17 February 2025

CIRCULAR TO CREDITORS AND EMPLOYEES

MOSAIC BRANDS LIMITED ACN 003 321 579
AND THE ENTITIES LISTED IN SCHEDULE A
(ALL ADMINISTRATORS APPOINTED) (ALL RECEIVERS AND MANAGERS APPOINTED)
("THE MOSAIC GROUP" OR "THE COMPANIES")

The purpose of this communication is to provide an update to creditors and our current assessment on the likelihood of any return to unsecured creditors.

Summary

- Following the sale process, and despite a number of expressions of interest being received, the businesses operated by the Mosaic Group were unable to be sold. Given this, the Receivers and Managers have advised all stores will likely close by mid-April 2025 and the business will cease to operate.
- The Receivers are cautiously optimistic amounts owed to employees of the Mosaic Group will be paid in full, however the timing of the payment to employees is currently unknown.
- There is not expected to be sufficient funds from the realisation of assets to pay amounts owed to secured creditors in full.
- This means there will not be any money to pay debts owed to unsecured creditors (which includes suppliers and landlords) for goods and services supplied before 28 October 2024 (being the date of appointment of Receivers and Managers and Administrators).
- The only possibility of funds becoming available to pay unsecured creditors is if either:
  - The Mosaic Group is placed into liquidation and the liquidator is successful in recovering money from potential legal actions (a summary of which will be included in our report to creditors which will be sent prior to the second meeting of creditors); or
  - If someone proposes a deed of company arrangement ("DOCA") and agrees to pay money into a fund that would pay a portion of the amounts owed to suppliers and unsecured creditors. This would avoid the Companies being placed into liquidation. No proposal has been received to date. If a proposal is received this will be communicated to creditors.

  Although there remains an opportunity for DOCA proposals to be made, at present there is no certainty that a DOCA will be proposed. If the companies enter liquidation, then it also remains unclear whether any proceeds could be recovered for the benefit of creditors in liquidation.

The prospects of recovering funds for the benefit of creditors in liquidation is under our review as administrators, which we are continuing to investigate. A summary of those investigations will be included in our report to creditors which will be sent prior to the second meeting of creditors.

- We currently expect the second meeting of creditors will be called and held in May or June 2025, with our report to creditors being issued a week prior to the meeting being held.

Update on the sale process

As you are aware, the Receivers and Managers (KPMG) of the Mosaic Group are in control of the business and have been trading the business since their appointment on 28 October 2024. We have been working with the Receivers and Managers during this period to seek expressions of interest in acquiring the businesses of the Mosaic Group.

While we pursued a sale of the Mosaic Group businesses as a going concern and initially received good interest in the business, ultimately a sale was unable to be achieved. The reasons for this include:

- parties could not satisfy themselves as to the future strategy of the brands;
- parties had significant concerns regarding the historical indebtedness and impact of the insolvency events on the business; and
- concerns regarding a lack of committed orders for future stock, which were not able to be placed due to the circumstances of the appointments, and the lead times required for ordering.

The result of these concerns meant that parties either withdrew from the sale process or made offers that were lower than the realisations estimated by the Receivers and Managers trading the business and realising inventory and other assets outside of a business sale.

During the sale process the Receivers and Managers have continued to wind-down aspects of the business as they realised inventory in stores. They have announced the full closure of all the brands with the expectations that all stores will close before or during April 2025.

Separate negotiations are ongoing with respect to the sale of the intellectual property and brand names of the Mosaic Group, which the Receivers and Managers are progressing.

Committee of Inspection

To date we have held two meetings of the committee of inspection (COI), and we have also provided various updates to the COI and responded to questions raised by COI members. The engagement with the COI has been helpful to us in performing our functions as administrators.

We expect to hold the next meeting of the COI in late February or early March 2025.

Update on the expected return to creditors of the Mosaic Group

When we use the phrases 'return' or 'dividend' to creditors, we mean the amount of money that is available to pay back creditors for amounts they are owed by an insolvent company. It is usually expressed as a portion or percentage of the total amount owed. This is because when a company is insolvent there are usually not enough assets to pay all its debts in full.

When considering the return to creditors we have assessed this from a Mosaic Group perspective. This is because, if the Companies go into liquidation, the deed of cross guarantee ("DXG") which the group has executed would come into force. This means unsecured creditors (including suppliers and landlords but excluding employee priority creditors) would have a claim against all the entities subject to the DXG, and the assets of those entities. The Mosaic Group entities subject to the DXG (all of which are in voluntary administration and receivership) are set out in Schedule B.

In Australia, the order of payments to creditors when a company is insolvent is governed by the Corporations Act. To be entitled to a payment, the creditors' claims are assessed by the administrators and are only admitted if they are determined to be valid claims. Payments are made in the following order of priority to the different classes of creditors from net asset realisations after costs:

Realisation of non-circulating assets. This includes assets such as fixed plant and equipment, property, intellectual property and goodwill. The net proceeds from the sale of non-circulating assets are distributed in the following order:

1. First, to **Secured Creditors** which have valid security which attaches to the non-circulating assets: Secured creditors' debts are repaid in the same order of priority of the security they hold. Where there are multiple secured creditors, this is governed by the security interest they have as recorded on the Personal Property Securities Register ("PPSR") and any deeds of priority which may exist between secured creditors. Only if all Secured Creditors are paid in full; then
2. Secondly, to **Priority Unsecured Creditors** (commonly referred to as employee entitlements): There is an order of priority in which the different employee entitlements are paid. Employee entitlements include outstanding wages, superannuation, annual leave, long service leave, redundancy and payments in lieu of notice. Only if all Priority Creditors are paid in full; then
3. Thirdly, to **Other Unsecured Creditors**: Once Secured Creditors and Priority Unsecured Creditors are paid, any remaining funds are distributed to Other Unsecured Creditors. Other Unsecured Creditors include trade creditors, suppliers, landlords, customers, statutory liabilities and any other party to whom the company owes money. Only if all Unsecured Creditors are paid in full; then
4. Lastly, to **Shareholders**: If there are any remaining funds after all the creditors have been paid, the shareholders will receive payment. However, this is quite rare, as companies in insolvency often have insufficient assets to cover creditor claims.

Sale of circulating assets. This includes assets such as cash at bank and on hand, inventory and debtors. The major asset of the Mosaic Group is inventory, which is a circulating asset. The net proceeds from the sale of circulating assets are distributed in the following order:

1. First, to **Priority Unsecured Creditors.** Only if all Priority Creditors are paid in full; then
2. Secondly, to **Secured Creditors** which have valid security which attaches to the circulating assets. Only if all Secured Creditors are paid in full; then
3. Thirdly, to **Other Unsecured Creditors**: Only if all Unsecured Creditors are paid in full; then
4. Lastly, to **Shareholders**.

Please note, where a creditor has a perfected security interest in a specific asset as recorded on the PPSR, those assets are excluded from the above order of priority. This usually refers to assets such as motor vehicles, plant and equipment and valid retention of title claims against inventory, where the supplier retains ownership of the asset. Where this happens, the creditor's debt would need to be either repaid from the sale of the asset or the asset returned to the creditor. Any surplus after their debt was repaid would be distributed in line with the order of priority as set out above. Any shortfall would be treated as part of the Other Unsecured Creditor pool.

Current estimates of claims of creditors exceed $318 million and include:

- Secured Creditors - $54 million excluding accrued interest and fees:
  - Senior secured creditor of approximately $36 million before accrued interest and fees.
  - Secured convertible loan notes of approximately $18 million before accrued interest and fees.
- Priority Unsecured Creditors - $22 million (including annual leave, long service leave, leave loading, redundancy and superannuation).
- Other Unsecured Creditors - more than $242 million. This amount does not include contingent claims such as landlord claims for breach of leases and any residual gift cards.

As a result of the order of priority explained above, for there to be any return to Other Unsecured Creditors from the sale of the assets of the Mosaic Group, the Secured Creditors ($54 million) and Priority Creditors ($22 million) would need to be paid in full. The Receivers and Managers have advised us that while they expect there will be enough money from the sale of the Mosaic Group's assets to pay Priority Unsecured Creditors in full, unfortunately, they do not expect there will be sufficient monies to pay the Secured Creditors in full. Any shortfall in monies owed to Secured Creditors forms part of the Other Unsecured Creditor Pool

Given the expected outcome of the sale and asset realisation processes, it is therefore unlikely there will any return to Other Unsecured Creditors from the assets of the Mosaic Group.

The only likelihood of a return to Other Unsecured Creditors will only be from either:

1. If a liquidator is appointed, from successful potential liquidator actions which recover money for creditors. Potential actions a liquidator could take will be set out in our report to creditors which will be sent to creditors before the second meeting; or
2. If a deed of company arrangement (DOCA) in respect to the group is proposed where the party proposing the DOCA agrees to pay an amount to be used to pay a portion of the amounts owed to unsecured creditors (including suppliers). If a DOCA proposal is received, the details of the proposal would be set out in our report to creditors. Please note no DOCA proposal has been received to date.

Creditor enquiries

We have received a large volume of creditor enquiries during our appointment, to which we have responded. Where creditors have submitted information on amounts they are owed, we have recorded these amounts in our records.

As the sale process has come to an end, our focus is on finalising our investigations and our report to creditors. As the Receivers and Managers have indicated, all stores will likely be closed during April, we currently expect the second meeting of creditors will be called and held in May/June 2025.

Should you require any further information, please contact this office by email **mosaicbrands.creditors@fticonsulting.com.**

Yours faithfully



Vaughan Strawbridge

Joint and Several Administrator
Mosaic Brands Limited (Administrators Appointed) (Receivers and Managers Appointed) and its Subsidiaries

SCHEDULE A – Companies in Voluntary Administration and Receivership

Company	ACN
Mosaic Brands Limited	003 321 579
Noni B Holdings Pty Limited	614 340 537
Noni B Holdings 2 Pty Ltd	626 335 760
Millers Retail Pty Ltd	626 380 309
Autograph Retail Pty Ltd	626 380 390
Pretty Girl Fashion Group Holdings Pty Ltd	089 304 941
Pretty Girl Fashion Group Pty Ltd	051 283 900
Crossroads Retail Pty Ltd	626 380 541
Katies Retail Pty Ltd	626 380 158
Rivers Retail Holdings Pty Ltd	626 380 934
W.Lane Pty Ltd	003 115 124
Noni B Holdco Pty Ltd	627 001 389
EziBuy Pty Ltd	058 215 722

SCHEDULE B – Companies subject to the Deed of Cross Guarantee

Company	ACN
Mosaic Brands Limited	003 321 579
Noni B Holdings Pty Limited	614 340 537
Noni B Holdings 2 Pty Ltd	626 335 760
Millers Retail Pty Ltd	626 380 309
Autograph Retail Pty Ltd	626 380 390
Pretty Girl Fashion Group Holdings Pty Ltd	089 304 941
Pretty Girl Fashion Group Pty Ltd	051 283 900
Crossroads Retail Pty Ltd	626 380 541
Katies Retail Pty Ltd	626 380 158
Rivers Retail Holdings Pty Ltd	626 380 934
Noni B Holdings NZ Limited	6891755