

Shekel Brainweigh Ltd
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Shekel Brainweigh Ltd

Addendum to Notice of Extraordinary General Meeting Explanatory Statement | Proxy Form

6 April 2021

4.00 PM AEST

Address

Level 5, 126 Phillip Street, Sydney, NSW 2000

Note: This Addendum must be read together with the Notice of Meeting (as lodged with ASX on 5 March 2021). Both documents 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.

Addendum to Notice of Extraordinary General Meeting

Notice is hereby given in relation to the Notice of Extraordinary General Meeting dated 5 March 2021 (**Notice of Meeting**) in respect of the Extraordinary General Meeting of Shareholders of Shekel Brainweigh Ltd ARBN 625 669 445 (**Company**) to be held at 4.00pm (AEST) on Tuesday 6 April 2021 at the offices of Automic Group, Level 5, 126 Phillip Street, Sydney, NSW 2000, that the directors have determined to issue this addendum to the Notice of Meeting (**Addendum**), for the purposes set out below.

Background to this Addendum

As announced to the ASX on 26 March 2021 and subject to shareholder approval, the Company has secured a funding for up to US\$5 million from Kvutzat Yavne, Hapoel Hamizrahi Group for Cooperative Settlement Ltd (the **Investor**) by way of the issue of convertible notes to the Investor. On 25 March 2021, the Company entered into the convertible note agreement with the Investor which set out the terms on which the convertible notes (the **Notes**) would be issued to the Investor (the **Convertible Note Agreement**). The issue of the Notes (and the subsequent conversion of the Notes into ordinary shares of the Company) is conditional on shareholders approving the issue of the Notes to the Investor on the terms set out in this Addendum.

Additional Resolution

By this Addendum, Resolution 8 is added to the Notice of Meeting as detailed below.

The Explanatory Statement to this Addendum provides additional information on Resolution 8 to be considered at the Extraordinary General Meeting. The Explanatory Statement and the Proxy Form form part of this Addendum.

Unless otherwise defined in this Addendum, terms and abbreviations used in this Addendum have the same meaning as in the Notice of Meeting.

Replacement Proxy Form

Annexed to this Addendum is a replacement Proxy Form.

Shareholders who intend to vote by proxy in relation to Resolution 8 in this Addendum **MUST** use the replacement Proxy Form to vote on ALL Resolutions. In the event that a Shareholder provides a replacement Proxy Form, any Proxy Form dispatched with the original Notice of Meeting which has been completed by the Shareholder will be disregarded.

The Company reserves the right to accept Proxy Forms dispatched with the original Notice of Meeting received from Shareholders in the event that a new Proxy form is not provided by the relevant Shareholder.

Additional Resolution

1. **Resolution 8** – Approval of Issue of Notes to Kvutzat Yavne, Hapoel Hamizrahi Group for the purposes of ASX Listing Rule 7.1

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Shareholders of the Company approve the issue of 5,000,000 Convertible Notes to Kvutzat Yavne, Hapoel Hamizrahi Group on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Addendum to the Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 8 by or on behalf of:

- (a) Kvutzat Yavne, Hapoel Hamizrahi Group or a person who will obtain a material benefit as a result of, the proposed issue of the Notes (except a benefit solely by reason of being a holder of Shares in the Company); or
- (b) an Associate of Kvutzat Yavne, Hapoel Hamizrahi Group or a person who will obtain a material benefit as a result of, the proposed issue of the Notes (except a benefit solely by reason of being a holder of Shares in the Company).

However, this does not apply to a vote cast in favour of Resolution 8 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on Resolution 8, in accordance with directions given to the proxy or attorney to vote on Resolution 8 in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 8, in accordance with a direction given to the Chair of the Meeting to vote on Resolution 8 as the Chair of the Meeting decides; or
- (iii) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on Resolution 8; and
 - the holder votes on Resolution 8 in accordance with directions given by the beneficiary to the holder to vote in that way.

BY ORDER OF THE BOARD

Elizabeth Spooner
Company Secretary

Explanatory Statement

This Explanatory Statement in the Notice of Meeting is supplemented with the following information in relation to Resolution 8 as follows:

Resolution 8 – Approval of issue of Notes to Kvutzat Yavne, Hapoel Hamizrahi Group for the purposes of ASX Listing Rule 7.1.

Background

As announced to the ASX on 26 March 2021 and subject to shareholder approval for Resolution 8 being received, the Company proposes to issue 5,000,000 Notes to the Investor at an issue price of US\$1.00 per Note, to raise up to US\$5 million pursuant to the terms of the Convertible Note Agreement entered into between the Company and the Investor on 25 March 2021. Under the terms of the Convertible Note Agreement, the parties agreed, among other things, that until such time as Shareholder approval was obtained, the Company would not issue the Notes to the Investor.

ASX 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. As the issue of the Notes (taking into account the number of Shares which may be issued on conversion of the Notes) is in excess of the Company's available placement capacity under ASX Listing Rule 7.1, the Company is seeking Shareholder approval to issue the Notes to the Investor. The material terms of the Notes are set out in Annexure A to this Addendum.

The effect of this Resolution 8 is for Shareholders to approve the issue of the Notes to the Investor such that the issue of Shares on conversion of the Notes will fall within exception 9 of ASX Listing Rule 7.2.

If this Resolution 8 is approved by Shareholders, the Company will proceed to issue the Notes to the Investor and the Investor will advance the US\$5 million to the Company as described in this explanatory statement.

If this Resolution 8 is not approved by Shareholders, the Company will not be able to issue the Notes to the Investor. As the Company needs the funds in order to meet its business goals for FY2021 which have been set to allow to the Company to continue to grow both its Retail Innovation Division and its Shekel-Scales Division, the Company chose to fund its needs through the issue of the Notes to the Investor as the offer best balances the Company's capital needs with the Company's objective of seeking to ensure any capital raising minimised the dilutory effect on Shareholders. In the event that Shareholders do not approve the issue of the Notes to the Investor, the Company will need to consider other fundraising channels that may be more dilutive Shareholders.

Overview of Resolution 8

This Resolution 8 seeks Shareholder approval to issue the Notes to the Investor on the terms set out in Annexure A to this Addendum.

The below table is provided to illustrate the number of Shares that may be issued on conversion of the Notes at various price points (and particularly if the prevailing market price on the day prior to conversion is lower than \$0.10 per Share). The below table assumes that US\$5 million of the face value of the Notes is converted (and no interest has accrued on the Notes).

VWAP of the Shares (expressed in USD)	Number of Shares issued on conversion of the Notes (Face Value ÷ 75% of the VWAP of the Shares)	Percentage of issued capital which the Investor will hold*
\$0.07	95,238,095	38.3%

\$0.14 (last traded price as of 28 March 2021)	47,619,047	23.7%
\$0.20	33,333,333	17.8%
\$0.25	26,666,666	14.8%

**This has been calculated on the basis of the total number of Shares on issue as at the 28 March 2021, being 153,175,000 Shares*

If the prevailing market price of the Company's Shares falls substantially during the period in which the Investor may convert the Notes to Shares, the issue of Shares on conversion of the Notes may be highly dilutive to existing Shareholders.

Information Required by ASX Listing Rule 7.3

The following information is provided to Shareholders for the purposes of ASX Listing Rule 7.3:

- (a) *The names of the persons to whom the Company will issue the securities or the basis upon which those persons were or will be selected*

The Notes (and any underlying Shares issued on conversion of the Notes) will be issued to Kvutzat Yavne, Hapoel Hamizrahi Group

- (b) *The number and class of securities the Company will issue and the material terms of the securities*

The Company will issue 5,000,000 Notes to Kvutzat Yavne, Hapoel Hamizrahi Group. A summary of the material terms of the Notes is set out in Annexure A of this Addendum.

If converted in accordance with their terms, the Notes will entitle the note holder to receive Shares which will rank equally in all aspects with all existing Shares of the Company with effect from their date of issue.

- (c) *The dates or dates on or by which the Company will issue the securities*

The Notes are expected to be issued within 5 business days after all conditions to closing are satisfied, which date will be within 3 months of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion). For the avoidance of doubt, no Notes will be issued to the Investor later than 3 months after Shareholders approve this Resolution 8.

- (d) *The price or other consideration the entity will receive for the securities*

The Notes are being issued at US\$1.00 per Note, with each Note having a face value of US\$1.00 per Note. The Company, if Shareholders approve this Resolution 8 will receive US\$5 million by way of the issue of the Notes to Kvutzat Yavne, Hapoel Hamizrahi Group.

- (e) *The purpose of the issue, including the intended use of any funds raised by the issue*

The Notes are being issued to provide the Company with the funds necessary to seek to meet its business goals for FY2021 which are set to allow to the Company to continue to grow both its Retail Innovation Division and its Shekel-Scales Division. Funds raised from the issue of the Notes will be used by the Company in the following manner:

Amount	Use of funds
US\$ 1,800,000	Recruitment of Project Managers, Dev-Ops and support engineers to support the expending sales of the Company's Retail Innovation Division.
US\$ 1,200,000	Recruitment of marketing and sales employees globally to lead the global expansion of sales of the Company's Retail

	Innovation Division
US\$ 800,000	Strengthening the global marketing team of the Shekel Scales division.
US\$ 1,200,000	On-going business activities and working capital

(f) *If the securities are being issued under an agreement, a summary of the material terms of the agreement*

The Notes are being issued under the Convertible Note Agreement entered into between the Company and the Investor. The material terms on which the Notes are being issued is set out in Annexure A to this Addendum.

(g) *If the securities are being issued under, or to fund, a reverse takeover, information about the reverse takeover*

The Notes are not being issued under, or to fund, a reverse takeover.

Directors' Recommendation

The Board of Directors recommends Shareholders vote for this Resolution 8.

Enquiries

Shareholders are asked to contact the Company Secretary at elizabeth.spooner@atomicgroup.com.au if they have any queries in respect of the matters set out in these documents.

Annexure A – Material terms of Notes

Set out below are the material terms on which the Notes will be issued to the Investor.

	Term	Description
1.	Class of security to be issued	The Notes will be unsecured notes convertible into new Shares in the Company as, and otherwise having the terms, set out below.
2.	Status	<p>The Notes will be unsecured obligations of the Company and will rank equally in all respects with all other unsecured indebtedness of the Company and senior to all subordinated indebtedness as at their date of issue (Issue Date).</p> <p>Shares issued on conversion of a Note will be fully paid and will rank pari passu in all respects with the Shares on issue in the Company as at the date of conversion.</p>
3.	Conditions precedent to closing	<p>The Convertible Note Agreement entered into between the Company and the Investor will become effective and the Notes will be issued to the Investor under the Convertible Note Agreement following receipt of approval from Shareholders for the purposes of ASX Listing Rule 7.1.</p> <p>The issue of Notes to the Investor under the Convertible Note Agreement will also be conditional on (i) the Company receiving the required consents from its financiers to enter into the Convertible Note Agreement and to issue the Notes to the Investor, (ii) the amendment of the articles of association of the Company's subsidiary, Shekel Scales (2008) Ltd to permit the Investor to appoint a director to sit on the board of this entity as well as to incorporate a negative pledge in favour of the investor, and (iii) certain other customary conditions for closing, including absence of a material adverse change in the Company, the representations and warranties made by the Company in the Convertible Note Agreement being true and correct as of the closing and no breach by the Company of the Convertible Note Agreement.</p>
4.	Number of Notes to be issued	5,000,000
5.	Face Value	Each Note will have an issue price of US\$1.00 and a face value of US\$1.00.
6.	Maturity Date	Four years after the Issue Date.
7.	Interest rate	7% per annum payable quarterly.
8.	Repayment	<p>Bullet repayment of principal on the Maturity Date (unless the Notes are converted or redeemed earlier in accordance with the terms of the Convertible Note Agreement). See items 8 and 9 below for further information.</p> <p>Interest owing by the Company on the Notes will be required to be paid to the Investor on quarterly basis.</p>
9.	Redemption / early repayment	<p>The Company will have a right to repay the Face Value of the Notes together with unpaid interest which has accrued on the Notes (Redemption Amount) in circumstances where the existence of the Notes prevents the Company from raising at least US\$500,000 of equity or debt financing, provided that such redemption does not prejudice the Investor's rights to convert the Notes (as set out in Item 9 below).</p> <p>The Investor may call for repayment of the Redemption Amount where an Event of Default occurs (see item 11 below).</p>
10.	Conversion by Note holder	The Investor will have the right to convert all (and not some only) of the Notes into Shares based on the Conversion Ratio (defined in item 10 below) (Conversion) on and from:

	Term	Description
		<ul style="list-style-type: none"> ▪ the date which is two years after the Issue Date; or ▪ in the period between the Issue Date and the date which is two years after the Issue Date, the date on which any of the following transactions are completed (i) a transaction involving the sale of all or substantially all of the Company's shares or assets; (ii) the Company undertaking a fundraising in conjunction with which the Company's shareholders may sell at least 5% of the Company's then issued share capital; (iii) the distribution of a dividend by the Company to shareholders using the proceeds received by the Company from sale of the Company's retail innovation division; (iv) the delisting of the Company's shares from ASX. <p>The Investor will not, however, be entitled to effect a Conversion in any:</p> <ul style="list-style-type: none"> ▪ 60 day period before release by the Company of its annual results to ASX; or ▪ 30 day period before release by the Company of its half year results to ASX.
11.	Conversion ratio and price	<p>Conversion of the Notes obliges the Company to issue to its holder a number of Shares to be calculated in accordance with the following formula:</p> $\frac{FV}{SP}$ <p>where:</p> <p>FV = Face Value;</p> <p>SP = 75% of the volume weighted average price of the Company's shares as traded on ASX during the last 25 trading days preceding the conversion of the Notes or the closing of the event giving the Investor the right to convert the Notes,</p> <p>(Conversion Ratio)</p>
12.	Events of default	<p>An Event of Default will occur where:</p> <ul style="list-style-type: none"> (a) The Company fails to timely repay the face value of the Notes, the interest accrued thereon or any other amount payable to the Investor in accordance with the Convertible Note Agreement; (b) A loan, credit or debt in an amount exceeding 1 million NIS (A\$~390,000, provided to the Company by a third party, is called for immediate repayment; (c) The standing order, given by the Company for the purposes of repayment of interest, is terminated; (d) The Company or any of its subsidiaries violates the negative pledge provision (as set forth in Item 12 below); (e) Any of the Company's representations and warranties in the Convertible Loan Agreement is incorrect and adversely affects the Company or any of its subsidiaries in aggregate amount of NIS 250,000 (A\$ ~98,000); (f) Any proceeding, plan or other action for the bankruptcy, rearrangement, reorganization, insolvency, dissolution or liquidation of the Company or any of its subsidiaries is filed or commenced, and not terminated within 45 days; (g) The Company or any of its subsidiaries stops payments to its creditors; (h) The Company or any of its subsidiaries is subject to foreclosure or execution proceedings due to a debt exceeding NIS 750,000 (A\$ ~295,000) and such proceedings are not terminated within 45 days;

	Term	Description
		<p>(i) The Company or any of its subsidiaries stops its business activities;</p> <p>(j) The Company does not approve and file its financial statements within the legally required periods;</p> <p>(k) The Company's or any of its subsidiaries financial statements include a 'going concern' note, which is not removed within the next 6 months;</p> <p>(l) A legal claim in an amount exceeding US\$ 750,000 is filed against the Company or any of its subsidiaries;</p> <p>(m) The Company's subsidiary, Shekel Scales (2008) Ltd. is in non-compliance with any of the financial covenants imposed by its financiers;</p> <p>(n) Breach of the Convertible Note Agreement, which is not cured within 21 days following the date on which the Company received the Investor's written notice on same.</p>
13.	Negative covenants	<p>As long as the Notes are outstanding, the Company (and each of its subsidiaries / related bodies corporate) must not take certain customary actions without the Investor's prior written consent, including:</p> <ul style="list-style-type: none"> ▪ incur any indebtedness or create any encumbrances over any of its assets other than those arising from refinance activities or from purchase money security interest (PMSI); ▪ effect change in the Company's issued share capital resulting in change in control of the Company or any change in the issued share capital of any subsidiary of the Company (subject to certain exceptions); ▪ effect any related party transaction; ▪ effect any structural change, other than spin off of the Company's Retail Innovation Division; or ▪ change the nature of the business activities carried on by the Company or its subsidiaries. <p>In addition, as long as the Notes are outstanding (i) the Company shall continue preparing its half annual and annual financial statements in accordance with IFRS, also in the event its securities are delisted from ASX; and (ii) shall comply with the financial covenants imposed by its financiers, and, to the extent such covenants are amended by the financiers, shall submit such amended covenants for the Investor's prior approval.</p>
14.	Board nomination rights	<p>As long as the Notes are outstanding, the Investor will have the right (i) to nominate at least one non-executive director for appointment to the board of the Company and (ii) to appoint an observer to attend Board meetings of the Company and any of its subsidiaries.</p>
15.	Quotation	<p>The Notes will not be listed.</p> <p>Any Shares issued on Conversion will be quoted on ASX.</p>
16.	Voting rights	<p>The Notes will not carry any voting rights.</p>
17.	Warranties and indemnities	<p>Following conversion to Shares, the Company shall indemnify the Investor for the damages actually incurred by the Investor and resulting from (i) breach of any representation contained in the Convertible Note Agreement and not known to the Investor prior to the conversion of Notes; (ii) any claim against, or any debt of, the Company or any subsidiary originating from the activities preceding the date of the Convertible Loan Agreement, not disclosed to the Investor. The aforesaid</p>

	Term	Description
		warranties shall be limited for 24 months following the conversion; the indemnification amount shall not exceed the amount of Notes actually converted and shall be subject to de minimis threshold of damages of NIS 350,000 (A\$ ~135,000).
18.	Restrictions on transfer	Any transfer of Notes or assignment by a party of rights and/or obligations under the Convertible Loan Agreement, shall be subject prior written approval of the other party.

EGM Replacement Registration Card

If you are attending the meeting
in person, please bring this with you
for Securityholder registration.

Holder Number:

Your proxy voting instruction must be received by **4.00pm (AEST) on Sunday 4 April 2021**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on an item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify a percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

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

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

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

Lodging your Proxy Voting Form:

Online:

Use your computer or smartphone to appoint a proxy at <https://investor.automic.com.au/#/loginsah> or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



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