

Dear Shareholder,

Enclosed is the documentation for the General Meeting of Keytone Dairy Corporation Limited (Company) to be held on 19 May 2020.

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/KTD20> 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.

Issue of Performance Shares: The premium Australian consumer lifestyle health and wellness brand, Super Cubes, (acquired in 2019) is growing and performing above expectations. The Company's distribution footprint and branded offering continues to grow and gain traction under the leadership of our branded experts within the Super Cubes team and the issue of performance shares completes the terms envisaged by the acquisition.

Issue of Options: The long term incentive packages for a number of our key people recognise the significant effort of the individuals to date and are intended as performance based incentives. Encouraging key personnel to remain with and drive the business towards future successes will benefit all shareholders and align key personnel with the performance shares of major shareholders (previously approved by shareholders).

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, whilst importantly maintaining our existing core brands - Keytone Dairy, Omniblend, Super Cubes and Tonik. Following an extensive process with leading marketing and branding experts, the Board believes the proposed new name accurately reflects the "House of Brands" structure and strategy which the Company is pursuing and will allow for further development of our proprietary brand success, through both organic and non-organic opportunities. The name change is a critical piece in the strategic roadmap of our long term success.

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

KEYTONE DAIRY CORPORATION LIMITED

ACN 621 970 652

NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 11.30am AEST
DATE: 19 May 2020
PLACE: Online at <https://agmlive.link/KTD20>

Level 8/2 Bligh street, Sydney

In light of the restrictions imposed as a result of the COVID-19 pandemic we do NOT encourage shareholders 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 onto our online platform at least 15 minutes prior to the commencement of the meeting using the instructions below:

- Enter <https://agmlive.link/KTD20> into a web browser on a mobile or online device;
- Securityholders will need their Security Reference Number or Holder Identification Number, which is printed at the top of the Voting 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 17 May 2020.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – APPROVAL TO ISSUE PERFORMANCE SHARES

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 5,500,000 Performance Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) 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 proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (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.

2. RESOLUTION 2 – APPROVAL TO ISSUE OPTIONS TO DIRECTOR – PETER JAMES

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

“That, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 6,000,000 Incentive Options and 5,356,226 Zero Exercise Price Options to Peter James (or his nominee) on the terms set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Peter James (or his nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons) (**Resolution 2 Excluded Party**).

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

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (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 Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (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. Provided the Chair is not a Resolution 2 Excluded Party, the above prohibition does not apply if:
 - (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.

3. RESOLUTION 3 – APPROVAL TO ISSUE ZERO EXERCISE PRICE OPTIONS TO DIRECTOR – ANDREW REEVES

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

“That, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 569,474 Zero Exercise Price Options to Andrew Reeves (or his nominee) on the terms set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Andrew Reeves (or his nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons) (**Resolution 3 Excluded Party**).

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

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (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 Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (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. Provided the Chair is not a Resolution 3 Excluded Party, the above prohibition does not apply if:
 - (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.

4. RESOLUTION 4 – APPROVAL TO ISSUE ZERO EXERCISE PRICE OPTIONS TO DIRECTOR – ROBERT CLISDELL

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

“That, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 107,558 Zero Exercise Price Options to Robert Clisdell (or his nominee) on the terms set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Robert Clisdell (or his nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons) (**Resolution 4 Excluded Party**).

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

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (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 Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (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. Provided the Chair is not a Resolution 4 Excluded Party, the above prohibition does not apply if:
 - (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.

5. RESOLUTION 5 – APPROVAL TO ISSUE ZERO EXERCISE PRICE OPTIONS TO JOURDAN THOMPSON

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, approval is given for the Company to issue 5,356,226 Zero Exercise Price Options to Jourdan Thompson (or his nominee) on the terms set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Jourdan Thompson (or his nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons) (**Resolution 5 Excluded Party**).

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

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (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 Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (iii) a member of the Key Management Personnel; or
 - (iv) 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.
- Provided the Chair is not a Resolution 5 Excluded Party, the above prohibition does not apply if:
- (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.

6. 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) and for all other purposes, approval is given for the name of the Company to be changed to "Halo Food Co. Limited."

Dated: 28 March 2020

By order of the Board



**Heidi Aldred
Company Secretary**

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 which are the subject of the business of the Meeting.

1. OVERVIEW OF ACQUISITION OF SUPER CUBES

As announced by the Company on 17 October 2019, the Company has completed the acquisition of the assets and consumer goods selling business operated under the 'Super Cubes' lifestyle health and wellness brand (**Business**) from 40 Forty Foods Pty Limited (**Acquisition**). Shareholders should refer to the Company's announcements of 18 September and 17 October 2019 for further details of the Business and the Acquisition.

As part of the Acquisition, the founders of the Business, Ashley McMillan and Cheol Hee (Andrew) Yi, as well as Matthew Raward (**Incoming Employees**) entered into employment agreements with the Company's wholly owned subsidiary Omni Brands Pty Ltd in the respective roles of Head of Sales, National Account Manager (Specialty and Independents) and National Account Manager (Petrol and Convenience).

In conjunction with the Acquisition, the Company has agreed to issue an aggregate of 5,500,000 performance shares (**Performance Shares**) to the Incoming Employees. ASX has confirmed that the terms of the Performance Shares are appropriate and equitable for the purposes of the ASX Listing Rules subject to standard conditions including a condition that the Company obtains Shareholder approval for the issue of the Performance Shares. Accordingly, the Company now seeks Shareholder approval pursuant to this Notice for the issue of the Performance Shares to the Incoming Employees.

2. RESOLUTION 1 – APPROVAL TO ISSUE PERFORMANCE SHARES

2.1 General

Resolution 1 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 to issue the Incoming Employees an aggregate of 5,500,000 Performance Shares in conjunction with the Acquisition.

2.2 ASX Listing Rule 7.1

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.

The issue of Performance Shares does not fit within any of the specified exceptions. While the issue does not exceed the 15% limit in ASX Listing Rule 7.1 and can therefore be made without breaching that rule, the Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval under ASX Listing Rule 7.1. To do this, the Company is asking Shareholders to approve the issue under ASX Listing Rule 7.1 so that it does not use up any of the 15% limit on issuing equity securities without Shareholder approval set out in ASX Listing Rule 7.1.

To this end, Resolution 1 seeks Shareholder approval to allow the Company to issue the Performance Shares under and for the purposes of ASX Listing Rule 7.1

If Resolution 1 is passed, the issue of Performance Shares can proceed without using up any of the Company's 15% limit on issuing equity securities without Shareholder approval set out in ASX Listing Rule 7.1.

If Resolution 1 is not passed, the Company will not be able to proceed with the issue of the Performance Shares .

2.3 Technical Information Required by ASX Listing Rule 7.3

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

- (a) an aggregate of 5,500,000 Performance Shares are to be issued to the Incoming Employees (or their nominees) as follows:

Party	Relationship	Class G Performance Shares	Class H Performance Shares
Ashley McMillan	Incoming Employee	850,000	1,300,000
Cheol Hee (Andrew) Yi	Incoming Employee	850,000	1,300,000
Matthew Raward	Incoming Employee	500,000	700,000
Total		2,200,000	3,300,000

- (b) the Performance Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Performance Shares will occur on the same date;
- (c) the Performance Shares will be issued for nil consideration to incentivise the Incoming Employees in the performance of their new roles with Omni Brands Pty Ltd;
- (d) the Performance Shares are being issued under the agreement for the Acquisition, the material terms of which were announced by the Company on 18 September and 17 October 2019 and are as follows:
- (i) the Company acquired the Business from 40 Forty Foods Pty Limited;
 - (ii) the consideration for the Acquisition was satisfied by a cash payment of \$120,000, settlement of \$487,000 of debt and a deferred cash payment of \$143,000 payable over 2 years;
 - (iii) the Incoming Employees entered into employment agreements with the Company's wholly owned subsidiary Omni Brands Pty Ltd as described in Section 1; and
 - (iv) in conjunction with the Acquisition, the Company agreed to issue the Performance Shares to the Incoming Employees;
- (e) the Performance Shares will be issued to the Incoming Employees, none of whom are related parties of the Company;

- (f) the Performance Shares will be issued on the terms and conditions set out in Schedule 1; and
- (g) no funds will be raised from the issue of the Performance Shares as they are to be issued to incentivise the Incoming Employees in the performance of their new roles with Omni Brands Pty Ltd.

3. BACKGROUND TO RESOLUTIONS 2 TO 5 – APPROVAL TO ISSUE ZERO EXERCISE PRICE OPTIONS AND INCENTIVE OPTIONS

The Company has agreed, subject to obtaining Shareholder approval, to issue up to an aggregate of 11,389,483 zero exercise price Options, comprising 2,151,156 Tranche 1 Options, 3,695,331 Tranche 2 Options and 5,542,996 Tranche 3 Options (**Zero Exercise Price Options**) and 6,000,000 Options (**Incentive Options**) which are subject to vesting conditions to Directors and management of the Company.

Resolution 2 seeks Shareholder approval for the issue of up to 6,000,000 Incentive Options and 5,356,226 Zero Exercise Price Options to Director, Peter James.

Resolutions 3 and 4 seek Shareholder approval for the issue of an aggregate of 677,032 Zero Exercise Price Options to Messrs Andrew Reeves and Robert Clisdell, both Directors.

Resolution 5 seeks Shareholder approval for the issue of up to 5,356,226 Zero Exercise Price Options to Jourdan Thompson, Chief Financial Officer of the Company.

3.1 Zero Exercise Price Options

The Zero Exercise Price Options will vest and become exercisable into Shares upon satisfaction of the following vesting conditions:

	Vesting Conditions
Tranche 1	The employee or director remaining employed or appointed by the Company for a period of 18 months of continuous service after the date of issue of the Zero Exercise Price Options.
Tranche 2	<ul style="list-style-type: none"> (a) The Company's wholly owned subsidiary, Keytone Enterprises (NZ) Company Limited (incorporated in New Zealand), achieving NZD\$6,000,000 of revenue in any one financial year and by no later than the financial year ending 31 March 2022 as shown in the Company's audited financial statements; and (b) The Shares achieving a 30-day volume weighted average price per Share exceeding \$0.30.
Tranche 3	(a) The Company's wholly owned subsidiary, Omniblend Pty Ltd (and its subsidiaries), achieving AUD\$50,000,000 of annual revenue in any financial year occurring on or before 30 March 2023 as shown in the Company's audited financial statements; and

	(b) The Shares achieving a 30-day volume weighted average price per Share exceeding \$0.65.
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The Zero Exercise Price Options will also vest in the event that a change of control transaction (as set out in paragraph (f) of Schedule 2) occurs in respect of the Company. One of the circumstances in which a change of control transaction will occur is where a person acquires voting power in over 50% of the Company's Shares (in circumstances where such person's voting power was lower than 50% prior to the date on which the Zero Exercise Price Options were issued).

3.2 Incentive Options

The Incentive Options will, subject to the vesting condition noted below, be exercisable at \$0.30 each on or before the date which is 3 years from the date of vesting. The Incentive Options will vest upon the employee or director remaining employed or appointed by the Company for a period of 24 months of continuous service after the date of issue of the Incentive Options.

If the holder of the Incentive Options ceases to be employed or engaged by the Company:

- (a) any unexercised Incentive Options that have vested as at the date of cessation of employment or engagement with the Company (**Cessation Date**) shall lapse if the holder does not exercise the Incentive Option within a period of 1 month after the Cessation Date; and
- (b) subject to Board discretion, any unexercised Incentive Options that have not vested as at the Cessation Date shall immediately lapse upon the Cessation Date.

4. RESOLUTIONS 2 TO 4 – APPROVAL OF ISSUE OF ZERO EXERCISE PRICE OPTIONS AND INCENTIVE OPTIONS TO DIRECTORS

4.1 General

As set out in Section 3 above, the Company has agreed, subject to obtaining Shareholder approval, to issue up to an aggregate of 6,033,258 Zero Exercise Price Options, comprising 1,183,136 Tranche 1 Options, 1,940,049 Tranche 2 Options and 2,910,073 Tranche 3 Options to the Directors Messrs Peter James, Andrew Reeves and Robert Clisdell (**Related Parties**) and 6,000,000 Incentive Options to Mr Peter James.

4.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

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

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

The issue of the Zero Exercise Price Options and the Incentive Options to the Related Parties (together, the **Related Party Options**) constitutes giving a financial benefit and Messrs Peter James, Andrew Reeves and Robert Clisdell are related parties of the Company by virtue of being Directors.

Shareholder approval is sought for the purpose of section 208 of the Corporations Act and ASX Listing Rule 10.11 for the issue of the Related Party Options to the Related Parties.

4.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires shareholder approval to be obtained, unless one of the exceptions in ASX Listing Rule 10.12 applies, where an entity issues, or agrees to issue, securities to:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue, a substantial (30%) holder in the Company;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue, a substantial (10%) holder in the Company and who has nominated a director to the board of the Company pursuant to a relevant agreement which gives them a right or expectation to do so;
- 10.11.4 an associate of a person referred to in ASX Listing Rules 10.11.1 to 10.11.3; or
- 10.11.5 a person whose relationship with the Company or a person referred to in ASX Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue should be approved by its shareholders.

As the issue of the Zero Exercise Price Options and Incentive Options involves the issue of securities to related parties of the Company, it falls within ASX Listing Rule 10.11.1 and Shareholder approval pursuant to ASX Listing Rule 10.11 is therefore required. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances. Resolutions 2 to 4 therefore seek the required Shareholder approval to issue the Related Party Options for the purposes of ASX Listing Rule 10.11.

If Resolutions 2 to 4 are passed, the issue of the Related Party Options will proceed without using up any of the Company's 15% limit on issuing equity securities without Shareholder approval set out in ASX Listing Rule 7.1.

If Resolutions 2 to 4 are not passed, the Company will not proceed with the issue of the Related Party Options.

4.4 Technical information required by Chapter 2E of the Corporations Act and ASX Listing Rule 10.11

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of the Related Party Options:

- (a) the related parties are Messrs Peter James, Andrew Reeves and Robert Clisdell, they are related parties by virtue of being Directors of the Company and they therefore fall within the category in ASX Listing Rule 10.11.1;

- (b) each of Messrs James, Reeves and Clisdell require shareholder approval for the issue of Related Party Options by virtue of ASX Listing Rule 10.11.1, as they are each a Director of the Company;
- (c) the maximum number of Related Party Options (being the nature of the financial benefit being provided) to be issued to the Related Parties is an aggregate of 12,033,258 Related Party Options, comprising of the issue of:

Related Party	Resolution	Tranche 1 Options	Tranche 2 Options	Tranche 3 Options	Incentive Options	Total
Peter James	2	968,020	1,755,282	2,632,923	6,000,000	11,356,226
Andrew Reeves	3	107,558	184,767	277,150	-	569,474
Robert Clisdell	4	107,558	-	-	-	107,558

- (d) the Related Party Options will be issued to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Options will be issued on one date;
- (e) as the Related Party Options will be issued for nil cash consideration, no funds will be raised from the issue;
- (f) the terms and conditions of the Zero Exercise Price Options are set out in Schedule 2;
- (g) the terms and conditions of the Incentive Options are set out in Schedule 3;
- (h) the valuations of the Zero Exercise Price Options and the Incentive Options and the pricing methodologies are set out in Schedule 4;
- (i) the relevant interests of the Related Parties in securities of the Company are set out below:

Related Party	Shares	Options
Peter James	250,000	2,000,000 ¹
Andrew Reeves	-	2,000,000 ¹
Robert Clisdell	-	500,000 ²

Notes:

- Unlisted Options which are exercisable at \$0.68 on or before 25 September 2021.
- Unlisted Options which are exercisable at \$0.30 on or before 18 July 2021.

- (j) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year ⁴ (FY2020)	Previous Financial Year (FY2019)
Peter James	109,500	355,617 ¹
Andrew Reeves	76,650	341,382 ²
Robert Clisdell	62,050	75,665 ³

Notes:

1. Comprising of cash and salary fees of \$43,333, superannuation of \$4,117 and equity-settled payments of \$308,167.
2. Comprising of cash and salary fees of \$30,333 superannuation of \$2,882 and equity-settled payments of \$308,167.
3. Comprising of cash and salary fees of \$30,000, superannuation of \$2,850 and equity-settled payments of \$42,815.
4. This does not include the value of any future Securities which may be issued to the Director, including pursuant to this Notice.

- (k) if the Related Party Options issued to the Related Parties are exercised, a total of 12,033,258 Shares would be issued. This will increase the number of Shares on issue from 215,115,658 (being the total number of Shares on issue as at the date of this Notice) to 227,148,916 (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 5.30%, comprising 5% by Peter James, 0.25% by Andrew Reeves and 0.05% by Robert Clisdell;

Ordinarily, the market price for Shares during the term of Options would determine whether or not such Options are exercised. However, Shareholders should note that there is no exercise price payable in respect of the Zero Exercise Price Options. Rather, the Zero Exercise Price Options will vest and become exercisable into Shares for nil consideration in the event the relevant vesting condition is satisfied, or a change of control transaction occurs (as set out in paragraph (f) of Schedule 2). As such, any time any of the Zero Exercise Price Options are exercised and the Shares are trading on ASX, there will be a perceived cost to the Company. Further, 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. The valuation of the Zero Exercise Price Options and Incentive Options is set out in Schedule 4;

- (l) 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	\$0.60	30 May 2019
Lowest	\$0.205	19 March 2019
Last	\$0.28	27 March 2020

- (m) the Board acknowledges the issue of Related Party Options to Messrs James, Reeves and Clisdell is contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations (3rd Edition) as published by The ASX Corporate Governance Council. However, the Board considers the issue of Related Party Options to Messrs James, Reeves and Clisdell reasonable in the circumstances for the reason set out in paragraph (n);

- (n) the primary purpose of the issue of the Related Party Options to the Related Parties is to provide a performance linked incentive component in the remuneration package for the Related Parties to motivate and reward the performance of the Related Parties in their respective roles as Directors. All Related Party Options are subject to certain milestones which must be satisfied before they vest and can be exercised into Shares;
- (o) Peter James declines to make a recommendation to Shareholders in relation to Resolution 2 due to his material personal interest in the outcome of this Resolution on the basis that he is to be issued Related Party Options in the Company should Resolution 2 be passed. However, in respect of Resolutions 3 and 4, Peter James recommends that Shareholders vote in favour of those Resolutions for the following reasons:
- (i) the issue of Related Party Options to the Related Parties will align the interests of the Related Parties with those of Shareholders;
 - (ii) the issue of the Related Party Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit 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; and
 - (iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Related Party Options;
- (p) Andrew Reeves declines to make a recommendation to Shareholders in relation to Resolution 3 due to his material personal interest in the outcome of this Resolution on the basis that he is to be issued Zero Exercise Price Options in the Company should Resolution 3 be passed. However, in respect of Resolutions 2 and 4, Andrew Reeves recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (o);
- (q) Robert Clisdell declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of this Resolution on the basis that he is to be issued Zero Exercise Price Options in the Company should Resolution 4 be passed. However, in respect of Resolutions 2 and 3, Robert Clisdell recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (o);
- (r) in forming their recommendations, each Director considered the experience of each other Related Party, the current market practices when determining the number of Related Party Options to be issued as well as the exercise price, expiry date and vesting conditions of those Related Party Options; and
- (s) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 2 to 4.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Related Party Options to the

Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

5. RESOLUTION 5 – APPROVAL TO ISSUE ZERO EXERCISE PRICE OPTIONS TO JOURDAN THOMPSON

5.1 General

As set out in Section 3 above, the Company has agreed, subject to obtaining Shareholder approval, to issue up to an aggregate of 5,356,226 Zero Exercise Price Options, comprising of 968,020 Tranche 1 Options, 1,755,282 Tranche 2 Options and 2,632,923 Tranche 3 Options (**Management Options**) to Jourdan Thompson, Chief Financial Officer of the Company.

A summary of ASX Listing Rule 7.1 is set out in Section 2.2 above.

The issue of the Management Options does not fit within any of the exceptions to ASX Listing Rule 7.1. While the issue does not exceed the 15% limit in ASX Listing Rule 7.1 and can therefore be made without breaching that rule, the Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval under ASX Listing Rule 7.1. To do this, the Company is asking Shareholders to approve the issue under ASX Listing Rule 7.1 so that it does not use up any of the 15% limit on issuing equity securities without Shareholder approval set out in ASX Listing Rule 7.1.

To this end, Resolution 5 seeks Shareholder approval to allow the Company to issue the Management Options under and for the purposes of ASX Listing Rule 7.1

If Resolution 5 is passed, the issue of Management Options can proceed without using up any of the Company's 15% limit on issuing equity securities without Shareholder approval set out in ASX Listing Rule 7.1.

If Resolution 5 is not passed, the issue of Management Options can still proceed but it will reduce, to that extent, the Company's capacity to issue equity securities without Shareholder approval under ASX Listing Rule 7.1 for 12 months following the issue.

5.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 5:

- (a) the Management Options will be issued to Jourdan Thompson (or his nominee) who is not a related party of the Company;
- (b) the maximum number of Management Options to be issued to Jourdan Thompson is 5,356,226, comprising of:
 - (i) 968,020 Tranche 1 Options;
 - (ii) 1,755,282 Tranche 2 Options; and
 - (iii) 2,632,923 Tranche 3 Options;
- (c) the Management Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Management Options will occur on the same date;

- (d) as the Management Options will be issued for nil cash consideration, no funds will be raised;
- (e) the Management Options will be issued on the terms and conditions set out in Schedule 2;
- (f) the primary purpose of the issue of the Zero Exercise Price Options to Jourdan Thompson is to provide a performance linked incentive component in his remuneration package to motivate and reward his performance in his role as Chief Financial Officer of the Company. All Zero Exercise Price Options are subject to certain milestones which must be satisfied before they vest and can be exercised into Shares; and
- (g) if the Zero Exercise Price Options to be issued to Jourdan Thompson are exercised, a total of 5,356,226 Shares would be issued. This would increase the number of Shares on issue from 215,115,658 (being the total number of Shares on issue as at the date of this Notice) to 220,471,884 (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 2.43%.

6. 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.

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.

GLOSSARY

\$ means Australian dollars.

Acquisition has the meaning given in section 1 of the Explanatory Statement.

AEDT means Australian Eastern Daylight Time as observed in Sydney, New South Wales.

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of Directors of the Company.

Business has the meaning given in section 1 of the Explanatory Statement.

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

Chair means the chair of the Meeting.

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.

Explanatory Statement means the explanatory statement accompanying this Notice.

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

Incentive Options means an Option in the capital of the Company issued on the terms and conditions set out in Schedule 3, to be issued pursuant to Resolution 2.

Incoming Employees has the meaning given in section 1 of the Explanatory Statement.

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

Performance Share means a performance share in the capital of the Company, issued on the terms and conditions set out in Schedule 1 to be issued pursuant to Resolution 1.

Proxy Form means the proxy form accompanying this Notice.

Related Parties has the meaning given in section 4.1 of the Explanatory Statement.

Related Party Option has the meaning given in section 4.2 of the Explanatory Statement.

Resolution means the resolution set out in this Notice.

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

Shareholder means a holder of a Share.

Zero Exercise Price Option or **Management Option** means a zero exercise price Option in the capital of the Company, issued on the terms and conditions set out in Schedule 2, to be issued pursuant to Resolutions 2 to 5.

SCHEDULE 1 – TERMS AND CONDITIONS OF PERFORMANCE SHARES

Definition:

“**Business**” means the consumer goods selling business operated under the ‘Super Cubes’ lifestyle health and wellness brand.

Rights attaching to the Performance Shares:

(a) **Performance Shares**

Each Class G Performance Share and Class H Performance Share (together and each being a **Performance Share**) is a share in the capital of Keytone Dairy Corporation Limited (ACN 621 970 652) (**Company**).

(b) **General meetings**

Each Performance Share confers on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to holders of fully paid ordinary shares in the capital of the Company (**Shareholders**). Holders have the right to attend general meetings of Shareholders.

(c) **No voting rights**

A Performance Share does not entitle the Holder to vote on any resolutions proposed by the Company except as otherwise required by law.

(d) **No dividend rights**

A Performance Share does not entitle the Holder to any dividends.

(e) **No rights to return of capital**

A Performance Share does not entitle the Holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.

(f) **Rights on winding up**

A Performance Share does not entitle the Holder to participate in the surplus profits or assets of the Company upon winding up.

(g) **Not transferable**

A Performance Share is not transferable.

(h) **Reorganisation of capital**

If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.

(i) **Application to ASX**

The Performance Shares will not be quoted on ASX. However, if the Company is listed on ASX at the time of conversion of the Performance Shares into fully paid ordinary shares (**Shares**), the Company must within 10 Business Days apply for the official quotation of the Shares arising from the conversion on ASX.

(j) **Participation in entitlements and bonus issues**

A Performance Share does not entitle a Holder (in their capacity as a holder of a Performance Share) to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.

(k) **No other rights**

A Performance Share gives the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

Conversion of the Performance Shares:

(l) **Conversion on achievement of milestone**

Subject to paragraph (n), Performance Shares in the relevant class will convert into Shares upon achievement of:

(i) **Class G Performance Share**

2,200,000 Class G Performance Shares will convert into:

- (A) 2,200,000 Shares upon the Business achieving sales revenues exceeding \$20,000,000; or
- (B) 850,000 Shares upon the Business achieving sales revenues exceeding \$15,000,000 but less than \$20,000,000,

in the financial year ending 31 March 2021;

(ii) **Class H Performance Share**

3,300,000 Class H Performance Shares will convert into:

- (A) 3,300,000 Shares upon the Business achieving sales revenue exceeding \$35,000,000 and Omni Brands Pty Ltd (ACN 625 073 485) (**Omni Brands**) achieving earnings before interest, tax, depreciation and amortization (**EBITDA**) exceeding \$5,000,000; or
- (B) 1,500,000 Shares upon the Business achieving sales revenue exceeding \$27,500,000 but less than \$35,000,000 and Omni Brands achieving EBITDA exceeding \$4,000,000,

in the financial year ending 31 March 2022.

(m) **Conversion on change of control**

Subject to paragraph (n) and notwithstanding the relevant milestone has not been satisfied, upon the occurrence of either:

- (i) a takeover bid in respect of the Company under Chapter 6 of the *Corporations Act 2001* (Cth) having been made at a price per Share equal to or greater than \$1.00 having received acceptances for more than 50% of the Company's Shares on issue and being declared unconditional by the bidder; or
- (ii) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the

reconstruction of the Company or its amalgamation with any other company or companies,

the Performance Shares shall automatically convert into Shares on a one for one basis, provided that if the number of Shares that would be issued upon such conversion is greater than 10% of the Company's Shares on issue as at the date of conversion, then that number of Performance Shares that is equal to 10% of the Company's Shares on issue as at the date of conversion under this paragraph will automatically convert into an equivalent number of Company Shares. The conversion will be completed on a pro rata basis across each class of Performance Shares then on issue as well as on a pro rata basis for each Holder. Performance Shares that are not converted into Shares under this paragraph will continue to be held by the Holders on the same terms and conditions as before the conversion.

(n) **Deferral of conversion if resulting in a prohibited acquisition of Shares**

If the conversion of a Performance Share under paragraph (l) or (m) would result in any person being in contravention of section 606(1) of the *Corporations Act 2001* (Cth) (**General Prohibition**) then the conversion of that Performance Share shall be deferred until such later time or times that the conversion would not result in a contravention of the General Prohibition.

(o) **(Lapse of Performance Share)** each Class G Performance Share shall lapse on 30 July 2021 and each Class H Performance Share shall lapse on 30 July 2022 (each an **Expiry Date**) if the relevant milestone attached to that Performance Share has not been achieved by the relevant Expiry Date, at which time the Company will redeem the relevant Performance Shares in accordance with paragraph (p) below. For the avoidance of doubt, a Performance Share will not lapse in the event the relevant milestone is met before the relevant Expiry Date and the Shares the subject of a conversion are deferred in accordance with paragraph (n) above.

(p) **Redemption if Milestone not achieved**

If the relevant milestone is not achieved by the relevant Expiry Date, then each Performance Share in the relevant class will be automatically redeemed by the Company for the sum of \$0.00001 within 10 Business Days of that Expiry Date.

(q) **Conversion procedure**

The Company will issue the Holder with a new holding statement for any Share issued upon conversion of a Performance Share within 10 Business Days following the conversion.

(r) **Ranking upon conversion**

The Share into which a Performance Share may convert will rank *pari passu* in all respects with existing Shares.

SCHEDULE 2 – TERMS AND CONDITIONS OF ZERO EXERCISE PRICE OPTIONS

(a) **Entitlement**

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

(b) **Exercise Price**

No consideration is payable upon the exercise of each Option.

(c) **Expiry Date**

Each Tranche 1 Option will expire at 5:00 pm (AEDT) on the date that is 4 months from the date of vesting, each Tranche 2 Option will expire at 5.00pm (AEDT) on 31 July 2022 and each Tranche 3 Option will expire at 5.00pm (AEDT) on 31 July 2023 (each an **Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period and Vesting Conditions**

The Options will vest and become exercisable into Shares subject to the following vesting conditions:

	Vesting Conditions
Tranche 1	The employee or director remaining employed or appointed by the Company for a period of 18 months of continuous service after the date of issue of the Options.
Tranche 2	<p>(a) The Company's wholly owned subsidiary, Keytone Enterprises (NZ) Company Limited (incorporated in New Zealand), achieving NZD\$6,000,000 of revenue in any one financial year and by no later than the financial year ending 31 March 2022 as shown in the Company's audited financial statements; and</p> <p>(b) The Shares achieving a 30-day volume weighted average price per Share exceeding \$0.30.</p>
Tranche 3	<p>(a) The Company's wholly owned subsidiary, Omniblend Pty Ltd (and its subsidiaries), achieving AUD\$50,000,000 of annual revenue in any financial year occurring on or before 31 March 2023 as shown in the Company's audited financial statements; and</p> <p>(b) The Shares achieving a 30-day volume weighted average price per Share exceeding \$0.65.</p>

The Options are exercisable into Shares at any time after vesting on or prior to the Expiry Date (**Exercise Period**) after which the Options will lapse. Subject to

compliance with applicable laws and regulations and the ASX Listing Rules, the Board has discretion at any time to declare any Tranche 1 Options which have not vested as having vested in the event an employee or director fails to satisfy the vesting condition for the Tranche 1 Options.

(e) **Cessation of Employment**

Should the holder cease employment or engagement by the Company:

- (i) any unexercised Tranche 1 Options that have vested as at the date of cessation of employment or engagement with the Company (**Cessation Date**) shall lapse if the holder does not exercise the Tranche 1 Option within a period of 1 month after the Cessation Date; and
- (ii) subject to the Board discretion reserved at paragraph (d), any unexercised Tranche 1 Options that have not vested as at the Cessation Date shall immediately lapse upon the Cessation Date.

(f) **Automatic Vesting**

Subject to the Company complying with the ASX Listing Rules and the Corporations Act, each Option will automatically vest and become exercisable into Shares in the event of:

- (i) a takeover bid under Chapter 6 of the Corporations Act having been made in respect of the Company having received acceptances for more than 50% of the Company's Shares on issue and being declared unconditional by the bidder; or
- (ii) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of the Company or its amalgamation with any other company or companies; or
- (iii) a person acquiring voting power (as defined in section 610 of the Corporations Act) in over 50% of the Company's Shares, in circumstances where such person's voting power was lower than the 50% threshold prior to the date on which the Options were issued; or
- (iv) the Company enters into agreements to sell businesses or assets which are owned by the Company at the date of issue of the Options (whether or not in the form of shares in a subsidiary company) the consideration for which businesses or assets represents more than 50% of the value of all of the businesses and assets owned by the Company at the date of issue of the Options (with reference to the Company's most recent audited financial statements) to a person, or a number of persons, none of which are in the Company's group; and

such a determination shall be notified to the holder in writing.

(g) **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**).

(h) **Exercise Date**

A Notice of Exercise is only effective on and from the date of receipt of the Notice of Exercise (**Exercise Date**).

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

Within 5 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;
- (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 (i)(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.

(j) **Shares issued on exercise**

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

(k) **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.

(l) **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.

(m) **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.

(n) **Transferability**

The Options are not transferable.

SCHEDULE 3 – TERMS AND CONDITIONS OF INCENTIVE OPTIONS

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (k), 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 (AEDT) on the date that is 3 years from the date of vesting (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Vesting Condition**

The Options will vest and become exercisable into Shares upon the employee or director remaining employed or appointed by the Company for a period of 24 months of continuous service after the date of issue of the Options. Subject to compliance with applicable laws and regulations and the ASX Listing Rules, the Board has discretion at any time to declare any Options which have not vested as having vested in the event an employee or director fails to satisfy the vesting condition for the Options.

(e) **Cessation of Employment**

Should the holder cease employment or engagement by the Company:

- (i) any unexercised Options that have vested as at the date of cessation of employment or engagement with the Company (**Cessation Date**) shall lapse if the holder does not exercise the Option within a period of 1 month after the Cessation Date; and
- (ii) subject to the Board discretion reserved at paragraph (d), any unexercised Options that have not vested as at the Cessation Date shall immediately lapse upon the Cessation Date.

(f) **Exercise Period**

Subject to paragraphs (d) and (e), the Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(g) **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.

(h) **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**).

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

Within 5 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 (i)(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.

(j) **Shares issued on exercise**

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

(k) **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.

(l) **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.

(m) **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.

(n) **Transferability**

The Options are not transferable.

SCHEDULE 4 – VALUATION OF RELATED PARTY OPTIONS

Stantons International Securities

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Australia

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West Perth WA 6005
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AFS Licence No: 448697
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20 March 2020

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

Dear Sirs,

At the request of Keytone Dairy Corporation Limited ("**Keytone**" or the "**Company**") on 24 February 2020, Stantons International Securities Pty Ltd hereby sets out our technical valuation for the following zero exercise price options ("**Zepos**") and other options, to be granted subject to obtaining shareholder approval:

- 1) **Tranche 1 Zepos** – 2,151,156 unlisted Zepos to be issued with a service condition whereby the Zepos will vest on 18 months continuous service. On achieving the vesting condition, the holders will be entitled to an issue of 1% of the undiluted equity of the Company at the date of this valuation (2,151,156 ordinary shares) at no cost. The Tranche 1 Zepos have an exercise price of nil and an expiry date of 4 months from the date of vesting.
- 2) **Tranche 2 Zepos** – 3,695,331 unlisted Zepos to be issued with the holders entitled to receive an issue of 1% of the Company's fully diluted equity at the date of this valuation and assuming the completion of the Super Cubes transaction as per the agreed transaction terms (3,695,331 ordinary shares) on achievement of:
 - i) The Company's wholly owned subsidiary, Keytone Enterprises (NZ) Company Limited (incorporated in New Zealand), achieving NZD\$6,000,000 of revenue in any one financial year and by no later than the financial year ending 31 March 2022
 - ii) a 30-day volume weighted average price ("**VWAP**") of Keytone's shares being greater than \$0.30.The Tranche 2 Zepos have an exercise price of nil and an expiry date of 31 July 2022.
- 3) **Tranche 3 Zepos** – 5,542,996 unlisted Zepos to be issued which entitle the holder to receive 1.5% of the Company's fully diluted equity at the date of this valuation and assuming the completion of the Super Cubes transaction as per the agreed transaction terms (5,542,996 ordinary shares) on achievement of:
 - i) The wholly-owned subsidiary of Keytone, Omniblend Pty Ltd achieving an annual revenue of AU\$50 million in any financial year occurring on or before 31 March 2023; and
 - ii) The 30-day VWAP of Keytone's shares being greater than \$0.65.The Tranche 3 Zepos have an exercise price of nil and an expiry date of 31 July 2023.
- 4) **Options** – 6,000,000 unlisted options to be issued with an expiry date of 3 years from the

date of vesting and an exercise price of \$0.30 cents. The options will vest based on continuous employment for 24 months.

We note that there are no additional vesting conditions other than that the holder continues to be in service to the Company.

This valuation is prepared for financial reporting purposes in accordance with AASB 2: *Share Based Payments* ("AASB 2").

Zepos and Options Valuation

In arriving at our Zepo and Option valuations, we note the following.

1. For the Tranche 1 Zepos and the Options the Black Scholes option valuation methodology has been used. This methodology has been used with the expectation that the majority of the Options will be exercised towards the end of their term.
2. For the Tranche 2 and 3 Zepos, in order to account for the effect of the market based vesting conditions, a Monte Carlo option pricing simulation methodology has been used.
3. The closing price of Keytone shares as at the close of business on 19 March 2020 was \$0.205. This date is the deemed date of grant for this valuation, and this price is the deemed spot price for the valuation purpose. The actual date of grant will be the date of the meeting, if shareholder approval is received, and the spot price will be the Australian Securities Exchange ("ASX") traded share price on this date.
4. We have assumed an expiry date of:
 - 20 January 2022 for the Tranche 1 Zepos, being four months from the date of the 18-month service condition (assuming the Tranche 1 Zepos vest on 20 September 2021).
 - 31 July 2022 for the Tranche 2 Zepos.
 - 31 July 2023 for the Tranche 3 Zepos.
 - 20 March 2025 for the Options, being three years from the date of the 24-month service condition (assuming the Options vest on 20 March 2022).
5. We have used the 2-year, 3-year and 5-year Australian Government bond rates, where relevant, as proxies for the risk-free rates being 0.36%, 0.34% and 0.56%, respectively, as at 19 March 2020.
6. We have assumed that no dividends are expected to be announced or paid during the term of the Zepos or Options.
7. We note the historical volatility factor for Keytone shares over the 12-month period to 20 March 2020 was 67.33% and we have used this as the expected volatility factor in the Black Scholes model and Monte Carlo simulations.
8. We note the Zepos and Options are subject to non-market vesting conditions. In accordance with AASB 2.19, non-market vesting conditions are not taken into account for assessing the fair value at the measurement date. As per AASB 2.19 and 2.20, they should be assessed separately, and recognised by adjusting the number of Zepos and Options based on the best available estimate of the number of Zepos and Options that are expected to vest, according to the probability of meeting the vesting conditions. If subsequent information indicates that the number of securities expected to vest differs from previous estimates, then this value should be revised.
9. In accordance with AASB 2, at the date of issue of the Zepos and Options, the Company's

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directors will need to estimate the date on which each non-market based performance condition will be met, and account for (i.e. expense) the value of the Zepos and Options over the period from date of issue to this date (the maximum time will be the expiry period as noted above). At this time, the value of the Zepos and Options will need to be adjusted to account for the value over the estimate vesting period.

10. As the Tranche 2 and 3 Zepos are subject to market based vesting conditions, under AASB 2 the effect of these vesting conditions should be included in the valuation on the date of issue. In order to account for the probability that the vesting conditions are not met, a Monte Carlo simulation has been used.
11. Under the Monte Carlo simulation, we have forecasted the future stock prices of Keytone over 50,000 iterations. The average of the present value of a Zepo under each iteration was used to approximate the value of the Zepos.
12. For the Tranche 2 and Tranche 3 Zepos, it has been assumed that the market based vesting conditions may be met at any time up to and including the relevant expiry date.
13. The valuations noted below are not necessarily the market prices that the Zepos and Options could be traded at and are not necessarily the market prices for taxation purposes. The recipients of these Zepos and Options should seek their own advice as to the tax treatments of receiving these instruments.

	Tranche 1 Zepos	Tranche 2 Zepos	Tranche 3 Zepos	Options
Method	Black Scholes	Monte Carlo simulation	Monte Carlo simulation	Black Scholes
Iterations	N/A	50,000	50,000	N/A
VWAP hurdle	N/A	0.30	0.65	N/A
Number	2,151,157	3,695,331	5,542,997	6,000,000
Deemed grant date	20 March 2020	20 March 2020	20 March 2020	20 March 2020
Assumed expiry date	20 January 2022	31 July 2022	31 July 2023	20 March 2025
Deemed share price on grant date (\$)	0.205	0.205	0.205	0.205
Exercise price (\$)	nil	nil	nil	0.30
Volatility (%)	67.33	67.33	67.33	67.33
Risk-free rate (%)	0.36	0.36	0.34	0.56
Value of one security (\$)	0.205	0.154	0.105	0.096
Total value of securities (\$)	440,987	567,317	581,452	575,437

Should you wish to discuss the above, do not hesitate to contact the undersigned.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)



James Turnbull

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