



CML GROUP TO RAISE \$10.4M TO ACCELERATE FINANCE BUSINESS GROWTH

NON-RENOUNCEABLE PARTIALLY UNDERWRITTEN 1:9 ENTITLEMENT ISSUE OF UNSECURED CONVERTIBLE NOTES

CML Group Limited (the “**Company**”) is pleased to announce a partially underwritten non-renounceable entitlement issue of convertible notes. Eligible shareholders are offered the opportunity to subscribe for a 5 year, 9% pa convertible note (the “**Convertible Note**”) for every nine fully paid ordinary shares held in the Company at 5:00pm on Friday, 2 January 2015 at an issue price of \$1.00 per convertible note (the “**Entitlement Issue**”).

The Convertible Notes have a face value of \$1.00 and will convert into an equivalent value of shares at a price of \$0.25 per share, equivalent to four fully paid ordinary shares per convertible note.

The Company is not required to seek Shareholder approval in connection with the Entitlement Issue.

The issue is partially underwritten by Halcyon Corporate Pty Ltd (“**Halcyon**”) and Baillie Asset Management Ltd (“**Baillie**”) to the value of \$5,000,000. Halcyon has also been mandated on a best endeavours basis to procure subscribers on the Company’s behalf on a private placement basis after the entitlement period for any additional shortfall of Convertible Notes not accepted by shareholders of the Company or underwritten. The Underwriters are entitled to a 5% underwriting fee.

Funds raised by issuing the Convertible Notes will be used to:

- provide the additional capital required to fund the growth in the Company’s finance division; and
- pay for costs of the Offer.

CML Group Managing Director Daniel Riley, said of the capital raising; “This is an important step in our phased funding plan. The convertible note will underpin the growth in the factor financing loan book, which has been limited not by sales, but access to appropriate funding. As previously advised, the Company is targeting a loan book of \$25m by December 2015. The note combined with existing facilities and equity will be sufficient funding for the business to achieve this milestone.”

Halcyon Corporate acted as Corporate Advisor and Lead Manager to the capital raising.



Key Terms of the Offer

Offer Price	\$1.00
Face Value	\$1.00
Conversion basis	Each Convertible Note will convert to such number of Shares as is equal to the Face Value divided by the price per Share which is fixed at \$0.25.
Expected Offer Allotment Date	29 January 2015
Expected quotation date on ASX	30 January 2015
Term	Five (5) years from date of issue of the Convertible Note.
Interest Rate	<p>Interest will be payable on the Convertible Note at the rate of 9% per annum.</p> <p>Interest will accrue daily prior to the Maturity Date and will be payable in arrears after 30 June and 31 December of each calendar year commencing on 30 June 2015 with the first payment being accrued interest to that date.</p> <p>Interest payable will be paid no later than ten (10) Business Days after the relevant Interest Payment Date.</p>
Unsecured liability	The Convertible Notes are unsecured and rank equally with the other unsecured liabilities in the Company.
Timing of Conversion	The Convertible Notes may be converted by a Noteholder during the 5 year term at any of the times described in Term 4.1(a) of the Terms of Issue contained at Appendix A.
Ranking on Conversion	A Share issued on conversion of a Convertible Note will rank equally with existing Shares on issue.
Early Conversion by the Company	The Company may, in its discretion, convert all or part (pro rata across Noteholders) of the Convertible Notes, when the volume weighted average price of fully paid ordinary shares of the Company calculated over 20 trading days is equal to or greater than \$0.35, by giving the Noteholders fourteen (14) days' notice of early conversion.
Redemption	<p>The Company is required to redeem the unconverted Convertible Notes for the face value of the Convertible Note plus unpaid interest on the earlier of:</p> <ul style="list-style-type: none"> a) the receipt by the Company of a Redemption Notice in respect of the Convertible Note from either the Trustee or the Noteholder; or b) on a change in control of the Company (including by takeover) or sale of the Company's main undertaking unless the Trustee or Noteholder elects to convert the Convertible Notes; or c) the Maturity Date.
Reconstruction	If there is a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the basis for conversion of the Convertible Notes will be reconstructed in the same proportion as the issued capital of the Company is reconstructed and in a manner which will not result in any additional benefits being conferred on the Noteholder which are not conferred on the shareholders of the Company.
Cumulative	<p>Interest on the Convertible Notes not paid when due shall cumulate.</p> <p>If interest is not paid it is considered an event of default under the Note Trust Deed and the Noteholder can elect to redeem.</p>
Dividend Stopper	If, for any reason, interest on the Convertible Notes is not paid within ten

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	(1) Business Days after the applicable Interest Payment Date, The Company must not, without the consent of the Trustee, pay dividends or return capital on its Shares until such time the outstanding interest on the convertible notes is paid in full.
Voting rights	A Noteholder may not attend or vote at meetings of members of the Company unless provided for by the ASX Listing Rules or the Corporations Act.

Indicative Timetable

Event	Timing
Announcement of the Offer	Monday 22 December 2014
Lodgement Date (Prospectus lodged with ASIC and ASX Appendix 3B lodged with ASX)	Monday 22 December 2014
Exposure Period begins Note: Applications for Convertible Notes under this Prospectus will not be accepted by the Company during the Exposure Period.	Monday 22 December 2014
Dispatch of notice to Eligible Shareholders and Ineligible Shareholders	Tuesday 23 December 2014
“Ex” date	Tuesday 30 December 2014
Exposure Period ends	Friday 2 January 2015
Record Date	Friday 2 January 2015
Announcement that Prospectus has been dispatched to Eligible Shareholders	Wednesday 7 January 2015
Dispatch of Prospectus to Eligible Shareholders	Wednesday 7 January 2015
Opening Date	Thursday 8 January 2015
Last date to extend the offer Closing Date	Friday 16 January 2015
Closing Date	Wednesday 21 January 2015
Convertible Notes quoted on a deferred settlement basis	Thursday 22 January 2015
Company advises ASX and Underwriter of shortfall	Tuesday 27 January 2015
Shortfall Closing Date	Wednesday 28 January 2015
Settlement Date of Offer (including pursuant to the Underwriting Agreement)	Thursday 29 January 2015
Deferred Settlement Trading ends and Issue date	Thursday 29 January 2015
Expected date of Official Quotation of Convertible Notes on a normal T+3 basis	Friday 30 January 2015

* Dates and times in this Prospectus are indicative only and subject to change. The Company in conjunction with the Underwriter, reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws to withdraw, or vary the dates and times of, the Offer without notice. The Directors also reserve the right to withdraw all or part of the Offer at any time prior to the issue of the Convertible Notes.



ABOUT CML GROUP

The Company delivers finance, payroll & employment solutions, enabling its clients to focus on and succeed in their core activities.

The Finance division undertakes 'factoring' or 'receivables finance'. Through the factoring facility the Company provides an advance payment of up to 80% of a client's invoice to help their business overcome the cash pressure of delivering goods or services in advance of payment from their customer (often 30 to 60 days). This is a flexible line of credit that is utilized in line with sales volume. The Company will consider an additional advance to a client (above the usual 80%) on occasion, for an additional fee and when there is adequate security from the client to cover the position.

The Payroll & Employment division provides 'managed employment' services to clients that do not wish to engage their workforce directly, generally as they do not have the processes, systems, insurances or desire to employ directly. This division also includes labour sourcing through recruitment agency panel management, project management and a migration practice.