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27 May 2019

Dear Shareholder

Notification to ineligible shareholders – accelerated non-renounceable pro rata entitlement offer

Background

On 20 May 2019, Ovato Limited (**Company**) announced an accelerated non-renounceable pro rata entitlement offer of fully paid ordinary shares (**New Shares**) in the Company to raise approximately \$15.5 million (**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, eligible shareholders will be entitled to subscribe for 1 New Share for every 2.3 shares held in the Company (**Shares**) at 7.00pm (Sydney time) on Wednesday, 22 May 2019 (**Record Date**) for \$0.07 per New Share (**Entitlement**).

Detail in relation to the Entitlement Offer

The Entitlement Offer comprises an offer to eligible institutional shareholders (**Institutional Entitlement Offer**) and an offer to eligible retail shareholders to participate at the same offer price and offer ratio (**Retail Entitlement Offer**).

Ovato will primarily use the funds from the Entitlement Offer to:

- strengthen the Company's balance sheet by reducing leverage providing additional financial flexibility; and
- accelerate the completion of the NSW Site Consolidation project.

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 will be underwritten by Wilsons Corporate Finance Limited (ABN 65 057 547 323), and fully 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. As at 20 May 2019, Hannan family, consisting of Michael Hannan, James Hannan, Sayman Pty Ltd in its capacity as trustee of the Lindsay Hannan Family Trust, Lindsay

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Hannan, Adrian O'Connor and Richard O'Connor (the **Hannan Family**), had a relevant interest of 40.36% in the Company.¹

For further information in relation to the Entitlement Offer, refer to the investor presentation released to ASX on 20 May 2019.

Eligibility criteria

Shareholders who are eligible to participate in the Retail Entitlement Offer (**Eligible Retail Shareholders**) are shareholders who:

- are registered as a holder of shares as at the Record Date;
- have a registered address, or are otherwise taken to be resident, in Australia or New Zealand (**Eligible Jurisdictions**);
- are not in the United States or acting for the account or benefit of a person in the United States (to the extent such person holds shares in Ovato for the account or benefit of such person in the United States);
- were not invited to participate (other than as nominee, in respect of other underlying holdings) under the Institutional Entitlement Offer, and were not treated as an ineligible institutional shareholder under the Institutional Entitlement Offer; and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer without any requirement for a prospectus or offer document to be lodged or registered.

Shareholders who are not Eligible Retail Shareholders and who were not invited to participate in the Institutional Entitlement Offer are ineligible (**Ineligible Shareholders**).

The Company considers it would be unreasonable to extend the Entitlement Offer to Ineligible Shareholders, having regard to:

- the relatively small number of Ineligible Shareholders;
- the number and value of the New Shares to be offered to Ineligible Shareholders; and
- the cost of obtaining legal advice on and complying with any legal and regulatory requirements in the particular excluded jurisdictions.

Your entitlements

Unfortunately, according to our records, you do not satisfy the eligibility criteria for an Eligible Retail Shareholder stated above. 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, the Company advises that it will not be extending the Retail Entitlement Offer to you and you will not be able to subscribe for New Shares under the Retail Entitlement Offer. Other than this letter, you will not be sent documents relating to the Entitlement Offer.

As the Retail Entitlement Offer is non-renounceable and ASIC has granted the Company relief from the requirements of section 615 of the Corporations Act, entitlements in respect of the New Shares you would have been entitled to if you were an Eligible Retail Shareholder will lapse and you will not

¹ Pursuant to a voting deed entered into between Lindsay Hannan (the Company's largest shareholder, with a shareholding of 19.94%), Adrian & Richard O'Connor, Michael Hannan, James Hannan, and Sayman Pty Ltd in its capacity as trustee of the Lindsay Hannan Family Trust.

receive any payment or value for entitlements in respect of any New Shares that would have been offered to you if you were eligible.

Enquiries

If you have any questions, you should seek advice from your stockbroker, accountant or other independent professional adviser or the Ovato Offer Information Line on 1300 556 161 (within Australia) or +61 3 9415 4000 (outside Australia) at any time between 8:30am to 5:30pm (Sydney time) on Monday to Friday, up to the closing date of the Retail Entitlement Offer at 5:00pm (Sydney time) on 5 June 2019. On behalf of the Company, I thank you for your continued support of the Company.

Yours sincerely



Alistair Clarkson

Company Secretary

Important Information

This letter is issued by Ovato Limited (**Ovato**). This letter is not a prospectus or offering document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in Ovato in any jurisdiction. This letter does not constitute financial product advice and has been prepared without taking account of the investment objectives, financial situation or needs of any particular investor. This letter does not and will not form any part of any contract for the acquisition of Ovato shares.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States or in any other jurisdiction in which such an offer would be illegal. Neither the entitlements nor the New Shares referred to herein have been, nor will be, registered under the U.S. Securities Act of 1933, as amended (**U.S. Securities Act**) or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be exercised by, and the entitlements and New Shares may not be offered or sold to, persons in the United States or to persons that are acting for the account or benefit of persons in the United States unless they have been registered under the U.S. Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. The New Shares to be offered and sold in the Retail Entitlement Offer may only be offered and sold outside the United States in "offshore transactions" (as defined in Rule 902(h) under the U.S. Securities Act) in compliance with Regulation S under the U.S. Securities Act.

No documents relating to the Retail Entitlement Offer may be sent or distributed, in whole or in part to persons in the United States or to persons that are acting for the account or benefit of any person in the United States.