smiles inclusive

ABN 27 621 105 824
ACN 621 105 824

ASX announcement
3 October 2019

Section 708AA(2)(f) cleansing notice – issue of shares under Entitlement Offer
Smiles Inclusive Limited (ASX: SIL)

Smiles Inclusive Limited (ASX:**SIL**) (**Company**) refers to its fully underwritten 1 for 1 pro rata accelerated non-renounceable entitlement offer for the issue of 66,622,835 fully paid ordinary shares (**New Shares**) to institutional, professional, sophisticated and retail investors (**Eligible Shareholders**) at a price of $0.05 raising approximately $3.33 million (**Entitlement Offer**).

As required by section 708AA(7) and 708AA(12) of the Corporations Act 2001 (Cth) (**Corporations Act**), the Company gives the following notice.

(a) The New Shares are being issued without disclosure to investors under Part 6D.2 of the Corporations Act.

(b) This notice is given under section 708AA(2)(f) of the Corporations Act.

(c) As at the date of this notice, the Company has complied with:

  (i) the provisions of Chapter 2M of the Corporations Act as they apply to the Company; and

  (ii) section 674 of the Corporations Act.

(d) As at the date of this notice, there is no excluded information (within the meaning of subsections 708A(7) and 708AA(8) of the Corporations Act) to be disclosed under section 708AA(6)(e) of the Corporations Act.

(e) Information regarding the potential effect of the issue of New Shares under the Entitlement Offer will have on the control of the Company, and the consequences of that effect, is set out below:

  (i) The effect of the Entitlement Offer on the control of the Company will depend on a number of factors, including existing shareholdings and investor demand.

  (ii) If all Eligible Shareholders take up their entitlements under the Offer, then the Offer will have no effect on the control of the Company.

  (iii) If some Eligible Shareholders do not take up all of their entitlements under the Entitlement Offer, then the interests of those Eligible Shareholders will be diluted.

  (iv) The proportional interests of shareholders who are not Eligible Shareholders will be diluted because such shareholders are not entitled to participate in the Offer.

(f) Having regard to the composition of the Company's share register, and the terms of the Entitlement Offer (structured as a pro-rata issue), the Company does not currently expect the issue of New Shares under the Entitlement Offer to have a material effect on the control of the Company, but this is dependent on a number of factors including the following:

  (i) Given the structure of the Entitlement Offer as a pro rata offer, if all Eligible Shareholders take up their entitlement, each Eligible Shareholder's ownership interest (and voting power) in the Company

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will remain largely unchanged insofar as the Entitlement Offer is concerned. However, the Entitlement Offer is fully underwritten, and New Shares issued under the Entitlement Offer will represent approximately 50% of the ordinary shares on issue following completion of the Entitlement Offer.

(ii) To the extent that any eligible shareholder fails to take up their Entitlement, that Eligible Shareholder's percentage holding in the Company will be further diluted by those other Eligible Shareholders who take up some, all or more than their Entitlement. The voting power of ineligible foreign shareholders will also be diluted.

(iii) If no Eligible Shareholders take up their Entitlements (which the board of directors of the Company considers unlikely), then the underwriter will be required to subscribe, or procure subscriptions from others, for the shortfall shares. In these circumstances, the maximum theoretical increase in voting power of the underwriter (or the sub-underwriters) will be 50%. In practice, as the underwriter's obligations are being sub-underwritten by a number of sub-underwriters, the board of directors of the Company considers it unlikely that the underwriter or any sub-underwriter would obtain a substantial interest in the Company, let alone have any effect on the control of the Company.

(g) Since the cleansing notice released to the market on 25 September 2019, the Company released its audited full year financial report to ASX. This included a number of adjustments to the financial information included in the Company's presentation dated 25 September 2019 and included in the Entitlement Offer Booklet. Most materially, the Company incurred a statutory loss after tax of $31 million, including an impairment of goodwill and property, plant and equipment of $31.1 million, a revaluation gain on joint venture partner contribution liability of $7.1 million, practice revenue (net of direct costs) of $30.4 million, and an underlying loss after tax of $4.3 million.

Yours faithfully

Emma Corcoran
Company Secretary

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