

# CAPITAL RAISING PRESENTATION

Placement and Entitlement Offer of  
Convertible Notes



SEPTEMBER 2021

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This Presentation has been prepared by Mosaic Brands Limited 003 255 221 (**Mosaic Brands** or **Company**) and is dated 6 September 2021. This Presentation has been prepared in relation to the Company's proposed placement of new convertible notes in the Company (**Notes**) to eligible institutional, sophisticated or professional investors (**Placement**), and a pro rata non-renounceable entitlement offer of Notes to all eligible shareholders of the Company (**Entitlement Offer**, and together with the **Placement**, the **Offer**). The Company reserves the right to withdraw the Offer or vary the Offer. Wilsons Corporate Finance Limited (**Wilson** or **Underwriter**) is acting as sole lead manager and underwriter of the Entitlement Offer. The Placement is not underwritten.

Notes issued under the Offer will be issued with disclosure under a transaction specific prospectus prepared in accordance with section 713 of the Corporations Act (**Prospectus**).

## Summary information

This Presentation contains summary information about the Company and its subsidiaries (**Group**) and their respective activities which are current as at the date of this Presentation. The information in this Presentation is of a general nature and does not purport to be complete nor does it contain all information which a prospective investor may require in evaluating a possible investment in the Company or that would be required in a prospectus or product disclosure statement prepared in accordance with the requirements of the Corporations Act. This presentation should be read in conjunction with the Company's other periodic and continuous disclosure information lodged with the Australian Securities Exchange (**ASX**), which are available at [www.asx.com.au](http://www.asx.com.au). Certain market and industry data used in connection with this Presentation may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications.

## Market and industry data

Certain market and industry data used in connection with this Presentation may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. None of the Company, its representatives or advisers have independently verified any such market or industry data provided by third parties or industry or general publications.

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This Presentation is for information purposes only and is not a prospectus, disclosure document, product disclosure statement or other offering document under Australian law or any other law (and will not be lodged with the Australian Securities and Investments Commission (**ASIC**) or other similar regulatory body). This Presentation is not and should not be considered an offer or an invitation to acquire entitlements or Notes or any other financial products. The Offer will be made on the basis of the information contained in the Prospectus that will be made available when the Notes are offered. Any eligible shareholder in Australia or New Zealand who wishes to participate in the Entitlement Offer should consider the Prospectus in deciding whether to acquire Notes and will need to complete the application form that will be in or will accompany the Prospectus.

This Presentation is not and should not be considered an offer or an invitation to acquire the Notes or any other financial products and does not and will not form any part of any contract for the acquisition of the Notes. This Presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or any other jurisdiction in which such an offer would be illegal. The securities referred to in this Presentation have not been, and will not be, registered under the US Securities Act of 1933 (the **US Securities Act**) or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States unless the securities have been registered under the US Securities Act (which the Company has no obligation to do or procure) or are offered or sold pursuant to an exemption from, or in transactions not subject to, the registration requirements of the US Securities Act. This Presentation may not be distributed or released in the United States.

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## Investment risk

An investment in Notes is subject to known and unknown risks, some of which are beyond the control of the Group, including possible delays in repayment and loss of principal and income invested. The Company does not guarantee any particular rate of return or the performance of the Group, nor does it guarantee the repayment of capital from the Company or any particular tax treatment. Persons should have regard to the risk factors outlined in this Presentation. An investment in Notes should be considered speculative.

# DISCLAIMER AND REGULATORY DISCLOSURES

## Forward-looking statements and forecasts

This Presentation contains certain "forward-looking statements" that are based on management's beliefs, assumptions and expectations and on information currently available to management. Forward-looking statements can generally be identified by the use of forward-looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target", "outlook", "guidance" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Such forward-looking statements include, but are not limited to, statements regarding certain plans, strategies and objectives of management of the Company, the outcome and effects of the Offer and the use of proceeds. Indications of, and guidance or outlook on, future earnings or financial position or performance, future earnings and distributions are also forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements. Any such statements, opinions and estimates in this Presentation, including the current trading outlook, speak only as of the date hereof and are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. Forward-looking statements are provided as a general guide only. The forward-looking statements contained in this Presentation are not indications, guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of the Group (including but not limited to the current Covid-19 Pandemic), and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements, including the risk factors set out in this Presentation. Investors should consider the forward-looking statements contained in this Presentation in light of those risks and disclosures. The forward-looking statements are based on information available to the Company as at the date of this Presentation. The Presentation also includes a current trading outlook, which is based on a number of assumptions concerning future events, including, without limitation, the successful implementation of the Group's business operation strategies, as well as a number of assumptions and estimates relating to factors affecting the Group's business (including but not limited to the current Covid-19 Pandemic). Given the current uncertainties regarding the impact of the current Covid-19 Pandemic on the trading conditions impacting the Company, the financial markets and the health services world-wide investors are cautioned not to place undue reliance on the current trading outlook.

No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including the Company or any of its advisers). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this Presentation will actually occur. Actual operations, results, performance, production targets or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Except as required by law or regulation (including the ASX Listing Rules), the Company disclaims any obligation or undertaking to update forward-looking statements in this Presentation to reflect any changes in expectations in relation to any forward-looking statement or change in events, circumstances or conditions on which any statement is based.

## Past performance

Past performance and pro forma financial information given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of the Group's views on its future financial performance or condition. Investors should note that past performance, including past share price performance, of the Company cannot be relied upon as an indicator of (and provides no guidance as to) future performance of the Group including future share price performance. The historical financial information contained in this Presentation is, or is based on, information that has previously been released to the market.

The information in this Presentation has been obtained from or based on sources believed by the Company to be reliable.

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CONVERTIBLE  
**NOTE OFFER**



# CAPITAL RAISING OVERVIEW

<b>Purpose</b>	<ul style="list-style-type: none"> <li>As per the recent FY21 results announcement, Mosaic Brands (<b>Mosaic Brands</b> or the <b>Company</b>) delivered a considerable and successful reset of its overall business and experienced a re-emergence of positive retail trade</li> <li>As is the case across the majority of the retail sector, recent widespread lockdowns during the first two months of FY22 have disrupted Group momentum. Almost all stores across our entire portfolio experiencing restrictions or full lockdowns in some form during this period</li> <li>Given the prolonged lockdown and subsequent impact on cash flow, the Offer is being conducted to provide Mosaic Brands with additional balance sheet support until lockdown measures are eased and stores are re-opened for trade</li> </ul>
<b>Capital Raising Summary</b>	<ul style="list-style-type: none"> <li>Capital raising of \$32.0 million via the issue of convertible notes (<b>Notes</b>) (the <b>Offer</b>)</li> </ul>
<b>Impact of Offer</b>	<ul style="list-style-type: none"> <li>Post Offer, pro-forma cash (as at 27 Jun 2021) of approximately \$88.1 million</li> <li>Post Offer, the Company expects to be well funded through the current period of disrupted trading, based on conservative assumptions around lockdown easing measures and timing of stores re-opening</li> </ul>
<b>Existing Debt Facilities and Other Conditions Precedent</b>	<ul style="list-style-type: none"> <li>The following items are conditions precedent to the Underwriting and settlement of the Offer: <ul style="list-style-type: none"> <li>— The Note Trustee receiving the necessary regulatory consents and approvals from ASIC;</li> <li>— Documentation of ANZ’s consent to issue of the Notes, the security and terms of an intercreditor deed;</li> <li>— Documentation of a deferral of the scheduled \$10m step down of the existing facility; and</li> <li>— Documentation of a restructure of the current financial covenant package in respect of the existing ANZ facility to take into consideration the impact of COVID lockdowns in circumstances where lockdowns are extended beyond the current expected time frame or retail trading conditions worsen beyond what is currently anticipated.</li> </ul> </li> <li>The Offer will replace the proposed top-up working capital facility from Alceon Group</li> </ul>
<b>Ezibuy Option</b>	<ul style="list-style-type: none"> <li>Mosaic intends to exercise its option for the remaining shares in Ezibuy during September 2021. Payment terms for the \$11.0m acquisition consideration are proposed to be extended from December 31 2021, to provide additional balance sheet flexibility, and Mosaic would have up to June 30 2022 to settle the exercise price</li> </ul>

# CAPITAL RAISING OVERVIEW

<b>Offer Size &amp; Structure</b>	<ul style="list-style-type: none"> <li>Underwritten capital raising of \$32.0 million consisting of:             <ul style="list-style-type: none"> <li>— A \$10 million strategic placement of Notes to Danfin Pty Ltd, (<b>Placement</b>); and</li> <li>— A \$22 million 1 for 4.39 pro-rata non-renounceable entitlement offer (<b>Entitlement Offer</b>) of Notes to eligible shareholders (collectively, the <b>Offers</b>)</li> </ul> </li> <li>32.0 million new, ASX listed Notes to be issued under the Offers (see Terms on P8)</li> </ul>
<b>Ranking</b>	<ul style="list-style-type: none"> <li>Notes will be secured by a second-ranking security behind the existing ANZ facility. ANZ has provided consent to the issue of the Notes</li> </ul>
<b>Major Shareholder Support</b>	<ul style="list-style-type: none"> <li>Investment trusts managed and controlled by Alceon Group Pty Ltd (<b>Alceon Group</b>) currently hold approximately 34.7 million shares in Mosaic representing combined voting power of approximately ~35.9%</li> <li>Alceon Group has pre-committed to taking up the investment trusts' full entitlement under the Offer. In addition, Alceon GT Pty Ltd as trustee for the Alceon Group Trust (<b>AGT</b>), the parent entity of Alceon Group has agreed to sub-underwrite a portion of the shortfall of the Entitlement Offer             <ul style="list-style-type: none"> <li>— Alceon Group has informed Mosaic Brands that it intends to pass through the investment trusts' entitlement through to the underlying investors within those trusts. The extent to which Alceon Group passes entitlements through to the underlying investors within the investment trusts will decrease Alceon Group's maximum potential voting power in the Company</li> <li>— Assuming 100% conversion of the Notes which may be issued to Alceon Group, at the minimum conversion price of \$0.25, the investment trusts managed and controlled by Alceon Group would have combined voting power of 63.0%<sup>1</sup> in Mosaic Brands</li> </ul> </li> </ul>
<b>Strategic Investor Support</b>	<ul style="list-style-type: none"> <li>Under the placement, Danfin Pty Ltd will subscribe for 10 million Notes at an issue price of \$1.00 per Note. The Placement will comprise two tranches as follows:             <ul style="list-style-type: none"> <li>— Tranche 1: approximately 3.6 million Notes to be issued on the Issue Date under the Company's existing ASX Listing Rule 7.1 placement capacity, to raise approximately \$3.6 million; and</li> <li>— Tranche 2: subject to the availability of the Company's Placement capacity and Shareholder approval for the issue of the Notes (to the extent required), approximately 6.4 million Notes, to raise a further approximately \$6.4 million</li> </ul> </li> <li>The Company expects to issue approximately 2.4 million Notes under Tranche 2 as soon as it has placement capacity to do so under ASX Listing Rule 7.1A. If required, the Company will include any resolutions required to approve the issue the remaining portion of Tranche 2 of the Placement Offer at its annual general meeting (proposed to be held in November 2021). Alceon Group has agreed to vote in favour of any resolution to issue Notes under Tranche 2 of the Placement Offer</li> </ul>

1) Assumes no interest is capitalised into the Notes except for the interest payable on the First Interest Payment Date, and no Capitalisation Interest accrues and all other Cash Interest is paid in cash, and that there is zero uptake from any other shareholder in the Entitlement Offer, and only the Notes issued to Alceon Group and AGT are converted and before the Notes are passed through directly to investors in the investment trusts

# CAPITAL RAISING OVERVIEW

<b>Entitlement Offer structure and Timing</b>	<ul style="list-style-type: none"><li>• Eligible shareholders will have the opportunity to subscribe for Notes in the Entitlement Offer equivalent to their pro-rata ownership of the ordinary shares in the Company as held on the Record Date</li><li>• In addition to their entitlements, eligible shareholders may apply for additional notes capped at 50% of an eligible shareholder's entitlement, such that the maximum aggregate amount of Notes that an eligible shareholder can apply for under the prospectus is 150% of their entitlement</li><li>• The Record date for the Entitlement Offer is 10 September 2021</li><li>• The Entitlement Offer will open on 15 September 2021 and close on 27 September 2021</li></ul>
<b>Documentation</b>	<ul style="list-style-type: none"><li>• Prospectus offering</li></ul>
<b>Proposed Note Trustee</b>	<ul style="list-style-type: none"><li>• Melbourne Securities Corporation Ltd (ACN 160 326 545, AFSL 428289)</li></ul>
<b>Lead Manager &amp; Underwriter</b>	<ul style="list-style-type: none"><li>• Wilsons Corporate Finance Limited</li></ul>

# CONVERTIBLE NOTE OFFER

# KEY TERMS



<b>Issuer</b>	Mosaic Brands Limited (ACN 003 321 579)
<b>Face value and size</b>	Face Value of \$1.00 per Note to raise \$32m in aggregate
<b>ASX listing</b>	Proposed to be listed on the ASX subject to satisfying the required listing criteria. If the required listing criteria is not satisfied, the Notes will be unlisted Notes
<b>Use of proceeds</b>	Proceeds will be used for general working capital purposes
<b>Security and ranking</b>	<p>Second ranking security position behind ANZ senior debt facility for repayment of principal and any accrued interest on a liquidation, distribution or exit scenario</p> <p>Mosaic Brands must not, without the approval of Noteholders, enter into any additional debt (except as permitted by the ANZ facility (as amended from time to time)) which currently includes a general provision for debt of up to \$1M or to refinance the ANZ whilst the Notes are in existence</p>
<b>Negative covenants</b>	While the Notes are in existence Mosaic Brands must ensure that, unless the Noteholders otherwise approve, total senior debt (including the ANZ facility or any replacement facility but excluding the Notes) does not exceed \$75M and that each debt facility reflects market terms for a facility of that nature
<b>Interest rate</b>	8% pa (Cash Interest) to be calculated quarterly in arrears and paid in cash, if permitted by the ANZ's facility documents (or any refinancing documents) and the intercreditor deed, with the balance of the interest to capitalise. In addition, interest at a rate of 6% pa (Capitalisation Interest) to be calculated quarterly in arrears and capitalised, however the Capitalisation Interest will only be paid in certain circumstances where the Company defaults under the Notes
<b>Conversion</b>	At any time after approximately 12 months after the date of issue, at the election of the Noteholder, the Notes may be partially or fully converted into that number of fully paid ordinary shares calculated by dividing the Face Value by at the lower of 51.5c and a 15% discount to the 30 day VWAP (or the price of any equity raising of the Company during that period), subject to a floor conversion price of 25c
<b>Term</b>	3 year term maturing 30 September 2024. If the Notes have not been converted or redeemed by the maturity date then the Company must redeem the Notes at Face Value, subject to the terms of the intercreditor deed with ANZ. Subject to compliance with the intercreditor deed with ANZ, and the right for Noteholders to first elect to convert, the Company may elect to redeem all Notes (and unpaid interest) before the Maturity Date. Subject to compliance with the intercreditor deed with ANZ, on a change of control transaction, Noteholders may elect to convert or require the Company to redeem their Notes
<b>Voting rights</b>	Noteholders do not have a right to vote at meetings of Shareholders without converting the Notes to shares. Noteholders may vote at meetings for Noteholders in accordance with the trust deed
<b>Events of default</b>	<p>Events of default include (if unremedied for 15 business days): non-payment of any amount payable by the Company under the Notes; breach of negative covenants; breach of other material obligations; an insolvency event; cross default with ANZ facility (or any replacement facility); the Company ceases or suspends its business; it is unlawful for the Company to perform any of its payment obligations under the Notes; a party's rights under the trust deed or Note terms are terminated or become void or unenforceable.</p> <p>If an event of default occurs, subject to the terms of the intercreditor deed with ANZ, the Notes will immediately be repayable including accrued interest. Subject to the terms of the intercreditor deed with ANZ, the trustee may take enforcement action against the Company in relation to the event of default.</p>
<b>Conditions precedent</b>	The Company will not issue any Notes until it has entered into the Intercreditor Deed and has documented consent from ANZ to the issue of Notes and granting of Security



# IMPACT OF OFFER ON BALANCE SHEET

\$m	Actual 27 June 2021	Impact of Offer (net of costs)	Pro forma position 27 June 2021
Cash and cash equivalents	57,831	30,303	88,134
Less: ANZ facility	(25,000)	-	(25,000)
Less: EziBuy Loan from Alceon Retail Bidco Pty Ltd	(6,450)	-	(6,450)
Less: Convertible Notes	-	(32,019)	(32,019)
<b>Net cash / (debt)</b>	<b>26,381</b>		<b>24,665</b>

- Pro forma cash position of approximately \$88.1m post Offer as at 27 June 2021
- The new capital is expected to provide sufficient capital for Mosaic through the current period of disrupted trading, based on conservative assumptions around lockdown easing measures and timing of stores re-opening
- Additionally, Mosaic has received credit approval from ANZ to defer the scheduled \$10m step down of the ANZ facility and to restructure its covenant package
  - The step down is currently due in 31 January 2022 and will be deferred to September 2022 or an earlier date if sales materially exceed forecasts
  - The restructure of the covenants take into consideration the impact of COVID lockdowns on covenant testing in circumstances where lockdowns are extended beyond the current expected time frame or retail trading conditions worsen beyond what is currently anticipated
- ANZ and Mosaic are currently working through these items and documentation of these changes are conditions precedent to the underwriting and issue of the Notes
- Mosaic is working with all landlords where it has had forced store closures due to State Government mandates in order to agree rental concessions for the full closure periods

# INDICATIVE OFFER TIMETABLE

Key step	
Announcement of the Offers	Monday, 6 September 2021
Prospectus lodged	Tuesday, 7 September 2021
Ex-date	Thursday, 9 September 2021
Record date for determining Entitlements	Friday, 10 September 2021
Exposure period ends	Tuesday, 14 September 2021
Prospectus and acceptance forms despatched Offer opens	Wednesday, 15 September 2021
Offer closes	Monday, 27 September 2021
Notes quoted on a deferred settlement basis	Tuesday, 28 September 2021
Announcement of results of the Entitlement Offer Issue date Deferred settlement trading ends	Friday, 1 October 2021
Notes commence trading on ASX (normal settlement basis)	Monday, 4 October 2021
Estimated issue of Notes under Tranche 2 of the Placement Offer which are not subject to Shareholder approval	Tuesday, 26 October 2021
Estimated issue of Notes under Tranche 2 of the Placement Offer which are subject to Shareholder approval	Monday, 15 November 2021

*All dates and times are indicative only and subject to change. Unless otherwise specified, all dates and times refer to Australian Eastern Standard Time (AEST). Subject to the requirements of the Corporations Act, the ASX listing rules and any other applicable laws, the Directors, in consultation with Wilsons, reserves the right to amend this timetable at any time.*



# KEY RISKS & UNDERWRITING TERMS

# KEY RISKS

The key risks associated with the Notes include the following:

- (**ranking**) the Notes rank behind the Company's existing secured debt on a winding-up of the Company. Therefore, notwithstanding the fact that the Notes will be secured, if there is a shortfall of funds on a winding-up, there is a risk that you will not receive a full (or any) repayment of your money invested in the Notes or payment of unpaid interest;
- (**interest**) interest on the Notes is calculated quarterly in arrears and capitalised unless payment of cash interest is permitted by the ANZ facility. If there is insufficient cash available to the Company to make interest payments on the due date or if cash payments are otherwise not possible as a result of the operation of the ANZ facility, interest will capitalise. Default interest will accrue at 14% pa and will be capitalised unless cash payment is permitted by the ANZ facility. There is a risk that the Company may be unable to pay interest or repay all or any of the money owed on the Notes on time or at all;
- (**redemption at maturity**) there is a risk that the Company has insufficient cash to redeem the Notes at the Maturity Date (or any earlier date as otherwise required under the Note Terms). In addition, the Company may be prevented from redeeming the Notes on the Maturity Date under the ANZ facility (if it remains on foot) or any replacement financing arrangement.
- (**early redemption**) Notes may be redeemed early by the Company in certain circumstances. There is a risk that the redemption amount payable may be less than the previously prevailing market value of Notes or the timing of such redemption may not accord with a Noteholder's individual financial circumstances or tax position.
- (**no voting rights**) there is a risk that Noteholders may be affected by corporate decisions made by the Company. Noteholders have no voting or other rights in relation to Shares until the Notes are Converted and Shares are issued to them. In addition, the Notes do not confer on Noteholders any right to subscribe for new securities or to participate in any new or bonus issue of securities (without first converting their Notes). The rights attaching to Shares, if Shares are issued, will be the rights attaching to the Shares at that time. Noteholders have not right to vote on or otherwise to approve any changes to the Constitution in relation to the Shares that may be issued to them upon Conversion. Therefore, Noteholders will not be able to influence decisions that may have an adverse consequence on them.
- (**enforcement risk**) Rights under the Note Terms and the Trust Deed may generally only be enforced by the Trustee and not by the Noteholders directly. Noteholders must notify the Trustee of their claims and rely on enforcement by the Trustee, except in certain circumstances where the Trustee has failed to take action after being directed by the Noteholders to do so. Further, enforcement rights under the Note Terms and the Trust Deed are subject to the ANZ facility.
- (**modifications**) The Company may in certain circumstances amend the Note Terms [and the Trust Deed] without the consent of the Noteholders.
- (**liquidity**) the Notes are a new issue of securities for which there is currently no established trading market and one may never develop. The Company will seek quotation of the Notes on the ASX to permit on-market trading of the Notes in Australia, however quotation of the notes is subject to ASX approval. If such approval is not obtained, the notes will remain unquoted. Any trading market for the Notes may be less liquid than the market for Shares. Illiquidity may have an adverse effect on the value of the Notes. There can be no assurance that Noteholders will be able to buy or sell Notes on ASX at a price acceptable to them, or at all.
- (**volatile markets**) the market price of Notes may fluctuate due to various factors that affect financial market conditions or factors relating to the Company. There may be volatility in the market price of Notes and this may result in a market price below the Issue Price of \$1.00 per Note. If you sell your Notes, you may not be able to do so at an acceptable price or at all (if insufficient liquidity exists in the market for Notes);

# KEY RISKS

The key risks associated with the Company include the following:

- **(Covid-19)** during the 2020 calendar year and subsequently until the date of this Presentation, the global Coronavirus (COVID-19) pandemic continued to have economic consequences and market uncertainty within the retail industry. The impacts have included store closures for the non-performing stores during the period for the Mosaic Brands. For EziBuy the impact has resulted in delays in the logistics for the sourcing and delivery for new and seasonally core products. The global impact of the COVID-19 pandemic, and the advice and responses from health and regulatory authorities, is continuously developing. The COVID-19 pandemic has had and may continue to have unpredictable and significant impact on capital markets and share prices and may adversely impact the Company's business and financial performance for the foreseeable future, in particular whilst lock-downs continue as one of the governments key strategies for limiting the spread of the virus. The Company's business is likely to continue to be affected by, among others, the geographic spread of the virus; changes in the severity of the disease; mutations in the COVID-19 virus; the duration of the pandemic (specifically if the Christmas 2021 trading period is impacted); the availability and effectiveness of vaccines; actions that may be taken by Australian federal and state governmental authorities (including in relation to stay at home orders and business closures), and governmental authorities in the other jurisdictions outside Australia in which the Company operates in response to the pandemic, including actions to relax or further tighten existing restrictions. The COVID-19 pandemic and such responsive measures could also impact the Company's ability to effectively implement its strategy, risk management framework and internal controls and procedures.
- **(future funding requirements)** the Company's ability to effectively implement its business and operational plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur may depend in part on its ability to continue to utilise its existing debt facilities or raise additional funds. The Company may require additional funding in the future in order to develop its business and to meet working capital costs. Additional equity financing may be dilutive to Shareholders and debt financing may involve restrictive covenants, which may limit the Company's operations and business strategy.
- **(competition)** the womenswear apparel retailing sector is competitive. There is a risk of increased competition from existing retail operators as well as new potential entrants into the Australian market, which may adversely impact the Company's financial performance. Current and future potential competitors include companies with greater resources providing similar and competing products. There is no assurance that competitors will not succeed in developing products that have higher customer appeal and no guarantee that the commercialisation of the Company's products will occur, revenue growth will be stimulated or that the Company will operate profitably in the short term.
- **(key personnel)** The operational and financial performance of the Company is dependent on its ability to attract and retain experienced management. The loss or unavailability of key personnel involved in the management of the businesses could have an adverse impact on the Company's financial performance.
- **(foreign exchange)** the Company is exposed to foreign exchange risk due to their garments being manufactured in countries other than Australia. The Company's primary exposure is to the US dollar. Although it has a policy of entering into hedging contracts, this may only provide for relatively short term management of foreign exchange risk. The Company may be exposed to the longer term movements of foreign exchange rates if it is unable to make commensurate adjustments to its selling or purchase price of those same garments.
- **(interest rate)** the Company utilises debt facilities to facilitate the day to day operations of the business. As a result, the Company will be exposed to movements in interest rates which may impact its cost of funding and financial performance. Movements in interest rates may also impact the Company's customers' spending patterns.

## General risks

The above risks are not an exhaustive list of the potential risks faced by Noteholders. There are a number of general commercial risk factors, general market risks and risks associated with an investment in securities that could adversely affect the Company's financial performance, position or prospects. A detailed summary of potential risks will be included in the Prospectus for the Offer.

# KEY UNDERWRITING TERMS

## Underwriting Agreement

The Offers are being underwritten by the Underwriter pursuant to the Underwriting Agreement. Under the Underwriting Agreement, the Underwriter has agreed to act as sole lead manager, bookrunner and underwriter for the Offers.

## Termination events

The Underwriter may terminate the Underwriting Agreement, at any time after the date of the Underwriting Agreement and on or before 2.00pm on the date for final settlement under the Offers by notice to the Company if any of the following events occur:

- i. the S&P/ASX All Ordinaries Index closes for two consecutive trading days during the Offers, or closes on the trading day prior to the final settlement date, lower than 90% of the level of that index as at the close of normal trading on ASX on the trading day immediately preceding the date of this agreement;
- ii. if
  - a. the Prospectus is not lodged with ASIC and ASX on or before 10 September 2021;
  - b. the Prospectus becomes misleading or deceptive or is likely to mislead or deceive (including misleading within the meaning in section 728(2) of the Corporations Act) or omits any information it is required to contain (in particular having regard to section 713 of the Corporations Act and any other applicable requirements) or there are no reasonable grounds for the making of any statement in the Prospectus relating to future matters; or
  - c. a new circumstance has arisen since the date of the Prospectus, which would have been required by the Corporations Act to be included in the Prospectus if the matter had arisen before the date;
- iii. any material statement or estimate in any offer document which relates to a future matter is or becomes incapable of being met;
- iv. the sequence of any event specified in the timetable which occurs on or prior to the final settlement date is delayed for five or more Business Days (other than a delay required by ASIC as a result of the extension of the exposure period for the Prospectus under section 727(3) of the Corporations Act) without the prior written approval of the Underwriter (following consultation with the Company);
- v. any person (other than the Underwriter) gives a notice in accordance with section 730 of the Corporations Act;
- vi. any person (other than the Underwriter) whose consent to the issue of an offer document is required by section 716 or 720 of the Corporations Act does not provide that consent in a form acceptable to the Underwriter (acting reasonably) or any person who has previously consented to the issue of an offer document withdraws such consent or any person otherwise named in an offer document with their consent (other than the Underwriter) withdraws such consent;
- vii. ASIC:
  - a. applies for an order under section 1324 or 1325, of the Corporations Act, or an order under Part 9.5 of the Corporations Act, in relation to the Offers or any offer document, except where such application or order does not become publicly known and is withdrawn within three Business Days of being made (or if it is made within three Business Days prior to the final settlement date it has been withdrawn prior to 12.00pm on the day before the final settlement date);
  - b. holds, or gives notice of intention to hold, a hearing or investigation in relation to the Offer or any offer document under the Corporations Act or the ASIC Act, except where such notice does not become publicly known and is withdrawn within three Business Days of being made (or if it is made within three Business Days prior to the final settlement date it has been withdrawn prior to 12.00pm on the day before the final settlement date);
  - c. prosecutes or gives notice of an intention to prosecute, except where such prosecution or notice does not become publicly known and is withdrawn within three Business Days of being made (or if it is made within three Business Days prior to the final settlement date it has been withdrawn prior to 12.00pm on the day before the final settlement date); or
  - d. commences proceedings against, or gives notice of an intention to commence proceedings against, the Company or any of its officers, employees or agents in relation to the Offers or any offer document, except where such proceedings or notice does not become publicly known and is withdrawn within three Business Days of being made (or if it is made within three Business Days prior to the final settlement date it has been withdrawn prior to 12.00pm on the day before the final settlement date);

# KEY UNDERWRITING TERMS

## Termination events (cont'd)

- viii. there is an application to the Takeovers Panel for an order, declaration or other remedy in connection with the Offers or any agreement entered into in connection with the Offers and the application is not withdrawn or rejected by the Takeovers Panel by the Business Day prior to the final settlement date;
- ix. criminal proceedings are brought against the Company or any officer of the Company in relation to any fraudulent, misleading or deceptive conduct relating to the Company whether or not in connection with the Offers or civil proceedings are brought against such persons in relation to fraudulent conduct relating to such matters;
- x. the Company withdraws the Offers or the invitations to apply for Notes under the offer documents;
- xi. a supplementary prospectus is in the reasonable opinion of the Underwriter required under the Corporations Act to be lodged with ASIC or the Company lodges a supplementary prospectus without the prior written approval of the Underwriter, in each case, to avoid a contravention of, or commission of an offence under, the Corporations Act;
- xii. the Company is prevented from issuing the Notes in accordance with this agreement;
- xiii. a closing certificate is not furnished when required to be furnished by the Company under this agreement;
- xiv. the Company ceases to be admitted to the official list of ASX;
- xv. trading in Shares on the financial market operated by ASX is halted or suspended (other than a trading halt contemplated by this agreement or with the prior written consent of the Underwriter), or the Shares cease to be officially quoted;
- xvi. ASX advises the Company in writing that official quotation of the Notes will not be granted, or such official quotation is granted but subsequently withdrawn, qualified or withheld or ASX suspends trading in the Notes which, for the avoidance of doubt, does not include the trading halt required in respect of the Offers or a trading halt or suspension otherwise implemented with the consent of the Underwriter to facilitate the Offers;
- xvii. the Company or any Group member breaches, or defaults under, any provision, undertaking, covenant or ratio of a material debt or financing arrangement (including the debt Facility agreement with the Senior Lender) or any related documentation to which that entity is a party which has or is likely to have a material adverse effect on the Group; or an event of default or event which gives a lender or financier the right to accelerate or require repayment of the debt or financing, or other similar material event occurs under or in respect to any such debt or financing arrangement or related documentation which has or is likely to have a material adverse effect on the Group;
- xviii. other than as disclosed to the Underwriter prior to the date of the Offers, a change in the Directors is announced or occurs;
- xix. other than as disclosed to the Underwriter prior to the date of this agreement, a change in chief executive officer of the Company is announced or occurs;
- xx. a member of the Group is or becomes Insolvent; and
- xxi. if:
  - a. a Director is charged with a criminal offence relating to any financial or corporate matter; or
  - b. any Director is disqualified under the Corporations Act from managing a corporation.

## Termination subject to materiality

The Underwriter may terminate the Underwriting Agreement, at any time after the date of the Underwriting Agreement and on or before 2.00pm on the date for final settlement under the Offers by notice to the Company, if the Underwriter has reasonable bona fide grounds to believe that:

- xxii. the event has had, or could be expected to have, individually or in aggregate, a material adverse effect on:
  - a. the success or outcome of the Offers;
  - b. the ability of the Underwriter to market or promote or settle the Offer; or
  - c. the market price of the Securities or the Notes; or
- xxiii. the Underwriter will contravene, or be involved in a contravention of, or incur a liability under, the Corporations Act or any other applicable law as a result of the event.

# KEY UNDERWRITING TERMS

## Termination subject to materiality (cont'd)

Some examples of these events include:

- xxiv. civil proceedings are brought against the Company or any officer of the Company in relation to any misleading or deceptive conduct relating to the Company whether or not in connection with the Offers;
- xxv. any regulatory body commences any public action against the Company or any of the Directors or publicly announces that it intends to take any such action;
- xxvi. a statement in a closing certificate is untrue incorrect or misleading or deceptive;
- xxvii. there is introduced into the parliament of the Commonwealth of Australia or any State or Territory of Australia a law or any new regulation is made under any law, or a Government Authority or the Reserve Bank of Australia announces and implements a new policy, or there is any official announcement on behalf of the Government of the Commonwealth of Australia or any State or Territory of Australia or a Government Authority that such a law or regulation will be introduced (as the case may be);
- xxviii. the due diligence committee report is or becomes misleading or deceptive or likely to mislead or deceive whether by omission or otherwise;
- xxix. a representation or warranty made or given, or deemed by clause 8 to have been made or given, by the Company under this agreement proves to be, or has been, or becomes, untrue or incorrect;
- xxx. the Company fails to comply with any of its obligations under this agreement;
- xxxi. a Government Authority withdraws, revokes or amends any regulatory approvals, including an ASX confirmation, required for the Company to perform its obligations under this agreement or to carry out the transactions contemplated by the offer documents;

## Termination subject to materiality

- xxxii. in respect of any one or more of Australia, the United States of America, any member state of the European Union, the Peoples Republic of China or South Korea:
  - a. hostilities not presently existing commence (whether or not war has been declared);
  - b. a major escalation in existing hostilities occurs (whether or not war has been declared);
  - c. a declaration is made of a national emergency or war,
  - d. or a significant act of terrorism is perpetrated anywhere in the world;
- xxxiii. the Australian federal government or any Australian state or territory government (i) extends the controls on the freedom of movement of persons (**Restrictions**) beyond the periods expected as at the date of this agreement or (ii) implements further unexpected wide ranging Restrictions, which, in each case, would materially impact the Company's Christmas trading;
- xxxiv. any of the following occurs:
  - a. any adverse change or disruption to financial markets of Australia, the United Kingdom, the United States of America, Hong Kong, the Peoples Republic of China;
  - b. a general moratorium on commercial banking activities in Australia, the United Kingdom, the United States of America, Hong Kong or the Peoples Republic of China is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
  - c. trading in all securities quoted or listed on ASX, the London Stock Exchange, the New York Stock Exchange, is suspended for at least one trading day; and
- xxxv. there is an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group including:
  - a. any adverse change in the earnings or future prospects of the Group from those disclosed to ASX in accordance with the ASX listing rules prior to the date of this agreement or in the offer documents; or
  - b. any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group from those disclosed to ASX in accordance with the ASX listing rules prior to the date of this agreement or in the offer documents.

## Indemnity

Subject to certain exclusions relating to, among other things, fraud, wilful misconduct or gross negligence by an indemnified party, the Company agree to keep the Underwriter and certain affiliated parties indemnified from losses suffered or incurred directly or indirectly arising out of or in connection with the Offers or the AGM.

## Conditions, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Underwriter (as well as common conditions precedent), including provision of final due diligence reports and sign-offs to the Underwriter, in a form and substance satisfactory to the Underwriter. The representations and warranties given by the Company include but are not limited to matters such as power and authorisations, compliance with applicable laws and the ASX listing rules, accounts, post balance date events, information contained in the Offer Document, the conduct of the Offers and the due diligence process and encumbrances.

The Company provides undertakings under the Underwriting Agreement which include but are not limited to notifications of breach of any obligation, representation or warranty or undertaking and that it will not, during the period following the date of the Underwriting Agreement until 120 days after Completion, issue or agree to issue any securities or other securities without the consent of the Underwriter (such consent not to be unreasonably withheld or delayed), other than as referred to in the offer document or grants or issues under an employee securities or option plan.





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