

ASX Compliance Pty Limited
Level 4 North Tower, Rialto
525 Collins Street
MELBOURNE VIC 3000

Attention: Todd Lewis

18th June 2021

By email: listingscompliancemelbourne@asx.com.au

Dear Mr Lewis

Response to ASX Query Letter

We refer to your letter dated 12th May 2021. Our response follows using the numbered points set out in your letter.

To the extent any information below pertains to the transaction between AustAgri and Cedar Meats, the responses below reflect the information that has been provided by AustAgri to DomaCom about this transaction.

1. In relation to the Cedar Meats Acquisition and Replacement Lender:

(i) Please clarify who is the Replacement Lender?

[The replacement lender wishes to remain confidential.](#)

(ii) Please clarify what amount is being borrowed under the replacement lending facility?

[This is confidential.](#)

(iii) Please clarify what is the interest rate and maturity for the amount being borrowed?

[These are confidential.](#)

(iv) Please clarify what security will the Replacement Lender have?

[The lender will have first registered mortgages over two properties held by Cedar Meats Pty Ltd \(Cedar Meats\) and associated entities as well a General Security Agreement \(GSA\) against the business of AustAgri Group Limited \(AustAgri\) and Cedar Meats and personal guarantees from the directors and key shareholders of AustAgri. Additional guarantors may be required after the replacement lender's due diligence.](#)

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(v) Please explain that if less than the full amount of the purchase price for Cedar Meats is debt-funded via the Replacement Lender, how is the balance of the purchase price for the Cedar Meats Acquisition being funded?

There is no shortfall. There is a vendor finance component which will be delivered by the sale of the Brooklyn property.

(vi) Please clarify what are the conditions precedent for the loan and settlement of the purchase of Cedar Meats?

The key conditions precedent for the final payment in the settlement will be:

- The completion of a revised market valuation of the underlying properties no less than the amount specified in the signed Term Sheet.
- Completion of financial and legal due diligence by financiers
- Completed lease agreements for the two underlying properties.

(vii) Will DCL have any obligations and/ or exposure to this loan? Please provide details.

DomaCom Limited and its subsidiaries have no obligation or exposure to this loan.

(viii) Please clarify if there is there a deadline for completion of the acquisition of Cedar Meats?

There is no firm deadline for the acquisition of Cedar Meats. DomaCom plan to extend the timeframe for the arrangements with AustAgri, the proposed Scheme of Arrangement and formation of the Sub-Fund whilst the purchase agreement between AustAgri and Cedar Meats is still in effect and both parties are engaged in reaching a settlement. We do not expect that this will extend past June 30th 2021.

(ix) Please clarify if the \$7m deposit is refundable if the acquisition does not proceed?

AustAgri have legal advice indicating that the \$7 million deposit would be refundable.

(x) Please explain how further acquisitions by AustAgri are proposed as well as to be funded?

Assuming AustAgri is acquired by a DomaCom sub-fund, it is anticipated that subsequent acquisitions will be funded by a combination of equity and debt components as commercially appropriate. The equity component will be funded via the issuance of a Supplementary Product Disclosure Statement (SPDS) that would be issued as part of the terms of the DomaCom Fund Product Disclosure Statement (PDS). The DomaCom Fund is a registered managed investment scheme setup to specifically allow for this activity.

(xi) What contribution and/ or security would DCL be expected to provide in relation to future acquisitions by AustAgri?

None

2. In relation to the AustAgri Transaction and the allegations raised in the ACA Segment:

(i) Please clarify who are AustAgri's directors, major shareholders and their relationship (if any) to DCL?

The Directors of AustAgri are:

- Alan Hessel Schmidt
- Narinder Bahl
- Andrew Chan

Also, Paul Fielding is now the sole director of key AustAgri subsidiary Global Meats Exports Pty Ltd. There is no relationship between these directors and DomaCom Limited or any of its subsidiaries.

The major shareholders of Austagri are:

<u>Name</u>	<u>% Ownership</u>	<u>Beneficial Owner</u>
International Capital Group Australia Pty Ltd	19.12%	Paul Fielding
Simply Brilliant Pty Ltd	9.95%	Tony D’Anna & associate entities
First Class Property Group Pty Ltd	9.45%	Tony Rifat
Wisteria Schmidt Pty td	3.63%	Alan Schmidt
Bahl Empire Pty Ltd	3.38%	Narinder Bahl

Other than a small (0.20%) holding in DCL by an AustAgri shareholder, there is no relationship between any of these shareholders and the DomaCom Fund, DomaCom Limited or any of its subsidiaries.

(ii) Noting DCL’s announcement on 4 September 2020 included information about the nature of AustAgri, please clarify what business AustAgri currently conducts?

An AustAgri subsidiary has a contract to purchase Cedar Meats for which a \$7 million deposit has been paid and further working capital payments taking the total payments made to \$9.41 million. The Cedar Meats transaction includes the purchase of two Cedar Meats properties being the abattoir in Brooklyn and the cold storage property in Footscray.

Otherwise, the non-material nature of DomaCom’s comments in the first paragraph on page two of its ASX announcement ‘DomaCom announces \$3.6m placement as part of a \$16.6m recapitalisation proposal with potential \$300m additional FUM’ dated 4 September 2020 ¹is outlined below.

DCL acknowledges that statements made in the first paragraph on page two of the September Announcement concerning the operations and assets of AustAgri Group Limited (AAGL) were partially inaccurate.

Although it is evident that the intention of this paragraph was to refer to a state of affairs that would exist if the acquisition of Cedar Meats by AAGL and the acquisition of AAGL by a DomaCom sub-fund were to complete, DCL accepts that AAGL does not currently have active operations in dairy, fresh milk, milk powder and infant formula, the export of livestock and chilled beef and lamb. DCL understands from AAGL that each of these businesses form part of the “paddock to plate” acquisition strategy referred to in the relevant paragraph which, once completed, are expected to result in AAGL holding assets valued in the region of \$300 million.

DCL does not consider that the above position gives rise to a material inaccuracy requiring publication of a corrective announcement under Listing Rule 3.1 for at least the following reasons:

1. There is no relationship between the operations or assets of AAGL and the revenue DCL expects to receive from the proposed transaction. DCL revenue is primarily a factor of the value of funds under management within the DomaCom Fund and separately agreed fee arrangements (such as the arrangement entered into with AAGL to pay a minimum annual fee of \$2.6million);

¹ A statement in substantially similar terms was repeated in an announcement made by DCL on 21 December 2020

2. The relevant statements were provided by way of background only and to provide further context to investors in relation to the primary subject matter of the September Announcement;
3. The DCL share price did not materially change following the release of the September Announcement. In these circumstances, it may reasonably be inferred that the September Release did not in itself have a material effect on the price or value of DCL's securities (let alone, the specific statement that were not accurate, as noted above);
4. The actual closing price on 19 August 2020 prior to entering the trading halt and the subsequent 4th September 2020 announcement was 8.0 cents and reached a high of 9.5 cents on 4th September 2020 and 10.0 cents on 7th September. This price movement is not material for DCL and has occurred on numerous occasions since the company listed; and
5. The trading volume for the days after the 4th September 2020 was significantly higher than normal which the company believes is reasonable given the material announcement of a successful \$3.6 million placement and a potential transaction with a \$13 million minimum fee.

(iii) Please clarify what are the AustAgri assets and liabilities (if any) being acquired by DCL as part of the AustAgri Transaction?

No assets or liabilities are being acquired by DCL.

(iv) Please clarify what fees DCL will receive to manage the asset(s) of AustAgri.

DCL's subsidiary, DomaCom Australia Limited, will receive 0.88% of the value of the DomaCom sub-fund that will own 100% of the shares issued by AustAgri with a minimum annual fee of \$2.6 million plus GST.

(v) Please provide a summary of the main commercial terms of the AustAgri Transaction including those relating to DCL's expectation of earning an annual fee of a minimum of \$2.6 million per annum based solely on the ownership of Cedar Meats by AustAgri.

- A newly-established DomaCom sub-fund will acquire 100% of the issued shares in AustAgri by way of scheme of arrangement undertaken by AustAgri;
- As consideration for the acquisition of AustAgri by the DomaCom sub-fund, AustAgri shareholders will receive 1 unit in the DomaCom sub-fund for every 1 AustAgri share held;
- DomaCom Australia Limited, will receive 0.88% of the value of the DomaCom sub-fund that will own 100% of the shares issued by AustAgri with a minimum annual fee of \$2.6 million plus GST for a period of 5 years;
- DomaCom will issue 100,000,000 DomaCom shares to AustAgri shareholders in recognition of the minimum \$13,000,000 in revenue over a five year period that is expected to be delivered to DomaCom for management of the relevant DomaCom sub-fund;
- Implementation of the proposal is subject to the following conditions:
 - o satisfactory completion of the acquisition of Cedar Meats by AustAgri;
 - o satisfactory completion of legal and financial due diligence by DomaCom and AustAgri;
 - o AustAgri shareholder approval of the scheme of arrangement;
 - o DomaCom shareholder approval for the proposed issue of shares to AustAgri shareholders and the proposed acquisition of AustAgri by the DomaCom sub-fund; and

- parties obtaining all necessary ASX waivers, rulings or approvals, (collectively, the Conditions);
- if any of the Conditions are not fulfilled, implementation of the proposal will not proceed; and
- following fulfilment of the Conditions, it was proposed that Phillip Pryor, Managing Director of AustAgri, will be appointed to the Board of DomaCom. As Phillip Pryor is no longer AustAgri CEO, it is anticipated that AustAgri will nominate an alternative appointment.
- DomaCom has copies of historic audited accounts from Cedar Meats for the last 2 years with net profits in the previous financial years that demonstrate that AustAgri will have capacity to pay the \$2.6 million fee DomaCom just from this first acquisition.
- In addition, DomaCom has been provided with unaudited accounts for the current financial year that indicate a deterioration in performance incurring a loss for the 8 months to February 2021. We believe that this was partly due to a combination of the COVID-19 outbreak and the impact of a reduction in working capital as a result of the delay in settlement of the acquisition.
- Part of the financing strategy is to sell & lease back the two properties that are part of the transaction to repay the transaction loans which include the interest as a balloon payment on repayment of the loans. Thus there will be no ongoing requirement to pay interest - just the ongoing lease payment.
- The independent due diligence that will be completed subsequent to the acquisition will include a review of normalised financial performance once interest and family payments are excluded and working capital (including lease payments) has been increased. Any ongoing capital expenditure needs will also be included in the due diligence review.
- We note that there are no ongoing Work Health & Safety (WHS) or Occupational Health & Safety (OH&S) investigations (or similar) following the COVID-19 outbreak at the Cedar Meats factory in 2020, and there have been no WHS/OH&S fines or penalties (or similar) as a result of the outbreak.

(vi) What are the remaining conditions precedent to be satisfied before the AustAgri Transaction is completed?

The remaining conditions are as follows:

- Satisfactory completion of financial and legal due diligence by DomaCom of AustAgri.
- The completion of a revised market valuation of the underlying properties;
- The Scheme of Arrangement by AustAgri shareholders to approve the transition into the DomaCom Fund; and
- A refresh of the approval of the AustAgri transaction by DCL shareholders at an EGM to be held in July 2021.

(vii) Please clarify how AustAgri shareholders realise value by accepting units in the DCL Sub-Fund in exchange for their shares in AustAgri.

Assuming that the transaction between the AustAgri shareholders and DomaCom completes:

The key value accretion strategy for AustAgri shareholders is that by being on the DomaCom platform with the enhanced governance structures will allow the company to be able to raise equity and debt much easier going forward and thus be able to implement its “roll up” strategy.

Based on an Information Memorandum dated 2nd June 2020 for an offer of converting preference shares and options to sophisticated and professional investors and discussions with AustAgri the short-term strategy for the company is as follows:

- AustAgri will expand Cedar meats Lamb and goat business with acquisition of several other beef & pork businesses which will enable AustAgri to be able to bid for supermarket business to be the sole protein provider;
- One of the subsequent companies intended to be acquired by AustAgri has a distribution Heads of Agreement with a 300+ supermarket chain that will greatly increase the sales of the underlying business, and
- The distribution Heads of Agreement is expected to result in a significantly increased revenue and EBIT for AustAgri through providing an additional significant distribution channel for Cedar Meats and the planned subsequent acquisitions by AustAgri which is expected deliver an enhanced return to AustAgri shareholders.

The medium-term strategy for AustAgri is that over the next 3 years it will seek to build a portfolio of assets in the agricultural/food space that will result in an attractive and growing EBIT.

AustAgri will then target an IPO on the ASX once they have established trading/profit history so that they will get the valuation uplift when unlisted companies list on the ASX.

If AustAgri were to list before the expiry of the 5-year minimum term, they would be required to pay the termination fee of the remaining portion of the \$13 million minimum fee due to DomaCom.

(viii) Please clarify whether the DCL Sub-Fund will be newly incorporated or does it already exist?

This will be a new sub-fund that will be created if all AustAgri shareholders accept a scheme of arrangement to exchange their shares for units in the newly created sub-fund.

(ix) Please clarify what percentage of units in the sub-fund will be owned by DCL after the issue of units to AustAgri shareholders?

None. DomaCom will not own any units.

(x) Please clarify what form of return will AustAgri shareholders receive as unitholders in the DCL Sub-Fund?

They will receive the net income distributed by AustAgri Ltd less our \$2.6 million fee. Additionally, they will receive any capital gain (or loss) based on the future valuations of the underlying assets in the sub-fund.

(xi) Please explain how entering into the AustAgri transaction is intended to generate returns for DCL shareholders.

This will increase our annual revenue from just over \$400K to over \$3 million per year which takes the company much closer to breakeven and significantly reduces the need for future capital raisings.

3. Please confirm that DCL is complying with the Listing Rules and, in particular, Listing Rule 3.1.

We confirm we are complying with the Listing rules and, in particular Listing Rule 3.1

4. Please confirm that DCL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of DCL with delegated authority from the board to respond to ASX on disclosure matters.

We confirm that DCL's responses to the questions above have been authorised and approved by an officer of DCL with delegated authority from the board to respond to ASX on disclosure matters.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Philip Chard', written over a diagonal line.

Philip Chard
Company Secretary



12 May 2021

Reference: ODIN34643

Mr Phillip Chard
Chief Financial Officer and Company Secretary
DomaCom Limited
Level 6, 99 Queen Street
Melbourne, VIC, 3000

By email:

Dear Mr Chard

DomaCom Limited ('DCL'): General – Aware Query

ASX refers to the following:

ASX Limited ('ASX') refers to the following:

- A. DCL's announcement entitled *"DomaCom announces \$3.6m placement as part of a \$16.6m recapitalisation proposal with potential \$300m additional FUM"* lodged on the ASX Market Announcements Platform ('MAP') on 4 September 2020, disclosing:
- (i) DCL's proposed acquisition of AustAgri Group Limited ("AustAgri") by way of a newly-established DCL managed sub-fund ("DCL Sub- Fund") acquiring 100% of the issued shares in AustAgri by a scheme of arrangement ("AustAgri Transaction").
 - (ii) DCL to receive \$13 million, or \$2.6 million per annum, in revenue over five years for management of the DCL Sub- Fund.
 - (iii) The nature of AustAgri's business as follows (emphasis added):
"AustAgri is an unlisted public company with operations spanning dairy, fresh milk, milk powder and infant formula, as well as the export of livestock and chilled beef and lamb. AustAgri is currently in the process of completing the initial acquisitions of a "paddock to plate" series of businesses that range from farms, abattoirs, food processing and food distributions businesses with the initial value of the assets expected to be in the region of \$300 million. If completed, it is expected that the transaction will increase DomaCom's total Funds under Management (FUM) to approximately \$373 million."
- B. DCL's announcement entitled *"DomaCom nears completion of AustAgri Transaction"* lodged on MAP on 1 April 2021, disclosing:
- (i) Settlement of AustAgri's first acquisition being Cedar Meats Pty Ltd ("Cedar Meats"), which is expected to complete in the "next few weeks" ("Cedar Meats Acquisition").
- C. DCL's announcement entitled *"DomaCom March Quarter Update"* lodged on MAP on 30 April 2021, disclosing:
- (i) Finalisation of the financing strategy and term sheets in relation to the Cedar Meats Acquisition.
 - (ii) A replacement lending facility in relation to the Cedar Meats Acquisition ("Replacement Lender").

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- D. The A Current Affair television segment entitled *“The QCs, the conman and the spectacular stock market deal”* aired on the Channel Nine Network¹ on 6 May 2021 (“ACA Segment”), which alleged the following:
- (i) As quoted, *“a subsidiary of AustAgri has a purchase contract to acquire Cedar Meats for which a circa \$7 million deposit has been paid.”*
- E. DCL’s announcement entitled *“Request for Trading Halt”* lodged on MAP on 7 May 2021, sought to clarify information within the ACA Segment (“Trading Halt”).
- F. DCL’s announcement entitled *“AustAgri Transaction Update”* lodged with ASX [and not released on MAP] on 10 May 2021, disclosing:
- (i) On 7 May 2021, AustAgri had entered into a binding term sheet with a Replacement Lender that, subject to satisfying all conditions precedent, will allow the settlement of the purchase of Cedar Meats.
- G. DCL’s announcement entitled *“Voluntary Suspension”* lodged on MAP on 11 May 2021, sought to respond to ASX’s queries relating to the AustAgri Transaction, Cedar Meats Acquisition and the ACA Segment (“Suspension”).

Request for information

Having regard to the above, ASX considers that DCL should clarify details surrounding the AustAgri Transaction as well as those raised in the ACA Segment. Accordingly, ASX asks DCL to respond separately to each of the following requests for information:

1. In relation to the Cedar Meats Acquisition and Replacement Lender:
 - (i) Please clarify who is the Replacement Lender?
 - (ii) Please clarify what amount is being borrowed under the replacement lending facility?
 - (iii) Please clarify what is the interest rate and maturity for the amount being borrowed?
 - (iv) Please clarify what security will the Replacement Lender have?
 - (v) Please explain that if less than the full amount of the purchase price for Cedar Meats is debt-funded via the Replacement Lender, how is the balance of the purchase price for the Cedar Meats Acquisition being funded?
 - (vi) Please clarify what are the conditions precedent for the loan and settlement of the purchase of Cedar Meats?
 - (vii) Will DCL have any obligations and/ or exposure to this loan? Please provide details.
 - (viii) Please clarify if there is there a deadline for completion of the acquisition of Cedar Meats?
 - (ix) Please clarify if the \$7m deposit is refundable if the acquisition does not proceed?
 - (x) Please explain how further acquisitions by AustAgri are proposed as well as to be funded?
 - (xi) What contribution and/ or security would DCL be expected to provide in relation to future acquisitions by AustAgri?

¹ Available online at <https://9now.nine.com.au/a-current-affair/asic-examining-stock-market-deal-austagri/263e2b13-fe32-48c5-9929-3156f08ea258>

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2. In relation to the AustAgri Transaction and the allegations raised in the ACA Segment:
- (i) Please clarify who are AustAgri's directors, major shareholders and their relationship (if any) to DCL?
 - (ii) Noting DCL's announcement on 4 September 2020 included information about the nature of AustAgri, please clarify what business AustAgri currently conducts?
 - (iii) Please clarify what are the AustAgri assets and liabilities (if any) being acquired by DCL as part of the AustAgri Transaction?
 - (iv) Please clarify what fees DCL will receive to manage the asset(s) of AustAgri.
 - (v) Please provide a summary of the main commercial terms of the AustAgri Transaction including those relating to DCL's expectation of earning an annual fee of a minimum of \$2.6 million per annum based solely on the ownership of Cedar Meats by AustAgri.
 - (vi) What are the remaining conditions precedent to be satisfied before the AustAgri Transaction is completed?
 - (vii) Please clarify how AustAgri shareholders realise value by accepting units in the DCL Sub-Fund in exchange for their shares in AustAgri.
 - (viii) Please clarify whether the DCL Sub-Fund will be newly incorporated or does it already exist?
 - (ix) Please clarify what percentage of units in the sub-fund will be owned by DCL after the issue of units to AustAgri shareholders?
 - (x) Please clarify what form of return will AustAgri shareholders receive as unitholders in the DCL Sub-Fund?
 - (xi) Please explain how entering into the AustAgri transaction is intended to generate returns for DCL shareholders.
3. Please confirm that DCL is complying with the Listing Rules and, in particular, Listing Rule 3.1.
4. Please confirm that DCL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of DCL with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEST Tuesday, 18 May 2021**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, DCL's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require DCL to request a trading halt immediately.

Your response should be sent to me by e-mail at ListingsComplianceMelbourne@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to DCL's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that DCL's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Todd Lewis
Adviser, Listings Compliance (Melbourne)