
YOWIE GROUP LTD

ABN 98 084 370 669

**EXPLANATORY STATEMENT IN RELATION TO
MEETING CALLED AT THE REQUEST OF
KEYBRIDGE CAPITAL LIMITED**

TIME: 11.00am (EST)
DATE: Monday, 5 August 2019
PLACE: The Grace Hotel
Pinaroo Room
77 York Street
Sydney, New South Wales

Your Board DOES NOT SUPPORT the removal of either Mr Carroll or Mr Watts

Your Board recommends you vote AGAINST these resolutions

Your Directors will be voting all of their shares AGAINST these resolutions

This Explanatory Statement 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 on (+61 8) 6268 2640.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Meeting to be held on Monday, 5 August 2019.

This Explanatory Statement should be read in conjunction with the Notice of Meeting dated 25 June 2019.

RESOLUTIONS - REMOVAL OF LOUIS CARROLL AND GLEN WATTS AS A DIRECTORS

Background

For the last 18 months Yowie has found itself the target of a concerted effort by entities associated with Farooq Khan and Nicholas Bolton to exert significant influence over Yowie. This has included various demands for board members to step down and for new directors representing them to be appointed.

In addition and during this period, those entities have demanded that shareholder meetings be called to remove directors (including the one the subject of this Explanatory Statement) as well as announcing two separate takeover bids but never proceeding with either.

Responding to all of these activities is distracting, time consuming and expensive.

Present attempt to remove directors

On 5 June 2019, Yowie received a requisition to convene a general meeting pursuant to section 249D of the Corporations Act from Keybridge Capital Limited.

At that time, Keybridge was the holder of approximately 6.5% of the shares in Yowie as well as having the right to control the vote attached to a further approximate 12.2% of the shares in Yowie held by an entity (HHY Fund) of which it was the investment manager.

Since then Keybridge:

- has been **suspended** from trading on the ASX;
- become **embroiled in litigation** with entities associated with Nicholas Bolton;
- had its investment management agreement with HHY **terminated**;
- is the **subject of a takeover** bid; and
- apparently has a **deadlocked** board.

At present, Keybridge now only speaks for 7.8% of the shares in Yowie. In addition, Farooq Khan on the one hand and Nicholas Bolton and John Patton on the other, both claim to represent Keybridge in relation to its shares in Yowie to the exclusion of the other.

Keybridge's request seeks the removal of both Louis Carroll, the Chairman, and Glen Watts from your Board. Keybridge has chosen not to provide you with its reasons as to why it wishes to remove all of the non-executive directors.

Yowie's financial health continues to improve

As you may have seen in Yowie's recent 4C update on 24 July 2019, Yowie continues to make good progress towards restoring its financial health.

The annual cash 'burn rate' was reduced by 58% last year and in the last quarter the burn rate was primarily caused by marketing launch expenditure and expenses in responding to the 249d meeting, associated demands and two unattractive takeover bids.

Very little of our remaining cash is being used in day to day operations and working capital requirements this financial year will consume less than 10% of our US\$16 million cash reserves.

The product offering has been expanded and will be further expanded in September. Distribution gains are also being made in all market channels. Items sold per store have begun to trend upwards again in our largest customer.

As a result, Yowie will be operating cash positively on a month to month basis later this financial year.

For this reason, we are proposing a capital return to all shareholders of 2c a share. We will be seeking shareholder approval in September for this capital return.

Recommendation

Your Board DOES NOT SUPPORT the removal of either Mr Carroll or Mr Watts

Your Board unanimously recommends you vote AGAINST these resolutions

Your Directors will be voting all of their shares AGAINST these resolutions

Frequently asked questions

Why was the meeting called?	Any shareholder (or group of shareholders) holding more than 5% of Yowie's issued capital is entitled to requisition a general meeting to have resolutions considered. Keybridge, who holds more than 5% of the shares in Yowie, has requisitioned this meeting.
Why does Keybridge wish to remove Mr Carroll and Mr Watts as Directors?	Keybridge is entitled to provide a statement to you that sets out its reasons for requesting the removal of directors. Keybridge has decided not to avail itself of this right or provide you with its reasons.
If I have already lodged a proxy, can I lodge a new one	Yes. A shareholder is entitled to lodge a new proxy which will automatically replace its existing proxy. Alternatively, you can attend and vote at the meeting instead of the proxy. All proxy forms must be received by Yowie by 11 am (EST) on Saturday, 3 August 2019.

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