

27 May 2019

The Manager
National Stock Exchange of Australia Limited

Dear Sir / Madam

DEBT FINANCE TRANSACTION

Heritage Brands Limited (NSX: HBA) ("**HBA**" or the "**Company**") refers to its announcement on 22 May 2019 and confirms it has successfully negotiated, subject to finalising and completing formal documentation, a short term secured loan facility for a maximum amount of up to \$4.0 million from three of its substantial shareholders.

The facility is to be repayable on 12 December 2019.

HBA and each of its subsidiaries are to provide a general security ("**Security**") over its respective assets in favour of the lenders to secure repayment of all amounts owing under the facility. The Security will rank behind the security held by HBA's main external lender.

The proceeds of the loan facility are to be used to meet ongoing working capital requirements.

Conditions for drawdown

In order for HBA to be able to drawdown under the loan facility, a number of conditions have to be satisfied, including:

- (a) Entering into formal documentation.
- (b) Formal consent to the loan facility being obtained from HBA's main external lender, in a form satisfactory to the three lenders (as determined in their discretion). At this stage, HBA can confirm that its external lender has advised in writing its conditional in principle support to the loan facility. Formal consent from the external lender will be subject to the conclusion of commercial negotiations regarding the terms of subordinated loans, which must be resolved to the external lender's satisfaction.

HBA will keep the market informed as to the status of satisfying the conditions.

NSX Waiver

The Company has also been able to successfully obtain a conditional waiver from the National Stock Exchange of Australia Limited ("**NSX**") of the requirement for shareholder approval that would otherwise have been required under NSX listing rule 6.43 in respect of the grant of Security to two of the three lenders under the proposed loan facility.

The conditions attaching to the waiver include:

- (a) The Company having obtained formal approval from its first ranking secured external lender to the grant of the Security.



Heritage Brands

- (b) The inclusion of the following term in the Security document, which term shall be applicable to those two lenders to whom NSX listing rule 6.43 would have otherwise required shareholder approval for the grant of the Security:

"that if an event of default occurs and the lenders (or any of them) exercise their rights under the Security, neither the lenders nor any of their associates can acquire any legal or beneficial interest in an asset of the Company or its subsidiaries in full or part satisfaction of the Company's obligations under the Security, or otherwise deal with the assets of the Company or its subsidiaries, without the Company first having complied with any applicable listing rules, including Listing Rule 6.43, other than as required by law or through a receiver, or receiver and manager (or analogous person) appointed by the lenders (or any of them) exercising their power of sale under the Security and selling the assets to an unrelated third party on arm's length commercial terms and conditions and distributing the cash proceeds to the lender or any of its associates in accordance with their legal entitlements".

- (c) A summary of the material terms of the Security is included in the annual report of the Company during the term of the Security.
- (d) The Security is discharged once the funds advanced to the Company by the lenders are repaid, otherwise shareholder approval is obtained for the continuation of the Security for any further period.

If in the event any of the conditions to drawdown under the proposed \$4.0 million facility or any of the conditions to the NSX waiver are not able to be satisfied the Company's board of directors will consider alternate means of raising the necessary capital needed to meet the Company's working capital needs. Such alternate means may include an equity capital raising by way of share placement or raising debt by way of unsecured loans.

The Company has requested that the NSX immediately lift the suspension in trading in the Company's securities.

Yours faithfully



Chris McGibbon
Company Secretary