

HERITAGE BRANDS LIMITED

ACN 081 149 635

**NOTICE OF EXTRAORDINARY GENERAL MEETING AND
EXPLANATORY MEMORANDUM**

*For a meeting to be held on Friday, 17 July 2015 at 10.00 am AEST
at 30 Bando Road, Springvale, Victoria*

**THIS IS AN IMPORTANT DOCUMENT AND SHOULD
BE READ IN ITS ENTIRETY**

**If you do not understand any part of this document
please contact a professional adviser immediately**

HERITAGE BRANDS LIMITED
ACN 081 149 635

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that an Extraordinary General Meeting of members of Heritage Brands Limited (“**Company**”) will be held at 30 Bando Road, Springvale, Victoria at 10.00am AEST on Friday, 17 July 2015.

The business to be considered at the Extraordinary General Meeting is set out below. Information on the proposals to which the business relates is set out in the Explanatory Memorandum which accompanies this Notice. This Notice should be read in conjunction with the accompanying Explanatory Memorandum.

SPECIAL BUSINESS

Resolution 1 – Approval of financial assistance

To consider and, if thought fit, to pass the following resolution as a special resolution:

*“That, for the purposes of subsections 260A(1)(b) and 260B(2) of the Corporations Act 2001, approval is given for the provision of financial assistance proposed to be given by Oswin Laboratories Pty Limited ACN 142 393 995 (“**Oswin**”) to assist the acquisition by the Company of all the issued shares in Oswin, and all elements of that transaction and any other transaction (including the transaction by which Bank of Melbourne is to provide a \$10,000,000 multi option loan facility to Heritage Brands (Australia) Pty Limited and Oswin) that may constitute financial assistance by Oswin, as described in the Explanatory Memorandum that accompanies the notice convening the meeting at which this resolution is proposed.”*

ADDITIONAL INFORMATION

This notice of meeting is accompanied by an Explanatory Memorandum which provides an explanation of the business of the meeting, including the proposed resolution.

Voting entitlement

The board of directors has determined in accordance with regulation 7.11.37 of the Corporations Regulations that for the purpose of voting at the Extraordinary General Meeting, shares will be taken to be held by those who hold them at 7.00 pm AEST on Wednesday 15 July 2015. This means that if you are not the registered holder of a relevant share at that time, you will not be entitled to vote in respect of that share.

Voting by proxy

Each shareholder who is entitled to attend and vote at the Extraordinary General Meeting may appoint a proxy to attend and vote on behalf of that shareholder. The proxy need not be a shareholder.

A shareholder who is entitled to cast two or more votes may appoint one or two proxies and may specify the proportion or number of votes that each proxy is appointed to exercise. If a shareholder appoints two proxies and the appointment does not specify the proportion, or number, of shareholder's votes, each proxy may exercise half the votes (disregarding fractions).

Online proxy appointment

You may appoint and direct your proxy online, by using your smartphone or by visiting www.votingonline.com.au/heritagebrandsegm2015.

To use this option, you will need your holding/investment type, Reference Number and your VAC as shown on your proxy form. You will be taken to have signed the proxy form if you lodge it in accordance with the instructions on the www.votingonline.com.au/heritagebrandsegm2015 website. To use your smartphone voting service, scan the QR code which appears on your proxy form and follow the instructions provided. To scan the code you need to have already downloaded a free QR code reader app to your smartphone. When scanned, the QR code will take you directly to the mobile voting site. A proxy cannot be appointed electronically if they are appointed under a power of attorney or similar authority. The online proxy facility may not be suitable for shareholders who wish to appoint two proxies with different voting directions. Please read the instructions for online proxy submissions carefully before you lodge your proxy.

Proxy Appointment by post or fax

A proxy can be appointed by using the proxy form enclosed with this notice of meeting. Information on how to complete the proxy form is included on the form.

For the appointment of a proxy using a proxy form, the following documents must be lodged:

- (a) the completed proxy form; and
- (b) if the proxy form is signed by the appointer's attorney – the authority under which the proxy form was signed or a certified copy of the authority.

Lodgement of proxy appointments

For the appointment of a proxy to be effective for the meeting, the Company must receive an online proxy appointment through the website noted above or a duly completed proxy form (and if signed by an attorney, the attorney's authority or a certified copy), in either case by **10.00 am AEST on Wednesday 15 July 2015**.

Proxy forms may be posted or faxed to the Company's share registry at:

Boardroom Pty Limited
 GPO Box 3993
 Sydney NSW 2001
 Australia
 Facsimile: +61 2 9290 9655

If posting, please allow sufficient time for your form to be received by 10.00 am AEST on Wednesday 15 July 2015.

A proxy form can also be lodged in person at the Company's share registry at:

Boardroom Pty Limited
Level 12
225 George Street
Sydney NSW 2000

Corporate representatives

A body corporate may appoint an individual as a representative to exercise all or any of the powers the body corporate may exercise at meetings of shareholders. The appointment may be a standing one. Unless otherwise specified in the appointment, the representative may exercise, on the body corporate's behalf, all of the powers that the body corporate could exercise at a meeting or in voting on a resolution.

By order of the board of directors
of Heritage Brands Limited

Chris McGibbon
Company Secretary
15 June 2015

Heritage Brands Limited
ACN 081 149 635
Extraordinary General Meeting
Explanatory Memorandum

Important information

This Explanatory Memorandum has been prepared for the information of the shareholders of the Company in connection with the business to be conducted at the Extraordinary General Meeting of the Company to be held at 10.00 am AEST on Friday, 17 July 2015 at 30 Bando Road, Springvale, Victoria.

The purpose of this Explanatory Memorandum is to provide information that the Directors believe to be material to Shareholders in deciding whether or not to pass the resolution set out in the Notice.

You should read this document carefully

This Explanatory Memorandum and the accompanying Notice are important. You should read each document in its entirety before deciding how to vote on the resolution at the Meeting. If you are in doubt as to what you should do, you should consult your financial, legal or other professional adviser.

No investment advice

This Explanatory Memorandum does not constitute personal advice nor financial product advice and it does not purport to contain all the information that a prospective investor may require in evaluating a possible investment in the Company. This Explanatory Memorandum has been prepared without taking account of any person's particular investment objectives, financial situation or needs.

Responsibility statement

Except as expressly set out below, this Explanatory Memorandum and the accompanying Notice have been prepared by the Company and are its responsibility alone.

Disclosures regarding forward looking matters

This Explanatory Memorandum contains certain forward looking statements. Forward looking statements can generally be identified by the use of forward looking words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "will", "could", "may", "target", "plan" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of and guidance on outlook or performance are also forward looking statements. The forward looking statements contained in this Explanatory Memorandum involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of the Company, and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. There can be no assurance that actual outcomes will not differ materially from these forward looking statements.

Glossary

Unless otherwise defined in this document, capitalised terms have the meaning set out in the Glossary at the end of this Explanatory Memorandum.

Resolution 1 – Approval of financial assistance

Background

On 15 June 2015, the Company announced that it had agreed to buy all of the issued shares in Oswin.

If that acquisition completes, then Oswin will become a wholly owned subsidiary of the Company.

On 10 June 2015, Heritage Brands (Australia) Pty Limited, which is a wholly owned subsidiary of the Company, accepted a letter of offer of finance dated 4 June 2015 from Bank of Melbourne offering to Heritage Brands (Australia) Pty Limited and Oswin as borrowers a multi option loan facility of \$10,000,000.

It is proposed that the Bank of Melbourne loan facility will be drawn down at the same time as the Company completes its acquisition of all the issued shares in Oswin.

It is possible that part of the proceeds of the Bank of Melbourne loan facility will be used to pay part of the purchase price payable by the Company to the vendor shareholders of Oswin for their shares in Oswin.

Included in the conditions to draw down under the Bank of Melbourne loan facility is that Oswin and the Company sign and deliver to Bank of Melbourne the following documents as part of the security for the repayment of all amounts that may become owing to Bank of Melbourne under the multi option loan facility:

- (a) a general security agreement over all assets and undertakings of Oswin and the Company in favour of Bank of Melbourne;
- (b) an unlimited guarantee and indemnity to be given by Oswin and the Company in favour of Bank of Melbourne;
- (c) a flawed asset agreement over any cash deposits held with Bank of Melbourne to be given by Oswin;
- (d) the abovementioned letter of offer of the loan facility from Bank of Melbourne, which is addressed to both Heritage Brands (Australia) Pty Limited and Oswin as borrowers, to be signed by way of acceptance by Oswin;
- (e) invoice discounting agreement between St George Bank and Oswin, to be signed by Oswin; and
- (f) any other document reasonably requested by Bank of Melbourne relating to any of the documents referred to in paragraphs (a) to (e) above

(collectively the "**Oswin Loan Securities**").

Both the share purchase agreement for the acquisition of the shares in Oswin and the Bank of Melbourne offer for the loan facility are subject to a number of conditions, including in each case obtaining the approval of the shareholders of the Company in accordance with sections 260A(1)(b)

and 260B(2) of the Corporations Act in respect of Oswin entering into and performing its obligations under each of the Oswin Loan Securities.

Financial assistance approval

As some of the proceeds of the Bank of Melbourne loan facility may be applied towards the purchase price payable by the Company to the vendor shareholders of Oswin for their shares in Oswin, the entry into the Oswin Loan Securities by Oswin, the performance of its obligations thereunder and use of funds in such manner will in those circumstances have the effect of Oswin financially assisting in the acquisition of its own shares for the purposes of section 260A of the Corporations Act.

Under section 260A(1) of the Corporations Act, a company may financially assist a person to acquire shares in the company or its holding company only in certain limited circumstances, including if giving the assistance does not materially prejudice the interests of the company or its shareholders and the company's ability to pay its creditors, or the assistance is approved by shareholders.

Under section 260B(1) of the Corporations Act, shareholder approval must be given by the shareholders of the company at a general meeting by either:

- (a) a special resolution, with no votes being cast in favour of the resolution by the person acquiring the shares or by their associates: or
- (b) a resolution agreed to, at a general meeting, by all ordinary shareholders.

In addition, because the Company is a listed corporation and because Oswin will become a subsidiary of the Company immediately after the acquisition by the Company of all the issued shares in Oswin, the financial assistance must also be approved by a special resolution passed at a general meeting of the Company under section 260B(2) of the Corporations Act.

The approval of the existing shareholders of Oswin (that is, the vendors who have agreed to sell all of the shares in Oswin to the Company) to the giving of the financial assistance has been, or will be, sought in accordance with sections 260A(1)(b) and 260B(1) of the Corporations Act. Accordingly, it is proposed that the financial assistance now also be approved by special resolution of the shareholders of the Company under section 260B(2) of the Corporations Act.

Effect of the Financial Assistance

The substantial effect of the financial assistance on Oswin and providing the Oswin Loan Securities in favour of Bank of Melbourne will be that Oswin will have guaranteed all amounts payable under the new \$10,000,000 multi option loan facility agreement with Bank of Melbourne and all associated finance documents ("**Finance Documents**").

The substantial effect of the financial assistance on the Company and providing the Oswin Loan Securities in favour of Bank of Melbourne will be that the Company will have guaranteed all amounts payable under the new \$10,000,000 multi option loan facility agreement with Bank of Melbourne and the Finance Documents.

The principal advantage to the Company (and, indirectly, Oswin) of Oswin providing the financial assistance is to ensure that:

- (a) the Company and its wholly owned subsidiaries will have the benefit of the new \$10 million multi option loan facility; and
- (b) the Company will be able to complete its proposed acquisition of all the issued shares in Oswin and thereby both the Company and Oswin will be able to enjoy the expected synergies that the Directors of the Company expect the Company and Oswin will derive by merging the businesses of the Company and Oswin.

On the other hand, the disadvantages of the financial assistance for Oswin and the Company in providing the Oswin Loan Securities in favour of Bank of Melbourne include that:

- (a) they will become liable for all amounts outstanding under the Finance Documents; and
- (b) if an event of a default (howsoever defined) was to occur under a Finance Document, Bank of Melbourne may require immediate repayment of all amounts outstanding and owing to Bank of Melbourne and enforce the Oswin Loan Securities against Oswin and the Company.

The Directors of the Company have considered the giving of the financial assistance and are of the opinion that it is in the best interests and for the commercial benefit of the Company and Oswin.

Notice to ASIC

A copy of this Notice of Meeting was lodged with the ASIC before being sent to the shareholders of the Company, as required by section 260B(5) of the Corporations Act.

Disclosure

The Directors of the Company consider that this Explanatory Memorandum contains all information known to the Company that would be material to the decision of the Company's shareholders on how to vote on the financial assistance resolution set out in Resolution 1, other than information which would be unreasonable to include because it had previously been disclosed to shareholders.

Directors' Recommendations

Each of the Directors approved the proposal to put Resolution 1 to the Company's shareholders, recommends that Shareholders vote in favour of Resolution 1, and intends to vote in favour of Resolution 1 in respect of any Shares which he or she holds or controls.

GLOSSARY

In this Explanatory Memorandum:

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

AEST means Australian Eastern Standard Time.

ASIC means the Australian Securities and Investments Commission.

Board means the board of Directors of the Company.

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

Director means a director of the Company.

Explanatory Memorandum means the explanatory memorandum accompanying the Notice.

Group means the Company and its subsidiaries.

Meeting or **Extraordinary General Meeting** means the extraordinary general meeting convened by the Notice.

Notice means the notice of meeting accompanying this Explanatory Memorandum.

Oswin means Oswin Laboratories Pty Limited ACN 142 393 995.

Interpretation

In the Notice and this Explanatory Memorandum, except where the context otherwise requires:

- (a) the singular includes the plural and vice versa; and
- (b) a word or phrase defined in the Corporations Act and used in the Notice or the Explanatory Memorandum has the meaning given to it in the Corporations Act.