



ASX ANNOUNCEMENT
ASX CODE: BUG

15 February 2017

Notice under section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (as notionally inserted by ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82)

1. Cleansing Notice

This notice (**Cleansing Notice**) is given by BUG under section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as notionally inserted by ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82).

This Cleansing Notice is important and should be read in its entirety. Neither ASIC nor ASX take responsibility for the contents of this Cleansing Notice.

2. Background

As approved by shareholders at the extraordinary general meeting held on 20 December 2016 (**EGM**), Buderim Group Limited (**BUG** or **Company**) is undertaking a number of transactions (together, the **Transactions**), including:

- (a) issue of 6,504,463 fully paid ordinary shares in BUG (**Shares**) to AMD (**Placement**);
- (b) pro rata renounceable rights issue of Shares on a 1 for 2 basis, fully written by AMD (**Underwritten Rights Issue**); and
- (c) issue of:
 - a) 25,000,000 convertible notes to Wattle Hill RHC Fund 1 SPV1 L.P. (**the Fund**); and
 - b) 12,500,000 convertible notes to AMD,

at \$0.40 per convertible note (each, a **Convertible Note**) to raise a total of \$15 million (before expenses and less any and all costs, charges or expenses incurred by AMD and the Fund or their associates in connection with the Transactions, as determined by them, acting reasonably, and notified to BUG in writing prior to the issue date of the convertible notes, up to a maximum of \$400,000) (**Costs Adjustment**) (**Convertible Notes Issue**).

The Placement completed on 28 December 2016 and the Convertible Notes Issue completed on 15 February 2017.

The Convertible Notes have been issued without disclosure under Part 6D.2 of the Corporations Act. This Cleansing Notice is to enable Shares issued on conversion of Convertible Notes to be on sold without disclosure to retail investors.

3. Effect of the Convertible Notes Issue on BUG

Shareholders have previously approved the issue of the Convertible Notes and subsequent conversion of the Convertible Notes to Shares at the EGM. The notice of meeting and explanatory memorandum to the EGM (**Notice of Meeting**) sets out in detail the effect of the Transactions as whole to BUG. It is important for shareholders to consider the contents of the Notice of Meeting in conjunction to this Cleansing Notice as the Transactions are contingent upon each other.

The Convertible Notes Issue will have the following key effects on BUG:

- (a) increase the Company's cash reserves by approximately \$15 million, less the Costs Adjustment;
- (b) increase the Company's indebtedness by the amount of the aggregate face value of the Convertible Notes (approximately \$15 million) plus all accrued and unpaid interest;
- (c) each Convertible Note will be secured against the land and factories (including fixtures) of the Company located in the USA, Fiji and Australia ranking second only to pre-existing security granted to Rabobank (or any other primary financier substituted for Rabobank with consent from AMD and the Fund); and
- (d) AMD or the Fund may convert all or a part of the Convertible Notes into Shares on a one for one basis, provided that conversion must not occur before completion of the Underwritten Rights Issue. If the Convertible Notes are converted in whole or in part, this will dilute the existing shareholding in the Company. The effect of conversion on the Company's capital structure is shown in section 5 below.

4. Pro forma Statement of Financial Position

The pro-forma Statement of Financial Position shown in the table below has been prepared on the following basis:

- (a) The 30 June 2016 Audited Balance Sheet has been used as a base position to illustrate the impact of the Placement and Convertible Notes Issue.
- (b) The issue of 6,504,463 fully paid ordinary shares at \$0.40 per share is illustrated at Step 1 in the table.
- (c) The issue of 37,500,000 Convertible Notes at \$0.40 per Convertible Note raising a total of \$15 million (before expenses and less any and all costs, charges or expenses) is shown at Step 2 in the table.

As at	30 Jun 16		Step 1	Step 2	Pro-forma - Pursuant to Placement and Convertible Notes issue
	Audited	Reclassification of assets classified as held for sale	Issue Placement	Issue of Convertible Notes	
\$000 unless otherwise stated					
Current assets					
Cash and cash equivalents	3,901	-	2,602	15,000	21,503
Trade and other receivables	13,358	-	-	-	13,358
Inventories	25,892	-	-	-	25,892
Current tax assets	319	-	-	-	319
Other current assets	962	-	-	-	962
Assets classified as held for sale	10,825	(10,825)	-	-	-
Total current assets	55,257	(10,825)	2,602	15,000	62,034
Non-current assets					
Investment accounted for using the equity method	1,162	-	-	-	1,162
Property, plant and equipment	20,370	10,825	-	-	31,195
Biological assets	6,076	-	-	-	6,076
Deferred tax assets	9,533	-	-	-	9,533
Intangible assets	389	-	-	-	389
Total non-current assets	37,530	10,825	-	-	48,355
Total assets	92,787	-	2,602	15,000	110,389
Current liabilities					
Trade and other payables	18,664	-	-	-	18,664
Interest-bearing liabilities	23,951	-	-	-	23,951
Short-term provisions	587	-	-	-	587
Total current liabilities	43,202	-	-	-	43,202
Non-current liabilities					
Interest-bearing liabilities	89	-	-	15,000	15,089
Deferred tax liabilities	9,220	-	-	-	9,220
Long-term provisions	149	-	-	-	149
Total non-current liabilities	9,458	-	-	15,000	24,458
Total liabilities	52,660	-	-	15,000	67,660
Net assets	40,127	-	2,602	-	42,729
<i>Net assets per share (cents)</i>	<i>0.93</i>				<i>0.86</i>
Equity					
Issued shares (millions)	43.36	43.36	6.50	0.00	49.87
Non-Associated Shareholders (millions)	43.36	43.36	0.00	0.00	43.36
Non-Associated Shareholders %	100.00%	100.00%	86.96%	86.96%	86.96%
AMD - ordinary shares (millions)	0.00	0.00	6.50	0.0	6.50
AMD - ordinary shares %	0.00%	0.00%	13.04%	13.04%	13.04%
Convertible Notes (millions)	0.00	0.00	0.00	37.5	37.5
Contributed equity	39,272	-	2,602	-	41,874
Reserves	11,038	-	-	-	11,038
Retained earnings/(accumulated losses)	(10,183)	-	-	-	(10,183)
Total equity	40,127	-	2,602	-	42,729

5. Effect of the Convertible Notes Issue on capital structure

Type of security	Number on issue
Shares	49,363,090
Convertible Notes	37,500,000

Notes:

1. Includes 6,504,463 Shares issued to AMD on 28 December 2016 pursuant to the Placement.

Assuming all Convertible Notes are converted to Shares (following completion of the Underwritten Rights Issue), the overall capital structure of the Company will be as follows:

Shareholder	Number of Shares (assuming all rights taken up by Shareholders)	Percentage interest	Number of Shares (assuming no rights taken up by Shareholders)	Percentage interest
All existing Shareholders other than AMD and its associates	65,044,635	57.9%	43,363,090	38.6%
AMD	22,256,695	19.8%	43,938,240	39.1%
The Fund	25,000,000	22.3%	25,000,000	22.3%
TOTAL	112,301,330	100%	112,301,330	100%

Notes:

1. The Convertible Notes will not be converted prior to completion of the Underwritten Rights Issue. AMD is the underwriter of the Underwritten Rights Issue.
2. AMD holds a relevant interest of 13.04% pursuant to the Placement which completed on 28 December 2016.
3. Assumes conversion on a one for one basis.

6. Rights and liabilities attaching to the Convertible Notes

Securities offered	Each Convertible Note is convertible into one Share (subject to adjustment to the conversion ratio as set out below), which will be listed on the ASX and rank equally with all other Shares.
Currency	Australian dollars.
Issue price per Convertible Note	Forty cents (\$0.40) per Convertible Note minus the Costs Adjustment (calculated on a per Convertible Note basis). For clarity, no amount is payable on conversion.
Denomination / Face Value	Forty cents (\$0.40) per Convertible Note.
Total number subscribed	A total of 37,500,000 Convertible Notes as follows: (a) 25,000,000 Convertible Notes will be subscribed by the Fund; and (b) 12,500,000 Convertible Notes will be subscribed by AMD.
Issue price payment date	The Convertible Note issue price will be payable on the issue date, being two business days after satisfaction (or waiver) of all conditions precedent specified under the Transaction Implementation Deed.
Total issue size	Fifteen million dollars (\$15,000,000), less the relevant Costs Adjustment amount.

Maturity Date	Three (3) years from the date of issue of the Convertible Notes, being two business days after the satisfaction or waiver of all conditions precedent under the Transaction Implementation Deed.
Number of Shares to be issued on conversion	If all of the Convertible Notes are converted, 37,500,000 Shares (subject to adjustment to the conversion ratio as set out below).
Interest	4.5% per annum, payable annually in arrears or, with the agreement of AMD or the Fund, accrued as a liability and payable no later than 12 months after the relevant due date for the interest payment.
Conversion rights	<p>(a) On conversion, each Convertible Note will convert into one Share (subject to adjustment to the conversion ratio as set out below).</p> <p>(b) AMD or the Fund may, at its election, convert any or all of the Convertible Notes at any time on or before the maturity date but may not be converted before the record date for the Underwritten Rights Issue.</p>
Redemption	AMD or the Fund at their election require that the Company redeem any Convertible Notes not converted and held by it on the Maturity Date by seven days written notice and the Issuer must pay to the Subscriber the face value for each Convertible Note.
Adjustment of conversion ratio	<p>The number of Shares into which each Convertible Note will be converted will be adjusted in certain circumstances where the issued capital of the Company is varied, including:</p> <p>(a) a sub-division or consolidation of Shares; or</p> <p>(b) any other reorganisation or reconstruction of Shares where the Company does not pay or receive cash.</p> <p>(c) any issue of Shares for less than the market value of Shares or for less than \$0.40;</p> <p>(d) any distribution made by the Company other than by way of dividend; and</p> <p>(e) any other type of event (including the issue of securities) which could have a diluting or concentrative effect on the value of Shares or otherwise affect the value of the Convertible Notes,</p> <p>but excluding:</p> <p>(f) the Underwritten Rights Issue and the Placement;</p> <p>(g) conversion of Convertible Notes;</p> <p>(h) issues under any employee incentive or share plan or other employee incentive arrangement; and</p> <p>(i) any event or transaction which all noteholders agree in writing will not be an “adjustment event”.</p>
Transferability	AMD or the Fund may transfer the Convertible Notes in their discretion.
Governing law	Queensland, Australia.

Security	<p>The Company will grant security ranking second only to pre-existing security granted to Rabobank over its land and factories located in the USA, Fiji and Australia (or to any other primary financier substituted for Rabobank with consent from AMD and the Fund), to secure its obligations under the Convertible Notes (the Mortgages).</p> <p>While the Convertible Notes are on issue, the Company undertakes that the total consolidated indebtedness of the Company and its subsidiaries to Rabobank and each other lender who holds security over one or more assets subject to the Mortgages which security ranks in priority to the Mortgages, must not exceed \$10 million, provided that such undertaking shall not prevent the Company from incurring further</p>
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7. **Rights and liabilities attaching to the Shares issued on conversion of the Convertible Notes**

Shares issued on conversion of the Convertible Notes will rank equally in all respects with other Shares on issue and will be quoted on the ASX. The following is a broad summary of the rights attaching to the Shares.

Variation of rights	The rights of Shares may only be varied by consent in writing of the holders of 75% of issued Shares, or by the passing of a special resolution.
General meetings and notice	Each shareholder has the right to receive notice of and to attend and vote at general meetings of BUG.
Dividends	Dividends may be paid to shareholders as declared by the Board at its discretion.
Rights on winding up	If the Company is wound up, the Shares attract the right to participate equally in the distribution of the assets of BUG (both capital and surplus), subject to unpaid amounts on the Share.
Transfer	Shareholders may transfer Shares subject to the requirements of the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules. The Board may do anything it considers necessary or desirable and which is permitted by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules to facilitate the participation by the Company in any computerised or electronic system established or recognised by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules for the purposes of facilitating dealings in Shares. The Board may refuse to register any transfer of Shares if permitted or required to do so by the ASX Listing Rules.
ASX Listing Rules	To the extent of any inconsistency, the ASX Listing Rules prevail over the Company's constitution.

8. **Compliance with continuous disclosure**

BUG is a disclosing entity under the Corporations Act and is subject to regular reporting and disclosure obligations. These obligations require the Company to notify ASX of information about specified events and matters as they arise for the purposes of making that information available to the market. The Company is also required to prepare and lodge with ASIC half yearly and yearly financial statements accompanied by a Directors' statement and report and an auditor's report.

As at the date of this Cleansing Notice, BUG has complied with:

- (a) the provisions of Chapter 2M of the Corporations Act, as they apply to BUG;
- and

- (b) section 674 of the Corporations Act, as it applies to BUG.

Copies of any documents in relation to the company which are lodged with ASIC may be obtained from, or inspected at, an ASIC office.

The Company will provide a copy of the following to any person on request free of charge:

- (a) the annual financial report most recently lodged with ASIC by BUG;
- (b) any half-year report lodged with ASIC after lodgment of that annual financial report and before the lodgment of this Cleansing Notice; and
- (c) any continuous disclosure notices given after the lodgment of that annual financial report and before the lodgment of this Cleansing Notice.

9. No excluded information

As at the date of this notice, other than as set out in this Cleansing Notice, there is no information that:

- (a) has been excluded from a continuous disclosure notice in accordance with the listing rules of the prescribed financial market whose operator was given the notice; and
- (b) is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the body; and
 - (ii) the rights and liabilities attaching to the Convertible Notes or Shares.

ENDS

For further information please contact:

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Roger Masters, CEO on 0418 777 346

Andrew Bond, CFO and Company Secretary on 0400 912 023