



5 February 2019

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Ms Kate Kidson
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Dear Ms Kidson

Coventry Group Limited (ASX:CYG) - Cleansing notice in respect of accelerated non-renounceable pro-rata entitlement offer

Notice under section 708AA(2)(f) of the *Corporations Act 2001* (Cth)

This notice is given by Coventry Group Limited ACN 008 670 102 (**Company**).

This notice is given in accordance with section 708AA(2)(f) of the *Corporations Act 2001* (Cth) (**Corporations Act**), as modified by Australian Securities and Investments Commission's Corporations (Non-Traditional Rights Issues) Instrument 2016/84 (**Legislative Instrument**).

Background

The Company has announced an accelerated non-renounceable pro-rata entitlement offer (comprising both institutional and retail components) to raise approximately \$27.6 million (before costs) (**Entitlement Offer**).

The Entitlement Offer will involve the offer of approximately 36,834,991 fully paid ordinary shares in the Company (**New Shares**) on the basis of 1 New Share for every 1.37 Shares held by shareholders (**Shareholders**) in the Company on the applicable record date (**Record Date**) at an issue price of \$0.75 per New Share.

The Entitlement Offer is fully underwritten by Bell Potter Securities Limited (**Underwriter**).

Cleansing notice in respect of the Entitlement Offer

With respect to the Entitlement Offer, the Company advises that:

- (a) the New Shares will be offered without disclosure to investors under Part 6D.2 of the Corporations Act;
- (b) this notice is being given under section 708AA(2)(f) of the Corporations Act, as modified by the Legislative Instrument;
- (c) as at the date of this notice, the Company has complied with:
 - (1) the provisions of Chapter 2M of the Corporations Act as they apply to the Company; and
 - (2) section 674 of the Corporations Act as it applies to the Company;
- (d) as at the date of this notice, there is no excluded information of the type referred to in sections 708AA(8) or 708AA(9) of the Corporations Act, which is required to be set out under section 708AA(7) of the Corporations Act; and

- (e) The potential effect that the issue of the New Shares under the Entitlement Offer will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including investor demand.

The maximum number of New Shares to be issued pursuant to the Entitlement Offer is approximately 36,834,991 New Shares. If each eligible Shareholder elects to subscribe for all of the New Shares offered to them, or the Underwriter fulfils its commitment to fully underwrite the Entitlement Offer, then the issued capital of the Company following the Entitlement Offer will be approximately 87,298,928 Shares.

Underwriter

The Underwriter has agreed to fully underwrite the Entitlement Offer. The Company also understands that the Underwriter has entered into sub-underwriting commitments in relation to its underwriting obligations. If the Underwriter fulfils its underwriting obligations where none of the sub-underwriters fulfil their sub-underwriting commitments, and:

- (i) all Shareholders take up their entitlements under the Entitlement Offer, then the Entitlement Offer will have no significant effect on the control of the Company;
- (ii) 50% of Shareholders take up their entitlements under the Entitlement Offer, then the Underwriter will receive approximately 18,417,495 New Shares (being 21.10% of shares on issue in the Company following the Entitlement Offer) and the interests of those Shareholders who do not take-up their entitlements under the Entitlement Offer will be diluted;
- (iii) if 25% of Shareholders take up their entitlements under the Entitlement Offer, then the Underwriter will receive approximately 27,626,243 New Shares (being 31.65% of shares on issue in the Company following the Entitlement Offer) and the interests of those Shareholders who do not take-up their entitlements under the Entitlement Offer will be diluted; and
- (iv) if no Shareholders take up their entitlements under the Entitlement Offer, then the Underwriter will receive approximately 36,834,991 New Shares (being 42.19% of the shares on issue in the Company following the Entitlement Offer and the interests of all Shareholders will be diluted.

Viburnum Funds Pty Ltd

The Company has been advised by the Underwriter that the Company's largest shareholder, Viburnum Funds Pty Ltd (**Viburnum**), intends to take up its full entitlement under the Entitlement Offer, and has entered into an agreement to act as sub-underwriter for some of the Underwriter's obligations and apply for shortfall shares up to approximately 11,703,947 New Shares (approximately \$8.8 million) (**Viburnum Additional Shares**). As a result of this arrangement, if:

- (i) all Shareholders take up their entitlements under the Entitlement Offer and there is no shortfall under the Entitlement Offer, then neither the Underwriter nor Viburnum will be issued with New Shares under the Entitlement Offer as underwriter or sub-underwriter respectively; and
- (ii) there is a shortfall under the Entitlement Offer, subject to the terms of the underwriting agreement and the sub-underwriting agreement, Viburnum is expected to subscribe for New Shares up to a maximum of the Viburnum Additional Shares. The issue of New Shares to Viburnum under that arrangement will dilute the interests of the Company's other Shareholders. The potential control effect on the Company based on the various take up of New Shares by the Shareholders under the Entitlement Offer, and assuming that Viburnum takes up the maximum possible number of Viburnum Additional Shares, as follows:

Viburnum's voting power and number of Shares held in the Company							
	Current	At completion of the Entitlement Offer					
Take up by Shareholders other than Viburnum	-	100%	80%	60%	40%	20%	0%
Viburnum's Shares after Entitlement Offer*	10,590,716	18,321,166	24,142,074	29,962,982	30,025,112	30,025,112	30,025,112
Viburnum's Percentage after Entitlement Offer*	20.99%	20.99%	27.64%	34.32%	34.39%	34.39%	34.39%

* Assumes that Viburnum takes up its entitlement of 20.99% (7,730,450 New Shares) in full

The level of take up in this table assumes eligible Shareholders accept their entitlements at the different levels shown below:

- (i) 100% take up is calculated on the basis that all Shareholders (including Viburnum) take up 100% of their entitlements;
- (ii) 80% take up is calculated on the basis that the Shareholders other than Viburnum take up 80% of their entitlements, and Viburnum takes up all of its entitlement and 5,820,908 of the Viburnum Additional Shares;
- (iii) 60% take up is calculated on the basis that the Shareholders other than Viburnum take up 60% of their entitlements, and Viburnum takes up all of its entitlement and 11,641,816 of the Viburnum Additional Shares;
- (iv) 40% take up is calculated on the basis that the Shareholders other than Viburnum take up 40% of their entitlements, and Viburnum takes up all of its entitlement and all of the Viburnum Additional Shares;
- (v) 20% take up is calculated on the basis that the Shareholders other than Viburnum take up 20% of their entitlements, and Viburnum takes up all of its entitlement and all of the Viburnum Additional Shares, and the Underwriter/other sub-underwriters take up the balance of the shortfall; and
- (vi) 0% take up is calculated on the basis that the Shareholders other than Viburnum take up none of their entitlements, and Viburnum takes up all of its entitlement and all of the Viburnum Additional Shares, and the Underwriter/other sub-underwriters take up the balance of the shortfall.

The Company will shortly lodge with ASX an Appendix 3B with respect to the issue of the New Shares under the Entitlement Offer.

Yours faithfully,

Mr Neil Cathie
Chairman
Coventry Group Limited