

Design Milk Co Limited
ACN 006 908 701
Level 5, 126 Phillip Street
Sydney NSW 2000

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Design Milk Co Limited

Notice of 2023 General Meeting

Explanatory Statement | Proxy Form

Date: Monday, 29 May 2023
Time: 4:00pm (AEST)
Place: At the offices of Prandium Capital, Suite 3, 2 New McLean Street, Edgecliff NSW 2027

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 General Meeting are those who are registered Shareholders at 4:00pm (AEST) on 27 May 2023.

VENUE AND VOTING INFORMATION

The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 4:00pm (AEST) on Monday, 29 May 2023 as an in person meeting at the offices of Prandium Capital, Suite 3, 2 New McLean Street, Edgecliff NSW 2027.

Shareholders are also encouraged to submit questions in advance of the Meeting to the Company. Questions must be submitted in writing to the Company Secretary, Sapir Elias by email to sapir@design-milk.com at least 48 hours before the Meeting.

The Company will also provide Shareholders with the opportunity to ask questions during the Meeting in respect to the formal item of business as well as general questions in respect to the Company and its business.

Your vote is important

The business of the Meeting affects your shareholding and your vote is important. The Company encourages all Shareholders to exercise their rights to vote and participate in the business of the Meeting in person but notes that physical attendance at the Meeting is not necessary for the purpose of exercising these rights by voting in advance of the Meeting by proxy in accordance with the instructions below.

Voting in person

To vote in person, attend the General Meeting on the date and at the time and place set out above.

Voting by proxy

To vote by proxy, please use one of the following methods:

Online	Lodge the Proxy Form online at https://investor.automic.com.au/#/loginsah by following the instructions: Login to the Automic website using the holding details as shown on the Proxy Form. Click on 'View Meetings' – 'Vote'. To use the online lodgement facility, Shareholders will need their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) as shown on the front of the Proxy Form. For further information on the online proxy lodgment process please see the Online Proxy Lodgment Guide at https://www.automicgroup.com.au/virtual-agms/
By post	Automic, GPO Box 5193, Sydney NSW 2001
By hand	Automic, Level 5, 126 Phillip Street, Sydney NSW 2000

Your Proxy instruction must be received not later than 48 hours before the commencement of the Meeting. **Proxy Forms received later than this time will be invalid.**

Power of Attorney

If the proxy form is signed under a power of attorney on behalf of a shareholder, then the attorney must make sure that either the original power of attorney or a certified copy is sent with the proxy form, unless the power of attorney has already provided it to the Share Registry.

Corporate Representatives

If a representative of a corporate shareholder or a corporate proxy will be attending the Meeting, the representative should provide the Share Registry with adequate evidence of their appointment, unless this has previously been provided to the Share Registry.

NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of Shareholders of Design Milk Co Limited ACN 006 908 701 will be held at 4:00pm (AEST) on Monday, 29 May 2023 in person at the offices of Prandium Capital, Suite 3, 2 New McLean Street, Edgecliff NSW 2027 (**Meeting**).

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form forms part of this Notice of Meeting.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

RESOLUTION 1 – DISPOSAL OF MAIN UNDERTAKING

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

That, under and for the purposes of ASX Listing Rule 11.2 and for all other purposes, Shareholders of the Company approve the sale of the assets of the Company's wholly owned subsidiary, Design Milk Holdings, LLC, an Ohio limited liability company, on the terms and conditions set out in the Explanatory Statement."

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

- (a) the Purchaser and any other person who might obtain a material benefit, except a benefit solely in the capacity of a holder of ordinary Securities, if this Resolution is passed; and
- (b) any Associates of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 1 by:

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

BY ORDER OF THE BOARD

Sapir Elias

Company Secretary
26 April 2023

EXPLANATORY STATEMENT

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolution in the Notice of Meeting.

If you are in any doubt about what to do in relation to the Resolution contemplated in the Notice of Meeting and this Explanatory Statement, it is recommended that you seek advice from an accountant, solicitor or other professional advisor.

Full details of the business to be considered at the General Meeting are set out below.

1. BACKGROUND TO DISPOSAL OF THE MAIN UNDERTAKING

1.1 General Background

The Company through its wholly owned subsidiary Design Milk Holdings, LLC, an Ohio limited liability company, (**DMC Subsidiary**) operates a US based digital media platform dedicated to modern design, owning and operating eCommerce websites that support independent brands and designers from around the world. These websites generate advertising revenue, which forms the basis of its current online business (**Advertising Business**).

The Advertising Business is the main undertaking of the Company.

1.2 Proposed Disposal

On 20 April 2023, the Company announced that the DMC Subsidiary had entered into a conditional binding asset sale agreement (**Agreement**) to sell all assets required to operate the Advertising Business (**Assets**) to Design Milk Holdings, LLC, a Delaware limited liability company (**Purchaser**), for US\$350,000 (**Disposal**). Despite the similarity in the name, the Purchaser is not a related entity of the Company.

The material terms of the Agreement are as follows:

- (a) **Assets:** Contracts, customer lists, intellectual property, licences, business records, business name registrations, registered domain names and social media handles, and rights and goodwill associated with the assets pertaining to the Design Milk Business.
- (b) **Consideration:** The Purchaser will pay US\$350,000 cash to the DMC Subsidiary as consideration for the Assets at completion.
- (c) **Conditions Precedent:** Completion of the Agreement is subject to satisfaction of the following conditions precedent:
 - (i) the Company receiving the approval of its shareholders for the Disposal (**ASX Condition**);
 - (ii) the parties' respective representations and warranties set out in the Agreement remaining true and correct at completion;
 - (iii) the parties having not materially breached of any of their material obligations under the Agreement; and
 - (iv) the parties delivering all documents as required under the Agreement, (together, the **Conditions Precedent**).
- (d) **Completion:** The parties have agreed that completion of the sale and purchase in accordance with the terms of the Agreement (**Completion**) shall take place on the date that is within five (5) business days of the date on which the ASX Condition is satisfied.

- (e) **Warranties:** The Agreement includes customary warranties given by the parties for a transaction of this type.

1.3 Financial effect of the Disposal and use of proceeds

The following table summarises the likely effect of the Disposal on the Company's consolidated total assets, total equity interests, capital structure, annual revenue and annual profit before as set out in the audited consolidated financial report for the year ended 31 December 2022.

A	B	C	D	E
	Before	Impact	After	% Change
<i>Method of calculation</i>	From the reviewed half year financial report 31 December 2022	Disposal Adjustments	B+/- C	C/B
Financial Position - \$US				
Total consolidated assets	\$293,137	\$(109,421)	\$183,716	(37) %
Total equity interests	\$(171,722)	Nil	\$(171,722)	0%
Total Securities on issue	36,292,792 Shares 861,090 Performance Rights 1,096,376 Options 860 Convertible Notes	Nil	36,292,792 Shares 861,090 Performance Rights 1,096,376 Options 860 Convertible Notes	0%
Annual Financial Performance - \$US				
Annual revenue	\$504,720	\$(504,720)	\$0	(100) %
Profit/(loss) before tax	\$(686,874)	\$563,778	\$(123,096)	82 %

The proceeds received under the Disposal are intended to be applied towards identification of new acquisition opportunities and working capital requirements.

1.4 Advantages of the Disposal

The Directors believe that the following non-exhaustive list of advantages, may be relevant to a Shareholder's decision on how to vote on the Disposal:

- (a) the Company believes that further investment is required to continue to build the vendor base, customer growth and conversion and expand the Advertising Business as it

continues to move towards cashflow breakeven. However, given the challenges in the current economic and funding environment, the Company does not see such a continued deployment of capital providing a commensurate return on its investment, and on balance, considers that an opportunity to divest its main undertaking is a compelling proposition for the Company and its shareholders; and

- (b) the Company will use the funds to explore other opportunities and search for other opportunities.

1.5 Disadvantages of the Disposal

The Directors believe that the following non-exhaustive list of disadvantages, may be relevant to a Shareholder's decision on how to vote on the Disposal:

- (a) the Company will be disposing of its main undertaking, which may not be consistent with the investment objectives of all Shareholders;
- (b) the size of the Company's asset base and operating activities will be reduced significantly as a result of the Disposal;
- (c) potential future operating revenue attributable to the Advertising Business will not be able to be realised by the Company if the Disposal occurs;
- (d) there is a risk that the Company may not be able to locate and acquire other suitable investment opportunities;
- (e) the Company will no longer be exposed to the risks associated with the Advertising Business, as a result of the Disposal the Shareholders' investment profile on their investment in the Shares will change; and
- (f) the Company will be changing the scale of its activities by a significant extent, which may not be aligned with the investment objectives of Shareholders.

1.6 Foreign exchange risk

The purchase price is denominated in US (United States) dollars therefore, the Company is exposed to fluctuations in exchange rate risk.

1.7 The Company's intentions post settlement

Pursuant to the Company's request for a voluntary suspension on 2 August 2022, the Company's securities currently remain in suspension however the Company intends to continue as an ASX listed company and seek other opportunities to deliver growth to Shareholders following the Disposal. Assuming the Disposal completes, the Company intends to significantly reduce its level of operating expenditure while it seeks other opportunities.

The consequences of a disposal of the main undertaking are that any transaction the Company proposes to enter into may, if required by ASX, attract the application of Listing Rule 11.1.3 and as a result the Company may, if required by ASX, be required to re-comply with Chapters 1 and 2 of the Listing Rules.

1.8 Group Structure

Upon completion of the Disposal, the corporate structure of the Company will initially remain unchanged with the Company (as parent entity) holding 100% of its subsidiaries. The Company may seek to close some or all of its subsidiaries as a practical consequence of the Disposal, and as a means to further reduce operating costs.

1.9 Proposed changes to the Company's Board and management

Upon completion of the Disposal, the Company's Board and management will change as follows:
The Company will cease to have operational management following the Disposal.

1.10 Effect on Capital Structure

The Disposal will have no effect on the capital structure of the Company.

1.11 Indicative Timetable

Subject to the ASX Listing Rules and Corporations Act requirements, the Company anticipates completion of the Disposal will be in accordance with the following timetable:

Event	Date*
Notice of Meeting sent to Shareholders	26 April 2023
Shareholder Meeting to approve the Disposal	29 May 2023
Satisfaction of all conditions in the Agreement	On or before 5 June 2023
Completion of Disposal	On or before 5 June 2023

*Please note this timetable is indicative only and the Directors reserve the right to amend the timetable as required.

2. RESOLUTION 1 – DISPOSAL OF MAIN UNDERTAKING

2.1 General

This Notice of Meeting has been prepared to seek Shareholder approval under and for the purposes of ASX Listing Rule 11.2.

ASX takes no responsibility for the contents of the Notice of Meeting.

2.2 ASX Listing Rule 11.2

Subject to Resolution 1 passing, the Company is proposing to proceed with the Disposal.

ASX Listing Rule 11.2 requires a listed company to obtain the approval of its shareholders to a disposal of its main undertaking. The Disposal is a disposal of the Company's main undertaking for these purposes.

Resolution 1 seeks the required Shareholder approval to the Disposal under and for the purposes of ASX Listing Rule 11.2.

If Resolution 1 is passed, the Company will be able to proceed with the Disposal, following which, the Company will look to review and identify new investment and acquisition opportunities which the Directors believe will have the potential to create value for Shareholders.

If Resolution 1 is not passed, the Company will not be able to proceed with the Disposal, and the Agreement would likely be terminated, or otherwise would require renegotiation of the terms and conditions of the Agreement, which may or may not eventuate.

The Company is of the belief it has funding for the less than two (2) quarters, based on the Quarterly Report for the period ending 31 December 2022.

All items required to be disclosed to Shareholders to obtain approval under ASX Listing Rule 11.2 is set out in this Notice of Meeting. The Directors are not aware of any other commercial

information that is material to the question of whether Shareholders should approve the Resolution.

For the reasons set out above, the Directors unanimously recommend that Shareholders vote in favour of the Resolution.

The Purchaser is not a related party of the Company, and Shareholder approval for the Disposal is not required for the purposes of ASX Listing Rule 10.1.

2.3 Directors' interests and recommendation

None of the Directors have a material interest in the outcome of Resolution 1 other than as a result of their interest, if any, arising solely in the capacity as Shareholders.

Each of the Directors intend to vote all of their Shares in favour of Resolution 1.

Based on the information available, the Directors consider that the proposed Disposal is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of Resolution 1 in the absence of a superior proposal.

As noted in the Proxy Form, the Chair of the Meeting intends to cast all undirected proxies in favour of this Resolution.

ENQUIRIES

Shareholders are asked to contact the Company Secretary on sapir@design-milk.com if they have any queries in respect of the matters set out in these documents.

GLOSSARY

Associate has the meaning given to it by the ASX Listing Rules.

ASX means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires, of 20 Bridge Street, Sydney, NSW 2000.

ASX Listing Rules or **Listing Rules** means the official ASX Listing Rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

Board means the current board of Directors of the Company.

Business Day means a day on which trading takes place on the stock market of ASX.

Chair means the person chairing the Meeting.

Company means Design Milk Co Limited ACN 006 908 701.

Convertible Note means a convertible note issued by the Company.

Corporations Act means the *Corporations Act 2001* (Cth) as amended or replaced from time to time.

Design Milk Holdings and the **Purchaser** means Design Milk Holdings, LLC, a Delaware limited liability company.

Director means a current director of the Company.

Disposal has the meaning given in Section 1.2.

DMC Subsidiary means Design Milk Holdings, LLC, an Ohio limited liability company, a wholly owned subsidiary of the Company.

Explanatory Statement means the explanatory statement accompanying this Notice of Meeting.

General Meeting or **Meeting** means a General Meeting of the Company and, unless otherwise indicated, means the meeting of the Company's members convened by this Notice of Meeting.

Notice of Meeting or **Notice of General Meeting** means this notice of general meeting dated 26 May 2023 including the Explanatory Statement.

Option means an option which, subject to its terms, could be exercised into a Share.

Ordinary Resolution means a resolution that can only be passed if at least 50% of the total votes cast by Shareholders entitled to vote on the resolution are voted in its favour at the meeting.

Performance Right means a performance right which, subject to its terms, could convert to a Share.

Proxy Form means the proxy form attached to this Notice of Meeting.

Resolution or Resolution 1 means the resolution set out in this Notice of Meeting.

Securities mean Convertible Notes, Shares, Options and/or Performance Rights (as the context requires).

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

Shareholder means a holder of a Share.

Share Registry means Automic Registry Services.

Sydney Time means the time as observed in Sydney, New South Wales, Australia.

Proxy Voting Form

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

[EntityRegistrationDetailsLine1Envelope]
[EntityRegistrationDetailsLine2Envelope]
[EntityRegistrationDetailsLine3Envelope]
[EntityRegistrationDetailsLine4Envelope]
[EntityRegistrationDetailsLine5Envelope]
[EntityRegistrationDetailsLine6Envelope]

[HolderNumber]

Holder Number:
[HolderNumber]

Your proxy voting instruction must be received by **4.00pm (AEST) on Saturday, 27th May 2023**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

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

YOUR NAME AND ADDRESS

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

STEP 1 – APPOINT A PROXY

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

DEFAULT TO THE CHAIR OF THE MEETING

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

STEP 2 - VOTES ON ITEMS OF BUSINESS

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

APPOINTMENT OF SECOND PROXY

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

SIGNING INSTRUCTIONS

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

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

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

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

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

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

CORPORATE REPRESENTATIVES

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

Lodging your Proxy Voting Form:

Online:

Use your computer or smartphone to appoint a proxy at
<https://investor.automic.com.au/#/loginsah>

or scan the QR code below using your smartphone

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



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