



ASX ANNOUNCEMENT

24 December 2019

Updated Notice of Meeting

Candy Club Holdings Limited provides the attached amended Notice of Meeting which has been updated to comply with new ASX Listing rule requirements which were introduced in December 2019. The meeting will be held on 9 January 2020 at 11 am AEDT at Seasons Botanic Gardens Melbourne, 348 St Kilda Road Melbourne VIC 3004.

The associated Independent Expert Report prepared by Nexia and Proxy Form remain unchanged and were lodged with ASX on 5 December 2019.

Justyn Stedwell
Company Secretary
Candy Club Holdings Limited
T: 03 9191 0135

About Candy Club:

Candy Club is a leading specialty market confectionary company which operates a wholesale business and a direct-to-consumer subscription business in the USA. Founded in 2015 by serial entrepreneur Keith Cohn, the Company is executing an omni-channel strategy with a vision to become the world's leading specialty market confectionary company. The Company is headquartered in Los Angeles, CA, United States.

Candy Club Holdings Limited
ACN 629 598 778
Unit 1B 205-207 Johnston St Fitzroy VIC 3065

CANDY CLUB HOLDINGS LIMITED

ACN 629 598 778

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that the Meeting will be held at:

Date: 9 January 2020

Time: 11:00 am (AEDT)

Venue: Seasons Botanic Gardens Melbourne

Address: 348 St Kilda Road Melbourne VIC 3004

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

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.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00 PM AEDT on 7 January 2020.

CANDY CLUB HOLDINGS LIMITED ACN 629 598 778
NOTICE OF EXTRAORDINARY GENERAL MEETING 2020

MEETING DETAILS

Notice is hereby given that the Extraordinary General Meeting of Candy Club Holdings Limited ACN 629 598 778 will be held at Seasons Botanic Gardens Melbourne 348 St Kilda Road Melbourne VIC 3004 on 9 January 2020 at 11:00 am (AEDT) (hereinafter referred to as '**the Meeting**').

Important notes:

1. You may vote on the items of business to be considered at the Meeting, either in person at the Meeting or by completing and returning the Proxy Form enclosed herein.
2. If you attend the Meeting, you will need to register at the registration desk on the day. Registration will commence at 10:45 am AEDT.
3. Discussion will take place on all the items of business set out in the Agenda below.
4. The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.
5. Terms and abbreviations used in this Notice of Meeting and Explanatory Memorandum are defined in the Glossary at page 41 of this Notice.

As explained in the 'voting exclusion statement' below, certain shareholders are excluded from voting in relation to particular Resolutions and the Company must disregard any votes cast by those shareholders. Please do not vote if your vote must be disregarded.

AGENDA

1. RESOLUTION 1 – RATIFICATION OF ISSUE OF CONVERSION SECURITIES TO NON-RELATED PARTIES

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

"That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 1,232,659 Shares and 1,666,209 Class A Options on 7 November 2019 to sophisticated or professional investors, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice."

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf any person who participated in the issue or is a counterparty to the agreement being approved.

However, the Company need not disregard a vote if it is cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- 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
- 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.

2. **RESOLUTION 2 – RATIFICATION OF ISSUE OF LEAD MANAGER SHARES, LEAD MANAGER OPTIONS AND LEAD MANAGER PERFORMANCE OPTIONS**

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

“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 825,000 Shares and 6,825,000 Class A Options on 7 November 2019 to the Lead Manager or its nominees, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf any person who participated in the issue or is a counterparty to the agreement being approved.

However, the Company need not disregard a vote if it is cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- 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
- 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.

3. **RESOLUTION 3 – APPROVAL OF ISSUE OF REMAINING CONVERSION SECURITIES TO RELATED PARTY – CHI KAN TANG**

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

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the issue of Shares and Options pursuant to conversion of the Debts Payable under the Debt Raising to Chi Kan Tang (a director of the Company) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of the person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company).

However, the Company need not disregard a vote if it is cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- 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

- 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.

4. RESOLUTION 4 – APPROVAL OF ISSUE OF REMAINING CONVERSION SECURITIES TO RELATED PARTY – JCKB PTY LTD

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

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the issue of Shares and Options pursuant to conversion of the Debts Payable under the Debt Raising to JCKB Pty Ltd, being an entity controlled by James Baillieu (a director of the Company) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of the person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company).

However, the Company need not disregard a vote if it is cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- 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
- 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.

5. RESOLUTION 5 – APPROVAL OF ISSUE OF REMAINING CONVERSION SECURITIES TO RELATED PARTY – RJIR PTY LTD <ZDR FAMILY TRUST>

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

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the issue of Shares and Options pursuant to conversion of the Debts Payable under the Debt Raising to RJIR Pty Ltd <ZDR Family Trust>, being an entity controlled by Zachry Rosenberg (a former director of the Company) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of the person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company).

However, the Company need not disregard a vote if it is cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- 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
- 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.

6. RESOLUTION 6 – APPROVAL OF ACQUISITION OF RELEVANT INTEREST BY RELATED PARTIES – JAMES BAILLIEU AND JCKB PTY LTD

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

“That, for the purposes of section 611 (Item 7) of the Corporations Act and for all other purposes, approval is given for the following acquisitions of relevant interests in the issued voting shares of the Company otherwise prohibited by section 606(1) of the Corporations Act:

- (a) *the acquisition of a relevant interest in up to 25.27% of the Company’s voting shares by JCKB Pty Ltd (based on all of the Conversion Shares, the Loan Shares and the Placement Shares being issued as a result of Resolutions 4, 7 and 8 being passed); and*
- (b) *the acquisition of a relevant interest in up to 25.27% of the Company’s voting shares by James Baillieu (based on all of the Conversion Shares, the Loan Shares and the Placement Shares being issued as a result of Resolutions 4, 7 and 8 being passed),*

on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of JCKB Pty Ltd, James Baillieu and any of their associates.

However, the Company need not disregard a vote if it is cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- 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
- 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.

Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required for Resolution 6 under section 611 Item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this Resolution to the non-associated Shareholders of the Company.

7. **RESOLUTION 7 – APPROVAL OF ISSUE OF PLACEMENT SECURITIES TO RELATED PARTY – JKCB PTY LTD**

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

“That, subject to the passing of Resolution 6, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the issue of the Placement Securities to JKCB Pty Ltd, being an entity controlled by James Baillieu (a director of the Company), on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of the person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company).

However, the Company need not disregard a vote if it is cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- 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
- 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.

8. **RESOLUTION 8 – APPROVAL OF ISSUE OF LOAN SHARES TO RELATED PARTY – JCKB PTY LTD**

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

“That, subject to the passing of Resolution 6, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the grant of a right to convert the Loan into Shares in satisfaction of the Loan and interest payable under the Loan, and the subsequent issue of Shares to JCKB Pty Ltd, being an entity controlled by James Baillieu (a director of the Company) upon the exercise of such right, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of the person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company).

However, the Company need not disregard a vote if it is cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- 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
- 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.

9. RESOLUTION 9 – ISSUE OF DIRECTOR OPTIONS TO RELATED PARTY – ANDREW CLARK

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

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the issue of 3,100,000 Director Options to Andrew Clark, being a Director of the Company (or his nominee), on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of the person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company).

However, the Company need not disregard a vote if it is cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- 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
- 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.

10. RESOLUTION 10 – APPROVAL OF ISSUE OF MANAGEMENT SHARES TO RELATED PARTY – SABONE INTERNET INVESTMENTS LLC

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

“That for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the grant of a right to convert the Management Fee Amount into Shares, and the subsequent issue of Shares to Sabone Internet Investments LLC, being an entity controlled by Keith Cohn (a Director of the Company) upon the exercise of such right, on

the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of the person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company).

However, the Company need not disregard a vote if it is cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- 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
- 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.

11. RESOLUTION 11 – APPROVAL OF ISSUE OF MANAGEMENT SHARES TO NON-RELATED PARTIES

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

“That for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the grant of a right to convert the Management Fee Amount into Shares, and the subsequent issue of Shares to non-related management personnel of the Company upon the exercise of such right, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issued (except a benefit solely by reason of being a holder of ordinary securities in the Company).

However, the Company need not disregard a vote if it is cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- 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
- 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.

12. RESOLUTION 12 – APPROVAL OF ISSUE OF MANAGEMENT OPTIONS TO RELATED PARTY – SABONE INTERNET INVESTMENTS LLC

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

“That for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the grant of 15,600,000 Options to Sabone Internet Investments LLC, being an entity controlled by Keith Cohn (a Director of the Company), on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of the person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company).

However, the Company need not disregard a vote if it is cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- 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
- 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.

13. RESOLUTION 13 – REPLACEMENT OF CONSTITUTION

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

“That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the Chair of the Meeting for identification purposes.”

By order of the Board

Justyn Stedwell
Company Secretary

INFORMATION FOR SHAREHOLDERS

Entitlement to attend and vote at the Meeting

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that for the purpose of ascertaining a person's entitlement to vote at the Meeting, a person will be recognized as a Shareholder and the holder of Shares and will be entitled to vote at the Meeting if that person is registered as a holder of those Shares at 5:00 pm AEDT on 7 January 2020.

Votes

Voting on each resolution will be by way of a poll. On a poll, every member present in person or by attorney or by proxy or, in the case of a body corporate, by a representative, shall have one vote for each share held by him, her or it.

In the case of joint Shareholders, all holders may attend the Meeting but only one holder may vote at the Meeting in respect of the relevant Shares (including by proxy). If more than one joint holder is present, and more than one of the vote of the joint holders vote in respect of the relevant Shares, only the vote of the joint holder whose name stands first in the register in respect of the relevant Shares is counted.

Proxies

A Shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of the Shareholder.

Where the Shareholder is entitled to cast two or more votes, the Shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

A proxy need not be a Shareholder and may be a body corporate.

If a Shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it appoints an individual as its corporate representative to exercise its powers at the Meeting and provide satisfactory evidence of the appointment of its corporate representative prior to the commencement of the Meeting.

If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on the Resolutions by marking either "For", "Against" or "Abstain" on the form of proxy for that item of business. An instrument of proxy deposited or received at the registered office of the Company in which the name of the appointee is not filed in will be deemed to be given in the favour of the Chair of the Meeting.

Voting by Proxy if appointment specifies way to vote:

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution, and if that appointment does specify the way the proxy is to vote, then the following applies:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote as directed; and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution then the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on then the proxy must vote on a poll and must vote as directed; and
- if the proxy is not the chair then the proxy need not vote on the poll, but if the proxy does so, the proxy must vote as directed.

Transfer of non - chair proxy to chair in certain circumstances:

Section 250BC of the Corporations Act provides that if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - if a record of attendance is made for the meeting - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,
- the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

Undirected vote - Resolutions 1 to 13

Subject to the voting restrictions set out in the Voting Exclusion Statements, the Chair will vote undirected proxies on, and in favour of all Resolutions.

A form of proxy accompanies this Notice.

A corporate Shareholder must sign the proxy form in accordance with its constitution or otherwise in accordance with the Corporations Act.

To be effective, the instrument of appointment of a proxy (and power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority) must be received by the Company, by mail at PO Box 305 Fitzroy VIC 3065, in person at Unit 1, 205-207 Johnston Street Fitzroy VIC 3065 or by facsimile on + 61 (0) 3 8678 1747 by 11am AEDT on 7 January 2020.

Proxy Forms received later than this time will be invalid.

Questions

A reasonable opportunity will be given to Shareholders to ask questions and/or make comments on the management of the Company at the Meeting.

If you have any questions in regard to this Notice, please contact the Company Secretary, Justyn Stedwell, on +61(0) 3 9191 0135.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. RESOLUTION 1 – RATIFICATION OF ISSUE OF CONVERSION SECURITIES TO NON-RELATED PARTIES

1.1 General

On 7 November 2019, the Company issued 1,232,659 Shares and 1,666,209 Class A Options (collectively referred to as the “**Conversion Securities**”) to non-related party investors upon conversion of amounts payable to such persons as at 5 August 2019 (namely, A\$98,613) under a debt raising facility offered by the Company on the following terms (“**Debt Raising**”):

- (a) interest shall accrue and be payable on the principal advanced under the Debt Raising at the interest rate of 10% per annum;
- (b) in addition to the principal and interest, the Company shall be required to pay investors a ‘Line Fee’ equivalent to 3% of the respective principal amount advanced under the Debt Raising;
- (c) subject to the Company obtaining shareholder approval (if required), the investors shall be issued 6.67 Class A Options (rounded up to the nearest whole number) for every US\$1.00 advanced under the Debt Raising (“**Debt Raising Options**”). A total of 433,530 Debt Raising Options were issued to Non-Related Parties pursuant to the Debt Raising on 7 November 2019; and
- (d) subject to the Company obtaining Shareholder approval (if required), the Company may, at its option, convert all amounts payable under the Debt Raising (“**Debts Payable**”) into securities in the Company on terms identical to the non-renounceable rights issue announced by the Company to the ASX on 4 July 2019, that is, shares will be issued upon conversion of monies owing at the conversion price of A\$0.08 (8 cents) per Share (“**Conversion Shares**”), and 1 free attaching Class A Option will be issued for every Conversion Share issued (“**Conversion Options**”).

1.2 ASX Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 sets out an exception to Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1.

Accordingly, approval is sought for the ratification of the issue of the Conversion Securities (comprising of and 1,232,659 Conversion Shares, and 1,232,659 Conversion Options and 433,530 Debt Raising Options) to non-related parties of the Company that participated in the Debt Raising.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

1.3 Technical information required by ASX Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of the Conversion Securities:

- (a) a total of 1,232,659 Shares and 1,666,209 Class A Options were issued;
- (b) the Conversion Shares were issued at a deemed issue price of A\$0.08 (8 cents) per Conversion Share, representing the offer price under the non-renounceable rights issue announced by the Company to the ASX on 4 July 2019, in full satisfaction of all of the Debts Payable as at 5 August 2019 (namely A\$98,613) while the Conversion Options and the Debt Raising Options were issued for nil consideration; and
- (c) the Conversion Shares rank pari passu with the other Shares on issue and are on the same terms as the other Shares on issue, while the Conversion Options and the Debt Raising Options rank pari passu with the other Class A Options on issue, the terms of which are summarised in Annexure A;
- (d) the Conversion Securities were issued to sophisticated and professional investors who participated in the Debt Raising. None of these subscribers are related parties of the Company;
- (e) no funds will be raised by the Company in respect of the issue of the Conversion Securities, however the issuance of the Conversion Shares and the Conversion Options resulted in repayment in full of the Debts Payable and satisfied the Company's obligation to issue the Debt Raising Options; and
- (f) a voting exclusion statement is contained in Resolution 1.

1.4 Interests and Recommendations of Directors

None of the current Board members have a material personal interest in the outcome of Resolution 4. Based on the information available, including that contained in this Explanatory Memorandum, all of the Directors recommend that the Shareholders vote in favour of Resolution 4.

2. RESOLUTION 2 – RATIFICATION OF ISSUE OF LEAD MANAGER SHARES, LEAD MANAGER OPTIONS AND LEAD MANAGER PERFORMANCE OPTIONS

2.1 General

As noted in the Company's prospectus for a non-renounceable rights offer announced to the ASX on 4 July 2019, subject to the achievement of the following performance milestones, the Lead Manager is entitled to be issued up to 6,000,000 Class A Options ("**Lead Manager Performance Options**"):

- assisting the Company to raise in excess of US\$300,000 pursuant to the Debt Raising; and
- assisting the Company to raise the maximum amount sought to be raised by the Board under the rights offer announced to the ASX on 4 July 2019 (including pursuant to the Shortfall Offer and Shortfall Placement thereunder).

The Board determined that the milestones were achieved to its satisfaction and on 7 November 2019 the Company completed the issue of the Lead Manager Performance Options to the Lead Manager and its nominees.

Additionally, under the terms of its engagement, the Lead Manager is also entitled to capital raising fees in the amount of A\$66,000, which the Company settled by the issuance of 825,000 Shares at a conversion price of A\$0.08 (8 cents) ("**Lead Manager Shares**") and 825,000 Class A Options for nil consideration ("**Lead Manager Options**") on 7 November 2019.

2.2 ASX Listing Rule 7.1

A summary of the operation of Listing Rule 7.1 is provided in section 1.2 of this Explanatory Memorandum.

Accordingly, approval is sought for the ratification of the issue of the Lead Manager Options and the Lead Manager Shares. By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

2.3 Technical information required by ASX Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of the Lead Manager Shares, Lead Manager Options and Lead Manager Performance Options:

- (a) a total of 6,825,000 Class A Options and 825,000 Shares were issued;
- (b) the Lead Manager Options and Lead Manager Performance Options were issued for nil consideration while the Lead Manager Shares were issued at a deemed issue price of A\$0.08 (8 cents) per Lead Manager Share, representing the offer price under the non-renounceable rights issue announced by the Company to the ASX on 4 July 2019;
- (c) the Lead Manager Shares rank pari passu with the other Shares on issue and are on the same terms as the other Shares on issue, while the Lead Manager Options and Lead Manager Performance Options rank pari passu with the other Class A Options on issue, the terms of which are summarised in Annexure A;
- (d) the Lead Manager Shares, the Lead Manager Options and the Lead Manager Performance Options were issued to the Lead Manager and its nominees;
- (e) no funds will be raised by the Company in respect of the issue of the Lead Manager Shares, the Lead Manager Options and the Lead Manager Performance Options. However the issue will satisfy the Company's obligations to pay capital raising fees and issue Securities to the Lead Manager under a corporate advisory and capital raising mandate entered into with the Lead Manager in connection with the non-renounceable rights offer announced by the Company to the ASX on 4 July 2019; and
- (f) a voting exclusion statement is contained in Resolution 2.

2.4 Interests and Recommendations of Directors

None of the current Board members have a material personal interest in the outcome of Resolution 2. Based on the information available, including that contained in this Explanatory Memorandum, all of the Directors recommend that the Shareholders vote in favour of Resolution 2.

3. RESOLUTION 3 – ISSUE OF REMAINING CONVERSION SECURITIES TO RELATED PARTY – CHI KAN TANG

3.1 General

On 13 June 2019 and 23 July 2019, Chi Kan Tang advanced the sum of US\$300,000 (approximately A\$440,400) and US\$135,000 (approximately A\$198,180) to the Company pursuant to the Debt Raising. A summary of the terms of the Debt Raising is contained in Section 1.1 of this Explanatory Memorandum.

On 5 August 2019, the Company exercised its right to convert all amounts payable by Chi Kan Tang under the Debt Raising as at such date, being A\$460,175 ("**Debts Payable**"), which would necessitate the issue of the 8,313,261 Conversion Shares, 8,313,261 Conversion Options as well as 2,901,450 Debt Raising Options (collectively referred to as the "**Conversion Securities**"). However, in compliance with the Corporations Act on 5 August 2019, only 7,062,730 Conversion Shares and 7,062,730 Conversion Options of the Conversion Securities were issued pursuant to the "Debt Conversion Facility" under the non-renounceable rights offer announced by the Company to the ASX on 4 July 2019.

Therefore, subject to the passing of this Resolution 3, the Company seeks to issue the balance of the Conversion Securities pursuant to conversion of the Debts Payable, being 1,250,531 Conversion Shares, 1,250,531 Conversion Options as well as 2,901,450 Debt Raising Options (collectively referred to as the “**Remaining Conversion Securities**”) to Chi Kan Tang (a Director of the Company).

Resolution 3 seeks Shareholder approval for the purpose of Listing Rule 10.11 and for all other purposes for the issue of the Remaining Conversion Securities to Chi Kan Tang.

3.2 ASX Listing Rule 10.11

Listing Rule 10.11 requires Shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party of the entity. With reference to section 228 of the Corporations Act, a “related party” of the Company includes the directors of the Company and any entities that the directors control.

Chi Kan Tang is a related party of the Company by virtue of being a director of the Company.

It is the view of the Company that the exceptions set out in Listing Rule 10.12 do not apply to the proposed issue of the Remaining Conversion Securities. Accordingly, approval is sought for the issue of the Remaining Conversion Securities to Chi Kan Tang.

3.3 ASX Listing Rule 7.2

Exception 14 of Listing Rule 7.2 provides that where shareholder approval is obtained under Listing Rule 10.11, additional shareholder approval is not required under Listing Rule 7.1.

Accordingly, subject to Resolution 3 being passed, the issue of the Remaining Conversion Securities to Chi Kan Tang will not be included in the 15% calculation of the Company’s annual placement capacity pursuant to Listing Rule 7.1.

3.4 Chapter 2E of the Corporations Act

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 sections 210 to 216 of the Corporations Act.

The Company considers that the terms of Debt Raising and the issue of the proposed issue of the Remaining Conversion Securities thereunder are reasonable in the circumstances as the Company and Chi Kan Tang were dealing at arm’s length, namely, the conversion of the Debts Payable is on terms identical to the non-renounceable rights issue announced by the Company to the ASX on 4 July 2019 and the terms of the Debt Raising (including the issuance of the Debt Raising Options) are otherwise on terms identical to the Debt Raising offered to non-related investors referred to in Resolution 1.

Furthermore, the Company considers the Line Fee and the Debt Raising Options represent reasonable arm’s length consideration to account for additional risk borne by the investor investing in the Debt Raising.

Accordingly it is the view of the Company that Shareholder approval is not required for the issue of the Remaining Conversion Securities for the purposes of Chapter 2E of the Corporations Act.

3.5 Shareholder Approval (Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Listing Rule 10.13, the following information is provided in relation to the proposed issue of the Remaining Conversion Securities to Chi Kan Tang:

- (a) the person proposing to participate in the issue of the Remaining Conversion Securities is Chi Kan Tang;
- (b) Chi Kan Tang is a Director of the Company and thus falls within the category of Listing Rule 10.11.1; related party of the Company;
- (c) subject to the passing of this Resolution, the Company intends issue the Remaining Conversion Securities to Chi Kan Tang, being 1,250,531 Shares and 4,151,981 Class A Options;
- (d) the Conversion Shares will rank pari passu with and be issued on the same terms as other Shares on issue, while the Conversion Options and the Debt Raising Options will rank pari passu with the other Class A Options on issue, the terms of which are summarised in Annexure A;
- (e) subject to the passing of this Resolution, the Company intends to issue the Remaining Conversion Securities to Chi Kan Tang on the date of the Meeting or such other date as the Directors may determine but no later than one (1) month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (f) the Conversion Shares will be issued in satisfaction of the Company's obligation to issue Conversion Shares upon conversion of the Debts Payable, at a deemed issue price of A\$0.08 (8 cents) per Conversion Share, representing the offer price under the non-renounceable rights issue announced by the Company to the ASX on 4 July 2019, while the Conversion Options and the Debt Raising Options will be issued for nil consideration;
- (g) no funds will be raised by the Company in respect of the issue of the Remaining Conversion Securities, however it will satisfy the Company's obligations to issue the Debt Raising Options and result in full repayment of the Debts Payable;
- (h) the issue of the Conversion Shares is not intended to remunerate or incentivise Chi Kan Tang, but rather is being issued upon conversion of the Debts Payable, further details of which are contained in section 3.1 of this Explanatory Statement;
- (i) the Conversion Shares are being issued under an agreement entered into between the Company and Chi Kan Tang which provided for the Debt Raising and gave rise to the Debts Payable. A summary of the material terms of the Debt Raising is contained in Section 1.1 of this Explanatory Memorandum while details of the Debts Payable are contained in section 4.1 of this Explanatory Statement; and
- (j) a voting exclusion statement is contained in Resolution 3.

3.6 Relevant Interests – Chi Kan Tang

As at the date of this Notice, Chi Kan Tang has a relevant interest in 16.15% of the voting Shares of the Company, as follows:

Holder of relevant interest	Registered holder of relevant interest	Nature of relevant interest	Shares	Voting Interest
Chi Kan Tang	Chi Kan Tang	Registered holder	28,250,819*	16.15%

**Note: in addition to such Shares, as at the date of this Notice, Chi Kan Tang holds 7,062,730 Class A Options, and this table assumes that such Options have not been exercised.*

This Resolution 3 seeks the approval for the issue of the Remaining Conversion Securities to Chi Kan Tang, being 1,250,531 Conversion Shares, 1,250,531 Conversion Options as well as 2,901,450 Debt Raising Options.

The impact of the issue of the Remaining Conversion Securities on the voting power of Chi Kan Tang is discussed below. The following tables and paragraphs assume that:

- (i) Resolution 3 is passed and the Conversion Shares are issued; and
- (ii) no other Shares are issued.

Shareholders should note that Chi Kan Tang may increase or decrease his voting power prior to the issue of the Remaining Conversion Securities. Any increase or decrease prior in their relevant interest in voting shares will have a corresponding impact on the calculation of the maximum increase in the voting power, and the total voting power, of Chi Kan Tang.

(i) Scenario 1 – Only Resolution 3 is passed

Assuming only Resolution 3 is passed and all Resolutions other than Resolution 3 are not passed, the issue of the Remaining Conversion Securities, will result in Chi Kan Tang having a relevant interest in up to 16.75% of the voting power of the Company, as follows:

Holder of relevant interest	Registered holder of relevant interest	Nature of relevant interest	Shares	Voting Interest
Chi Kan Tang	Chi Kan Tang	Registered holder	29,501,350*	16.75%

**Note: in addition to such Shares, following the issue of the Remaining Conversion Securities, Chi Kan Tang will also hold 11,214,711 Class A Options, and this table assumes that such Options have not been exercised.*

(i) Scenario 2 – All Resolutions are passed

Assuming all Resolutions are passed, including this Resolution 3, the issue of the Remaining Conversion Securities, will result in Chi Kan Tang having a relevant interest in up to 12.86% of the voting power of the Company:

Holder of relevant interest	Registered holder of relevant interest	Nature of relevant interest	Shares	Voting Interest
Chi Kan Tang	Chi Kan Tang	Registered holder	29,501,350*	12.86%

**Note: in addition to such Shares, following the issue of the Remaining Conversion Securities, Chi Kan Tang will also hold 11,214,711 Class A Options, and this table assumes that such Options have not been exercised.*

3.7 Interests and Recommendations of Directors

Other than Chi Kan Tang, none of the current Board members have a material personal interest in the outcome of Resolution 3. Based on the information available, including that contained in

this Explanatory Memorandum, all of the Directors (other than Chi Kan Tang) recommend that the Shareholders vote in favour of Resolution 3.

4. RESOLUTION 4 – ISSUE OF REMAINING CONVERSION SECURITIES TO RELATED PARTY – JCKB PTY LTD

4.1 General

On 22 July 2019, prior to his appointment as a Director, James Baillieu advanced the sum of US\$250,000 (approximately A\$367,000) to the Company pursuant to the Debt Raising. A summary of the terms of the Debt Raising is contained in Section 1.1 of this Explanatory Memorandum.

On 5 August 2019, the Company exercised its right to convert all amounts payable by James Baillieu under the Debt Raising as at such date, being A\$379,521 ("**Debts Payable**"), which would necessitate the issue of the 4,744,006 Conversion Shares, 4,744,006 Conversion Options as well as 1,667,500 Debt Raising Options (collectively referred to as the "**Conversion Securities**"). However, in compliance with the Corporations Act on 5 August 2019, only 2,178,228 Conversion Shares and 2,178,228 Conversion Options of the Conversion Securities, were issued pursuant to the "Debt Conversion Facility" under the non-renounceable rights offer announced by the Company to the ASX on 4 July 2019.

Therefore, subject to the passing of this Resolution 4, the Company seeks to issue the balance of the Conversion Securities pursuant to conversion of the Debts Payable, being 2,565,778 Conversion Shares, 2,565,778 Conversion Options as well as 1,667,500 Debt Raising Options (collectively referred to as the "**Remaining Conversion Securities**") to JCKB Pty Ltd, being an entity controlled by and nominee of James Baillieu (a Director of the Company).

Resolution 4 seeks Shareholder approval for the purpose of Listing Rule 10.11 and for all other purposes for the issue of the Remaining Conversion Securities to JCKB Pty Ltd, being an entity controlled by James Baillieu.

4.2 ASX Listing Rule 10.11

A summary of Listing Rule 10.11 is contained in Section 3.2 of this Explanatory Memorandum.

JCKB Pty Ltd is a related party of the Company by virtue of being an entity controlled by James Baillieu, who is a Director of the Company.

It is the view of the Company that the exceptions set out in Listing Rule 10.12 do not apply to the proposed issue of the Remaining Conversion Securities. Accordingly, approval is sought for the issue of the Remaining Conversion Securities to JCKB Pty Ltd.

4.3 ASX Listing Rule 7.2

Exception 14 of Listing Rule 7.2 provides that where shareholder approval is obtained under Listing Rule 10.11, additional shareholder approval is not required under Listing Rule 7.1.

Accordingly, subject to Resolution 4 being passed, the issue of the Remaining Conversion Securities to JCKB Pty Ltd will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

4.4 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is contained in section 3.4 of this Explanatory Memorandum.

The Company considers that the terms of Debt Raising and the issue of the proposed issue of the Remaining Conversion Securities thereunder are reasonable in the circumstances as the Company and James Baillieu were dealing at arm's length, namely, the conversion of the Debts Payable is on terms identical to the non-renounceable rights issue announced by the Company to the ASX on 4 July 2019 and the terms of the Debt Raising (including the issuance of the Debt

Raising Options) are otherwise on terms identical to the Debt Raising offered to non-related investors referred to in Resolution 1.

Furthermore, the Company considers the Line Fee and the Debt Raising Options represent reasonable arm's length consideration to account for additional risk borne by the investor investing in the Debt Raising. Accordingly it is the view of the Company that Shareholder approval is not required for the issue of the Remaining Conversion Securities for the purposes of Chapter 2E of the Corporations Act.

4.5 Shareholder Approval (Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Listing Rule 10.13, the following information is provided in relation to the proposed issue of the Remaining Conversion Securities to JCKB Pty Ltd:

- (a) the person proposing to participate in the issue of the Remaining Conversion Securities is JCKB Pty Ltd;
- (b) JCKB Pty Ltd is an entity controlled by James Baillieu, a Director of the Company and thus falls within the category of Listing Rule 10.11.1; related party of the Company;
- (c) subject to the passing of this Resolution, the Company intends issue the Remaining Conversion Securities to JCKB Pty Ltd, being 2,565,778 Shares and 4,233,278 Class A Options;
- (d) the Conversion Shares will rank pari passu with and be issued on the same terms as other Shares on issue, while the Conversion Options and the Debt Raising Options will rank pari passu with the other Class A Options on issue, the terms of which are summarised in Annexure A;
- (e) subject to the passing of this Resolution, the Company intends to issue the Remaining Conversion Securities to JCKB Pty Ltd on the date of the Meeting or such other date as the Directors may determine but no later than one (1) month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (f) the Conversion Shares will be issued in satisfaction of the Company's obligation to issue Conversion Shares upon conversion of the Debts Payable, at a deemed issue price of A\$0.08 (8 cents) per Conversion Share, representing the offer price under the non-renounceable rights issue announced by the Company to the ASX on 4 July 2019, while the Conversion Options and the Debt Raising Options will be issued for nil consideration;
- (g) no funds will be raised by the Company in respect of the issue of the Remaining Conversion Securities, however it will satisfy the Company's obligations to issue the Debt Raising Options and result in full repayment of the Debts Payable; and
- (h) the issue of the Conversion Shares is not intended to remunerate or incentivise James Baillieu, but rather is being issued upon conversion of the Debts Payable, further details of which are contained in section 4.1 of this Explanatory Statement;
- (i) the Conversion Shares are being issued under an agreement entered into between the Company and James Baillieu which provided for the Debt Raising and gave rise to the Debts Payable. A summary of the material terms of the Debt Raising is contained in Section 1.1 of this Explanatory Memorandum while details of the Debts Payable are contained in section 4.1 of this Explanatory Statement; and
- (j) a voting exclusion statement is contained in Resolution 4.

4.6 Interests and Recommendations of Directors

Other than James Baillieu, none of the current Board members have a material personal interest in the outcome of Resolution 4. Based on the information available, including that contained in this Explanatory Memorandum, all of the Directors (other than James Baillieu) recommend that the Shareholders vote in favour of Resolution 4.

5. RESOLUTION 5 – ISSUE OF CONVERSION SECURITIES TO RELATED PARTY – RJIR PTY LTD <ZDR FAMILY TRUST>

5.1 General

On 23 July 2019, Zachry Rosenberg (a former director of the Company) advanced the sum of A\$50,000 to the Company pursuant to the Debt Raising. A summary of the terms of the Debt Raising is contained in Section 1.1 of this Explanatory Memorandum.

On 5 August 2019, the Company exercised its right to convert all amounts payable by Zachry Rosenberg under the Debt Raising as at such date, being A\$51,693 (“**Debts Payable**”), which would necessitate the issue of the 646,152 Conversion Shares, 646,152 Conversion Options as well as 227,180 Debt Raising Options (collectively referred to as the “**Conversion Securities**”). However in compliance with the Corporations Act on 5 August 2019, only 591,874 Conversion Shares and 591,874 Conversion Options of the Conversion Securities, were issued pursuant to the “Debt Conversion Facility” under the non-renounceable rights offer announced by the Company to the ASX on 4 July 2019.

Therefore, in conjunction with the repayment to Zachry Rosenberg of outstanding principal and interest on the Debts Payable in the amount A\$4,343, subject to the passing of this Resolution 5, the Company seeks to issue the balance of the Conversion Securities pursuant to conversion of the Debts Payable, being 646,152 Debt Raising Options (collectively referred to as the “**Remaining Conversion Securities**”) to RJIR Pty Ltd <ZDR Family Trust>, being an entity controlled by and nominee of Zachry Rosenberg (a former Director of the Company).

Resolution 5 seeks Shareholder approval for the purpose of Listing Rule 10.11 and for all other purposes for the issue of the Remaining Conversion Securities to RJIR Pty Ltd <ZDR Family Trust>, being an entity controlled by Zachry Rosenberg.

5.2 ASX Listing Rule 10.11

A summary of Listing Rule 10.11 is contained in Section 3.2 of this Explanatory Memorandum.

RJIR Pty Ltd <ZDR Family Trust>, is a related party of the Company by virtue of being an entity controlled by Zachry Rosenberg, who is a former director of the Company.

It is the view of the Company that the exceptions set out in Listing Rule 10.12 do not apply to the proposed issue of the Remaining Conversion Securities. Accordingly, approval is sought for the issue of the Remaining Conversion Securities to RJIR Pty Ltd <ZDR Family Trust>.

5.3 ASX Listing Rule 7.2

Exception 14 of Listing Rule 7.2 provides that where shareholder approval is obtained under Listing Rule 10.11, additional shareholder approval is not required under Listing Rule 7.1.

Accordingly, subject to Resolution 5 being passed, the issue of the Remaining Conversion Securities to RJIR Pty Ltd <ZDR Family Trust> will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

5.4 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is contained in section 3.4 of this Explanatory Memorandum.

The Company considers that the terms of Debt Raising and the issue of the proposed issue of the Remaining Conversion Securities thereunder are reasonable in the circumstances as the Company and James Baillieu were dealing at arm's length, namely, the conversion of the Debts

Payable is on terms identical to the non-renounceable rights issue announced by the Company to the ASX on 4 July 2019 and the terms of the Debt Raising (including the issuance of the Debt Raising Options) are otherwise on terms identical to the Debt Raising offered to non-related investors referred to in Resolution 1.

Furthermore, the Company considers the Line Fee and the Debt Raising Options represent reasonable arm's length consideration to account for additional risk borne by the investor investing in the Debt Raising. Accordingly it is the view of the Company that Shareholder approval is not required for the issue of the Remaining Conversion Securities for the purposes of Chapter 2E of the Corporations Act.

5.5 Shareholder Approval (Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Listing Rule 10.13, the following information is provided in relation to the proposed issue of the Remaining Conversion Securities to RJIR Pty Ltd <ZDR Family Trust>:

- (a) the person proposing to participate in the issue of the Remaining Conversion Securities is RJIR Pty Ltd <ZDR Family Trust>;
- (b) RJIR Pty Ltd <ZDR Family Trust> is an entity controlled by Zachry Rosenberg, a former Director of the Company and thus falls within the category of Listing Rule 10.11.1; related party of the Company;
- (c) subject to the passing of this Resolution, the Company intends issue the Remaining Conversion Securities to RJIR Pty Ltd <ZDR Family Trust>, being 227,180 Class A Options;
- (d) the Debt Raising Options will rank pari passu with the other Class A Options on issue, the terms of which are summarised in Annexure A;
- (e) subject to the passing of this Resolution, the Company intends to issue the Remaining Conversion Securities to RJIR Pty Ltd <ZDR Family Trust> on the date of the Meeting or such other date as the Directors may determine but no later than one (1) month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (f) the Debt Raising Options will be issued for nil consideration;
- (g) no funds will be raised by the Company in respect of the issue of the Remaining Conversion Securities, however it will satisfy the Company's obligations to issue the Debt Raising Options; and
- (h) the issue of the Conversion Shares is not intended to remunerate or incentivise Zachry Rosenberg, but rather is being issued upon conversion of the Debts Payable, further details of which are contained in section 5.1 of this Explanatory Statement;
- (i) the Conversion Shares are being issued under an agreement entered into between the Company and Zachry Rosenberg which provided for the Debt Raising and gave rise to the Debts Payable. A summary of the material terms of the Debt Raising is contained in Section 1.1 of this Explanatory Memorandum while details of the Debts Payable are contained in section 5.1 of this Explanatory Statement; and
- (j) a voting exclusion statement is contained in Resolution 5.

5.6 Interests and Recommendations of Directors

None of the current Board members have a material personal interest in the outcome of Resolution 5. Based on the information available, including that contained in this Explanatory Memorandum, all of the Directors recommend that the Shareholders vote in favour of Resolution 5.

6. RESOLUTION 6 – APPROVAL OF ACQUISITION OF RELEVANT INTEREST BY RELATED PARTY – JAMES BAILLIEU AND JCKB PTY LTD

6.1 General

As at the date of this Notice, James Baillieu has a relevant interest in 5.04% of the voting Shares of the Company, as follows:

Holder of relevant interest	Registered holder of relevant interest	Nature of relevant interest	Shares	Voting Interest
James Baillieu	James Baillieu	Registered holder	8,712,910*	5.04%

**Note: in addition to such Shares, as at the date of this Notice, James Baillieu holds 2,178,228 Class A Options, and this table assumes that such Options have not been exercised.*

Furthermore, as at the date of this Notice, JCKB Pty Ltd (being an entity controlled by James Baillieu) has a relevant interest in 5.04% of the voting Shares of the Company, as follows:

Holder of relevant interest	Registered holder of relevant interest	Nature of relevant interest	Shares	Voting Interest
JCKB Pty Ltd	James Baillieu	Person with whom JCKB Pty Ltd acts in concert	8,712,910*	5.04%

**Note: in addition to such Shares, as at the date of this Notice, James Baillieu holds 2,178,228 Class A Options, and this table assumes that such Options have not been exercised.*

Resolutions 4, 7 and 8 seek the approval for the issue of up to 49,300,514 Shares to JKCB Pty Ltd, being an entity controlled by James Baillieu (a Director of the Company), which if approved, will collectively result in James Baillieu, JCKB Pty Ltd and their associates having a relevant interest in up to 25.27% of the voting power of the Company (assuming all Resolutions are passed).

6.2 Section 606 of the Corporations Act

(a) Statutory Prohibition

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the Company increases:

- (i) from 20% or below to more than 20%; or
- (ii) from a starting point that is above 20% and below 90%,

("Prohibition").

(b) Voting Power

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company which the person and the person's associates have a relevant interest.

(c) **Associates**

For the purposes of determining voting power under the Corporations Act, a person ("**the second person**") is an "associate" of the other person ("**the first person**") if:

- (i) (pursuant to section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:
 - (A) a body corporate the first person controls;
 - (B) a body corporate that controls the first person; or
 - (C) a body corporate that is controlled by an entity that controls the person;
- (ii) the second person has entered or proposed to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (iii) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the company's business affairs.

(d) **Relevant Interests**

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they are:

- (i) are the holder of the securities;
- (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (iii) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (i) a body corporate in which the person's voting power is above 20%; or
- (ii) a body corporate that the person controls.

6.3 Reason Section 611 Approval is Required

Item 7 of section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

If Resolutions 4, 7 and 8 are passed, following the issue of the Conversion Shares, the Placement Shares and the Loan Shares respectively to JCKB Pty Ltd, James Baillieu and JCKB Pty Ltd will have a relevant interest in up to 25.27% of the voting power in the Company.

Therefore Shareholder approval under Item 7 of section 611 of the Corporations Act is required to enable the issue of the Conversion Shares, the Placement Shares and the Loan Shares. Accordingly, this Resolution 6 seeks Shareholder approval for the acquisition of relevant interests in up to 25.27% of the Company's voting Shares by James Baillieu and JCKB Pty Ltd (**"the Acquisition"**).

Section 6.4(b) of this Explanatory Statement below details the potential maximum increase in voting power of James Baillieu and JCKB Pty Ltd as a result of the Acquisition.

6.4 Specific Information required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to the Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by Nexia Perth Corporate Finance Pty Ltd (AFSL 289 358) annexed to this Explanatory Statement at Annexure D.

(a) Identity of the Acquirer and its Associates

The acquirers of relevant interests in the Company's voting shares as a result of the Acquisition are:

- James Baillieu, a Director of the Company and whose associates include JCKB Pty Ltd, being an entity controlled by James Baillieu; and
- JCKB Pty Ltd, whose sole director, secretary and shareholder as at the date of this Notice, is James Baillieu and whose associates therefore include James Baillieu with whom JCKB Pty Ltd acts in concert.

(b) Relevant Interest and Voting Power

The relevant interests in Shares held by James Baillieu and JCKB Pty Ltd as at the date of this Notice is summarised in Section 6.1 of this Explanatory Statement.

Assuming all Resolutions other than Resolution 7 and 8 are passed and all Conversion Shares are issued, including but not limited to the Conversion Shares to be issued to JCKB Pty Ltd pursuant to Resolution 4 and the Company does not issue any other additional Shares, the relevant interests in Shares held by James Baillieu and JCKB Pty Ltd will be as follows:

Holder of relevant interest	Registered holder of relevant interest	Nature of relevant interest	Shares	Voting Interest
James Baillieu	James Baillieu	Registered holder	8,712,910	4.77%
	JCKB Pty Ltd	Body corporate controlled by James Baillieu	2,565,778	1.40%
	Total		11,278,688	6.17%

JCKB Pty Ltd	JCKB Pty Ltd	Registered holder	2,565,778	1.40%
	James Baillieu	Person with whom JCKB Pty Ltd proposes to act in concert	8,712,910	4.77%
	Total		11,278,688	6.17%

The impact of the issue of the Placement Shares and the Loan Shares on the voting power of James Baillieu and JCKB Pty Ltd is discussed below. The following tables and paragraphs assume that:

- (i) Resolution 4 is passed and the Conversion Shares are issued; and
- (ii) no other Shares are issued.

Shareholders should note that JCKB Pty Ltd, James Baillieu or their associates may increase or decrease their voting power prior to the issue of the Placement Shares and the Loan Shares. Any increase or decrease prior in their relevant interest in voting shares will have a corresponding impact on the calculation of the maximum increase in the voting power, and the total voting power, of James Baillieu, JCKB Pty Ltd and their associates.

(i) Scenario 1 – Resolutions 7 and 8 passed

Assuming, in addition to the assumptions referred to above in Section 6.4(b) of the Explanatory Memorandum, all Resolutions are passed and the Placement Shares and the Loan Shares are issued to JCKB Pty Ltd pursuant to Resolutions 7 and 8 respectively, the relevant interests in Shares held by James Baillieu and JCKB Pty Ltd will be as follows:

Holder of relevant interest	Registered holder of relevant interest	Nature of relevant interest	Shares	Voting Interest
James Baillieu	James Baillieu	Registered holder	8,712,910	3.80%
	JCKB Pty Ltd	Body corporate controlled by James Baillieu	49,300,514	21.48%
	Total		58,013,424	25.27%
JCKB Pty Ltd	JCKB Pty Ltd	Registered holder	49,300,514	21.48%
	James Baillieu	Person with whom JCKB Pty Ltd proposes to act in concert	8,712,910	3.80%

	Total	58,013,424	25.27%
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(ii) Scenario 2 – Resolution 7 passed but Resolution 8 not passed

Assuming, in addition to the assumptions referred to above in Section 6.4(b) of the Explanatory Memorandum, all Resolutions other than Resolution 8 are passed and only the Loan Shares are not issued to JCKB Pty Ltd pursuant to Resolution 8, the relevant interests in Shares held by James Baillieu and JCKB Pty Ltd will be as follows:

Holder of relevant interest	Registered holder of relevant interest	Nature of relevant interest	Shares	Voting Interest
James Baillieu	James Baillieu	Registered holder	8,712,910	4.32%
	JCKB Pty Ltd	Body corporate controlled by James Baillieu	21,315,778	10.57%
	Total		30,028,688	14.90%
JCKB Pty Ltd	JCKB Pty Ltd	Registered holder	21,315,778	10.57%
	James Baillieu	Person with whom JCKB Pty Ltd proposes to act in concert	8,712,910	4.32%
	Total		30,028,688	14.90%

(iii) Scenario 3 – Resolution 8 passed but Resolution 7 not passed

Assuming, in addition to the assumptions referred to above in Section 6.4(b) of the Explanatory Memorandum, all Resolutions other than Resolution 7 are passed and only the Placement Shares are not issued to JCKB Pty Ltd pursuant to Resolution 7, the relevant interests in Shares held by James Baillieu and JCKB Pty Ltd will be as follows:

Holder of relevant interest	Registered holder of relevant interest	Nature of relevant interest	Shares	Voting Interest
James Baillieu	James Baillieu	Registered holder	8,712,910	4.13%
	JCKB Pty Ltd	Body corporate controlled by James Baillieu	30,550,514	14.49%

	Total		39,263,424	18.62%
JCKB Pty Ltd	JCKB Pty Ltd	Registered holder	30,550,514	14.49%
	James Baillieu	Person with whom JCKB Pty Ltd proposes to act in concert	8,712,910	4.13%
	Total		39,263,424	18.62%

(c) **Reasons for the proposed issue of Placement Shares and Loan Shares**

As set out in section 7 of this Explanatory Statement, the Company is proposing to issue the Placement Shares to JCKB Pty Ltd, being an entity controlled by James Baillieu, in consideration for the advancement of the subscription sum of A\$1,500,000 by James Baillieu. In the absence of Shareholder approval for Resolutions 6 and 7, the Placement will not proceed.

As set out in section 8 of this Explanatory Statement, the Company is proposing to issue the Loan Shares to JCKB Pty Ltd, being an entity controlled by James Baillieu, upon conversion of the principal sum and accumulated interest under a loan of A\$1,500,000 advanced by James Baillieu. In the absence of Shareholder approval for Resolutions 6 and 8, the issue of the Loan Shares will not proceed.

(d) **Date of proposed issue of Placement Shares and Loan Shares**

Subject to the passing of this Resolution 6 and Resolution 7, the Company intends to issue the Placement Shares to JCKB Pty Ltd on the date of the Meeting or such other date as the Directors may determine but no later than one (1) month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).

Subject to the passing of this Resolution 6 and Resolution 8, the Company intends to issue the Loan Shares to JCKB Pty Ltd on the date of the Meeting or such other date as the Directors may determine but no later than one (1) month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).

(e) **Material terms of proposed issue of Placement Shares and Loan Shares**

The Loan Shares and the Placement Shares will rank pari passu with the other Shares on issue and will be issued on the same terms as the other Shares on issue.

(f) **James Baillieu's and JCKB Pty Ltd's Intentions**

James Baillieu and JCKB Pty Ltd have informed the Company that as at the date of this Notice and on the basis of the facts and information available to them, that they:

- (i) have no present intention of making any significant changes to the business of the Company;
- (ii) have no present intention to inject further capital into the Company;
- (iii) have no present intention regarding the future employment of the present employees of the Company;

- (iv) have no present intention to redeploy any fixed assets of the Company;
- (v) have no present intention to transfer any property between the Company and themselves;
- (vi) have no present intention to change the Company's existing policies in relation to financial matters or dividends; and
- (vii) have no present intention to change the Board.

In his capacity as a major shareholder and Director, James Baillieu will continue to provide input regarding the direction of the Company's business, including in relation to the above matters where appropriate.

These present intentions may change as new information becomes available, as circumstances change or in light of all material information, facts and circumstances necessary to assess the operation, commercial, taxation and financial implications of those decisions at the relevant time.

(g) Capital Structure

Details of the effect to the Company's capital structure resulting from the issue of the Placement Shares and the Loan Shares is set out in Section 6.4(b) above of this Explanatory Statement.

6.5 Advantages of the issue of the Acquisition of Relevant Interests – Resolution 6

The Directors (other than James Baillieu) are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 6:

- (a) the Acquisition will permit the Placement to occur, and accordingly the funds raised thereunder will provide the Company with additional working capital flexibility, and enable the Company to increase the inventory of confectionary sold and employ additional sales personnel;
- (b) the Acquisition will permit the Company to satisfy amounts payable under the Loan, which where otherwise outstanding may result in an event of default under the Loan if the Company does not have access to sufficient funds to repay the Loan;
- (c) the Acquisition will permit the Company to satisfy amounts payable under the Loan, thereby preserving the Company's cash reserves;
- (d) the issue of Securities in connection with the Acquisition may provide an opportunity for enhanced liquidity in the Company's shares;
- (e) the Acquisition may give rise to a market re-pricing of the Company's shares; and
- (f) the Independent Expert's Report prepared by Nexia Perth Corporate Finance Pty Ltd (AFSL 289 358) concludes that the issue of the Placement Shares and Loan Shares is fair and reasonable to the non-associated Shareholders.

6.6 Disadvantages of the Acquisition of Relevant Interests – Resolution 6

The Directors (other than James Baillieu) are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 6:

- (a) the Acquisition will increase the voting power of James Baillieu and JCKB Pty Ltd (and their associates) in the Company up to a maximum of approximately 25.27%, reducing the voting power of non-associated Shareholders in the Company in aggregate to a maximum of approximately 74.73%;

- (b) with a shareholding of 25.27%, James Baillieu and JCKB Pty Ltd would have voting power to block the passing of special resolutions of the Company; and
- (c) there is no guarantee that the Company's Shares will not fall in value as a result of the issue of Securities to JCKB Pty Ltd associated with the Acquisition.

6.7 Independent Expert's Report – Resolution 6

The Independent Expert's Report prepared by Nexia Perth Corporate Finance Pty Ltd (AFSL 289 358) (a copy of which is attached as Annexure D to this Explanatory Statement) assesses whether the Acquisition of relevant interests in the Company by James Baillieu, JCKB Pty Ltd and their associates are fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the transactions contemplated by Resolution 6 are fair and reasonable to the non-associated Shareholders of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the Independent Expert's Report, the methodology of the valuation and the sources of information and assumptions made.

6.8 Interests and Recommendations of Directors

Other than James Baillieu, none of the current Board members have a material personal interest in the outcome of Resolution 6. Based on the information available, including that contained in this Explanatory Memorandum and the Independent Expert's Report, all of the Directors (other than James Baillieu) recommend that the Shareholders vote in favour of Resolution 6 as they believe the advantages outweigh the disadvantages and that the Acquisition and associated issue of the Placement Shares and the Loan Shares are in the best interests of the Company.

The Directors are not aware of any other information other than as set out in this notice that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 6.

7. RESOLUTION 7 – ISSUE OF PLACEMENT SECURITIES TO RELATED PARTY – JCKB PTY LTD

7.1 General

As announced to the ASX on 16 September 2019, subject to obtaining Shareholder approval, James Baillieu has agreed to commit to advance A\$1,500,000 to the Company ("**the Placement**") in consideration for the issue of 18,750,000 Shares at deemed issue price of A\$0.08 per Share ("**Placement Shares**") and 18,750,000 Class A Options for nil consideration ("**Placement Options**").

Resolution 7 seeks Shareholder approval for the purpose of Listing Rule 10.11 and for all other purposes, for the issue of the Placement Shares and Placement Options pursuant to the Placement (collectively "**the Placement Securities**") to JCKB Pty Ltd, being an entity controlled by James Baillieu.

7.2 ASX Listing Rule 10.11

A summary of Listing Rule 10.11 is contained in Section 3.2 of this Explanatory Memorandum.

JCKB Pty Ltd is a related party of the Company by virtue of being an entity controlled by James Baillieu, who is a Director of the Company.

It is of the view of the Company that the exceptions set out in Listing Rule 10.12 do not apply to the proposed issue of the Placement Securities. Accordingly, Shareholder approval is sought for the issue of the Placement Securities.

7.3 ASX Listing Rule 7.2

Exception 14 of Listing Rule 7.2 provides that where shareholder approval is obtained under Listing Rule 10.11, additional shareholder approval is not required under Listing Rule 7.1. Accordingly, subject to Resolution 7 being passed, the issue of the Placement Securities will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

7.4 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is contained in section 3.4 of this Explanatory Memorandum.

The Company considers that the terms of the Placement are reasonable in the circumstances as the Company and James Baillieu were dealing at arm's length, namely, the Placement is on terms identical to the non-renounceable rights issue announced by the Company to the ASX on 4 July 2019. Accordingly it is the view of the Company that Shareholder approval is not required for the issue of the Placement Securities pursuant to Chapter 2E of the Corporations Act.

7.5 Shareholder Approval (Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Listing Rule 10.13, the following information is provided in relation to the proposed issue of the Placement Securities:

- (a) the person proposing to participate in the issue of the Placement Securities is JCKB Pty Ltd;
- (b) JCKB Pty Ltd is an entity controlled by James Baillieu, a Director of the Company and thus falls within the category of Listing Rule 10.11.1; related party of the Company;
- (c) the maximum number of Placement Securities to be issued to JCKB Pty Ltd will be 18,750,000 Shares and 18,750,000 Class A Options;
- (d) the Placement Shares will rank pari passu with, and will be issued on the same terms as, the other Shares of on issue while the Placement Options will rank pari passu with the other Class A Options on issue. The terms of the Class A Options are attached to this Notice as Annexure A;
- (e) subject to the passing of Resolution 6 and this Resolution 7, the Company intends to issue the Placement Securities to JCKB Pty Ltd on the date of the Meeting or such other date as the Directors may determine but no later than one (1) month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (f) the Placement Shares will be issued in consideration for the entire amount of the Placement, at a deemed issue price of A\$0.08 (8 cents) per Placement Share, representing the offer price under the non-renounceable rights issue announced by the Company to the ASX on 4 July 2019, while the Placement Options will be issued for nil consideration;
- (g) the Company will raise A\$1,500,000 pursuant to the issue of the Placement Securities which the Company intends to use to provide additional working capital flexibility;
- (h) the issue of the Placement Shares is not intended to remunerate or incentivise James Baillieu, but rather is being issued in consideration for subscription monies advanced by James Baillieu, further details of which are contained in section 7.1 of this Explanatory Statement;
- (i) the Placement Shares are being issued under an agreement entered into between the Company and James Baillieu which provided for the Placement, the material terms of which are contained in section 7.1 of this Explanatory Statement; and

(j) a voting exclusion statement is contained in Resolution 7.

7.6 Interests and Recommendations of Directors

Other than James Baillieu none of the current Board members have a material personal interest in the outcome of Resolution 7. Based on the information available, including that contained in this Explanatory Memorandum, all of the Directors (other than James Baillieu) recommend that the Shareholders vote in favour of Resolution 7.

8. RESOLUTION 8 – ISSUE OF LOAN SHARES TO RELATED PARTY – JCKB PTY LTD

8.1 General

As announced to the ASX on 16 September 2019, pursuant to a loan agreement between the Company and James Baillieu dated 13 September 2019, James Baillieu provided a loan to the Company in the amount of A\$1,500,000 ("**Loan**").

Under the terms of the Loan, subject to the Company obtaining Shareholder approval, the Company or James Baillieu may elect for all or part of the amounts payable under the Loan to be converted into Shares ("**Loan Shares**") at the conversion price of A\$0.057 (5.7 cents), being the last traded price of the Company's quoted Shares prior to the trading halt requested on 12 September 2019 ("**the Conversion Right**").

Subject to the passing of this Resolution 8, on the date being three (3) months from the date of the Loan ("**Loan Conversion Date**") the Company seeks to exercise the Conversion Right and convert the Loan and interest accumulated thereunder up to the Loan Conversion Date, being the amount of A\$1,590,000 ("**Loan Conversion Amount**") into 27,984,736 Loan Shares.

Resolution 8 seeks Shareholder approval for the purpose of Listing Rule 10.11 and for all other purposes for the grant of the Conversion Right, including the subsequent issue of the Loan Shares to James Baillieu's nominee, JCKB Pty Ltd upon the exercise of the Conversion Right on the Loan Conversion Date.

8.2 ASX Listing Rule 10.11

A summary of Listing Rule 10.11 is contained in Section 3.2 of this Explanatory Memorandum.

JCKB Pty Ltd is a related party of the Company by virtue of being an entity controlled by James Baillieu, who is a Director of the Company.

It is the view of the Company that the exceptions set out in Listing Rule 10.12 do not apply to the proposed grant of the Conversion Right. Accordingly, approval is sought for the grant of the Conversion Right and the subsequent issue of the Loan Shares upon the exercise of such right.

8.3 ASX Listing Rule 7.2

Exception 14 of Listing Rule 7.2 provides that where shareholder approval is obtained under Listing Rule 10.11, additional shareholder approval is not required under Listing Rule 7.1. Accordingly, subject to Resolution 8 being passed, the issue of the Loan Shares will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

8.4 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is contained in Section 3.4 of this Explanatory Memorandum.

As the Company considers that the terms of the Loan were reasonable in the circumstances as the Company and James Baillieu were dealing at arm's length, namely the terms of the Loan were on terms no more favourable than otherwise available to the Company at the time of the Loan, it is the view of the Company that the execution of the Loan does not constitute giving a financial benefit, as the exception contained in section 210 of the Corporations Act (arm's length

terms) applies. Accordingly it is the view of the Company that Shareholder approval is not required for the grant of the Conversion Right pursuant to Chapter 2E of the Corporations Act.

8.5 Shareholder Approval (Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Listing Rule 10.13, the following information is provided in relation to the proposed grant of the Conversion Right, and any subsequent issue of Loan Shares upon the proposed execution of the Conversion Right on the Loan Conversion Date:

- (a) the person proposing to participate in the issue of the Loan Shares is JCKB Pty Ltd;
- (b) JCKB Pty Ltd is an entity controlled by James Baillieu, a Director of the Company and thus falls within the category of Listing Rule 10.11.1; related party of the Company;
- (c) subject to the passing of this Resolution, the Company intends to convert the entire amount of the Loan Conversion Amount, being an amount of A\$1,590,000, into the Loan Shares. Therefore the maximum number of Loan Shares to be issued to JCKB Pty Ltd will be 27,984,736 Shares;
- (d) the Loan Shares will rank pari passu with, and will be issued on the same terms as, the other Shares on issue;
- (e) subject to the passing of Resolution 6 and this Resolution 8, the Company intends to issue the Loan Shares to JCKB Pty Ltd on the Loan Conversion Date or such other date as the Directors may determine but no later than one (1) month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (f) the Loan Shares will be issued for conversion of the entire amount of the Loan Conversion Amount, at a deemed issue price of A\$0.057 (5.7 cents) per Loan Share, representing the price of the Company Share's trading on ASX on the day prior to the day the Company entered into the Loan;
- (g) no funds will be raised by the Company in respect of the issue of the Loan Shares, however it will result in repayment in full of the Loan Conversion Amount;
- (h) the issue of the Loan Shares is not intended to remunerate or incentivise James Baillieu, but rather is being issued upon conversion of the Loan (and accumulated interest thereunder), further details of which are contained in section 8.1 of this Explanatory Statement;
- (i) the Loan Shares are being issued under an agreement entered into between the Company and James Baillieu which provided for the Loan and the right for the Company to convert the Loan into the Loan Shares, a summary of the material terms of which are contained in section 8.1 of this Explanatory Statement; and
- (j) a voting exclusion statement is contained in Resolution 8.

8.6 Interests and Recommendations of Directors

Other than James Baillieu none of the current Board members have a material personal interest in the outcome of Resolution 8. Based on the information available, including that contained in this Explanatory Memorandum, all of the Directors (other than James Baillieu) recommend that the Shareholders vote in favour of Resolution 8.

9. RESOLUTION 9 – ISSUE OF DIRECTOR OPTIONS TO RELATED PARTY – ANDREW CLARK

9.1 General

The Company seeks to issue 3,100,000 Director Options to Andrew Clark (or his nominee) as part of his equity based remuneration.

Resolution 9 seeks Shareholder approval for the purpose of Listing Rule 10.11 for the issue of the Director Options to Andrew Clark (or his nominee).

9.2 ASX Listing Rule 10.11

A summary of Listing Rule 10.11 is contained in Section 3.2 of this Explanatory Memorandum.

Andrew Clark is a related party of the Company by virtue of being a Director of the Company.

It is of the view of the Company that the exceptions set out in Listing Rule 10.12 do not apply to the proposed issue of the Director Options. Accordingly, approval is sought for the issue of the Director Options to Andrew Clark (or his nominee).

9.3 ASX Listing Rule 7.2

Exception 14 of Listing Rule 7.2 provides that where shareholder approval is obtained under Listing Rule 10.11, additional shareholder approval is not required under Listing Rule 7.1. Accordingly, subject to Resolution 9 being passed, the issue of the Director Options will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

9.4 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is contained in section 3.4 of this Explanatory Memorandum.

In considering the issue of the Director Options to Andrew Clark (or his nominee), being a non-executive director of the Company, the Board acknowledges that the ASX Corporate Governance Principles and Recommendations consider it acceptable to issue non-executive directors with equity based remuneration to align their interests with the shareholders of the Company. However, the Corporate Governance Principles and Recommendations recommend that non-executive directors should not receive options with performance hurdles attached or performance rights.

The Board notes that the Director Options to be issued to Andrew Clark (or his nominee) are consistent with the ASX Corporate Governance Principles and Recommendations as the Director Options will not be subject to any conditions based on the performance of Andrew Clark.

The Company considers the issue of Director Options to Andrew Clark (or his nominee) to be an effective method of incentivising Andrew Clark without requiring further expenditure by the Company, and to further align Andrew Clark's interests with that of Shareholders.

An alternative to the issue of the Director Options would be to increase the cash remuneration for Andrew Clark. However, given the current stage of development of the Company, and the necessity for cash resources to be preserved and directed into the growth of the Company's business, the Board (with the exception of Andrew Clark) considers the issue of the Director Options to be an appropriate cash-free method of remunerating Andrew Clark for his commitment and contribution to the Company.

On this basis, the Directors (with the exception of Andrew Clark) consider that the issue of the Director Options constitutes "reasonable remuneration" in respect of Andrew Clark's position, which falls within the exception in section 211(1) of the Corporation Act, and therefore, Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required.

Accordingly, Resolution 9 does not seek approval for the purposes of Chapter 2E of the Corporations Act.

9.5 Shareholder Approval (Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Listing Rule 10.13, the following information is provided in relation to the proposed issue of the Director Options:

- (a) the person proposing to participate in the issue of the Director Options is Andrew Clark (or his nominee);
- (b) Andrew Clark is a Director of the Company and thus falls within the category of Listing Rule 10.11.1; related party of the Company;
- (c) the maximum number of Director Options to be issued to Andrew Clark will be 3,100,000 Director Options;
- (d) the Director Options will be issued on the terms summarised in Annexure B;
- (e) subject to the passing of this Resolution 9, the Company intends to issue the Director Options on the date of the Meeting or such other date as the Directors may determine but no later than one (1) month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (f) the Director Options will be issued for nil consideration;
- (g) no funds will be raised by the Company in respect of the issue of the Director Options;
- (h) the issue of the Director Options is intended to remunerate and incentivise Andrew Clark, and in addition to such Director Options, Andrew Clark is also entitled to a salary of A\$55,000 per annum (exclusive of superannuation) as part of his current total remuneration package;
- (i) the Director Options are being issued under a Director's Service Agreement entered into between the Company and Andrew Clark the material terms of which are for the payment of salary in the amount of A\$55,000 per annum (exclusive of superannuation) as well as the issue of option to acquire shares in the Company to Andrew Clark in consideration for Andrew Clark providing the services of non-executive director of the Company. Under such agreement, Andrew Clark is entitled to be issued unlisted options to acquire shares equivalent to 1% of the total issued share capital in the Company (on a fully diluted basis) with an exercise price equal to the relevant 5-day VWAP, expiring 4 years from the date of issue and vesting in 3 equal tranches over 3 years. The issue of such options is subject to the Company obtaining relevant shareholder approval and Andrew Clark continuing to hold office as a director of the Company, while any unexercised options will lapse upon Andrew ceasing to be a director of the Company; and
- (j) a voting exclusion statement is contained in Resolution 9.

9.6 Interests and Recommendations of Directors

Other than Andrew Clark none of the current Board members have a material personal interest in the outcome of Resolution 9. Based on the information available, including that contained in this Explanatory Memorandum, all of the Directors (other than Andrew Clark) recommend that the Shareholders vote in favour of Resolution 9.

10. RESOLUTION 10 – ISSUE OF MANAGEMENT SHARES TO RELATED PARTY – SABONE INTERNET INVESTMENTS LLC

10.1 General

Pursuant to an employment contract entered into with the Company's subsidiary, Keith Cohn is entitled to salary of US\$275,000 (approximately A\$403,700) per annum ("**Original Salary**"). Subject to the Company obtaining Shareholder approval, Keith and the Company have agreed to reduce the salary payable to Keith thereunder to US\$225,000 (approximately A\$330,300) per annum ("**Revised Salary**") in consideration for the issue of Shares to the value of US\$100,000 (approximately A\$154,297) ("**Management Shares**"), being at a 100% premium to the

difference between the Original Salary and the Revised Salary ("**Management Fee Reduction**").

The Management Shares are to be issued, at the conversion price of A\$0.08 (8 cents) per Share, representing the offer price under the non-renounceable rights issue announced by the Company to the ASX on 4 July 2019, resulting in the issue of 1,865,672 Management Shares for the Management Fee Reduction.

Resolution 10 seeks Shareholder approval for the purpose of Listing Rule 10.11 and for the issue of the Management Shares to Keith Cohn's nominee, Sabone Internet Investments LLC.

10.2 ASX Listing Rule 10.11

A summary of Listing Rule 10.11 is contained in Section 3.2 of this Explanatory Memorandum.

Sabone Internet Investments LLC is a related party of the Company by virtue of being an entity controlled by Keith Cohn, who is a director of the Company.

It is the view of the Company that the exceptions set out in Listing Rule 10.12 do not apply to the proposed grant of the Management Conversion Right. Accordingly, approval is sought for the grant of the Management Conversion Right, and the subsequent issue of the Management Shares upon the exercise of such right.

10.3 ASX Listing Rule 7.2

A summary of the operation of Listing Rule 7.1 is provided in section 1.2 of this Explanatory Memorandum.

Exception 14 of Listing Rule 7.2 provides that where shareholder approval is obtained under Listing Rule 10.11, additional shareholder approval is not required under Listing Rule 7.1.

Accordingly, subject to Resolution 10 being passed, the issue of the Management Shares to Sabone Internet Investments LLC will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

10.4 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is contained in section 3.4 of this Explanatory Memorandum.

The Company considers the issue of Management Shares to Keith Cohn (or his nominee) to be an effective method of preserving the Company's capital and incentivising Keith Cohn without requiring further expenditure by the Company, and to further align Keith Cohn's interests with that of Shareholders.

An alternative to the issue of the Management Shares would be to continue to pay Keith Cohn the salary that Keith Cohn is otherwise entitled to under his employment contract with the Company's subsidiary. However, given the current stage of development of the Company, and the necessity for cash resources to be preserved and directed into the growth of the Company's business, the Board (with the exception of Keith Cohn) considers the issue of the Management Shares in consideration for Keith Cohn accepting a temporary reduction to his salary to be an appropriate cash-free method of remunerating Keith Cohn for his commitment and contribution to the Company.

On this basis, the Directors (with the exception of Keith Cohn) consider that the issue of the Management Shares constitutes "reasonable remuneration" in respect of Keith Cohn's position, which falls within the exception in section 211(1) of the Corporation Act, and therefore, Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required.

Furthermore, as the Directors (with the exception of Keith Cohn) consider that the terms of the Management Conversion Right are reasonable in the circumstances as the Company and Keith Cohn were dealing at arm's length, namely the Management Shares represent reasonable

consideration to Keith Cohn for agreeing to the Management Fee Reduction, while the conversion price represents the offer price under the non-renounceable rights issue announced by the Company to the ASX on 4 July 2019, it is the view of the Directors (with the exception of Keith Cohn) that the exception in section 210(1) of the Corporation Act also applies to the proposed issue of the Management Shares, and therefore, Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required.

10.5 Shareholder Approval (Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Listing Rule 10.13, the following information is provided in relation to the proposed issue of the Management Shares:

- (a) the person proposing to participate in the issue of the Management Shares is Sabone Internet Investments LLC;
- (b) Sabone Internet Investments LLC is an entity controlled by Keith Cohn, a Director of the Company and thus falls within the category of Listing Rule 10.11.1; related party of the Company;
- (c) subject to the passing of this Resolution 10, the Company intends to issue 1,865,672 Management Shares for the conversion of the Management Fee Reduction (namely US\$100,000) to be issued to Sabone Internet Investments LLC;
- (d) the Management Shares will rank pari passu with, and will be issued on the same terms as, the other Shares on issue;
- (e) subject to the passing of this Resolution 10, the Company intends to issue the Management Shares to Sabone Internet Investments LLC on the date of the Meeting or such other date as the Directors may determine but no later than one (1) month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (f) the Management Shares will be issued at a deemed issue price of A\$0.08 (8 cents) per Management Share, representing the offer price under the non-renounceable rights issue announced by the Company to the ASX on 4 July 2019;
- (g) no funds will be raised by the Company in respect of the issue of the Management Shares, however it will result in a reduction in the salary otherwise payable to Keith Cohn under his employment contract entered into with the Company's subsidiary; and
- (h) the issue of the Management Shares is not intended to remunerate or incentivise Keith Cohn, but rather is being issued upon conversion of the Management Fee Reduction, further details of which are contained in section 10.1 of this Explanatory Statement;
- (i) the Management Shares are not being issued under an agreement; and
- (j) a voting exclusion statement is contained in Resolution 10.

10.6 Interests and Recommendations of Directors

Other than Keith Cohn none of the current Board members have a material personal interest in the outcome of Resolution 10. Based on the information available, including that contained in this Explanatory Memorandum, all of the Directors (other than Keith Cohn) recommend that the Shareholders vote in favour of Resolution 10.

11. RESOLUTION 11 – ISSUE OF MANAGEMENT SHARES TO NON-RELATED PARTIES

11.1 General

Pursuant to respective employment contracts entered into with the Company's subsidiary, various employees of the Company are entitled to aggregate salary of US\$455,000 (approximately A\$667,939) per annum ("**Original Salary**"). The employees and the Company

have agreed to reduce the salary payable to the employees thereunder to, in aggregate US\$395,000 (approximately A\$579,859) per annum (“**Revised Salary**”) in consideration for the issue of Shares to the value of US\$120,000 (approximately A\$176,160) (“**Management Shares**”), being at a 100% premium to the difference between the Original Salary and the Revised Salary (“**Management Fee Reduction**”).

Resolution 11 seeks Shareholder approval for the purpose of Listing Rule 7.1 and for all other purposes for the issue of the Management Shares to the relevant employees.

11.2 ASX Listing Rule 7.1

A summary of the operation of Listing Rule 7.1 is provided in section 1.2 of this Explanatory Memorandum.

Accordingly, approval is sought for the issue of the Management Shares non-related employees of the Company.

By approving the issuance of the Management Shares pursuant to this Resolution 11, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

11.3 Shareholder Approval (Listing Rule 7.1)

Pursuant to and in accordance with the requirements of Listing Rule 7.3, the following information is provided in relation to the proposed issue of the Management Shares:

- (a) the non-related parties to whom the Management Shares are proposed to be issued, the amount of the Management Fee Reduction applicable to each such party as well as their roles in the Company is provided below:

Non-Related Party	Role	Original Salary	Revised Salary	Management Fee Reduction	Management Shares
Chad Burbarch	Chief Operating Officer	US\$230,000 (approximately A\$337,640)	US\$180,000 (approximately A\$264,240)	US\$100,000 (approximately A\$149,254)	1,865,672
Nicholas Giordano	Chief Financial Officer	US\$225,000 (approximately A\$330,300)	US\$215,000 (approximately A\$315,620)	US\$20,000 (approximately A\$29,851)	373,134
Total				US\$120,000 (approximately A\$179,105)	2,238,806

- (b) subject to the passing of this Resolution 11, the Company intends to issue 2,238,806 Management Shares for the conversion of the Management Fee Reduction (namely US\$120,000) to be issued to the relevant non-related employees;
- (c) the Management Shares will rank pari passu with, and will be issued on the same terms as, the other Shares of the Company;
- (d) subject to the passing of this Resolution 11, the Company intends to issue the Management Shares to the non-related employees on the date of the Meeting or such

other date as the Directors may determine but no later than three (3) months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);

- (e) the Management Shares will be issued at a deemed issue price of A\$0.08 (8 cents) per Management Share, representing the offer price under the non-renounceable rights issue announced by the Company to the ASX on 4 July 2019;
- (f) no funds will be raised by the Company in respect of the issue of the Management Shares, however it will result in a reduction in the salary otherwise payable to the non-related employees under their respective employment contracts entered into with the Company's subsidiary;
- (g) the securities are not being issued under an agreement;
- (h) the securities are not being issued under or to fund a reverse takeover; and
- (g) a voting exclusion statement is contained in Resolution 11.

11.6 Interests and Recommendations of Directors

None of the current Board members have a material personal interest in the outcome of Resolution 11. Based on the information available, including that contained in this Explanatory Memorandum, all of the Directors recommend that the Shareholders vote in favour of Resolution 11.

12. RESOLUTION 12 – ISSUE OF MANAGEMENT OPTIONS TO RELATED PARTY – SABONE INTERNET INVESTMENTS LLC

12.1 General

To further align the interests of Keith Cohn, executive Director, with that of the Company, the Company seeks to issue a total of 15,600,000 unquoted Options in the Company to Keith Cohn's nominee, Sabone Internet Investments LLC for nil consideration ("**Management Options**") as follows:

Class	Options	Exercise Price	Expiry Date
Class A	5,200,000	\$0.20	Four (4) years from the date of issue
Class B	5,200,000	\$0.25	Four (4) years from the date of issue
Class C	5,200,000	\$0.30	Four (4) years from the date of issue
TOTAL	15,600,000		

The full proposed terms of the Management Options are summarised in Annexure C of this Notice.

Resolution 12 seeks Shareholder approval for the purpose of Listing Rule 10.11 and for the issue of the Management Options to Keith Cohn's nominee, Sabone Internet Investments LLC.

12.2 ASX Listing Rule 10.11

A summary of Listing Rule 10.11 is contained in Section 3.2 of this Explanatory Memorandum.

Sabone Internet Investments LLC is a related party of the Company by virtue of being an entity controlled by Keith Cohn, who is a director of the Company.

It is the view of the Company that the exceptions set out in Listing Rule 10.12 do not apply to the proposed issue of the Management Options. Accordingly, approval is sought for the issue of the Management Options to Sabone Internet Investments LLC.

12.3 ASX Listing Rule 7.2

A summary of the operation of Listing Rule 7.1 is provided in section 1.2 of this Explanatory Memorandum.

Exception 14 of Listing Rule 7.2 provides that where shareholder approval is obtained under Listing Rule 10.11, additional shareholder approval is not required under Listing Rule 7.1.

Accordingly, subject to Resolution 12 being passed, the issue of the Management Options to Sabone Internet Investments LLC will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

12.4 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is contained in section 3.4 of this Explanatory Memorandum.

The Company considers the issue of Management Options to Keith Cohn (or his nominee) to be an effective method of incentivising Keith Cohn without requiring further expenditure by the Company, and to further align Keith Cohn's interests with that of Shareholders.

An alternative to the issue of the Management Options would be to pay Keith Cohn additional salary. However, given the current stage of development of the Company, and the necessity for cash resources to be preserved and directed into the growth of the Company's business, the Board (with the exception of Keith Cohn) considers the issue of the Management Options to be an appropriate cash-free method of remunerating Keith Cohn for his commitment and contribution to the Company.

On this basis, the Directors (with the exception of Keith Cohn) consider that the issue of the Management Options constitutes "reasonable remuneration" in respect of Keith Cohn's position, which falls within the exception in section 211(1) of the Corporation Act, and therefore, Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required.

12.5 Shareholder Approval (Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Listing Rule 10.13, the following information is provided in relation to the proposed issue of the Management Options:

- (a) the person proposing to participate in the issue of the Management Options is Sabone Internet Investments LLC;
- (b) Sabone Internet Investments LLC is an entity controlled by Keith Cohn, a Director of the Company and thus falls within the category of Listing Rule 10.11.1; related party of the Company;
- (c) the maximum number of Management Options to be issued to Sabone Internet Investments LLC will be 15,600,000 Director Options;
- (d) the Management Options will be issued on the terms summarised in Annexure C;

- (e) subject to the passing of this Resolution 12, the Company intends to issue the Management Options on the date of the Meeting or such other date as the Directors may determine but no later than one (1) month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (f) the Management Options will be issued for nil consideration;
- (g) no funds will be raised by the Company in respect of the issue of the Management Options;
- (h) the issue of the Management Options is intended to remunerate and incentivise Keith Cohn and in addition to such Management Options, Keith Cohn is also entitled to a salary of US\$275,000 (approximately A\$403,700) as part of his current total remuneration package;
- (i) the Management Options are not being issued under an agreement; and
- (j) a voting exclusion statement is contained in Resolution 12.

12.6 Interests and Recommendations of Directors

Other than Keith Cohn none of the current Board members have a material personal interest in the outcome of Resolution 12. Based on the information available, including that contained in this Explanatory Memorandum, all of the Directors (other than Keith Cohn) recommend that the Shareholders vote in favour of Resolution 12.

13. RESOLUTION 13 – AMENDMENT OF CONSTITUTION

13.1 General

A company may modify or repeal its constitution or a provision of its constitution by a special resolution of Shareholders.

Resolution 9 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution ("**Proposed Constitution**") which is of the type required for a listed public company limited by shares. The Proposed Constitution has been updated to ensure it reflects the current provisions of the Corporations Act and Listing Rules.

This will incorporate amendments to the Corporations Act and Listing Rules since the current Constitution was adopted in 2018.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

A copy of the Proposed Constitution is available for review by Shareholders at the Company's website (www.candyclub.com) and at the office of the Company. A copy of the Proposed Constitution can also be sent to Shareholders upon making a request to the Company Secretary (+613 9191 0135). Shareholders are invited to contact the Company if they have any queries or concerns.

13.2 Summary of material proposed changes

Restricted Securities (clauses 59 and 60)

The Proposed Constitution complies with the proposed changes to Listing Rule 15.12 which was released on 1 December 2019.

Under this change, ASX will require certain significant holders of restricted securities and their controllers (such as related parties, promoters, substantial holders, service providers and their associates) to execute a formal escrow agreement in the form provided in Appendix 9A of the Listing Rules, as is currently the case.

However, for less significant holdings (such as parties who are not related to the Company and are not promoters), ASX will instead permit the Company to issue restriction notices to holders of restricted securities in the form of a new Appendix 9C to the Listing Rules, advising them of the restrictions placed on their securities, rather than requiring signed restriction agreements from these holders.

13.3 Interests and Recommendations of Directors

None of the current Board members have a material personal interest in the outcome of Resolution 13. Based on the information available, including that contained in this Explanatory Memorandum, all of the Directors recommend that the Shareholders vote in favour of Resolution 13.

Glossary

\$ means Australian dollars.

Acquisition means the proposed acquisitions of relevant interests in voting shares of the Company by James Baillieu and JCKB Pty Ltd if Resolutions 4, 7 and 8 are passed, which is the subject of Resolution 6.

Annexure means an annexure to this Notice.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Class A Options means a listed Class A option in the Company, the key terms of which are contained in Annexure A.

Company means Candy Club Holdings Limited ACN 629 598 778.

Conversion Options means the Options to be issued upon conversion of the Debts Payable.

Conversion Right means the right of the Company to convert moneys owing under the Loan into the Loan Shares, which the Company seeks to exercise subject to the passing of Resolution 8.

Conversion Shares means the Shares to be issued upon conversion of the Debts Payable.

Conversion Securities means the Equity Securities to be issued by the Company pursuant to the Debt Raising, comprised of the Debt Raising Options, the Conversion Shares and the Conversion Options, which is the subject of Resolutions 1, 3, 4 and 5 (as the context requires).

Constitution means the Company's constitution.

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

Debts Payable means the amounts payable by the Company to the relevant investor (as the context requires) pursuant to the Debt Raising.

Debt Raising means the debt raising undertaken by the Company with the relevant investor (as the context requires), the key terms of which are summarised in section 1 of the Explanatory Statement.

Debt Raising Options means the Options to be issued upon commencement of the Debt Raising.

Director Options means the Options proposed to be issued to Andrew Clark, which is the subject of Resolution 9 and the key terms of which are contained in Annexure B.

Directors means the current directors of the Company.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Extraordinary General Meeting or Meeting means the meeting convened by the Notice.

Independent Expert means Nexia Perth Corporate Finance Pty Ltd (AFSL 289 358).

Independent Expert's Report means the report prepared by the Independent Expert which is annexed to this Notice.

Lead Manager means Copeak Pty Ltd ACN 607 161 900 (trading as Peak Asset Management ABN 81 891 265 739).

Lead Manager Options means the 6,000,000 Class A Options issued to the Lead Manager (or its nominees), which is the subject of Resolution 2.

Lead Manager Performance Options means the 825,000 Class A Options issued to the Lead Manager (or its nominees), which is the subject of Resolution 2.

Lead Manager Shares means the 825,000 Shares issued to the Lead Manager (or its nominees), which is the subject of Resolution 2.

Loan means the loan of A\$1,500,000 advanced by James Baillieu, the key terms of which are summarised in Section 8 of the Explanatory Statement.

Loan Conversion Amount means the principal and interest accumulated under the Loan up to the Loan Conversion Date, being the subject of the Conversion Right under Resolution 8.

Loan Conversion Date means the date being three (3) months from the date of the Loan.

Loan Shares means the proposed issue of Shares upon exercise of the Conversion Right, which is the subject of Resolution 8.

Management Fee Reduction means a 100% premium on the difference between the Original Fee and the Revised Fee payable to Keith Cohn and the other non-related employees of the Company (as the context requires) which the Company seeks to convert into the Management Shares pursuant to Resolutions 10 and 11 respectively.

Management Options means the Options proposed to be issued to Sabone Internet Investments LLC, which is the subject of Resolution 12 and the key terms of which are contained in Annexure C.

Management Shares means the Shares to be issued upon the exercise of the Management Conversion Right, being the subject of Resolutions 10 and 11 (as the context requires).

Notice or Notice of Meeting means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Original Fee means the management fees payable to Keith Cohn or the other non-related employees of the Company (as the context requires), prior to the Management Fee Reduction.

Placement means the proposed advancement of A\$1,500,000 by James Baillieu as consideration for the issue of the Placement Options and Placement Shares, which is the subject of Resolution 7.

Placement Options means the Options to be issued pursuant to the Placement.

Placement Shares means the Shares to be issued pursuant to the Placement.

Placement Securities means the Placement Shares and Placement Options.

Proposed Constitution means the constitution which is proposed to replace the Constitution pursuant to Resolution 9, and the key changes to which are summarised in Section 13 of the Explanatory Statement.

Proxy Form means the proxy form accompanying the Notice.

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

Revised Fee means the management fees payable to Keith Cohn or the other non-related employees of the Company (as the context requires), following the Management Fee Reduction.

Section means a section of the Explanatory Statement.

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

Shareholder means a registered holder of a Share.

Annexure A – Class A Option Terms

Rights and liabilities attaching to Class A Options

(a) **Entitlement**

Subject to paragraph (n), each Class A Option entitles the holder to subscribe for one (1) Share upon exercise of the Class A Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Class A Option will be A\$0.10 (**Exercise Price**).

(c) **Expiry Date**

Each Class A Option will expire at 5.00 pm AEST on 31 May 2023 (**Expiry Date**). Class A Options not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Class A Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Class A Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Class A Option Certificate (**Notice of Exercise**) and payment of the Exercise Price for each Class A Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Class A Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Class A Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the Official List of the ASX at the time, apply for Official Quotation of Shares issued pursuant to the exercise of the Class A Options.

If a notice delivered under paragraph (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of

the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued in exercise of the Class A Options rank equally with the then issued Shares of the Company.

(i) **Quotation of Shares issued on exercise**

If the Company is admitted to the Official List at the relevant time, application will be made by the Company to ASX for Official Quotation of the Shares issued upon the exercise of the Class A Options.

(j) **Reconstruction of capital**

If at any time, the issued capital of the Company is reconstructed, all rights of a Class A Option holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Class A Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Class A Options without exercising the Class A Options.

(l) **Change in Exercise Price**

The Class A Options do not confer the right to a change in the Exercise Price or a change in the number of underlying securities over which the Class A Options can be exercised.

(m) **Transferability**

The Class A Options are transferable subject to any restriction or escrow arrangements imposed by the ASX or under applicable Australian securities laws.

(n) **Bonus Issues**

If prior to the Expiry Date, the Company makes a bonus issue of Shares to Shareholders, then the holders of Class A Options, upon the exercise of such Options, would be entitled to have issued to them, in addition to Shares which would otherwise be issued to them upon the exercise of the Class A Options, the Shares which would have been issued under that bonus issue (**Bonus Shares**) if, on the record date applicable to the Bonus Shares, they had been registered as the holder of the Shares to be issued to them upon exercise of the Options. Such Bonus Shares will be paid by the Company out of profits or reserves in the same manner as was applied in relation to the bonus issue and upon issue will rank equally in all respects with the Bonus Share.

Annexure B – Director Option Terms

Rights and liabilities attaching to Director Options

(a) **Entitlement**

Subject to paragraph (n), each Director Option entitles the holder to subscribe for one (1) Share upon exercise of the Director Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Director Option will be the price being 150% of the Company's 10 day VWAP immediately prior to the Exercise Date (**Exercise Price**).

(c) **Expiry Date**

Each Director Option will expire on the date being four (4) years from the date of issue (**Expiry Date**). Director Options not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Director Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Director Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Director Option Certificate (**Notice of Exercise**) and payment of the Exercise Price for each Director Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Director Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the Official List of the ASX at the time, apply for Official Quotation of Shares issued pursuant to the exercise of the Director Options.

If a notice delivered under paragraph (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued in exercise of the Director Options rank equally with the then issued Shares of the Company.

(i) **Quotation of Shares issued on exercise**

If the Company is admitted to the Official List at the relevant time, application will be made by the Company to ASX for Official Quotation of the Shares issued upon the exercise of the Director Options.

(j) **Reconstruction of capital**

If at any time, the issued capital of the Company is reconstructed, all rights of a Director Option holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Director Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options without exercising the Director Options.

(l) **Change in Exercise Price**

The Director Options do not confer the right to a change in the Exercise Price or a change in the number of underlying securities over which the Director Options can be exercised.

(m) **Transferability**

The Director Options are transferable subject to any restriction or escrow arrangements imposed by the ASX or under applicable Australian securities laws.

(n) **Bonus Issues**

If prior to the Expiry Date, the Company makes a bonus issue of Shares to Shareholders, then the holders of Director Options, upon the exercise of such Options, would be entitled to have issued to them, in addition to Shares which would otherwise be issued to them upon the exercise of the Director Options, the Shares which would have been issued under that bonus issue (**Bonus Shares**) if, on the record date applicable to the Bonus Shares, they had been registered as the holder of the Shares to be issued to them upon exercise of the Options. Such Bonus Shares will be paid by the Company out of profits or reserves in the same manner as was applied in relation to the bonus issue and upon issue will rank equally in all respects with the Bonus Share.

Annexure C – Management Option Terms

Rights and liabilities attaching to Management Options

(a) **Entitlement**

Subject to paragraph (n), each Management Option entitles the holder to subscribe for one (1) Share upon exercise of the Management Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Management Option will be the price be as follows:

Management Option Class	Number of Management Options	Exercise Price
Class A	5,200,000	\$0.20
Class B	5,200,000	\$0.25
Class C	5,200,000	\$0.30
Total	15,600,000	

(c) **Expiry Date**

Each Management Option will expire on the date being four (4) years from the date of issue (**Expiry Date**). Management Options not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Management Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Management Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Management Option Certificate (**Notice of Exercise**) and payment of the Exercise Price for each Management Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Management Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (iv) allot and issue the number of Shares required under these terms and conditions in respect of the number of Management Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (v) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (vi) if admitted to the Official List of the ASX at the time, apply for Official Quotation of Shares issued pursuant to the exercise of the Management Options.

If a notice delivered under paragraph (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued in exercise of the Management Options rank equally with the then issued Shares of the Company.

(i) **Quotation of Shares issued on exercise**

If the Company is admitted to the Official List at the relevant time, application will be made by the Company to ASX for Official Quotation of the Shares issued upon the exercise of the Management Options.

(j) **Reconstruction of capital**

If at any time, the issued capital of the Company is reconstructed, all rights of a Management Option holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Management Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Management Options without exercising the Management Options.

(l) **Change in Exercise Price**

The Management Options do not confer the right to a change in the Exercise Price or a change in the number of underlying securities over which the Management Options can be exercised.

(m) **Transferability**

The Management Options are transferable subject to any restriction or escrow arrangements imposed by the ASX or under applicable Australian securities laws.

(n) **Bonus Issues**

If prior to the Expiry Date, the Company makes a bonus issue of Shares to Shareholders, then the holders of Management Options, upon the exercise of such Options, would be entitled to have issued to them, in addition to Shares which would otherwise be issued to them upon the exercise of the Management Options, the Shares which would have been issued under that bonus issue (**Bonus**

Shares) if, on the record date applicable to the Bonus Shares, they had been registered as the holder of the Shares to be issued to them upon exercise of the Options. Such Bonus Shares will be paid by the Company out of profits or reserves in the same manner as was applied in relation to the bonus issue and upon issue will rank equally in all respects with the Bonus Share.