

Notice of Noteholder Meeting and Explanatory Memorandum

Mosaic Brands Limited

ACN 003 321 579

Date:	30 September 2024
Time:	11.00am (Sydney time)
Held at:	The meeting will be online only

NOTICE OF NOTEHOLDER MEETING

NOTICE is given that an Extraordinary General Meeting (**EGM**) of the Noteholders of Mosaic Brands Limited ACN 003 321 579 (the **Company**) will be held at 11.00am (Sydney time) on 30 September 2024 as an online only meeting (see following notes for details of how to participate).

BUSINESS

Noteholders are invited to consider the following item of business at the EGM:

AGENDA

Resolution 1 – Approval of the Convertible Note Terms variation

Resolution 1	Approval of the Convertible Note variation
Description	The Company seeks approval of Noteholders to amend the Note Terms and conditions.
Resolution	<p>To consider and, if thought fit, pass the following resolution as a special resolution:</p> <p><i>“That for the purposes of clause 12.2 of the Note Terms, Noteholder approval and authority is given to the Trustee to modify, alter, amend or add to the Notes in any or all of the proposals set out in Schedule 1 and the terms and conditions set out in the Explanatory Memorandum.”</i></p>

Dated: 6 September 2024

By order of the Board of Mosaic Brands Limited



David Clarke
Company Secretary

Questions from Noteholders

In order to provide an equal opportunity for all Noteholders to ask questions of the Board, we ask you to submit in writing any questions to the Company. Please send your questions to:

The Company Secretary, **Mosaic Brands Limited**

Ground Floor, 61 Dunning Avenue, Roseberry NSW 2018

T. 02 8577 7784

F. 02 9831 2876

E. david.clarke@mosaicbrandsltd.com.au

Written questions must be received by no later than 5.00 pm (Sydney time) on Wednesday, 25 September 2024.

Your questions should relate to matters that are relevant to the business of the Noteholder Meeting, as outlined in this Notice of Meeting and Explanatory Memorandum.

Online meeting

The Company has elected to host the Noteholder meeting virtually, through <https://meetnow.global/MQVQJMZ>. Noteholders will be able to join the Noteholder meeting from their computer, tablet or mobile device by logging into the Computershare Meeting Platform and entering Meeting ID MQVQJMZ where they can ask questions and vote on the Resolution. Further information on how to participate is set out in the online meeting guide at www.computershare.com.au/virtualmeetingguide. Please note that Noteholders will not be able to attend the Meeting in person.

All Resolutions will be conducted by poll. More information regarding virtual attendance at the Meeting (including how to vote, comment and ask questions virtually during the Meeting) is available in the virtual meeting guide, which is available at www.computershare.com.au/virtualmeetingguide.

The business to be considered at the Noteholder meeting is provided in this Notice of Meeting and the accompanying Explanatory Memorandum.

In accordance with the instructions set out on the Proxy Form, Noteholders can vote by proxy by completing the enclosed Proxy Form. Proxies must be received no later than 11.00am (Sydney time) on Sunday, 29 September 2024 to be valid for the Noteholder meeting.

Voting by proxy

- (a) A Noteholder entitled to attend and vote at the Noteholder Meeting may appoint one proxy or, if the Noteholder is entitled to cast 2 or more votes at the Meeting, 2 proxies, to attend and vote instead of the Noteholder.
- (b) Where 2 proxies are appointed to attend and vote at the Meeting, each proxy may be appointed to represent a specified proportion or number of the Noteholder's voting rights at the Meeting.
- (c) A proxy need not be a Noteholder of the Company.
- (d) A proxy may be an individual or a body corporate. If a body corporate is appointed, the proxy form must indicate the full name of the body corporate and the full name or title of the individual representative of the body corporate for the Meeting.
- (e) You may still attend the EGM even if you have appointed a proxy. However, your proxy's authority to speak and vote for you at the meeting is suspended while you are present at the meeting.

- (f) If you appoint someone other than the Chair as your proxy and give them voting instructions, the Corporations Act provides that the Chair of the meeting must cast those proxy votes on your behalf if your nominated proxy does not do so.
- (g) In accordance with the Convertible Note Trust Deed, the Trustee will nominate a person who is independent of the Company to chair the Meeting. The Company understands that the chair intends to vote all available undirected proxies in favour of Resolution 1.
- (h) A proxy form accompanies this Notice. If a Noteholder wishes to appoint more than 1 proxy, they may make a copy of the proxy form attached to this Notice. For the proxy form to be valid it must be received together with the power of attorney or other authority (if any) under which the form is signed, or a certified copy of that power of authority not less than 24 hours before the time appointed for the EGM (or any adjournment of that time):

Online	Visit www.investorvote.com.au and follow the instructions
	Custodian voting for intermediary online subscribers only www.intermediaryonline.com
By post	Computershare Investor Services Pty Limited GPO Box 242, Melbourne VIC 3001
By personal delivery	Ground Floor, 61 Dunning Avenue Rosebery NSW 2018
By facsimile	1800 783 447 (within Australia) +61 (0)3 9473 2555 (outside Australia)

Technical difficulties

Technical difficulties may arise during the course of the Noteholder Meeting. The Chair has discretion as to whether and how the meeting should proceed in the event that technical difficulties arise. In exercising his or her discretion, the Chair will have regard to the number of members impacted and the extent to which participation in the business of the Noteholder Meeting is affected.

Where the Chair considers it appropriate, the Chair may continue to hold the Noteholder Meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions.

EXPLANATORY MEMORANDUM

TO NOTICE OF EXTRAORDINARY NOTEHOLDER MEETING

This Explanatory Memorandum has been prepared to provide information which the Directors believe to be material to Noteholders in deciding whether or not to pass the Resolution.

1. RESOLUTION 1 – APPROVAL OF CONVERTIBLE NOTE TERMS VARIATION

1.1 Background

The Notes were issued pursuant to the terms set out in the Convertible Note Trust Deed executed on or about 10 September 2021 (**Note Terms**). The Notes are quoted on ASX under the code MOZG.

The Note Terms currently provide that a holder of a Note (the **Noteholder**) may elect to convert their Notes as follows:

- (a) on conversion, each holder of a Note will be issued a number of Shares equal to:
*the Face Value for that Note plus all capitalised interest (the **Note Principal Amount**) divided by the conversion price (**Conversion Price**).*
- (b) The current Conversion Price of the Notes is the lower of:
 - (i) \$0.515; and
 - (ii) a 15% discount to the 30-day VWAP of Shares (as traded on ASX) prior to the date of conversion; and
 - (iii) a 15% discount to the price of any equity capital raising by the Company that occurred in the 30-day period prior to the date of conversion,subject to a minimum conversion price of \$0.25 (**Minimum Conversion Price**).

As at the date of this Notice, there are currently 14,554,986 Notes on issue, each with face value \$1.2402 (representing the original face value of \$1.00 plus capitalised interest up to and including 30 September 2024). The current Note Principal Amount outstanding is \$18,051,094. This includes the forthcoming interest payment for the quarter ending 30 September, which the Company intends to capitalise. The current 30-day VWAP of Shares is well below \$0.25 meaning that the Minimum Conversion Price would apply to any conversion at present.

If the Notes are not converted prior to 30 September 2024 (**Maturity Date**) the Company must redeem the Notes for cash, by payment of the Note Principal Amount plus any accrued interest.

Given the Company's current share price, the Board considers it extremely unlikely that any material number of Notes will be converted between now and the Maturity Date.

The Company does not currently have sufficient liquid funds to redeem the Notes in full. The Board has considered in detail several options to be in a position to meet its obligations under the Notes, including potential refinancing arrangements and amending or varying the Note Terms. After discussion with key Noteholders and other potential investors, it is apparent to

the Board that a capital raising by a new issue of convertible notes for the purpose of redeeming the current Notes would (even if it could be completed before the Maturity Date, which is doubtful) result in the Company having new convertible notes with terms that are likely to be materially less favourable to the Company and its shareholders than the current Note Terms or the proposed varied Note Terms set out below.

Accordingly, the Board strongly recommends Noteholders support the proposed variation to the current Note Terms.

1.2 Proposed variation to Note Terms

Subject to Shareholder approval and the consent of Noteholders and approval from the Trustee, the Company proposes amending the rights of its existing class of Notes as set out in the Trust Deed and Note Terms as follows:

- (a) the Note Principal Amount will be grossed up immediately after the end of the September 2024 quarter for the following fees:
 - (i) an extension fee of 10%; and
 - (ii) an interest capitalisation fee of 12% to compensate Noteholders for not having received cash interest payments since the original issue of the Notes,
 increasing the Note Principal Amount to \$1.5279 at 1 October 2024;
- (b) the Maturity Date being extended by 18 months, from 30 September 2024 to 31 March 2026 (**Extended Maturity Date**);
- (c) the floor conversion price of \$0.25 being reduced to \$0.10 (**Minimum Conversion Price**); and
- (d) the cash interest rate being increased from 8% to a market based rate of 20% per annum (compounded quarterly).

Summary of proposal	Current Note Terms	Proposed variations to Note Terms
Principal amount	\$1.2402 per Note (includes face value of \$1.00 and capitalised interest of \$0.2402)	\$1.5279 per Note (including the 10% and 12% fees noted above)
Maturity Date	30 September 2024, unless converted earlier by the Noteholders or redeemed or cancelled by the Company	31 March 2026
Minimum Conversion Price	\$0.25	\$0.10
Cash Interest Rate	8% per annum	20% per annum, to be calculated quarterly in arrears

The proposed variations to lower the Minimum Conversion Price and increase the Principal Amount, combined with the higher Interest Rate until the Extended Maturity Date, would result

in a maximum of approximately 298,023,164 Conversion Shares being issued on conversion of the Notes.

1.3 Approvals required

In accordance with clause 12.2 of the Note Terms, before a variation of the Note Terms can be agreed between the Company and the Trustee, the Trustee requires authorisation by a resolution of Noteholders. The resolution will be an ordinary resolution (simple majority of votes cast), unless the Trustee considers the variation will “materially and adversely affect the rights of Noteholders (taken as a whole)” in which case authorisation by special resolution (75% majority of votes cast) of Noteholders will be required. In this case, the Trustee has determined that Resolution 1 is to be a special resolution.

In addition to Noteholder approval, Shareholder approval is also required for the purposes of the ASX Listing Rules because the proposed variation to the Note Terms would result in an increase in the maximum number of Shares that could be issued on conversion of the Notes. Specific approvals for an increase in potential conversion shares in respect of certain related party and other Noteholders are also being sought for the purposes of the ASX Listing Rules.

If Noteholders approve Resolution 1 in this Notice, and subject to Trustee and Shareholder approval, the Note Terms for the Convertible Notes will be amended by means of the Company and the Trustee executing a deed of variation. This deed would be entered into as soon as practicable and in any event within one month after all of the necessary approvals have been obtained.

If Noteholders do not approve Resolution 1 in this Notice, the Company will not be able to amend the terms of the Notes. This will result in the Company needing to structure an alternative refinancing transaction which, based on indicative discussions to date, is likely to be on worse terms than the proposed variation to the Note Terms and would be materially unfavourable for the Company, its Shareholders and Noteholders.

1.4 Additional information

The Board recommends that Noteholders vote in favour of Resolution 1.

Glossary

\$ means Australian dollars.

Board means the current board of directors of the Company.

Chair means the person appointed by the Trustee who is independent of the Company in accordance with the terms of the Convertible Note Trust Deed.

Company means Mosaic Brands Limited ACN 003 321 579.

Convertible Note Trust Deed means the Convertible Note Trust Deed executed on or about 10 September 2021.

Corporations Act means the *Corporations Act 2001 (Cth)* as amended.

Directors means the current directors of the Company.

Existing Noteholders or **Noteholders** means the existing holders of the Notes as at the date of the Notice.

Explanatory Memorandum means the Explanatory Memorandum accompanying the Notice.

Extended Maturity Date means 31 March 2026.

Maturity Date means 30 September 2024.

Minimum Conversion Price means the floor price of \$0.25, proposed to be amended to \$0.10.

Note means a redeemable, secured convertible note issued by the Company on the Note Terms set out in the Convertible Note Trust Deed.

Noteholder Meeting or **Meeting** means the meeting convened by the Notice.

Note Terms means the terms and conditions of issue of the Notes as set out in the Convertible Note Trust Deed.

Notice or **Notice of Meeting** or **Notice of Noteholder Meeting** means this notice of Noteholder meeting and the explanatory notes accompanying the Notice and the Proxy Form.

Proxy Form means the proxy form accompanying the Notice.

Resolution means the resolution set out in the Notice.

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

Shareholder means a holder of a Share.

Schedule 1 – Amendments to Note terms

The Note Terms in Schedule 1 of the Convertible Note Trust Deed are varied with effect on and from 1 October 2024 by replacing the following defined terms as set out below:

1. Note Principal Amount

The Note Principal Amount in section 14.2 of the Note Terms in Schedule 1 is amended to read as follows:

"**Note Principal Amount** means, in respect of a Note, the Face Value for that Note (being **\$1.5279** per Note as at 1 October 2024) plus all capitalised interest that has been added in accordance with section 2.3, subject to further amendment in accordance with the Note Terms."

2. Maturity Date

The Maturity Date is varied from **30 September 2024** to **31 March 2026**.

3. Interest Rate

The Cash Interest Rate in section 14.2 of the Note Terms in Schedule 1 is varied from **8% per annum** to **20% per annum**.

4. Minimum Conversion Price

The Minimum Conversion Price is varied from **\$0.25** to **\$0.10**.

Shareholder approval condition

To the extent that ASX Listing Rule 7.1 would limit the number of Conversion Shares that could be issued upon the varied conversion terms set out above, the variation will (to that extent) be conditional upon the Company obtaining shareholder approval for the purposes of ASX Listing Rule 7.1.

Need assistance?



Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:
www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **11:00am (AEST) Sunday, 29 September 2024.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form:

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 184060

SRN/HIN:

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Mosaic Brands Ltd hereby appoint

☐ the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Noteholder Meeting of Mosaic Brands Ltd to be held as a virtual meeting on Monday, 30 September 2024 at 11:00am (AEST) and at any adjournment or postponement of that meeting.

Step 2 Item of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
1 Approval of the Convertible Note Terms variation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

Update your communication details (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically