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8 December 2020

Dear Shareholder

Notification to ineligible shareholders – pro rata entitlement offer

Background

On 1 December 2020 Ovato Limited (ACN 050 148 644) (**Ovato** or the **Company**) announced a partially underwritten pro rata entitlement offer of up to approximately 8,000 million new fully paid ordinary shares in the Company (**New Shares**), at an offer price of \$0.005 per New Share (**Offer Price**), to raise up to approximately \$40.0 million (before costs and expenses) (**Entitlement Offer**).

This letter is to inform you about the Entitlement offer, and to explain why you will not be able to subscribe for New Shares under the Entitlement Offer. This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. You are not required to do anything in response to this letter.

Under the Entitlement Offer, shareholders of the Company (**Shareholders**) who will be eligible to participate in the Entitlement Offer, as described below (**Eligible Shareholders**), have the opportunity to subscribe for 10.93 New Shares for every 1 fully paid ordinary share in the Company (**Entitlement**) of which they are the registered holder as at 7.00pm (Sydney time) on 4 December 2020 (**Record Date**).

Detail in relation to the Entitlement Offer

The Entitlement Offer is an offer to all eligible existing Shareholders to participate at the same offer price and offer ratio.

The funds from the Entitlement Offer, together with approximately \$17.0m from a new secured debt facility, will be applied by Ovato towards the exit of onerous leases, operational initiatives, cash backing of remaining bank guarantees, headcount rationalisation, repayment on overdraft facility, payment of transaction fees and the availability of new balance sheet working capital liquidity.

Some further key details are as follows:

- The Entitlement Offer is being made without a prospectus or product disclosure statement in accordance with section 708AA of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84).
- The Entitlement Offer seeks to raise \$40.0m of which a minimum of \$32.2m and up to \$35.0m has been partially underwritten by Wilsons Corporate Finance Pty Ltd (ACN 057 547 323) (**Wilsons**) and Aitken Murray Capital Partners Pty Ltd (ACN 169 972 436), and is sub-underwritten by Sayman Pty Ltd as trustee for the Lindsay Hannan Family Trust, Michael Hannan, James Hannan, Richard O'Connor and Adrian O'Connor (the **Hannan Family**) up to an amount of \$25.0 million and by Are Media Pty Ltd up to an amount of \$10.0 million. Currently, the Hannan Family has a relevant interest in 53.8% in the Company and may



increase their relevant interest in the Company to 75.3%¹ as a consequence of the Entitlement Offer.

For further information in relation to the Entitlement Offer, please refer to the investor presentation released to ASX on 1 December 2020.

Who are Eligible Shareholders?

Eligible Shareholders are those holders of Shares who:

- are registered as a holder of Ovato Shares as at the Record Date;
- have a registered address in Australia or New Zealand;
- are not in the United States and not a "U.S. person", as defined in Regulation S under the U.S. Securities Act of 1933 (**U.S. Person**) and not acting for the account or benefit of any person in the United States or any U.S. Person; and
- are eligible under all applicable securities laws to receive an offer under the Entitlement Offer without any prospectus or offer document to be lodged or registered.

Shareholders who are not Eligible Shareholder are not entitled to participate in the Entitlement Offer (**Ineligible Shareholders**).

There are restrictions on eligibility because of:

- the legal limitations in some countries;
- the relatively small number of Shareholders in some countries;
- the small number of Shares Shareholders in those countries hold; and
- the potential cost of complying with regulatory requirements in those countries.

Do you meet the eligibility criteria?

Unfortunately, according to our records, you do not satisfy the eligibility criteria for an Eligible Shareholder and as such you are not eligible to subscribe for New Shares and you will not be sent a copy of the Entitlement Offer Booklet.

Ovato has determined, pursuant to ASX Listing Rule 7.7.1(a) and section 9A(3)(a) of the Corporations Act, as notionally modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84, that it would be unreasonable to make offers under the Entitlement Offer to Shareholders in all countries other than Australia and New Zealand.

Accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3)(b) of the Corporations Act, as notionally modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84, Ovato wishes to advise you that it will not be extending the Entitlement Offer to you. Other than this letter, you will not be sent documents relating to the Entitlement Offer.

Nominee

Ovato has appointed Wilsons (**Nominee**), to act as nominee for the purposes of ASX Listing Rule 7.7.1(c).

Ovato will issue to the Nominee the rights to acquire shares that would otherwise be issued to Ineligible Shareholders who accept the Entitlement Offer. The Nominee will then sell those rights and

¹ Based on the Entitlement Offer raising \$32.2 million in total, and the Hannan Family being fully allocated \$25 million worth of New Shares.



Ovato will arrange for the net proceeds of sale of any Entitlements (if any) to be distributed to Ineligible Shareholders in proportion to their Entitlements at the Record Date.

There is no guarantee that any proceeds will be realised from the sale of Entitlements that would otherwise have been offered to Ineligible Shareholders.

Do you need to do anything?

You are not required to do anything in response to this letter. This letter is to inform you about the Entitlement Offer, the details of which are provided above and is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares.

Questions

If you have any questions, please seek professional advice or contact the Ovato Offer Information Line on on 1300 556 161 (within Australia) or +61 3 9415 4000 (outside Australia) at any time between 8:30am and 5:00pm (Sydney time) on Monday to Friday, up to the closing date of the Entitlement Offer.

On behalf of the Company, I thank you for your continued support of the Company.

Yours faithfully,

Alistair Clarkson
Company secretary
Ovato Limited

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