

MEDIA RELEASE

19 August 2024

DMC offer to acquire Orbx Limited

HIGHLIGHTS

- **Transaction** - Design Milk Co. Limited (**DMC** or the **Company**) intends to acquire all of the fully paid ordinary shares in Orbx Limited (**Orbx**), an unlisted Australian public company that creates digital simulated environments for the gaming and business markets.
- **Orbx Business** – The Orbx business offers a unique opportunity for DMC (which was removed from the official list of ASX on 2 August 2024) and its shareholders to support and benefit from the potential growth of Orbx both vertically in the flight simulation and aviation space, as well as horizontally across other simulation platforms.
- **Name** - DMC intends to change its name to “Orbx Holdings Limited”, subject to obtaining the approval of its shareholders (**DMC Shareholders**).
- **Board** – The Board of DMC will be restructured to provide expertise aligned to the Orbx business.
- **Recommendation** – With the exception of Mike Hill who is a director of DMC and Orbx and therefore abstains from providing a recommendation, the current boards of DMC and Orbx unanimously recommend the transaction, and each Orbx director intends, subject to no superior proposal emerging, to vote all shares they control in favour of the transaction.
- **Capital Raise** – Following completion of the transaction, DMC will consider capital raising options, which could include a potential listing on ASX, to raise a minimum of \$5m.

Transaction Summary

The Company is pleased to announce that it has entered into a heads of agreement (**HoA**) with Orbx that sets out the terms the Company will offer to acquire all of the fully paid ordinary shares in Orbx (**Orbx Shares**) by way of an off-market takeover bid (**Takeover Offer**).

Under the Takeover Offer, the Company will offer to the holders of Orbx Shares (**Orbx Shareholders**) 0.588 shares in DMC (**DMC Shares**) (on a post-Consolidated basis of 10:1) for every one (1) Orbx Share held.

The Takeover Offer will be subject to the satisfaction of certain bid conditions including, amongst others:

- a) 90% minimum acceptance by Orbx Shareholders under the Takeover Offer;
- b) no material adverse change, prescribed occurrence or regulated event in relation to Orbx having occurred;
- c) completion of due diligence to the satisfaction of both parties, which may include but not be limited to tax, commercial, legal, financial due diligence;
- d) obtaining all regulatory approvals, if and to the extent required to give effect to the Takeover Offer; and
- e) entry into new employment contracts with DMC by key Orbx personnel.

If the conditions of the offer under the HoA are not satisfied or waived before the end of the

Takeover Offer, the proposed acquisition of Orbx (**Proposed Transaction**) will not proceed.

The HoA includes standard exclusivity arrangements (including “no shop”, “no talk” and “no due diligence” restrictions and notification obligations) in favour of DMC, and a “notification” and “matching right” in favour of DMC. The exclusivity arrangements are subject to customary exceptions that enable the directors of Orbx and DMC to comply with their respective fiduciary and statutory duties.

About Orbx

Orbx is an Australian company specialising in the creation of highly engaging digital simulations of real life environments.

Orbx has several revenue sources:

- Gaming – Orbx develops environments for third party games, such as its recent development of the Kola Peninsula (high-fidelity terrain for combat simulations) for DCS (Digital Combat Simulator). Orbx has also developed Project Mach, a prototype for a highly interactive racing using Unreal Engine 5;
- Digital Twins – Orbx creates digital environments for commercial partners, such as the development of fully rendered airports and cities in Unreal Engine 5 (e.g. Melbourne Airport, Brisbane Airport, and the City of Los Angeles);
- Simulation Products – Orbx has over 500 simulation add-ons which are sold through an extensive marketplace delivering both Orbx’s proprietary scenery as well as products created by third parties – see www.orbxdirect.com; and
- B2B Services – Orbx provides services to third parties that are creating or refining digital simulation environments, including Microsoft.

Appropriate Enquiries

The Company confirms that it has undertaken appropriate enquiries into the assets and liabilities, financial position and performance, profits and losses, and prospects of Orbx for the directors of DMC to be satisfied that the Proposed Transaction is in the best interest of DMC Shareholders.

Proposed Changes to the Board and Management

Anna Cicognani, the current CEO and Managing Director of Orbx, has agreed to become the CEO of DMC following completion of the Proposed Transaction.

The details and qualifications of the proposed directors of DMC following completion of the Proposed Transaction (**Proposed Directors**) are set out below.

Anna Cicognani – Chief Executive Officer and Managing Director

- Dr Cicognani commenced as CEO of Orbx in September 2019 and became Managing Director and a Board member on 16 March 2021.
- Prior to her role at Orbx, she served as CEO of Geo Limited (NZX: GEO), from February 2015 to February 2018 and was appointed to the role of managing director of GEO in June 2016.
- Dr Cicognani has served as CEO and in other executive level roles in public and private companies, such as OzEmail, APN News and Media Limited (ASX: APN), PMP Limited (ASX: PMP) (now Ovato), Telstra Corporation Ltd (ASX: TLS) and Fairfax Media Limited. She has been involved in digital media and technology projects of all sizes, as an operator and an investor for over 25 years. She has accumulated valuable experience in using

technology to operate efficiently and grow sales and customer engagement.

- Dr Cicognani is currently a member of the board of Athletics Australia. Dr Cicognani holds a PhD from the University of Sydney and is an Honorary Professor at the University of Wollongong in the Faculty of Engineering and Information Sciences.

Mike Hill – Non-Executive Chair

- Mr Hill co-founded Bombora Group in 2014, an investment firm focusing on Australian and New Zealand companies which were pre-IPO and listed small caps. He is a former operational partner of Ironbridge, a private equity firm with \$1.5 billion funds under management, and was previously a partner of Ernst & Young.
- Mr Hill has significant board experience including currently serving as chair of Orbx Limited, DMC, Janison Education Group Limited (ASX: JAN), and Beamtree Holdings Limited (ASX: BMT), he is also a non-executive director of, Mad Paws Holdings Limited (ASX: MPA) and Gratifii Limited (ASX: GTI).

Craig Cameron – Non-Executive Director

- Mr Cameron has approximately 30 years' CEO and board experience in a broad range of industries. Over this time, he has lived and worked in the US, Canada, Japan, Australia and New Zealand. He has run start-ups, turnarounds and mature businesses in the IT services, nutraceuticals, information technology, communications, healthcare and clean technology industries.
- Mr Cameron was chief strategist and head of business development for both a Fortune 100 company in the US and for Telstra in Australia. He has been a director of multiple listed and unlisted companies in the US, Japan, Australia, the UK, Singapore, UAE and New Zealand. Mr Cameron has a bachelor's degree in civil engineering from the University of Queensland.

James Scott – Non-Executive Director

- Mr Scott is currently an operational advisor to a private equity firm Liverpool Partners and is a non-executive director of Integrated Research (ASX: IRI). He is also the chair of marketing firm Merchantwise Group Pty, chair of IT Services business Seisma and was previously a non-executive chair of Skyfii (ASX: SKF) a data and analytics business.
- Mr Scott was the managing director of Accenture Digital, a partner in KPMG's Advisory division and was the Chief Operating Officer of Seven Group Holdings (ASX: SVW). He was a founder and director of Imagine Broadband Limited and was a director of WesTrac and Coates Hire during his time at Seven Group.
- Mr Scott holds a Bachelor of Electronic & Electrical Engineering (Hons) Degree from Loughborough University and is a Fellow of Engineers Australia, FIEAust CPEng and a graduate of the Australian Institute of Company Directors.

John Venema – Non-Executive Director

- Mr Venema founded Orbx in 2006 and was CEO until 2019.

- Before founding Orbx, Mr Venema had a successful information technology career spanning 27 years including senior management roles with US based multinational logistics and software companies. His roles included software coding and support, sales management, pre-sales engineering, marketing, channel management, and corporate evangelism.
- He has worked in over 25 countries including extensive periods in Asia, the UK, USA and Europe.

In planning for the change to the board as part of the Proposed Transaction, it is anticipated that Bryan Zekulich and David Willington will resign as directors of the Company upon the appointment of the Proposed Directors.

Further information will be provided when that occurs, or the timing of those resignations is confirmed, however it is anticipated that approval for the election of the Proposed Directors will be sought at the upcoming annual general meeting (**AGM**).

Consolidation

Prior to commencement of the Takeover Offer, the Company will hold an extraordinary general meeting of its shareholders (**EGM**) to approve a consolidation of its capital on a 10:1 basis (such that every ten (10) DMC Shares will be consolidated into one (1) DMC Share) (**Consolidation**). The rationale for the Consolidation is to ensure the Company has an appropriate issued capital structure before commencing the Takeover Offer.

AGM

Following completion of the Proposed Transaction, the Company intends to seek the approval of its shareholders at the AGM for the following resolutions:

- a) the change of the Company's name to "Orbx Holdings Limited";
- b) the election of the Proposed Directors;
- c) appointment of a new auditor;
- d) the adoption of a new constitution; and
- e) the adoption of a new management incentive plan.

Full details of the resolutions will be set out in the AGM notice of meeting.

DMC's Business Model and Strategy (including Orbx)

Following completion of the Proposed Transaction, the Company's proposed business model will be solely that of the Orbx business, which is to focus on providing technology driven solutions to the gaming and simulation industry.

Main activities and key features of business model

Orbx develops content for flight simulation platforms. Orbx currently has a digital library of over 1,500 proprietary and third party products sold and downloadable on orbxdirect.com under four major product categories:

- Global Range: these are the main products acquired by new customers and cover vast geographical areas;
- Regions & TrueEarth: these focus on a particular location and offer significant details and quality for that location;
- Airports & Cityscapes: scenery for airports/cities; and

- Utilities: sound packs, animations and special effect products to enhance the digital experience in flight simulation.

Each product is built for a certain branded simulator, then replicated for use in alternate simulators. This means the product can be launched to customers then re-launched over time to alternate platforms, to be used on multiple simulator applications.

As flight simulators are open platforms, Orbx continues to produce content which enhances the customer experience and allows users to expand their library of owned products for long term enjoyment.

Orbx's top 5 markets for sales are the US, UK, Germany, France and Australia.

Material business risks

The material business risks of the Company following completion of the Proposed Transaction include:

- reliance on providers of external simulation platforms for growth in customer base;
- ability to retain developer talent and key employees;
- compliance risks, including taxation, associated with selling products in numerous overseas jurisdictions via online marketplace;
- competition from other providers of digital content;
- reliance on high volume customers to drive revenue growth;
- digital piracy; and
- ability to scale the business.

Existing and proposed level of operations

Orbx's mission is to create extraordinary digital worlds, not just for flight simulation, but for other platforms with digital twins. Orbx operates in Australia and the UK, with a total team of circa 45 employees, 25 of them dedicated to development work, and has customers in over 190 countries. Orbx intends to grow both vertically in the flight simulation and aviation space, and horizontally across other simulation platforms. Open worlds require a large amount of content to render the experience realistic, and Orbx is perfectly positioned to produce beautiful scenery and imagery across a variety of environments.

The extension of capabilities in Orbx guarantees a widely open market of increasing audiences who access replicas of the real world and imagined settings.

Related Party Disclosures

The current directors of DMC have the following interests in the securities of the Company (on a post-Consolidation basis, subject to rounding) and Orbx:

Director of DMC	Interest in securities of DMC	Interest in securities of Orbx
Mr Mike Hill	86,802 shares 44,133 options 10 convertible notes	145,375 shares 250 convertible notes
Mr Bryan Zekulich	Nil	259,763 shares
Mr David Willington	Nil	83,072 shares

Each of Mr Mike Hill, Mr Bryan Zekulich and Mr David Willington is a director and shareholder of

Bombora Investment Management (**BIM**). BIM has the following interests in the securities of the Company (on a post-Consolidation basis, subject to rounding) and Orbx:

	Interest in securities of DMC	Interest in securities of Orbx
Bombora Investment Management	206 convertible notes	7,423,779 shares 10,550 convertible notes

The Proposed Directors have the following interests in the securities of the Company and Orbx (on a post-Consolidation basis, subject to rounding):

Director of Orbx	Interest in securities of DMC	Interest in securities of Orbx
Mr Mike Hill	see above	see above
Dr Anna Cicognani	Nil	416,667 shares 5,995,505 loan shares 454 convertible notes
Mr Craig Cameron	Nil	379,055 shares 1,363 convertible notes
Mr James Scott	Nil	20,833 shares 227 convertible notes
Mr John Venema	Nil	25,796,533 shares

Control Issues

At completion of the Proposed Transaction, it is anticipated that an Orbx Shareholder associated with a current director of Orbx, Mr Jeffrey Wicks, will hold approximately 24.6% of the total issued share capital of DMC.

Mr Wicks will resign as a director of Orbx upon completion of the Proposed Transaction.

Capital Raising

Following completion of the Proposed Transaction, the Proposed Directors will consider the funding needs of the consolidated business and determine the most appropriate means to access funds.

As at the date of this announcement, the directors of DMC and Orbx are of the view that a raise of \$5m will be required to fund the operations of the business appropriately, whether by way of equity capital or debt funding.

Following completion of the Proposed Transaction, the Proposed Directors will be in a better position to determine funding requirements and will advise shareholders of a proposed approach.

Indicative Timetable

The indicative timetable for completion of the Proposed Transaction and associated events is outlined below:

Event	Date*
Dispatch notice of EGM	19 August 2024
Date of EGM	11 September 2024
DMC register is updated following Consolidation	13 September 2024
Date that the Bidder's Statement was lodged with ASIC	16 September 2024

Takeover Offer opens	18 September 2024
Takeover Offer closes (unless otherwise extended or withdrawn)	23 October 2024
Completion of the Takeover Offer and issue of Consideration under the Takeover Offer	30 October 2024
AGM	November 2024

*The above dates are indicative only and may change without notice, subject to compliance with the Corporations Act.

Pro-Forma Capital Structure

The below table illustrates the indicative share capital structure of the Company following completion of the Takeover Offer (on a post-Consolidation basis). The capital structure of the Company is indicative only and subject to rounding and change prior to the completion of the Proposed Transaction.

Description	Number
DMC Shares currently on issue (on a pre-Consolidation basis)	36,292,792
DMC Shares currently on issue (on a post-Consolidation basis, subject to rounding)	3,629,279
Issue of DMC Shares (on a post-Consolidation basis, subject to rounding) to Orbx Shareholders pursuant to the Takeover Offer	108,139,035
Issue of DMC Shares (on a post-Consolidation basis, subject to rounding) to DMC Convertible Note holders (conversion in accordance with their terms)	1,780,355
Total DMC Shares on issue at completion of the Proposed Transaction (on a post-Consolidation basis, subject to rounding)	113,548,669

ENDS

Approved for release by the Board of DMC.

For more information contact, visit <https://designmilkcolimited.godaddysites.com/> or contact:

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