



Bubs Australia Limited
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14 November 2017

The Manager

Market Announcement Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
Sydney, NSW 2000

ELECTRONIC LODGEMENT

Dear Sir or Madam

Bubs Australia Limited – Notice of Annual General Meeting and Shareholder Voting Form

In accordance with the Listing Rules, I attach a copy of the Bubs Australia Limited 2017 Notice of Annual General Meeting and Shareholder Voting Form, for release to the market.

Yours faithfully

A handwritten signature in black ink, appearing to be "J. Stephenson", written over a light blue horizontal line.

Jay Stephenson
Company Secretary

BUBS AUSTRALIA LIMITED

ACN 060 094 742

NOTICE OF ANNUAL GENERAL MEETING

TIME: 11 am Sydney time

DATE: 14 December 2017

PLACE: Ashurst Australia
Level 11
5 Martin Place
Sydney NSW 2000

A copy of the Bubs Australia Limited 2017 Annual Report can be found at:

www.bubsaustralia.com

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.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary, Jay Stephenson, on (+61 8) 6141 3500.

CONTENTS PAGE

| | |
|--|----|
| Business of the Meeting (setting out the proposed resolutions) | 3 |
| Explanatory Statement (explaining the proposed resolutions) | 6 |
| Glossary | 36 |

IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 11 am (EDST) on 14 December 2017 at Ashurst Australia, Level 11, 5 Martin Place, Sydney NSW 2000.

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 7:00pm (EDST) on 12 December 2017.

VOTING IN PERSON

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

VOTING BY PROXY

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

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

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

Sections 250BB and 250BC of the Corporations Act provide that the chair of an annual general meeting can vote undirected proxies in a shareholder vote on the remuneration report where the shareholder provides express authorisation.

Further details are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
- the appointed proxy is not the chair of the meeting;
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report, as contained in the Company’s annual financial report for the financial year ended 30 June 2017.”

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

Voting Exclusion Statement: A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **Voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the Voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR MATTHEW REYNOLDS

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

“That Mr Matthew Reynolds, who retires as a Director in accordance with Clause 14.2 of the Constitution, and being eligible, is re-elected as a Director.”

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF SHARES

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

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 35,467,243 Shares to professional and sophisticated investors, 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 a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. RESOLUTION 4 – APPROVAL OF ISSUE OF OPTIONS TO NICHOLAS SIMMS

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

“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 8,348,918 Options to Nicholas Simms (or his nominees) 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 Nicholas Simms, his related parties or any of their associates. In addition, a vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or

- (b) a Closely Related Party of such a member.

However, a person (the **Voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (d) the Voter is the Chair and the appointment of the Chair as proxy:
- (iii) does not specify the way the proxy is to vote on this Resolution; and
 - (iv) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

5. RESOLUTION 5 – APPROVAL TO CHANGE IN SCALE OF ACTIVITIES

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

"That, subject to and conditional upon the passing of each of other Special Business Resolutions and pursuant to and in accordance with ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a change to the scale of its activities resulting from the Transaction, as described in the Explanatory Statement accompanying this notice."

Voting Exclusion Statement: the Company will disregard any votes cast on this resolution by any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 – ISSUE OF CONSIDERATION SHARES TO SELLERS

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

"That, for the purpose for Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 76,857,304 Shares to the Sellers (as described in the Explanatory Statement)."

Voting Exclusion Statement: the Company will disregard any votes cast on this resolution by the Sellers and other associates. However, the Company need not disregard a vote if it is cast as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – ISSUE OF PLACEMENT SHARES

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

"That, for the purpose of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 25,000,000 Shares under the Placement, at an issue price of \$0.60, as described in the Explanatory Statement."

Voting Exclusion Statement: the Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if the resolution is passed. However, the Company need not disregard a vote if it is cast as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. RESOLUTION 8 – ISSUE OF SHARES PURSUANT TO THE SHARE PURCHASE PLAN

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

"That, for the purpose of Listing Rule 7.1, and for all other purposes, approval is given for the Company to issue up to 8,333,333 Shares (SPP Shares) at an issue price of \$0.60 as described in the Explanatory Memorandum."

Voting Exclusion Statement: the Company has applied for a waiver by ASX under Listing Rule 7.3.8 to permit any person who has an interest in this Resolution and ordinarily excluded from voting on this Resolution to vote, on the condition that the Company excludes any votes cast on this Resolution by any proposed underwriter or sub-underwriter of the SPP (which there is none). The Company will announce the results of this waiver application to ASX as soon as practicable after it has been received. If a waiver is not granted, the Company will disregard any votes cast on this Resolution by any person who may participate in the issue of SPP Shares under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity as a holder of Shares, if the Resolution is passed.

9. RESOLUTION 9 – APPROVAL OF 10% PLACEMENT CAPACITY

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

“That, for the purpose of ASX Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company (at the time of the issue), calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and 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 any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity as a holder of Shares, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

DATED: 13 NOVEMBER 2017

BY ORDER OF THE BOARD

Jay Stephenson
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.

PART A ORDINARY BUSINESS OF THE AGM

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include the receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2017, together with the declaration of the Directors, the Directors' report, the Remuneration Report and the auditor's report.

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

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

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

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2017.

The Chair of the Meeting must allow a reasonable opportunity for the Shareholders to ask questions about, or make comments on, the Remuneration Report at the Annual General Meeting and, as such, a reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

2.2 Voting consequences

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

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

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

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

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

2.3 Proxy voting restrictions

Shareholders appointing a proxy for Resolution 1 should note the following:

If you appoint a member of the Key Management Personnel as your proxy (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member as your proxy

You must direct the proxy how they are to vote on this Resolution. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

If you appoint the Chair as your proxy (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member) or if you appoint any other person who is not a member of the Key Management Personnel as your proxy

You ***do not*** need to direct your proxy how to vote on this Resolution, and you ***do not*** need to tick any further acknowledgement on the proxy form.

The Board unanimously **recommends** that Shareholders vote in favour of this Resolution to adopt the Remuneration Report.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTORS

Clause 14.2 of the Constitution requires that at each annual general meeting, one third of the Directors (except the Managing Director who is exempt) must retire from office. In determining the number of Directors to retire, no account is taken of the Managing Director or directors who have been appointed under Clause 14.4 of the Constitution and ASX Listing Rule 14.4.

The Company's has two Directors, Mr Dennis Lin and Mr Matthew Reynolds, who are eligible for retirement by rotation. As both Directors were elected on 8 December 2016 and appointed on 20 December 2016, they have agreed between them that Mr Matthew Reynolds will retire by rotation.

Accordingly, Mr Matthew Reynolds retires in accordance with Clause 14.2 of the Constitution and, being eligible, seeks re-election. Mr Reynolds details are set out below.

Bio of Mr Matthew Reynolds

Mr Reynolds is a Partner at HWL Ebsworth lawyers who specialises in capital markets (retail and wholesale), debt capital markets (wholesale) and mergers and acquisitions (public and private) including private equity. He holds a Bachelor of Political Science & Economics (Hons) and a Bachelor of Laws (Hons) and is a member of both the Queensland Law Society and Company Law Committee, Queensland Law Society. Mr Reynolds is currently a director on the ASX listed Axcess Today Limited (ASX:AXL), as well as holding directorships in unlisted companies including local subsidiaries of Thai-listed Minor International PLC, Ignite Energy Limited.

The Board has considered Mr Reynolds' independence and considers that he is an independent Director.

The Board (with Mr Reynolds abstaining) unanimously **recommends** that Shareholders vote in favour of this Resolution to re-elect Mr Reynolds .

4. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF SHARES

4.1 General

On 8 September 2017, the Company issued 35,467,243 Shares via a placement to professional and sophisticated investors at \$0.45 per Share to raise \$15,960,259 (the **Placement**).

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the Placement.

ASX Listing Rule 7.1 provides that a company may issue Equity Securities up to 15% of its Shares on issue in a 12 month period without obtaining shareholder approval. An issue does not count towards the 15% annual placement capacity under ASX Listing Rule 7.1 if it is approved by shareholders.

ASX Listing Rule 7.4 provides that an issue of securities made without shareholder approval, will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1 if the issue did not breach ASX Listing Rule 7.1 and is ratified by shareholders.

If the Placement is ratified, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

The Board unanimously **recommends** that Shareholders vote in favour of this Resolution to ratify the Placement.

4.2 Technical Information Required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of the Shares:

- (a) 35,467,243 Shares were issued using the Company's capacity under ASX Listing Rule 7.1 and accordingly shareholder approval under ASX Listing Rule 7.4 is sought;
- (b) the Shares were issued on 8 September 2017;
- (c) the Shares were issued at a price of \$0.45 per Share;
- (d) the Shares will rank equally with the Company's current issued Shares;
- (e) the Shares were issued to sophisticated and professional investors. The Placement was arranged by Bell Potter Securities Limited and PAC Partners Pty Ltd and conducted by a bookbuild. None of the subscribers were related parties of the Company; and
- (f) the funds raised from the Placement will be used to improve the Company's financial flexibility and working capital to take advantage of future growth opportunities.

5. RESOLUTION 4 – APPROVAL OF ISSUE OF OPTIONS TO NICHOLAS SIMMS

5.1 General

Resolution 4 seeks Shareholder approval for the issue of 8,348,918 Options on the terms and conditions set out in section 6.3 below to Nicholas Simms (or his nominee) in consideration for services to be provided by Mr Simms pursuant to the terms of his employment agreement. Mr Simms is the Chief Executive Officer of the Company.

A summary of ASX Listing Rule 7.1 is set out in Section 5.1 above.

The effect of Resolution 4 will be to allow the Company to issue the Options to Mr Simms within 3 months of the Meeting, without using the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

The Board unanimously **recommends** that Shareholders vote in favour of this Resolution to approve the issue of Options to Mr Simms.

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 4:

- (a) the maximum number of Options is 8,348,918;
- (b) the Options will be issued shortly after the Meeting and, in any event, no later than 3 months after the date of the Meeting;
- (c) the Options will be issued for nil cash consideration in consideration for services to be provided by Nicholas Simms pursuant to the terms of his employment agreement;
- (d) the Options will be issued to Nicholas Simms or a related party of Nicholas Simms), who is not a related party of the Company;
- (e) the Options will be issued on the terms and conditions set out in section 6.3 below; and
- (f) no funds will be raised from the issue of the Options as the Options are being issued in consideration for services to be provided by Nicholas Simms pursuant to the terms of his employment agreement.

5.3 Terms of Options

The Options will be issued on the following terms and conditions:

| | |
|--------------------------|---|
| Number of Options | 8,348,918 |
| Exercise Price | \$0.10 |
| Vesting Date | Any time on or before the Expiry Date provided the Vesting Trigger has been satisfied. |
| Vesting Trigger | <ul style="list-style-type: none">(i) 3,578,108 Options Vest in the Company on the achievement of \$15,000,000 in gross sales, or \$500,000 in EBIT;(ii) 2,385,405 Options Vest in the Company 3 months after issue and on the achievement of \$30,000,000 in gross sales and \$2,000,000 in EBIT; and(iii) 2,385,405 Options Vest in the Company 3 months after issue and on the achievement of \$50,000,000 in gross sales and \$4,000,000 in EBIT. |
| Expiry Date | Each Option will expire at 5:00pm (EST) on the earlier of: <ul style="list-style-type: none">(i) three years after the date of issue; and(ii) The date Nicholas Simms ceases to be an employee of the Company. |

There is no loan proposed in relation to the proposed grant of the Options. The Options may only be transferred to a related party of Nicholas Simms.

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.

An Option does not confer the right to a change in exercise price or a change in the number of underlying shares over which the Option can be exercised. The terms upon which the Options will be granted will not prevent the Options being re-organised as required by the ASX Listing Rules on the re-organisation of the capital of the Company under the Corporations Act.

6. RESOLUTION 9 – APPROVAL OF 10% PLACEMENT CAPACITY

6.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital (**10% Placement Capacity**). The Company is an Eligible Entity.

If Shareholders approve Resolution 9, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in Section 7.2 below).

The effect of Resolution 9 will be to allow the Company to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 9 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 4 for it to be passed.

The Board unanimously **recommends** that Shareholders vote in favour of this Resolution to approve the 10% Placement Capacity.

6.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- a) is not included in the S&P/ASX 300 Index; and
- b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$226.29M.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has only one class of quoted Equity Securities on issue, being 274,288,131 Shares (ASX Code: BUB).

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times D) - E$$

Where:

A is the number of Shares on issue 12 months before the date of issue or agreement to issue:

- (a) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
- (b) plus the number of partly paid ordinary shares that became fully paid in the previous 12 months;
- (c) plus the number of Shares issued in the previous 12 months with approval of Shareholders under Listing Rules 7.1 or 7.4. This does not include an issue of Shares under the entity's 15% placement capacity without Shareholder approval; and
- (d) less the number of Shares cancelled in the previous 12 months.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

6.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 9:

Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average market price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in paragraph 4.3(i), the date on which the Equity Securities are issued.

Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) the date that is 12 months after the date of the Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

(10% Placement Capacity Period).

Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the economic and voting interests of Shareholders who do not receive any Shares under the issue.

If Resolution 4 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below, subject to the assumptions listed below the table.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A.2, on the basis of the market price of Shares being \$0.825 (the closing price of the Company's Shares on ASX on 3 November 2017) and the number of Equity Securities on issue as at 3 November 2017.

The table also shows:

- (i) two examples where Variable A has increased, by 50% and 100%. Variable A is the number of ordinary securities the Company will have on issue at the date of the Meeting. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue, share purchase plan or scrip issued under a takeover offer) or future specific placements under ASX Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of Shares has decreased by 50% and increased by 50% as against the current market price. The voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

| Variable A | Dilution | | | |
|--------------------------------|-------------------------|--|--------------------------|--|
| | Issue Price (per Share) | \$0.413 (50% decrease in issue price) | \$0.825 (Issue price) | \$1.238 (50% increase in issue price) |
| 274,288,131 (Current) | 10% Voting Dilution | 27,428,813 Shares | 27,428,813 Shares | 27,428,813 Shares |
| | Funds Raised | \$11,314,385.36 | \$22,628,770.73 | \$33,943,156.09 |
| 411,432,196 (50% increase) | 10% Voting Dilution | 41,143,219 Shares | 41,143,219 Shares | 41,143,219 Shares |
| | Funds Raised | \$16,971,577.84 | \$33,943,155.68 | \$50,914,733.51 |
| 548,576,262 (100% increase) | 10% Voting Dilution | 54,857,626 Shares | 54,857,626 Shares | 54,857,626 Shares |
| | Funds Raised | \$22,628,770.73 | \$45,257,541.45 | \$67,886,312.18 |

The table above uses the following assumptions:

1. There are 274,288,131 Shares on issue as at 3 November 2017.
2. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
3. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1 and Rule 7.1A, or subsequently ratified under Listing Rule 7.4 at this Meeting.
4. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
6. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
7. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for those Equity Securities on the date of issue or the Equity Securities are issued as part of the consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

Purpose of Issue under 10% Placement Capacity

The Company may issue Equity Securities under the 10% Placement Capacity for the purposes of improving the Company's financial flexibility to take advantage of future growth opportunities, and to fund its general working capital.

Allocation under the 10% Placement Capacity

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Capacity. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including, but not limited to:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, a pro-rata entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company; and
- (v) advice from corporate, financial and broking advisers (if applicable).

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined but may include current Shareholders or new investors (or both) who are not related parties of the Company. Further, if the Company is successful in acquiring new assets or investments, it is likely that the allottees under the 10% Placement Capacity will be vendors of the new assets or investments.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities under the 10% Placement Facility.

Previous Approval under ASX Listing Rule 7.1A

The Company has not previously obtained approval under ASX Listing Rule 7.1A.

Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it will give to ASX:

- (i) a list of the allottees of the Equity Securities and the number of Equity Securities allotted to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

6.4 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 9.

7. OVERVIEW OF THE TRANSACTION

7.1 Background to the Transaction

On 3 November 2017, the Company announced to ASX that it had entered into an agreement to acquire:

- (a) 100% of the issued shares in the Target;
- (b) 49.9% of the issued shares in the Trustee;
- (c) 49.9% of the units in the Trust;
- (d) 49.9% of the issued shares in UphamGo; and
- (e) 49.9% of the issued shares in NZ Company,

from John Gommans, Penny Gandar, Rupert Soar, Catherine Taylor (together, the **Individual Sellers**) and New Zealand Nutritional Foods Ltd (together with the Individual Sellers, the **Sellers**).

The Company will pay the Sellers cash consideration of \$25 million at completion of the Transaction with further payments to the Individual Sellers of up to \$13.4 million over two years if certain performance targets are met, and the Company will issue to the Individual Sellers Shares in the Company equivalent to 19.99% of the Company's post-transaction issued capital.

The Transaction includes the acquisition of established brands with an international customer base, and minority interests in manufacturing businesses in Australia and New Zealand and an Australian manufacturing facility with CNCA certification (excluding infant formula).

The Transaction secures exclusive goat milk supply from Australia's largest herd of milking goats, at 6,500, and an additional 2,000 milking goats in New Zealand, with a combined production capability of approximately 6.2 million litres per year. A call option over the Australian farm and farming business protects the Company against future regulatory change.

The Transaction represents a significant milestone in the Company achieving its stated objectives.

7.2 About the Target Group

(a) NuLac

NuLac is a family owned Australian based company operating since the mid-2000s that develops and delivers specialist dairy and dairy free products. NuLac owns a range of brands, including Caprilac (goat milk products), No Udder (coconut yogurt), Coach House Dairy (yogurt products), NuLac Foods (dairy products) and Alpine (coconut and goat milk yoghurts). CapriLac is the market leading brand of goats milk products, including a range of goats milk yoghurts, goat milk and goat milk powder all made using goat milk sourced farms in Victoria, Australia and Hamilton, New Zealand. In addition, NuLac also produces an award winning quality range of dairy products under its Coach House Dairy brand.

NuLac is Australia's largest vertically integrated producer of goat milk products, producing a range of goat milk powder products, as well as fresh milk and yoghurts, under a suite of brands spearheaded by CapriLac. It is also the Australian market leader in goat milk powder, and Coach House Dairy, fresh naturally flavoured milks.

NuLac's brands are currently sold in Woolworths, Coles, 7 Eleven, Metcash and it is one of the best-selling goat milk powders on Tmall Global. NuLac also sells via several international wholesalers, including key 'Daigou' traders in China.

(b) **UphamGo, Trust, Trustee and NZ Company**

UphamGo is a manufacturer of dairy and non-dairy products, specialising in the production of goat milk products. UphamGo utilises the production facility owned by the Trust, which is based in Keysborough, Victoria.

The facility has the capability to pasteurise milk, spray dry liquid milk into powder, and process yoghurt. The facility is CNCA dairy certified to produce a variety of milk powders, excluding infant formula.

The NZ Company is a manufacturing business based in Hamilton, New Zealand, which processes goat milk sourced from New Zealand farms into powder using a third party facility, and ships to Australia for further processing into Nulac products at the Australian facility.

(c) **Key personnel**

The co-founders of the Target Group include:

John Gommans, CEO:

John comes from a dairy farming family. On graduating from Massey University in 1980, and having decided to be a farmer, his father bought a large under- developed farm which John and his partner Penny Gandar managed, eventually turning it into a highly productive and profitable property. John worked for four years in Northland Dairy Coop (NZ) in a senior role and was awarded a NZ Dairy Board scholarship to study Business Management at Monash University. In 2005, he acquired the Keysborough factory and farm in Trafalgar and airfreighted 500 milking goats from their New Zealand farm to stock the property. This was the genesis of NuLac Foods. John and Penny have been responsible for the management and direction of the company in Australia since.

Penny Gandar:

Penny has been farming partner with husband John Gommans since graduating from Massey University with a Bachelor Agricultural Science in 1980. She began farming dairy goats from 1982 and has continued her passion for the goat dairy industry since then. Penny's specialty is in farm management and has used those skills to ensure that the farms and businesses they have created remain stable and profitable. Penny manages the portfolio of farms, businesses and properties in Australia, as well as the Gippy Goat Café at their Yarragon goat farm.

Catherine Taylor:

Catherine is third generation of the original family which established their New Zealand property. She moved from cropping on the farm to invest in goat milk production with her husband in 2005. Catherine has a background in marketing and retail and is active in the business, overseeing distribution of NuLac Foods products to retailers across New Zealand.

Rupert Soar:

Rupert became interested in goat milk in 2003 when he first met John and Penny. Shortly after they formed a business partnership that began with Colostrum products and culminated in joint investments across New Zealand and Australia. Rupert has a dairy engineering, sales and operations background which has contributed to establishing cost effective processing for goat milk in Australia and New Zealand. He lives and works in New Zealand, coordinating the local activities, whilst supporting the Australian business at director level.

(d) **Historical statement of financial position of NuLac and UphamGo**

The audited combined statement of financial position for NuLac and UphamGo as at 30 June 2017 is set out below:

| | As at 30 June 2017 Audited \$'000 |
|--------------------------------------|--|
| ASSETS | |
| Current Assets | |
| Cash and cash equivalents | 143.6 |
| Trade and other receivables | 1,175.6 |
| Inventories | 3,282.5 |
| Total Current Assets | 4,601.7 |
| Non-Current Assets | |
| Plant and equipment | 241.0 |
| Total Non-Current Assets | 241.0 |
| TOTAL ASSETS | 4,842.7 |
| LIABILITIES | |
| Current Liabilities | |
| Trade and other payables | 2,486.5 |
| Provisions | 135.5 |
| Current tax liabilities | 68.3 |
| Borrowings | 509.7 |
| Total Current Liabilities | 3,200.0 |
| Non-Current Liabilities | |
| Provisions | 22.3 |
| Deferred tax liabilities | 115.6 |
| Borrowings | 127.5 |
| Total Non-Current Liabilities | 265.4 |
| TOTAL LIABILITIES | 3,465.4 |
| NET ASSETS | 1,377.3 |
| EQUITY | |
| Issued capital | 0.0 |
| Retained profits | 1,377.3 |
| Total Equity | 1,377.3 |

(e) **Historical income statement of NuLac and UphamGo**

The audited combined statement of comprehensive income for NuLac and UphamGo for the year ended 30 June 2017 is set out below:

| | Year ended 30 June 2017 |
|-----------------------------------|--------------------------------|
| | Audited |
| | \$'000 |
| Revenue | 16,727.1 |
| Cost of sales | (12,507.7) |
| Gross profit | 4,219.5 |
| | |
| Factory operating costs | (994.6) |
| Employee costs | (1,213.3) |
| Administration and other costs | (309.7) |
| Marketing and promotion costs | (470.1) |
| Occupancy costs | (335.0) |
| Depreciation and amortisation | (37.9) |
| Net interest income/(expense) | 0.1 |
| Profit before tax | 859.1 |
| | |
| Income tax expense | (190.1) |
| Total comprehensive income | 669.0 |

It is noted that the Company has reclassified certain expense items as reported in the audited special purpose combined financial statements for NuLac and UphamGo to align with expected treatment of these expenses as per the Company's accounting policies.

7.3 Consideration for the Transaction

The consideration for the Transaction comprises:

- (a) \$25.0 million cash payable to the vendors at completion of the Transaction, subject to adjustments and movements in certain inventory levels as at completion and a deferred payment of up to \$13.4 million payable over a two year period if certain performance targets are met (**Cash Payments**); and
- (b) fully paid ordinary shares in the Company equal to 19.99% of the issued capital of the Company at completion of the Transaction (**Consideration Shares**).

7.4 Financial effect of the Transaction on the Company

The effect of the Transaction on the Company is set out below:

| Particulars | The Company as at 30 June 2017 | The Placement on 8 September 2017 (after costs) | Increase/decrease due to Transaction (revenue, EBITDA and profit are annualised) | Pro forma after the Transaction |
|---------------------------|--------------------------------|---|--|---------------------------------|
| Total consolidated assets | \$9.0m | \$15.3m | \$74.5 | \$98.8 |
| Total equity interests | \$7.5m | \$15.3m | \$64.4 | \$87.2 |
| Annual revenue | \$3.9m | - | \$16.7 | \$20.7 |
| EBITDA | (\$5.0m) | - | \$0.9 | (\$4.1) |
| Annual profit before tax | (\$5.1m) | - | \$0.9 | (\$4.2) |

The financial effect of the Transaction on the Company has been prepared for indicative purposes based on 30 June 2017 financial information and other financial information. A number of assumptions have been adopted in its preparation, the key assumptions are as follows:

- (a) At the date of completion of the Transaction, the price of Shares is assumed to be \$0.60 per Share; and
- (b) The financial effect on annual revenue, EBITDA and annual profit before tax for the Trust, the Trustee and the NZ Company has been excluded due to their expected insignificant effect on these measures.

7.5 Other key elements of the Transaction

The parties have also agreed to enter into the following agreements at completion of the Transaction:

- (a) **Milk Supply Agreement** - between the Company and each of the goat milk production entities owned by the Individual Sellers to secure an exclusive long –term milk supply arrangement (see summary in section 15.4 below);
- (b) **Toll Processing Agreement** – between the Company and UphamGo where UphamGo will provide toll processing, product storage and customer order fulfilment services to the Company (see summary in section 15.5 below); and
- (c) **Call Option Agreement** – between the Company, John Gommans and Penny Gandar, providing the Company an option to purchase all the shares in Cibus Goats (Australia) Pty Ltd and the farm on which its dairy production business is operated (see summary in section 15.3 below).

7.6 Funding the Transaction

The Cash Payment payable to the Sellers amounts to \$25.0 million. The Company intends to fund the Transaction using existing cash balances, future cash flows and via the New Placement and SPP.

As announced on 3 November 2017, the Company successfully obtaining binding commitments for \$15.0 million for the issue of Shares at \$0.60 per Share to sophisticated investors and professional investors under the New Placement. Also, the Company expects to raise up to \$5.0 million through the Share Purchase Plan. Both New Placement and Share Purchase Plan is subject to shareholder approval pursuant to Resolution 7 and 8 of this Notice of Meeting.

7.7 Changes to the Company's capital structure

The effect of the Transaction on the Company's capital structure is set out below:

| Capital Structure | Shares |
|---|----------------------|
| Existing securities | 274,288,131 |
| Placement | [25,000,000] |
| SPP | [8,333,333] |
| Consideration shares | [76,857,304] |
| Final post-Transaction (subject to all Resolutions being approved and completion of the Transaction) | [384,478,768] |

7.8 Use of funds

The intended use of funds raised in the New Placement and the SPP is as follows:

| Source of funds | Amount |
|--|--------------|
| Placement | \$15m |
| SPP | \$5m |
| Total source of funds | \$20m |
| Use of funds | Amount |
| The Transaction | \$10m |
| Marketing and brand development costs | \$2m |
| Expanding Distribution Channels | \$3m |
| Working capital and costs of capital raise | \$5m |
| Total use of funds | \$20m |

7.9 Modification of the Company's business model

The Transaction will not result in any significant change in the main business activity of the Company, which will continue to be engaged in the manufacture of milk formula and baby food.

The main business activity of the Company is the development and marketing of baby food and infant goat milk formula products. The Company will acquire the brands owned by NuLac and will continue to develop and market those brands. This is consistent with the Company's main undertaking, and its strategy, as outlined below:

- (a) Increase market penetration, both within Australia and internationally;
- (b) Build brand awareness and impact at point of purchase;
- (c) Continuous innovation and product development; and
- (d) Develop an enhanced international focus.

While the Company will acquire a 49.9% interest in manufacturing businesses and a facility, the main undertaking will remain the development and marketing of baby food and milk formula products.

In light of this structure, the Company has not been required to modify its business model to accommodate the change in scale of activities. The Company and NuLac will integrate operations in the management and development of the NuLac brands and products. At present, the organisational structure is complementary in nature and will not result in significant personnel changes other than possible additional resources to assist with the expanded operations.

8. PROPOSED TIMETABLE

The proposed timetable for the Completion and the issue of the Consideration Shares, Placement Shares and SPP Shares is as follows:

| Item | Proposed date |
|---|-------------------------|
| SPP Record Date | 2 November 2017 |
| Announcement of Transaction | 3 November 2017 |
| Notice of Meeting issued to Shareholders | 15 November 2017 |
| Expected SPP offer period opens | 15 November 2017 |
| Expected SPP offer period closes | 8 December 2017 |
| Annual General Meeting | 14 December 2017 |
| Settlement of Placement and SPP Shares | 19 December 2017 |
| Allotment and trading of Placement and SPP Shares | 20 December 2017 |
| Completion of the Transaction | Latest 31 December 2017 |

The timetable is indicative only and is subject to change.

9. RISKS TO BE CONSIDERED BY THE SHAREHOLDERS

The business, assets and operations of the Company, including after completion of the Transaction, are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which the Board can effectively manage them is limited.

The risks and uncertainties described below are not intended to be exhaustive and this Notice of Meeting does not take into account the personal circumstances, financial position or investment requirements of any particular person. There may be additional risks and uncertainties that the Company is unaware of or that the Company currently considers to be immaterial, which may affect the Company and its related entities.

9.2 Risks specific to the Company

There are a number of specific risks involved for the Company, and consequently its Shareholders, which include the following non-exhaustive list:

(a) Brand and reputation

The Company's key business assets include brand names and related intellectual property of the business. A number of factors may adversely affect these key business assets, including:

- (i) potential disputes or litigation with suppliers, customers, employees or other third parties;
- (ii) adverse media coverage (including social media);
- (iii) failure to deliver products which meet customer expectations; and
- (iv) other risks to the Company's brand names and intellectual property which are beyond the Company's control.

These factors can erode the Company's public reputation and adversely affect the Company's supply streams by decreasing demand for the Company's products and causing interference with key supply relationships, distributors and employees. Cumulatively this could detrimentally affect the value associated with the Company's key business assets.

(b) Change in regulation

There is a continuing risk for the Company that local laws and/or regulations in jurisdictions in which the Company conducts business could unpredictably and radically change.

As the Company conducts business across multiple jurisdictions and sources its ingredients internationally, there is a risk that changes to the regulatory environment may materially detrimentally affect the manner in which the Company currently operates (including obligations altering the manufacturing processes, ingredients, shelf life, marketing and export/import processes).

The potential detrimental flow on effects from these regulatory changes could significantly affect the sale or production of the Company's products as a result of:

- (i) regulatory changes which restrict or entirely prevent access to particular markets (amendments to importation or exportation regulations);
- (ii) regulatory changes which change the product packaging requirements and disclosure obligations (including labelling requirements containing minimum dietary disclosures); or
- (iii) the introduction of taxation measures which specifically reference food items.

In addition to the above, the Company subscribes to various voluntary codes of conduct, including those relating to being certified "organic", "kosher" and "halal".

The standards of these codes are independently regulated by those bodies which provide the certification and can be overlayed by local laws. Changes to these codes could significantly alter the Company's market and therefore affects its revenues and/or costs.

The Company is not aware of any current issues or any impending regulatory changes in Australia which may affect its supply, manufacture and distribution networks. However, there is a continuing residual risk from potential regulatory changes, particularly in China, which may materially alter the Company's revenues and/or increase its costs which could diminish the Company's financial performance.

(c) **Competition**

The Company's future financial performance and overall success in the market will rest upon the successful implementation of strategies to compete with highly competitive global businesses. Some of these global competitors have advantageous access to capital and resources, while others are subsidiaries of, or are in relationships with, large scale supermarket chains. Those competitors are given both financial and marketing assistance due to their relations.

The Company's strategies may be adversely impacted by the number and size of its competitors who may participate in the market with a more aggressive pricing structure, innovative technologies and/or agile supply and distribution networks more adept than those of the Company.

(d) **Manufacturing**

The Company utilises a number of manufacturers across its product range. Risks in respect of manufacturing hinges upon the Company's reliance on a concentration of manufacturers, particularly with Blend and Pack Pty Ltd, in relation to infant milk formula production.

A disruption to this supply chain, or if this manufacturer chooses to discontinue production, would adversely affect the Company's ability to meet consumer needs and ultimately be of detriment to the business's financial performance and future prospects. Given that there are a number of alternative manufacturers within Australia that the Company could seek production from, the Company considers that it can mitigate this risk.

(e) **Certified organic risks**

The "organic" certification is a key factor in the Company's success. Gaining the certification relies upon the raw materials and product ingredients meeting the requirements specified by the relevant certifying bodies. Should quality control issues arise in respect of raw materials and product ingredients which result in the finished products falling short of the requirements for organic certification, this could have a materially adverse effect on the Company's brand and consequently the Company's financial performance and its future prospects.

(f) **Failure to grow**

The success and potential growth of the Company is dependent on its ability to produce and offer a range of new products to the market. If the Company is unable to do so, the result could be a reduced or negative rate of growth.

There is a secondary risk of unprofitability stemming from the Company's new products incurring operating costs earlier or greater than forecast, greater waste operating costs than anticipated and/or impacts on existing product profitability due to the release of new products. The Company may also fail to grow as a result of inadequate marketing or insufficient consumer interest.

(g) **Reliance on key personnel**

The Company's success depends to a significant extent on its key personnel, in particular Kristy-Lee Newland Carr and Nicholas Simms. They have extensive experience in, and knowledge of, the Company's business and the market in which they operate. Any losses to key management personnel, or any delay in their replacement could have a significant adverse effect on the management of the Company, and in turn have negative ramifications on its financial performance and future prospects.

(h) **Dependence on outside parties**

The Company may pursue a strategy that forms strategic business relationships with other organisations in relation to current and potential products, distribution channels and points of sale. There can be no assurance that the Company will be able to attract and retain such organisations and to negotiate appropriate terms and conditions with these organisations or that any potential agreements with such organisations will be complied with.

Given the highly concentrated nature of Australia's FMCG retail market, disruption by any of the major retailers in the Coles-Wesfarmers or Woolworths Group could have a material adverse impact on the Company's financial performance. The diversity of the Company customer base reduces the financial risks to the Company in the event of a delisting by any particular distributor. The Company is focused on expanding its distribution footprint to further mitigate this risk, as well as to benefit from margin accretive opportunities available outside Australia.

(i) **Product contamination and recall**

Being a producer of food products, the Company is subject to a risk of product contamination and/or product recall that could have a material adverse effect on the Company's brand and thereby its financial performance and future prospects.

(j) **Additional requirements for capital**

The funds raised under the New Placement and the SPP are considered sufficient to meet the Company's immediate business objectives. Additional funding may be required in the event costs exceed the Company's estimates and also to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur.

The Company may seek to raise further funds through equity or debt financing joint ventures, licensing arrangements, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of their activities and potential research and development. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

Loan agreements and other financing rearrangements such as debt facilities, convertible note issues and finance leases (and any related guarantee and security) that may be entered into by the Company may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by the Company or default under a finance lease could also result in the loss of assets.

(k) **Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account in the Company's planning. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the financial performance of the Company.

(l) **Management of growth**

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

As part of its business strategy, the Company may make acquisitions of, or significant investments in, additional complementary companies or prospects (although no such acquisitions or investments are currently planned, other than the Transaction). Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

9.3 Risks specific to the Transaction:

(a) **Completion of Transaction**

The Transaction is expected to be completed by 31 December 2017, but there can be no guarantee that this will occur. Due to circumstances beyond the control of the Company, the Directors and the management team, including the outcome of Resolutions 5 to 8 as outlined in this Notice of Meeting, it is possible that the Transaction is not ultimately completed or completion may be delayed. These circumstances could materially impact the Company's future earnings.

(b) **Risk of the Shareholders not approving the Transaction and Capital Raising**

Given the Special Business Resolutions are inter-conditional, if any one of the Resolutions are not passed, the Company will not be able to complete the Transaction and the Capital Raising.

(c) **Transaction and integration risk**

The Transaction may consume a large amount of management time and attention during integration, and the Transaction may fail to meet strategic objectives, or achieve expected financial performance (including unrealised synergies).

(d) **Due diligence risk**

The Company has performed certain pre-transaction due diligence on the Target Group. There is a risk that due diligence conducted has not identified issues that would have been material to the decision to enter into the Transaction. A material adverse issue which was not identified prior to completion of the Transaction could have an adverse impact on the financial performance or operations of the Company. As is usual in the conduct of acquisitions, the due diligence process undertaken by the Company identified a number of risks associated with the Transaction, which the Company had to evaluate and manage. The mechanisms used by the Company to manage these risks included in certain circumstances the acceptance of the risk as tolerable on commercial grounds such as materiality. There is a risk that the approach taken by the Company may be insufficient to mitigate the risk, or that the materiality of these risks may have been underestimated, and hence they may have a material adverse impact on the Company's earnings and financial position.

(e) **Counterparty and contractual risk**

Pursuant to the Sale and Purchase Agreement the Company has agreed to enter into the Transaction subject to the fulfilment of certain conditions precedent. The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Sale and Purchase Agreement and other agreements related to the Transaction. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

(f) **Dilution risk**

The Company currently has 274,288,131 Shares on issue. On completion of the Transaction, the Company will have up to 384,478,768 Shares on issue. The existing shareholders will retain approximately 71.34%, shareholders of the Placement Shares will approximately 6.50%, shareholders of the SPP Shares will hold approximately 2.17% (assuming all SPP Shares are issued) and shareholders of the Consideration Shares will hold 19.99% of the issued capital of the Company on completion of the Transaction.

There is also a risk that the interests of Shareholders will be further diluted as a result of future capital raisings required in order to fund the development of the Company and future opportunities.

9.4 General risks

(a) **Regulatory risk**

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

(b) **Economic risk**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's business activities, as well as on its ability to fund those activities.

(c) **Market conditions**

Share market conditions may affect the value of the Company's quoted Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic and political outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and Fast-Moving Consumer Goods stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(d) **Force Majeure**

The Company and its projects, now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

10. SPECIAL BUSINESS RESOLUTIONS INTER-CONDITIONAL

Special Business Resolutions 5 to 8 (inclusive) are inter-conditional, meaning that each of them will only take effect if all of them are approved by the requisite majority of Shareholders' votes at the Meeting. If any of the Resolutions are not approved at the Meeting, none of the Resolutions will take effect and the Sale and Purchase Agreement and other matters contemplated by the Resolutions will not be completed.

11. RESOLUTION 5 – CHANGE IN THE SCALE OF ACTIVITIES

Resolution 5 seeks approval from Shareholders for the Company to make a change in the scale of its activities resulting from the Transaction as described in section 7 of this Notice of Meeting.

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the Notice of Meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the official list of ASX.

ASX has confirmed to the Company that given the significant change in the scale of the Company upon completion of the Transaction, it requires the Company to obtain the approval of its Shareholders for the Transaction. ASX has confirmed that it will not require the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

For this reason, the Company is seeking Shareholder approval for the Company to change the scale of its activities under ASX Listing Rule 11.1.2.

The required details and proposed changes to the structure and operations of the Company are provided throughout this Explanatory Memorandum.

The Board unanimously **recommends** that Shareholders vote in favour of this Resolution to approve the Transaction and the change to the scale of the Company's activities.

12. RESOLUTION 6 – APPROVAL OF ISSUE OF CONSIDERATION SHARES

12.1 General

As part consideration of the Transaction, the Company will issue 19,214,326 Shares to each of the Individual Sellers. Resolution 6 seeks shareholder approval for the issue of the Consideration Shares.

ASX Listing Rule 7.1 provides that a company may issue Equity Securities up to 15% of its Shares on issue in a 12 month period without obtaining shareholder approval. The number of shares issued to the Sellers will be equal to 19.99% of the Company's issued shares immediately following Completion. Accordingly, the issue of the Consideration Shares requires approval of the Shareholders.

The Board unanimously **recommends** that Shareholders vote in favour of this Resolution to approve the issue of the Consideration Shares to the Individual Sellers.

12.2 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 Consideration Shares to the Individual Sellers:

- (a) 19,214,326 Shares are to be issued as Consideration Shares to each of the Individual Sellers, resulting a maximum of 76,857,304 Consideration Shares being issued to the Sellers;
- (b) the Consideration Shares will be issued on Completion expected to be 20 December 2017 and, in any event, will be issued no later than 3 months after the date of the Meeting;
- (c) the Consideration Shares will be issued for non-cash consideration as part consideration for the Transaction as described in detail in section 7;
- (d) the Consideration Shares will be fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued Shares (subject to the voluntary escrow period as agreed by the Company and the Individual Sellers); and
- (e) no funds will be raised from the issue of the Consideration Shares as they are to be issued in consideration for the Individual Sellers' shares in NuLac.

13. RESOLUTION 7 – APPROVAL OF ISSUE OF SHARES UNDER THE NEW PLACEMENT

13.1 General

As announced on 3 November 2017, the Company will issue 25,000,000 Shares via a placement to professional and sophisticated investors at \$0.60 per Share to raise \$15 million before costs (**New Placement**).

Resolution 7 seeks Shareholder approval for the issue of the Shares under the New Placement.

ASX Listing Rule 7.1 provides that a company may issue Equity Securities up to 15% of its Shares on issue in a 12 month period without obtaining shareholder approval. The Shares issued under the New Placement and the Shares issued by the Company in the last 12 months would exceed 15%. An issue does not count towards the 15% annual placement capacity under ASX Listing Rule 7.1 if it is approved by shareholders. Accordingly, the approval of Shareholders is required.

The Board unanimously **recommends** that Shareholders vote in favour of this Resolution to approve the issue of the Shares under the New Placement.

13.2 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 Shares under the New Placement:

- (a) the maximum number of Shares to be issued the New Placement is 25,000,000 Shares;
- (b) the Placement Shares are expected to be issued on or around 18 December 2017 and, in any event, will be issued no later than 3 months after the date of the Meeting;
- (c) the Placement Shares will be issued at a price of \$0.60 per Share;
- (d) the Placement Shares will rank equally with the Company's current issued Shares;
- (e) the Placement Shares are to be issued to sophisticated or professional investors in Australia who are not related parties of the Company. The Placement was arranged by Bell Potter Securities Limited and PAC Partners Pty Ltd and conducted by a bookbuild; and
- (f) the intended use of funds raised from the Placement is set out in section 7.8 above.

14. RESOLUTION 8 – APPROVAL OF SPP SHARES

14.1 General

As announced to the ASX on 3 November 2017, the Company will offer existing eligible Australian and New Zealand Shareholders the opportunity to participate in a SPP to raise up to \$5 million (before costs), pursuant to which each eligible Shareholder may apply for SPP Shares at \$0.60 per Share.

ASX Listing Rule 7.1 provides that a company may issue Equity Securities up to 15% of its Shares on issue in a 12 month period without obtaining shareholder approval. An issue does not count towards the 15% annual placement capacity under ASX Listing Rule 7.1 if it is approved by shareholders. Exception 15 of Listing Rule 7.2 provides an exception to Listing Rule 7.1 for the issue of securities pursuant to a SPP that complies with certain conditions.

The Company is not proposing to rely on Exception 15 of ASX Listing Rule 7.2 and Resolution 9 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the SPP Shares.

The Company has applied for a waiver from ASX under ASX Listing Rule 7.3.8 to enable Shareholders to vote in relation to this Resolution 8 notwithstanding that they may be successful applicants for SPP Shares under the SPP. The Company will announce the results of this waiver application to ASX as soon as practicable after it has been received.

The Board unanimously **recommends** that Shareholders vote in favour of this Resolution to approve the issue of the SPP Shares.

14.2 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 SPP Shares:

- (a) the maximum number of Shares that the Company may issue under the SPP is 8,333,333 Shares;
- (b) the SPP Shares are expected to be issued on or around 20 December 2017 and, in any event, will be issued no later than 3 months after the date of the Meeting;
- (c) the SPP Shares will be issued at a price of \$0.60 per Share;
- (d) the SPP Shares will comprise fully paid ordinary shares of the Company and will rank equally with the Company's current issued Shares;
- (e) the SPP Shares will be issued to eligible Shareholders of the Company (as defined in the SPP offer document); and
- (f) the intended use of funds raised from the SPP is set out in section 7.8 above.

15. SUMMARY OF MATERIAL TRANSACTION DOCUMENTS

15.1 Sale and Purchase Agreement

The Company and the Sellers are parties to the Sale and Purchase Agreement, which sets out the terms and conditions pursuant to which the Company agrees to purchase:

- 100% of the issued shares in NuLac;
- 49.9% of the issued shares in each of UphamGo and the Trustee;
- 49.9% of the units in the Trust; and
- 49.9% of the issued shares in NZ Company.

(together, the **Sale Securities**).

A summary of the material terms and conditions of this agreement is set out below.

(a) **Conditions Precedent**

The Sale and Purchase Agreement may be terminated by any party if certain conditions precedent are satisfied before 31 December 2017. These conditions are:

- (i) a resolution in favour of the issue of the Capital Raising Shares and Consideration Shares passed by the Shareholders;
- (ii) ASIC having granted a modification of s 708A(5)(b) to permit on sales of:
 - the Capital Raising Shares issued to sophisticated and professional investors; and
 - the Consideration Shares by the Sellers,without disclosure;
- (iii) ASX having approved the Consideration Shares and Capital Raising Shares for official quotation on ASX;
- (iv) the Company having entered into agreements providing funding for the cash portion of the Purchase Price (less the proceeds of the Capital Raising Shares);
- (v) a pre-sale restructure having been completed; and
- (vi) there being no legal restraints which would prohibit, restrict or make illegal the acquisition of the Sale Securities, the issue of the Consideration Shares or Capital Raising Shares, or completion of the transactions contemplated by the Sale and Purchase Agreement.

(b) **Purchase Price**

In return for the transfer of the Sale Securities to the Company, the Company will:

- (i) pay a lump sum cash payment of \$25,000,000 to the Sellers on Completion;
- (ii) issue to the Individual Sellers such number of fully paid ordinary shares in the Company that represents 19.99% of the issued capital of the Buyer as at Completion (which issued capital will include the Capital Raising Shares and the SPP Shares) (the **Consideration Shares**);
- (iii) make an additional cash payment on the first and second anniversary of Completion to the Individual Sellers, subject to satisfaction of certain key performance indicators, as described below (**UphamGo Payment**);
- (iv) make an additional cash payment to reflect the value of any dilution of the Consideration Shares that occurs as a result of the exercise of any share options issued by the Company before Completion;
- (v) make an additional cash payment in consideration for any Inventory held by Nulac and UphamGo at the date of completion valued in excess of \$156,000, to be determined by an independent valuer undertaking a stocktake; and
- (vi) if the value of trade debts and other revenue earned prior to Completion exceeds the value of amounts payable by Nulac and UphamGo to third parties prior to Completion, make an additional cash payment to reflect the difference.

The Individual Sellers have the opportunity to receive the following additional "base" UphamGo Payments if the following key performance indicators (**KPIs**) are satisfied:

| Year | Payment | KPIs |
|------|-------------|--|
| 1 | \$6,000,000 | <ul style="list-style-type: none"> • Maintain Facility capacity such that UphamGo is capable of producing a minimum volume output of 5000kg of yoghurt per Business Day each week; • Maintain Facility capacity at over 75% capacity such that UphamGo is capable of producing a minimum volume output of 400 tonnes of milk powder during Year 1; • Maintain Australian Quarantine and Inspection Service and Department of Agriculture and Water Resources export certifications for the Facility during Year 1; • Continuous employment of John Gommans and Penny Gandar by UphamGo during Year 1, in accordance with their employment contracts; • Satisfactory food quality audit of the Facility by relevant government regulators during Year 1; • A range of dry and wet products capable of being produced at the Facility that are available for sale during Year 1; • Products produced by UphamGo meeting agreed specifications during Year 1 in respect of at least 75% of agreed purchase orders; and • Satisfaction of 85% of agreed purchase orders by UphamGo in any 12 month period. |
| 2 | \$6,000,000 | <ul style="list-style-type: none"> • Maintain Facility capacity such that UphamGo is capable of producing a minimum volume output of 5000kg of yoghurt per Business Day each week. • Maintain Facility capacity at over 75% capacity such that UphamGo is capable of producing a minimum volume output of 400 tonnes of milk powder during Year 2; • Maintain Australian Quarantine and Inspection Service and Department of Agriculture and Water Resources export certifications for the Facility during Year 2; • Continuous employment of John Gommans and Penny Gandar by UphamGo during Year 2, in accordance with their employment contracts; • Satisfactory food quality audit of the Facility by relevant government regulators during Year 2; • A range of dry and wet products capable of being produced at the Facility that are available for sale during Year 2; • Products produced by UphamGo meeting agreed specifications during Year 2 in respect of at least 75% of agreed purchase orders; and • Satisfaction of 85% of agreed purchase orders in any 12 month period. |

A "high achievement" UphamGo Payment will be made instead of the base payment if the following additional KPIs are satisfied:

| Year | Payment | KPIs |
|------|-------------|---|
| 1 | \$6,700,000 | <ul style="list-style-type: none"> Products produced by UphamGo meeting agreed specifications during Year 1 in respect of at least 85% of agreed purchase orders; and Satisfaction of 90% of agreed purchase orders in any 12 month period. |
| 2 | \$6,700,000 | <ul style="list-style-type: none"> Products produced by UphamGo meeting agreed specifications during Year 2 in respect of at least 85% of agreed purchase orders; and Satisfaction of 90% of agreed purchase orders in any 12 month period. |

If an UphamGo Payment is not paid by the Company when due, the relevant payment will be increased as follows:

| Year | Payment type | Payment amount |
|------|----------------------------------|----------------|
| 1 | Base UphamGo Payment | \$6,900,000 |
| | High achievement UphamGo Payment | \$7,600,000 |
| 2 | Base payment UphamGo Payment | \$6,900,000 |
| | High achievement UphamGo Payment | \$7,600,000 |

In addition, if the Company does not make an UphamGo Payment by the due date, the Individual Sellers may elect to require the Company to issue such number of fully paid ordinary shares in the Company to the Individual Sellers as represents the amount of the unpaid UphamGo Payment. The value of a share in the Company is to be determined based on the volume weighted average price of the Company's ordinary shares traded on the ASX during the five days preceding the notice. The Company's obligation to issue such shares to the Individual Sellers is conditional on obtaining any necessary Shareholder or regulatory approvals.

(c) **Voluntary escrow**

The Individual Sellers have agreed that the Consideration Shares will be held in voluntary escrow, with 50% of the Consideration Shares to be released 12 months after the date of Completion and the remaining 50% to be released 24 months after the date of completion. During this time, the former owners of NuLac will not dispose of any Consideration Shares the subject of the escrow except:

- (i) in customary circumstances (including to accept an offer under a takeover bid);
- (ii) to transfer the Consideration Shares to a relative, provided the relative enters into an escrow agreement with the Company on the same terms; or
- (iii) if the Company fails to make an UphamGo Payment required under the Sale and Purchase Agreement.

(d) **Conduct of business until completion**

The Sale and Purchase Agreement contains customary restrictions on the Sellers' conduct of the business of each entity in the Target Group before Completion, and requires the Company's consent before certain actions can be taken.

(e) **Restraints**

The Sellers are restrained from:

- (i) conducting, carrying on or promoting;
- (ii) being concerned or interested in; or
- (iii) providing any direct or indirect financial assistance to a person to engage in,

any goat milk business (other than existing goat milk production entities and the entities in the Target Group in which the Sellers continue to hold an interest) in Australia and New Zealand, Australia or Victoria for a period of two years following Completion. The Sellers have also given non-solicit and other undertakings designed to protect to image, reputation and goodwill of UphamGo for that period.

The restraint and undertakings are subject to customary exceptions.

(g) **Representations and Warranties**

The Sellers have provided a limited set of warranties (subject to customary qualifications and limitations) consistent with an agreement of this nature, including as to title to the Sale Securities acquired. The Sellers' maximum aggregate liability is limited to an amount equal to the Purchase Price. The Sellers have also provided a customary tax indemnity.

(h) **Costs**

The Company has agreed to pay certain transaction costs incurred by the Sellers, for an amount up to \$200,000 (excluding GST).

15.2 **Securityholders Agreement**

The Company, Sellers, UphamGo, the NZ Company and the Trustee (in its own right and as trustee of the Trust) (**Group Companies**) will enter into the Securityholders Agreement on Completion.

Under this agreement, the Securityholders agree to establish the joint venture (through the Group) to carry on the business of manufacturing goat milk products (excluding raw milk supply) in Australia and New Zealand, and to operate the Facility (**Milk Processing Joint Venture**).

Each Securityholder (or group of Securityholders) is entitled to appoint one Director to the Board of a Group Company for each 25% interest in the relevant Group Company. Therefore, the Company will appoint one director, John Gommans and Penny Gandar will appoint one director and Rupert Soar and Catherine Taylor will appoint one director to each Group Company.

Certain decisions of the Board of each Group Company requires the unanimous approval of all Directors of that Group Company. The matters are customary for an agreement of this nature. In addition, certain decisions of the Securityholders of each Group Company require a resolution passed by 70% of all Securityholders of that Group Company present and entitled to vote. The matters are customary for an agreement of this nature.

Until one year after a Securityholder ceases to be a Securityholder, each are restrained from:

- (a) conducting, carrying on or promoting;
- (b) being concerned or interested in; or
- (c) providing any direct or indirect financial assistance to a person to engage in,

any goat milk business (other than existing goat milk production entities and the entities in the Target Group in which the Sellers continue to hold an interest) in Australia and New Zealand, Australia or Victoria. The restraint and undertakings are subject to customary exceptions.

Each Securityholder is granted a first right of refusal on the issue of any unissued securities in any Group Member, equal to their equity proportion in the Group Member. Securityholders cannot register any transfer of securities without the consent of each other Securityholder except in certain customary circumstances or after giving notice of a proposed transfer and offering the relevant securities to the other Securityholders pro rata to their equity proportion in the relevant Group member.

If Securityholders who together hold more than 75% of the securities in a Group member propose to transfer 75% or more of the aggregate securities on issue in that Group member, they must give notice to the other Securityholders. The other Securityholders may elect to sell all of their securities in the relevant Group member on the same terms and conditions.

15.3 Summary of the Call Option Agreement

The Company, John Gommans and Penny Gandar will execute the Call Option Deed on Completion.

Under the Call Option Deed, the Company is granted an option to purchase all of the shares in Cibus Goats (Australia) Pty Ltd (ABN 16 116 147 794) (**Cibus**) and the farm on which its dairy production business is operated (**Australian Farm**) if there is a change in law that requires an owner of dairy products or dairy product brands that are marketed or sold in China to own all or part of the farm land and or the dairy operator used in connection with that dairy seller's business. The option expires five years from the date of the Call Option Deed or on termination of the Milk Supply Agreement between the Company and Cibus (whichever is earlier).

The consideration payable for the shares in Cibus will be the fair market value of the shares, as determined by an independent chartered accountant or as otherwise agreed by the parties. The consideration payable for the Australian Farm will be the fair market value of the land, as determined by two valuers. If the valuations differ by greater than 10%, a third valuer will be appointed and the market value will be the average price of the three valuations.

In addition, the Company has a first right of refusal in relation to any proposed sale of shares in Cibus or the Australian Farm.

John Gommans and Penny Gandar own around 95% of Cibus. In relation to the other 5% shareholder of Cibus, John Gommans and Penny Gandar must:

- (a) Procure that other shareholder enters into an agreement with the Company, providing for the sale of the other shareholder's shares in Cibus, consistent with the provisions of the Call Option Deed;
- (b) Procure that other shareholder does not dispose of any interest in Cibus, other than to the Company or John Gommans or Penny Gandar;
- (c) If the first right of refusal is exercised, procure that other shareholder sells their shares in Cibus for the same price and on the same terms and conditions to the Company, and that the other shareholder waives any rights they may have to receive shares in Cibus; and

- (d) If the Call Option is exercised, procure that other shareholder sells their shares in Cibus for the same price and on the same terms and conditions to the Company, and that the other shareholder waives any rights they may have to receive shares in Cibus.

15.4 Milk Supply Agreement

On Completion, the Company will execute Milk Supply Agreements with each of the goat milk production entities owned by the Sellers (each, a **Supplier**).

The Company will acquire all of the goat milk produced by the Supplier that meets certain quality specifications, up to an agreed annual cap. The annual average milk price for the 2017, 2018 and 2019 Years will be no less than A \$14.00 / kg TMS. If the Company requires additional milk over and above the agreed cap, it must offer all suppliers in a given jurisdiction the opportunity to increase their agreed caps pro rata to their existing caps.

The milk must meet certain chemical and sensory specifications, and will be subject to testing by the Company to confirm this. If milk does not meet the specifications, the Supplier is liable, up to an annual cap, to pay the Company's losses, must give the Company a refund for the milk, and must sterilise the Company's equipment.

The Supplier must exclusively sell all goat milk produced by it to the Company, and must not sell female goats for dairy production to any entity which competes or may compete with the Company. This restraint may be waived with the Company's prior consent.

The Milk Supply Agreement is for an initial term of 5 years, and is thereafter automatically renewed for further 5 years terms unless a party gives notice to the other party at least one year before the end of the relevant initial or further term that it does not wish to renew.

The agreement contains customary mutual termination rights. In addition, the Company may also terminate the Milk Supply Agreement if the Supplier breaches the exclusivity arrangements described above; and the Supplier fails to supply milk for longer than 60 days for reasons other than force majeure. The Supplier may terminate the Milk Supply Agreement if the Company reduces the annual average milk price by more than a given amount or the Company fails to pay an invoice within 30 days of the due date.

15.5 Toll Processing Agreement

The Company and UphamGo will execute the Toll Processing Agreement on Completion, pursuant to which UphamGo will provide toll processing, product storage and customer order fulfilment services to the Company and its Related Entities. Pricing comprises a Product and Services Fee, determined on a cost-only basis; a Fixed Costs Fee, which represents the fixed costs associated with the operation of the facility and a \$700,000 per annum Retainer Fee, which is designed to provide an agreed return on capital invested in the facility.

Under the Toll Processing Agreement UphamGo is prohibited from manufacturing any third party product that may compete with the products it manufactures for the Company and selling any products to a third party that competes or may compete with the Company.

The Toll Processing Agreement is for an initial term of 5 years, and is thereafter automatically renewed for further 5 years terms unless a party gives notice to the other party at least one year before the end of the relevant initial or further term that it does not wish to renew.

16. FURTHER INFORMATION

ASIC has granted the Company a modification of s708A(5)(6) to permit on sales of the Placement Shares and Consideration Shares, as well as an exemption from certain provisions of Part 6D.2 and 6D.3 of the Corporations Act for the offer of the SPP Shares.

GLOSSARY

\$ means Australian dollars.

10% Placement Capacity has the meaning given in section 4.1 of this Notice.

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

ASIC means the Australian Securities and Investments Commission.

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 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.

Call Option Agreement means the option agreement between the Company, John Gommans and Penny Gandar to be entered into at Completion.

Capital Raising means the issue of Shares under the Placement and the SPP.

Capital Raising Shares means the Shares proposed to be issued pursuant to the Capital Raising.

Chair means the chair of the Meeting.

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

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

Company means Bubs Australia Limited (ACN 060 094 742).

Completion means completion of the Transactions under the Sale and Purchase Agreement.

Constitution means the Company's constitution.

Consideration Shares means the Shares proposed to be issued to the Individual Sellers pursuant to Resolution 7, as part consideration for the Transaction.

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

Directors means the current directors of the Company.

EBIT means earnings before interest and tax.

EBITDA means earnings before interest, tax, depreciation and amortisation.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the A&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

EST means Eastern Standard Time as observed in Sydney, New South Wales.

EDST means Eastern Daylight Savings Time as observed in Sydney, New South Wales.

Explanatory Statement means the explanatory statement accompanying the Notice.

Facility means the milk powder manufacturing facility at 54-60 Cambria Road, Keysborough VIC 3173.

Individual Sellers means:

- (a) John Gommans;
- (b) Penelope Gandar;
- (c) Rupert Soar; and
- (d) Catherine Taylor.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Milk Supply Agreement means the milk supply agreement between the Company and a supplier to be entered into at Completion.

New Placement means the proposed capital raising offer described in section 13.1 of the Explanatory Statement.

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

NuLac means NuLac Foods Pty Ltd ACN 602 947 964.

NZ Company means New Zealand Nutritional Goat Company Limited (New Zealand Company Number 3914098).

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Option means an option to acquire one Share.

Placement means the prior issue of 35,467,243 Shares via a placement to professional and sophisticated investors at \$0.45 per Share on 8 September 2017.

Placement Shares means the 25,000,000 Shares to be issued at \$0.60 under the New Placement.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2017.

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

Sale and Purchase Agreement means the Sale and Purchase Agreement between Bubs and the Sellers dated 1 November 2017.

Securityholders Agreement means the securityholders agreement between the Company, the Sellers, UphamGo, the Trustee and the Trust to be entered into at Completion.

Seller means:

- (a) each of the Individual Sellers; and
- (b) New Zealand Nutritional Foods Limited.

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

Shareholder means a holder of a Share.

SPP means the share purchase plan.

SPP Shares means the proposed offer of up to 8,333,333 Shares by the Company at an issue price of \$0.60 under the SPP.

Target Group means each of the following entities:

- (a) NuLac;
- (b) UphamGo;
- (c) the Trustee;
- (d) the Trust; and
- (e) NZ Company.

Tolling Agreement means the tolling agreement between the Company and UphamGo to be entered into at Completion.

Transaction means the proposed purchase by the Company from the Sellers of:

- (a) all of the shares on issue in NuLac;
- (b) 49.9% of the shares on issue in UphamGo;
- (c) 49.9% of the shares on issue in the Trustee;
- (d) 49.9% of the units on issue in the Trust; and
- (e) 100% of the shares on issue in NZ Company.

Trust means the Cambria Unit Trust, a trust established by the Trust Deed.

Trustee means Cambria Management Company Pty. Ltd. ACN 116 149 387.

Trust Deed means the trust deed of the Trust dated 8 September 2005 made by the Trustee as trustee.

Trust Fund means the assets in the Trust.

UphamGo means UphamGo Australia Pty. Ltd. ACN 116 148 479.


Variable A means "A" as set out in the calculation in section 4.3 of this Notice.



BUB
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

 **Online:**
www.investorvote.com.au

 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

XX



Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



 **For your vote to be effective it must be received by 11:00am (EDST) Tuesday, 12 December 2017**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

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

Joint Holding: Where the holding is in more than one name, all of the securityholders 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 form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Bubs Australia Limited hereby appoint

☐

the Chairman
of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Bubs Australia Limited to be held at Ashurst Australia, Level 11, 5 Martin Place, Sydney, New South Wales on Thursday, 14 December 2017 at 11:00am (EDST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1 and 4 (except where I/we have indicated a different voting intention below) even though Resolutions 1 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1 and 4 by marking the appropriate box in step 2 below.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

| | | For | Against | Abstain |
|--------------|---|--------------------------|--------------------------|--------------------------|
| Resolution 1 | Adoption of Remuneration Report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 | Re-election of Director – Mr Matthew Reynolds | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 | Ratification of Prior Issue of Shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4 | Approval of Issue of Options to Nicholas Simms | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 5 | Approval to Change in Scale of Activities | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 6 | Issue of Consideration Shares to Sellers | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 7 | Issue of Placement Shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 8 | Issue of Shares Pursuant to the Share Purchase Plan | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 9 | Approval of 10% Placement Capacity | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

_____ / _____ / _____

Date

BUB

2 3 3 4 4 2 A

Computershare +