



AUSTRALIAN VINTAGE LTD

CHAIRMAN'S LETTER

26 May 2021

CAPITAL RESTRUCTURE PROPOSED CAPITAL RETURN AND SHARE CONSOLIDATION

Dear Shareholder,

On behalf of the Board, I invite you to attend an Extraordinary General Meeting (**EGM**) of Australian Vintage Limited's shareholders, to be held on 30 June 2021 commencing at 10.00 am (Sydney time).

Virtual Meeting

In response to Government restrictions and the potential health risks arising from the Covid-19 pandemic, the Board has decided to hold the EGM entirely online. While there will not be a physical venue that shareholders can attend, shareholders will be able to participate in the EGM in real time including voting and asking questions.

We encourage shareholders and proxy holders to join the EGM virtually via the online portal as detailed in the attached Notice of Meeting. More details on how to participate in the EGM is available in the attached Notice of Meeting.

Items of Business

In our February 2021 half year results press release we advised the market that we would be undertaking a review of the existing capital structure.

This review, which has now been completed, had a key focus on achieving the best return for our shareholders while also ensuring that the Company has an efficient capital structure as well as flexibility to pursue growth opportunities whilst maintaining its current credit metrics.

The Board concluded that it would return some capital to shareholders through an 8.5 cent cash payment per share and a 10% share consolidation. Whilst these two capital structure initiatives require shareholder approval as separate resolutions, the resolutions are interdependent, meaning that approval of each resolution is conditional on the approval of the other.

The combined impact of the two resolutions has a similar effect of a share buyback of 1 share for every 10 for 85 cents. The 85 cents is based on the Company's Net Tangible Assets per share as at 31 December 2020.

The capital return of 8.5 cents per share represents a total return of funds to shareholders of approximately \$23.9 million and, importantly, results in all shareholders being treated equally.

Reasons for the Return of Capital and Share Consolidation

The proposed Capital Return is being undertaken to return a portion of the Company's excess capital equitably and efficiently to shareholders.

The Board considered various options for returning excess capital to shareholders and determined that the Capital Return, combined with the Share Consolidation, is the optimal method for both the Company and shareholders.



AUSTRALIAN VINTAGE LTD

In summary, having regard to the analysis outlined in the attached Explanatory Memorandum to the Notice of Meeting, the Board is satisfied and considers that implementing the proposed Capital Return:

- will leave the Company well placed to pursue its strategic goals;
- demonstrates the Company's commitment to maintaining a strong and efficient balance sheet; and
- will not materially prejudice the Company's ability to pay its creditors,

and therefore, is in the best interests of the Company.

Further, the cumulative effect of the proposed Share Consolidation and Capital Return is expected to result in an accretion in earnings per Share.

The aim of the proposed Share Consolidation is to ensure that each Shareholder's proportionate interest in the Company remains unchanged following the payment of the Capital Return (subject to the rounding up of fractional entitlements to the next whole number of Shares) and neutralise any potential share price reduction as a result of the Capital Return.

The Board also considers that the Share Consolidation will result in a more appropriate and effective capital structure for the Company.

Conclusion

The Directors of Australian Vintage Limited unanimously recommend that shareholders vote in favour of the two resolutions contained in the Notice of Meeting. Each Director intends to vote all Australian Vintage Limited shares held or controlled by him or her in favour of each resolution. The Explanatory Notes which form part of the Notice of Meeting provide extensive details on these resolutions and their implications and I urge you to read the contents carefully.

And finally, the proposed Capital Return should not impact the Board's decision to pay a final dividend for the 2020/21 financial year. As in prior years, the decision to pay a dividend will be made in August 2021 and will take in to account our full year 2020/21 result and our future cash requirements.

The Board and management team look forward to welcoming you to the EGM virtually.

Richard Davis
Chairman