

Media Release

June 6, 2018

Update

Cash flow

As previously announced, Godfreys Group Limited (ASX:GFY) has a new executive team in place, including a new Chief Executive Officer and Chief Financial Officer.

This team is in the process of reviewing cash flow numbers.

Preliminary indications are that the Godfreys business may, without further financial support, experience cash flow challenges in early July 2018. It must be stressed that these indications are based on a high level analysis by the new executive team, which is all that has been possible in the short time available. Work is currently underway to verify this position.

Godfreys has commenced discussions with its principal financier, 1918 Finance Pty Ltd (1918 Finance), about an extension to the limit on its existing \$30m senior debt facility.

1918 Finance has agreed to consider the extension, but requires a substantial repayment proposal from Godfreys as part of any submission for additional financial accommodation. The Godfreys Board is seeking advice about all the options available to the company, including a rights issue, and will update the market appropriately in due course.

As indicated in Arcade's bidders' statement, should Arcade reach a 90% relevant interest in Godfreys, it will proceed to compulsorily acquire all outstanding shares under the compulsory acquisition provisions of the Corporations Act 2001. It is noted that, as of yesterday, Arcade had received acceptances from more than 80% of shareholders.

Earnings Guidance

In addition to verifying cash flow numbers, the executive team and external advisers are verifying earnings projections. It is likely that there will be a further announcement about this in the near future and, in the event that forecast earnings differ materially from previously published earnings guidance, Godfreys will update the market to this effect. In the meantime, it would be prudent for shareholders and investors not to rely on previously published earnings guidance.

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