



HILLS LIMITED

ACN 007 573 417

RENOUNCEABLE ENTITLEMENT OFFER BOOKLET

For a renounceable pro-rata entitlement offer on the basis of 1.35 New Shares for every 1 Share held by Eligible Shareholders at the Record Date at an issue price of \$0.02 per New Share, to raise up to approximately \$7 million (before costs).

The Entitlement Offer is partially underwritten by Historical Holdings Pty Ltd. Refer to Section 5.1 for more information.

THE ENTITLEMENT OFFER OPENS ON FRIDAY, 31 MARCH 2023 AND CLOSSES AT 5:00PM (SYDNEY TIME) ON THURSDAY, 13 APRIL 2023. VALID ACCEPTANCES MUST BE RECEIVED BEFORE THAT TIME.

PLEASE READ THE INSTRUCTIONS IN THIS ENTITLEMENT OFFER BOOKLET AND ON THE ACCOMPANYING ENTITLEMENT AND ACCEPTANCE FORM REGARDING THE ACCEPTANCE OF YOUR ENTITLEMENT UNDER THE ENTITLEMENT OFFER.

THIS IS AN IMPORTANT DOCUMENT WHICH REQUIRES YOUR IMMEDIATE ATTENTION AND SHOULD BE READ IN ITS ENTIRETY. IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR STOCKBROKER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISER.

THIS ENTITLEMENT OFFER BOOKLET IS NOT A PROSPECTUS. IT DOES NOT CONTAIN ALL OF THE INFORMATION THAT AN INVESTOR WOULD FIND IN A PROSPECTUS OR WHICH MAY BE REQUIRED IN ORDER TO MAKE AN INFORMED INVESTMENT DECISION REGARDING, OR ABOUT THE RIGHTS ATTACHING TO, THE NEW SHARES OFFERED BY THIS ENTITLEMENT OFFER BOOKLET.

AN INVESTMENT IN THE SECURITIES OFFERED UNDER THIS ENTITLEMENT OFFER BOOKLET SHOULD BE CONSIDERED HIGHLY SPECULATIVE IN NATURE.

This Entitlement Offer Booklet may not be released to U.S. wire services or distributed in the United States. Outside Australia, this Entitlement Offer Booklet may be distributed only to existing Shareholders with registered addresses, on the Hills share register, in New Zealand.

IMPORTANT NOTICES

General

The Entitlement Offer is being made pursuant to provisions of the Corporations Act (as notionally modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73) which allows entitlement offers to be made without a prospectus. This Entitlement Offer Booklet does not contain all of the information which may be required in order to make an informed decision regarding an application for New Shares offered under the Entitlement Offer. As a result, it is important for you to carefully read and understand the information on Hills Limited ACN 007 573 417 (**Hills** or **Company**) and the Entitlement Offer made publicly available, prior to accepting all or part of your Entitlement, applying for Shortfall Shares, trading in all or part of your Entitlement or doing nothing in respect of your Entitlement. In particular, please refer to this Entitlement Offer Booklet, Hills' half year and annual reports, Appendices 4D and 4E and other announcements lodged by Hills with the ASX (including announcements which may be made by Hills after publication of this Entitlement Offer Booklet).

By receiving this Entitlement Offer Booklet, you will be taken to have acknowledged and agreed that:

- determination of eligibility of investors for the purposes of the Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Hills;
- Hills and each of its advisers, affiliates, related bodies corporate, directors, officers, partners, employees and agents disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law; and
- the information in this Entitlement Offer Booklet remains subject to change without notice.

Future performance and forward looking statements

This Entitlement Offer Booklet contains certain forward-looking statements including, but not limited to, projections, estimates, the outcome and effects of the Entitlement Offer and the use of proceeds and the future performance and financial position of Hills. Forward looking statements include those containing words such as: "anticipate", "believe", "expect", "estimate", "should", "will", "plan", "could", "may" "intends", "guidance", "project", "forecast", "target", "likely", "continue", "objectives" and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, the outcome and effects of the Entitlement Offer, the use of the Entitlement Offer proceeds, certain plans, strategies and objectives of management, the expected financial performance and position of Hills and Hills' debt arrangements. Any forward-looking statements, opinions and estimates provided in this Entitlement Offer Booklet are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of Hills and its officers, employees, agents, associates and advisers. This includes any statements about market and industry trends, which are based on interpretations of current market conditions. Forward looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Readers are cautioned not to place undue reliance on forward looking statements. Actual results may differ materially from those expressed or implied in such statements. Except as required by law or regulation (including the ASX Listing Rules), Hills undertakes no obligation to update these forward-looking statements or to provide any other additional or updated information whether as a result of new information, future events or results or otherwise.

To the maximum extent permitted by law, Hills and its officers, employees, agents, associates and advisers do not make any representation or warranty, express or implied as to the currency, accuracy, reliability or completeness of any forward-looking statements, or the likelihood of fulfilment of any forward looking statement, and disclaim all responsibility and liability for the forward looking statements (including, without limitation, liability for negligence). Refer to the "Key Risks" section of the Investor Presentation in Section 4 of this Entitlement Offer Booklet for a summary of certain risk factors that may affect Hills. There can be no assurance that actual outcomes will not differ materially from the forward-looking statements.

The forward-looking statements are based on information available to Hills as at the date of this Entitlement Offer Booklet.

Financial information

All financial information in this Entitlement Offer Booklet is in Australian dollars (\$) or A\$) unless otherwise stated. For more detail, please refer to this Entitlement Offer Booklet, Hills' half year and annual reports, Appendices 4D and 4E and other announcements lodged by Hills with the ASX (including announcements which may be made by Hills after publication of this Entitlement Offer Booklet).

The financial information provided in the Investor Presentation is based on financial statements for the six months ending 31 December 2022, unless otherwise stated.

Past performance

Investors should note that past performance, including past share price performance, cannot be relied upon as an indicator of (and provides no guidance as to) Hills' future performance including future share price performance.

Foreign Acquisitions and Takeovers Act

The *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) regulates the acquisition of Shares in the Company. It is the responsibility of each applicant for New Shares to confirm whether the FATA applies to them and (if required) to comply with the FATA before accepting the Entitlement Offer, acquiring additional Entitlements (given the Entitlement Offer is renounceable) and/or applying for Shortfall Shares. Please refer to Section 6.1 for further information.

Foreign Jurisdictions

The information in this Entitlement Offer Booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Entitlement Offer, the New Shares, or otherwise permit a public offering of the New Shares, in any jurisdiction outside of Australia.

The distribution of this Entitlement Offer Booklet (including an electronic copy) outside of Australia may be restricted by law. If you come into possession of this Entitlement Offer Booklet, you should observe such restrictions, including those set forth in Section 6.17.

Because of legal restrictions, you must not send copies of this Entitlement Offer Booklet or any material in relation to the Entitlement Offer to any person outside Australia. Failure to comply with these restrictions may result in violations of applicable securities laws.

See Section 6.17 for further information.

No offer in the United States

This Entitlement Offer Booklet, any accompanying ASX announcements and the Entitlement and Acceptance Form do not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The Entitlements and the New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable securities laws of any state or other jurisdiction in the United States. The Entitlements and the New Shares may only be offered and sold outside the United States in "offshore transactions" in reliance on Regulation S under the US Securities Act. None of the Entitlement Offer Booklet, any accompanying ASX announcements or the Entitlement and Acceptance Form may be distributed in the United States.

Speculative investment

An investment in New Shares should be considered highly speculative. You should read this Entitlement Offer Booklet and the Company's ASX announcements (including announcements which may be made by Hills after publication of this Entitlement Offer Booklet) carefully before deciding whether to invest.

This Entitlement Offer Booklet does not take into account the investment objectives, financial or taxation or particular needs of any applicant. Before making any investment in the Company, each applicant should consider whether such an investment is appropriate to his/her particular needs, their individual risk profile for speculative investments, investment objectives and individual financial circumstances. If persons considering applying for New Shares have any questions, they should consult their stockbroker, solicitor, accountant or other professional adviser.

There is no guarantee that New Shares will make a return on the capital invested, that dividends will be paid on the New Shares or that there will be an increase in the value of the New Shares in the future.

Website

No document or information included on the Company's website is incorporated by reference into this Entitlement Offer Booklet.

Times and dates

Times and dates in this Entitlement Offer Booklet are indicative only and subject to change. All times and dates refer to Sydney, Australia time. Refer to Section 1 "Indicative Timetable" of this Entitlement Offer Booklet for more details.

Currency

Unless otherwise stated, all dollar values in this Entitlement Offer Booklet are in Australian dollars (\$ or A\$).

Rounding

Any discrepancies between totals and sums and components in tables contained in this Entitlement Offer Booklet are due to rounding.

Glossary

Defined terms and abbreviations used in this Entitlement Offer Booklet are detailed in the glossary of terms in Section 7.

Trading New Shares

Hills will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares they believe will be issued to them before they receive their holding statements for New Shares, whether on the basis of confirmation of the allocation provided by Hills or the Share Registry or otherwise, or who otherwise trade or purport to trade New Shares in error or which they do not hold or are not entitled to.

If you are in any doubt as to these matters, you should first consult with your stockbroker, accountant or other professional adviser.

Refer to Section 6 "Important Information" for details.

Eligible Shareholders

This Entitlement Offer Booklet is relevant to you if you are an Eligible Shareholder.

In this Entitlement Offer Booklet, references to “you” are references to Eligible Shareholders and references to “your Entitlement” (or “your Entitlement and Acceptance Form”) are references to the Entitlement (or Entitlement and Acceptance Form) of Eligible Shareholders.

Eligible Shareholders are those persons who are:

- registered as a holder of Shares as at the Record Date, being 7:00pm (Sydney time) on Tuesday, 28 March 2023;
- have a registered address, on the Hills share register, in Australia or New Zealand or are a Shareholder that the Company has otherwise determined is eligible to participate;
- are not in the United States and are not a person (including a nominee or custodian) acting for the account or benefit of a person in the United States (to the extent such person holds Shares for the account or benefit of such person in the United States); and
- are eligible under all applicable securities laws to receive an offer under the Entitlement Offer without any requirement for a prospectus or disclosure document to be lodged or registered.

Refer to Section 6 "Important Information" for further details.

CORPORATE DIRECTORY

Directors

Mr David Chambers – Non-Executive Chairman
Mr David Clarke – Managing Director & CEO
Mr Peter Steel – Non-Executive Director

Chief Financial Officer

Ms Natalie Scott

Company Secretary

Ms Stephanie So

Registered Office

Unit 1, Building F
3-29 Birnie Avenue
Lidcombe NSW Australia 2141

Telephone: +61 2 9216 5510
Website: <https://www.hills.com.au/>

Auditor*

Moore Australia Audit (VIC)
Level 44 / 600 Bourke Street
Melbourne VIC 3000

ASX Code: HIL

Share Registry*

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Telephone: +61 1300 554 474

Website:
<https://www.linkmarketservices.com.au/>

Website

<https://www.hills.com.au/>

Corporate information and the Hills interim and annual reports can be found via the Hills website at <https://www.hills.com.au/>

*This party is named for informational purposes only and was not involved in the preparation of this Entitlement Offer Booklet.

CHAIRMAN'S LETTER

23 March 2023

Dear Shareholder

Following the appointment of David Clarke as Chief Executive Officer in May 2021, the Board, along with our other key executive Natalie Scott (Chief Financial Officer), embarked upon a rejuvenation of Hills.

With the renewed, focused and highly energised leadership, there were numerous opportunities that were quickly identified, and strategies formulated that were designed to breathe new life into the Company. These placed a clear priority on addressing legacy issues which resulted in the divestment / closure of Hills' Security and IT distribution in Australia and New Zealand, the resolution of costly legal proceedings, and reshaping overheads in line with the smaller organisation that remained.

These moves we believe have delivered tangible results thereby focusing the business on sectors of opportunity where it can succeed, improving business performance and simplifying the investment proposition for investors.

Subsequently, the Company has identified how the business can return to sustained profitable growth with the support of the funds raised through this Entitlement Offer which are aimed at:

- Driving revenue and margin growth through investment in commercial capacity, capability and marketing;
- Accelerating product development to support those initiatives;
- Progressing process and systems upgrades and introduction of new technology;
- Reducing corporate and operational structure and costs; and
- Expanding to adjacent markets and products.

An aging population, rising cost of healthcare, growing staff shortages, evolving patient expectations, and persistent inequities in access to quality care, means that the current hospital-centric model of care delivery is under growing pressure. We believe that emerging technologies will progressively move healthcare into lower-cost settings that are more easily accessible and convenient for the patient – such as outpatient clinics, and at-home settings. Over time, rather than being tied to one location, healthcare will become a distributed network – bringing delivery closer to the patient and evolving into a more continuous health management. Hills sees that these trends afford great opportunities to the Company and we are well placed to advance technologies to fit into the new models of care.

Further, we see another large and emerging opportunity to transform our traditional TV content rental platform to an integrated patient experience platform that could include features and personalised content to complement traditional clinical care models. With additional capabilities to combine telehealth abilities into the one platform, we are confident that the product end users will expand into aged care and in an in-home care setting whilst remaining relevant in hospitals.

Entitlement Offer

On behalf of the Board of Hills, I now invite you to participate in a 1.35 for 1 renounceable pro rata entitlement offer of new fully paid ordinary shares in the Company (**New Shares**) at an issue price of A\$0.02 per New Share (**Offer Price**) to raise gross proceeds of up to approximately A\$7 million (**Entitlement Offer**).

Under the Entitlement Offer, Eligible Shareholders are entitled to acquire 1.35 New Shares for each existing fully paid ordinary share they hold in the Company (**Share**) on the record date, being 7:00pm (Sydney time) on Tuesday, 28 March 2023 (**Record Date**). New Shares issued under the Entitlement Offer will rank equally with existing Shares.

The Entitlement Offer may raise up to approximately A\$7 million (before costs).

Refer to Section 2.1 and Section 4 (for the Offer Launch Announcement and Investor Presentation) which contain further details regarding the Entitlement Offer and the intended use of net proceeds.

Placement and Underwriter

As announced by the Company on 23 March 2023, the Company issued 30,897,772 Shares (**Placement Shares**) to Historical Holdings Pty Ltd (**Underwriter**) to raise gross proceeds of approximately A\$927,000 (before costs) at \$0.03 per Placement Share pursuant to the Subscription Agreement (**Placement**).

Historical Holdings Pty Ltd is an Australian private investment company owned by Mr Harley Whitcombe, Mr Balu Jega and Gabor Holdings Pty Ltd (Gabor). Gabor is the wholly owned and controlled investment vehicle of Mr Ian Trahar.

The Entitlement Offer is partially underwritten by the Underwriter to the extent of \$3.5 million, less the aggregate Offer Price for any Entitlements taken up by the Underwriter under the Entitlement Offer.

There are various outstanding conditions precedent to the underwriting and termination events, including as summarised in Section 5.1.

The Board welcomes Historical Holdings as a new substantial shareholder and is confident that this partnership will provide value for our shareholders and give certainty, stability and opportunities for our employees and our customers.

As at the date of this Entitlement Offer Booklet, the Underwriter has current voting power in the Company of 11.75% (arising as a result of the issue of the Placement Shares) and this may potentially increase to up to approximately 47.0% pursuant to the 'Underwriters' participation in the Entitlement Offer and the terms of the Underwriting Agreement.

In accordance with the terms of the Subscription Agreement, among other things, the Underwriter:

- has undertaken to subscribe for its Entitlement under the Entitlement Offer;
- is entitled to nominate for appointment to the Board one non-executive Director, initially being Mr Balu Jega, as it holds more than 10% of the total number of Shares (considered on a Fully Diluted Basis); and
- will be entitled to nominate for appointment to the Board one further non-executive Director, initially being Mr Harley Whitcombe, if the Underwriter becomes the registered holder or beneficial owner, within two months after 22 March 2023, of at least 20% of the total number of issued Shares (considered on a Fully Diluted Basis).

For more details regarding the Underwriter, the control implications of the Entitlement Offer and the terms of the Underwriting Agreement and the Subscription Agreement (and the nominee Directors which may be appointed pursuant to the Subscription Agreement), please refer to Sections 5.1, 5.2, 5.3 5.5 and 6.4.

The Directors of Hills have committed to taking up all of their respective Entitlements under the Entitlement Offer.

Withdrawn Offer

The Company announced on 22 March 2023 that the previous entitlement offer which the Company announced on 13 March 2023 has been withdrawn by the Company and will not be offered (**Withdrawn Offer**).

In addition, the underwriting agreement by which Greybox Holdings Pty Ltd, Magnolia (SA) Pty Ltd and Juniper (SA) Pty Ltd (being entities associated with the Hill-Ling family) agreed to partially underwrite the Withdrawn Offer has been terminated by agreement.

The Board believes that the revised offer;

- strongly capitalises the Company to accelerate its recovery;
- removes uncertainty as to the success of the Entitlement Offer;
- secures access to operational support and expertise; and
- is fair to Shareholders, who will benefit from the strength, certainty and growth of the Company.

Financier

Previously, the Company had announced to the ASX that its group is in breach of an undertaking in relation to its pre-existing \$6 million finance facility with AMAL Security Services P/L ATF CWPDMF (**Financier**) and was negotiating to obtain relief of the breach. The Company and the Financier have entered into a deed which will provide relief for the breach following a minimum raise of \$3 million from new equity issued prior to 30 June 2023 (**Financier Forbearance**). The new Entitlement Offer enables that condition to be satisfied pursuant to the Placement and the partial underwriting of the Entitlement Offer by the Underwriter.

Entitlement Offer details

Eligible Shareholders who take up their entitlements to subscribe for New Shares pursuant to the Entitlement Offer (being their Entitlements) in full may also apply for additional New Shares in excess of their Entitlements at the Offer Price (subject to compliance with applicable laws and to the terms set out in this Entitlement Offer Booklet) (**Top Up Facility**).

The availability of additional New Shares under the Top Up Facility will be limited to the Entitlements which are not taken up for the issue of New Shares (including any Ineligible Shares as detailed in Section 6.1) and will be subject to the Board's discretion in relation to the allocation of the Shortfall Shares. No Eligible Shareholder will be permitted to increase their voting power in the Company above 20% through the allocation of Shortfall Shares through the Top Up Facility. Any Shortfall Shares not allocated to Eligible Shareholders will be allotted in accordance with the underwriting by the Underwriter and, to the extent Shortfall Shares are not underwritten, at the Board's discretion to new sophisticated or professional investors, in accordance with the shortfall allocation policy detailed in Section 6.4.

The Entitlement Offer to which this Entitlement Offer Booklet relates closes at 5:00pm (Sydney time) on Thursday, 13 April 2023 (unless extended).

Accompanying this Entitlement Offer Booklet is your personalised entitlement and acceptance form (**Entitlement and Acceptance Form**). It details your Entitlement and can be completed in accordance with the instructions provided on the form and the instructions in this Entitlement Offer Booklet under "How to Apply".

To participate, you must ensure that you have completed your application by paying application monies by BPAY®, or alternatively for Eligible Shareholders registered in New Zealand by paying via Electronic Funds Transfer (**EFT**), so that it is received by Link Market Services (Hills' registry provider) before 5:00pm (Sydney time) on Thursday, 13 April 2023.

If you do not wish to take up any of your Entitlement, you do not have to take any action. Entitlements are renounceable, which means that Eligible Shareholders may sell or transfer all or any part of their Entitlement in order to seek to realise the value which may attach to their Entitlement. Entitlement trading is expected to commence on Monday, 27 March 2023 and conclude on Tuesday, 4 April 2023. If you do not take up your full Entitlement and do not trade the Entitlements which you do not take up, those Entitlements that you do not take up or trade will lapse and you will not receive any payment or value for them.

Hills has, subject to ASIC approval, appointed Taylor Collison to act as nominee (the **Ineligible Holder Nominee**) for the Ineligible Shareholders, to arrange for the sale of the Entitlements which would have been offered to them had they been eligible to participate in the Entitlement Offer (as detailed in Section 6.1).

Further information and application instructions for the Entitlement Offer, as well as key risks associated with investing in the Entitlement Offer are set out in this Entitlement Offer Booklet (including in the "Key Risks" section of the Investor Presentation) which you should read carefully and in its entirety, along with Hills' other ASX announcements (including announcements which may be made by Hills after publication of this Entitlement Offer Booklet).

If you have any questions in relation to the Entitlement Offer, please contact the Hills Information Line on 1300 495 169 (within Australia) or +61 1300 495 169 (outside Australia) from 9:00am to 5:00pm (Sydney time), Monday to Friday during the Entitlement Offer period. For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

On behalf of the Board of Hills, I invite you to consider this investment opportunity.

Yours faithfully

A handwritten signature in black ink, appearing to read 'David Chambers', with a stylized flourish at the end.

David Chambers
Non-Executive Chairman

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1. INDICATIVE TIMETABLE

Event	Date
Announcement Date of the Entitlement Offer	Thursday, 23 March 2023
Shares quoted on an “ex” basis and trading of Entitlements starts on a deferred settlement basis	Monday, 27 March 2023
Entitlement Offer Record Date (7:00pm Sydney time)	Tuesday, 28 March 2023
Dispatch of Entitlement Offer Booklet and Entitlement and Acceptance Form to Eligible Shareholders	Friday, 31 March 2023
Entitlement Offer opens	Friday, 31 March 2023
Entitlements trading ends	Tuesday, 4 April 2023
New Shares under the Entitlement Offer commence trading on ASX on a deferred settlement basis	Wednesday, 5 April 2023
Entitlement Offer closes (5:00pm Sydney time)	Thursday, 13 April 2023
Notification of shortfall of Entitlement Offer	By Monday, 17 April 2023
Anticipated date for the issue of New Shares under the Entitlement Offer	Thursday, 20 April 2023
New Shares under the Entitlement Offer expected to commence trading on ASX on a normal settlement basis	Friday, 21 April 2023
Despatch of holding statements for New Shares under the Entitlement Offer	Monday, 24 April 2023

Note: This timetable is indicative only and subject to change with the consent of the Underwriter. Hills reserves the right to amend the timetable for the Entitlement Offer without notice, subject to the Corporations Act, the ASX Listing Rules, other applicable laws and with the consent of the Underwriter. In particular, Hills reserves the right to extend the Closing Date of the Entitlement Offer at any time, to accept late applications under the Entitlement Offer (either generally or in particular cases) and to withdraw the Entitlement Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the issue date of New Shares under the Entitlement Offer. The commencement of quotation of New Shares is subject to confirmation from ASX. Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application for New Shares once it has been accepted. Eligible Shareholders wishing to participate in the Entitlement Offer are encouraged to pay their application monies by BPAY® or EFT as soon as possible after the Entitlement Offer opens.

Enquiries

If you have any questions, please contact the Hills Information Line on 1300 495 169 (within Australia) or +61 1300 495 169 (outside Australia) from 9:00am to 5:00pm (Sydney time), Monday to Friday. For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

2. KEY DETAILS OF THE ENTITLEMENT OFFER

2.1 Overview of the Entitlement Offer

The Entitlement Offer is a renounceable pro rata entitlement offer on the basis of 1.35 New Shares for every 1 Share held by Eligible Shareholders on the Record Date at an issue price of \$0.02 per New Share (being the Offer Price) to raise up to approximately \$7 million (before costs).

The Offer Price is the same price at which the Shares last traded prior to the Company being granted a trading halt on 17 March 2023.

The Offer Price represents a discount of approximately:

- 33.33% to the issue price under the Placement of \$0.03 per Placement Share; and
- 24.34% to the volume weighted average market price (as defined in the ASX Listing Rules) of Shares of \$0.026 for the thirty trading days prior to 17 March 2023.

Where fractions arise in the calculation of an Entitlement, they have been rounded up to the next whole number of New Shares.

Shareholders who:

- are registered as a holder of Shares as at the Record Date, being 7:00pm (Sydney time) on Tuesday, 28 March 2023;
- have a registered address, on the Hills share register, in Australia or New Zealand or are a Shareholder that the Company has otherwise determined is eligible to participate;
- are not in the United States and are not a person (including a nominee or custodian) acting for the account or benefit of a person in the United States (to the extent such person holds Shares for the account or benefit of such person in the United States); and
- are eligible under all applicable securities laws to receive an offer under the Entitlement Offer without any requirement for a prospectus or disclosure document to be lodged or registered,

are eligible to participate in the Entitlement Offer (**Eligible Shareholders**).

The Company's proposed use of proceeds following completion of the Entitlement Offer is as follows (assuming the Entitlement Offer is fully subscribed to raise approximately \$7 million or partially subscribed to raise \$3.5 million).

Indicative allocation of net proceeds	\$3.5 million subscription (\$m)	Full \$7.0 million subscription (\$m)
Working capital and costs of the Placement, Entitlement Offer and the Withdrawn Offer ⁽¹⁾	2.0	2.0
Commercial growth investment including sales resourcing ⁽²⁾	0.5	1.0
Product development initiatives ⁽³⁾	0.5	1.5
Internal systems and processes ⁽⁴⁾	0.5	1.0
Exploration of acquisition opportunities	-	1.5
Total	\$3.5	\$7.0

Notes:

1. Working capital includes the normal general and administrative costs associated with running a public company, including, but not limited to, salaries and Director fees, installation expenses, legal fees, rental of office premises, investor relations and finance and accounting fees among other working capital requirements, including the purchase of inventory.
2. Commercial growth investment includes an investment in additional experienced sales and marketing resources with an aim to expand the commercial and marketing capabilities of the Company.
3. Product development initiatives identified include the upgrade of software to support and extend core Nurse Call platforms, enhance core hardware for installation, cost and supply chain efficiency, develop next generation engagement platform and product extensions for aged care and home care. Proceeds are not expected to fund all the initiatives outlined but will contribute to them.
4. Internal systems and processes include removing legacy ERP system and upgrading cyber security.
5. A partially subscribed raise will limit but not exclude these activities.

The above proposed use of net proceeds is indicative only and will be subject to modification on an ongoing basis depending on the results obtained from the Company's activities and other factors relevant to the Board's discretion as to usage of funding. Due to market conditions and the development of new opportunities or any number of other factors (including the key risks outlined in the "Key Risks" section of the Investor Presentation in Section 4 of this Entitlement Offer Booklet), actual use of net proceeds may differ significantly to the above estimates.

Please refer to the Investor Presentation accompanying the Entitlement Offer Booklet for further information regarding the purpose of the Entitlement Offer and proposed use of net proceeds, as well as the key risks associated with an investment in Hills. You should also consider the ASX announcements and other publicly available information about Hills at www.asx.com.au and <https://www.hills.com.au/> (including announcements which may be made by Hills after publication of this Entitlement Offer Booklet).

2.2 Eligibility to participate in the Entitlement Offer

Eligible Shareholders (as defined in Section 2.1) are being invited to subscribe for 1.35 New Shares for each Share held as at the Record Date of 7:00pm (Sydney time) on Tuesday, 28 March 2023, at the Offer Price of \$0.02 per New Share.

You should note that not all Shareholders will be eligible to participate in the Entitlement Offer of New Shares. Please read Section 6 for further information.

The Entitlement Offer opens on Friday, 31 March 2023 and will close at 5:00pm (Sydney time) on Thursday, 13 April 2023 (unless extended).

3. HOW TO APPLY

3.1 Your Entitlement

Your Entitlement is set out on the accompanying personalised entitlement and acceptance form (**Entitlement and Acceptance Form**) and has been calculated as 1.35 New Shares for every 1 Share held by you as at the Record Date of 7:00pm (Sydney time) on Tuesday, 28 March 2023. If the result is not a whole number, your Entitlement will be rounded up to the nearest whole number of New Shares.

If you have more than one registered holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding.

New Shares issued pursuant to the Entitlement Offer will be fully paid and rank equally with existing Shares on issue.

The Entitlement stated on your personalised Entitlement and Acceptance Form may be in excess of the actual Entitlement you may be permitted to take up (see the definition of Eligible Shareholder in Section 2.1).

Nominees

The Entitlement Offer is being made to all Eligible Shareholders (as defined in Section 2.1). Hills does not undertake to determine whether or not any registered Shareholder is acting as a nominee or the identity or residence of any beneficial owners of Shares. See Section 6.10 for further information.

3.2 Consider the Entitlement Offer in light of your particular investment objectives and circumstances

The Entitlement Offer is being made pursuant to provisions of the Corporations Act (as notionally modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73) which allows entitlement offers to be made without a prospectus. This Entitlement Offer Booklet does not contain all of the information which may be required in order to make an informed decision regarding an application for New Shares offered under the Entitlement Offer. As a result, it is important for you to carefully read and understand the information on Hills and the Entitlement Offer made publicly available and other Hills ASX announcements, prior to accepting or trading all or part of your Entitlement or doing nothing in respect of your Entitlement. In particular, please refer to this Entitlement Offer Booklet, Hills' half year and annual reports, Appendices 4D and 4E and other announcements lodged by Hills with ASX (including announcements which may be made by Hills after publication of this Entitlement Offer Booklet).

Please consult with your stockbroker, accountant or other independent professional adviser if you have any queries or are uncertain about any aspect of the Entitlement Offer. You should also refer to the "Key Risks" section of the Investor Presentation released to ASX on Thursday, 23 March 2023 which is included in Section 4 of this Entitlement Offer Booklet.

3.3 Options available to you

If you are an Eligible Shareholder, you may do any one of the following:

- take up all of your Entitlement and apply for additional New Shares, in excess of your Entitlement, under the Top Up Facility;
- take up all of your Entitlement but not apply for additional New Shares under the Top Up Facility;

- sell all or a proportion of your Entitlement on ASX (or other than on ASX) and allow any balance to lapse;
- take up a proportion of your Entitlement and sell the balance on ASX (or sell the balance other than on ASX);
- take up a proportion of your Entitlement and allow the balance to lapse; or
- do nothing, in which case your Entitlement will lapse and you will receive no value for those lapsed Entitlements.

(a) **If you wish to take up all of your Entitlement and also apply for additional New Shares in the Top Up Facility or if you wish to take up all of your Entitlement only**

If you decide to take up all of your Entitlement, or take up all of your Entitlement and participate in the Top Up Facility, please either:

- pay your application monies via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form; or
- if you are a Shareholder registered outside of Australia, pay your application monies via EFT to the Offer Bank Account detailed on your personalised Entitlement and Acceptance Form,

so that your application monies are received by the Share Registry by no later than 5:00pm (Sydney time) on Thursday, 13 April 2023 (the **Closing Date**).

If you apply to take up all of your Entitlement, you may also apply for additional New Shares under the Top Up Facility (subject to compliance with applicable laws and to the terms set out in this Entitlement Offer Booklet). Amounts received by Hills in excess of the Offer Price multiplied by your Entitlement may be treated as an application to apply for as many additional New Shares as your application monies will pay for in full.

If you are paying by BPAY®, please make sure to use the specific Biller Code and unique Customer Reference Number on your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form, please only use the Customer Reference Number specific to the Entitlement on that Entitlement and Acceptance Form.

If you take up all of your Entitlement (and if you apply for additional New Shares under the Top Up Facility) and if your application is successful (in whole or in part) you will be issued your New Shares on or about Thursday, 20 April 2023. Hills' decision on the number of New Shares to be issued to you will be final. With the exception of the partial underwriting of the Entitlement Offer by the Underwriter pursuant to the Underwriting Agreement, the Directors will seek to ensure that no person will be issued Shortfall Shares if such issue will result in that person's voting power in the Company exceeding 20% or increasing at all, if they already hold voting power in the Company above 20%.

If you apply for additional New Shares under the Top Up Facility, there is no guarantee that you will be allocated any additional New Shares. You may alternatively be allocated zero additional New Shares or less additional New Shares than you applied for. Refer to Section 6.4 for details in respect to the shortfall allocation policy). Any New Shares not taken up by 5:00pm (Sydney time) on the Closing Date may be made available (in whole or in part) to those Eligible Shareholders who took up their full Entitlement and applied for additional New Shares under the Top Up Facility (or may be made available to the Underwriter pursuant to the Underwriting Agreement or to other investors at the Board's discretion). There is no guarantee that such Shareholders will receive the number of New Shares applied for under the Top Up Facility, or any. Additional New Shares under the

Top Up Facility will only be allocated to Eligible Shareholders if available and to the extent that the Board so determines, in its absolute discretion.

The Board also reserves the right (in its absolute discretion) to reduce the number of New Shares issued to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if the Board believes their claims to be overstated or if they or their nominees fail to provide information to substantiate their claims to the Board's satisfaction.

(b) If you wish to take up part of your Entitlement

If you decide to take up part of your Entitlement, please either:

- pay your application monies via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form; or
- if you are a Shareholder registered outside of Australia, pay your application monies via EFT to the Offer Bank Account detailed on your personalised Entitlement and Acceptance Form,

so that it is received by the Share Registry by no later than 5:00pm (Sydney time) on the Closing Date.

Hills will treat you as applying for as many New Shares as your payment will pay for in full. If you are paying by BPAY®, please make sure to use the specific Biller Code and unique Customer Reference Number on your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form, please only use the Customer Reference Number specific to the Entitlement on that Entitlement and Acceptance Form.

If you take up and pay for part of your Entitlement before the close of the Entitlement Offer you will be issued your New Shares on or about Thursday, 20 April 2023. Hills' decision on the number of New Shares to be issued to you will be final.

The Board also reserves the right (in its absolute discretion) to reduce the number of New Shares issued to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if the Board believes their claims to be overstated or if they or their nominees fail to provide information to substantiate their claims to the Board's satisfaction.

Eligible Shareholders who do not participate fully in the Entitlement Offer are expected to have their percentage holding in Hills reduced by the Entitlement Offer (including by the issues of New Shares pursuant to Entitlements taken up and by the issues of Shortfall Shares).

(c) Selling all or a proportion of your Entitlement on ASX

The Entitlements under the Entitlement Offer are renounceable which means that all or part of an Eligible Shareholder's Entitlements under the Entitlement Offer may be traded on ASX. If you wish to sell part or all of your Entitlement on ASX, you should provide instructions to your stockbroker regarding the Entitlement you wish to sell on ASX. Trading of Entitlements will commence on ASX on Monday, 27 March 2023 and will cease on Tuesday, 4 April 2023.

There is no guarantee that an Eligible Shareholder will be able to sell all or any part of their Entitlement on ASX or that any particular price will be paid for any Entitlements sold on ASX.

(d) Selling all or a proportion of your Entitlement other than on ASX

You may elect to transfer all or a proportion of your Entitlement to another person other than on ASX. If the purchaser of your Entitlement is an Ineligible Shareholder or a person

that would be an Ineligible Shareholder if they were a registered holder of Shares, that purchaser will not be able to take up the Entitlement they have purchased.

If you are a Shareholder on the issuer sponsored sub-register and you wish to transfer all or a proportion of your Entitlement to another person other than on ASX, forward a completed standard renunciation and transfer form (obtainable from the Share Registry) to the Share Registry by delivery or by post at any time after the issue of this Entitlement Offer Booklet and on or before the Closing Date (provided it is received by no later than 5:00pm (Sydney time) on the Closing Date) at the following address:

Hills Limited
C/- Link Market Services Limited
GPO Box 3560
Sydney NSW 2001

The relevant transferee of your Entitlement will need to make the applicable EFT payment (by no later than 5:00pm (Sydney time) on the Closing Date) of the Offer Price for the New Shares for which they wish to subscribe (refer to Section 3.4). To obtain the EFT payment details please email **CapitalMarkets@linkmarketservices.com.au**.

If you wish to transfer all or a proportion of your Entitlement to or from another person on the CHESS sub-register you must engage your CHESS controlling participant (usually your stockbroker). If the transferee wants to exercise some or all of the Entitlement, you should follow your stockbroker's instructions as to the most appropriate way to take up the Entitlement on their behalf by no later than 5:00pm (Sydney time) on the Closing Date.

(e) Allow all or part of your Entitlement to lapse

Shareholders should be aware that their Entitlement may have value. Entitlements are renounceable, which enables Eligible Shareholders who do not wish to take up part or all of their Entitlement to seek to sell or trade all or some of their Entitlement as detailed above.

If you do not wish to accept or trade any part of your Entitlement, you are not obliged to do anything. If you do not take up your Entitlement or dispose of your Entitlement by the Closing Date, your Entitlement will lapse and you will not receive any value for your Entitlement.

Eligible Shareholders who do not participate fully in the Entitlement Offer are expected to have their percentage holding in Hills reduced by the Entitlement Offer (including by the issues of New Shares pursuant to Entitlements taken up and by the issues of Shortfall Shares).

3.4 Payment

The method of acceptance of the Entitlement Offer will depend on your method of payment being:

- by BPAY® (all Eligible Shareholders); or
- by EFT (for Eligible Shareholders registered outside of Australia).

Cheque or cash payments will not be accepted. Receipts for payment will not be issued.

Hills will treat you as applying for as many New Shares as your payment will pay for in full up to your Entitlement plus (if applicable) additional New Shares under the Top Up Facility.

Any application monies (greater than A\$2.00) received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Entitlement Offer. No interest will be paid to applicants on any application monies received or refunded.

Payment by BPAY®

For payment by BPAY®, please follow the instructions on the personalised Entitlement and Acceptance Form (which includes the Biller Code and your unique Customer Reference Number). You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

Please note that should you choose to pay by BPAY®:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to have made the declarations, representations and warranties on that personalised Entitlement and Acceptance Form and in this Section 3 and Section 6 of this Entitlement Offer Booklet; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5:00pm (Sydney time) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment.

Please make sure you use the specific Biller Code and your unique Customer Reference Number on your personalised Entitlement and Acceptance Form. If you have more than one holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding. If you receive more than one personalised Entitlement and Acceptance Form, please only use the Customer Reference Number specific to the Entitlement on that Entitlement and Acceptance Form.

Any application monies (greater than A\$2.00) received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Entitlement Offer. No interest will be paid on any application monies received or refunded.

Payment by Electronic Funds Transfer (EFT)

For payment by EFT, you should make your payment in accordance with the instructions on the personalised Entitlement and Acceptance Form and complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the form and email it to CapitalMarkets@linkmarketservices.com.au.

Your EFT payment must be:

- for an amount equal to A\$0.02 multiplied by the number of New Shares that you are applying for; and
- in Australian currency drawn on an Australian branch of a financial institution. Payment cannot be made in New Zealand dollars, nor in other foreign currencies. Shareholders must arrange for payment to be made in Australian dollars. Shareholders should also consider any fees that may be deducted in making an EFT payment from overseas.

If the amount of your EFT payment received is insufficient to pay for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form in full, you will be taken to have applied for such lower number of whole New Shares as your cleared application monies will pay for (and taken to have specified that number of New Shares on your personalised Entitlement and Acceptance Form). Alternatively, your application will not be accepted. Whilst not emailing your Entitlement and Acceptance Form to CapitalMarkets@linkmarketservices.com.au

may not necessarily render your application invalid, any EFT application monies that cannot be identified and reconciled due to not emailing your Entitlement and Acceptance Form to CapitalMarkets@linkmarketservices.com.au may be considered an incomplete application with your application monies returned to you after the Entitlement Offer has been completed. Please note that if you pay application monies by EFT but do not submit your personalised Entitlement and Acceptance Form you are still taken to have made the declarations, representations and warranties on that personalised Entitlement and Acceptance Form and in this Section 3 and Section 6 of this Entitlement Offer Booklet.

Any application monies (greater than A\$2.00) received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Entitlement Offer. No interest will be paid on any application monies received or refunded.

3.5 Representations by acceptance

By making a payment by BPAY® or EFT payment, you will be deemed to have represented to Hills that you are an Eligible Shareholder and (among other things set out in this Entitlement Offer Booklet) you will be deemed to:

- acknowledge that you have read and understand this Entitlement Offer Booklet and your personalised Entitlement and Acceptance Form in their entirety;
- agree to be bound by the terms of the Entitlement Offer, the provisions of this Entitlement Offer Booklet, and Hills' constitution (as amended from time to time);
- authorise Hills to register you as the holder(s) of New Shares allotted to you;
- declare that all details and statements in the personalised Entitlement and Acceptance Form are complete and accurate;
- declare you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlement and Acceptance Form;
- acknowledge that once Hills receives your payment of application monies via BPAY® or EFT, you may not withdraw your application or funds provided except as allowed by law;
- agree to apply for and be issued up to the number of New Shares specified in the personalised Entitlement and Acceptance Form, or for which you have submitted payment of any application monies via BPAY® or EFT, at the Offer Price per New Share;
- authorise Hills, the Share Registry and their respective officers or agents to do anything on your behalf necessary for New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in your personalised Entitlement and Acceptance Form;
- acknowledge and agree that the determination of eligibility of investors for the purposes of the Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Hills;
- acknowledge and agree that Hills and its advisers, affiliates, related bodies corporate, directors, officers, partners, employees and agents disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law;
- declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;

- acknowledge that the information contained in this Entitlement Offer Booklet and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs;
- acknowledge that this Entitlement Offer Booklet is not a prospectus, product disclosure statement or other disclosure document, does not contain all of the information that you may require in order to assess an investment in Hills and is given in the context of Hills' past and ongoing continuous disclosure announcements to ASX;
- acknowledge the statement of risks in the Key Risks section of the Investor Presentation included in Section 4 of this Entitlement Offer Booklet, and that investments in Hills are subject to risk;
- acknowledge that none of Hills, its related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of Hills, nor do they guarantee the repayment of capital;
- agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Entitlement Offer and of your holding of Shares on the Record Date;
- authorise Hills to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
- represent and warrant that you have confirmed whether the FATA applies to you, and if required, complied with the FATA before accepting the Entitlement Offer, acquiring additional Entitlements and/or applying for Shortfall Shares;
- represent and warrant that you are resident in Australia or New Zealand; and
- represent and warrant that the law of any place does not prohibit you from being given this Entitlement Offer Booklet and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an application for New Shares and that you are otherwise eligible to participate in the Entitlement Offer.

By making a payment by BPAY® or EFT, you will also be deemed to have acknowledged, represented and warranted personally, and on behalf of each person on whose account you are acting (if any), that:

- you and each person on whose account you are acting are not in the United States;
- you and each person on whose account you are acting understand and acknowledge that the Entitlements and the New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States and, accordingly, that such securities may not be offered, sold or otherwise transferred to, persons in the United States except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws;
- you are subscribing for or purchasing New Shares outside the United States in an "offshore transaction" (as defined in Rule 902(h) under the US Securities Act) in compliance with Regulation S under the US Securities Act;
- you will not send this Entitlement Offer Booklet, the Entitlement and Acceptance Form or any other materials relating to the Entitlement Offer to any person in the United States or any other country outside Australia except nominees and custodians may forward such documents to beneficial shareholders resident in New Zealand; and

- if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are making an application is resident in Australia or New Zealand or such other country as the Company may agree in compliance with applicable securities laws.

Acceptance of any applications for New Shares by the Company is subject to compliance with the Corporations Act, FATA and other applicable laws.

3.6 Enquiries

If you have not received or you have lost your personalised Entitlement and Acceptance Form, or have any questions, please contact the Hills Information Line on 1300 495 169 (within Australia) or +61 1300 495 169 (outside Australia) from 9:00am to 5:00pm (Sydney time), Monday to Friday. Alternatively, you can access information about the Entitlement Offer online at <https://www.hills.com.au/>. If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.

4. ASX OFFER ANNOUNCEMENTS

Offer Launch Announcement dated Thursday, 23 March 2023

23 March 2023

Partially underwritten pro-rata renounceable entitlement offer to raise approximately A\$7 million; and completion of share placement

Hills Limited ACN 007 573 417 (ASX: HIL) (**Hills** or the **Company**) is pleased to announce a partially underwritten 1.35 for 1 renounceable pro rata entitlement offer of new fully paid ordinary shares in the Company (**New Shares**) at an offer price of A\$0.02 per New Share (**Offer Price**) to raise gross proceeds of up to approximately A\$7 million (before costs) (**Entitlement Offer**).

This Entitlement Offer supersedes the entitlement offer announced on the 13 March 2023, which has been withdrawn.

On the date of this announcement, the Company completed a placement for A\$0.9 million with Historical Holdings Pty Ltd (**Historical Holdings**) at an issue price of A\$0.03 per Share, being a 50% premium to the last traded market price of Shares on 16 March 2023, and following which the Company issued to Historical Holdings 30,897,772 Shares (**Placement Shares**).

The Offer Price is equal to the closing price on the ASX market of fully paid ordinary shares in the Company (**Shares**) on 16 March 2023 of A\$0.02 (being the last trading day before Hills went into trading halt) and represents a discount of approximately:

- 33.3% to the issue price under the placement of A\$0.03 per Placement Share; and
- 24.34% to the volume weighted average market price (as defined in the ASX Listing Rules) of Shares of A\$0.026 for the thirty trading days prior to 17 March 2023.

The Entitlement Offer is partially underwritten by Historical Holdings to the extent of A\$3.5 million, less the aggregate Offer Price for any entitlements taken up by Historical Holdings (or its associates) under the Entitlement Offer. The underwriting is subject to conditions precedent, as detailed in the accompanying Entitlement Offer Booklet (**Offer Booklet**).

Directors of Hills have committed to taking up all of their respective entitlements under the Entitlement Offer.

Hills Chief Executive Officer and Managing Director, David Clarke, stated:

"The funds from the Entitlement Offer provide additional capital to support our strategic growth objectives. This is a particularly important juncture for our proudly Australian company, as we pursue numerous market development activities and aim to expand our product portfolio and commercial reach. It is important we continue to support and build on the strong position of our core businesses whilst pursuing our future growth pathways. This capital raise enables those activities and I encourage all shareholders to get behind your company and participate in this opportunity."

Indicative Use of Funds

The Board and executive management have been undertaking a rejuvenation of Hills to address legacy issues. These actions, including the divestment/closure of the loss-making Hills Security and IT distribution businesses in Australia and New Zealand, have created a platform to deliver improving

business performance of the remaining businesses, and simplification of the investment proposition for shareholders.

The funds received from the issue of the Placement Shares, and proposed to be raised from the Entitlement Offer are proposed to be used to strengthen Hills' balance sheet, seize the positive market conditions, improve operational performance, and invest in Hills' future growth backed by the iconic brand to drive shareholder returns and aim to return the Company to profitability.

Those funds will be primarily used to support the Company's strategic objectives to grow the business, improve operating performance and leverage the iconic brand and strong established base in health technology, to return the Company to profitability. To achieve this, the funds will support the following business objectives:

- strengthen the balance sheet to support the Company's working capital requirements increased due to the growing order-book, timing of new project delivery and disrupted electronics supply chain;
- invest in expanded commercial and marketing capabilities to increase revenue, and investment in services to enhance brand reputation;
- focus on and acceleration of longer-term product and market development;
- allow upgrades to systems and processes to take advantage of technology-supported efficiencies and performance; and
- provide ability to pursue acquisition and partnering opportunities.

The above proposed goals and proposed use of net proceeds are indicative only and will be subject to modification on an ongoing basis depending on the results obtained from the Company's activities and other factors relevant to the Board's discretion as to usage of funding. Due to market conditions and the development of new opportunities or any number of other factors (including the key risks outlined in the "Key Risks" section of the Investor Presentation accompanying this announcement), actual use of net proceeds may differ significantly to the above estimates.

Entitlement Offer Overview

Eligible Shareholders (as defined in the Offer Booklet) are being invited to subscribe (at the Offer Price) for 1.35 New Shares for every 1 Share held as at the Record Date of 7:00pm (Sydney time) on Tuesday, 28 March 2023 (**Record Date**). The Entitlement Offer opens on Friday, 31 March 2023 and will close at 5:00pm (Sydney time) on Thursday, 13 April 2023 (unless modified by the Hills Board).

Under the Entitlement Offer, Hills will offer a maximum of up to approximately 354,892,453 New Shares (subject to rounding of entitlements), which, if the maximum number is issued, would result in the total share capital of Hills upon the completion of the Entitlement Offer increasing to up to approximately 617,775,751 Shares. New Shares issued under the Entitlement Offer will rank equally with Shares already on issue.

The Company will dispatch a copy of the Offer Booklet including a personalised entitlement and acceptance to Eligible Shareholders on Friday, 31 March 2023. The Offer Booklet will provide the details of how to participate in the Entitlement Offer.

Eligible Shareholders who take up their entitlements to subscribe for New Shares pursuant to the Entitlement Offer in full may also apply (pursuant to a top up facility) for additional New Shares in excess of their entitlements at the Offer Price, subject to the terms and conditions detailed in the Offer Booklet.

The Entitlement Offer is only proposed to be made to Hills shareholders as at the Record Date with registered addresses in Australia and New Zealand (and who otherwise satisfy the requirements for eligibility detailed in the Offer Booklet). Hills has, subject to ASIC approval, appointed Taylor Collison to act as nominee for the ineligible shareholders, to arrange for the potential sale of the entitlements which would have been offered to them had they been eligible to participate in the Entitlement Offer.

Refer to the other announcements and documents released to the ASX by Hills, including those accompanying this announcement (such as the Offer Booklet), for further information.

Historical Holdings' voting power and right to nominate Directors

Historical Holdings has current voting power in the Company of 11.75% (arising as a result of the issue of the Placement Shares pursuant to a subscription agreement between the Company and Historical Holdings (**Subscription Agreement**)) and this may potentially increase to up to approximately 47.02% pursuant to Historical Holdings' participation in the Entitlement Offer and/or, subject to the availability of shortfall, Historical Holdings' partial underwriting of the Entitlement Offer.

In accordance with the terms of the Subscription Agreement, among other things, Historical Holdings:

- has undertaken to subscribe for its entitlement under the Entitlement Offer;
- is entitled to nominate for appointment to the Board one non-executive Director, initially being Mr Balu Jega, as it holds more than 10% of the total number of Shares (considered on a fully diluted basis); and
- will be entitled to nominate for appointment to the Board one further non-executive Director, initially being Mr Harley Whitcombe, if Historical Holdings becomes the registered holder or beneficial owner, within two months after 22 March 2023, of at least 20% of the total number of issued Shares (considered on a fully diluted basis).

Further information about the Subscription Agreement is provided in the accompanying Offer Booklet.

Key Dates for the Entitlement Offer

Key dates of the Entitlement Offer are provided in the indicative timetable below.

Event	Date
"Ex" Date Entitlements commence trading on a deferred settlement basis	Monday, 27 March 2023
Record Date (7pm Sydney time)	Tuesday, 28 March 2023
Offer Booklet despatched and Entitlement Offer opens	Friday, 31 March 2023
Entitlements trading ends	Tuesday, 4 April 2023
New Shares under the Entitlement Offer commence trading on ASX on a deferred settlement basis	Wednesday, 5 April 2023
Last day to extend Entitlement Offer closing date	Thursday, 6 April 2023
Closing Date (5pm Sydney time)	Thursday, 13 April 2023
Notification of shortfall of Entitlement Offer	By Monday, 17 April 2023
Anticipated date for the issue of New Shares under the Entitlement Offer	Thursday, 20 April 2023
New Shares under the Entitlement Offer expected to commence trading on ASX on a normal settlement basis	Friday, 21 April 2023

Note: This timetable is indicative only and subject to change with the consent of Historical Holdings. Hills reserves the right to amend the timetable for the Entitlement Offer without notice, subject to the Corporations Act, the ASX Listing Rules, other applicable laws and with the consent of Historical Holdings. In particular, Hills reserves the right to extend the Closing Date of the Entitlement Offer at any time, to accept late applications under the Entitlement Offer (either generally or in particular cases) and to withdraw the Entitlement Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the issue date of New Shares under the Entitlement Offer. The commencement of quotation of New Shares is subject to confirmation from ASX.

Important Information

This announcement has been authorised for release by the Company's Board of directors and is issued by the Company. This announcement 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 the Company in any jurisdiction. This announcement does not constitute financial product advice and does not and will not form part of any contract for the acquisition of securities in the Company.

This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or any other country. No action has been taken to register or qualify the Entitlement Offer, the New Shares, or otherwise permit a public offering of the New Shares, in any jurisdiction outside of Australia. In particular, the New Shares have not been, and will not be, registered under the U.S. Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States.

Accordingly, the New Shares may not be offered or sold within the United States except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable securities laws of any state or other jurisdiction in the United States. The entitlements pursuant to the Entitlement Offer and the New Shares may only be offered and sold outside the United States in "offshore transactions" in reliance on Regulation S under the US Securities Act. None of the Offer Booklet, any accompanying ASX announcements or the Entitlement and Acceptance Form may be distributed in the United States.

The content of this announcement is not, and should not be considered as, a securities recommendation or financial product advice. The information in this announcement is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. Before acting on the information, you should consider the appropriateness of the information, having regard to your objectives, taxation position, financial situation or needs. If you are unsure of your position, please contact your stockbroker, accountant, taxation adviser, financial adviser or other professional adviser.

No representation or warranty is given as to the accuracy or likelihood of achievement of any forward-looking statement in this announcement, or any events or results expressed or implied in any forward-looking statement. These statements can generally be identified by the use of words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "predict", "guidance", "plan" and other similar expressions.

Such forward-looking statements are not guarantees of future performance and are by their nature subject to significant uncertainties, risks and contingencies.

Actual results or events may differ materially from any expressed or implied in any forward-looking statement and deviations are both normal and to be expected. Past performance is not a reliable indicator of future performance. Except as required by law or regulation (including the ASX Listing Rules), the Company undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

-Ends-

About Hills

Hills (ASX:HIL) is a majority Australian-owned company that designs, develops, distributes, installs and manages integrated health technology solutions in homes, hospitals, aged care facilities and other health settings across Australia and New Zealand. www.hills.com.au.

Contact

Hills Limited

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Investor Presentation dated Thursday, 23 March 2023



Investor Presentation

ASX:HIL

Hills Limited | ABN 35 007 573 417

23 March 2023

Not for release to US wire service or
distribution in the United States

DISCLAIMER



Important Notice and Disclaimer

The following disclaimer applies to this investor presentation prepared by Hills Limited ACN 007 573 417 (**Hills** or the **Company**) and is dated 23 March 2023 (**Presentation**).

This Presentation has been prepared in relation to a proposed pro rata renounceable entitlement offer of new fully paid ordinary shares in Hills (**New Shares**) to be made under section 708AA of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as modified by ASIC Corporations Instruments 2016/73 and 2016/84) (**Entitlement Offer**). The Entitlement Offer will be made to eligible shareholders.

By accepting or receiving this Presentation, you acknowledge and agree to the terms set out below.

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Forward-looking statements and future performance

This Presentation contains forward-looking statements and comments about future events, including about the plans, strategies and objectives of Company's management, the Company's expectations about the performance of its business, the potential ongoing impact of the COVID-19 pandemic, the timetable and outcome of the Entitlement Offer and the proceeds to be raised from the Entitlement Offer. Forward-looking statements can generally be identified by the use of forward-looking words such as, “expect”, “anticipate”, “likely”, “intend”, “should”, “could”, “may”, “opinion”, “predict”, “project”, “plan”, “propose”, “will”, “believe”, “forecast”, “estimate”, “target” and other similar expressions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.

You are cautioned not to place undue reliance on any forward-looking statement. While due care and attention has been used in the preparation of forward-looking statements, forward-looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions, circumstances and events specific to the industry, countries and markets in which Hills and its related bodies corporate and associated undertakings operate.

Forward-looking statements including projections, expectations, guidance on future earnings and estimates concerning the timing and success of strategies, plans or intentions are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and may involve known and unknown risks, contingencies and uncertainties and other factors, many of which are outside the control of Hills and cannot be predicted by Hills. Forward-looking statements may involve significant elements of subjective judgement and assumptions as to future events, which may or may not be correct, and therefore you are cautioned not to place undue reliance on such information. In particular, this includes the long-term effect of the COVID-19 pandemic and the long-term impact on Company's business, which at present remains highly uncertain.

A number of important factors could cause Company's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. Refer to the 'Key risks' section of this Presentation for a non-exhaustive summary of certain general and company-specific risk factors that may affect Hills. Actual results, performance or achievements may vary materially from any forward-looking statements and the assumptions on which statements are based, due to matters including but not limited to the risk factors set out in this Presentation. Neither Hills nor any other person gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur.

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This presentation has been authorised for release by the Company's Board of directors and is issued by the Company.



01 Our Business

HILLS.TM

OUR BUSINESS



Established leader in digital solutions in hospitals and aged care

- Advanced Nurse Call, monitoring and workflow management solutions
- Patient entertainment and digitally connected patient engagement systems (PES)
- Australian designed and manufactured
- Customised solutions in major & complex facilities

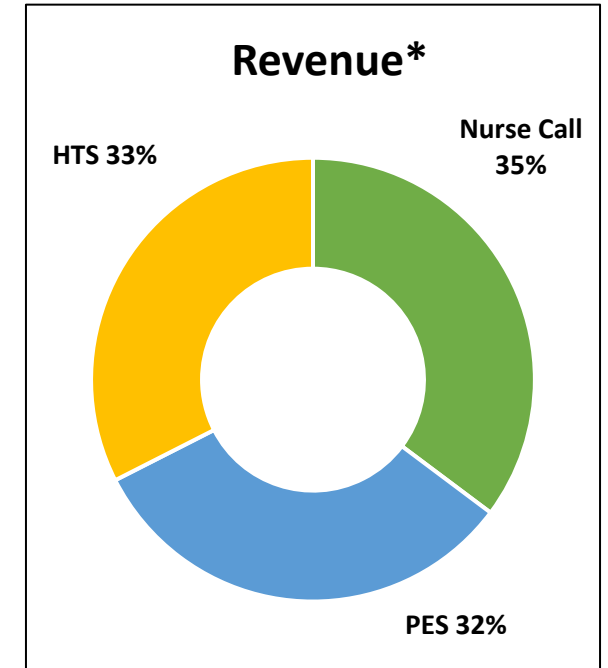
Strong foundation for growth in digital health sector



Technology installation services (NBN) for residential & commercial premises

- NBN wireless and satellite in Australia
- Sky NZ TV in New Zealand

Positioned for NBN upgrade program and expansion of customer base



* Indicative based on FY23 expected revenue

HILLS RENEWAL – IN FY22, ESTABLISHED A PATH FOR PROFITABLE GROWTH DURING FY24



➤ Clear focus on health care technology.

➤ Broadened engagement in the health care sector to include aged care / home care / supported living.

➤ Securing significant project wins in the hospital sector e.g. The New Footscray Hospital.

➤ Established plan for health business recovery and growth.

➤ A renewal at board and management levels.

➤ Structurally improving Hills Technical Services.

➤ Successfully completed major company restructure including the divestment / closure of Security Distribution (Australia and New Zealand), and the re-shaping / re-sizing of remaining operations.

2022 -2023

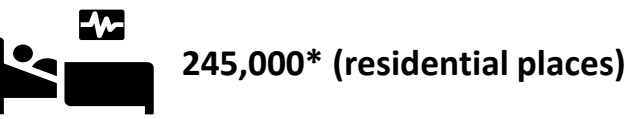
PUBLIC HOSPITALS



PRIVATE HOSPITALS



AGED CARE



Key Statistics

- \$
- \$83.3BN in revenue
 - \$1.5BN in profit
 - \$149.8BN in funding over 5 years


- \$
- \$22.4BN in revenue
 - \$2.0BN in profit

- \$
- \$2.5 BN funding over 4 years through AN-ACC model
 - \$312.6M over 4 years for IT modernisation

2028 - 2029

PUBLIC HOSPITALS




- 
- Forecast of 1,092,000 hospital beds required to support Australia’s population growth rate
 - *Based on current rates of 3.9 beds per 1000 people
 - Trends towards alternate care models such as hospital in the home

PRIVATE HOSPITALS



AGED CARE

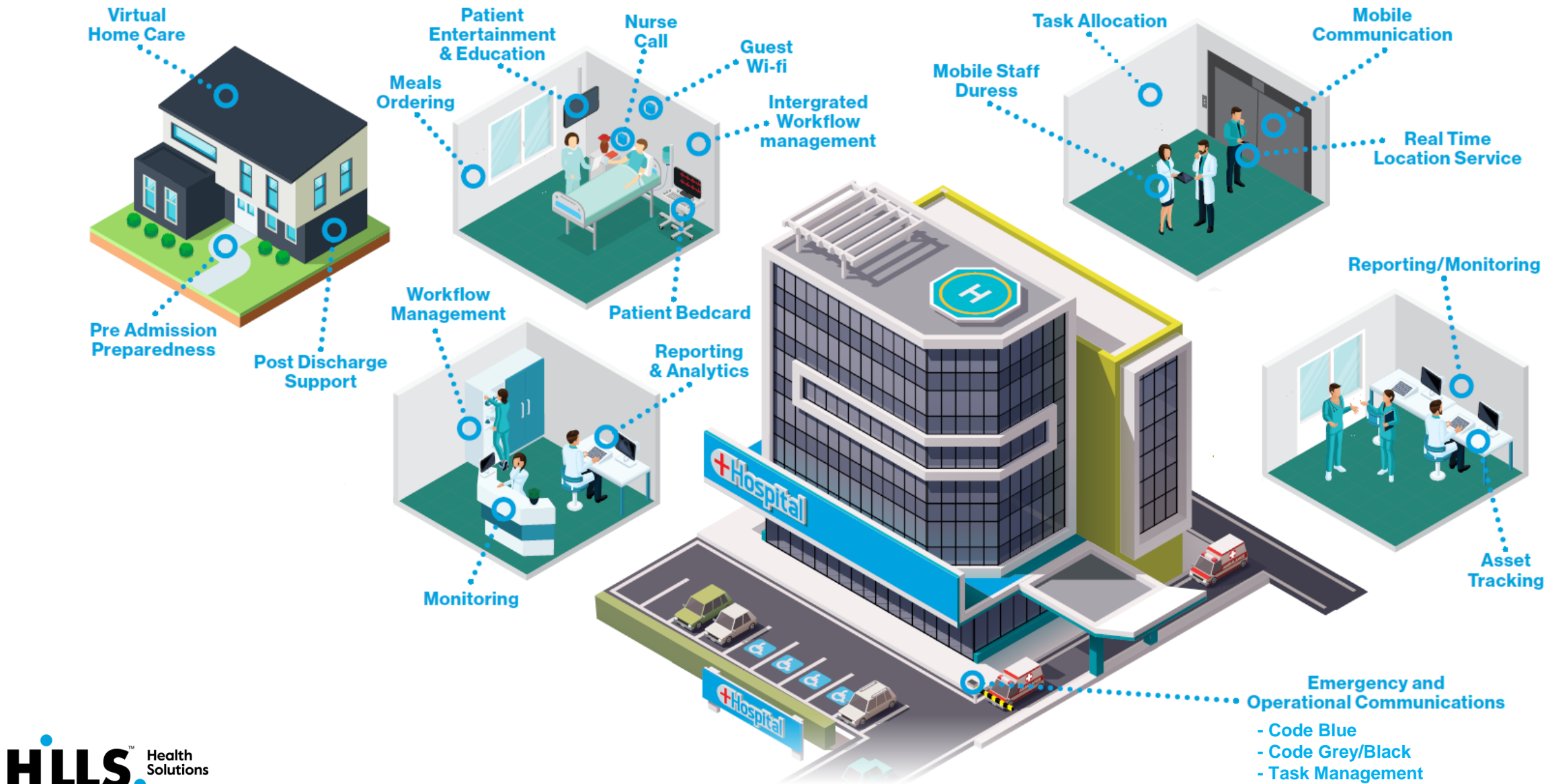


- 
- No. of people aged over 65 will increase from 3.8 million to 5.2 million by 2027
 - Home care is the fastest growing model with 25% year on year growth



- **Advanced Nurse Call and integrated workflow solutions** in hospitals and aged care – to efficiently manage patient interactions and communication with care teams
- **Patient entertainment / engagement systems** in hospitals – integrated with clinical systems – to provide information, education and other services directly to patients
- **Hospital Wi-Fi and telephony networks** – to provide patients access to the outside world
- **Pre-admission and post discharge management** – reducing admission delays and avoiding unnecessary re-admission
- **Cloud-based community shared record** – bringing together virtual care teams with curated clinical and social data

PRODUCT PORTFOLIO



- Strong recovery of orders post-COVID - the timing of delivery of projects, combined with supply chain delays, has however, had a negative impact on FY23 trading.
- Significant pipeline of hospital capital works across Australia.
- **Cash flow and revenue from large orders can take between 6 to 18 months to realise.**



Hills expects to return to sustained net profit during FY24 given:

- the strong demand for our products – the pipeline from delayed projects, along with incoming opportunities, has risen to **\$17.6 million** at 31 December 2022, up from almost **\$8 million** at 30 June 2022;
- the focus on operational performance and an increase in confidence in the health sector.

PRODUCTS AND SERVICES – TECHNICAL SERVICES

- 45,000+ successful appointments completed in Australia:
 - 25,000 installations
 - 12,000 assurance and maintenance
 - 7,000 upgrades
 - 1,000 satellite installations
 - Installation of back-up equipment to emergency evacuation centres
- 250+ skilled technicians
- Systems deeply integrated with customer
- NBN wireless network next generation upgrade program commences 2023
- Opportunity to expand field installation capabilities to other applications





02

The Environment for Growth

HILLS.TM

TRENDS AND OPPORTUNITIES IN HEALTH

Health care system under pressure

Practitioner
shortages
impacting
access to care

Workforce
shortages
impacting
patient care

Governments'
focus and
funded

Health care fragmented, disconnected, duplicated, inefficient,
and isolated

Increasing public
scrutiny of
outcomes

Consumerisation of
health and well
being

Focus on
prevention and
outcomes

Acceleration of care in home (aged care, recovery, disability care)

Technology driven solutions

- **Connected ecosystems** driven by interoperability and intermediation
- **Workflow management, messaging & communication, automation** to reduce workload, improve care and manage costs
- **Data capture and reporting** enables transparency, improves management, simplify mandated reports
- **Monitoring and remote care** includes Telehealth, IoT, sensors, devices, and shared records
- **Patient engagement and education** to improve care outcomes including pre and post acute care

THE HOSPITAL ROOM OF THE FUTURE

Patient engagement transitions to patient centred care. Nurse Call becomes clinical workflow management

In room security

- Entertainment
- Medical Information
- Meal Ordering
- Treatment Education
- Internet Content
- Physician Consultation

- QR Code/Facial Recognition
- Vital Signs
- Clinical History
- Administration

- Nurse Call/Monitoring
- Circadian rhythm Lighting
- Bed relaxation Controls
- Patient caring notes / updates



03 Our Plan

HILLS.TM

	Stage 1 (complete) Divest and clean	Stage 2 Simplify and Recapitalise	Stage 3 Grow
Activity	<ul style="list-style-type: none"> ➤ Leadership renewal ➤ Divestment / closure of Hills security and IT distribution in Australia and NZ ➤ Addressed legacy issues 	<ul style="list-style-type: none"> ➤ Internal re-organisation ➤ Investment in technology ➤ Raise capital 	<ul style="list-style-type: none"> ➤ Build additional capability for organic growth across all businesses ➤ Invest in acquisitions and partnerships
Purpose	<ul style="list-style-type: none"> ➤ Focus on health care technology sector ➤ Simplify investment proposition for shareholders ➤ Reduce cash drain 	<ul style="list-style-type: none"> ➤ Reduce corporate and operational structure and costs ➤ Improve business performance ➤ Protect working capital ➤ Enable investment in performance and growth 	<ul style="list-style-type: none"> ➤ Drive revenue and margin growth through investment in commercial capacity, capability and marketing ➤ Accelerate product development pipeline ➤ Strengthen customer service levels ➤ Expand to adjacent markets and products
Timing	<ul style="list-style-type: none"> ➤ Divestment completed May/June 2022 ➤ Significant legal matter addressed 2022 	<ul style="list-style-type: none"> ➤ Re-organisation in 2022 ➤ Capital raise early 2023 ➤ Technology, process and team transformation during 2023 	<ul style="list-style-type: none"> ➤ Calendar 2023 / 2024

Create interconnected digital health solutions that support patient care, save lives, and are delivered with integrity

- Hills has a clear focus on digital health solutions in hospital, aged care, virtual care and in-home care
- With world class communication, workflow and interconnectivity solutions
- The timely provision of critical information to care teams, improve efficiencies for providers, enable engagement with patients, and improve patient care
- Hills is known for reliability, integrity and understanding of the people and markets we serve



Drive organic growth through expanded sales capabilities and coverage in existing and adjacent markets



Support organic growth through accelerated product upgrades and extensions, to lead digital transformation

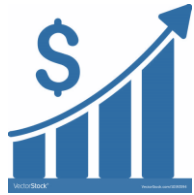


Scale the business with targeted acquisitions in adjacent or complimentary markets and technologies



Improve performance through renewal of internal systems and new technology

Revenue Growth



- Project orderbook \$17.6m to be delivered over next 18 months
- Strengthen commercial team to increase market share
- Reshape and re-price patient engagement offering
- Rollout of new platform for NBN wireless
- Expand opportunities in aged care and home care

Product Development



- Upgrade software to support and extend core Nurse Call platforms
- Enhance core hardware for installation, cost, and supply chain efficiency
- Next generation patient engagement platform
- Product extensions for aged care and home care
- Design for integration, partnerships and cyber security

Improving Operational Performance



- Improving performance in service, design, logistics and supply chain
- Employing technology to support and automate operations and reduce cost to serve
- Removing legacy ERP
- Upgrading cyber security

Financing



- Capital raising through Entitlement Offer
- Borrowing from Financier
- Agreement for covenant relief during rebuild, with successful capital raise



04 The Entitlement Offer

HILLS.TM

ENTITLEMENT OFFER SUMMARY



Offer size and structure	<ul style="list-style-type: none">• 1.35 for every 1 pro-rata renounceable Entitlement Offer to raise approximately \$7 million (Entitlement Offer).• Approximately 355 million new fully paid ordinary shares in the Company (New Shares) to be issued under the Entitlement Offer, representing 135% of existing shares on issue.
Offer Price	<ul style="list-style-type: none">• Offer price of \$0.02 per share representing no discount to the 10-day VWAP of \$0.02, calculated up to and including 16 March 2023.
Use of funds	<ul style="list-style-type: none">• Net proceeds from the Entitlement Offer will be used to expand and invest in commercial capabilities, upgrade product offering to support those initiatives, improve operational systems and performance, strengthen the balance sheet and to pursue acquisition opportunities.
Underwriting	<ul style="list-style-type: none">• The Entitlement Offer is partially underwritten to \$3.5 million by Historical Holdings Pty Ltd. Details of the underwriting are included in the Offer Booklet.
Ranking	<ul style="list-style-type: none">• New Shares issued under the Entitlement Offer will rank equally with existing fully paid ordinary shares from their time of issue.
Top up facility / shortfall shares	<ul style="list-style-type: none">• Eligible Shareholders who exercise their full Entitlement may seek to apply for additional shares under the top up facility at the Offer Price; <i>and</i>• Any further shortfall shares remaining after the underwriting will be offered to new institutional and sophisticated investors at the Offer Price,• Each case above is subject to the extent permitted by law, the discretion of the board, and the allocation policy detailed in the Offer Booklet.
Borrowing facility	<ul style="list-style-type: none">• The Entitlement Offer is supported by the Company's lender and the covenant breach is waived upon successful completion.

PURPOSE OF THE OFFER



Strengthen balance sheet

Support the Company's **working capital requirements**; increased due to the growing order-book, timing of new project delivery and disrupted electronics supply chain.

Seize positive market conditions

Support expanded **commercial and marketing capabilities** to increase order intake in FY23/FY24, and investment in services to enhance brand reputation.

Focus on strategy and driving shareholder returns

Enable focus on and acceleration of longer term **product and market development**
Provide ability to pursue **acquisition and partnering** inorganic opportunities.

Improve operational performance

Allow **upgrades to systems and processes** to take advantage of technology-supported efficiencies and performance.

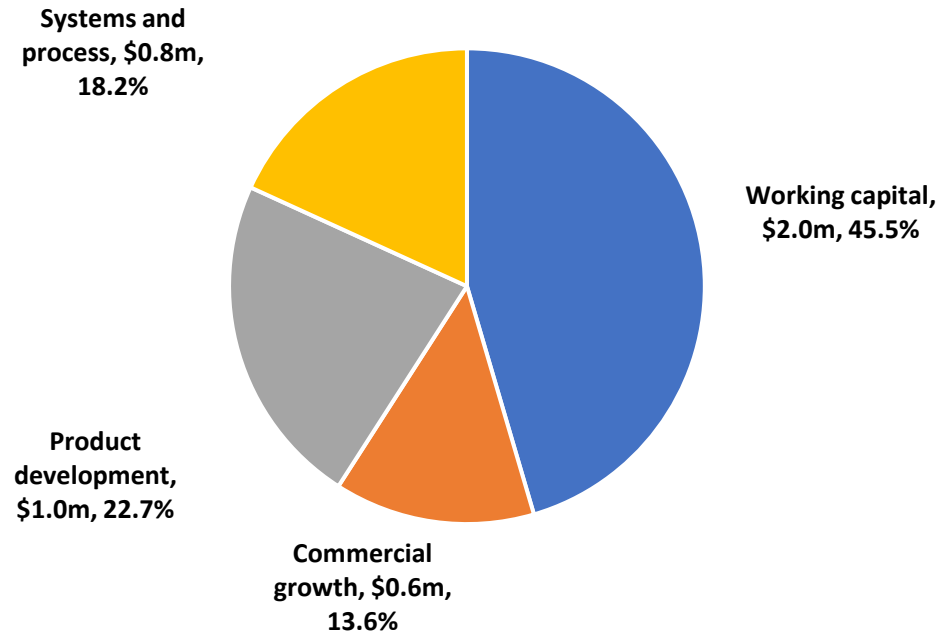
Invest in Hills' Iconic Brand Power

Hills is an iconic and trusted brand, with a solid customer base and a leading position in existing markets.

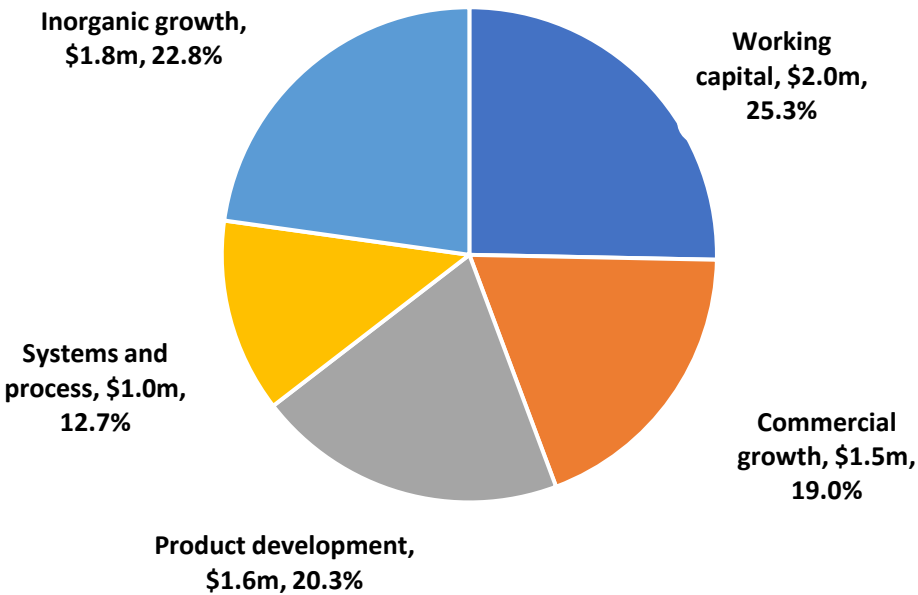
USE OF FUNDS* - COMPLETED \$0.9M PLACEMENT, PLUS ENTITLEMENT OFFER TO RAISE UP TO ~\$7M



Use of Funds ~\$4.4 million



Use of Funds ~ \$7.9 million



- Working capital includes the normal costs associated with running a public company, including, but not limited to, employee salaries and Director fees, installation expenses, legal fees, rental of office premises, investor relations and finance and accounting fees among other working capital requirements, including the purchase of inventory.
- Commercial growth investment includes an investment in additional experienced sales and marketing resources with an aim to expand the commercial and marketing capabilities of the Company.
- Product development initiatives identified include the upgrade of software to support and extend core Nurse Call platforms, enhance core hardware for installation, cost and supply chain efficiency, develop next generation engagement platform and product extensions for aged care and home care. Proceeds are not expected to fund all the initiatives outlined but will contribute to them.
- Internal systems and processes include removing legacy ERP system and upgrading cyber security.
- A partially subscribed raise will limit but not exclude the above activities.

* This proposed allocation of funds is indicative only and may be changed at the discretion of the Company's Board

TIMETABLE



Announcement Date of the Entitlement Offer	Thursday, 23 March 2023
Shares quoted on an “ex” basis and trading of Entitlements starts on a deferred settlement basis	Monday, 27 March 2023
Entitlement Offer Record Date (7:00pm Sydney time)	Tuesday, 28 March 2023
Dispatch of Entitlement Offer Booklet and Entitlement and Acceptance Form to Eligible Shareholders	Friday, 31 March 2023
Entitlement Offer opens	Friday, 31 March 2023
Entitlements trading ends	Tuesday, 4 April 2023
New shares under the Entitlement Offer commence trading on ASX on a deferred settlement basis	Wednesday, 5 April 2023
Entitlement Offer closes (5:00pm Sydney time)	Thursday, 13 April 2023
Notification of shortfall of Entitlement Offer	By Monday, 17 April 2023
Anticipated date for the issue of New Shares under the Entitlement Offer	Thursday, 20 April 2023
New Shares under the Entitlement Offer expected to commence trading on ASX on a normal settlement basis	Friday, 21 April 2023
Dispatch of holding statements for New Shares under the Entitlement Offer	Monday, 24 April, 2023

These dates are indicative only and, subject to compliance with applicable law, may be changed at the discretion of the Company's Board.

PROFORMA BALANCE SHEET



	31 December 2022	\$3.5m Rights issue & \$0.9m Placement	\$7.0m Rights issue & \$0.9m Placement
	\$'000	\$'000	\$'000
ASSETS			
Cash and cash equivalents	1,569	5,669	9,169
Trade and other receivables	10,391	10,391	10,391
Inventories	5,031	5,031	5,031
Investments	2	2	2
Property, plant and equipment	7,784	7,254	7,254
Right-of-use asset	2,985	1,583	1,583
Intangible assets	1,355	1,355	1,355
Total assets	29,117	31,284	34,784
LIABILITIES			
Trade and other payables	8,149	8,149	8,149
Provisions	4,512	4,009	4,009
Lease liabilities	4,495	1,921	1,921
Borrowings	6,498	6,498	6,498
Total liabilities	23,654	20,577	20,577
Net assets	5,463	10,707	14,207

Note: Hills Limited has carried forward tax losses of \$289 million, as at 30 June 2022, which are expected to continue to be available subsequent to this capital raise.



05 Company Information

HILLS.TM

BOARD AND LEADERSHIP



David Chambers
BSc, Dip Bus Mgt

Chairman
since July 2021
Non-executive director
since July 2020

- 30+ years of international experience in the healthcare and technology sectors, specifically in Australia, the US, Europe and Asia.
- Former Managing Director of Asia-Pac operations at Allscripts Healthcare Solutions Inc (Nasdaq-listed global leader in healthcare information technology).
- Former CEO of ASX listed health software business Pro Medicus Ltd.
- Chairman of ASX listed healthcare software provider, Mach7 Technologies Ltd.



Peter Steel
BEC, MBA
(Executive)

Non-executive director
since March 2021

- Considerable experience in the consumer goods and logistics industries.
- Strong skills in strategy, business planning, acquisitions, and business development.
- Former senior finance executive for 20+ years, including General Manager, Finance, and IT, at Toll Priority and General Manager, Planning & Strategy at Coca-Cola Amatil Ltd.



David Clarke
BCom, DipGrad, CA,
GAICD

Managing Director
since September 2022
Chief Executive Officer
since May 2021

- Experienced ASX listed CEO with significant experience in technology and healthcare; operational expertise in wholesale distribution, field service, retail, and manufacturing.
- Former CFO and CEO at ASX listed pharmaceutical software company, Corum Group.
- Served in senior executive leadership positions at Medtronic Australasia, Fisher & Paykel, and the ASX listed Nick Scali Ltd.



Natalie Scott
BCom, CA,
GAICD

Chief Financial Officer
since March 2021
GM Operations
since May 2022

- Significant experience as a senior financial executive at ASX listed companies including Village Roadshow Ltd, Event Hospitality & Entertainment Ltd.
- Served as Chief Financial Officer/Chief Operating Officer at Scalabrini Village residential aged care group.
- Strong focus on technological innovation, aligning products and services with market demand and digital evolution to drive long-term sustainability.



Balu Jega
BSc (Hons) Mech
Engineering , MBA

Non-executive director*
Historical Holdings nominee

- Chief Executive Officer of Arlec Australia Pty Ltd, Australia's largest privately owned wholesaler of premium electronic and electrical products and accessories.
- Director of numerous listed companies across a range of different industries.
- Served in senior roles in international corporations including as Operational Manager with Siemens AG (ETR: SIE), Materials Manager with Cummins Diesel (NYSE: CMI) and Materials Manager with Intel. Santa Clara (NASDAQ: INTC).

*To be appointed as a result of the completion of the Historical Holdings placement first announced to the ASX on 22 March 2023

CORPORATE OVERVIEW



ASX code	HIL
Share price close 16 March 2023	\$0.02
Market capitalisation as at 16 March 2023	\$4.64m

SHARES ON ISSUE

Top 20 (excl. substantial holders)	60,941,984	23.2%
Substantial holders	77,073,385	29.3%
Balance of register	124,867,929	47.5%
Shares on issue	262,883,298	100.0%

Note: Information reflects the position following completion of the placement to Historical Holdings Pty Ltd in accordance with their subscription agreement with Hills Ltd, and prior to undertaking the Entitlement Offer.

SUBSTANTIAL HOLDERS

Substantial shareholders

Hills Limited has been notified of the following substantial shareholdings:

Name	Number held	% of shares issued
Ms Jennifer Hill-Ling, Ms Bronwyn Marie Veal and Mr Gregory Mark Hill-Ling ⁽¹⁾	46,175,613	17.60%
Historical Holdings Pty Limited	30,897,772	11.75%

(1) The substantial shareholder controls two other substantial shareholders Poplar Pty Ltd and Hills Associates Limited, and their holdings form a part of the 17.6%.



06 Key Risks

HILLS.TM

Introduction

This section discusses some of the risks associated with an investment in Hills. Hills' business is subject to a number of risk factors both specific to its business and of a general nature which may impact on its future performance. Before subscribing for New Shares, prospective investors should carefully consider and evaluate Hills and its business and whether the New Shares are suitable to acquire having regard to their investment objectives and financial circumstances and taking into consideration material risk factors. The below list of risk factors ought not to be taken as exhaustive of the risks faced by Hills or by investors in Hills. The below factors, and others not specifically referred to, may in the future materially affect the financial performance of Hills and the value of Shares. Please refer also to Hills' previous ASX announcements.

Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares (including the New Shares). Potential investors should consider the investment carefully and should consult their professional advisers before deciding whether to apply for New Shares, or to otherwise trade in Shares.

Specific Risks to the Company

- **(Going concern risk)** The Company's auditor's review report in the Company's interim financial report for the half year ended 31 December 2022 noted the following:

"We draw attention to Note 1.2, which identifies that during the half year ended 31 December 2022 the Group incurred a consolidated net loss of \$3.6 million from continuing activities (31 December 2021: \$3.9 million from continuing activities), had current liabilities that exceeded its current assets by \$3.2 million and had negative cash flows from operating activities of \$4.2 million.

As stated in Note 1.2, these events and conditions, along with other matters as set forth in Note 1.2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern, including realising its assets and discharging its liabilities in the ordinary course of business and at the amounts stated in the financial report. Our conclusion is not modified in respect of this matter."

The Company has announced to the ASX that its group is in breach of an undertaking in relation to its pre-existing \$6 million finance facility borrowed from AMAL Security Services P/L atf CWPDMF (**Financier**) and that the Hills group was actively working with the Financier to obtain relief of the breach. The Financier has now conditionally granted forbearance from that breach, and from any further anticipated breaches. The forbearance deed is conditional of a minimum raise of \$3 million prior to 30 June 2023.

In the event that the Company is unable to raise at least \$3 million pursuant to the Entitlement Offer, nor secure alternative funding from other sources, the Board anticipates the Company may be unable to continue to fund its activities. The Financier has various rights pursuant to the Financier's loan, such as the power to call in its security over the assets of the Company if breaches are not remedied.

- **(Risk of continuing to be unprofitable):** The Company has incurred significant net losses. Most recently, the Company reported a statutory net loss after tax of \$3.8m for the six months ending 31 December 2022 and a \$24 million net loss after tax for the financial year ended 30 June 2022. The current year losses reflected the delivery of the reduced orders taken during COVID-19 pandemic levels. The prior financial year losses predominantly related to the divested Australian security and IT distribution business and a number of one-off write offs of assets. The return to the projected profitable position is dependent on the successful execution of the turn-around work required. As a consequence, there is a risk that the Company will continue to be unprofitable, with consequential adverse impacts on the financial position of the Company and the value of Shares.
- **(Ability to win and retain key customers):** The Company's business is dependent on:
 - Securing contracts to provide and support Nurse Call solutions in hospital and aged care sectors;
 - Maintaining utilisation rates of the assets deployed that provide patient entertainment systems;
 - Securing contracts to sell patient entertainment systems;
 - Installing NBN connections;
 - Installing SKY TV services in New Zealand.

RISKS (CONTINUED)



The Company may fail to win or retain customers. The Company has no control over the timing of potential customer opportunities or in respect of the awarding of such contracts or the timing of the customer's requirement to install its products and services.

The Company may not meet the level of service expected to adequately support the installed systems due to increase in cost to deliver the service. This may result in a contract not being renewed.

- **(Supply chain risks):** The Company depends on key suppliers for the supply of critical and unique components to deliver the Nurse Call and patient entertainment solution. If key componentry can not be sourced in a timely and cost effective manner, the cost and time to deploy contracts will increase which may result in an unprofitable project and reputational risk.

The Technical Services business installs NBN hardware specified and provided by the customer. The Company has no influence over the supply or change of the components deployed. This can adversely impact the number of installations completed and thus revenue earned.

Key suppliers may require payment for goods at the time of ordering to secure supply. This could have a materially adverse impact on the Company's financial position and its ability to continue trading as a going concern.

Key suppliers may become insolvent or cease operating for various reasons. Supply chain interruptions have the capacity to adversely impact upon the Company's financial performance and financial position.

- **(Implementation of business strategy risk):** There is a risk that the Company is unable to execute its business strategy of organic (product and market development focusing on next generation solutions with a focus on aged care, acute care and community settings) and acquisitive growth (targeting businesses with complementary health solutions with an existing footprint in target growth markets or businesses with market ready next generation solutions) as well as strengthening its leadership and commercial capabilities.

The Company is not currently in any active negotiation for an acquisition or disposal. However, it remains open to opportunities that may arise in the future.

Any delay in implementation of, failure to successfully implement, or unintended consequences of implementing any or all of the Company's growth strategies may have an adverse effect on the Company's future financial performance and growth prospects.

- **(Refinancing loan facilities):** Historically, the Company has successfully refinanced its borrowing facilities. However, there is a refinancing risk that replacement debt facilities will not be available or will not be available on terms as favourable to the Company as its previous borrowing facilities. If the Company is not able to refinance its corporate debt facility (the Financier's Loan) when it falls due (September 2025), this could have a materially adverse impact on the Company's financial position and its ability to continue trading as a going concern.

There is also a risk of secured creditors, such as the current Financier exercising security over assets of the Company, for example in the event the Company defaults on its debt repayment obligations (refer also to the going concern risk above).

- **(Legal liabilities):** Disputes or litigation may arise from time to time in the course of the business activities of the Company. There is a risk that any material or costly dispute or litigation could adversely the Company's reputation, financial position, performance or prospects. Two claims are currently outstanding against the Company. One, which was related to a dispute concerning a third-party contract. This claim has been dismissed by the Court, with costs awarded in favour of the Company. The decision has been appealed by the other party. The appeal is currently listed for hearing in May 2023. Based on legal advice, the Directors are of the opinion that no provision is required in respect of this outstanding matter as it is not probable that a future outflow of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability. The other claim relates to a contractual dispute with a US supplier to the divested Security and IT business and has not reached a stage of negotiation to confidently predict any future outflow of economic benefit.

Furthermore, the Company notes the possibility of future legal liabilities arising, which may be caused by, and not limited to, the operation of its products and services and meeting its contractual obligations for installation of its products.

RISKS (CONTINUED)



- **(Future capital requirement risk):** The Company may require additional capital (in addition to the Entitlement Offer), such as via raising equity, debt, hybrid funding or asset sales, for example for the purpose of funding acquisitions (although no forecast is made of whether any acquisitions will occur).

The Company's ability to raise sufficient further capital within an acceptable time frame and on terms acceptable to it will vary according to a number of factors including (without limitation) the prospects of new product development and enhancements, new acquisition opportunities, the results of its operations and broader industry and stock market conditions. There is no guarantee that necessary funding will be available, and (if it is) it may dilute the interests of existing shareholders of the Company. There is a risk that the Company will be unable to secure necessary funding in future. If the Company is unable to obtain additional financing as needed, it may be required to reduce, delay or suspend its operations and this could have a material adverse effect on the Company's activities and could affect the Company's ability to continue as a going concern or remain solvent.

- **(Key personnel risk):** The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its ability to attract and retain qualified and experience staff. There is no guarantee that the Company will be able to attract and retain its key personnel. Any difficulty in so far as attracting or retaining staff could disrupt and materially affect the operations of the Company. Such occurrences could reduce the Company's competitiveness, disrupt operations or adversely affect the Company's business and financial position.
- **(Material contracts):** The Company's business relies on business relationships, including (without limitation) its relationship with its suppliers and key customers. There are risks of the Company suffering adverse impacts in the event of any breaches by the Company, its group or third parties of material contracts. The contract with Ericsson, the key customer of the Hills Technical Services business, expires in June 2023. The renewal of this contract is dependent on the contractual arrangements between Ericsson and NBN. There is a risk that the Company defaults on obligations pursuant to this contract, with consequential adverse impacts on the Company's reputation, financial performance and financial position.
- **(Regulatory, compliance and legislative change risk):** A range of legislation and regulation in Australia and overseas govern the Company's business undertakings. Non-compliance with regulatory requirements may result in financial penalties or reputational damage to the Company. Regulatory changes which the Company considers beneficial may cease to exist, which may impact on the Company's financial position and financial performance. The Company may also be impacted by the effects of international regulation.
- **(Competition):** The markets in which the Company operates are particularly competitive and are subject to domestic and global competition. While the Company will try to manage this risk with a targeted marketing strategy, competition arises from a number of sources including companies with greater capital resources than the Company. The Company's performance could be adversely affected if existing or new competitors reduce the Company's market share, such as through technology development, marketing and increased product or technology offerings or through price reduction for alternatives.

Many of the Company's competitors have greater financial and other resources than the Company and, as a result, are in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with its competitors. The Company's products and services may not be able to compete in the market and they may become obsolete.

- **(Currency risk):** Revenue and expenditures in overseas jurisdictions are subject to the risk of fluctuations in foreign exchange markets. For example, the Company has certain payment obligations that are denominated in foreign currencies. Accordingly, payment will be made in those countries' currencies, and may exceed the budgeted expenditure if there are adverse currency fluctuations against the Australian dollar.

The Company's main foreign exchange risk exposure is to US dollars. The Company's policy provides for management to hedge approximately three months of anticipated cash flows (mainly purchases of inventories). However, there is no guarantee that such measures will be sufficient to hedge against the risks associated with currency fluctuations, and a failure to do so could have a material adverse effect on the business, its operating results and financial prospects.

- **(Inflation risk):** As the Company may fix prices under its contractual arrangements with third parties, it may be affected by the rate of inflation which may result in lower margins for the Company and higher wages, operational costs and overheads which, in turn, impact the Company's financial performance and shareholders' interests. The Company has recently seen reduced margins due to long lifecycle project work being contracted in prior years at fixed rates and, subsequently, component and labour costs have risen substantially when the Company has begun installation of its products. Inflation in any other country in which the Company operates may similarly have an adverse effect on the Company's business and the value of the shares in the Company.

Further, increases in the rate of inflation may also result in higher costs associated with supply and manufacture of the Company's products. If these costs are not successfully passed onto the Company's consumers or the Company fails to efficiently manage these costs, this may result in an adverse impact on the operations, financial performance and/or position of the Company.

RISKS (CONTINUED)



- **(Interest rate risk):** If the Company seeks further debt financing in the future, it would again be subject to interest rate fluctuations on its debt facilities. Variations in interest rates that are not effectively hedged may increase the Company's debt funding costs, and consequently have a material adverse impact on the Company's operations and financial performance.
- **(Product liability exposure):** There is no assurance that unforeseen adverse events or manufacturing defects will not arise in the Company's products. Adverse events could expose the Company to product liability claims or litigation, resulting in the removal of regulatory approval for the relevant products and/or monetary damages and other remedies being awarded against the Company. There is also a risk of the Company failing to deliver on customer contract technical requirements. In such events, the Company's liability may exceed the Company's insurance coverage, if any.
- **(Dividends):** There are a range of factors that determine and will determine whether any dividend may be paid by the Company. These factors include (without limitation) the profitability of the Company, its cash reserves, future capital requirements, legal requirements and the discretion of the Company's Board. The Company has announced net losses and is not in a position to pay any dividend and no forecast is made of future dividends. There is no guarantee that any dividend will be declared and paid by the Company.
- **(Pandemic risks):** Like many businesses in Australia and around the world, the Company has been adversely affected by the Coronavirus (**COVID-19**) pandemic. The Company has incurred significant losses due to reduced customer demand for its products and services, and due to supply chain disruptions, attributed (in part) to the COVID-19 pandemic. There is a risk that such factors may recur in future.

The long-term effect of COVID-19 on economies and the Company's business is not known, nor is the time-period in which COVID-19 will continue to have a global impact. The impact of the COVID-19 pandemic (or any future pandemics) on the group may change over time and affect different parts of the group in different ways. This could include (without limitation) impacting some of the Company's supply chain, operations, people and customers. There is also a risk that government or industry measures taken in response to COVID-19, such as lockdowns and other restrictions on movements, may restrict the Company's undertaking of ordinary business operations. There is also a risk that persons whom the Company is reliant on to conduct its business may be unable to work for a period of time if they contract COVID-19 or are required to isolate or quarantine. These business interruptions may have an adverse impact on the Company's operations.

There remains a risk that the COVID-19 pandemic, and any future pandemics or other natural disasters, may adversely affect the Company's financial position and financial performance.

- **(Ground water contamination):** In consultation with the Environmental Protection Authority, ground water contamination potentially originating from two of the Company's former South Australian sites continues to be monitored by the Company and it is anticipated that ongoing monitoring will be required to be undertaken by the Company. The Company has provided for the anticipated costs of ongoing assessments until 2029 in accordance with the Company's environmental monitoring plan. Currently no contamination has been identified, however the Company could be adversely affected by discovery of an environmental contamination or incorrect assessment of costs associated with an environmental contamination.

Furthermore, any negative publicity or announcement relating to ground water contamination may adversely affect the price at which Shares trade on ASX, whether or not that negative publicity is justifiable.

- **(Organisational Capability Risks):** The Company must effectively manage the Company's skills, knowledge and resources to provide quality products and services to its customers. There is a risk that the loss of key personnel may adversely impact on the Company's ability to provide its products and services.
- **(Product faults and research and development):** There is a risk of the products sold by the Company being faulty or otherwise breaching product specification requirements and contractual obligations. These matters could adversely affect the Company's financial performance, financial position and reputation. The Company's business activities and operations involve research and development, which has inherent risk, such as infringing third party intellectual property, non-compliance with laws and potentially wasted resources.
- **(Insurance):** The Company's insurance policies, in some circumstances may not provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.
- **(Control risks):** The Entitlement Offer is partially underwritten by Historical Holdings Pty Ltd which (post placement) holds voting power in approximately 11.80% of the Shares in the Company. This may potentially increase to up to approximately 47.0% pursuant to Historical Holdings participation in the Entitlement Offer and (subject to the availability of shortfall of the Entitlement Offer) the underwriting of the Entitlement Offer.

RISKS (CONTINUED)



The potential consequences of the effect which the issue of New Shares pursuant to the Entitlement Offer may have on the control of the Company is that Historical Holdings may increase their ability to influence the composition of the Company's board and the Company's management and strategic direction and to impact the outcome of resolutions of shareholders of the Company.

The Historical Holdings' interests may not align with those of all other shareholders or management. Historical Holdings may, upon completion of the Entitlement Offer, hold voting power in approximately 47.0% of the Shares in the Company. This means that they would have the ability to prevent a special resolution from being passed by the Company (such resolution requiring at least 75% of the votes cast by members entitled to vote on the resolution) and would have the de facto ability to pass ordinary resolutions of the Company's shareholders, or to prevent ordinary resolutions from being passed, given that less than 100% of the shareholders are expected to vote at any general meeting.

- **(Underwriter risks):** The Entitlement Offer is partially underwritten by Historical Holdings Pty Ltd (**Underwriter**). The Offer Booklet summarises the terms and conditions of the underwriting agreement, which includes various conditions precedent, termination events and other provisions in favour of the Underwriter. There are risks the conditions precedent may not all be satisfied, or that some other termination event occurs, any of which could lead to the Underwriter terminating its partial underwriting of the Entitlement Offer.

If the Underwriter terminates its underwriting, this:

- would likely have an adverse impact on the prospects of the Entitlement Offer;
- may (depending on the level of acceptances under the Entitlement Offer) reduce the likelihood of Hills raising the minimum \$3 million which is needed in order to satisfy one of the conditions precedent to the Company's lender's forbearance; and
- may negatively impact on the financial position and financial performance of the Company, and its ability to continue trading as a going concern.

In those circumstances, the Company may need to withdraw the Entitlement Offer, but the Board of Hills reserves its discretion not to do so.

- **(Workplace Health and Safety risks):** The Company's business activities may expose the Company's staff to potentially dangerous working environments. Workplace health and safety legislation and regulations differ in each jurisdiction. If any of the Company's employees suffers injury or death, compensation payments or fines may be payable and such circumstances could result in the loss of a licence or permit required to carry on the business. Such an incident may also have an adverse effect on the Company's business and reputation.

General Risks to the Company

- **(Ukraine Conflict):** The current evolving conflict between Ukraine and Russia (**Ukraine Conflict**) is creating and is likely to continue to create unpredictable impacts to the global economy and financial markets. The nature and extent of the effect of the Ukraine Conflict on the performance of the Company remains uncertain at this time. The trading price of Shares may be adversely affected in the short to medium term by the economic uncertainty caused by the Ukraine Conflict and the wider effect the conflict has on the global economy and financial markets.

Secondary and tertiary macroeconomic impacts of the Ukraine Conflict may continue to adversely impact the Company, including the fluctuations in commodity and energy prices and the potential risk of cyber activity impacting governments and businesses. Further, any governmental or industry measures taken in response to the Ukraine Conflict may potentially adversely impact the Company's operations and are likely to be beyond the control of the Company.

While the Company has not assumed any ongoing direct business with Ukrainian, Belarusian or Russian companies, the indirect impacts of the conflict may have unpredictable indirect consequences on the Company's future business. It is expected that the situation will continually evolve, and the consequences are therefore, inevitably uncertain.

- **(General equity market risks):** The price at which Shares trade on ASX may be affected by a number of factors, such as the financial and operating performance of the Company and external factors over which the Company and its Directors have no control. These external factors include (without limitation) actual, expected and perceived general economic conditions, changes in government policy or regulation, significant events such as natural disasters or acts of terrorism, epidemics and pandemics, investor attitudes, changes in taxation, movements in interest rates, movements in stock markets, and general conditions in the markets in which the Company operates. In addition, investors should consider the historical volatility of Australian and overseas share markets.

RISKS (CONTINUED)



- **(Economic conditions):** The performance of the Company is likely to be affected by changes in economic conditions. Profitability of the business may (without limitation) be affected by some or all of the matters listed below, each of which is inherently uncertain: (i) general financial issues which may affect policies, exchange rates, inflation and interest rates; (ii) deterioration in economic conditions, possibly leading to reductions in business spending and other potential revenues which could be expected to have a corresponding adverse impact on the Company's operating and financial performance; (iii) the strength of the equity and share markets in Australia and throughout the world; (iv) financial failure or default by any entity with which the Company is or may become involved in a contractual relationship; (v) industrial disputes in Australia and overseas; and (vi) increased commodity prices and other costs.
- **(Force majeure):** Events may occur within or outside the markets in which the Company operates that could impact upon the global and Australian economies, the operations of the Company and the market price of its Shares. These events include (without limitation) acts of terrorism, outbreaks of international hostilities, fires, pandemics, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease and other man-made or natural events or occurrences that can have an adverse effect on the demand for the Company's products and services and its ability to conduct business. Given the company has only a limited ability to insure against some of these risks, its business, financial performance and operations may be materially adversely affected if any of the events described above occurs.
- **(Climate Change):** Climate change may have an adverse effect on demand for the Company's products and services and on the feasibility of the Company's operations. A decrease in demand for the Company's products and services could have a significant adverse effect on its operations, business, and financial condition.

The activities and operations of the Company are subject to laws and regulations (and any changes to them) related to climate change mitigation efforts, specific taxation or penalties for carbon emissions or environmental damage and other possible restraints that may adversely impact the Company, its financial performance and the value of Shares. There can be no guarantee that the Company will not be impacted by these matters.

Climate change may also cause certain physical or environmental risks that cannot be predicted by the Company, such as events such as increased severity of weather patterns, incidence of extreme weather events and longer term physical risks such as shifts in climate patterns. Additionally, climate change may result in shortages in certain consumables and other products required to sustain the Company's operations, and any such shortage could impact its capacity to provide its products and services.

All of these risks associated with climate change may significantly and negatively affect the way the Company operates.

- **(Cyber security):** The Company relies heavily on its information technology systems including its networks, equipment, hardware, software, telecommunications and other information technology (collectively, **IT Systems**), and the IT Systems of third-party service providers, to operate its business as a whole. The Company's operations depend on the timely maintenance, upgrade and replacement of its IT Systems, as well as pre-emptive efforts to mitigate cybersecurity risks and other IT System disruptions.

IT Systems are subject to an increasing threat of continually evolving cybersecurity risks from sources such as computer viruses, cyber-attacks, natural disasters, power loss, defects in design, security breaches and other manipulation or improper use of the Company's systems and networks, resulting in, among other things, unauthorised access, disruption, damage or failure of the Company's IT Systems (collectively, **IT Disruptions**). Although to date the Company has not experienced any material data losses or financial impost relating to such IT Disruptions, there can be no assurance that it will not incur such losses in the future.

The occurrence of one or more IT Disruptions could have effects such as damage to the Company's equipment, downtimes, operational delays, destruction or corruption of data, increases in capital expenditures, expensive remediation efforts, distraction of management, damage to the Company's reputation or events of noncompliance which could lead to regulatory fines or penalties or ransom payments. Any of the foregoing could have a material adverse effect on the Company's results of operations and financial performance.

- **(Litigation):** The Company has, and may in the future, become involved in litigation and disputes (see also the legal liabilities risk above). Any litigation or dispute could be costly and damaging to the Company's reputation and business relationships, which could have an adverse effect on its financial performance and industry standing.

RISKS (CONTINUED)



- **(Taxation):** Changes in tax laws such as income tax, capital gains tax, GST or stamp duty legislation, case law, rulings and determinations issued by the Australian Commissioner of Taxation, foreign tax regulators or other practices of tax authorities, or the way they are interpreted, may adversely affect the Company's financial position or performance.
- **(Unforeseen Expenses):** While the Company is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of the Company may be adversely affected.
- **(Accounting standards):** Australian accounting standards are subject to change from time to time which could adversely affect the Company's reported earnings performance in any given period and its financial position or performance from time to time.
- **(Broader General Risks):** There are also a number of broader general risks which may impact the Company's performance. These include (without limitation):
 - abnormal stoppages in normal business operations due to factors such as war, political or civil unrest, terrorism, infrastructure failure or industrial disruption; and
 - higher than budgeted costs associated with the provision of product and service offerings.
- **(Speculative Nature of Investment):** The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of Shares. Therefore, Shares carry no guarantee with respect of dividends, returns of capital or their market value. Potential investors should consider that the investment in the Company is speculative and should consult professional advisers before deciding whether to invest.



David Clarke

**Managing Director and
Chief Executive Officer**

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5. ADDITIONAL INFORMATION

5.1 Underwriting Agreement

Hills has entered into an underwriting agreement with the Underwriter, who has agreed to partially underwrite the Entitlement Offer to the extent of \$3.5 million, less any Entitlements which are taken up by the Underwriter under the Entitlement Offer (**Underwritten Amount**) pursuant to the underwriting agreement between the Underwriter and the Company (**Underwriting Agreement**).

This means that, subject to:

- the shortfall allocation policy for the Entitlement Offer, (as detailed in Section 6.4);
- satisfaction of the conditions precedent in the Underwriting Agreement summarised in this Section 5.1; and
- the Underwriting Agreement not being terminated in accordance with any of the termination events summarised in this Section 5.1,

the Underwriter is obligated to subscribe (at the Offer Price per Shortfall Share) for the number of Shortfall Shares remaining after the allocation of the Shortfall Shares under the Top Up Facility (**Remaining Shortfall Shares**) up to the Underwritten Amount (the **Underwritten Shares**).

No fee, commission or other consideration is payable by the Company to the Underwriter for the underwriting pursuant to the Underwriting Agreement. However, the Underwriter will be reimbursed for legal costs associated with the underwriting up to a maximum amount of \$30,000.

The obligation for the Underwriter to underwrite the Entitlement Offer to the extent of the Underwritten Amount is subject to the satisfaction (or waiver by the Underwriter) of the following outstanding conditions precedent:

- (i) **(Section 615 nominee)**: prior to 9.00am on the fifth Business Day prior to the Closing Date, ASIC giving its approval to the appointment of the Ineligible Holder Nominee to act as nominee in respect of the Entitlement Offer under section 615 of the Corporations Act;
- (ii) **(Forbearance Deed)** the deed between the Company and the Financier which documents the Financier Forbearance not being terminated, as at 9.00am on 18 April 2023 or on such other date as the Company and the Underwriter agree;
- (iii) **(Official quotation)**: ASX not having indicated on or before 8.00am on the Allotment Date that it will not provide approval to the official quotation of all the New Shares on ASX;
- (iv) **(Shortfall Notice)**: receipt by the Underwriter of a written notice specifying the number of Remaining Shortfall Shares in accordance with the Underwriting Agreement; and
- (v) **(Certificate and sign-off)**: the closing certificate being delivered in accordance with the Underwriting Agreement.

The obligation for the Underwriter to underwrite the Entitlement Offer to the extent of the Underwritten Amount may also be terminated, in the Underwriter's discretion, prior to Allotment Date in accordance with the Underwriting Agreement, if one or more of the following events occur:

- (i) **(restriction on allotment)**: the Company is prevented from issuing and allotting all Shares required to be issued and allotted pursuant to the Entitlement Offer and the Underwriting Agreement within the time required by the Underwriting Agreement, the Corporations Act, the ASX Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or

any court of competent jurisdiction or any governmental or semi-governmental agency or authority;

- (ii) **(Defect)**: the Company becomes aware of or a circumstance arises that gives rise to:
 - (A) a material statement in the Offer Materials which is a misleading or deceptive statement in a material respect; or
 - (B) the cleansing notice prepared by the Company for the Entitlement Offer pursuant to section 708AA of the Corporations Act being defective (as that term is defined in section 708AA(11) of the Corporations Act);
- (iii) **(change of law)** there is introduced, or there is a public announcement of a proposal to introduce, into any Federal, State or Territory Parliament in Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority or ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced prior to the date of the Underwriting Agreement) any of which does or is likely to prohibit or regulate the Entitlement Offer, capital markets or stock markets;
- (iv) **(delisting or ASX suspension)** the Company is removed from the official list of ASX or ASX suspends the Company's Shares from quotation (which for the avoidance of doubt, does not include a trading halt or voluntary suspension in connection with the Entitlement Offer nor the voluntary suspension which applies to the Company as at the date of the Underwriting Agreement, provided that voluntary suspension is lifted within five Business Days after the commencement of that voluntary suspension)) and that suspension is not lifted within five Business Days following such suspension;
- (v) ***(default)** there is any other material breach by the Company of its obligations under the Underwriting Agreement;
- (vi) ***(failure to comply)** the Company fails to comply, in a material respect, with its constitution, the Corporations Act or any other applicable law or regulation, including any policy, guideline, order or request made or issued by ASIC or any Government Agency;
- (vii) ***(financial assistance)** the Company passes or takes any steps to pass a resolution under section 260B of the Corporations Act or engages in any conduct which would require such a resolution, without the prior written consent of the Underwriter;
- (viii) **(business)** without the prior written consent of the Underwriter, the Company:
 - (A) disposes or agrees to dispose of the whole or a substantial part of its business or assets; or
 - (B) ceases or threatens to cease to carry on its business in its normal and usual manner;
- (ix) **(new circumstance)**: any materially adverse new circumstance arises since the Offer Materials were issued that would have been required to be included in the Offer Materials if it had arisen before the Offer Materials were issued;
- (x) **(disclosures in Offer Materials)**: a statement contained in the Offer Materials is misleading or deceptive in a material respect;

- (xi) **(incorrect or untrue representation):** any representation, warranty or undertaking given by the Company under the Underwriting Agreement is or becomes untrue or incorrect;
- (xii) **(adverse change)** an event occurs which is, or is likely to give rise to:
 - (A) an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company from those disclosed in the Offer Materials lodged with ASX on the Announcement Date; or
 - (B) an adverse change in the nature of the business conducted by the Group as disclosed in the Offer Materials lodged with ASX on the Announcement Date;
- (xiii) ***(certificate)** the Company does not provide a closing certificate as and when required by the Underwriting Agreement or a statement in any closing certificate is false, misleading, inaccurate or untrue or incorrect, as at the date it is given;
- (xiv) ***(hostilities)** in respect of Australia or New Zealand:
 - (A) hostilities not presently existing commence;
 - (B) a major escalation in existing hostilities occurs (whether war is declared or not);
 - (C) a declaration is made of a national emergency or war (but other than a declaration made in relation to pandemics or other health emergencies, but for the avoidance of doubt does not exclude COVID-19 where it results in a material shut-down of business in any of these jurisdictions); or
 - (D) a major terrorist act is perpetrated;
- (xv) **(misleading information):** any material information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Entitlement Offer or the affairs of the Company is misleading or deceptive or likely to mislead or deceive;
- (xvi) **(authorisation):** any authorisation which is material to anything referred to in the Offer Materials is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- (xvii) **(Prescribed Occurrence):** a Prescribed Occurrence occurs;
- (xviii) **(Event of Insolvency):** an event of insolvency occurs in respect of the Company;
- (xix) **(Shares to be fully paid):** all New Shares issued pursuant to the Entitlement Offer and in accordance with the terms of the Underwriting Agreement do not, from the date of allotment, rank equally in all respects with other fully paid ordinary shares in the Company or if they are not issued free of all encumbrances;
- (xx) **(withdrawal of Entitlement Offer)** the Company withdraws the Entitlement Offer or indicates that it does not intend to or is unable to proceed with the Entitlement Offer;
- (xxi) **(change to Company)** the Company:

- (A) alters the issued capital of the Company or a member of the Group, other than any one or more of the following:
 - (1) the issue of the New Shares;
 - (2) the issue of Ineligible Shares;
 - (3) the issue of other securities by the Company as disclosed fully and fairly in the Offer Materials;
 - (4) an issue of securities pursuant to a non-underwritten dividend or distribution plan or employee incentive scheme (as those terms are defined in the ASX Listing Rules) or otherwise to employees or officers of the Company or as a result of the conversion or exercise of any such securities or otherwise on issue at the date of the Underwriting Agreement;
 - (5) an issue of securities that is necessary to ensure an event of insolvency does not occur in respect of the Company; or
 - (6) the issue of the Placement Shares; or
 - (B) disposes or attempts to dispose of a substantial part of the business or property of the Group, without the prior written consent of the Underwriter (not to be unreasonably withheld or delayed);
- (xxii) **(Timetable)** an event specified in the timetable up to and including the Allotment Date is delayed by more than two (2) Business Days (other than any delay caused solely by the Underwriter or any delay agreed between the Company and the Underwriter in accordance with the Underwriting Agreement);
- (xxiii) **(change in management)** a change in the chief executive officer or chief financial officer of the Company occurs, or (other than is contemplated by the Subscription Agreement) there is a change in the board of directors of the Company without the prior written consent of the Underwriter (which must not be unreasonably withheld or delayed); and
- (xxiv) **(legal proceedings and offence by Directors)** any of the following occurs (other than in relation to any Director nominated by the Underwriter pursuant to the Subscription Agreement):
- (A) a Director is charged with an indictable offence;
 - (B) the commencement or threatening of legal proceedings which has a material adverse effect against the Company or any Director; or
 - (C) any Director is disqualified from managing a corporation under section 206A of the Corporations Act.

The right for the Underwriter to terminate the Underwriting Agreement in respect of the events above marked with an * (above) applies only if the Underwriter reasonably believes the event has or is likely to have (or two or more events together have or are likely to have) a material adverse effect on the success of the Entitlement Offer or could result in the Underwriter becoming liable under any law or regulation.

The Underwriting Agreement also contains covenants, warranties, undertakings (such as a 90 day moratorium on certain issues of securities by Hills (subject to exceptions) without the prior written consent of the Underwriter (such consent not to be unreasonably withheld or delayed)), representations and other terms usual for an agreement of this nature.

Pursuant to the Underwriting Agreement, the Underwriter has agreed to the shortfall allocation policy for the Entitlement Offer, as detailed in Section 6.4.

The Company proposes to make any issue of New Shares to the Underwriter pursuant to the Underwriting Agreement on the Allotment Date (but reserves the rights to alter the timing subject to the consent of the Underwriter).

5.2 Subscription Agreement

The Company and Historical Holdings Pty Ltd (being the Underwriter) are parties to the Subscription Agreement, pursuant to which the Company issued the Placement Shares to the Underwriter in consideration for approximately \$927,000 (which has been paid to the Company).

Pursuant to the Subscription Agreement, the Underwriter:

- is entitled to nominate for appointment to the Board one non-executive director, initially being Mr Balu Jega, as it holds more than 10% of the total number of Shares (considered on a Fully Diluted Basis) and noting that this right lapses and the Underwriter must procure the resignation as Directors of each Director nominated by the Underwriter under the Subscription Agreement and appointed to the Board, if the Underwriter ceases to be the registered holder or beneficial owner of at least 10% of the total number of issued Shares (considered on a Fully Diluted Basis); and
- will be entitled to nominate for appointment to the Board one further non-executive director, initially being Mr Harley Whitcombe, if the Underwriter becomes the registered holder or beneficial owner, within two months after 22 March 2023, of at least 20% of the total number of issued Shares (considered on a Fully Diluted Basis) (noting that this second right to nominate a Director lapses and the Underwriter must procure the resignation as Director of any Director appointed pursuant to this nomination, if the Underwriter ceases to hold at least 20% of the total number of issued Shares (considered on a Fully Diluted Basis), even if the Underwriter remains the registered holder or beneficial owner of at least 10% of the total number of issued Shares (considered on a Fully Diluted Basis)),

provided in each case the Underwriter consults with the Board (acting reasonably) prior to any such nomination and nominates a person who has the appropriate qualifications and relevant experience (as determined in the Underwriter's absolute discretion, acting reasonably). In accordance with the requirements of the ASX Listing Rules, any appointment of a Director nominated by the Underwriter would also be subject to the Shareholders voting to reappoint the nominee at the Company's next Annual General Meeting (and subsequently in accordance with the ASX Listing Rules and the Constitution), which voting approval the Board must (subject to compliance with applicable fiduciary and statutory duties) publicly recommend.

Biographies of Mr Balu Jega and Mr Harley Whitcombe are provided in Section 5.3 below.

For so long as the Underwriter's holding of Shares is at least 10% of the total number of Shares (considered on a Fully Diluted Basis), the Company is required to, before making an offer to issue any Equity Securities other than:

- pursuant to the Subscription Agreement;
- pursuant to the Entitlement Offer;
- pursuant to, or as detailed in, the Underwriting Agreement;
- a pro rata issue (as that term is defined in the ASX Listing Rules);
- an issue of securities pursuant to a non-underwritten dividend or distribution plan or employee incentive scheme (as those terms are defined in the ASX Listing Rules) or

otherwise to employees or officers of the Company or as a result of the conversion or exercise of any such securities or otherwise on issue at the date of this agreement; or

- an issue of securities that is necessary to (in the opinion of the Company acting reasonably and in good faith) ensure certain insolvency events (e.g., the appointment of a liquidator, administrator or receiver) do not occur in respect of the Company,

(such an offer, other than any of those listed in the bullet points immediately above, being an **Equity Offer**) provide at least five business days' notice to the Underwriter of such Equity Offer and the Company has agreed that it will not make any Equity Offer to any third party unless the Underwriter is (subject to compliance with applicable laws, the ASX Listing Rules and the Company's Constitution) first given a reasonable opportunity to participate in the Equity Offer on terms no less favourable than to other subscribers.

The Subscription Agreement also contains covenants, warranties, undertakings, representations and other terms usual for an agreement of this nature.

Now that the Placement Shares have been issued, there are no express termination rights for the Company or the Underwriter under the Subscription Agreement.

5.3 Biographies of proposed nominee Directors and information regarding the Underwriter

Mr Balu Jega

Mr Jega is currently the Chief Executive Officer of Arlec Australia Pty Ltd, Australia's largest privately owned wholesaler of premium electronic and electrical products and accessories.

Mr Jega has been a director of many listed companies in a range of different industries. Mr Jega has previously held senior positions of international corporations including Operational Manager with Siemens AG (ETR: SIE), Materials Manager with Cummins Diesel (NYSE: CMI) and Materials Manager with Intel. Santa Clara (NASDAQ: INTC).

Mr Jega holds a Bachelor of Science (Hons) in Mechanical Engineering from City, University of London and a Master of Business Administration from Victoria University.

Mr Harley Whitcombe

Mr Whitcombe has extensive experience providing director and company secretarial services to publicly listed companies. Mr Whitcombe is currently the Executive Director and Company Secretary of Seafarms Group Limited (ASX: SFG). Mr Whitcombe was previously the Chief Financial Officer at Seafarms Group Limited and also has experience as a company director of Gribbles Pathology.

Mr Whitcombe holds a Bachelor of Business from Curtin University in Perth and is a Certified Public Accountant.

Historical Holdings Pty Ltd

Historical Holdings Pty Ltd is an Australian private investment company owned by Mr Harley Whitcombe, Mr Balu Jega and Gabor Holdings Pty Ltd (**Gabor**). Gabor is the wholly owned and controlled investment vehicle of Mr Ian Trahar.

Mr Ian Trahar has a resources and finance background and has extensive experience both establishing and being involved in a number of businesses in the resources and finance sector. Mr Trahar is presently the non Executive Chairman of Seafarms Group Limited (ASX: SFG) and was previously the joint Chief Executive Officer of Avatar Industries Limited and the Chairman of Ranger Minerals NL along with executive roles as the State Manager Investment Banking for Citibank from 1983 to 1985 and the Executive Director of Mincoa NL from 1986 to 1988.

5.4 Substantial holders and Directors' interests in Securities

As at the date of this Entitlement Offer Booklet, the Company has the following substantial holders (based on the substantial holder notices that have been provided to the Company and released to the ASX, and based on the Placement):

Substantial holders of the Company	Number of Shares	Voting Power
Hill-Ling parties (as described below) ⁽¹⁾	46,175,613	17.5%
Historical Holdings Pty Ltd ⁽²⁾	30,897,772	11.75%

Note:

1. The Hill-Ling parties include (among other parties detailed in various substantial holder notices announced to the ASX) Greybox Holdings Pty Ltd, Magnolia (SA) Pty Ltd, Juniper (SA) Pty Ltd, Jennifer Hill-Ling, Hills Associates Limited, Poplar Pty Ltd, Bronwyn Marie Veale and Gregory Mark Hill-Ling.
2. Historical Holdings Pty Ltd (which is the Underwriter) has additionally agreed to underwrite a portion of the Entitlement Offer pursuant to the Underwriting Agreement as detailed in Section 5.1. Refer to Section 5.5 for further information in relation to the potential increase in the Underwriter's voting power in the Company as a result of the Entitlement Offer and the Underwriter's underwriting.

As at the date of this Entitlement Offer Booklet, the Directors' interests in the Company are detailed below:

Director	Shares	Performance Rights
David Chambers ⁽¹⁾	421,000	Nil
David Clarke ⁽²⁾	Nil	2,733,736
Peter Steel ⁽³⁾	409,000	Nil

Notes:

1. Refer to Appendix 3Y Change of Director's Interest Notice in relation to David Chambers announced to the ASX on 28 March 2022 for further details.
2. Refer to Appendix 3X Initial Director's Interest Notice in relation to David Clarke announced to the ASX on 7 October 2022 for further details.
3. Refer to Appendix 3Y Change of Director's Interest Notice in relation to Peter Steel announced to the ASX on 14 September 2021 for further details.

The Directors have confirmed that they intend to take up their full Entitlements, and to procure that the persons or entities through which they hold the above interests in Shares take up their full Entitlements under the Entitlement Offer.

5.5 Effect on Control

The potential effect that the Entitlement Offer will have on the control of the Company and the consequences of that effect will depend on a number of factors, such as investor demand, existing shareholdings and the extent to which Shortfall Shares are available and ultimately taken up by the Underwriter pursuant to the Underwriting Agreement (in accordance with the shortfall allocation policy detailed in Section 6.4).

Following the Entitlement Offer and upon completion of the underwriting pursuant to the Underwriting Agreement, the voting power of the Underwriter may rise from the level of 11.75% as at the Announcement Date to a maximum of 47.02%. The Underwriter may increase its voting power to this extent by relying on the exception contained in item 10 of section 611 of the Corporations Act, subject to ASIC approval of the Ineligible Holder Nominee pursuant to section 615 of the Corporations Act:

- in respect of taking up their Entitlements under the Entitlement Offer; and

- in respect of the Underwriter acquiring any Shortfall Shares in its capacity as the underwriter of part of the Entitlement Offer pursuant to the Underwriting Agreement (as summarised in Section 5.1).

No forecast is made on whether the Underwriter's voting power in the Company will otherwise change in the future, whether pursuant to other acquisitions or disposals of Shares or otherwise (for example relying on any other applicable items in section 611 of the Corporations Act).

However, the Underwriter has no present intention to acquire further Shares in reliance on the 3% creep exception in section 611/9 of the Corporations Act if on completion of the Entitlement Offer it has a relevant interest in 47.02% of the Shares, and therefore has not formed any intentions should its relevant interest ever exceed 50%.

The Underwriter has also agreed with the Company that:

- the Underwriter will not subscribe for any Shortfall Shares under the Top Up Facility, nor purchase any Entitlements from other Shareholders; and
- the Underwriter will use reasonable endeavours to procure that its associates do not subscribe for any Shortfall Shares under the Top Up Facility, nor purchase any Entitlements from other Shareholders.

The following tables show the indicative number of Shares to be held by, and the approximate indicative voting power in the Company of, the Underwriter upon completion of the Entitlement Offer and the underwriting, under certain pro forma scenarios:

(i) Entitlement Offer is fully subscribed:

Shareholder(s)	At the Announcement Date		If the Entitlement Offer is fully subscribed	
	Number of Shares	Voting Power (%)	Number of Shares	Voting Power (%)
Historical Holdings Pty Ltd	30,897,772	11.75%	72,609,765	11.75%

Note: The voting power of the Historical Holdings Pty Ltd (which is the Underwriter) if the Entitlement Offer is fully subscribed is subject to changes resulting from Ineligible Shareholders being unable to participate in the Entitlement Offer. See Note 1 of the table immediately below.

(ii) Entitlement Offer is not fully subscribed and no Shortfall Shares are taken up except for by the Underwriter pursuant to the Underwriting Agreement:

Shareholder (s)	75% acceptance of Entitlements		50% acceptance of Entitlements		0% acceptance of Entitlements	
	Number of Shares	Voting Power (%)	Number of Shares	Voting Power (%)	Number of Shares	Voting Power (%)
Historical Holdings Pty Ltd	161,332,879	26.12	205,897,772	35.89	205,897,772	47.02

Notes:

1. In calculating the potential outcomes in the two tables immediately above, the Company has included the issue of any New Shares which would have been offered to Ineligible Shareholders (had they been Eligible Shareholders), on the assumption that those Entitlements are sold by the Ineligible Holder Nominee and taken up by the transferees of those Entitlements not associated with the Underwriter (except for in the case of "0% acceptance of Entitlements", in which case it is assumed those New Shares are taken up by the Underwriter pursuant to the Underwriting Agreement). No forecast is made of whether any such Entitlements will be sold, as this inclusion is made for pro forma illustrative purposes only.

2. In calculating the potential outcomes in the table immediately above, given that the Underwritten Amount in relation to the Underwriter would be reduced by any Entitlements which are taken up by the Underwriter under the Entitlement Offer, when calculating the total percentage of Entitlements assumed to be accepted in each column of the table, the Company has assumed that the Underwriter takes up its Entitlements in full in accordance with the Subscription Agreement. Pursuant to the Subscription Agreement, the Underwriter has undertaken to take up its Entitlement in full.

Based on the above matters, the potential effect which the issue of New Shares pursuant to the Entitlement Offer (including the Shortfall Shares) will have on the control of the Company is as follows:

- if all Eligible Shareholders take up their entitlements under the Entitlement Offer, the New Shares issued under the Entitlement Offer will have no effect on the control of the Company and all Shareholders will hold the same percentage interest in the Company, subject only to changes resulting from Ineligible Shareholders being unable to participate in the Entitlement Offer;
- in the more likely event that there is a shortfall in the Entitlement Offer, Eligible Shareholders who do not subscribe for their full entitlement of New Shares under the Entitlement Offer (such as those who sell their Entitlements under the Entitlement Offer) will be diluted relative to those Shareholders who subscribe for some or all of their Entitlement, and will be diluted by any take up of Shortfall Shares; and
- the voting power in the Company held by the Underwriter could increase from the current level of 11.75%, to up to a maximum of 47.02% (assuming no Eligible Shareholders take up their Entitlements under the Entitlement Offer and assuming the Underwriter takes up the maximum number of 175,000,000 New Shares pursuant to the Underwriting Agreement (or alternatively assuming that the only Entitlements taken is the Entitlement of the Underwriter and that the Underwriter fulfils its residual partial underwriting obligations under the Underwriting Agreement) but none of the remaining Shortfall is placed).

The potential consequences of the effect which the issue of New Shares pursuant to the Entitlement Offer may have on the control of the Company is that there may be an increase in the Underwriter's ability to influence the composition of the Board and the Company's management and strategic direction and to impact the outcome of resolutions of Shareholders. For example, the Underwriter may have the ability to prevent a special resolution from being passed by the Company (such resolution requiring at least 75% of the votes cast by members entitled to vote on the resolution) and may have the de facto ability to pass ordinary resolutions of the Shareholders, or to prevent ordinary resolutions from being passed, given that less than 100% of the Shareholders are expected to vote at any general meeting. Those effects may also be increased by the rights for the Underwriter to nominate up to two directors to the Board of Hills, as detailed in Section 5.2.

Control will ultimately be affected by the level of applications under the Entitlement Offer. The final percentage interests held by Shareholders of the Company are dependent on, among other things, the extent to which Eligible Shareholders take up their Entitlements.

The Company has received confirmation, provided on behalf of the Hill-Ling parties (who are detailed in footnote 1 of the first table in Section 5.4), that the Hill-Ling parties do not intend to take up any of their Entitlements.

With the exception of the issue of Shortfall Shares to the Underwriter pursuant to the Underwriting Agreement, no Shortfall Shares will be issued to an Eligible Shareholder if, in the view of the Directors, to do so would increase that Eligible Shareholder's voting power in the Company above 20%. Additionally, the Directors reserve the right to refuse to approve a particular issue of Shortfall Shares if such issue would, in the view of the Directors, result in a breach of the ASX Listing Rules, the Corporations Act, FATA or any other applicable law.

The information in this Section 5.5 is the Company's estimates only, based on the information available to it. Actual outcomes may vary.

5.6 Potential Dilution Effect

If you do not participate in the Entitlement Offer, your holdings in the Company will be diluted as a result of the Entitlement Offer (compared with your position before the Entitlement Offer), after the issue of New Shares under the Entitlement Offer.

The following are examples of how any dilution may impact you if you do not participate in the Entitlement Offer, assuming the maximum number of New Shares are issued:

Example Shareholder	Holdings as at Record Date	% as at Record Date	Entitlements Under the Entitlement Offer (subject to rounding)	Holdings if Entitlement not taken up by the Shareholder	% if the maximum number of New Shares are issued pursuant to the Entitlement Offer (subject to rounding) ¹
Shareholder 1	10,000,000	3.80%	13,500,000	10,000,000	1.62%
Shareholder 2	5,000,000	1.90%	6,750,000	5,000,000	0.81%
Shareholder 3	1,000,000	0.38%	1,350,000	1,000,000	0.16%
Shareholder 4	100,000	0.038%	135,000	100,000	0.016%
Shareholder 5	10,000	0.0038%	13,500	10,000	0.0016%

Note:

1. The dilutionary effect shown in the table assumes that any Entitlements not taken up are dealt with as Shortfall Shares and are placed by the Company or taken up by the Underwriter pursuant to the Underwriting Agreement. It also assumes the issue of any New Shares which would have been offered to Ineligible Shareholders (had they been Eligible Shareholders), on the assumption that those Entitlements are sold by the Ineligible Holder Nominee and taken up by the transferees of those Entitlements, or are dealt with as Shortfall Shares and are placed by the Company or taken up by the Underwriter pursuant to the Underwriting Agreement.

5.7 Capital structure on completion of the Entitlement Offer

On the basis that the Company completes the Entitlement Offer and issues the estimated maximum number of New Shares, the Company's capital structure will be as follows (subject to rounding and subject to no further issues having occurred, for example from the conversion of performance rights into Shares):

	Number of Shares (subject to rounding)	Number of options	Number of performance rights
Balance as at the date of this Entitlement Offer Booklet (including the Placement Shares)	262,883,298	Nil	5,742,764 ²
Entitlement Offer	354,892,453	Nil	Nil
Total upon completion of the Entitlement Offer¹	617,775,751	Nil	5,742,764

Notes

1. The Company reserves the right to issue further securities from time to time, subject to the undertakings the Company has provided the Underwriter in the Underwriting Agreement and the Subscription Agreement (refer to Sections 5.1 and 5.2).
2. Being the performance rights issued to executives under the Hills employee incentive plan.

6. IMPORTANT INFORMATION

This Entitlement Offer Booklet and enclosed personalised Entitlement and Acceptance Form (**Information**) have been prepared by Hills. This Information is current as of Thursday, 23 March 2023. This Information remains subject to change without notice and Hills is not responsible for updating this Information.

There may be additional announcements made by Hills after the date of this Entitlement Offer Booklet and throughout the period that the Entitlement Offer is open that may be relevant to your consideration of whether to take up or do nothing in respect of your Entitlement. Therefore, it is prudent that you check whether any further announcements have been made by Hills (by visiting the ASX website at www.asx.com.au) before submitting your application to take up your Entitlement.

No party other than Hills has authorised or caused the issue of this Information, or takes any responsibility for, or makes, any statements, representations or undertakings in this Information.

This Information is important and requires your immediate attention.

You should read this Information and Hills' other ASX announcements carefully and in their entirety before deciding how to deal with your Entitlement. In particular, you should consider the risk factors outlined in the "Key Risks" section of the Investor Presentation (a copy of which is included in this Entitlement Offer Booklet) any of which could affect the operating and financial performance of Hills or the value of an investment in Hills.

You should consult your stockbroker, accountant or other independent professional adviser to evaluate whether or not to participate in the Entitlement Offer.

Trading of New Shares

It is the responsibility of each applicant to confirm their holding before trading in New Shares. Any applicant who sells New Shares before receiving written confirmation of their holding will do so at their own risk.

Hills disclaims all liability whether in negligence or otherwise (to the maximum extent permitted by law) to persons who trade New Shares before receiving their holding statement for New Shares, whether on the basis of confirmation of the allocation provided by Hills or the Share Registry or otherwise, or who otherwise trade or purport to trade New Shares in error or which they do not hold or are not entitled to.

If you are in any doubt as to these matters, you should first consult with your stockbroker, accountant or other independent professional adviser.

Disclaimer

No party other than Hills has authorised or caused the issue of this Entitlement Offer Booklet, or takes any responsibility for, or makes any statements, representations or undertakings in this Entitlement Offer Booklet.

For the avoidance of doubt, to the maximum extent permitted by law, the Underwriter (including its affiliates, related bodies corporate, officers, employees, agents and advisers disclaim all liability including (without limitation) liability arising from fault or negligence, for any loss howsoever and whenever arising from the use of any of the information contained in this Entitlement Offer Booklet.

6.1 Eligible Shareholders and Ineligible Shareholders

This Information contains an offer of New Shares to Eligible Shareholders and has been prepared in accordance with section 708AA of the Corporations Act (as notionally modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73). Accordingly, neither this Entitlement Offer

Booklet nor the Entitlement and Acceptance Form are required to be lodged or registered with ASIC and no prospectus for the Entitlement Offer will be prepared. These documents do not contain, or purport to contain, all of the information that a prospective investor may require in evaluating a possible investment in Hills. They do not and are not required to contain all of the information which would be required to be disclosed in a prospectus.

If you are a Shareholder who does not satisfy each of the criteria to be an Eligible Shareholder (as defined in Section 2.1), you are an **"Ineligible Shareholder"**. Where the Entitlement Offer Booklet has been despatched to Ineligible Shareholders, the Entitlement Offer Booklet is provided for information purposes only. Hills reserves the right to determine whether a Shareholder is an Eligible Shareholder or an Ineligible Shareholder.

By making a payment by BPAY® or EFT, you will be taken to have represented and warranted that you satisfy each of the criteria listed in Section 2.1 to be an Eligible Shareholder. Nominees, trustees or custodians are therefore advised to seek independent professional advice as to how to proceed.

Hills has decided that it is unreasonable to make offers under the Entitlement Offer to Ineligible Shareholders, having regard to the number of such holders in those places and the number and value of the New Shares that they would be offered, and the cost of complying with the relevant legal and regulatory requirements in those places. In considering compliance with applicable securities laws, Hills may (in its absolute discretion) extend the Entitlement Offer to Shareholders who have registered addresses outside Australia and New Zealand.

Foreign Shareholders and Ineligible Holder nominee

This Entitlement Offer Booklet and accompanying Entitlement and Acceptance Form do not, nor are they intended to, constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such offers.

The Company has (subject to ASIC approval) appointed Taylor Collison to act as nominee (the **Ineligible Holder Nominee**) for the Ineligible Shareholders, to arrange for the sale of the Entitlements which would have been offered to them had they been eligible to participate in the Entitlement Offer.

If there is a viable market for those Entitlements and a premium over the expenses of their sale can be made, the Ineligible Holder Nominee's role is to arrange the sale of the Entitlements which would have been attributable to Ineligible Shareholders. The Ineligible Holder Nominee will distribute to the Share Registry or to the Company directly the net proceeds (if any) of the sale of Entitlements of Ineligible Shareholders (after deducting costs and expenses), to be distributed to the Ineligible Shareholders in proportion to their respective Entitlements at the Record Date. The Ineligible Holder Nominee will charge the Company a fee of \$2,500 (plus GST) and the Company will reimburse to the Ineligible Holder Nominee the reasonable expenses of the Ineligible Holder Nominee. The Company has also agreed to indemnify the Ineligible Holder Nominee and its related bodies corporate and directors, employees and agents against certain losses, claims and other customary matters.

The Ineligible Holder Nominee will have absolute and sole discretion to determine the price for which the Entitlements of Ineligible Shareholders may be sold, as well as the timing and manner of such sale (if any). Neither the Company nor the Ineligible Holder Nominee will be subject to any liability to Ineligible Shareholders (or any other party) for failure to sell the Entitlements of Ineligible Shareholders or for failure to sell them at a particular price.

If, as a result of the Ineligible Holder Nominee offering to sell or being invited to sell the Entitlements of Ineligible Shareholders, the Ineligible Holder Nominee forms the reasonable opinion that there is not a viable market for the Entitlements or a surplus of sale proceeds over expenses from the sale cannot be obtained for the Entitlements that would otherwise have been offered to the Ineligible Shareholders then those Entitlements will be allowed to lapse. In such circumstances, no money will be payable to Ineligible Shareholders.

To the extent that any Entitlements that would have been offered under the Entitlement Offer to Ineligible Shareholders (had they been entitled to participate in the Entitlement Offer) are not taken up for the issue of New Shares (including pursuant to the Ineligible Holder Nominee process above) (**Ineligible Shares**), those Ineligible Shares will be Shortfall Shares which are subject to the shortfall allocation policy detailed in Section 6.4. The price at which those Ineligible Shares would be issued is the same as the Offer Price. Accordingly, there will be no net proceeds from those issues in excess of the Offer Price under the Entitlement Offer and Ineligible Shareholders will not receive any payment or value in connection with those Ineligible Shares.

Foreign Acquisitions and Takeovers Act 1975 (Cth) (FATA) and Australian Government Foreign Investment Policy

Currently, for the purposes of the FATA, the Company is an Australian entity, but is not an "Australian land corporation" or a "national security business".

Generally, the FATA applies to acquisitions of a "substantial interest" in an Australian entity by a "foreign person" and its associates, where the acquisition meets a threshold value (which varies by investor type, industry and at times, economic conditions). A "substantial interest" is an interest of 20% in the entity.

In addition, the FATA applies to acquisitions of a "direct interest" in an Australian entity by a foreign government and its related entities, irrespective of the acquisition value. A direct interest is an interest of 10% in the entity but may also include an interest of less than 10% where the investor has entered into business arrangements with the entity or where the investor is in a position to influence or participate in the management and control or policy of the entity.

There are exemptions or different criteria which can apply in certain circumstances, such as the rights issue exemption for an Eligible Shareholder participating in this Entitlement Offer by taking up their Entitlements (but such rights issue exemption does not apply to the acquisition of additional Entitlements or Shortfall Shares).

Generally, where the FATA requires notification of the proposed acquisition (i.e. an exemption does not apply), the acquisition may not occur unless notice of it has been given to the Australian Federal Treasurer (via the Australian Foreign Investment Review Board (**FIRB**)) and the Australian Federal Treasurer has either notified that there is no objection to the proposed acquisition (with or without conditions) or a statutory period has expired without the Federal Treasurer objecting. An acquisition to which the FATA applies may be the subject of a divestment order by the Australian Federal Treasurer unless the process of notification, and either a no objection notification or expiry of a statutory period without objection, has occurred.

Where notification is not mandatory under the FATA:

- FIRB encourages notification to be lodged voluntarily in certain circumstances, such as investing in an entity that is a "critical goods/service provider" (which applies to the Company).
- The Australian Federal Treasurer retains the right to "call-in" that acquisition for review at any time until 10 years after the acquisition occurs, if the Australian Federal Treasurer considers that the acquisition raises a national security concern. As noted above, for the purposes of the FATA, the Company is not currently a "national security business".
- If a foreign investor voluntarily notifies the Australian Federal Treasurer (via FIRB) of the acquisition, then the "call-in" power is extinguished. However, even if the Federal Treasurer confirms that there is no objection to the proposed acquisition (with or without conditions), the Federal Treasurer retains a "last resort power" under the FATA to review the acquisition again in certain limited situations.

It is the responsibility of each applicant for New Shares to confirm whether the FATA applies to them and (if required) to comply with the FATA before accepting the Entitlement Offer, acquiring additional Entitlements and/or applying for Shortfall Shares. Failure to comply with the FATA may result in civil and/or criminal penalties.

For completeness, if a sufficient proportion of the Company's issued securities are held by "foreign persons" (or "foreign government investors"), then the Company itself (and its subsidiaries) will become a "foreign person" (or a "foreign government investor") for the purposes of the FATA and the Company and its corporate group would then be subject to regulatory compliance requirements under the FATA.

6.2 Ranking of New Shares

New Shares issued under the Entitlement Offer will rank equally with existing Shares. New Shares will be entitled to any dividends on ordinary shares with a record date after the issue of the New Shares (although no forecast is made of whether, or when, any dividends may be declared). The rights and liabilities attaching to the New Shares are set out in Hills' constitution, a copy of which was announced by Hills to the ASX on 23 November 2022.

6.3 Minimum Subscription

There is no minimum subscription for the Entitlement Offer. However, there is a requirement for at least a \$3 million raising pursuant to the Entitlement Offer as a condition precedent to the Financier Forbearance. The new Entitlement Offer enables that condition to be satisfied pursuant to the Placement and the partial underwriting of the Entitlement Offer by the Underwriter.

Persons considering acquiring Entitlements during the period of Entitlement trading should be aware of the risk that in the event that the Board withdraws the Entitlement Offer, the holders of such Entitlements will not be able to exercise those Entitlements and consequently may receive no value for those Entitlements (and will not be able to recover the funds they paid to acquire those Entitlements).

6.4 Shortfall allocation policy

Shortfall Shares will be allocated in the following priority:

- (a) firstly, Eligible Shareholders who have subscribed with Valid Applications for their full Entitlement of New Shares under the Entitlement Offer and have applied for Shortfall Shares through the Top Up Facility will be allocated Shortfall Shares, provided that no Eligible Shareholder will increase their voting power in the Company above 20% through the allocation of Shortfall Shares through the Top Up Facility.¹ In the event it is necessary to scale back applications for Shortfall Shares by Eligible Shareholders, then the scale back will be at the discretion of the Directors and, in the first instance, on a pro rata basis, based on the Entitlements of Eligible Shareholders;
- (b) then, the Underwriter will be allocated the Remaining Shortfall Shares (if any) pursuant to the Underwriting Agreement up to the Underwritten Amount; and
- (c) lastly, any remaining Shortfall Shares will be allocated to other investors (including as may be introduced to the Company by one or more stockbrokers), provided again that no investor will be entitled to increase their voting power in the Company above 20% through the allocation of the Shortfall Shares.

The Company reserves the right to issue, at its sole discretion, to an Eligible Shareholder who has applied for Shortfall Shares a lesser number of Shortfall Shares than the number applied for (or no

¹ Note that, pursuant to the Underwriting Agreement, the Underwriter has agreed with the Company that:

- the Underwriter will not subscribe for any Shortfall Shares under the Top Up Facility, nor purchase any Entitlements from other Shareholders; and
- the Underwriter will use reasonable endeavours to procure that its associates do not subscribe for any Shortfall Shares under the Top Up Facility, nor purchase any Entitlements from other Shareholders.

Shortfall Shares), issue part or all of the Shortfall Shares to new investors, reject an application or not proceed with the issuing of the Shortfall Shares or part thereof.

The Directors also reserve, subject to compliance with applicable laws and the ASX Listing Rules, the right to place (for example, as detailed above) any or all of the Shortfall Shares to one or more investors within three months of the Closing Date at a price not less than the Offer Price. Such investors may include professional or sophisticated investors, or other investors identified by the Company (or potentially identified by stockbrokers for a fee).

The Directors reserve the right to issue the Shortfall Shares at their discretion and to pay fees to stockbrokers and others as part of that issue, at the Directors' discretion.

The Directors are not entitled to participate in the Top Up Facility.

The Directors will seek to ensure that no person (other than the Underwriter, to the extent the Underwriter is issued Shortfall Shares pursuant to the Underwriting Agreement) will be issued Shortfall Shares if such issue will result in that person's voting power in the Company exceeding 20% or increasing at all, if they already hold voting power in the Company above 20%.

6.5 Reconciliation and the rights of Hills

The Entitlement Offer is a complex process and, in some instances, investors may believe that they own more Shares than they ultimately did as at the Record Date or are otherwise entitled to more New Shares than initially offered to them. These matters may result in a need for reconciliation. If reconciliation is required, it is possible that Hills may need to issue additional New Shares to ensure that the relevant investors receive their appropriate allocation of New Shares. The price at which these additional New Shares would be issued would be the Offer Price.

Hills also reserves the right to reduce the size of an Entitlement or number of New Shares allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders or other applicable investors, if Hills believes in its complete discretion that their claims are overstated or if they or their nominees fail to provide information requested to substantiate their claims. In that case, Hills may, in its discretion, require the relevant Shareholder to transfer excess New Shares to a third party, such as a stockbroker, at the Offer Price per New Share. If necessary, the relevant Shareholder may need to transfer existing Shares held by them or to purchase additional Shares on-market to meet this obligation. The relevant Shareholder will bear any and all losses caused by subscribing for New Shares in excess of their Entitlement and any actions they are required to take in this regard.

By applying under the Entitlement Offer, those doing so irrevocably acknowledge and agree to do the above as required by Hills in its absolute discretion. Those applying acknowledge that there is no time limit on the ability of Hills to require any of the actions set out above.

6.6 Taxation

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under the Entitlement Offer. The implications associated with participation in the Entitlement Offer will vary depending upon the individual circumstances of individual Eligible Shareholders.

Hills, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. As a result, Shareholders should consult their professional tax adviser in connection with subscribing for New Shares.

6.7 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw an application once it has been accepted.

6.8 Entitlements Trading

The Entitlements under the Entitlement Offer are renounceable. Accordingly, there will be trading of Entitlements (including on ASX) and you may dispose of your rights to subscribe for New Shares comprising part or all of your Entitlement to any other party (subject to compliance with applicable laws). Entitlement trading is expected to commence on Monday, 27 March 2023 and conclude on Tuesday, 4 April 2023. If you do not take up your full Entitlement and do not trade the Entitlements which you do not take up, those Entitlements that you do not take up or trade will lapse and you will not receive any payment or value for them. See Section 3 for further details.

There is no guarantee that there will be a liquid market in traded Entitlements. A lack of liquidity may impact your ability to sell your Entitlements on ASX and the price you may be able to achieve.

6.9 Risks

The Investor Presentation details important factors and risks that could affect the financial and operating performance of Hills and an investment in Shares (including New Shares). Please refer to the "Key Risks" section of the Investor Presentation for details. You should consider these risks carefully in light of your personal circumstances, including financial and taxation issues, before making an investment decision in connection with the Entitlement Offer.

6.10 Notice to nominees and custodians

Nominees and custodians may not distribute any part of this Entitlement Offer Booklet, and may not permit any beneficial Shareholder to participate in the Entitlement Offer, in any country outside Australia and New Zealand except, with the consent of the Company, to beneficial Shareholders resident in certain other countries where the Company may determine it is lawful and practical to make the Entitlement Offer.

Hills is not required to determine whether or not any registered holder or investor is acting as a nominee or custodian or the identity or residence of any beneficial owners of existing Shares or Entitlements. Where any person is acting as a nominee or custodian for a foreign person, that person, in dealing with its beneficiary, will need to assess whether indirect participation in the Entitlement Offer by the beneficiary complies with applicable foreign and domestic laws and complies with the terms of this Entitlement Offer Booklet.

6.11 Continuous Disclosure

Hills is a "disclosing entity" under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules, including the preparation of annual reports and half yearly reports.

Hills is required to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the stock market conducted by ASX. In particular, Hills has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of Shares. That information is available to the public from ASX.

6.12 Not investment advice

This Information is not a prospectus under the Corporations Act and has not been lodged with ASIC. It is also not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Hills is not licensed to provide financial product advice in respect of the New Shares. This Information does not purport to contain all the information that you may require to evaluate a possible application for New Shares, nor does it purport to contain all the information which would be required in a prospectus prepared in accordance with the requirements of the Corporations Act. It should be read in conjunction with Hills' other periodic statements and continuous disclosure announcements lodged with ASX.

(including announcements which may be made by Hills after publication of this Entitlement Offer Booklet), which are available at www.asx.com.au.

Prospective investors should conduct their own independent investigation and assessment of the Entitlement Offer and the information contained in, or referred to in, this Entitlement Offer Booklet. An investment in Hills is subject to investment risk such as possible loss of principal invested. Before deciding whether to apply for New Shares, you should consider all materials sent to you in relation to the Entitlement Offer and all relevant materials lodged with ASX (including materials which may be lodged with ASX after publication of this Entitlement Offer Booklet), and whether the New Shares are a suitable investment for you in light of your own investment objectives, financial circumstances and investment needs (including financial and taxation issues) and having regard to the merits or risks involved (including the "Key Risks" set out in the Investor Presentation). If, after reading the Information, you have any questions about the Entitlement Offer, you should contact your stockbroker, accountant or other independent professional adviser or call the Hills Information Line on 1300 495 169 (within Australia) or +61 1300 495 169 (outside Australia) from 9:00am to 5:00pm (Sydney time), Monday to Friday. For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser during the Entitlement Offer period.

6.13 Rounding of Entitlements

Where fractions arise in the calculation of Entitlements, they will be rounded up to the nearest whole number of New Shares.

6.14 Quotation and trading

Hills will apply to the ASX for official quotation of the New Shares in accordance with the ASX Listing Rules requirements. Application money will be held on trust in a subscription account until allotment. No interest earned on application monies will be paid by Hills, irrespective of whether allotment takes place.

If ASX does not grant quotation of the New Shares, Hills will repay all application monies (without interest).

Subject to approval being granted, it is expected that normal trading of New Shares allotted under the Entitlement Offer will commence on or around Friday, 21 April 2023.

6.15 Information availability

Eligible Shareholders can obtain a copy of this Information during the period of the Entitlement Offer on the Hills website at <https://www.hills.com.au/> or by calling Hills. Eligible Shareholders who access the electronic version of this Information should ensure that they download and read the entire Information. The electronic version of this Information on the Hills website will not include a personalised Entitlement and Acceptance Form.

A replacement Entitlement and Acceptance Form can be obtained by downloading a copy from <http://events.miraql.com/HIL-offer> during the period of the Entitlement Offer or by calling the Hills Information Line on 1300 495 169 (within Australia) or +61 1300 495 169 (outside Australia) from 9:00am to 5:00pm (Sydney time), Monday to Friday during the Entitlement Offer period. For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

6.16 Governing law

This Information, the Entitlement Offer and the contracts formed on acceptance of the Entitlement Offer (including pursuant to the personalised Entitlement and Acceptance Forms) are governed by the laws applicable in Western Australia, Australia. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of Western Australia, Australia.

6.17 Foreign jurisdictions

This Entitlement Offer Booklet does not constitute an offer of New Shares in any jurisdiction in which it would be unlawful. In particular, this Entitlement Offer Booklet may not be distributed to any person, and the Entitlements and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

New Zealand

The Entitlements and the New Shares are not being offered to the public within New Zealand other than to existing Shareholders with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2021. The Entitlements are renounceable in favour of members of the public.

This Entitlement Offer Booklet has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013. This Entitlement Offer Booklet is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

6.18 Privacy

As a Shareholder, Hills and the Share Registry have already collected certain personal information from you. If you apply for New Shares, Hills and the Share Registry may update that personal information or collect additional personal information. Such information may be used to assess your acceptance of the New Shares, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

To do that, Hills and the Share Registry may disclose your personal information for purposes related to your shareholdings to their agents, contractors or third party service providers to whom they outsource services, in order to assess your application for New Shares, the Share Registry for ongoing administration of the register, printers and mailing houses for the purposes of preparation for the distribution of shareholder information and for handing of mail, or as otherwise permitted under the *Privacy Act 1988* (Cth).

If you do not provide us with your personal information, we may not be able to process your application. In most cases you can gain access to your personal information held by (or on behalf of) Hills or the Share Registry. We aim to ensure that the personal information we retain about you is accurate, complete and up to date. To assist us with this please contact us if any of the details you have provided change. If you have concerns about the completeness or accuracy of the information we have about you, we will take steps to correct it. You can request access to your personal information by telephoning the Share Registry on +61 1300 554 474.

6.19 Disclaimer of representations

No person is authorised to give any information, or to make any representation, in connection with the Entitlement Offer that is not contained in this Information.

Any information or representation that is not in this Information may not be relied on as having been authorised by Hills, or its related bodies corporate in connection with the Entitlement Offer. None of Hills, or any other person, warrants or guarantees the future performance of Hills or any return on any investment made pursuant to this Information or its content.

6.20 Withdrawal of the Entitlement Offer

Hills reserves the right to withdraw all or part of the Entitlement Offer and this Information at any time, subject to applicable laws, in which case Hills will refund application monies in relation to New Shares not already issued in accordance with the Corporations Act and without payment of interest.

To the fullest extent permitted by law, you agree that any application monies paid by you to Hills will not entitle you to receive any interest and that any interest earned in respect of application monies will belong to Hills.

7. GLOSSARY

In this Entitlement Offer Booklet, unless the context requires otherwise:

\$ or A\$ means the lawful currency of Australia.

Allotment Date means the day for allotment of the New Shares, being Thursday, 20 April 2023 (or such other time and date as the Board may determine).

Announcement Date means Thursday, 23 March 2023.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 or where the context requires, the financial market operated by it known as the Australian Securities Exchange.

ASX Listing Rules or **Listing Rules** means the listing rules of the ASX as amended from time to time.

Board means the board of Directors of the Company.

Business Day has the meaning set out in the ASX Listing Rules.

Closing Date means 5:00pm (Sydney time) on Thursday, 13 April 2023 (or such other time and date as the Board may determine).

Company or **Hills** means Hills Limited ACN 007 573 417.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company.

EFT means Electronic Funds Transfer.

Eligible Shareholder has the meaning given to that term in Section 2.1.

Entitlement means an Eligible Shareholder's entitlement to subscribe for New Shares under the Entitlement Offer.

Entitlement and Acceptance Form has the meaning given to that term in the Chairman's Letter in this Entitlement Offer Booklet.

Entitlement Offer has the meaning given to that term in the Chairman's Letter in this Entitlement Offer Booklet.

Entitlement Offer Booklet means this Entitlement Offer Booklet.

Equity Security has the meaning given to that term in the ASX Listing Rules.

FATA has the meaning given to that term in the Important Notices.

Financier means Amal Security Services Pty Limited ACN 609 790 758 as trustee for CWPDMF.

Financier Forbearance has the meaning given to that term in the Chairman's Letter in this Entitlement Offer Booklet.

FIRB has the meaning given to that term in Section 6.1.

Fully Diluted Basis means calculating the number of Shares which would be held by the Underwriter or percentage holding which the Underwriter would have, having regard to the total aggregate Shares in the Company which would be on issue if all the Equity Securities in the Company capable of conversion into or exercisable in exchange for Shares (including, without limitation, options) were converted into or exchanged for Shares.

Government Agency means any government or any government department, governmental, semi-governmental, administrative, fiscal, judicial, investigative, review or regulatory body, department, commission, authority, tribunal, agency, stock exchange or entity in any jurisdiction relevant to the Entitlement Offer, including ASX, ASIC and the Australian Takeovers Panel.

Group means the Company and each of its subsidiaries.

Ineligible Holder Nominee means Taylor Collison.

Ineligible Shareholder has the meaning given to that term in Section 6.1.

Ineligible Shares has the meaning given to that term in Section 6.1.

Information has the meaning given to that term in Section 6.

Investor Presentation means the Company's Investor Presentation, which was announced to the ASX on Thursday, 23 March 2023 and has been reproduced in Section 4 of this Entitlement Offer Booklet.

New Share means a Share offered under the Entitlement Offer (including any Shortfall Shares).

Offer Launch Announcement means the Company's initial announcement in relation to the Entitlement Offer, which was announced to the ASX on Thursday, 23 March 2023 and has been reproduced in Section 4 of this Entitlement Offer Booklet.

Offer Materials means:

- (a) the notice prepared by the Company for the Entitlement Offer pursuant to section 708AA of the Corporations Act;
- (b) all announcements released to the ASX by the Company in connection with the Entitlement Offer, including the investor presentation in connection with the Entitlement Offer;
- (c) this Entitlement Offer Booklet and any supplementary or replacement disclosure document;
- (d) all correspondence delivered to Eligible Shareholders or Ineligible Shareholders in respect of the Entitlement Offer and approved by the Company (or on their behalf with their consent); and
- (e) all announcements to ASX, presentation materials, public and other media statements made by or on behalf of the Company on or after the Announcement Date and up to and including the Allotment Date in relation to the affairs of the Company or the Entitlement Offer, including amendments or updates to any Offer Materials, or in relation to bids or applications received for New Shares or the progress or results of the Entitlement Offer, in each case by the Company (or on its behalf with its consent).

Offer Price has the meaning given to that term in the Chairman's Letter in this Entitlement Offer Booklet, being A\$0.02 per New Share.

Placement has the meaning given to that term in the Chairman's Letter in this Entitlement Offer Booklet.

Placement Share has the meaning given to that term in the Chairman's Letter in this Entitlement Offer Booklet.

Prescribed Occurrence means:

- (a) the Company converting all or any of its Shares into a larger or smaller number of Shares;
- (b) the Company resolving to reduce its share capital in any way;
- (c) the Company:
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under section 257C or 257D of the Corporations Act;
- (d) the Company disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (e) the Company charging, agreeing to charge, the whole, or a substantial part, of its business or property;
- (f) the Company resolving that it be wound up;
- (g) the appointment of a liquidator or provisional liquidator to the Company;
- (h) the making of an order by a court for the winding up of the Company;
- (i) an administrator of the Company, being appointed under section 436A, 436B or 436C of the Corporations Act;
- (j) the Company executing a deed of company arrangement; or
- (k) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of the Company.

Record Date means 7:00pm (Sydney time) on Tuesday, 28 March 2023.

Remaining Shortfall Shares has the meaning given to that term in Section 5.1.

Section means a section of this Entitlement Offer Booklet.

Share means a fully paid ordinary share in the capital of Hills.

Shareholder means a registered holder of one or more Shares.

Share Registry means Link Market Services Limited.

Shortfall Shares means the New Shares (including Ineligible Shares as detailed in Section 6.1) for which Valid Applications have not been received by 5.00pm (Sydney time) on the Closing Date.

Subscription Agreement means the subscription agreement between the Company and the Underwriter, pursuant to which the Underwriter was issued the Placement Shares.

Taylor Collison means Taylor Collison Limited ACN 008 172 450 (AFSL number 247083).

Top Up Facility has the meaning given to that term in the Chairman's Letter in this Entitlement Offer Booklet.

Underwriter means Historical Holdings Pty Ltd ACN 057 726 235.

Underwriting Agreement has the meaning given to that term in Section 5.1.

Underwritten Amount has the meaning given to that term in Section 5.1.

Underwritten Shares has the meaning given to that term in Section 5.1.

US Securities Act means the US Securities Act of 1933.

Valid Application means in respect of the Entitlement Offer:

- (a) a duly completed Entitlement and Acceptance Form received by the Company or the Share Registry with payment for the Offer Price (in cleared funds) for each New Share applied for; or
- (b) payment for the New Shares applied for by BPAY[®],

by 5.00pm (Sydney time) on the Closing Date.

Withdrawn Offer means the entitlement offer announced by the Company to the ASX on 13 March 2023, which the Company has withdrawn.

8. ENTITLEMENT AND ACCEPTANCE FORM



All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: 02 9749 0900
From outside Australia: +61 2 9749 0900
ASX Code: HIL
Website: www.linkmarketservices.com.au

IID:

SRN/HIN:

Entitlement Number:

**Number of Shares held as
at the Record Date, 7:00pm (AEDT)
on Tuesday, 28 March 2023:**

**Entitlement to New Shares
(on a 1.35 New Shares for 1 basis):**

**Amount payable on full acceptance
at A\$0.02 per New Share:**

Offer Closes
5:00pm (AEDT): **Thursday, 13 April 2023**

As an Eligible Shareholder you are entitled to acquire 1.35 New Shares for every 1 existing Share that you hold on the Record Date, at an Offer Price of A\$0.02 per New Share. This is an important document and requires your immediate attention. If you do not understand it or you are in doubt as how to deal with it, you should contact your accountant, stockbroker, solicitor or other professional adviser.

IMPORTANT: The Offer is being made under the Entitlement Offer Booklet dated 23 March 2023. The Entitlement Offer Booklet contains information about investing in the New Shares. Before applying for New Shares, you should carefully read the Entitlement Offer Booklet. This Entitlement and Acceptance Form should be read in conjunction with the Entitlement Offer Booklet.

PAYMENT OPTION

If you wish to take up all or part of your Entitlement (as shown above), or take up all of your Entitlement and apply for additional New Shares, you have the following payment option:

PAYING BY BPAY®

When paying by BPAY®, refer to the instructions overleaf. **You do NOT need to return this Entitlement and Acceptance Form if you elect to make payment by BPAY®.** Payment must be received via BPAY® before 5:00pm (AEDT) on Thursday, 13 April 2023. You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry in time. By paying by BPAY® you will be deemed to have completed an Entitlement and Acceptance Form for the number of New Shares the subject of your application payment.



Ref:

Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. More info: www.bpay.com.au

® Registered to BPAY Pty Ltd ABN 69 079 137 518

See overleaf for details and further instructions on how to complete and lodge this Entitlement and Acceptance Form. If you do not take up or sell your rights, you may not receive any value for them. It is important that you decide whether to accept or sell your rights in accordance with the Entitlement Offer Booklet.

THIS IS A PERSONALISED FORM FOR THE SOLE USE OF THE SHAREHOLDER AND HOLDING RECORDED ABOVE.

A Number of New Shares applied for and accepted

□ □ □ , □ □ □ , □ □ □

B Payment amount
(Multiply the number in section A by A\$0.02)

A\$

☐ , ☐ , ☐ • ☐

HILLS LIMITED

The Entitlement Offer to which this Entitlement and Acceptance Form relates is not being made to investors located or resident outside of Australia and New Zealand. In particular the Entitlement Offer is not being made to any person in the U.S. or to a U.S. person. The Entitlement Offer Booklet and Entitlement and Acceptance Form do not constitute an offer or invitation to acquire Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

ACCEPTANCE OF ENTITLEMENT OFFER

By either returning the Entitlement and Acceptance Form with payment to the Registry, or making payment received by BPAY®:

- you declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;
- you represent and warrant that you have read and understood the Entitlement Offer Booklet and that you acknowledge the matters, and make the warranties and representations set out in the Entitlement Offer Booklet (including sections 3 and 6 of the Entitlement Offer Booklet);
- you provide authorisation to be registered as the holder of New Shares acquired by you and agree to be bound by the Constitution of Hills Limited.

HOW TO APPLY FOR NEW SHARES

1. PAYING BY BPAY® (AVAILABLE TO SHAREHOLDERS WITH AN AUSTRALIAN BANK ACCOUNT ONLY)

To make payment using BPAY® you must contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. For more information on paying by BPAY®, visit www.bpay.com.au

Work out the total amount payable by you. To calculate the total amount, multiply the number of New Shares you wish to apply for by A\$0.02.

Refer overleaf for the Biller Code and Reference Number. The Reference Number is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the Reference Number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares that you wish to apply for in respect of that holding.

2. OVERSEAS SHAREHOLDERS

The Entitlement Offer Booklet and Entitlement and Acceptance Form do not constitute an offer of securities in any jurisdiction outside of Australia, New Zealand or to any person to whom it would not be lawful to issue the Entitlement Offer Booklet. By applying for New Shares under this Entitlement and Acceptance Form or by accepting this offer, you represent and warrant that applying for New Shares does not breach any law in any relevant overseas jurisdiction.

If you require further information on how to complete this Entitlement and Acceptance Form, please contact the Hills Limited Offer Information Line on 02 9749 0900 (within Australia) or +61 2 9749 0900 (from outside Australia) between 9:00am and 5:00pm (AEDT) Monday to Friday during the Entitlement Offer period.

HILLS.TM