

HERITAGE BRANDS LIMITED
ACN 081 149 635
RIGHTS ISSUE
OFFER DOCUMENT

1 for 1 non-renounceable rights issue of
approximately 1,801,111,087 New Shares
at 0.4 cents (\$0.004) per New Share to raise up to approximately \$7,204,444
before costs

This document is important and requires your immediate attention. It should be read in its entirety. If you are in doubt as to the action you should take, consult your stockbroker, accountant, financial or other professional adviser immediately.

An investment in the New Shares offered by this Offer Document
should be considered **SPECULATIVE**.

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IMPORTANT NOTICES

This Offer Document is dated 14 February 2024 and is issued pursuant to section 708AA of the *Corporations Act 2001* (Cth) for the offer of New Shares without disclosure to investors under Part 6D.2 of the *Corporations Act*. This Offer Document was lodged with NSX on 14 February 2024. NSX takes no responsibility for the contents of this Offer Document.

This Offer Document is not a prospectus and does not contain all of the information that an investor would find in a prospectus or which may be required by an investor in order to make an informed investment decision regarding, or about the rights attaching to, New Shares. Nevertheless, this Offer Document contains important information and requires your immediate attention. It should be read in its entirety. If you are in any doubt as to how to deal with this Offer Document, you should consult your professional adviser as soon as possible.

The New Shares being offered under this Offer Document pursuant to the Rights Issue are being offered to Eligible Shareholders, being Shareholders with a registered address in Australia or New Zealand at 7.00 pm (Sydney time) on the Record Date. This Offer Document does not, and is not intended to, constitute an offer or invitation in the United States, or to any person acting for the account or benefit of a person in the United States, or in any other place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No offer is being made to Shareholders with a registered address outside Australia or New Zealand. The distribution of this Offer Document and the Entitlement and Acceptance Form (including electronic copies) outside Australia and New Zealand may be restricted by law. If you come into possession of these documents, you should observe such restrictions and should seek your own advice about such restrictions. Please refer to Section 1.11.

Information about the Company is publicly available and can be obtained from ASIC and NSX (including its website www.nsx.com.au). The contents of any website or ASIC or NSX filing by the Company are not incorporated into this Offer Document and do not constitute part of the Offer. This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to NSX. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Offer Document. Any such extraneous information or representation may not be relied upon.

This Offer Document may include forward-looking statements based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward looking statements.

This Offer Document has been placed on the Company's website at www.heritagebrands.com.au for information purposes only. Eligible Shareholders will be mailed a copy of this Offer Document, accompanied by a personalised Entitlement and Acceptance Form. Applications for New Shares by Eligible Shareholders may only be made on an **original** Entitlement and Application Form that accompanies a paper version of this Offer Document. The Entitlement and Acceptance Form sets out the Entitlement of an Eligible Shareholder to participate in the Offer. Please read the instructions in this Offer Document and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement.

By returning an Entitlement and Acceptance Form or lodging an Entitlement and Acceptance Form with your stockbroker or otherwise arranging for payment for your New Shares through BPay® in accordance with the instructions on the Entitlement and Acceptance Form, you acknowledge that you have received and read this Offer Document, you have acted in accordance with the terms of the Offer detailed in this Offer Document and you agree to all of the terms and conditions as detailed in this Offer Document.

Some capitalised words or terms in this Offer Document have defined meanings which appear in the glossary in Section 5.

CHAIRMAN'S LETTER



14 February 2024

Dear Shareholder,

On behalf of the Board, I am pleased to invite you as Eligible Shareholders to participate in a 1 for 1 non-renounceable Rights Issue at a price of 0.4 cents (\$0.004) per New Share to raise up to approximately \$7,204,444.

In addition, Eligible Shareholders may apply for Additional Shares over and above their Entitlement at the same price of 0.4 cents (\$0.004) per Additional Share. The Additional Shares may be issued if and to the extent there is any shortfall in the take-up of Entitlements.

The Offer Document will be lodged with NSX on 14 February 2024 and a copy will be sent to all Eligible Shareholders who are on the register as at 7:00pm (Sydney time) on 29 February 2024.

The Offer is open for acceptance until 5:00 pm (Sydney time) on 18 March 2024.

Funds to be raised from the Rights Issue will be used for working capital and to meet the costs of the Rights Issue.

To find out what you need to do to participate in the Rights Issue, please refer to Section 2 of the Offer Document. I urge you to read the Offer Document thoroughly before making your investment decision, including the risk factors set out in Section 3.

On behalf of the Board, I take this opportunity to thank each of our Shareholders and look forward to your support of the Rights Issue.

Yours sincerely,

Maxim Krok
Chairman

IN ESSENCE*

OIL GARDEN
ESTD BYRON BAY 1991

INNOXA



SKINREPUBLIC
SKIN LABORATORY

australis

Helios

CEDEL

Privileged & Confidential

Heritage Brands 2024

ABN: 62 111 665 439

INVESTMENT OVERVIEW

Introduction

The purpose of this Section is to give Shareholders an investment overview that helps them make an informed investment decision by highlighting key information. It is an introduction to the Offer and is not intended to replace the other Sections of this Offer Document, which Eligible Shareholders should read in full.

Details of the Offer

Rights issue

The Company is making a non-underwritten non-renounceable rights issue offer to each Eligible Shareholder of one New Share for every one Existing Share held on the Record Date at an issue price of 0.4 cents (\$0.004) per New Share.

Please refer to Section 1.1 for further details.

Entitlement

The number of New Shares to which an Eligible Shareholder is entitled is shown on your personalised Entitlement and Acceptance Form accompanying this Offer Document.

Eligibility

Every Shareholder registered as a holder of Shares at 7.00pm (Sydney time) on the Record Date, and who has a registered address in Australia or New Zealand is entitled to participate in the Offer.

Please refer to Section 1.11 for further details.

Important Dates

The Closing Date and time for acceptances and payment, and other important dates, are set out in the Key Dates in Section 1.3.

Additional Shares

Eligible Shareholders who take up their full Entitlement may apply for additional New Shares. However, the Company does not guarantee the issue of additional New Shares.

Please refer to Section 1.2 for further details.

Key Company highlights

Heritage Brands is an Australian Health and Wellness company on a mission to enhance the lives of its consumers, with an assurance of quality, value and innovation.

Founded over 30 years ago, Heritage Brands is long trusted by its customers across Australia, New Zealand and Asia.

Today, Heritage Brands operates in Pure Essentials Oils, Skincare and Beauty with the brands Le Tan, Australis, Skin Republic, Oil Garden and In Essence.

The markets in which Heritage Brands operates in Australia are highly attractive and value opportunities continue to be created in the fast growing segments of Suncare, Tanning, Beauty, Essential Oils and Skin Care.

Please refer to the Company's website www.heritagebrands.com.au for further details.

This is a selective overview of the highlights and should be read in conjunction with the key risks below, the information in this Offer Document and other public announcements and reports of the Company.

Key Risks

The activities of the Company and its controlled entities, as in any business, are subject to risks which may impact on the Company's future performance.

Before deciding whether to take up any or all of their Entitlements, Shareholders should read this Offer Document in its entirety and review announcements made by the Company to NSX (at www.nsx.com.au under the code "HBA") in order to gain a better appreciation of the activities, operations, financial position and prospects of Heritage Brands.

An investment in New Shares should be considered speculative. New Shares carry no guarantee with respect to the payment of any dividends, returns of capital or the market value of those New Shares.

Shareholders should also consider the risk factors set out below in Section 3 which the Company believes represent some of the material specific and general investment risks that Shareholders should be aware of when evaluating Heritage Brands and deciding whether to increase their shareholding in the Company.

Purpose of the Offer

Heritage Brands intends to use the funds raised under this Offer to supplement its working capital and to pay the costs of the Rights Issue. The funds raised will help to grow and develop the Company's brands.

Please refer to Section 1.4 for further details.

Potential dilution effect of the Offer

Upon completion of the Rights Issue, the number of Shares in the Company will increase from 1,801,122,087 to as much as 3,602,222,174. This means that each Existing Share will represent a significantly lower proportion of the ownership of the Company.

Accordingly, Shareholders should note that if they do not participate in the Offer, their holdings (as a proportion of the total issued Shares) are likely to be diluted by up to approximately 50% (as compared to their holdings and number of Shares on issue as at the date of this Offer Document).

1. DETAILS OF THE OFFER

1.1. The Offer

Heritage Brands Limited ACN 081 149 635 is making a non-underwritten non-renounceable pro rata offer of fully paid ordinary shares in the capital of the Company to Shareholders with a registered address in Australia or New Zealand. Eligible Shareholders who are on the Company's share register at 7:00pm (Sydney time) on 29 February 2024 will be entitled to apply for 1 New Share for every 1 Existing Share held at an Issue Price of \$0.004 (0.4 cents) each per New Share. The Issue Price is payable in full on application.

Fractional entitlements will be rounded down to the nearest whole number.

Under the Offer, up to approximately 1,801,111,087 New Shares will be issued and the Company will raise up to approximately \$7,204,444 before costs. The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form.

You may apply for all or part of your Entitlement.

The New Shares will be fully paid and will rank equally with the Company's Existing Shares.

1.2. Additional Shares

Eligible Shareholders who take up their full Entitlement may also apply for Additional Shares. Applications for Additional Shares may be considered if not all of the approximately 1,801,111,087 New Shares are taken up by the Eligible Shareholders under the Offer. Additional Shares will be issued at the discretion of the Directors and, as a result, there is no guarantee that you will receive Additional Shares. See Section 2.4 for further details.

In the event that Entitlements are not taken up in full, Eligible Shareholders who have taken up all of their Entitlement and have made an application for Additional Shares may be allocated Additional Shares as follows:

- (a) the number of Additional Shares allocated to an Eligible Shareholder who has applied for Additional Shares will be at the discretion of the Directors;
- (b) the Directors reserve the right to allocate Additional Shares to Eligible Shareholders in part or not at all;
- (c) an Eligible Shareholder will not receive more Additional Shares than they have applied for; and
- (d) allocations will be made in a way such that all laws, in particular the takeover threshold restrictions in Chapter 6 of the Corporations Act, are complied with.

There is no guarantee that Eligible Shareholders will be successful in being allocated any of the Additional Shares that they may apply for. If an application for Additional Shares is scaled back or the Directors decide not to issue Additional Shares to an Eligible Shareholder, the Application Money for those Additional Shares which are not issued to the applicant will be returned to the applicant without any payment of interest. The decision of the Directors as to allocation of Additional Shares is final.

1.3. Key dates

The Offer is open for acceptance until 5:00pm (Sydney time) on the Closing Date or such other date as the Directors, in conjunction with the Underwriter, shall determine, subject to the Listing Rules. Other key dates for the Offer are as follows:

Event	Date
Rights Issue / Offer announced via NSX and Offer Document lodged with NSX	Wednesday, 14 February 2024
Notice sent to Shareholders containing information about Rights Issue	Thursday, 15 February 2024
Shares quoted on an “ex” basis	Wednesday, 28 February 2024
Record Date to identify Shareholders entitled to participate in Rights Issue	Thursday, 29 February 2024
Offer Document and Entitlement and Acceptance Forms despatched to Eligible Shareholders	Monday, 4 March 2024
Closing Date for acceptance and payment	Monday, 18 March 2024
Issue of New Shares and despatch of holding statements	Friday, 22 March 2024

The timetable outlined above is indicative only and subject to change. The Directors reserve the right to vary these dates, including the Closing Date, without prior notice but subject to the Corporations Act and the Listing Rules. The Directors also reserve the right not to proceed with the whole or part of the Offer at any time prior to allotment. In that event Application Money will be returned without interest.

1.4. Use of proceeds

The immediate financial effect of the Offer on the Company will be to increase the Company's cash reserves by up to approximately \$7,104,444 (being the maximum amount of \$7,204,444 gross proceeds to be raised, **less** \$100,000 in estimated costs of the Rights Issue). The Company intends to apply the funds raised in the following manner:

Use of proceeds	Indicative maximum amount
Working capital	\$7,104,444
Expenses related to the Rights Issue	<u>\$100,000</u>
Maximum total gross proceeds to be raised	<u>\$7,204,444</u>

1.5. Capital structure

As at the date of this Offer Document the Company has 1,801,111,087 Shares on issue.

The principal effect of the Offer on the Company's capital structure will be to increase the total number of issued Shares by up to approximately 1,801,111,087 (i.e. up to a doubling of the number of Shares currently on issue).

The following table shows the proposed capital structure of the Company on completion of the Rights Issue assuming the maximum number of New Shares is issued under the Rights Issue:

Security	Number at date of this Offer Document	Number following completion of Rights Issue
Shares	1,801,111,087	3,602,222,174

Details of the effect of the Offer on control of the Company are set out in Section 4.1.

1.6. Entitlements

Each Eligible Shareholder who is registered as the holder at 7:00pm (Sydney time) on the Record Date is entitled to participate in the Offer. The number of New Shares to which you are entitled is shown on your Entitlement and Acceptance Form accompanying this Offer Document.

You may accept all, or part, of your Entitlement by completing the Entitlement and Acceptance Form and returning it in accordance with the instructions set out on the reverse of that form prior to the Closing Date.

If you decided not to accept all or part of your Entitlement or fail to do so by the Closing Date, your Entitlement to the extent unaccepted will lapse.

As a result of this Offer, Eligible Shareholders who do not take up all of their Entitlement will have their percentage shareholding in the Company diluted. It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares. The sale by Applicants of New Shares prior to the receipt of a holding statement is at the Applicant's own risk.

1.7. No Trading of Entitlements

The Entitlements to New Shares are non-renounceable, which means they cannot be sold. Refer to Section 2 for instructions on how to deal with your Entitlement.

1.8. No underwriting and no minimum subscription

The Offer is not underwritten and there is no minimum subscription condition. If the Offer is undersubscribed the Company will proceed with the allotment of New Shares and Additional Shares for which valid Applications are received, despite the shortfall in Applications.

1.9. NSX listing

The Company has made an application to NSX for Official Quotation of the New Shares. If NSX does not grant quotation for the New Shares within 3 months after the date of this Offer Document, the Company will not allot any New Shares and all Application Money will be refunded without interest.

The fact that NSX may grant Official Quotation of the New Shares is not to be taken in any way as an indication of the merits of the Offer or the New Shares offered under this Offer Document.

1.10. Refund of Application Money

Application Moneys will be held in a subscription account established and held by the Company on behalf of each Eligible Shareholder until the New Shares are issued. If necessary, Application Money will be refunded as soon as reasonably practicable, without interest. Interest earned on any Application Money will be for the benefit of the Company and will be retained by the Company regardless of whether New Shares are issued under the Offer.

1.11. Distribution restrictions and treatment of foreign Shareholders

General

This Offer Document, the Entitlements and the New Shares have not been registered, and will not be registered, in any jurisdiction, including the United States under the Securities Act 1933. Neither this Offer Document nor the Entitlement and Acceptance Form constitutes an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The distribution of this Offer Document or the Entitlement and Acceptance Form (including electronic copies) in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of this Offer Document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. In particular, this Offer Document and the accompanying Entitlement and Acceptance Form may not be sent to investors in the United States or to any person acting for the account or benefit of a person in the United States. The Directors reserve the right to treat as invalid any Entitlement and Acceptance Form that appears to the Directors or the Company's agents to have been submitted in violation of any applicable securities laws.

Eligible Shareholders who are resident outside Australia or New Zealand should consult their professional advisers as to whether, in order to enable them to take up their Entitlements, any governmental or other consents are required or other formalities need to be observed.

The Offer contained in this Offer Document to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2021 (New Zealand). Members of the public in New Zealand who are not Eligible Shareholders on the Record Date are not entitled to apply for any New Shares.

Eligible Shareholders holding Shares on behalf of persons who are resident outside Australia or New Zealand (including nominees, custodians and trustees) are responsible for ensuring that any dealing with their Entitlements and any New Shares issued do not breach the laws and regulations in the relevant overseas jurisdiction, and should seek independent professional advice and observe any applicable restrictions relating to the taking up of Entitlements or the distribution of this Offer Document or the Entitlement and Acceptance Form.

The making of an application (whether by the return of a duly completed Entitlement and Acceptance Form or by the making of a BPay® payment or otherwise) will constitute a representation that there has been no breach of such laws or regulations. Shareholders who are nominees, custodians or trustees are therefore advised to seek independent advice as to how they should proceed.

Excluded Shareholders

The Company will not make an Offer to Shareholders with a registered address outside Australia and New Zealand. The Company has decided that it is unreasonable to extend the Offer to Excluded Shareholders having regard to:

- (a) the number of Shareholders with a registered address outside Australia and New Zealand (as at the date of this Offer Document there are no Shareholders with a registered address outside Australia and New Zealand);
- (b) the number and value of New Shares that would be offered to Shareholders with a registered address outside Australia and New Zealand; and
- (c) the cost of complying with the legal requirements, and requirements of regulatory authorities, in the overseas jurisdictions.

Where this Offer Document has been despatched to Excluded Shareholders, this Offer Document is provided for information purposes only.

In limited circumstances the Company may elect to treat as Eligible Shareholders certain Shareholders who would otherwise be Excluded Shareholders, provided the Company is satisfied that it is not precluded from lawfully issuing New Shares to such Shareholders either unconditionally or after compliance with conditions which the Board in its sole discretion regards as acceptable and not unduly onerous.

2. ACTIONS REQUIRED BY SHAREHOLDERS

Acceptance of the Offer must be made by Eligible Shareholders either by completing and returning your personalised Entitlement and Acceptance Form accompanying this Offer Document with your payment by cheque, money order or bank draft for the Application Money, or by making a BPay® payment of the Application Money according to the BPay® instructions in your personalised Entitlement and Acceptance Form. The Directors reserve the right to reject any applications for New Shares that are not made in accordance with the terms of this Offer Document or the instructions on the Entitlement and Acceptance Form.

2.1 Taking up all of your Entitlement

If you wish to take up all of your Entitlement, you can either:

- (a) make payment by BPay® (following the instructions for BPay® payment in the Entitlement and Acceptance Form) in the total amount required for your full Entitlement of New Shares (at 0.4 cents (\$0.004) per New Share); or
- (b) complete the Entitlement and Acceptance Form in accordance with the instructions set out in that form and arrange for payment of the Application Money by cheque, money order or bank draft in accordance with Section 2.5 and the instructions in the Entitlement and Acceptance Form.

2.2 Allow all or part of your Entitlement to lapse

If you decide not to accept all or part of your Entitlement, or fail to accept your Entitlement by the Closing Date, your Entitlement to the extent not accepted will lapse.

If you do nothing, although you will continue to own the same number of Shares, your proportionate shareholding in the Company will be diluted.

2.3 Taking up part of your Entitlement and allowing the balance to lapse

If you wish to take up part of your Entitlement under the Offer and allow the balance to lapse, please complete the Entitlement and Acceptance Form for the number of New Shares you wish to take up in accordance with the instructions set out on the front of that form and arrange for payment of the applicable amount of Application Money in accordance with Section 2.5.

2.4 Apply for Additional Shares

If you are an Eligible Shareholder and wish to take up your Entitlement in full, you may also apply for Additional Shares in excess of your Entitlement.

Any such Application for Additional Shares will be dealt with as follows:

- (a) An Eligible Shareholder, to apply for any Additional Shares, must first have taken up all of their Entitlement.
- (b) An Eligible Shareholder will not be entitled to any Additional Shares to the extent the issue and allotment of those Additional Shares will result in a breach of any law (including where an Eligible Shareholder would obtain voting power in Shares of greater than 20%, if that is not permitted under the Corporations Act).
- (c) Whether all or any Additional Shares are allocated to Eligible Shareholders who have applied for Additional Shares is at the discretion of the Directors.

The Company does not guarantee that you will receive any of the Additional Shares that you may apply for.

The application price for Additional Shares is 0.4 cents (\$0.004) per Additional Share, the same price as New Shares are offered under the Rights Issue.

If you wish to apply for Additional Shares, you can either:

- (a) make payment by BPay® (following the instructions for BPay® payment in the Entitlement and Acceptance Form) in the total amount required for your full Entitlement of New Shares (at 0.4 cents (\$0.004) per New Share) plus the number of Additional Shares for which you are applying (at 0.4 cents (\$0.004) per Additional Share); or
- (b) if you wish to pay by cheque, money order or bank draft instead of BPay®, insert the number of Additional Shares you wish to apply for in the "Apply for Additional Shares (if available)" section on the accompanying Entitlement and Acceptance Form. You must provide payment with your Entitlement and Acceptance Form to cover all of the Additional Shares for which you are applying, in addition to the amount required to cover your full Entitlement of New Shares. Payment should be made by forwarding to the Share Registry your cheque, money order or bank draft, and the completed Entitlement and Acceptance Form, in accordance with the instructions for the payment for New Shares in Section 2.5.

If you are not allocated all or any of the Additional Shares that you have applied for, you will be provided with a refund of the balance of the Acceptance Moneys as well as your allocated Additional Shares.

The number of Additional Shares available to Eligible Shareholders applying for Additional Shares will be determined within 3 Business Days of the Closing Date. Additional Shares will be issued at the same time as the other New Shares under the Rights Issue. If you have applied for Additional Shares, you will be notified of the number of Additional Shares to be issued to you at the time of despatch of holding statements for the New Shares under the Rights Issue.

Additional Shares are expected to be issued and allotted and holding statements despatched by 22 March 2024. It is the responsibility of Shareholders to confirm the number of New Shares allotted to them prior to trading on NSX. Shareholders who sell their New Shares before they receive their holding statements do so at their own risk.

2.5 Payment and return of Entitlement and Acceptance Form

You may pay the Application Money by BPay®, cheque, money order or bank draft.

Payment by BPay®

Those Applicants who elect to pay by BPay® must follow the instructions for BPay® described in the Entitlement and Acceptance Form (which includes the biller code and your unique customer reference number). Please note that should you choose to pay by BPay® payment:

- (a) you do **not** need to submit the personalised Entitlement and Acceptance Form but are taken to make the statements on that Entitlement and Acceptance Form;
- (b) if you do **not** pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Money; and
- (c) if your Application Money exceeds the amount payable for your full Entitlement, the excess will be deemed to be an application by you for Additional Shares.

Applicants should be aware that their own financial institution may implement earlier cut off times with respect to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure that funds submitted through BPay® are received by no later than 5:00pm (Sydney time) on 18 March 2024.

Payment by cheque, money order or bank draft

Those Applicants who elect to pay by cheque, money order or bank draft must follow the instructions described in the Entitlement and Acceptance Form. You must ensure that:

- (a) your Entitlement and Acceptance Form is complete;
- (b) your cheque, money order or bank draft for the applicable amount of Application Money is made in Australian currency, drawn on an Australian branch of a financial institution, made payable to “Heritage Brands Limited” and crossed “Not Negotiable”; and
- (c) your completed Entitlement and Acceptance Form and cheque, money order or bank draft are received by the Share Registry by no later than 5:00pm (Sydney time) on 18 March 2024 at:

By Mail: Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

By Hand: Boardroom Pty Limited
Level 8
210 George Street
SYDNEY NSW 2000

For further information on your Entitlement or how to accept your Entitlement, please contact the Share Registry as follows:

Boardroom Pty Limited

Telephone: (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

3. RISK FACTORS

3.1 Introduction

The Company's business is subject to risk factors, both specific to its business activities and of a general nature, which either individually or in combination, could materially and adversely affect the future operating and financial performance of the Company and accordingly the value of an investment in the Company. While some of these risks can be mitigated by the use of appropriate safeguards and systems, many are outside the control of the Company and cannot be mitigated. In particular, there can be no guarantee that the Company will achieve its stated objectives or that any forward looking statements or forecasts will eventuate. An investment in the Company should be considered speculative and must be considered in light of all relevant risks, both general and specific.

In addition, potential investors should be aware that the value of Shares on the NSX may rise and fall depending on a range of factors that affect the market price of Shares. These include local, regional and global economic conditions and sentiment towards equity markets in general. The New Shares to be issued under this Rights Issue carry no guarantee with respect to profitability, the payment of dividends, return of capital or the price at which the New Shares may trade on the NSX.

The following summary, which is not exhaustive, represents some of the major risk factors which potential investors need to be aware of.

3.2 Specific Investment Risks

3.2.1 *Growth Management*

There is a risk that the Company will not be able to implement its growth strategy. The capacity of management to properly implement and manage the strategic direction and growth of the Company may affect its financial performance.

3.2.2 *Future Acquisitions*

The Company plans to make appropriate strategic acquisitions in the future based on specific acquisition criteria. There is no guarantee that additional targets meeting those criteria will be found or can be negotiated to be acquired on terms that are acceptable to the Company.

3.2.3 *Reliance Upon Key Personnel*

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

3.2.4 *Liability Risk*

The Company has in place a level of insurance considered suitable for its current business undertakings. However, if the Company's insurance arrangements are not adequate to protect it against liability for all losses (including but not limited to public liability, product liability or losses arising from business interruption) or should the Company experience losses in excess of the scope of its insurance cover, the Company's financial performance may be adversely affected.

3.2.5 *Capital Requirements*

Proceeds raised by the Offer will increase the Company's working capital reserves. However, there can be no assurance that additional working capital will not be required in the future to meet the Company's business objectives and, if it is needed, whether it will be available on terms favourable to the Company.

3.2.6 *General Economic Conditions*

Australian and world economic conditions may negatively affect the Company's operating and financial performance. Any protracted slow down in economic or business conditions or factors such as inflation, currency fluctuations, interest rates, level of business or consumer spending, supply and demand and industrial disruption may have a negative impact on the Company's costs and revenue. These changes could adversely affect the Company's operations and earnings.

3.2.7 *Regulatory Changes*

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions that govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of the Company and its Shares. In addition, there is a commercial risk that legal action may be taken against the Company in relation to commercial matters.

3.2.8 *Exchange Rates*

The affordability of certain raw materials, accessories and other products used in manufacturing the Company's products may be adversely affected by movements in exchange rates, for example through higher prices for imported raw materials or products. Conversely, an exchange rate movement in the other direction may limit the appeal of the export opportunities of the Heritage Brands group of companies if prices are increased to offset a

strengthening Australian dollar, or erode margins if prices are left the same in the foreign market.

3.2.9 *Competition*

The Company operates in a competitive market environment. The Company's financial performance could be affected if the actions of competitors become more effective or if new competitors enter the market.

3.2.10 *Intellectual Property*

No assurance can be given that the value of the intellectual property rights of the Heritage Brands group of companies will be completely protected, or the Heritage Brands group of companies' competitive position will be able to be maintained by the legal protection afforded by a combination of copyright, trade mark, trade secrecy laws, confidentiality and other intellectual property rights. There can be no assurance that third parties or employees will not breach confidentiality agreements, infringe or misappropriate the intellectual property of the Heritage Brands group of companies or will not be able to produce a non-infringing competitive product or service.

3.2.11 *Illiquidity of Shares*

In light of the highly concentrated shareholdings in the Company, the market in the Shares operated on the NSX may be relatively illiquid.

3.2.12 *Potential for significant dilution*

Upon completion of the Rights Issue, the number of Shares in the Company will increase from 1,801,122,087 to as much as 3,602,222,174. This means that each Existing Share will represent a significantly lower proportion of the ownership of the Company.

Accordingly, Shareholders should note that if they do not participate in the Offer, their holdings (as a proportion of the total issued Shares) are likely to be diluted by up to approximately 50% (as compared to their holdings and number of Shares on issue as at the date of this Offer Document).

3.2.13 *Asset Value Impairment*

The Company has a significant amount of intangible assets recorded on its balance sheet. The Company annually tests the carrying value of these intangible assets for impairment. The estimates and assumptions about results of operations and cash flows made in connection with impairment testing could differ from future actual results of operations and cash flows. In addition, future events could cause the Company to conclude that the asset values associated with a given operation have become impaired. Any resulting impairment loss could have a material impact on the Company's financial position.

3.2.14 *Refinancing of loan facility*

The following credit facilities are currently provided by National Australia Bank to the Heritage Brands group of companies:

- \$12 million under a multi option loan facility, incorporating invoice financing, letters of credit facility and trade refinancing facility; and

- \$100,000 under a credit card facility.

The loan facility may be terminated by National Australia Bank at any time on 90 days' notice to the Company.

If National Australia Bank were to terminate the loan facility, there is a refinancing risk that a replacement loan facility will not be available or will not be available on terms as favourable to the Company as this current loan facility. If the Company is not able to refinance the loan facility when it falls due for payment, it could have an adverse impact on the Company's financial position and its ability to continue trading as a going concern.

3.2.15 *Prospective Information*

No assurances as to future profitability or dividends can be given as they are dependent on future earnings and the working capital requirements of the Company.

There can be no guarantee that the business plans and strategies of the Board will ultimately prove to be valid or accurate. The business plans and strategies of the Board depend on various factors many of which are outside the control of the Company.

3.3 General Investment Risks

3.3.1 *Price of New Shares may fluctuate*

The price of the New Shares on the NSX may rise and fall due to numerous factors including:

- general economic conditions, including inflation, interest rates, and exchange rates;
- changes to government policy, legislation or regulation;
- variations in the prices of other listed stocks in general;
- inclusion or removal from major market indices;
- the nature of competition in the markets in which the Company operates; and
- other general operational and business risks.

It is the nature of equity markets that a company's share price is subject to wide fluctuations, which may not reflect the underlying value of the company.

3.3.2 *Trading in Shares*

Although the Company is listed on NSX, there is no assurance that an active trading market for its Shares will be sustained. There is also no assurance that the market price for the Shares will not decline below the Issue Price. The market price of Shares could be subject to significant fluctuations due to various external factors and events, including the liquidity of the Shares in the market, the Company's actual financial and operating results and broader market-wide fluctuations.

3.3.3 *Taxation*

Any change to the current taxation regime in Australia or an interpretation of Australian taxation laws by the Australian Taxation Office that is contrary to the Company's view of those laws may increase the amount of tax payable by the Company or affect the treatment of tax

losses that may have otherwise reduced the tax payable by the Company. The Company obtains external expert advice on the application of the tax laws to its operations. The Company is not currently in dispute with any revenue authority in respect to any taxation matter.

Personal tax liabilities are the responsibility of each individual investor. The Company is not responsible for taxation or penalties incurred by investors.

3.3.4 Accounting standards

Australian accounting standards are set by the Australian Accounting Standards Board ("AASB") and are outside the Directors' and the Company's control. Changes to accounting standards issued by AASB or changes to the commonly held views on the application of those standards could materially impact the volatility of the Company's reported earnings and adversely affect the financial performance and position reported in the Company's financial statements.

3.3.5 Force majeure

Force majeure events including natural disasters, sabotage, the outbreak of international hostilities and acts of terrorism may cause an adverse change in investor sentiment with respect to the stock market generally or the Company specifically. Some force majeure events are uninsurable.

3.3.6 Investment risk

An investment in New Shares should be considered **speculative**. New Shares carry no guarantee with respect to the payment of any dividends, returns of capital or the market value of those New Shares.

4. ADDITIONAL INFORMATION

4.1 Effect of the Offer on control of the Company

The potential effect that the Offer will have on the control of the Company will depend on various factors. Particularly, the effect on control will depend on the take up by Eligible Shareholders of their Entitlement.

If all Eligible Shareholders each subscribe for their full Entitlement, then each Eligible Shareholder's percentage ownership interest (and voting power) in the Company will remain the same and there will be no effect on control of the Company.

To the extent that an Eligible Shareholder does not take up its Entitlement, the proportionate shareholding interest of that Eligible Shareholder in the Company will be diluted.

As at the date of this Offer Document, the following five shareholders are the only Shareholders who have notified the Company that they are substantial shareholders ("**Existing Substantial Shareholders**"):

Existing Substantial Shareholder	Voting power in Company
Souls Private Equity Limited	25.1%

Rawlo International Pty Ltd	25.1%
Maxim Krok* <i>*Total held by a number of entities.</i>	21.3%
Stephen Mason	9.1%
CVC Limited	7.7%

None of the Existing Substantial Shareholders has made any commitment to the Company to take up its Entitlement in full or in part.

The following tables are intended to illustrate the potential effect of the Rights Issue on the resulting voting power of the Existing Substantial Shareholders in the Company, using hypothetical levels of participation in the Rights Issue by the Existing Substantial Shareholders and by other Eligible Shareholders.

The following table sets out the total number of Shares (and voting power in the Company) that each Existing Substantial Shareholder could obtain, assuming that particular Existing Substantial Shareholder applies for its full Entitlement under the Rights Issue and that the only other Shareholders who apply for any New Shares are the other Existing Substantial Shareholders:

Existing Substantial Shareholder	Existing number of Shares held	Number of New Shares acquired by taking up Entitlement in full	Existing voting power %	Total shareholding immediately after Rights Issue completes	Voting power % immediately after Rights Issue completes
Souls Private Equity Limited	452,470,639	452,470,639	25.1%	904,941,278	26.7%
Rawlo International Pty Ltd	452,470,639	452,470,639	25.1%	904,941,278	26.7%
Maxim Krok* <i>*Total held by a number of entities.</i>	383,148,971	383,148,971	21.3%	766,297,942	22.6%
Stephen Mason	163,895,060	163,895,060	9.1%	327,790,120	9.7%
CVC Limited	138,038,827	138,038,827	7.7%	276,077,654	8.1%

The above table assumes that the current shareholdings of the Existing Substantial Shareholders do not alter between the date of this Offer Document and the Record Date.

The table below sets out the maximum effect the Offer could have on the control of the Company held by each of the Existing Substantial Shareholders, where that particular Existing Substantial Shareholder is the only Eligible Shareholder that takes up its Entitlement. The table assumes that there is no take up of any Entitlements by any other Eligible Shareholders:

Existing Substantial Shareholder	Existing number of Shares held	Existing voting power %	Entitlement taken up (Number of New Shares)	Total shareholding immediately after Rights Issue completes	New voting power if no other Shareholder takes up its Entitlement %
Souls Private Equity Limited	452,470,639	25.1%	452,470,639	904,941,278	40.2%
Rawlo International Pty Ltd	452,470,639	25.1%	452,470,639	904,941,278	40.2%
Maxim Krok* <i>*Total held by a number of entities.</i>	383,148,971	21.3%	383,148,971	766,297,942	35.1%
Stephen Mason	163,895,060	9.1%	163,895,060	327,790,120	16.7%
CVC Limited	138,038,827	7.7%	138,038,827	276,077,654	14.2%

The above table assumes that the current shareholdings of the Existing Substantial Shareholders do not alter between the date of this Offer Document and the Record Date.

Unless permitted by the "3% creep rule" in Chapter 6 of the Corporations Act, no Additional Shares will be issued to any Eligible Shareholders if in the view of the Directors to do so would increase that Eligible Shareholder's voting power above 19.9%. Existing Substantial Shareholders that have had voting power in the Company of at least 19% for a period of at least 6 months are permitted by the "3% creep rule" to acquire Shares and thereby increase their voting power by up to 3 percentage points higher than they had 6 months before the acquisition. This means that any one or more of Souls Private Equity Limited, Rawlo International Pty Ltd and Maxim Krok could apply for and be allotted Additional Shares under the Offer (that is, in addition to their Entitlement Shares), each to a maximum of 3% of the total number of issued Shares in the Company.

4.2 Taxation

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under the Offer. The Company does not accept any responsibility in this regard, and Shareholders should consult with their professional tax advisers.

4.3 Privacy

The Entitlement and Acceptance Form requires you to provide information that may be personal information for the purposes of the *Privacy Act 1988* (Cth).

The Company (and the share registry on its behalf) collects, holds and uses personal information in order to assess applications for New Shares, service the needs of Shareholders, provide facilities and services you request and carry out appropriate administration.

Access to information may also be provided to the Company's related bodies corporate, agents and service providers, regulatory bodies, mail houses and the Share Registry.

If you do not provide the information requested of you in the Entitlement and Acceptance form, the Share Registry will not be able to process your application for New Shares or administer your holding of Shares appropriately.

5. GLOSSARY

In this Offer Document:

\$ means Australian dollars, unless otherwise specified.

Additional Shares means New Shares for which an Applicant applies on an Entitlement and Acceptance Form in addition to the Entitlement of that Applicant.

Applicant means a person who has applied to subscribe for New Shares by submitting an Entitlement and Acceptance Form.

Application Money means the aggregate of money payable for New Shares applied for in a duly completed Entitlement and Acceptance Form.

ASIC means the Australian Securities and Investment Commission.

Board means the board of directors of the Company.

Closing Date means the last day for payment and return of Entitlement and Acceptance Forms, being 5:00pm (Sydney time) on 18 March 2024.

Company or Heritage Brands means Heritage Brands Limited ACN 081 149 635.

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

Directors means the directors of the Company.

Eligible Shareholder means a Shareholder at the Record Date who is not an Excluded Shareholder.

Entitlement means the number of New Shares that an Eligible Shareholder is entitled to apply for under the Offer, as determined by the number of Shares held by that Eligible Shareholder on the Record Date.

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Offer Document.

Excluded Shareholder means a Shareholder as at the Record Date whose registered address is not situated in Australia or New Zealand.

Existing Shares means Shares on issue as at 7.00 pm (Sydney time) on the Record Date.

Issue Price means 0.4 cents or \$0.004 per New Share.

Listing Rules means the official rules of NSX.

New Share means a new share to be issued under this Offer Document.

NSX means National Stock Exchange of Australia Limited ACN 000 902 063.

Offer means the pro rata non-renounceable rights issue offer by the Company to Eligible Shareholders to subscribe for 1 New Share for every 1 Existing Share held on the Record Date at the Issue Price, to raise an amount of up to approximately \$7,204,444 before costs.

Offer Document means this document.

Official Quotation means “quotation” (as the term is used in the Listing Rules) of all of the New Shares on NSX when allotted.

Record Date means 7:00pm (Sydney time) on 29 February 2024.

Rights Issue means the non-renounceable pro rata rights issue conducted pursuant to this Offer Document under which 1,801,111,087 New Shares will be offered to Eligible Shareholders on the basis of 1 New Share for every 1 Existing Share held by Eligible Shareholders at the Record Date at 0.4 cents or \$0.004 per New Share.

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

Shareholder means a holder of Shares.

Share Registry means Boardroom Pty Limited ACN 003 209 836.

6. CORPORATE DIRECTORY

DIRECTORS

Maxim Krok (Chairman)
Stephen Mason
William McCartney
Elliott Kaplan
Jim Filis (Managing Director)

COMPANY SECRETARY

Stephen Mason

REGISTERED OFFICE

30 Bando Road
Springvale VIC 3171

SHARE REGISTRY

Boardroom Pty Limited
Level 8
210 George Street
SYDNEY NSW 2000

LAWYERS TO THE OFFER

Landerer & Company
Level 31
133 Castlereagh Street
Sydney NSW 2000

NSX CODE

HBA

WEBSITE

www.heritagebrands.com.au