

Dear Shareholder,

Enclosed is the documentation for the Annual General Meeting of Keytone Dairy Corporation Limited (Company) to be held on 28 October 2021.

In light of the restrictions in relation to public gatherings that have been introduced as a result of the Covid-19 pandemic, we have determined that it is prudent for the meeting to be held as a **hybrid meeting**.

I invite you to join us for the meeting **online** at <https://agmlive.link/KTD21>. You will be able to vote and ask questions at the virtual meeting.

To ensure we are compliant with social distancing measures stipulated by governments and for the safety of shareholders and directors, we encourage you not to attend the meeting in person.

Full details of the items of business are included in the accompanying Notice of Meeting, Voting Information and Explanatory Notes together with details on how to attend the **online** meeting, ask questions and vote.

The meeting intends to cover a number of resolutions, for which we are seeking your approval as a shareholder. These matters are important for the future strategy, growth and success of the business and are supported by the Board and senior executive team.

Change of Name: The Board proposes changing the Company's name to Halo Food Co. Limited. The proposed new name more accurately reflects the strategy and growth trajectory of the business as we pursue a diversified proprietary brand strategy in the health and wellness sector, while importantly maintaining our existing core brands - Key Dairy, Tonik, Super Cubes and Omniblend. Following an extensive process with leading marketing and branding experts, the Board believes the proposed new name accurately reflects the activities of the group and the branded strategy which the Company is pursuing through both organic and non-organic opportunities. The name change is a critical piece in the strategic roadmap of our long-term success and is fully endorsed by the Board.

Issue of Options: As detailed in the Explanatory Notes the purpose of the issue of the Incentive Options to a number of the Non-Executive Directors is to provide, in a cost effective way, a performance linked incentive component in their remuneration package to align with the interests of Shareholders. In relation to our CEO and Executive Director Mr. Danny Rotman, the Incentive Options are in lieu of his entire deferred cash bonus for FY20 and the long-term incentive component for FY21 which were not paid at that time due to the uncertainty of the potential impact of COVID-19 on the Company's business. The vesting conditions for these options represent a significant uplift in the share price from its recent levels, highlighting the value of incentive for all shareholders.

I encourage you to consider the resolutions and the recommendations of the Board to support the resolutions.

If you cannot attend the meeting and wish to vote, please complete and lodge the proxy form in accordance with the instructions on the back of the form.

Thank you for your continued support as we build our business for the future.

Peter James

Chair

28 September 2021

KEYTONE DAIRY CORPORATION LIMITED

ACN 621 970 652

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 2.00pm AEST

DATE: 28 October 2021

PLACE: Online at <https://agmlive.link/KTD21>
Level 8/2 Bligh Street
SYDNEY NSW 2000

In light of the restrictions imposed as a result of the COVID-19 pandemic, we encourage Shareholders NOT to attend the meeting in person, **please attend online**. Due to social distancing requirements and restrictions on the size of public gatherings, it is highly likely that you will not be admitted to the meeting in person.

We recommend logging on to our online platform at least 15 minutes prior to the commencement of the Meeting using the instructions below:

- Enter <https://agmlive.link/KTD21> into a web browser on a mobile or online device;
- Securityholders will need their Security Reference Number of Holder Identification Number, which is printed at the top of the Proxy Form; and
- Proxy holders will need their proxy code which Link Market Services will provide via email no later than 48 hours prior to the Meeting.

More information about online participation and voting is available in the Online Platform Guide at <https://www.keytonedairy.com/investor-centre/>

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 7.00pm AEST on 26 October 2021.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 31 March 2021 together with the declaration of the Directors, the Director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 31 March 2021.”

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

A voting prohibition statement applies to this Resolution. Please see below.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – ROBERT CLISDELL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 12.11 of the Constitution, Listing Rule 14.4 and for all other purposes, Robert Clisdell, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – PETER JAMES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 12.11 of the Constitution, Listing Rule 14.5 and for all other purposes, Peter James, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

5. RESOLUTION 4 – APPROVAL OF 7.1A MANDATE

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

“That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement.”

6. RESOLUTION 5 – ADOPTION OF EMPLOYEE INCENTIVE PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.2 (Exception 13(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled Employee Incentive Plan and for the issue of Securities under that Plan, on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement and voting prohibition statement applies to this Resolution. Please see below.

7. RESOLUTION 6 – CHANGE OF COMPANY NAME

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

“That, for the purposes of section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to Halo Food Co. Limited.”

8. RESOLUTION 7 – ISSUE OF INCENTIVE OPTIONS TO DIRECTOR – DANNY ROTMAN

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

“That, subject to the passing of Resolution 5, for the purposes of section 208 of the Corporations Act, Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue 15,000,000 Options to Danny Rotman (or his nominee) under the Employee Incentive Plan on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement and voting prohibition statement applies to this Resolution. Please see below.

9. RESOLUTION 8 – ISSUE OF INCENTIVE OPTIONS TO DIRECTOR – PETER JAMES

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

“That, subject to the passing of Resolution 5, for the purposes of section 208 of the Corporations Act, Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue 4,000,000 Options to Peter James (or his nominee) under the Employee Incentive Plan on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement and voting prohibition statement applies to this Resolution. Please see below.

10. RESOLUTION 9 – ISSUE OF INCENTIVE OPTIONS TO DIRECTOR – ANDREW REEVES

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

“That, subject to the passing of Resolution 5, for the purposes of section 208 of the Corporations Act, Listing Rule 10.14 and for all other purposes,

approval is given for the Company to issue 2,000,000 Options to Andrew Reeves (or his nominee) under the Employee Incentive Plan on the terms and conditions set out in the Explanatory Statement."

A voting exclusion statement and voting prohibition statement applies to this Resolution. Please see below.

Dated: 28 September 2021

By order of the Board

**Heidi Aldred
Company Secretary**

Voting Prohibition Statements

Resolution 1 – Adoption of Remuneration Report	<p>A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:</p> <ul style="list-style-type: none">(a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or(b) a Closely Related Party of such a member. <p>However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:</p> <ul style="list-style-type: none">(a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or(b) the voter is the Chair and the appointment of the Chair as proxy:<ul style="list-style-type: none">(i) does not specify the way the proxy is to vote on this Resolution; and(ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.
Resolution 5 – Adoption of Employee Incentive Plan	<p>A person appointed as a proxy must not vote on the basis of that appointment, on this Resolution if:</p> <ul style="list-style-type: none">(a) the proxy is either:<ul style="list-style-type: none">(i) a member of the Key Management Personnel; or(ii) a Closely Related Party of such a member; and(b) the appointment does not specify the way the proxy is to vote on this Resolution. <p>However, the above prohibition does not apply if:</p> <ul style="list-style-type: none">(a) the proxy is the Chair; and(b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.
Resolution 7 – Issue of Incentive Options to Director – Danny Rotman	<p>In accordance with section 224 of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of a related party of the Company to whom the Resolution would permit a financial benefit to be given, or an associate of such a related party (Resolution 7 Excluded Party). However, the above prohibition does not apply if the vote is cast by a person as proxy appointed by writing that specifies how the proxy is to vote on the Resolution and it is not cast on behalf of a Resolution 7 Excluded Party.</p> <p>In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:</p> <ul style="list-style-type: none">(a) the proxy is either:<ul style="list-style-type: none">(i) a member of the Key Management Personnel; or(ii) a Closely Related Party of such a member; and(b) the appointment does not specify the way the proxy is to vote on this Resolution.

	<p>Provided the Chair is not a Resolution 7 Excluded Party, the above prohibition does not apply if:</p> <ul style="list-style-type: none"> (a) the proxy is the Chair; and (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.
<p>Resolution 8 – Issue of Incentive Options to Director – Peter James</p>	<p>In accordance with section 224 of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of a related party of the Company to whom the Resolution would permit a financial benefit to be given, or an associate of such a related party (Resolution 8 Excluded Party). However, the above prohibition does not apply if the vote is cast by a person as proxy appointed by writing that specifies how the proxy is to vote on the Resolution and it is not cast on behalf of a Resolution 8 Excluded Party.</p> <p>In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:</p> <ul style="list-style-type: none"> (a) the proxy is either: <ul style="list-style-type: none"> (i) a member of the Key Management Personnel; or (ii) a Closely Related Party of such a member; and (b) the appointment does not specify the way the proxy is to vote on this Resolution. <p>Provided the Chair is not a Resolution 8 Excluded Party, the above prohibition does not apply if:</p> <ul style="list-style-type: none"> (a) the proxy is the Chair; and (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.
<p>Resolution 9 – Issue of Incentive Options to Director – Andrew Reeves</p>	<p>In accordance with section 224 of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of a related party of the Company to whom the Resolution would permit a financial benefit to be given, or an associate of such a related party (Resolution 9 Excluded Party). However, the above prohibition does not apply if the vote is cast by a person as proxy appointed by writing that specifies how the proxy is to vote on the Resolution and it is not cast on behalf of a Resolution 9 Excluded Party.</p> <p>In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:</p> <ul style="list-style-type: none"> (a) the proxy is either: <ul style="list-style-type: none"> (i) a member of the Key Management Personnel; or (ii) a Closely Related Party of such a member; and (b) the appointment does not specify the way the proxy is to vote on this Resolution. <p>Provided the Chair is not a Resolution 9 Excluded Party, the above prohibition does not apply if:</p> <ul style="list-style-type: none"> (a) the proxy is the Chair; and (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected

directly or indirectly with remuneration of a member of the Key Management Personnel.

Voting Exclusion Statements

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of the resolution set out below by or on behalf of the following persons:

Resolution 5 – Adoption of Incentive Plan	A person who is eligible to participate in the employee incentive scheme or an associate of that person or those persons.
Resolution 7 – Issue of Incentive Options to Director – Danny Rotman	Any person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in question (including Danny Rotman) or an associate of that person or those persons.
Resolution 8 – Issue of Incentive Options to Director – Peter James	Any person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in question (including Peter James) or an associate of that person or those persons.
Resolution 9 – Issue of Incentive Options to Director – Andrew Reeves	Any person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in question (including Andrew Reeves) or an associate of that person or those persons.

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

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

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two (2) proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

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. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Corporations Act, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 31 March 2021 together with the declaration of the Directors, the Directors' report, the Remuneration Report, and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.keytonedairy.com.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – ROBERT CLISDELL

3.1 General

Listing Rule 14.4 and clause 12.11 of the Constitution provide that, other than a managing director, a director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is the longer.

Robert Clisdell, who has served as a Director since 28 September 2017 and was last elected on 23 November 2018, retires by rotation and seeks re-election.

3.2 Qualifications and other material directorships

Mr. Clisdell is based in Sydney and is Managing Director of Brentridge Capital Pty Ltd, an affiliate of the Company's largest shareholder. Previously, Mr Clisdell gained over 15 years experience in the banking, finance and accounting sectors in the Australian market as an investment banker at Credit Suisse and Caliburn Partnership (now Greenhill & Co.) and worked in equity capital markets at Ord Minnett.

Mr Clisdell began his career at Arthur Anderson and Ernst & Young where he qualified as a Chartered Accountant. Mr. Clisdell has a Bachelor of Commerce degree from the University of Sydney and a Graduate Diploma in Applied Finance & Investment from FINSIA.

3.3 Independence

If re-elected, the Board considers Robert Clisdell will not be an independent Director.

3.4 Board recommendation

The Board has reviewed Mr Clisdell's performance since his appointment to the Board and considers that his skills and experience will continue to enhance the Board's ability to perform its role. Accordingly, the Board supports the re-election of Mr Clisdell and recommends that Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – PETER JAMES

4.1 General

The Constitution sets out the requirements for determining which Directors are to retire by rotation at an annual general meeting.

Peter James, who has served as a Director since 25 September 2018 and was last elected on 23 November 2018, retires by rotation and seeks re-election.

4.2 Qualifications and other material directorships

Mr James is an experienced business leader with significant strategic and operational expertise. He has over 30 years' experience in the commercial sector

and extensive experience as a Chair, Non-Executive Director and Chief Executive Officer across a range of publicly listed and private companies.

He is currently Chair of ASX-listed companies Macquarie Telecom Group Limited, Nearnmap Ltd, Ansarada Group Ltd and DroneShield Limited. He is a fellow of the Australian Institute of Company Directors.

4.3 Independence

If re-elected the Board considers Peter James will be an independent Director.

4.4 Board recommendation

The Board has reviewed Mr James's performance since his appointment to the Board and considers that his skills and experience will continue to enhance the Board's ability to perform its role. Accordingly, the Board supports the re-election of Mr James and recommends that Shareholders vote in favour of Resolution 3.

5. RESOLUTION 4 – APPROVAL OF 7.1A MANDATE

5.1 General

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

However, under Listing Rule 7.1A, an eligible entity may seek shareholder approval by way of a special resolution passed at its annual general meeting to increase this 15% limit by an extra 10% to 25% (**7.1A Mandate**).

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300,000,000 or less. The Company is an eligible entity for these purposes.

As at the date of this Notice, the Company is an eligible entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of approximately \$35,630,000 (based on the number of Shares on issue and the closing price of Shares on the ASX on 20 September 2021).

Resolution 4 seeks Shareholder approval by way of special resolution for the Company to have the additional 10% placement capacity provided for in Listing Rule 7.1A to issue Equity Securities without Shareholder approval.

If Resolution 4 is passed, the Company will be able to issue Equity Securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further Shareholder approval.

If Resolution 4 is not passed, the Company will not be able to access the additional 10% capacity to issue Equity Securities without Shareholder approval under Listing Rule 7.1A and will remain subject to the 15% limit on issuing Equity Securities without Shareholder approval set out in Listing Rule 7.1.

5.2 Technical information required by Listing Rule 7.1A

Pursuant to and in accordance with Listing Rule 7.3A, the information below is provided in relation to Resolution 4:

(a) **Period for which the 7.1A Mandate is valid**

The 7.1A Mandate will commence on the date of the Meeting and expire on the first to occur of the following:

- (i) the date that is 12 months after the date of this Meeting;
- (ii) the time and date of the Company's next annual general meeting; and
- (iii) the time and date of approval by Shareholders of any transaction under Listing Rule 11.1.2 (a significant change in the nature or scale of activities) or Listing Rule 11.2 (disposal of the main undertaking).

(b) **Minimum Price**

Any Equity Securities issued under the 7.1A Mandate must be in an existing quoted class of Equity Securities and be issued at a minimum price of 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the entity and the recipient of the Equity Securities; or
- (ii) if the Equity Securities are not issued within 10 trading days of the date in Section 5.2(b)(i), the date on which the Equity Securities are issued.

(c) **Use of funds raised under the 7.1A Mandate**

The Company intends to use funds raised from issues of Equity Securities under the 7.1A Mandate for accelerating the Company's growth by investing in growing the existing manufacturing facilities, enhancing distribution channels, acquiring new brands, investing in marketing, exploring new geographic markets, enhancing the existing product lines and developing proprietary brands within the dairy, health and wellness and nutrition market and general working capital.

(d) **Risk of Economic and Voting Dilution**

Any issue of Equity Securities under the 7.1A Mandate will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 4 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 7.1A Mandate, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in Listing Rule 7.1A.2, on the basis of the closing market price of Shares and the number of Equity Securities on issue as at 20 September 2021.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 7.1A Mandate.

		Dilution			
Number of Shares on Issue (Variable A in Listing Rule 7.1A.2)		Shares issued – 10% voting dilution	Issue Price		
			\$0.0625	\$0.125	\$0.25
			50% decrease	Issue Price	50% increase
			Funds Raised		
Current	274,096,482 Shares	27,409,648 Shares	\$1,713,103	\$3,426,206	\$6,852,412
50% increase	411,144,723 Shares	41,114,472 Shares	\$2,569,655	\$5,139,309	\$10,278,618
100% increase	548,192,964 Shares	54,819,296 Shares	\$3,426,206	\$6,852,412	\$13,704,824

*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. There are currently 274,096,482 Shares on issue as at the date of this Notice.
2. The issue price set out above is the closing market price of the Shares on the ASX on 20 September 2021.
3. The Company issues the maximum possible number of Equity Securities under the 7.1A Mandate.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in Listing Rule 7.2 or with approval under Listing Rule 7.1.
5. The issue of Equity Securities under the 7.1A Mandate consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under Listing Rule 7.1 unless otherwise disclosed.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 7.1A mandate, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(e) Allocation policy under the 7.1A Mandate

The recipients of the Equity Securities to be issued under the 7.1A Mandate have not yet been determined. However, the recipients of

Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 7.1A Mandate, having regard to the following factors:

- (i) the purpose of the issue;
 - (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue, share purchase plan, placement or other offer where existing Shareholders may participate;
 - (iii) the effect of the issue of the Equity Securities on the control of the Company;
 - (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
 - (v) prevailing market conditions; and
 - (vi) advice from corporate, financial and broking advisers (if applicable).
- (f) **Previous approval under Listing Rule 7.1A**

The Company did not obtain approval under Listing Rule 7.1A at its annual general meeting held on 31 August 2020. Accordingly, the Company has not issued any Equity Securities under Listing Rule 7.1A.2 in the twelve months preceding the date of the Meeting.

6. RESOLUTION 5 – ADOPTION OF EMPLOYEE SECURITIES INCENTIVE PLAN

6.1 General

Resolution 5 seeks Shareholder approval for the adoption of the employee incentive scheme titled “Employee Incentive Plan” (**Incentive Plan**) and for the issue of securities under the Incentive Plan in accordance with Listing Rule 7.2 (Exception 13(b)).

The objective of the Incentive Plan is to attract, motivate and retain key employees and the Company considers that the adoption of the Incentive Plan and the future issue of securities under the Incentive Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

Broadly speaking, and subject to a number of exceptions set out in Listing Rule 7.2, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Listing Rule 7.2 (Exception 13(b)) provides that Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme if, within three years before the date of issue of the securities, the holders of the entity's ordinary securities have approved the issue of equity securities under the scheme as exception to Listing Rule 7.1.

Exception 13(b) is only available if and to the extent that the number of equity securities issued under the scheme does not exceed the maximum number set

out in the entity's notice of meeting dispatched to shareholders in respect of the meeting at which shareholder approval was obtained pursuant to Listing Rule 7.2 (Exception 13(b)). Exception 13(b) also ceases to be available if there is a material change to the terms of the scheme from those set out in the notice of meeting.

If Resolution 5 is passed, the Company will be able to issue securities under the Incentive Plan to eligible participants over a period of 3 years. The issue of any securities to eligible participants under the Incentive Plan (up to the maximum number of Securities stated in Section 6.2(c) below) will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

For the avoidance of doubt, the Company must seek Shareholder approval under Listing Rule 10.14 in respect of any future issues of securities under the Incentive Plan to a related party or a person whose relationship with the Company or the related party is, in ASX's opinion, such that approval should be obtained.

If Resolution 5 is not passed, the Company will be able to proceed with the issue of securities under the Incentive Plan to eligible participants, but any issues of securities will reduce, to that extent, the Company's capacity to issue equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the issue of the securities.

6.2 Technical information required by Listing Rule 7.2 (Exception 13)

Pursuant to and in accordance with Listing Rule 7.2 (Exception 13), the following information is provided in relation to Resolution 5:

- (a) a summary of the key terms and conditions of the Incentive Plan is set out in Schedule 1;
- (b) the Company has not issued any securities under the Incentive Plan as this is the first time that Shareholder approval is being sought for the adoption of the Incentive Plan; and
- (c) the maximum number of Securities proposed to be issued under the Incentive Plan, following Shareholder approval, is 71,000,000 securities which includes the Options proposed to be issued under Resolutions 7 to 9. It is not envisaged that the maximum number of securities for which approval is sought will be issued immediately.

7. RESOLUTION 6 – CHANGE OF COMPANY NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name change.

Resolution 6 seeks the approval of Shareholders for the Company to change its name to "Halo Food Co. Limited".

If Resolution 6 is passed, the change of name will take effect when ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company and if Resolution 6 is passed, the Company will lodge a copy of the special resolution with ASIC following the Meeting in order to effect the change. The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company. Specifically:

- (a) as the Company continues to diversify its revenue and earnings base towards the fast growing health and wellness sector (both domestically and internationally), the proposed Company name will operate as a standalone holding company brand name to house the existing brands of the Company and accurately reflect the strategy of the Company;
- (b) the Company's existing brands include the dairy focused KeyDairy, manufactured in New Zealand, for which the Company will continue to manufacture, distribute and sell in core markets, including China, alongside continued investment in the brand equity of KeyDairy which has been built to date. The additional brands of Super Cubes, Tonik and Omniblend will remain and continue to be invested in as they form a key component of the Company's diversified health and wellness strategy. A considerable amount of investment has been made in the brand equity of all of the Company's brands and these brands will continue to be distributed and sold under their own respective brand names across existing and prospective new channels;
- (c) the Board believes the proposed name change more accurately reflects the 'House of Brands' structure and strategy which the Company has been pursuing for some time. The Board further believes the benefits of a diversified strategy towards a broader health and wellness company away from a perceived 'pure play' dairy company are clear, whilst maintaining the Company's dairy heritage as a core division of the House of Brands strategy. Given the additional listings of dairy related entities on the ASX in recent times, there is increasing competition in the dairy sector for investor attention, on market buying of securities and growth capital for future opportunities (where required) and the Board believes the proposed name change will further broaden the appeal of the Company, accurately reflecting its strategy; and
- (d) there is increasing demand for broader health and wellness products and a growing trend towards plant-based proteins which the Company is already pursuing under its existing brands. As communicated by the Company in the past, it continues to look at the acquisitions of fast growing, attractive proprietary brands with a unique point of differentiation in the health and wellness space on an opportunistic basis and the proposed name change and house of brands model is a logical structure for the pursuit of the Company's strategy.

8. RESOLUTIONS 7 TO 9 – ISSUE OF INCENTIVE OPTIONS TO DIRECTORS – DANNY ROTMAN, PETER JAMES AND ANDREW REEVES

8.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue an aggregate of 21,000,000 Options to Danny Rotman, Peter James and Andrew Reeves (or their nominees) (**Related Parties**) pursuant to the Incentive Plan described above in Section 6.1 and on the terms and conditions set out below (**Incentive Options**).

As set out in more detail below, the purpose of the issue of the Incentive Options is to provide a performance linked incentive component in the remuneration package for the Related Parties to align the interests of the Related Parties with those of Shareholders, to motivate and reward the performance of the Related Parties in their roles as Directors and to provide a cost effective way from the Company to remunerate the Related Parties. The Company has chosen to issue Incentive Options to the Related Parties for the following reasons:

- (a) the issue of the Incentive Options has no immediate dilutionary impact on Shareholders;
- (b) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Incentive Options on the terms proposed; and
- (c) the Incentive Options proposed to be issued to Danny Rotman are in lieu of the entire deferred bonus for FY20 and the long-term incentive component for FY21 payable to Mr Rotman. In FY20, no short-term incentive (cash component) or long-term incentive was paid to Mr Rotman due to the uncertainty of the potential impact of COVID-19 on the Company's business at that time and the long term incentive component of FY21 was also deferred on the same basis.

The number of Incentive Options to be issued to each of the Related Parties has been determined based upon a consideration of:

- (a) current market standards and/or practices of other ASX listed companies of a similar size and stage of development to the Company;
- (b) the remuneration of the Related Parties; and
- (c) incentives to attract and ensure continuity of service of the Related Parties who have appropriate knowledge and expertise, while maintaining the Company's cash reserves.

8.2 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Incentive Options to the Related Parties constitutes giving a financial benefit and each of the Related Parties is a related party of the Company by virtue of being a Director.

As the Incentive Options are proposed to be issued to all of the Directors other than Robert Clisdell, the Directors are unable to form a quorum to consider whether one of the exceptions set out in sections 210 to 216 of the Corporations Act applies to the issue of the Incentive Options. Accordingly, Shareholder approval for the issue of Incentive Options to the Related Parties is sought in accordance with Chapter 2E of the Corporations Act.

8.3 Listing Rule 10.14

Listing Rule 10.14 provides that an entity must not permit any of the following persons to acquire equity securities under an employee incentive scheme without the approval of the holders of its ordinary securities:

- 10.14.1 a director of the entity;
- 10.14.2 an associate of a director of the entity; or
- 10.14.3 a person whose relationship with the entity or a person referred to in Listing Rules 10.14.1 to 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by security holders.

The issue of the Incentive Options to the Related Parties falls within Listing Rule 10.14.1 and therefore requires the approval of Shareholders under Listing Rule 10.14.

Resolutions 7 to 9 seek the required Shareholder approval for the issue of the Incentive Options under and for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.14.

8.4 Technical information required by Listing Rule 14.1A

If Resolutions 7 to 9 are passed, the Company will be able to proceed with the issue of the Incentive Options to the Related Parties under the Incentive Plan within three years after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules). As approval pursuant to Listing Rule 7.1 is not required for the issue of the Incentive Options (because approval is being obtained under Listing Rule 10.14), the issue of the Incentive Options will not use up any of the Company's 15% annual placement capacity.

If Resolutions 7 to 9 are not passed, the Company will not be able to proceed with the issue of the Incentive Options to the Related Parties under the Incentive Plan and may need to agree alternative forms of remuneration with the Directors.

8.5 Technical information required by Listing Rule 10.15 and section 219 of the Corporations Act

Pursuant to and in accordance with the requirements of Listing Rule 10.15 and section 219 of the Corporations Act, the following information is provided in relation to Resolutions 7 to 9:

- (a) the Incentive Options will be issued to the following persons:
 - (i) Danny Rotman (or his nominee) pursuant to Resolution 7;
 - (ii) Peter James (or his nominee) pursuant to Resolution 8; and

- (iii) Andrew Reeves (or his nominee) pursuant to Resolution 9,
each of whom falls within the category set out in Listing Rule 10.14.1 by virtue of being a Director;
- (b) the maximum number of Incentive Options to be issued to the Related Parties (being the nature of the financial benefit proposed to be given) is 21,000,000 comprising:
 - (i) 15,000,000 Incentive Options (being 10,000,000 Tranche 1 Options and 5,000,000 Tranche 2 Options) to Danny Rotman (or his nominee) pursuant to Resolution 7;
 - (ii) 4,000,000 Incentive Options (being 4,000,000 Tranche 1 Options) to Peter James (or his nominee) pursuant to Resolution 8; and
 - (iii) 2,000,000 Incentive Options (being 2,000,000 Tranche 1 Options) to Andrew Reeves (or his nominee) pursuant to Resolution 9,
- (c) as this is the first time that Shareholder approval is being sought for the adoption of the Incentive Plan, no Options have been previously issued under the Incentive Plan;
- (d) a summary of the material terms and conditions of the Tranche 1 Options is set out in Schedule 2 and a summary of the material terms and conditions of the Tranche 2 Options is set out in Schedule 3;
- (e) the Incentive Options are unquoted Options. The Company has chosen to issue Incentive Options to the Related Parties for the following reasons:
 - (i) the issue of the Incentive Options has no immediate dilutionary impact on Shareholders; and
 - (ii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Incentive Options on the terms proposed;
 - (iii) the Incentive Options proposed to be issued to Danny Rotman are in lieu of the entire deferred bonus for FY20 and the long-term incentive component for FY21 payable to Mr Rotman. In FY20, no short-term incentive (cash component) or long-term incentive was paid to Mr Rotman due to the uncertainty of the potential impact of COVID-19 on the Company's business at that time and the long term incentive component of FY21 was also deferred on the same basis;
- (f) the number of Incentive Options to be issued to each of the Related Parties has been determined based upon a consideration of:
 - (i) current market standards and/or practices of other ASX listed companies of a similar size and stage of development to the Company;
 - (ii) the remuneration of the Related Parties; and
 - (iii) incentives to attract and ensure continuity of service of the Related Parties who have appropriate knowledge and expertise, while maintaining the Company's cash reserves;

- (g) the total remuneration package for each of the Related Parties for the previous financial year and the proposed total remuneration package for the current financial year are set out below:

Related Party	Current Financial Year		Previous Financial Year	
	Base	Superannuation	Salary/ STI/ Fees	Superannuation
Danny Rotman*	\$385,000	\$38,500	\$638,750	\$33,250
Peter James**	\$150,000	\$15,000	\$150,000	\$14,250
Andrew Reeves***	\$70,000	\$7,000	\$70,000	\$6,650

* Danny Rotman also had his annual leave and long service provisions transferred from Omniblend Pty Ltd to the Company during the previous financial year as disclosed on page 7 of the Company's Annual Report. Further, Mr Rotman will be issued Incentive Options valued at \$483,417 in the event Shareholders approve Resolution 7.

**Peter James also received a share based payment of \$1,382,312 (8,632,923 unvested Options) for the previous financial year. Further, Mr James will be issued Incentive Options valued at \$136,109 in the event Shareholders approve Resolution 8.

***Andrew Reeves also received a share based payment of \$166,365 (277,150 unvested Options) for the previous financial year. Further, Mr Reeves will be issued Incentive Options valued at \$68,054 in the event Shareholders approve Resolution 9.

- (h) the value of the Incentive Options and the pricing methodology is set out in Schedule 4;
- (i) the Incentive Options will be issued to the Related Parties no later than 3 years after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Incentive Options will be issued on one date;
- (j) the issue price of the Incentive Options will be nil, as such no funds will be raised from the issue of the Incentive Options (other than in respect of funds received on exercise of the Incentive Options);
- (k) the purpose of the issue of the Incentive Options is to provide a performance linked incentive component in the remuneration package for the Related Parties to align the interests of the Related Parties with those of Shareholders, to motivate and reward the performance of the Related Parties in their roles as Directors and to provide a cost effective way from the Company to remunerate the Related Parties, which will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties;
- (l) a summary of the material terms and conditions of the Incentive Plan is set out in Schedule 1;
- (m) details of any Options issued under the Incentive Plan will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14;
- (n) any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of Options under the Incentive Plan after Resolutions 7 to 9 are approved and who were not named in this Notice will not participate until approval is obtained under Listing Rule 10.14;

- (o) the relevant interests of the Related Parties in securities of the Company as at the date of this Notice are set out below:

Related Party	Shares ¹	Options	Performance Shares
Danny Rotman	2,906,977	nil	8,720,931 ²
Peter James	284,883	11,356,225 ³	nil
Andrew Reeves	nil	569,474	nil

Notes:

1. Fully paid ordinary shares in the capital of the Company (ASX:KTD).
2. Refer to the Company's Annual Report for the classes and terms of these Performance Shares.
3. Consisting of 2,723,302 zero exercise price unquoted Options with an expiry date of 26 August 2024, 2,632,923 zero exercise price unquoted Options with an expiry date of 31 March 2025 and 6,000,000 unquoted Options exercisable at \$0.30 each on or before 26 February 2025.
4. Consisting of 292,324 zero exercise price unquoted Options with an expiry date of 26 August 2024 and 277,150 zero exercise price unquoted Options with an expiry date of 31 March 2025..

- (p) if the Incentive Options issued to the Related Parties are exercised, a total of 21,000,000 Shares would be issued. This will increase the number of Shares on issue from 274,096,482 (being the total number of Shares on issue as at the date of this Notice) to 295,096,482 (assuming that no Shares are issued and no convertible securities vest or are exercised) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 7.12%, comprising 5.08% by Danny Rotman, 1.36% by Peter James and 0.68% by Andrew Reeves;

The market price for Shares during the term of the Incentive Options would normally determine whether the Incentive Options are exercised. If, at any time any of the Incentive Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Incentive Options, there may be a perceived cost to the Company.

- (q) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	\$0.285	8 December 2020
Lowest	\$0.11	24 August 2021
Last	\$0.125	20 September 2021

- (r) Danny Rotman is an executive Director of the Company and therefore Robert Clisdell believes that the issue of the Incentive Options to Danny Rotman is in line with Recommendation 8.2 of the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations;

- (s) Robert Clisdell acknowledges that the issue of the Incentive Options to the non-executive Directors of the Company, Peter James and Andrew Reeves (**Non-Executive Directors**), is contrary to Recommendation 8.2 of the 3rd edition of the ASX Corporate Governance Council's Corporate

Governance Principles and Recommendations. However, Robert Clisdell considers the issue of Incentive Options to the Non-Executive Directors to be reasonable in the circumstances for the reasons set out in paragraphs (e) and (k) above;

- (t) Robert Clisdell recommends that Shareholders vote in favour of Resolutions 7 to 9 for the reasons set out in paragraphs (e) and (k) above. In forming his recommendation, Mr Clisdell considered the experience of the Related Parties, the current market price of Shares, the current market standards and practices when determining the number of Incentive Options to be issued to each of the Related Parties, as well as the exercise price and expiry date of those Incentive Options;
- (u) each Director (other than Robert Clisdell) has a material personal interest in the outcome of Resolutions 7 to 9 on the basis that the Directors (other than Robert Clisdell) (or their nominees) are to be issued Incentive Options on the terms and conditions set out in this Notice should Resolutions 7 to 9 be passed. For this reason, the Directors (other Robert Clisdell) do not believe that it is appropriate to make a recommendation on Resolutions 7 to 9 of this Notice; and
- (v) the Board is not aware of any other information that is reasonably required by Shareholders to allow them to decide whether it is in the best interests of the Company to pass Resolutions 7 to 9.

GLOSSARY

\$ means Australian dollars.

7.1A Mandate has the meaning given in Section 5.1.

AEST means Australian Eastern Standard Time.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

Associated Body Corporate means:

- (a) a related body corporate (as defined in the Corporations Act) of the Company;
- (b) a body corporate which has an entitlement to not less than 20% of the voting Shares of the Company; and
- (c) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

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

Board means the current board of directors of the Company.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Keytone Dairy Corporation Limited (ACN 621 970 652).

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

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.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or

indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Listing Rules means the Listing Rules of ASX.

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.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 31 March 2021.

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

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.

Incentive Plan means the incentive plan the subject of Resolution 5 as summarised in Schedule 1.

SCHEDULE 1 – KEY TERMS AND CONDITIONS OF EMPLOYEE SECURITIES INCENTIVE PLAN

The material terms and conditions of the Employee Securities Incentive Plan (**Incentive Plan**) are summarised below:

- (a) **Eligibility:** Participants in the Plan may be:
- (i) a Director (whether executive or non-executive) of the Company and any Associated Body Corporate of the Company (each, a **Group Company**);
 - (i) a full or part time employee of any Group Company;
 - (ii) a casual employee or contractor of a Group Company; or
 - (iii) a prospective participant, being a person to whom the offer is made but who can only accept the offer if an arrangement has been entered into that will result in the person becoming a participant under subparagraphs (i), (ii), or (iii) above,
- who is declared by the Board to be eligible to receive grants of Options, Performance Rights or Shares (**Awards**) under the Plan (**Eligible Participant**).
- (b) **Maximum Award Allocation:** Unless prior Shareholder approval is obtained, the number of Awards which may be granted under the Incentive Plan must not at any time exceed in aggregate the maximum allocation set under the Incentive Plan at any given time.
- (c) **Terms of Awards:** The terms and conditions of Awards offered or granted under the Incentive Plan to an Eligible Participant will be determined by the Board in its sole and absolute discretion.
- (d) **Issue price:** Performance Rights granted under the Incentive Plan will be issued for nil cash consideration. Unless the Options are quoted on the ASX, Options issued under the Incentive Plan will be issued for no more than nominal cash consideration. The issue price of Shares granted under the Incentive Plan will be determined by the Board in its absolute discretion, which may be a nominal or nil amount.
- (e) **Exercise price:** The Board may determine the Option exercise price (if any) for an Option offered under the Incentive Plan in its absolute discretion. To the extent the Listing Rules specify or require a minimum price, the Option exercise price must not be less than any minimum price specified in the Listing Rules.
- (f) **Vesting conditions:** An Award may be made subject to vesting conditions as determined by the Board in its discretion and as specified in the offer for the Awards (**Vesting Conditions**).
- (g) **Vesting:** The Board may in its absolute discretion by written notice to an Eligible Participant, resolve to waive any of the Vesting Conditions applying to Awards due to a number of certain events occurring including, but not limited to, the death, disability, redundancy or severe financial hardship of an Eligible Participant or a change in control of the Company occurring.
- (h) **Lapse of an Award:** An Award will lapse and be forfeited upon the earlier of a number of certain events occurring including, but not limited to, an unauthorised dealing of an Award occurring, a Vesting Condition not being satisfied by its due

date, the fraud, dishonesty or other improper behaviour of an Eligible Participant or the expiry date of the Award.

- (i) **Not transferrable:** Subject to the Listing Rules, Options and Performance Rights are only transferrable with the prior written consent of the Board (which may be withheld in its absolute discretion) or by force of law upon death, to the Eligible Participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.
- (j) **Cashless exercise of Options:** An invitation may specify that at the time of exercise of Options, the Eligible Participant may elect not to be required to provide payment of the exercise price for the number of Options specified in a notice of exercise, but that on exercise of those Options, the Company will issue to the Eligible Participant that number of Shares equal in value to the positive difference between the market value of the Shares at the time of exercise and the exercise price that would otherwise be payable to exercise those Options.
- (k) **Shares:** Shares resulting from the exercise of the Awards shall, subject to any relevant sale restrictions, from the date of issue, rank on equal terms with all other Shares on issue.
- (l) **Sale restrictions:** The Board may, in its discretion, determine at any time up until exercise of Awards, that a restriction period will apply to some or all of the Shares granted to an Eligible Participant under the Incentive Plan or issued upon exercise of Options or Performance Rights (**Restriction Period**). In addition, the Board may, in its sole discretion, having regard to the circumstances at the time, waive any such Restriction Period. Shares cannot be sold, transferred or encumbered until any loan in relation to the Shares has been repaid or otherwise discharged under the Incentive Plan.
- (m) **Quotation of Shares:** If Shares of the same class as those issued under the Incentive Plan are quoted on the ASX, the Company will, subject to the Listing Rules, apply to the ASX for those Shares to be quoted on ASX within 5 business days of the later of the date the Shares are issued and the date any Restriction Period applying to the Shares ends.
- (n) **Loan:** An Eligible Participant who is invited to subscribe for Shares or Options may also be invited to apply for a loan up to the amount payable in respect of the Shares (or the aggregate exercise price of the Options as the case may be) accepted by the Participant (**Loan**), on the following terms:
 - (ii) the Loan will be interest free, unless the Company and Eligible Participant agree otherwise;
 - (iii) the Loan made available to an Eligible Participant shall be applied by the Company directly toward payment of the issue price of the Shares (or the exercise price of the Options as the case may be);
 - (iv) the Loan is repayable in full on the repayment date specified in the offer unless earlier repayment is otherwise required under the Incentive Plan;
 - (v) the Eligible Participant may repay all or part of its Loan to the Company at any time prior to the loan repayment date;
 - (vi) an Eligible Participant must repay the Loan in full upon a number of certain events occurring including, but not limited to, a Vesting Condition not being satisfied by its due date, the fraud, dishonesty or other improper behaviour of an Eligible Participant, the Eligible Participant ceasing to be

an Eligible Participant, the Eligible Participant breaches the Loan or the Incentive Plan or the expiry date of the Award.

- (vii) Eligible Participants may not transfer, assign, encumber or otherwise deal with a Share until the Loan in respect of the Shares (including Shares issued upon the exercise of Options) has been fully repaid or otherwise forgiven in accordance with the Incentive Plan;
 - (viii) the Company shall have a lien over the Shares in respect of which a Loan is outstanding and the Company shall be entitled to sell those Shares in accordance with the terms of the Incentive Plan;
 - (ix) a Loan will be non-recourse except against the Shares held by the Eligible Participant to which the Loan relates; and
 - (x) the Board may, in its absolute discretion, agree to forgive a Loan made to an Eligible Participant.
- (o) **Buy-back:** Subject to applicable law, the Company may at any time buy-back Shares awarded under the Incentive Plan in accordance with the terms of the Incentive Plan.
- (p) **Amendment of Plan:** The Board may at any time amend any provisions of the Incentive Plan, including (without limitation) the terms and conditions upon which any Awards that have been granted under the Incentive Plan and determine that any amendments to the Incentive Plan be given retrospective, immediate or future effect.

SCHEDULE 2 – TERMS AND CONDITIONS OF THE TRANCHE 1 OPTIONS

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.18 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (AEST) on the date that is 3 years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options shall vest and become exercisable into Shares at any time on and from the date upon which the volume weighted average price of the Shares over any 10 consecutive trading days on which trades in the Shares are recorded in ASX is at least \$0.30, until the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each 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 Option being exercised in cleared funds (**Exercise Date**).

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

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

- (i) issue the number of Shares required under these terms and conditions in respect of the number of 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 ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (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 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.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

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

(j) **Participation in new issues**

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

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are not transferable.

SCHEDULE 3 – TERMS AND CONDITIONS OF THE TRANCHE 2 OPTIONS

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.30 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (AEST) on the date that is 3 years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

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

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each 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 Option being exercised in cleared funds (**Exercise Date**).

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

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

- (i) issue the number of Shares required under these terms and conditions in respect of the number of 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 ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(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 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.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

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

(j) **Participation in new issues**

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

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are not transferable.

SCHEDULE 4 – VALUATION OF THE INCENTIVE OPTIONS

20 September 2021

The Directors
Keytone Dairy Corporation Limited
C/- Automic Group
Level 5, 126 Phillip Street
Sydney NSW 2000

Dear Directors,

Director Options Valuation

1 Introduction

- 1.1 At the request of Marcela Euse on behalf of Keytone Dairy Corporation Limited ("**Keytone**" or the "**Company**"), Stantons Corporate Finance Pty Ltd ("**Stantons**") hereby sets out our technical valuation for the following options ("**Options**"), to be granted to directors of the Company subject to shareholder approval at the upcoming Annual General Meeting (the "**AGM**").

Table 1. Options Details

Security	Recipients	Number	Details	Vesting Condition	Exercise Price	Expiry Date
Tranche 1 Options	Danny Rotman	10,000,000	Unlisted Options issued for nil consideration each exercisable into one ordinary share at any time between meeting the vesting condition and the expiry date	The Company achieving a share price of at least \$0.30	\$0.18	3 years from the issue date
	Peter James	4,000,000				
	Andrew Reeves	2,000,000				
Tranche 2 Options	Danny Rotman	5,000,000	Unlisted Options issued for nil consideration each exercisable into one ordinary share at any time up to and including the expiry date	n/a	\$0.30	3 years from the issue date

- 1.2 We note the Options are not subject to any other vesting conditions besides each respective holder remaining in continued service as a director of the Company.
- 1.3 The Options have been valued in accordance with *AASB2: Share Based Payments* ("**AASB 2**") for the purpose of the Notice of Meeting ("**NoM**") to be issued in advance of the AGM.

2 Valuation

Valuation Methodology

- 2.1 AASB 2 requires the fair value of share-based payments to be estimated using a valuation technique that indicates what the price of those equity instruments would have been on the grant date in an arm's length transaction between knowledgeable, willing parties. The valuation technique must be consistent with generally accepted valuation methodologies for pricing financial instruments.

Tranche 1 Options

- 2.2 The share-price based vesting condition on the Tranche 1 Options is a market-based vesting condition. Under AASB 2, the value impact of a market condition should be included in the fair value determination at the grant date. A Monte Carlo simulation was used to incorporate a probability-based value impact of the market condition to determine the fair value of the Tranche 1 Options.
- 2.3 Using Monte Carlo simulation methodology, we simulated future Keytone share prices from 20 September 2021 to 20 September 2024, using trading day increments.
- 2.4 For the valuation purpose we assumed the Tranche 1 Options will be exercised immediately on meeting the vesting condition.
- 2.5 For each iteration, the value of a Tranche 1 Option is:
- if the vesting condition is met, the difference between the simulated share price at the vesting date and the exercise price, discounted to present value (at the risk-free rate); or
 - if the vesting condition is not met prior to expiry, zero.
- 2.6 The fair value for each tranche of Options was calculated as the average simulated payoff over 100,000 iterations.

Tranche 2 Options

- 2.7 For the Tranche 2 Options, the Black Scholes option valuation methodology has been used. This methodology was used with the expectation that the majority of the Tranche 2 Options will be exercised towards the end of their term, and therefore a European option pricing model is appropriate.

Valuation Inputs

Grant Date

- 2.8 Under AASB 2, share-based payments should be measured at their grant date, being the date at which there is a mutual understanding of the terms and a legally enforceable agreement. Where shareholder approval is required, the date on which approval is obtained is considered the grant date for financial reporting purposes.
- 2.9 Accordingly, the grant date of the Options for financial reporting purposes will be the date of the AGM.
- 2.10 For the purpose of the valuation, we have assumed a grant date of 20 September 2021.

Expiry Date

- 2.11 The expiry date of the Options will be three years from the date of issue. For the purpose of the valuation, we have assumed an expiry date of 20 September 2024, being three years from the assumed grant date.

Exercise Price

- 2.12 The exercise price for the Tranche 1 Options and Tranche 2 Options are \$0.18 and \$0.30, respectively.

Spot Price

- 2.13 The closing price of Keytone shares traded on the Australian Securities Exchange ("**ASX**") as at 20 September 2021 was \$0.125, and this is the deemed spot price for the valuation purpose.

Share Price Hurdle

- 2.14 The Tranche 1 Options will vest on achieving a share price hurdle of \$0.30 prior to the expiry date. The Tranche 2 Options are not subject to a share price based vesting condition.

Risk-Free Rate

- 2.15 We used the 3-year Australian government bond rate as a proxy for the risk-free rate, being approximately 0.640% as at 17 September 2021. We note the assumptions of the Monte Carlo simulation and Black Scholes model include that the risk-free rate should be on a continuously compounded basis and accordingly we converted the quoted rate to 0.6421%.

Volatility

- 2.16 In determining the expected volatility of returns on Keytone shares, as per AASB 2, we considered the historical volatility of the share price over the most recent period commensurate with the expected term of the Options.
- 2.17 The historical annualised volatility of returns on Keytone shares, based on daily closing prices, for the three-year period to 20 September 2021 was 68.77%, and we used this as the expected volatility factor in the Black Scholes model and Monte Carlo simulations.

Dividends

- 2.18 We assumed no dividends will be declared or paid by the Company during the term of the Options.

Valuation

- 2.19 Based on the above, our assessed values of the Options as at the assumed grant date of 20 September 2021 are as follows.

Table 2. Options Valuation

	Tranche 1 Options			Tranche 2 Options
Methodology	Monte Carlo			Black Scholes
Iterations	100,000			n/a
Assumed grant date	20 September 2021			20 September 2021
Assumed expiry date	20 September 2024			20 September 2024
Share price at assumed grant date (\$)	0.125			0.125
Exercise price (\$)	0.180			0.300
Share price hurdle (\$)	0.300			n/a
Risk-free rate (%)	0.6421			0.6421
Volatility (%)	68.77			68.77
Fair value per Option (\$)	0.0340¹			0.0286¹
Recipient	Danny Rotman	Peter James	Andrew Reeves	Danny Rotman
Number	10,000,000	4,000,000	2,000,000	5,000,000
Total fair value (\$)	340,272	136,109	68,054	143,145

3 Conclusion

- 3.1 The valuations noted above are not necessarily the market prices that the Options could be traded at and are not necessarily the appropriate values for taxation purposes. Recipients of the Options should seek their own advice as to the tax treatments of receiving the Options.
- 3.2 Should you wish to discuss the above, do not hesitate to contact the undersigned.

Yours faithfully,

STANTONS CORPORATE FINANCE PTY LTD



James Turnbull
Authorised Representative

¹ Value has been rounded