**Term Sheet - MJ Bale loan facility**

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| **Purpose of loan** | To Fund David Jones stock purchases over the period Apr - Aug 2012 |
| **Loan amount** | 350,000 to 400,000 |
| **Lenders** | Tba (likely existing shareholders) |
| **Drawdown** | Funds will be placed into a trust account controlled by Neil Livingstone, and then used to directly pay David Jones related stock invoices. The drawdowns are expected as follows:  April 75,000  May 75,000  June 50,000  July 100,000  August 100,000 |
| **Facility fee** | 10% to be paid upfront |
| **Interest rate** | 10% p.a., calculated daily, paid monthly |
| **Penalty interest** | 5% p.a. calculated daily, paid monthly  Penalty interest is incurred after the loan period expires and the loan has not been repaid |
| **Loan period** | 180 days |
| **Default** | If Newbale Clothing does not repay within 360 days the lenders can:   * Choose to convert the loan into equity equivalent to 50% of issued capital at the time of conversion, or * Take possession of any or all of MJ Bale’s inventory (ie clothing) |
| **Security** | * All MJ Bale stock (WIP and Finished good) * 1st ranking fixed and floating charge over the Newbale Clothing Pty Ltd and related entities * David Jones invoices |
| **Repayment** | David Jones invoices will have the details of the trust bank account on them and David Jones payments will be made direct to the trust account. Once the loan and any unpaid interest has been repaid all funds will be remitted back to MJ Bale within 3 working days |
| **Legal fees** | Any legal fees in drafting the loan agreement to be borne by MJ Bale |
| **Other conditions** | The following commitments cannot be entered into by the directors or management of Newbale Clothing Pty Ltd without the written consent of the lenders:   * Hiring new staff or Increasing the remuneration of any staff * Incurring any expenses > $5,000 or any expenses not in the budget completed by Neil Livingstone * Any marketing or advertising expenditure * Stock purchases in excess of the planned purchases approved by Matt Jensen and Neil Livingstone * Signing new store leases |

**THIS IS NOT AN OFFER OF FINANCE**

**ACCEPTANCE / ACKNOWLEDGMENT OF INDICATIVE TERMS AND CONDITIONS**

**TERM SHEET DATED**

To: The Lender

We hereby accept and acknowledge the Terms and Conditions of the Term Sheet.

We hereby accept and acknowledge condition that all costs and expenses incurred in the negotiation, document preparation and execution of the proposed facility will be for the account of the Borrower.

Dated \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_2012

Signed for and on behalf of

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**On behalf of Newbale Clothing Pty Ltd**