



Notice of Extraordinary General Meeting

Notice is given that an Extraordinary General Meeting of Australian Vintage Limited (**Company**) will be held virtually on 30 June 2021 at 10.00am Sydney time.

In response to Government restrictions and the potential health risks arising from the COVID-19 pandemic, the Extraordinary General Meeting (**EGM**) will be held virtually in accordance with the Company's Constitution.

This is designed to protect our people, shareholders and the community. Your participation in the EGM is important to us and while there will not be a physical location, shareholders can participate online in real-time, including asking questions and voting during the EGM.

How to attend and participate in the EGM

You can attend, vote and ask questions in real time at the EGM from your computer or mobile device, by entering the following URL address in your web browser: <https://web.lumiagm.com/395233794>.

The online EGM platform will allow shareholders to view the meeting, vote and submit questions in real time. To participate and vote online you will need your shareholder number and postcode. Shareholders should register at least 15 minutes before the EGM.

In addition to this Notice of Extraordinary General Meeting, shareholders of the Company should visit <https://www.australianvintage.com.au/egm> for all important information about the Company's virtual meeting including the 'Virtual EGM User Guide'.

ITEMS OF BUSINESS

A. Capital Return

Resolution 1

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That, conditional on the passing of Resolution 2 (Share Consolidation), for the purposes of section 256C of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the share capital of the Company to be reduced by approximately \$23,860,186, such reduction of capital to be effected by the Company paying to each shareholder as at 7:00pm Sydney time on 6 July 2021 the amount of 8.5 cents per ordinary share held at that time.'

B. Share Consolidation

Resolution 2

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That, conditional on the passing of Resolution 1 (Capital Return) and with effect from 1 July 2021, for the purposes of section 254H of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the share capital of the Company to be consolidated through the conversion of each ordinary share in the Company on issue as at 7:00pm Sydney time on 6 July 2021 into 0.90 ordinary shares, and that any resulting fraction of an ordinary share held by a shareholder be rounded up to the next whole number of shares.'

NOTES

1. Entitlement to Attend and Vote

For the purposes of the meeting, those shareholders who are registered members as at 7:00pm Sydney time on 28 June 2021 will be voting members for the meeting. Accordingly, transactions registered after that time will be disregarded in determining shareholders entitled to attend and vote at the meeting.

2. No Voting Exclusions

No voting exclusions apply to the Resolutions and holders of ordinary shares in the Company may vote on the Resolutions.

3. Appointment of Proxies

A member entitled to attend and vote at the above meeting is entitled to appoint a person as its proxy to attend and vote for the member at the meeting. An appointed proxy need not be a member of the Company and may be an individual or a body corporate. A body corporate must appoint a corporate representative in accordance with Note 6.

A proxy appointed to attend and vote for a member has the same rights as the member to speak at the meeting and to join in a demand for a poll. An appointment may specify the number or proportion of the member's votes that the proxy is to exercise.

If you are entitled to cast two or more votes on a resolution at the meeting, you may appoint two separate proxies to vote on your behalf. Where two proxies are appointed, you may specify the number or proportion of votes that each may exercise, failing which each may exercise half of your votes. Fractions of votes will be disregarded.

A proxy form has been included with this Notice of Meeting. Further instructions on proxy voting are located on the back of the proxy form. If you wish to appoint a second proxy, please contact the Company's Share Registry, Computershare Investor Services Pty Limited, to acquire a second form. Contact details are located on the proxy form accompanying this notice.

The Proxy Form must be sent and received in accordance with Note 5.

4. Power of Attorney

If a shareholder has appointed an attorney to attend and vote at the meeting (or if a proxy form is signed by an attorney), the power of attorney, or a certified copy of the power of attorney, must be sent and received in accordance with Note 5.

5. Proxy Form and Power of Attorney Delivery

To be effective either the original or a facsimile transmission of the proxy and any power of attorney, or a certified copy of the power of attorney, (if any) under which the proxy is signed must be received at the Company's Share Registry, Computershare Investor Services Pty Limited in the envelope provided (if mailing within Australia) or at GPO Box 242, Melbourne VIC 3001 (facsimile 1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia)), no later than 10:00am Sydney time on 28 June 2021.

Online voting – You can submit your proxy appointment online by visiting www.investorvote.com.au. To use the online facility you will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) and postcode 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 website.

Custodian voting – For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.

6. Corporate Representatives

If a corporate representative is to attend the meeting on behalf of a corporate member, a notice of appointment can be obtained from the Company's Share Registry or at www.computershare.com.au. The corporate representative will be required to accept Terms

and Conditions before entering the virtual meeting confirming that they are authorised to represent the corporate member.

7. Questions by Members

The chairperson of the meeting will allow a reasonable opportunity for members – *as a whole* – at the meeting to ask questions in relation to the Resolutions. Members can submit questions and comments in real time via the online EGM platform.

Dated: 26 May 2021

A handwritten signature in black ink, appearing to read 'Alicia Morris', written in a cursive style.

Alicia Morris
Company Secretary
By Order of the Board

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of the Notice of Extraordinary General Meeting dated 26 May 2021 and should be read in conjunction with that Notice as this Explanatory Memorandum contains important information on the Resolutions.

The purpose of this Explanatory Memorandum is to provide Shareholders with an explanation of the Resolutions and to assist Shareholders in determining how they wish to vote on the Resolutions.

1. RESOLUTION 1 - CAPITAL RETURN

1.1 Proposed Return of Capital

(a) Return of Capital

The Company proposes to make a cash payment to Shareholders of 8.5 cents per Share (representing approximately \$23,860,186 in total) as a return of capital (**Capital Return**).

If the Capital Return payment proceeds, payment will be calculated on a pre-consolidated basis.

The record date for determining entitlements to receive the Capital Return is 7:00pm Sydney time on 6 July 2021.

(b) Interdependency with Resolution 2 (Share Consolidation)

Although Shareholders will be asked to approve Resolution 1 (Capital Return) and Resolution 2 (Share Consolidation) as separate Resolutions, the Resolutions are interdependent.

This means that the approval of each Resolution is conditional on the approval of the other.

Shareholders should therefore consider both Resolutions and the relevant disclosures together.

(c) Payment Details

If Shareholders approve both Resolutions, the payments under the Capital Return will be made to eligible Shareholders on the payment date (see the timetable set out below) by direct credit to the bank, building society or credit union account nominated by each Shareholder for receipt of dividends.

1.2 Reasons for the Return of Capital

The Board considers that the Company has capital that is surplus to requirements and should be returned to Shareholders.

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

The Board is of the view that the proposed capital management initiative will ensure that the Company retains an efficient capital structure whilst maintaining sufficient flexibility to continue to pursue growth opportunities and maximize sustainable returns 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.

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

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

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

1.3 Requirements for the Return of Capital

(a) Equal Reduction

The proposed Capital Reduction constitutes an equal reduction of the Company's share capital for the purposes of the Corporations Act.

This is because it:

- relates only to ordinary shares;
- it applies to each holder of ordinary shares in proportion to the number of shares they hold; and
- the terms of the reduction are the same for each holder of ordinary shares.

(b) Corporations Act

Under section 256B of the Corporations Act, a company can reduce its share capital if the reduction satisfies three key requirements. Each requirement is set out below, together with a description of how that requirement is met in relation to the proposed Capital Return.

Requirement	How the Requirement is Satisfied
The reduction must be fair and reasonable to the Company's shareholders as a whole.	The Board considers that the proposed Capital Return is fair and reasonable to Shareholders as a whole. All Shareholders will be treated in the same manner and will receive a proportion of the share capital being returned which is equal to their shareholding in the Company.
The reduction must not materially prejudice the Company's ability to pay its creditors.	The Board has carefully reviewed the Company's business plan including assets, liabilities and expected cashflows, and is of the view that the Capital Return will not materially prejudice the Company's ability to pay its creditors. The Board is also satisfied as to the solvency of the Company following the proposed Capital Return.
The reduction must be approved by Shareholders under section 256C of the Corporations Act.	Shareholder approval is being sought at this EGM for the purpose of complying with the Corporations Act requirements. The proposed Capital Return must be passed by an ordinary resolution of the Company's shareholders. In accordance with section 256C(5) of the Corporations Act, a copy of this Notice of Extraordinary Meeting (including the Explanatory Memorandum) has been lodged with ASIC.

1.4 Effect of the Return of Capital on the Company

(a) Effect on Capital Structure

After the Capital Return, the Company's share capital will be reduced by approximately \$23,860,186.

No Shares will be cancelled in connection with the proposed Capital Return.

The Company is, however, separately proposing a consolidation of share capital which will impact the number of Shares held by each Shareholder (but will not impact on the control of the Company). Please see section 2 of this Explanatory Memorandum below for further information. For the avoidance of doubt, entitlements under the proposed Capital Return will be calculated based on the Company's pre-consolidation share capital.

(b) Impact on Financial Position of the Company

The proposed Capital Return will be funded from the Company's existing funding (i.e. borrowings and cash).

As a guide to assist Shareholders, a pro forma balance sheet is included below. The pro forma balance sheet uses 31 December 2020 as the relevant reference date, assuming that the proposed Capital Return was paid on that date.

The pro forma balance sheet has been derived from the Financial Report of the Company for the half year ended 31 December 2020, which report has been reviewed by the Company's external auditor. The pro forma balance sheet is presented in abbreviated form and does not contain all the disclosures that are usually provided in a financial report prepared in accordance with Australian Accounting Standards and the Corporations Act.

In summary, on a pro forma basis, the Company will have a strong balance sheet following the proposed Capital Return with sufficient capacity to meet the future requirements of the business and pursue potential growth opportunities and/or consider potential returns to Shareholders.

Pro Forma Balance Sheet

	Audited 31/12/20	Return on Capital Adjustment \$'000	Pro-forma unaudited
Current Assets			
Cash and cash equivalents	7,921	(7,921)	-
Trade and other receivables	59,836		59,836
Inventories	138,384		138,384
Other financial assets	2,775		2,775
Total Current Assets	208,916	(7,921)	200,995
Non-Current Assets			
Inventories	23,133		23,133
Other financial assets	4,548		4,548
Property, plant and equipment	114,550		114,550
Goodwill and other intangible assets	50,338		50,338
Deferred tax assets	19,310		19,310
Right-of-use-assets	48,744		48,744
Total Non-Current Assets	260,623		260,623
Total Assets	469,539	(7,921)	461,618
Current Liabilities			
Trade and other payables	38,813		38,813
Lease liabilities	6,360		6,360
Other financial liabilities	624		624
Provisions	5,689		5,689
Income received in advance	270		270
Total Current Liabilities	51,756		51,756
Non-Current Liabilities			
Borrowings	59,000	15,939	74,939
Lease liabilities	48,478		48,478
Other financial liabilities	240		240
Provisions	852		852
Total Non-Current Liabilities	108,570	15,939	124,509
Total Liabilities	160,326	15,939	176,262
Net Assets	309,213	(23,860)	285,353
Equity			
Issued Capital	465,490	(23,860)	441,630
Reserves	5,818		5,818
Accumulated Losses	(162,095)		(162,095)
Total Equity	309,213	(23,860)	285,353

(c) Impact on Growth Strategies

Having regard to the Company's current financial position, the profits of the Company's existing businesses, and the capacity to raise additional finance (if required), the Board is of the opinion that the proposed Capital Return will not materially impact the Company's ability to pursue its growth strategy (e.g. to fund new investment in its businesses as well as other development and expansion initiatives and opportunities).

(d) Share Price Impact

If the proposed Capital Return is implemented, Shares may trade at a lower share price following the 'ex' date for the Capital Return than they would have done had the Capital Return not been made. This is due to the outflow of funds to Shareholders.

However, the Share Consolidation will reduce the number of the Shares in a ratio that is consistent with the amount of the Capital Return. All else being equal, the Share Consolidation is expected to neutralise any reduction in the Company's share price specifically related to the Capital Return.

(e) Dividends

The Company does not have a dividend policy. Based on the last 10 years, the Company has paid approximately 50% of total net profit after tax as a dividend.

As the Capital Return is not a dividend payment, the Company's Dividend Reinvestment Plan does not apply to it.

(f) Credit Rating

In determining whether to implement the Capital Return, the Board has considered any potential impacts on the Company's credit rating and has determined that it will not impact on the Company's credit rating.

(g) Tax Implications for the Company

No adverse tax consequences are expected to arise for the Company as a result of the proposed Capital Return.

1.5 Tax Implications for Shareholders

The Company has received a draft Class Ruling from the Australian Taxation Office (ATO) dated 5 May 2021 seeking confirmation of the tax implications of the proposed return of capital. The ATO will not issue the Class Ruling in a form that is binding until after the completion of the capital return and share consolidation which is standard practice.

The draft Class Ruling confirms:

- the return of capital to shareholders is not a dividend;
- the Commissioner of Taxation will not make a determination under either subsection 45A(2) or paragraph 45B(3)(b) that section 45C of the Income Tax Assessment Act 1936 applies to any part of the return of capital to shareholders;
- Capital Gains Tax Event G1 will apply to the return of capital payment to reduce the tax cost base of each Shareholder's share in the Company. Where a Shareholder's tax cost base is less than the return of capital amount then a capital gain will arise;
- A foreign resident Shareholder who, together with associates, owns less than 10% of the Company, may disregard any capital gain that arises from the return of capital; and
- A foreign resident Shareholder who, together with associates, owns 10% or more of the Company, may disregard any capital gain arising from the return of capital if the shares do not pass the principal asset test in section 855-20 of the Income Tax Assessment Act 1997.

2. RESOLUTION 2 - SHARE CONSOLIDATION

2.1 Proposed Consolidation of Shares

(a) Consolidation of Shares

The Company proposes to consolidate its share capital by converting every Share into 0.90 Shares (**Share Consolidation**).

The consolidation ratio is effectively a 10% reduction in the total number of shares and together with Resolution 1, which is a Capital Return of 8.5 cents per share, reflects a share buy back of 1 share in every 10 for 85 cents. The 85 cents is based on the Company's Net Tangible Assets per share as at December 2020.

The record date for determining which Shareholders' holdings of Shares will be affected by the proposed Share Consolidation is 7:00pm Sydney time on 6 July 2021.

For the avoidance of doubt, entitlements under the proposed Capital Return will be calculated based on the Company's pre-consolidation share capital.

(b) Interdependency with Resolution 1 (Capital Return)

Although Shareholders will be asked to approve Resolution 1 (Capital Return) and Resolution 2 (Share Consolidation) as separate Resolutions, the Resolutions are interdependent.

This means that the approval of each Resolution is conditional on the approval of the other.

Shareholders should therefore consider both Resolutions and the relevant disclosures together.

(c) Treatment of Fractions

Where the Share Consolidation of a Shareholder's holding results in an entitlement to a fraction of a Share, the fraction will be rounded up to the next whole number of Shares.

The Company will take appropriate action (which may include disregarding the splitting or division) if it forms the view that Shareholder has been party to a shareholding splitting or division in an attempt to obtain an advantage from the rounding of fractional entitlements.

2.2 Reasons for the Consolidation of Shares

The Board considers that undertaking the Share Consolidation should, in isolation from all other factors which may influence the trading price of a Share:

- counteract the impact of implementing the Capital Return, on the trading price of Shares; and
- as result, should theoretically increase the trading price of Shares by an amount that offsets the reduction in the trading price of Shares that could be expected to result from Shares trading 'ex' an entitlement to participate in the proposed Capital Return.

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.

2.3 Requirements for the Consolidation of Shares

Under section 254H of the Corporations Act, a company may consolidate its shares (i.e. convert its shares into a smaller number of shares) if the consolidation is approved by an ordinary resolution of shareholders at a general meeting.

If the Resolutions are passed, the Company will lodge a copy of the Resolution with ASIC in relation to the Share Consolidation in accordance with section 254H(4) of the Corporations Act.

2.4 Effect of the Consolidation of Shares on the Company

The proposed Share Consolidation will reduce the total number of Shares in the Company from approximately 280.7 million to 252.6 million.

As the proposed Share Consolidation applies equally to all Shareholders, individual shareholdings will be reduced in the same ratio as the total number of Shares in the Company (subject only to the rounding of fractions). It follows that the proposed Share Consolidation will have no material effect on the percentage interest of each Shareholder in the Company.

Following the proposed Share Consolidation taking effect, the Company's share registry will issue each Shareholder with an updated holding statement/notice confirming the post consolidation shares held.

No adverse tax consequences are expected to arise for the Company as a result of the proposed Share Consolidation.

2.5 Tax Implications for Shareholders

The Company has received a draft Class Ruling from the Australian Taxation Office (ATO) dated 5 May 2021 seeking confirmation of the tax implications of the proposed return of capital. The ATO will not issue the Class Ruling in a form that is binding until after the completion of the capital return and share consolidation which is standard practice.

The draft Class Ruling confirms as follows:

- No capital gains tax event arises from the Share Consolidation however the tax cost base for each 10 shares held immediately prior to the share consolidation will become the tax cost base for the 9 shares immediately after the share consolidation.

3. OTHER MATTERS

3.1 Timetable

The following timetable has been approved by the ASX prior to the date of this Notice of Extraordinary General Meeting and assumes that the Resolutions are passed.

Date	Event/s
30 June 2021	Extraordinary General Meeting
2 July 2021	Last date for trading of Shares to be entitled to Capital Return
2 July 2021	Last day for trading in pre-consolidated Shares
5 July 2021	Ex-date [Shares traded from this date will not be entitled to the Capital Return]
5 July 2021	Commencement of trading in post-consolidated Shares on a deferred settlement basis Shares will trade during this period with a unique ticker code AVGDA instead of 'AVG'

Date	Event/s
6 July 2021	Record date [Entitlements to Capital Return will be determined on a pre-consolidation basis]
6 July 2021	Record date [Share Consolidation]
By 13 July 2021	Share Consolidation date - post consolidation Shares entered into register
13 July 2021	<p>Payment date for Capital Return</p> <p>Last day of deferred settlement trading</p> <p>Dispatch of holding statements reflecting changes to number of Shares held as a consequence of the Share Consolidation</p>
14 July 2021	Shares resume normal trading

3.2 Options and Performance Rights

As at the date of this Notice of Extraordinary General Meeting, the Company has the following unlisted Options and Performance Rights on issue under its Performance Rights and Options Plan (**Plan**):

Options (Current)

Number	Exercise Price	Expiry Date
985,200	\$0.528	1 November 2021
1,075,000	\$0.439	1 November 2022

Performance Rights (Current)

Number	Expiry Date
1,357,415	31 October 2021
1,357,415	31 October 2023

If the Resolutions are approved:

- the Options will also be reorganised in accordance with the terms of the Options and ASX Listing Rules 7.22.1 and 7.22.3 noting that:
 - clause 15 of the Plan provides that if the capital of the Company is reconstructed the Options will be treated in accordance with the ASX Listing Rules;
 - ASX Listing Rule 7.22.3 provides that in a return of capital (note the relevant payment in this case will be calculated on a pre-consolidated basis), the number of options must remain the same, and the exercise price of each option must be reduced by the same amount returned in relation to each ordinary share; and
 - ASX Listing Rule 7.22.1 provides that in a consolidation of capital, the number of options must be consolidated in the same ratio as the ordinary capital and the exercise price must be amended in inverse proportion to that ratio; and
- the Performance Rights will also be reorganised in accordance with the terms of the Performance Rights and ASX Listing Rule 7.21 noting that:

- clause 15 of the Plan provides that if the capital of the Company is reconstructed the Performance Rights will be treated in accordance with the ASX Listing Rules; and
- ASX Listing Rule 7.21 provides that an entity which has convertible securities (except options) on issue (note this includes performance rights) may only reorganise its capital if, in respect of the convertible securities, the number of securities or the conversion price, or both, is reorganised so that the holder of the convertible securities will not receive a benefit that holders of ordinary shares do not receive.

If the Resolutions are approved, after the Capital Return and Share Consolidation the Options and Performance Rights will be reorganised as follows:

Options (After Capital Return and Share Consolidation)

Number	Exercise Price	Expiry Date
886,680	\$0.487	1 November 2021
967,500	\$0.389	1 November 2022

Performance Rights (After Capital Return and Share Consolidation)

Number	Expiry Date
1,221,674	31 October 2021
1,221,674	31 October 2023

3.3 Directors' Interests

The number of securities in the Company in which each Director has an interest in as at the date of this Notice of Extraordinary General Meeting is set out in the table below.

Name	Securities
Richard Davis	110,000 ordinary shares
Craig Garvin	753,935 ordinary shares (held in trust and escrowed until July 2023)
John Davies	650,000 ordinary shares
Naseema Sparks	67,420 ordinary shares
Peter Perrin	221,174 ordinary shares
Jiang Yuan	39,055,527 ordinary shares

3.4 Board Recommendation

The Board unanimously recommends that Shareholders vote in favour of the Resolutions.

3.5 No Other Material Information

Other than as set out in this Notice of Extraordinary General Meeting (including the Explanatory Memorandum), and any other information previously disclosed to ASX or Shareholders, there is no other information that is known to the Board which may reasonably be expected to be material to the making of a decision by Shareholders whether or not to vote in favour of the Resolutions.

4. DEFINITIONS

In this Explanatory Memorandum, unless the context otherwise requires:

ASIC means the Australian Securities and Investments Commission.

ASX means the Australian Securities Exchange.

Board means the board of Directors of the Company.

Company means Australian Vintage Limited ACN 052 179 932.

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

Directors means the directors of the Company.

Resolutions means the resolutions proposed pursuant to the Notice of Extraordinary General Meeting.

Shareholder means the holder of a Share.

Shares means fully paid ordinary shares issued in the capital of the Company.

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