date of this Explanatory Statement.
- (f) The table shows the effect of an issue of equity securities under Listing Rule 7.1A only, not under the Company's 15% placement capacity under Listing Rule 7.1.
- (g) The issue of shares under Listing Rule 7.1A facility consists only of ordinary shares in the Company.

Allocation policy for issues under Listing Rule 7.1A

44. The Company does not currently know the nature of the capital raising which may be conducted under Listing Rule 7.1A (if any). No allocation policy has therefore been determined.
45. The Company's allocation will be dependent on the prevailing market conditions at the time of any

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proposed issue pursuant to Listing Rule 7.1A. The identity of the allottees will be determined on a case-by-case basis having regard to factors including but not limited to the following:

- (a) the Company's intentions in relation to the possible issue of equity securities (for cash consideration) during the Listing Rule 7.1A mandate period;
  - (b) the structure and timeframe of the capital raising opportunities available to the Company and any alternative methods for raising funds that are available to the Company (such as a pro rata offer or an offer under a share purchase plan);
  - (c) the potential effect of the issue of the Listing Rule 7.1A shares on the control of the Company;
  - (d) the Company's financial position and solvency and the likely future capital requirements; and
  - (e) advice from the Company's corporate, financial and broking advisors (if applicable).
46. The allottees may include existing substantial shareholders and/or new shareholders who are not related parties or associates of a related party of the Company and who are not otherwise restricted from participation under the ASX Listing Rules (including professional and sophisticated investors, clients of Australian Financial Service Licence holders and/or their nominees, or any other person to whom the Company is able to make an offer of equity securities).
47. Based on the Company's historical cashflow reports and capital raising activities in the past 12 months, the Company considers that it may raise funds during the Listing Rule 7.1A mandate period, although this cannot be guaranteed. As of the date of this Notice, other than as detailed in Resolutions 6 – 12 (inclusive), no specific intention to issue equity securities in relation to any parties, investors or existing Securityholders have been formed. In addition, no intentions have been formed in relation to the possible number of issues, or the time frame in which the issues could be made. Subject to the requirements of the Listing Rules and the Corporations Act, the Board of Directors reserve the right to determine at the time of any issue of equity securities under Listing Rule 7.1A, the allocation policy that the Company will adopt for that issue.
48. If and when the determination is made to proceed with an issue of equity securities during the Listing Rule 7.1A mandate period, details regarding the allottees and purposes of issue will be disclosed pursuant to the Company's obligations under Listing Rules 3.10.3 and 7.1A.4.

#### Previous issues under Listing Rule 7.1A approvals

49. The Company sought and obtained approval under Listing Rule 7.1A at the previous annual general meeting on 21 November 2021. In accordance with Listing Rule 7.3A.6, the Company advises that no securities have been issued under Listing Rule 7.1A.2 in the 12 months preceding the date of the Meeting.
50. This Resolution is a Special Resolution. For a Special Resolution to be passed, at least 75% of the votes validly cast on the resolution by Shareholders (by number of ordinary shares) must be in favour of this Resolution.

#### **Directors' recommendation**

51. The Board of Directors recommend that Shareholders vote for this Resolution, and the Chairman of the meeting intends to vote undirected proxies in favour of this Resolution.

**Note:** At the date of this Notice, the Company is not proposing to make an issue of equity securities under Listing Rule 7.1A.2. Accordingly, no voting exclusions apply to this resolution.

## **Item 5: Issue of Convertible Notes to Bombora, CN Investors and related parties (Resolutions 5 – 10)**

### **Background to Resolutions 5 – 10**

52. In its Q4 Business Update and Appendix 4C released to the ASX on 29 July 2022, the Company announced that it was finalising an asset sale and/or fund raising event and entered a voluntary trading halt. On 2 August 2022, the Company requested a voluntary suspension to be placed on its securities pending the finalisation of the terms of an anticipated capital raise.
53. In its FY22 full year results announcement and Appendix 4E released to the ASX on 31 August 2022, the Company noted that given the challenging retail trading conditions and significant capital requirements for growing the eCommerce segment of the business, the Board had decided to reposition Design Milk to an advertising revenue only model and shut down the eCommerce operations. This business model



transition was aimed at improving the company's cashflows and positioning it for a more sustainable growth path going forward. At the same time the Company also announced its intentions to raise approximately \$400,000 in funds via a convertible note funding round to provide sufficient funding for the business model transition, including \$200,000 received from Bombora pursuant to an unsecured short term loan provided on 19 August 2022 (**Bombora Loan**).

54. On 31 October 2022, the Company announced that it had secured commitments from investors to raise \$532,800 through the issue of convertible notes in two tranches as follows:
- (a) 2,068 Convertible Notes to be issued to Bombora, in repayment of principal and accrued interest under the Bombora Loan (**Tranche 1 Convertible Notes**); and
  - (b) 3,260 Convertible Notes to be issued to:
    - (i) institutional, sophisticated and professional investors, with 2,400 Convertible Notes issued raising \$240,000 in total (**Tranche 2 Investor Convertible Notes**); and
    - (ii) the Company's existing Directors (Arnaud Massenet, Christopher Colfer and Mike Hill) and former director (Michael Everett), with 860 Convertible Notes issued raising \$86,000 in total (**Tranche 2 Director Convertible Notes**).

The Tranche 2 Investor Convertible Notes and the Tranche 2 Director Convertible Notes collectively referred to as the '**Tranche 2 Convertible Notes**'.

55. The Convertible Notes are issued at a face value of \$100 per note and convert into Shares (**Conversion Shares**) at a conversion price which is equal to the lower of:
- (a) \$0.07 (7 cents); and
  - (b) 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 (5 cents),

at the Noteholder's option at any time after the first anniversary of the Convertible Note issue date or automatically at the maturity date.<sup>2</sup>

56. The Convertible Notes have a 3 year maturity term from issue (**Initial Maturity Date**), with the ability for the Initial Maturity Date to be extended at either Noteholder or Company election for a further 12 months (**Extended Maturity Date**) if the Noteholder is unable to convert all outstanding Convertible Notes on the Maturity Date due to s 606 Corporations Act or *Foreign Acquisitions and Takeovers Act 1975* restrictions or other regulatory restrictions.<sup>3</sup>
57. In addition, where the Convertible Notes are converted, free attaching options will be issued alongside the Conversion Shares (**Conversion Options**), with 1 Conversion Option being issued for every 2 Conversion Shares issued. The Conversion Options will be exercisable into Shares (on a 1 for 1 basis) (**Option Shares**) at an exercise price of \$0.15 (15 cents) per Option on or before 31 October 2027.
58. If all 5,328 Convertible Notes (being the aggregate of the Tranche 1 Convertible Notes and the Tranche 2 Convertible Notes) are issued and subsequently converted to Conversion Shares, along with all Conversion Options issued on conversion being exercised into Option Shares), it is expected that a maximum of:
- (a) 15,527,309 Shares will be issued (assuming a conversion price of \$0.07), representing approximate maximum dilution on a fully diluted basis of 39.4%; and
  - (b) 21,738,240 Shares will be issued (assuming a conversion price of \$0.05), representing

<sup>2</sup> 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. 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 (including after obtaining the requisite shareholder approval to give effect to the conversion).

<sup>3</sup> Any Convertible Notes unable to be converted at the Initial Maturity Date will remain on issue until either converted prior to the Extended Maturity Date or, if conversion is still not possible, redeemed at the expiry of the Extended Maturity Date.

approximate maximum dilution on a fully diluted basis of 55.1%.<sup>4</sup>

59. Schedule 1 sets out the key terms and conditions of the Convertible Notes. The terms and conditions of the Conversion Options to be issued on conversion of the Convertible Notes are set out in Schedule 2. The Company will not apply for quotation of either the Convertible Notes or the Conversion Options.
60. The funds raised from the issue of the Convertible Notes are intended to be used to fund the business model transition and general working capital.
61. As noted in the 31 October announcement, the issue of the Convertible Notes is conditional on receiving shareholder approval for the purposes of ASX Listing Rule 7.1 and ASX Listing Rule 10.11 at the Company's 2022 annual general meeting.
62. Accordingly, under Resolutions 5 – 10, the Company is seeking shareholder approval in relation to the issue of Convertible Notes as well as the issue of the Conversion Shares and Conversion Options on conversion of the Convertible Notes, and the issue of the Option Shares on exercise of the Convertible Notes for the purposes of ASX Listing Rule 7.1 (for Resolutions 5 and 6 relating to the Tranche 1 Convertible Notes and Tranche 2 Investor Convertible Notes) and ASX Listing Rule 10.11 (for Resolutions 7-10 inclusive relating to the Tranche 2 Investor Director Convertible Notes).
63. Further details regarding each of these Resolutions is provided below.

#### **Resolution 5 – Issue of Convertible Notes to Bombora to repay Bombora Loan**

64. In Resolution 5, the Company is seeking the approval of the Shareholders pursuant to ASX Listing Rule 7.1 for the issue of 2,068 Tranche 1 Convertible Notes to Bombora. As noted above, the Company proposes to issue the Tranche 1 Convertible Notes in repayment of the Bombora Loan advanced to the Company on 19 August 2022, and otherwise on the same terms as the Tranche 2 Convertible Notes proposed to be issued (and dealt with under Resolutions 6-10).

#### Listing Rule Requirements – ASX Listing Rule 7.1

65. The Convertible Notes are “equity securities” under the ASX Listing Rules because they are “convertible securities” (that is, because the Convertible Notes are securities that are convertible into shares and options). ASX Listing Rule 7.1 restricts the number of equity securities that a listed company can issue or agree to issue in any 12 month period without shareholder approval to 15% of the number of ordinary securities on issue at the start of the period, subject to certain adjustments and permitted exceptions which are set out in ASX Listing Rule 7.2.
66. The proposed issue of the Tranche 1 Convertible Notes falls within exception 17 of Listing Rule 7.2 (being an agreement to issue equity securities that is conditional on the holders of the entity's ordinary securities approving the issue under Listing Rule 7.1 before the issue is made). The issue of the Tranche 1 Convertible Notes requires the approval of Shareholders under Listing Rule 7.1 because the maximum number of Conversion Shares, Conversion Options and Option Shares that may be issued on conversion of the Tranche 1 Convertible Notes and exercise of the Conversion Options will exceed the 15% limit in ASX Listing Rule 7.1. Accordingly, in Resolution 5 the Company is seeking Shareholder approval under and for the purposes of ASX Listing Rule 7.1 for the issue of the Tranche 1 Convertible Notes, as well as the issue of the Conversion Shares and Conversion Options on conversion of the Tranche 1 Convertible Notes, and the issue of the Option Shares on exercise of the Conversion Options.
67. If Resolution 5 is passed, the Company will be able to proceed with the issue of the Tranche 1 Convertible Notes to repay the Bombora Loan, and the Tranche 1 Convertible Notes will be issued with Shareholder approval under ASX Listing Rule 7.1 and will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1. The Conversion Shares and Conversion Options issued on conversion of the Tranche 1 Convertible Notes and Shares issued on exercise of the Conversion Options will fall within ASX Listing Rule 7.2 (exception 9) and will not require further Shareholder approval. If Resolution 5 is passed, the Tranche 1 Convertible Notes will be issued shortly after the Meeting, and in any event no later than 1 month after the date of the Meeting.
68. If Resolution 5 is not passed, under the ASX Listing Rules the Company will only be able to issue the Tranche 1 Convertible Notes to the extent it has available remaining placement capacity. Based on the

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<sup>4</sup> Figures assume all principal and interest amounts owing under the Convertible Notes are converted in full at the expiry of the Initial Maturity Date (3 years), and 36,292,792 Shares and 3,144,651 Options on issue at the date of this Notice.



Company's available ASX Listing Rule 7.1 placement capacity as at the date of this Notice of Meeting (5,443,918 Shares), there is insufficient 15% placement capacity available to accommodate the issue of all of the Tranche 1 Convertible Notes, based on the maximum number of Conversion Shares that would be issued if the Tranche 1 Convertible Notes are converted in full (including accrued interest), and the Conversion Options are fully exercised.<sup>5</sup> This will mean the Company will not be able to issue all of the Tranche 1 Convertible Notes to Bombora.

69. As it is proposed that the Tranche 1 Convertible Notes be issued to Bombora in repayment of the Bombora Loan, if Resolution 5 is not passed, the Company may elect to issue a lesser number of Tranche 1 Convertible Notes for which there is available placement capacity in partial repayment of the Bombora Loan, in which case, such Tranche 1 Convertible Notes will be issued and use up the Company's 15% placement capacity. Where the full amount of Tranche 1 Convertible Notes are not able to be issued to Bombora due to capacity constraints, the residual balance of the Bombora Loan will remain outstanding and will be due for payment by the Company from its cash reserves or otherwise require it to raise additional equity capital (subject to any requisite shareholder approvals) to fund the repayment of the residual balance of the Bombora Loan in accordance with its terms. A summary of the terms of the Bombora Loan is set out in Schedule 3.
70. The issue of the Tranche 1 Convertible Notes to Bombora is not conditional or interdependent on the issue of the Tranche 2 Investor Convertible Notes or the Tranche 2 Director Convertible Notes. Accordingly, if Resolution 5 is not passed, but some or all of Resolutions 6, 7, 8, 9 or 10 are passed, the Company may not be able to proceed with the issue of all of the Tranche 1 Convertible Notes to Bombora, but may still proceed with the issue of the Tranche 2 Investor Convertible Notes and/or Tranche 2 Director Convertible Notes for which those resolutions were passed or for which there is otherwise available placement capacity.

Technical information required by ASX Listing Rule 7.1

71. For the purposes of ASX Listing Rule 7.3, the information in the below table is provided.

Persons to whom the securities will be issued	<p>The Tranche 1 Convertible Notes will be issued to Bombora Investment Management Pty Limited as trustee of the Bombora Special Investments Growth Fund.</p> <p>Mike Hill (Non-Executive Director and Chairman of the Company) is the Managing Director and Chief Investment Officer of Bombora and Bryan Zekulich (Non-executive Director of the Company (subject to re-election under Resolution 3) is a Portfolio Manager at Bombora. The Board does not consider Bombora to be a related party under the provisions of the Corporations Act.</p>
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<sup>5</sup> Refer to row 1 of the dilution table in Schedule 4 which indicates the maximum number of Shares expected to be issued to Bombora if Resolution 5 is approved, subject to the stated assumptions.

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<p>Number and class of securities to be issued</p>	<p>2,068 Convertible Notes, issued at an individual face value of \$100, and total principal face value of \$206,800.</p> <p>Each Convertible Note converts into Conversion Shares at a conversion price which is equal to the lower of \$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, capped at \$0.05, as well as Conversion Options (on a 1 for 2 basis), which in turn may be exercised into Shares (on a 1 for 1 basis).</p> <p>If the Tranche 1 Convertible Notes were converted in full, based on total principal face value of \$206,800, and interest accruing at 12% p.a, and assuming all principal and accrued interest amounts are converted at the Initial Maturity Date at a conversion price of \$0.05, up to a maximum of 5,624,960 Conversion Shares may be issued on conversion of the Tranche 1 Convertible Notes.</p> <p>In addition, upon conversion of the Tranche 1 Convertible Notes, up to 2,812,480 free attaching Conversion Options will be granted to Bombora (on the basis 1 Conversion Option is issued for every 2 Conversion Shares and assuming a Convertible Note conversion price of \$0.05). Each Option is exercisable into one Share for an exercise price of \$0.15 (maximum 2,812,480 Option Shares).</p> <p>If the Initial Maturity Date is extended to the Extended Maturity Date in accordance with the Convertible Note Terms, additional Conversion Shares and Conversion Options relating to the accrued interest for that further 12 month period may be issued in respect of the Tranche 1 Convertible Notes.</p>
<p>Proposed issue date of the securities</p>	<p>If Resolution 5 is passed, the Tranche 1 Convertible Notes will be issued to Bombora within one month after the Meeting.</p> <p>After the issue of the Convertible Notes, the Conversion Shares and Conversion Options will be issued on conversion of the Convertible Notes, in accordance with the conversion terms set out in Schedule 1. Option Shares issued on exercise of the Conversion Options will be issued as and when the Conversion Options are exercised, in accordance with the Option Terms set out in Schedule 2.</p>
<p>Purpose of the issue, including the intended use of funds and price or other consideration the Company will receive for the securities</p>	<p>No funds will be received upon issuing the Tranche 1 Convertible Notes, rather the Tranche 1 Convertible Notes will be issued to fully repay the Bombora Loan without drawing down on the Company's cash reserves.</p> <p>In relation to the Conversion Securities issued on conversion of the Tranche 1 Convertible Notes:</p> <ul style="list-style-type: none"> <li>(a) other than the Conversion Price for the Conversion of the Convertible Notes into the Conversion Shares and the Conversion Options, the Company will receive nil monies for the issue of the Conversion Shares and Conversion Options; and</li> <li>(b) the Company will receive the exercise price for the exercise of the Conversion Options, being \$0.15 per Option exercised.</li> </ul>
<p>Material terms of document pursuant to which the securities will be issued</p>	<p>Refer to Schedule 1 for a summary of the key terms of the Tranche 1 Convertible Notes, Schedule 2 for a summary of the key terms of the Conversion Options and Schedule 3 for a summary of the key terms of the Bombora Loan.</p>
<p>Dilution impact</p>	<p>To understand the dilutive effect of passing Resolution 5 and the issue of the Tranche 1 Convertible Notes, please see Schedule 4.</p>
<p>Voting exclusion</p>	<p>As specified in the Notice of Meeting for Resolution 5.</p>

Recommendation

72. The Directors (with Mike Hill and Bryan Zekulich abstaining) unanimously recommend that Shareholders

vote in favour of Resolution 5. The Chairperson of the meeting intends to vote all undirected proxies in favour of Resolution 5.

#### **Resolution 6 – Issue of Convertible Notes to CN Investors**

73. In Resolution 6, the Company is seeking the approval of the Shareholders pursuant to ASX Listing Rule 7.1 for the issue of 2,400 Tranche 2 Investor Convertible Notes to the CN Investors raising \$240,000.

#### Listing Rule Requirements – ASX Listing Rule 7.1

74. As discussed above in paragraphs 26 and 27, subject to certain exceptions, ASX Listing Rule 7.1 restricts the number of equity securities that a listed company can issue or agree to issue in any 12 month period without shareholder approval. As the Tranche 2 Investor Convertible Notes are “equity securities”, their proposed issue falls within exception 17 of Listing Rule 7.2 and requires approval under ASX Listing Rule 7.1 because the maximum number of Conversion Shares, Conversion Options and Option Shares that may be issued on conversion of the Tranche 2 Investor Convertible Notes will exceed the 15% limit in ASX Listing Rule 7.1.
75. Accordingly, in Resolution 6 the Company is seeking Shareholder approval under and for the purposes of ASX Listing Rule 7.1 for the issue of the Tranche 2 Investor Convertible Notes, as well as the issue of the Conversion Shares and Conversion Options on conversion of the Tranche 2 Investor Convertible Notes, and the issue of the Option Shares on exercise of the Conversion Options.
76. If Resolution 6 is passed, the Company will be able to proceed with the issue of the Tranche 2 Investor Convertible Notes to the CN Investors, and the Tranche 2 Investor Convertible Notes will be issued with Shareholder approval under ASX Listing Rule 7.1 and will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1. The Conversion Shares and Conversion Options issued on conversion of the Tranche 2 Investor Convertible Notes and Shares issued on exercise of the Conversion Options will fall within ASX Listing Rule 7.2 (exception 9) and will not require further Shareholder approval. If Resolution 6 is passed, the Tranche 2 Investor Convertible Notes will be issued shortly after the Meeting, and in any event no later than 1 month after the date of the Meeting.
77. If Resolution 6 is not passed, under the ASX Listing Rules the Company will only be able to issue the Tranche 2 Investor Convertible Notes to the extent it has available remaining placement capacity. As mentioned above in paragraph 68 the available ASX Listing Rule 7.1 placement capacity as at the date of this Notice of Meeting is 5,443,918 Shares, and there is insufficient 15% placement capacity available to accommodate the issue of all of the Tranche 2 Investor Convertible Notes, based on the maximum number of Conversion Shares that would be issued if the Tranche 2 Investor Convertible Notes are converted in full (including accrued interest), and the Conversion Options are fully exercised.<sup>6</sup> This will mean the Company will not be able to issue all of the Tranche 2 Investor Convertible Notes to the CN Investors.
78. As mentioned above, it is proposed that the funds raised from the issue of the Tranche 2 Investor Convertible Notes will be used to fund the Company’s business model transition and other general working capital. If Resolution 6 is not passed and the Company is not able to proceed with the issue of all the Tranche 2 Investor Convertible Notes to the CN Investors, the Company may decide with the CN Investors to issue a lesser number of Tranche 2 Investor Convertible Notes for which there is available placement capacity at the relevant time, or none at all, in which case, the total funds to be raised from the capital raise may be reduced by up to \$240,000. This may reduce or impact the Company’s ability to execute on the proposed business model transition.
79. The issue of the Tranche 2 Investor Convertible Notes to the CN Investors is not conditional or interdependent on the issue of the Tranche 1 Convertible Notes or the Tranche 2 Director Convertible Notes. Accordingly, if Resolution 6 is not passed, but some or all of Resolutions 5, 7, 8, 9 or 10 are passed, the Company may not be able to proceed with the issue of all of the Tranche 2 Investor Convertible Notes to the CN Investors, but may still proceed with the issue of the Tranche 1 Convertible Notes and /or Tranche 2 Director Convertible Notes for which those resolutions were passed.
80. Further it is noted that, as the Tranche 1 Convertible Notes contemplated by Resolution 5 are proposed to be issued in repayment of the Bombora Loan, if both Resolution 5 and Resolution 6 are not approved by Shareholders, the Company may seek to prioritise the repayment of the Bombora Loan to preserve it

<sup>6</sup> Refer to row 2 of the dilution table in Schedule 4 which indicates the maximum number of Shares expected to be issued to the CN Investors if Resolution 6 is approved, subject to the stated assumptions.

cash reserves and issue a number of Tranche 1 Convertible Notes to Bombora for which there is available capacity, leaving little or no placement capacity for the Tranche 2 Investor Convertible Notes.

Technical information required by ASX Listing Rule 7.1

81. For the purposes of ASX Listing Rule 7.3, the information in the below table is provided.

<p>Persons to whom the securities will be issued</p>	<p>Five investors will be issued the Investor Convertible Notes, all being existing shareholders.</p> <p>Amongst these five investors:</p> <ul style="list-style-type: none"> <li>one of these investors (Early Force Pty Ltd ACN 103 134 363) a substantial shareholder who, prior to the issue of the Convertible Notes currently holds (together with its associates) 11.4% of the shares in the Company (based on information available to the Company at the date of this Notice of Meeting) has committed to invest \$100,000 (receiving 1,000 Convertible Notes); and</li> <li>four other investors, all of whom are institutional, sophisticated or professional investors associated with existing shareholders, have committed to invest an aggregate of \$140,000 (receiving 1,400 Convertible Notes in total).</li> </ul>
<p>Number and class of securities to be issued</p>	<p>2,400 Convertible Notes, issued at an individual face value of \$100, and total principal face value of \$240,000.</p> <p>Each Convertible Note converts into Conversion Shares at a conversion price which is equal to the lower of \$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, capped at \$0.05, as well as Conversion Options (on a 1 for 2 basis), which in turn may be exercised into Shares (on a 1 for 1 basis).</p> <p>If the Tranche 2 Investor Convertible Notes were converted in full, based on total principal face value of \$240,000, and interest accruing at 12% p.a, and assuming all principal and accrued interest amounts are converted at the Initial Maturity Date at a conversion price of \$0.05, up to a maximum of 6,528,000 Conversion Shares may be issued on conversion of the Tranche 2 Investor Convertible Notes.</p> <p>In addition, upon conversion of the Tranche 2 Investor Convertible Notes, up to 3,264,000 free attaching Conversion Options will be granted to the CN Investors (on the basis 1 Conversion Option is issued for every 2 Conversion Shares and assuming a Convertible Note conversion price of \$0.05). Each Option is exercisable into one Share for an exercise price of \$0.15 (maximum 3,264,000 Option Shares).</p> <p>If the Initial Maturity Date is extended to the Extended Maturity Date in accordance with the Convertible Note Terms, additional Conversion Shares and Conversion Options relating to the accrued interest for that further 12 month period may be issued in respect of the Tranche 2 Investor Convertible Notes.</p>
<p>Proposed issue date of the securities</p>	<p>If Resolution 6 is passed, the Tranche 2 Investor Convertible Notes will be issued to the CN Investors within one month after the Meeting.</p> <p>After the issue of the Convertible Notes, the Conversion Shares and Conversion Options will be issued on conversion of the Convertible Notes, in accordance with the conversion terms set out in Schedule 1. Option Shares issued on exercise of the Conversion Options will be issued as and when the Conversion Options are exercised, in accordance with the Option Terms set out in Schedule 2.</p>

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Purpose of the issue, including the intended use of funds and price or other consideration the Company will receive for the securities	Funds raised from the issue of the Tranche 2 Investor Convertible Notes (total \$240,000) will be used to fund the Company's business model transition and other general working capital. In relation to the Conversion Securities issued on conversion of the Tranche 2 Investor Convertible Notes: (a) other than the conversion price for the conversion of the Convertible Notes into the Conversion Shares and the Conversion Options, the Company will receive nil monies for the issue of the Conversion Shares and Conversion Options; and (b) the Company will receive the exercise price for the exercise of the Conversion Options, being \$0.15 per Option exercised.
Material terms of document pursuant to which the securities will be issued	Refer to Schedule 1 for a summary of the key terms of the Tranche 1 Convertible Notes and Schedule 2 for a summary of the key terms of the Conversion Options.
Dilution impact	To understand the dilutive effect of passing Resolution 6 and the issue of the Tranche 2 Investor Convertible Notes, please see Schedule 4.
Voting exclusion	As specified in the Notice of Meeting for Resolution 6.

#### Recommendation

82. The Directors unanimously recommend that Shareholders vote in favour of Resolution 6. The Chairperson of the meeting intends to vote all undirected proxies in favour of Resolution 6.

#### **Resolutions 7, 8, 9 and 10 – Issue of Convertible Notes to related parties**

83. In Resolutions 7 – 10 (inclusive), the Company is seeking the approval of the Shareholders pursuant to ASX Listing Rule 10.11 for the issue of an aggregate of 860 Tranche 2 Director Convertible Notes to certain persons who are current or previous directors of the Company (or their nominees), as follows:
- (a) Arnaud Massenet, current director: 490 Tranche 2 Director Convertible Notes representing \$49,000 (Resolution 7);
  - (b) Christopher Colfer, current director: 160 Tranche 2 Director Convertible Notes representing \$16,000 (Resolution 8);
  - (c) Mike Hill, current director: 100 Tranche 2 Director Convertible Notes representing \$10,000 (Resolution 9); and
  - (d) Michael Everett, former director<sup>7</sup>: 110 Tranche 2 Director Convertible Notes representing \$11,000 (Resolution 10).

#### Listing Rule Requirements – ASX Listing Rule 10.11

84. ASX Listing Rule 10.11 provides that unless one of the exemptions in ASX Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained, unless an exception in ASX Listing Rule 10.12 applies.
85. The proposed issue of the Tranche 2 Director Convertible Notes to Arnaud Massenet, Christopher Colfer and Mike Hill and Robert Mancini (and/or their nominee(s) any) and the proposed issue does not fall within any of the exceptions in Listing Rule 10.12. Similarly, the proposed issue of the Tranche 2 Director Convertible Notes to Michael Everett (and/or his nominee(s)) falls within Listing Rule 10.11.1 (because in the past 6 months he has been a Director of the Company and consequently is a related party of the Company) and the proposed issue does not fall within any of the exceptions in Listing Rule 10.12. Resolutions 7 – 10 (inclusive) therefore require the approval of Shareholders under Listing Rule 10.11.

<sup>7</sup> Resigned 27 September 2022

86. Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Tranche 2 Director Convertible Notes as approval is being obtained under ASX Listing Rule 10.11. Accordingly, if approval is obtained under ASX Listing Rule 10.11 ASX Listing Rule 7.2 exception 14 will apply and the issue of the Tranche 2 Director Convertible Notes, as well as the issue of the Conversion Shares and Conversion Options on conversion of the Tranche 2 Director Convertible Notes, and the issue of the Option Shares on exercise of the Conversion Options will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.
87. If Resolutions 7 – 10 (inclusive) are passed, the Company will be able to proceed with the proposed issue of the Tranche 2 Director Convertible Notes to each of Arnaud Massenet, Christopher Colfer, Mike Hill and Michael Everett (and/or their nominees). In addition, the issue of those Tranche 2 Director Convertible Notes will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under ASX Listing Rule 7.1. The Conversion Shares and Conversion Options issued on conversion of the Tranche 2 Director Convertible Notes and Shares issued on exercise of the Conversion Options will fall within ASX Listing Rule 7.2 (exception 9) and will not require further Shareholder approval. If Resolutions 7 to 10 (inclusive) are passed, the Tranche 2 Director Convertible Notes will be issued shortly after the Meeting, and in any event no later than 1 month after the date of the Meeting.
88. If any of Resolutions 7 – 10 (inclusive) are not passed, the Company will not be able to proceed with the issue of the Tranche 2 Director Convertible Notes to the relevant Director. The Company notes that this will reduce the total funds raised from the capital raise by up to \$86,000 which may reduce or impact the Company's ability to execute on the proposed business model transition. However, assuming Resolutions 5 and 6 have been approved, the Company will have repaid the Bombora Loan and raised a further \$240,000 from the issue of the Tranche 1 Convertible Notes and Tranche 2 Investor Convertible Notes as noted above.
89. The issue of the Tranche 2 Director Convertible Notes to the Directors is not conditional or interdependent on the issue of the Tranche 1 Convertible Notes or the Tranche 2 Investor Convertible Notes. Accordingly, if any of Resolutions 7, 8, 9 or 10 are not passed, but some or all of Resolutions 5, 6, 7, 8, 9 or 10 are passed, the Company may not be able to proceed with the issue of all of the Tranche 2 Director Convertible Notes, but may still proceed with the issue of the Tranche 1 Convertible Notes, Tranche 2 Investor Convertible Notes and /or Tranche 2 Director Convertible Notes for which those resolutions were passed.

Information required pursuant to ASX Listing Rule 10.13

90. For the purposes of Listing Rule 10.13, information regarding the issue of the Tranche 2 Director Convertible Notes is as follows:

The names of the persons to whom the Company will issue the securities	Arnaud Massenet, Christopher Colfer, Mike Hill and Michael Everett (and/or their nominees).
Which category in rules 10.11.1 – 10.11.5 the person falls within and why	Arnaud Massenet, Christopher Colfer and Mike Hill each fall within ASX Listing Rule 10.11.1 as they are each a Director of the Company. Michael Everett falls within ASX Listing Rule 10.11.1 as he has been a Director of the Company in the previous 6 months. Their nominee(s) (if applicable) would fall under ASX Listing Rule 10.11.4 as associates of the abovementioned Director.
The number and class of securities to be issued to the person	860 Convertible Notes in total split as set out in paragraph 83, issued at an individual face value of \$100, and total principal face value of \$86,000. Each Convertible Note converts into Conversion Shares at a conversion price which is equal to the lower of \$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, capped at \$0.05, as well as Conversion Options (on a 1 for 2 basis), which in turn may be exercised into Shares (on a 1



	<p>for 1 basis).</p> <p>If the Tranche 2 Director Convertible Notes were converted in full, based on total principal face value of \$86,000, and interest accruing at 12% p.a, and assuming all principal and accrued interest amounts are converted at the Initial Maturity Date at a conversion price of \$0.05, up to a maximum of 2,339,200 Conversion Shares may be issued on conversion of the Tranche 2 Director Convertible Notes.</p> <p>In addition, upon conversion of the Tranche 2 Director Convertible Notes, up to a maximum number of 1,169,600 free attaching Conversion Options will be granted to the Directors (on the basis 1 Conversion Option is issued for every 2 Conversion Shares and assuming a Convertible Note conversion price of \$0.05). Each Option is exercisable into one Share for an exercise price of \$0.15 (maximum 1,169,600 Option Shares).</p> <p>If the Initial Maturity Date is extended to the Extended Maturity Date in accordance with the Convertible Note Terms, additional Conversion Shares and Conversion Options relating to the accrued interest for that further 12 month period may be issued in respect of the Tranche 2 Director Convertible Notes.</p>
<p>If the securities are not fully paid ordinary securities, a summary of the material terms of the securities</p>	<p>Refer to Schedule 1 for a summary of the key terms of the Tranche 1 Convertible Notes and Schedule 2 for a summary of the key terms of the Conversion Options.</p>
<p>The date or dates on or by which the entity will issue the securities, which must not be more than 1 month after the date of the meeting</p>	<p>If Resolution 7, 8, 9 and/or 10 is passed the relevant Tranche 2 Director Convertible Notes will be issued to the Directors within one month after the Meeting.</p> <p>After the issue of the Convertible Notes, the Conversion Shares and Conversion Options will be issued on conversion of the Convertible Notes, in accordance with the conversion terms set out in Schedule 1. Option Shares issued on exercise of the Conversion Options will be issued as and when the Conversion Options are exercised, in accordance with the Option Terms set out in Schedule 2.</p>
<p>The purpose of the issue, including the intended use of any funds raised by the issue and price or other consideration the Company will receive for the securities</p>	<p>Funds raised from the issue of the Tranche 2 Director Convertible Notes (total \$86,000) will be used to fund the Company's business model transition and other general working capital.</p> <p>In relation to the Conversion Shares and Conversion Options issued on conversion of the Tranche 2 Director Convertible Notes:</p> <ul style="list-style-type: none"> <li>(a) other than the conversion price for the conversion of the Convertible Notes into the Conversion Shares and the Conversion Options, the Company will receive nil monies for the issue of the Conversion Shares and Conversion Options; and</li> <li>(b) the Company will receive the exercise price for the exercise of the Conversion Options, being \$0.15 per Option exercised.</li> </ul>
<p>If the person is:</p> <ul style="list-style-type: none"> <li>(a) a director and therefore a related party under rule 10.11.1; or</li> <li>(b) an associate of, or</li> </ul>	<p>Whilst the Tranche 2 Director Convertible Notes are being issued to Directors, the Directors are participating alongside other third party investors, on the same terms as those investors, and the Convertible Notes are not being issued to the Directors as remuneration.</p>

<p>person connected with, a director under rules 10.11.4 or 10.14.5,</p> <p>and the issue is intended to remunerate or incentivise the director, details (including the amount) of the director's current total remuneration package</p>	
<p>If the securities are issued under an agreement, a summary of any other material terms of the agreement</p>	<p>N/A</p>
<p>A voting exclusion statement</p>	<p>As specified in the Notice of Meeting for Resolutions 7-10.</p>

**Chapter 2E of the Corporations Act**

- 91. Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:
  - (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
  - (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in section 210 to 216 of the Corporations Act.
- 92. The issue of the Tranche 2 Director Convertible Notes to Arnaud Massenet, Christopher Colfer, Mike Hill and Michael Everett (and/or their nominees) constitutes giving a financial benefit to them. Arnaud Massenet, Christopher Colfer and Mike Hill are each a related party of the Company by virtue of being Directors, whilst Michael Everett is a related party of the Company by virtue of being a Director in the previous 6 months.
- 93. The Directors (other than Arnaud Massenet who has a material personal interest in Resolution 7) consider that shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Resolution 7 because the Tranche 2 Director Convertible Notes will be issued to Arnaud Massenet on the same terms as Tranche 1 Convertible Notes and Tranche 2 Investor Convertible Notes issued to non-related party participants and as such the giving of the financial benefit is on arm's length terms.
- 94. The Directors (other than Christopher Colfer who has a material personal interest in Resolution 8) consider that shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Resolution 8 because the Tranche 2 Director Convertible Notes will be issued to Christopher Colfer on the same terms as Tranche 1 Convertible Notes and Tranche 2 Investor Convertible Notes issued to non-related party participants and as such the giving of the financial benefit is on arm's length terms.



95. The Directors (other than Mike Hill who has a material personal interest in Resolution 9) consider that shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Resolution 9 because the Tranche 2 Director Convertible Notes will be issued to Mike Hill on the same terms as Tranche 1 Convertible Notes and Tranche 2 Investor Convertible Notes issued to non-related party participants and as such the giving of the financial benefit is on arm's length terms.
96. The Directors (other than Michael Everett who has a material personal interest in Resolution 10) consider that shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Resolution 10 because the Tranche 2 Director Convertible Notes will be issued to Michael Everett on the same terms as Tranche 1 Convertible Notes and Tranche 2 Investor Convertible Notes issued to non-related party participants and as such the giving of the financial benefit is on arm's length terms.

#### Recommendation

97. The Directors other than Arnaud Massenet, Christopher Colfer, Mike Hill and Michael Everett (who are the proposed recipients of the Tranche 2 Director Convertible Notes under Resolutions 7-10 (inclusive)) (as and where applicable) recommend that the Shareholders vote in favour of Resolutions 7-10. The Chairperson of the meeting intends to vote all undirected proxies in favour of Resolutions 7-10.

## Enquiries

Shareholders are asked to contact the Company Secretary on [sapir@design-milk.com](mailto:sapir@design-milk.com) if they have any queries in respect of the matters set out in these documents.

# Glossary

**2023 AGM** means the Annual General Meeting held in relation to the 2023 calendar year and within 5 months of the end of the Company's 2023 financial year.

**AEDT** means Australian Eastern Daylight Time as observed in Sydney, New South Wales.

**Annual Financial Report** means the 2022 Annual Report to Shareholders for the period ended 30 June 2022 as lodged by the Company with ASX on 31 August 2022.

**Annual General Meeting** or **AGM** or **Meeting** means an Annual General Meeting of the Company and, unless otherwise indicated, means the meeting of the Company's members convened by this Notice of Meeting.

**ASIC** means Australian Securities and Investment Commission.

**Associate** has the meaning given to it by the ASX Listing Rules.

**ASX** means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires, of 20 Bridge Street, Sydney, NSW 2000.

**ASX Listing Rules** or **Listing Rules** means the official ASX Listing Rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

**Auditor's Report** means the auditor's report of Crowe Sydney dated 31 August 2022 as included in the Annual Financial Report.

**Board** means the current board of Directors of the Company.

**Bombora** means Bombora Investment Management Pty Limited as trustee of the Bombora Special Investments Growth Fund.

**Bombora Loan** means the \$200,000 short-term loan provided by Bombora to the Company on 19 August 2022, the terms of which are summarised in Schedule 3.

**Business Day** means a day on which trading takes place on the stock market of ASX.

**Chair** means the person chairing the Meeting.

**Closely Related Party** of a member of the KMP means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or of the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporation Regulations 2001* (Cth).

**CN Investors** means institutional, professional and sophisticated investors who have provided commitments to the Company to subscribe for the Tranche 2 Convertible Notes, the subject of Resolution 6.

**Company** means Design Milk Co Limited ACN 006 908 701.

**Constitution** means the Company's constitution.

**Conversion** means a conversion of Convertible Notes into Conversion Securities in accordance with the Convertible Note Terms, and **Convert**, **Converted** and **Conversion** have a corresponding meaning.

**Conversion Options** means the unquoted Options which are to be issued to the Noteholder by the Company on Conversion of the Convertible Notes as free attaching options to the Conversion Shares in accordance with the Convertible Note Terms, and having the terms of issue as set out in the Option Terms.

**Conversion Securities** means Conversion Shares and Conversion Options.

**Conversion Shares** means the Shares which are issued to the Noteholder on Conversion of the Convertible Notes in accordance with the Convertible Note Terms.

**Convertible Note** means a convertible note issued by the Company pursuant to the Convertible Note Terms.

**Convertible Note Terms** means the terms and conditions which apply to the Convertible Notes and are set out in the convertible note deed poll that has been entered into by the Company in favour of the Noteholders, and under which the Noteholders will acquire the Convertible Notes. A summary of the Convertible Note Terms is provided in Schedule 1.

**Corporations Act** means the *Corporations Act 2001* (Cth) as amended or replaced from time to time.

**Director** means a current director of the Company.

**Directors' Report** means the report of Directors as included in the Annual Financial Report.

**Dollar** or "\$" means Australian dollars.

**Explanatory Statement** means the explanatory statement accompanying this Notice of Meeting.

**Extended Maturity Date** has the meaning given in paragraph 56.

**Face Value** means \$100.00 per Convertible Note.

**Initial Maturity Date** has the meaning given in paragraph 56.

**KMP** or **Key Management Personnel** means key management personnel (including the Directors) whose remuneration details are included in the Remuneration Report.

**Noteholder** means the persons who would hold the Convertible Notes in the Company if the issue of the Convertible Notes is approved.

**Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting dated 31 October 2022 including the Explanatory Statement.

**Option** means an option which (subject to its terms) could be exercised into a Share.

**Optionholder** means a holder of an Option.

**Option Shares** means Shares which are issued on exercise of the Conversion Options.

**Option Terms** being the terms and conditions under which the Conversion Options are granted as set out in the convertible note deed poll that has been entered into by the Company in favour of the Noteholders, and under which the Noteholders will acquire the Convertible Notes. A summary of the Option Terms is provided in Schedule 2.

**Ordinary Resolution** means a resolution that can only be passed if at least 50% of the total votes cast by Shareholders entitled to vote on the resolution are voted in its favour at the meeting.

**Proxy Form** means the proxy form attached to this Notice of Meeting.

**Remuneration Report** means the remuneration report as set out in the Annual Financial Report.

**Resolutions** means the resolutions set out in this Notice of Meeting, or any one of them, as the context requires.

**Restricted Voter** means a member of the Company's KMP and any Closely Related Parties of those members.

**Securities** mean Shares and/or Options (as the context requires).

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**Share Registry** means Automatic Registry Services.

**Special Resolution** means a resolution that can only be passed if at least 75% of the total votes cast by Shareholders entitled to vote on the resolution are voted in its favour at the meeting.

**Spill Meeting** means the meeting that will be convened within 90 days of the 2023 AGM if a threshold of votes is cast against the adoption of the Remuneration Report at the Meeting and the 2023 AGM.

**Spill Resolution** means the resolution required to be put to Shareholders at the 2023 AGM if a threshold of votes is cast against the adoption of the Remuneration Report at the Meeting and the 2023 AGM.

**Trading Day** has the meaning given to that term in ASX Listing Rule 19.12.

**Tranche 1 Convertible Notes** means the Convertible Notes for which the Company is seeking Shareholder approval pursuant to Resolution 5 to issue to Bombora in repayment of the Bombora Loan as defined in paragraph

54(a).

**Tranche 2 Convertible Notes** means the Tranche 2 Investor Convertible Notes and the Tranche 2 Director Convertible Notes collectively.

**Tranche 2 Director Convertible Notes** means the Convertible Notes for which the Company is seeking Shareholder approval pursuant to Resolutions 7 – 10 (inclusive) to issue to specified current and former Directors as defined in paragraph 54(b)(ii).

**Tranche 2 Investor Convertible Notes** means the Convertible Notes for which the Company is seeking Shareholder approval pursuant to Resolution 6 to issue to the CN Investors as defined in paragraph 54(b)(i).

## Schedule 1: Summary of Convertible Notes Terms

<b>Amount raised</b>	<p>\$532,800 in total provided in two tranches:</p> <ul style="list-style-type: none"> <li>• Tranche 1: \$206,800, to be provided by Bombora in repayment of a short-term bridging loan provided to the Company on 19 August 2022</li> <li>• Tranche 2: \$326,000, to be provided by the Company's Directors and other institutional, sophisticated and professional investors</li> </ul>
<b>Issue Price/Face Value</b>	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
<b>Maturity date</b>	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.
<b>Interest rate</b>	12% p.a., accrued monthly on the face value from the date of issue, increasing to 17% p.a. 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.
<b>Conversion price</b>	<p>The Convertible Notes will convert into ordinary 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"> <li>• \$0.07; and</li> <li>• 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,</li> </ul> <p>(subject to any adjustments in accordance with the Convertible Note Terms).</p>
<b>Attaching Option</b>	<p>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 (<b>Attaching Options</b>).</p> <p><i>A summary of the Option Terms is provided in Schedule 2.</i></p>
<b>Approved Purpose</b>	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.
<b>Security</b>	The Convertible Notes will be unsecured.

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<p><b>Conversion</b></p>	<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>
<p><b>Redemption</b></p>	<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>
<p><b>Transferability, Voting and Participation Rights</b></p>	<p>The Convertible Notes are not transferable and do not entitle the Noteholder to any voting rights or any other rights of shareholders of the Company to participate in rights issues or any other new equity security issues or to receive any notices of general meetings, reports and financial statements of the Company.</p>
<p><b>Reorganisation of Capital</b></p>	<p>Upon any bonus issue or reorganisation of Share capital, the number of Shares and Attaching Options which may be issued to a Noteholder will be adjusted to ensure that the Noteholder receives the same proportion of Shares as it would otherwise have received had the bonus issue or reorganisation not occurred.</p>

## Schedule 2: Summary of Conversion Option Terms

<b>Entitlement</b>	<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>
<b>Issue price</b>	No monies will be payable for the issue of the Options.
<b>Exercise price</b>	The amount payable upon exercise of each Option will be \$0.15, subject to adjustment in accordance with the Option Terms.
<b>Expiry Date</b>	Each Option will expire at 5:00 pm (Sydney time) on 31 October 2027 ( <b>Expiry Date</b> ). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
<b>Exercise Period</b>	The Options are exercisable at any time after the Option grant date on or prior to the Expiry Date.
<b>Option exercise</b>	<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>
<b>Reconstruction of capital</b>	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.
<b>Rights attaching to Options and participation in new issues and dividends</b>	<p>Prior to exercise:</p> <ul style="list-style-type: none"> <li>(a) an Option does not confer any right to dividends until Shares are issued upon exercise of the relevant Options and the relevant dividend has a record date after the Shares are issued upon exercise;</li> <li>(b) an Option does not confer any right on its holder to attend to general meetings of the Company, to vote or speak at any meeting or to receive reports provided to shareholders; and</li> <li>(c) holders will not be entitled to participate in new issues of capital offered to Shareholders in respect of the Options unless those Options have been exercised before the record date for determining entitlements to the new issue of securities and the holder participates as a result of holding Shares.</li> </ul>
<b>Change in exercise price</b>	An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

<b>Restrictions on dealing</b>	<p>The holder of the Options must not sell, offer for sale, agree to sell, transfer, assign, encumber or grant or allow to exist any encumbrance, trust, option or other right in relation to the whole or any part of the Option or deal in any way with any right or obligation in relation to the Options:</p> <ul style="list-style-type: none"><li>(a) the Options are transferred, sold or assigned by the holder to a related body corporate (as that term is defined in section 50 of the Corporations Act 2001 (Cth)) of the holder; or</li><li>(b) the Company has provided its prior written consent (which must not be unreasonably withheld),</li></ul> <p>and provided the transfer, sale or assignment of the Options is in compliance with the Corporations Act and otherwise in accordance with the Company's constitution.</p>
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### Schedule 3: Terms of Bombora Loan

<b>Date advanced</b>	19 August 2022
<b>Lender</b>	Bombora Investment Management Pty Limited as trustee of the Bombora Special Investments Growth Fund
<b>Principal amount</b>	\$200,000
<b>Maturity Date</b>	19 February 2023
<b>Interest rate</b>	12.00% per annum, increasing to 17.00% per annum in the event of default.
<b>Repayment conditions</b>	<p>On or prior to the maturity date, the Company must repay the loan and accrued interest in cleared funds.</p> <p>The Company may repay the loan and accrued interest in whole or in part before the maturity date at any time without penalty.</p> <p>The Company may also repay the loan by setting off or applying against, or in reduction or discharge of any amounts owing under the loan, any debt or liability the lender owes to the Company, including in connection with a subscription for any debt or equity security in the capital of the Company.</p>
<b>Events of default</b>	<p>(a) The Company fails to perform any of its undertakings or obligations under the loan and that failure is not in the opinion of the lender remediable, or that failure is, in the opinion of the Lender, remediable, but the Company fails to remedy the failure within 7 days of receipt by the Company of a notice of the failure;</p> <p>(b) The Company is or becomes Insolvent (as defined in the loan agreement).</p> <p>(c) Any warranty or representation given in the loan agreement is untrue, inaccurate, misleading or deceptive.</p> <p>(d) Any person becomes entitled to terminate, repudiate, rescind or avoid the loan agreement or the execution, delivery or performance of the loan agreement by the Company breaches or results in a contravention of any law.</p>
<b>Security</b>	The loan is not secured.

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## Schedule 4: Dilutionary effect of Resolutions 5 -11

As at the date of this Notice, the Company has on issue 36,292,792 Shares on an undiluted basis and 39,437,443 Shares<sup>1</sup> on a diluted basis. This table assumes that no additional Securities are issued by the Company other than as stated in the table.

Resolution	Recipient	Securities the subject of the Resolution	Current Securityholding <sup>2</sup>	New Securityholding if Resolution is passed	Projected % Shareholding (maximum) <sup>3</sup>	Total dilution if Resolution is passed (maximum) <sup>4</sup>
5	Bombora	\$206,800 worth of Convertible Notes (face value) which are convertible into a maximum of 5,624,960 Conversion Shares and 2,812,480 Conversion Options (exercisable into 2,812,480 Option Shares) <sup>5</sup>  <b>Total: 8,437,440 Securities</b>	6,820,148 Shares Nil Options Nil Convertible Notes  <b>Total: 6,820,148 Securities</b> <b>18.8% shareholding (voting shares)<sup>6</sup></b>	6,820,148 Shares Nil Options \$206,800 worth of Convertible Notes (face value) which are convertible into a maximum of 5,624,960 Conversion Shares and 2,812,480 Conversion Options (exercisable into 2,812,480 Option Shares) <sup>5</sup> <b>Total: 15,257,588 Securities<sup>6</sup></b>	27.6% (following conversion of Convertible Notes to Conversion Shares but excluding exercise of Conversion Options)  31.9% (following conversion of Convertible Notes to Conversion Shares and assuming exercise of Conversion Options to Option Shares)	14.3% (following conversion of Convertible Notes to Conversion Shares but excluding exercise of Conversion Options)  21.4% (following conversion of Convertible Notes to Conversion Shares and assuming exercise of Conversion Options to Option Shares)
6	CN Investors (various)	\$240,000 worth of Convertible Notes (face value) which are convertible into a maximum of 6,528,000 Conversion Shares and 3,264,000 Conversion Options (exercisable into 3,264,000 Option Shares) <sup>5</sup>  <b>Total: 9,792,000 Securities</b>	5,672,637 Shares Nil Options Nil Convertible Notes  <b>Total: 5,672,637 Securities</b> <b>15.6% shareholding (voting shares)<sup>6</sup></b>	5,672,637 Shares Nil Options \$240,000 worth of Convertible Notes (face value) which are convertible into a maximum of 6,528,000 Conversion Shares and 3,264,000 Conversion Options (exercisable into 3,264,000 Option Shares) <sup>5</sup> <b>Total: 15,464,637 Securities<sup>6</sup></b>	29.1% (following conversion of Convertible Notes to Conversion Shares but excluding exercise of Conversion Options)  35.8% (following conversion of Convertible Notes to Conversion Shares and assuming exercise of Conversion Options to Option Shares)	16.6% (following conversion of Convertible Notes to Conversion Shares but excluding exercise of Conversion Options)  24.8% (following conversion of Convertible Notes to Conversion Shares and assuming exercise of Conversion Options to Option Shares)

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Resolution	Recipient	Securities the subject of the Resolution	Current Securityholding <sup>2</sup>	New Securityholding if Resolution is passed	Projected % Shareholding (maximum) <sup>3</sup>	Total dilution if Resolution is passed (maximum) <sup>4</sup>
					exercise of Conversion Options to Option Shares)	of Conversion Options to Option Shares)
7	Arnaud Massenet	\$49,000 worth of Convertible Notes (face value) which are convertible into a maximum of 1,332,800 Conversion Shares and 666,400 Conversion Options (exercisable into 666,400 Option Shares) <sup>5</sup>  <b>Total: 1,999,200 Securities</b>	4,413,156 Shares 741,330 Options Nil Convertible Notes  <b>Total: 5,154,486 Securities</b> <b>12.2% shareholding (voting shares)<sup>6</sup></b>	4,413,156 Shares 741,330 Options \$49,000 worth of Convertible Notes (face value) which are convertible into a maximum of 1,332,800 Conversion Shares and 666,400 Conversion Options (exercisable into 666,400 Option Shares) <sup>5</sup> <b>Total: 7,153,686 Securities<sup>6</sup></b>	15.9% (following conversion of Convertible Notes to Conversion Shares but excluding exercise of Conversion Options)  17.3% (following conversion of Convertible Notes to Conversion Shares and assuming exercise of Conversion Options to Option Shares)	3.4% (following conversion of Convertible Notes to Conversion Shares but excluding exercise of Conversion Options)  5.1% (following conversion of Convertible Notes to Conversion Shares and assuming exercise of Conversion Options to Option Shares)
8	Christopher Colfer	\$16,000 worth of Convertible Notes (face value) which are convertible into a maximum of 435,200 Conversion Shares and 217,600 Conversion Options (exercisable into 217,600 Option Shares) <sup>5</sup>  <b>Total: 652,800 Securities</b>	1,386,190 Shares 641,330 Options Nil Convertible Notes  <b>Total: 2,027,520 Securities</b> <b>5.1% shareholding (voting shares)<sup>6</sup></b>	1,386,190 Shares 641,330 Options \$16,000 worth of Convertible Notes (face value) which are convertible into a maximum of 435,200 Conversion Shares and 217,600 Conversion Options (exercisable into 217,600 Option Shares) <sup>5</sup> <b>Total: 2,680,320 Securities<sup>6</sup></b>	6.2% (following conversion of Convertible Notes to Conversion Shares but excluding exercise of Conversion Options)  6.7% (following conversion of Convertible Notes to Conversion Shares and assuming exercise of Conversion Options to Option Shares)	1.7 % (following conversion of Convertible Notes to Conversion Shares but excluding exercise of Conversion Options)  1.2% (following conversion of Convertible Notes to Conversion Shares and assuming exercise of Conversion Options to Option Shares)

Resolution	Recipient	Securities the subject of the Resolution	Current Securityholding <sup>2</sup>	New Securityholding if Resolution is passed	Projected % Shareholding (maximum) <sup>3</sup>	Total dilution if Resolution is passed (maximum) <sup>4</sup>
9	Mike Hill	\$10,000 worth of Convertible Notes (face value) which are convertible into a maximum of 272,000 Conversion Shares and 136,000 Conversion Options (exercisable into 136,000 Option Shares) <sup>5</sup>  <b>Total: 408,000 Securities</b>	868,027 Shares 441,330 Options Nil Convertible Notes  <b>Total: 1,309,357 Securities</b> <b>3.6% shareholding (voting shares)<sup>6</sup></b>	868,027 Shares 441,330 Options \$10,000 worth of Convertible Notes (face value) which are convertible into a maximum of 272,000 Conversion Shares and 136,000 Conversion Options (exercisable into 136,000 Option Shares) <sup>5</sup> <b>Total: 1,717,357 Securities<sup>6</sup></b>	4.0% (following conversion of Convertible Notes to Conversion Shares but excluding exercise of Conversion Options)  4.3% (following conversion of Convertible Notes to Conversion Shares and assuming exercise of Conversion Options to Option Shares)	0.7% (following conversion of Convertible Notes to Conversion Shares but excluding exercise of Conversion Options)  1.0% (following conversion of Convertible Notes to Conversion Shares and assuming exercise of Conversion Options to Option Shares)
10	Michael Everett	\$11,000 worth of Convertible Notes (face value) which are convertible into a maximum of 299,200 Conversion Shares and 299,200 Conversion Options (exercisable into 149,600 Option Shares) <sup>5</sup>  <b>Total: 448,800 Securities</b>	949,178 Shares 441,330 Options Nil Convertible Notes  <b>Total: 1,390,508 Securities</b> <b>3.8% shareholding (voting shares)<sup>6</sup></b>	949,178 Shares 441,330 Options \$11,000 worth of Convertible Notes (face value) which are convertible into a maximum of 299,200 Conversion Shares and 149,600 Conversion Options (exercisable into 149,600 Option Shares) <sup>5</sup> <b>Total: 1,839,308 Securities<sup>6</sup></b>	4.3% (following conversion of Convertible Notes to Conversion Shares but excluding exercise of Conversion Options)  4.6% (following conversion of Convertible Notes to Conversion Shares and assuming exercise of Conversion Options to Option Shares)	0.8% (following conversion of Convertible Notes to Conversion Shares but excluding exercise of Conversion Options)  1.1% (following conversion of Convertible Notes to Conversion Shares and assuming exercise of Conversion Options to Option Shares)

Notes:

1. This is calculated on a diluted basis, which assumes 36,292,792 Shares and 3,144,651 Options convertible into 1 Share each on issue at the date of this Notice of Meeting.
2. Including all Securities held by that recipient's Associates as at the date of this Notice.

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3. This is the total projected Shareholding of the recipient on a diluted basis assuming all Convertible Notes the subject of each Resolution (on a standalone basis) are issued and subsequently converted at a conversion price of \$0.05 and, in the case of the Conversion Options, exercised (including interest payments, Conversion Options and other Options held are exercised or converted to Shares at the Initial Maturity Date, unless otherwise stated). This also assumes that no additional Securities are acquired by or issued to the recipient other than as stated in the table. Refer however to paragraphs 55 and 56 of the Notice of Meeting regarding restrictions which apply to the conversion of the Convertible Notes if the conversion would result in the Company or a recipient to be in breach of any applicable law, including for example 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.
  4. This is calculated from the perspective of the shareholders other than those who may be issued Convertible Notes under the Resolutions, on the assumption that all Convertible Notes (including interest payments) that are the subject of each Resolution (on a standalone basis), Conversion Options and other Options will be issued, exercised and converted to Shares at the Initial Maturity Date.
  5. Refer to Resolutions 5 – 10 of this Explanatory Statement for further details. Each Convertible Note has a face value of \$100 and is convertible into that number of Conversion Shares which is equal to the face value plus accrued interest divided by conversion price (refer to paragraph 55), and free attaching Conversion Options on a 1 for 2 basis (which are each exercisable into 1 Option Share). For the purposes of this table, accrued interest to the Initial Maturity Date has been assumed.
  6. This is calculated as the current securities held by the shareholder (both shares and options, on the assumption that each option is exercised into 1 share) divided by 39,437,443, being the total shares and options on issue (being 36,292,792 Shares plus 3,144,651 options).
  7. The figures shown in this Schedule 4 have been rounded for the purposes of this calculation and, as such, the exact dilution figures and percentages may vary from those above.